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Tuesday, November 23, 2010

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Chair

Mr. Larry Miller

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• (0845)

[English]

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

We have some housekeeping to do on supplementary estimates.

AGRICULTURE AND AGRI-FOOD

Department

Vote 1b—Operating expenditures.....\$4,666,164

Vote 5b—Capital expenditures.....\$7,255,543

Vote 10b—The grants listed in the Estimates and contributions.....\$25,859,109

Canadian Food Inspection Agency

Vote 30b—Operating expenditures and contributions – To authorize the transfer of \$1,150,000 from Agriculture and Agri-Food Vote 1, Appropriation Act No. 2, 2010–11 for the purposes of this Vote and to provide a further amount of.....\$18,974,223

Vote 35b—Capital expenditures – To authorize the transfer of \$308,000 from National Defence Vote 5, Appropriation Act No. 2, 2010–11 for the purposes of this Vote and to provide a further amount of.....\$583,200

(Votes 1b, 5b, 10b, 30b, and 35b inclusive agreed to)

The Chair: Shall the chair report votes 1b, 5b, 10b, 30b, and 35b under Agriculture and Agri-Food to the House?

Some hon. members: Agreed.

The Chair: In order to have our witnesses here today, to cover expenses we need the adoption of the program review budget. The motion reads:

That the Committee adopt a budget of \$9,850 for its study on Program Review.

Hon. Wayne Easter (Malpeque, Lib.): So moved.

(Motion agreed to)

The Chair: Thank you very much.

Mr. Bailey, go ahead for 10 minutes or less, please.

Mr. Roger Bailey (Kalwood Farms): Thank you for inviting me.

This is a new process for me. I'm a tree fruit grower from the Okanagan in B.C. Contrary to my winter look for pruning, I'm a young farmer.

The issue I have with the programs in place now is that the young, expanding, and diversifying farms are quite often the ones left out. This is a process that needs to be dealt with if the programs are going to work going forward into the future. Those are the sectors that will keep the Canadian agricultural scene alive.

I would ask that the committee look into ways to change the programs in such a way that those sectors—the expanding farms, the young farmers, and the diversifying farms—are taken into account.

In the tree fruit industry in the Okanagan we have a fair number of new entrants. Our population of existing farmers is quite old. We've seen in the last five years that those declining farms are the ones that trigger the support payments, not the new and expanding ones, even though they're subject to the same market conditions and declines. I know there'll be a lot of other issues with those programs, but those are the ones that are important to us.

That's it. I don't have a formal presentation. I was just invited at the end of last week. If there are questions, I'll certainly fill in the blanks.

• (0850)

The Chair: I'm sure there will be lots of questions. Thanks, Roger.

Now I'll move to William Van Tassel, president of the Ontario-Quebec Grain Farmers' Coalition.

Welcome, Bill. It's good to see you back here.

Mr. William Van Tassel (President, Ontario-Quebec Grain Farmers' Coalition): Good morning.

[Translation]

I am here today on behalf of the Union des producteurs agricoles. I am a farmer in Lac-Saint-Jean, Quebec, and the association asked me to give a presentation on agriculture programs.

The agristability program is without a doubt the main risk management program available under the current policy framework, Growing Forward. Unfortunately, the program has a number of flaws, so it is not quite the safety net farm producers were hoping for.

To begin with, certain sectors have seen a continuous decline in market prices in recent years. Most of the time, these declines are due to various factors that have nothing to do with structural changes in the affected sectors. For example, these issues can be attributed to the normal price cycle in the sectors or a range of specific events, including the economic crisis and the H1N1 flu pandemic.

Like the former Canadian agricultural income stabilization program, or the CAIS program, the agristability program does not provide an adequate response to a prolonged drop in prices, as my neighbour here just mentioned. What these drops do is shrink reference margins, so the program can no longer respond to the situation. At worst, it may even disqualify farms that are still viable. And the proof is that a number of other ad-hoc programs have been put in place since the CAIS and agristability programs came into effect, and some provinces have augmented margin calculations under the program in order to obtain more support during a crisis, when the basic program stops working.

Furthermore, farm producers complain that agristability does not provide predictable response measures, that it cannot be used as security with a financial institution and that it disadvantages producers with diversified farms.

As a result, we recommend that the agristability program be adjusted as follows:

First, we recommend that, every year, producers be allowed to use the better of the Olympic average or the average of the last three years, for the purpose of reference margin calculations. That way, certain producers who would not be entitled to payments because of the average would receive them.

Second, we recommend that the viability test applied to negative margins be eliminated. Currently, producers with negative reference margins for at least two of the three years used to calculate the preference margin are not eligible for any protection.

Third, we recommend that coverage for negative margins be increased from 60% to 70%. Currently, the government compensates producers for up to 60% of their negative margin. This measure would allow producers to choose between the top 15% of margin reference coverage or agriinvest.

[English]

Hon. Wayne Easter: Bill, could you slow down a little? Could you go back and explain that 60%...? I lost it.

Mr. William Van Tassel: Do you mean the last part?

Hon. Wayne Easter: Just slow down a little. Usually it's the other way around.

Mr. William Van Tassel: I'm an excited person from Quebec, so at times I go a little fast.

Hon. Wayne Easter: Actually, you said 60% to 70%. Could you read that line again? I lost you there.

[Translation]

Mr. William Van Tassel: These changes would equip agristability to better respond to farmers' needs, especially in terms of helping them respond more effectively and efficiently to market price cycles. According to the Canadian Federation of Agriculture,

these changes would represent an annual investment of \$330 million in Canada's farming operations.

Bear in mind that, on behalf of farmers, the Canadian Federation of Agriculture was calling for risk management measures under the agriflexibility program. The original version of the agriflexibility program would have provided producers with customized assistance specific to their sector and region, factors that cannot be taken into account under national programs, which are applicable from coast to coast. For example, agriflexibility could have helped fund risk management programs such as Quebec's farm income stabilization insurance program and Ontario's risk management program. There is now talk in western Canada of an agristability plus program, an idea put forward by producers in Manitoba. Unfortunately, the current agriflexibility program does not address all the needs that were originally identified because it is not based on risk management and because it is underfunded.

Producers greatly appreciate the agriinsurance program. Under this Canadian crop insurance program, producers benefit in terms of agricultural planning and risk management strategies. Over the past half-century, this initiative has evolved into a predictable, needs-based program. Producers are especially grateful for the program during years when mother nature is not so cooperative. It is the envy of producers in the cattle and poultry sectors. Although these industries are not as susceptible to yield fluctuations, they have long been calling for an insurance program modelled on the crop insurance program to help in those rare but devastating cases of livestock loss due to death. Such losses often occur when a known or unknown disease suddenly destroys a barn, a herd or an entire farming operation. For years, this has been a topic of debate, and the time has come to put forward tangible solutions in terms of equipping the cattle and poultry sectors with a tailored production insurance program that is effective and efficient.

While risk management programs are of course necessary, there is no doubt that, in the long term, the Canadian government will need to pursue research efforts that genuinely address producers' needs. Personally, I am a wheat farmer in Quebec. Although our wheat varieties did improve in the 1990s, our yield did not. In my view, if producers are going to be competitive over the long run, the government will need to either invest heavily in research or foster an environment that encourages companies to invest in genetics.

Thank you.

●(0855)

[English]

The Chair: Thank you very much, William.

Curtiss Littlejohn is here as an individual, but I always think of Ontario pork producers.

Please carry on.

Mr. Curtiss G. Littlejohn (Producer, As an Individual): Thank you, Larry.

I have been here several times testifying on behalf of the Canadian Pork Council, on behalf of Ontario Pork, and on behalf of my own individual case, which is the case today. It seems that since we have been here so often we are like family, and obviously when family gets together, the first thing we talk about is the dirty laundry.

We operate a 600-sow farrow-to-finish unit in southern Ontario, and we support—well, we actually don't support our families on that; we have off-farm income because we can't generate the revenue. Technically, we're broke. If anyone were to want to give us a push, we would be in bankruptcy tomorrow. It is only because our suppliers continue to support us that we are able to continue. There is a strange business case here, because we are looking at next June in the U.S., which is what our commodity-priced product is based on. We are looking at potentially historic record highs of one dollar per pound. Five years ago, that would have translated into a \$300 market hog here in Canada. Those are being eroded by high grain prices. If the world continues on the path it is on, we could see record high grain prices; we could see record high hog prices, and then we could still see producers struggling to make ends meet.

In our case, we financed a \$2 million expansion starting in 2005. We had a builder that put the screws to us. We ended up in litigation, and today we have a structure that has no occupancy permit and does not meet the Nutrient Management Act, and we have a banker who is pushing us to liquidate as we move forward.

It is interesting as you look at that, and we go back to the penny auctions of the 1980s and how things have evolved. We have all sorts of producers. You may have heard of some of them in Ontario—Wayne Bartels and others—who are looking at using social networking and media such as Facebook, Twitter, and YouTube to bring forward the plight of farmers and to reach people instantly. I'm not sure if we're there.

We have farms under the gun in Ontario, and I see it across the country. I was talking with a gentleman this morning from the east coast. His accountant has 30 farms that are in farm debt review. I was talking with another gentleman yesterday from Saskatchewan. There are 30,000 sow spaces out there that are empty and that could be purchased for somewhere between 10¢ and 15¢ on the dollar, but nobody can find the money to buy them.

We see as we move across the country—and as a producer, I am fortunate to have the ability to contact these people—the definition of insanity being repeated. Some of you...I was fortunate enough to meet with Larry at a reception last week. My definition of insanity is that we continue to do the same thing we did last week, last month, last year, and expect a different result. We have some major lenders in this country that are doing that today. They are going out and forcing farmers off their farms. They are stopping the ability of people to produce and to feed this country, and then they are turning around and putting them on the market and getting bare land value. So why is it that when the farmer offers bare land value, these producers are not allowed to purchase their farms back?

In Ontario, we have an interesting situation: 50% of all farms that are in the hog farm transition program are coming out of Ontario; 30% of the production changes in the country will come out of Ontario; 60% of all the processing and slaughterhouses in this country are in Ontario. What that tells me is that as we allow the

basic infrastructure in this country to erode in the swine industry, we're not only putting farm families at risk, we're also putting processing jobs at risk. We're putting trucking jobs at risk. We're putting electricians' jobs at risk, jobs of the people who repair these plants and keep them running. It's a very large issue that goes beyond the farm.

I just found out yesterday when I was at the OFA convention in Ontario that we now have foreign investments stepping into Ontario. Four thousand sow spaces apparently closed in one week, and those 4,000 sow spaces produce approximately 2,000 hogs a week, or they did. The purchaser is in the U.S. Those pigs will now go to the U.S., and as we walk down the line and we follow that back, that's basically a day's kill at one of our plants. It's 30 farm families that all of a sudden, in four months, will have no source of income because their contracts have been cancelled.

How do you sell to the world from an empty shelf? As we continue to lose producers, we will continue to lose processing, and this industry will continue to shrink. Four short years ago, the Ontario industry was reaching for \$1 billion in sales, and we were supplying 45% of all the product exported out of this country. And let's remember—I'm sure you're all aware—that the agrifood industry is the fifth-largest exporter in Canada. We are one of the huge contributors to the GDP and to keeping people employed.

We look at all that, and I ask why the minister is going out looking for free trade deals, for bilaterals. If this trend continues, in two years we won't have enough to supply our own markets, let alone supply the world as we have.

But we are here today to talk about the business risk management, and we will move on to that.

• (0900)

Three things I think all of my newly made friends here from the agricultural industry across the country will agree on is that all of these programs need to be bankable, need to be predictable, and need to pay out in a timely fashion. We have none of that within the existing suite of programs we have today.

In AgriInvest, we have a declining fund that's been paid out. Being Canadians, three or four years ago we did the Canadian thing. We took what money the government chose to invest in those programs and we spread it across all commodities. For some commodities, that was a very timely insertion of cash, because since that time they have had record prices for their crops. Typically, across the country, on average, they had better than average crops. Those AgriInvest dollars they're matching up are going into their bank accounts, and they're building for the future.

It's sad to say that in the hog industry and the beef industry the opposite has been true. We not only lost \$75 million in AgriInvest money, we've had five years of complete devastation. I'll give you an example of that when we get to AgriStability.

The kickstart program in our industry.... They say that when you're playing the commodity markets, it's better to be lucky than to be smart. Well, I guess we weren't very lucky. We thought we did the smart thing, but we ended up getting hurt. Kickstart also really impacted our industry because of circovirus. In the western provinces, the issue wasn't so bad, but in eastern Canada and central Canada, circovirus contributed to a 40% decline in some farms' income in a single year. Imagine having to go to the barn and draw straws to see who's going to drag all the dead pigs out that day. You had people breaking down and having to be hospitalized.

We have to change that. We have to get those AgriInvest dollars back to the farmers who really need them.

We have AgriStability, which is the core platform in our suite. To use our own example, because I know you like to have numbers you can use, in our 2004-05 reference year, our margin was over \$500,000. In 2004-05, our actual margin was \$480,000, so the program looked like it was working fairly well. Due to circovirus, appreciation of the dollar, and the decline in markets, in 2005-06 our reference margin was down to \$240,000. Our actual margin was minus \$300,000—a \$600,000 swing in twelve months. That was on top of all the building issues and other issues we went through. At this point, our 2011 reference margin looks as if it's going to be minus \$100,000.

In four of the last five years we've had negative margins. And we're producers who in 2008 marketed almost 24 pigs per sow. We're in the top 5% of producers in this country.

We need to reset the clock. There's no chance for any margins in our industry until well into 2015. We need some interim intervention to look after H1N1 and circo.

AgriInsurance I'm only going to touch on very briefly, because we've been talking about it since 2003. We still don't have production insurance, and I see no indication that the government is getting off its ass and doing it in the meantime. I'm sorry, but that's a real issue, guys, and you folks here need to get it out there for the beef guys and the hog guys.

We have AgriRecovery, which is where I believe we can see payments come out to deal with circovirus and H1N1. H1N1 took \$35 million out of our industry in one week. Unfortunately, AgriRecovery is very political in the way it's set up. The hog industry was told three years ago, and continuing to last year, to wait until AgriStability comes out and we'd see where it is, to wait until

provincial programs come out and we'd see where it is. We still haven't seen anything come out of AgriRecovery to deal with those non-economic issues we had in terms of H1N1 and circo.

Yet when the grain farmers in western Canada had a need, the payments were out within 30 days. They didn't have to wait for AgriStability. They didn't have to wait for crop insurance. The money flowed.

Mr. Chairman, thank you. I'm open for questions.

• (0905)

The Chair: Thank you.

We'll now move to Stuart Person for ten minutes or less, please.

Mr. Stuart Person (Farmer, As an Individual): Thank you, and good morning.

I'd like to thank you for the opportunity to participate in this discussion today. As some of you are aware, I'm a fourth-generation grain farmer from Saskatchewan, and I'm also an agriculture business advisor. Just to clarify, I attend this meeting today as both of these. However, the views and opinions I'm about to express are those of Stuart Person, the individual, and they should in no way be associated with any organizations I work for.

Okay, with that out of the way, I'd like to talk about the effectiveness of the risk management programs under the Growing Forward framework, as you had asked, and I'm going to be speaking from a western Canadian grain farmer's perspective, which will differ quite a bit from my colleagues here, as you will see. At the moment, the risk management programs under the Growing Forward framework are actually very good for grain farmers in western Canada. My recommendation would be that they stay in place. Farmers involved in production of crops—this is the best they have ever had it in terms of the AgriStability program, and the previous government should be applauded, from a grain farming perspective, for bringing that in, and the existing government should be applauded for continuing to improve on that and maintain it. I realize there are challenges with the other industries, as have been noted.

These programs have significant advantages to producers and their ability to manage risk on today's farm from a grain farming perspective, and as a producer I use these programs to assist with risk management strategies on my farm every year.

I will just go over some of the key benefits I see in these programs. From my perspective, it does provide financial stability in times of volatile commodity markets and weather conditions. It provides a reduction in overall farm stress. It provides assistance with financing and cashflow planning. At the moment, it is encouraging farmers to make further investments and expansion in their grain farms. It does provide some assistance with succession planning and providing some stability in the profitability of the farm. For young and new farmers in a grain scenario, it is working at the moment in overall strengthening of our industry as a whole in terms of grain production in western Canada. However, all the benefits aside, some things should be looked at for improvements, and I'd like to go through a few of those, if I may.

The first one, as a general comment, is program funding. As a producer, I would like to ask that you please ensure that these programs continue to be funded and that they are properly funded. I often hear people in my area talk about concerns over the programs bankrupting the government or not being affordable. As a farmer, I'm making business decisions every year based on this program, based on the assumption that I'm going to have access to funding when I need it. As part of my risk management strategy, I'm counting on them to provide me with assistance when difficulties arise. My creditors are counting on these programs and they would like to know they are bankable. That was raised earlier as well. If for any reason they are not going to be funded and you do decide to make changes to the program, all I can ask is that you please give us lots of notice, because from my standpoint, I need lots of time to make other arrangements. So I am relying on this program as it would relate to AgriStability specifically.

Audits. Both as a producer and as an advisor, I would like to put forth the recommendation that you consider a statute barring system, especially to AgriStability, so that some closure can be obtained on these files. Being subject to audits on information that is eight years old is not reasonable, in my opinion, and can be expensive. We have seen a number of files pulled back as late as 2002-03 to be reviewed, and I think at some point we have to cut that off. If we can do it in the income tax system, I don't know why we can't do it under this program.

● (0910)

In the future, when you are writing the rules of these programs and you are coming up with new ideas on these programs, you need to recognize that the Hutterite groups seem to get left aside. They have a different and special set of circumstances and needs. They are a large group of producers in western Canada, and I'm sure they have a presence in the east as well. All I would ask is that you consider their needs when you are writing programs and how those programs will apply to these specific groups. If you need advisors for that, please contact me and I can put you in touch with people who can talk about that group of people.

As a producer and advisor, I would say that we need to consider the timeliness of AgriStability and AgriInvest program delivery,

especially as it relates to non-calendar year-ends of corporations. No matter the year-end selected by the producer, they should be able to submit the agri program form within a reasonable amount of time, say three to nine months, and funding should be available shortly after. At the moment, that's not the case. Certain corporations are filing 18 months after their year-ends, which puts the money in their hands up to two years after the losses are incurred.

AgriInvest processing as well was very slow in 2008. I'm sure you've heard this before, but some producers are just getting their notices for 2008 now. That's two years afterwards, which is just too slow. We need to look at how to speed that process up.

I don't have to go too far into livestock challenges, as my colleagues here have already been down that road. But I will re-emphasize the point that a further study needs to be done on how these programs can effectively help the livestock industry. Right now they are failing, and changes are necessary to address that issue.

Lastly, on agri programs, there is a bit of a technical issue. I won't get into it, but if anybody wishes to talk to me afterwards, I'd be happy to talk about it. When corporations are selecting a year-end for their farm business, they have an option to go with any month of the year they choose. Sometimes it becomes necessary to change that year-end, maybe for tax or business reasons. Things change and people might realize a different year-end. I just ask that you consider those situations. Right now, the way the program works is that you can be penalized if you change your year-end, and there's not a lot of direction in the program handbook on how to deal with that. As a producer and an advisor, I'd just like to recommend that these types of things be looked at in more detail going forward.

I was also asked to talk about advance program payments. If I understand correctly, I assume you were talking about the grains and livestock cash advance programs. I'll make a couple of comments on that.

Spring and fall cash advance programs are excellent programs on the grain side. They provide many farmers with much needed cashflow every year. But one thing to consider is that we may want to look at changing the caps. Instead of having a flat \$400,000 limit per farm, we could look at a per acre limit. The \$400,000 cap has really been outgrown by a lot of farms, especially in western Canada. It's just not sufficient. We're talking about millions and millions of dollars going in every year, so a per acre limit would be more suitable going forward.

On the cattle and livestock advances side, it is also an excellent program. But a complaint that I've heard is that it lacks flexibility in terms of calving dates for livestock producers. There is a deadline for repayment. I believe it's September. Depending on your calving date, that repayment could come before you've actually been able to get your calves to market, which puts you in a cash crunch for a short period of time and unable to repay. It poses some financial difficulty for the producer.

Lastly, I just want to say that I'm in Ottawa for a couple of days, so if anyone is willing to talk to me, I'd be more than happy to do so. I have lots of other things I'd love to talk about, so please contact me after the meeting today.

Thank you very much for the opportunity.

● (0915)

The Chair: Thanks very much, Stuart, and I'm sure there will be lots of questions for you here shortly.

Let's move to Mr. Valeriote for seven minutes.

Mr. Francis Valeriote (Guelph, Lib.): Thank you, gentlemen, for coming up and sharing your thoughts. We heard many of these comments before, during our cross-country examination in the spring.

William, you speak about viability. You said that programs disqualify certain farms that are still viable. I've had this discussion with many in and outside the room, and I don't agree with them when they say, "Look, after four or five years, if you're not making money, your farm isn't viable." This question can also be addressed to Curtiss afterwards.

I challenge that. There are some very viable farms out there that are heavily invested. How would you respond to those people who say you should maybe consider another form of income?

Mr. William Van Tassel: If I could answer it, I'll give you one example I wanted to give when I did the representation but didn't.

I'm a grain producer. Do you remember at the beginning of 2000 the prices were going steadily down? There were declining margins. We know we had a problem. Now we're hearing that it's coming pretty well. Yes, sir, it is right now.

I think you have to have programs think in the long term. As I was saying in the grain industry four or five years ago, what's the future? There's not very much there. Now the price has gone up. It's long term. When we look at the hog industry—not a lot of my neighbours are hog producers—there are many reasons why the prices came down and why they were losing money. I'm talking about the H1N1. You're talking about this type of virus. So many problems came one after another. So I think that's it. We have to think long term.

In a country with agriculture, three or four years is nothing. You have to have programs thinking more long term. That's it.

So those are two examples I have for you—the grain sector from the beginning of 2000 as compared to today. Now they're talking about how it's going well today. But I remember it was the very opposite a few years ago. The hog guys were saying AgriStability, no problem, it's going well. And we were saying the opposite.

So that's it. Think long term. Have programs that can help you long term.

● (0920)

Mr. Francis Valeriote: Stuart, if I could, twice you said "at the moment" it's working, which suggests to me that while you don't think changes are necessary right now because it's working for you, there may be a time when it's not working for you, and I think you have gentlemen on each side of you who suggest it's not working.

Do you agree with the changes they're suggesting?

Mr. Stuart Person: Some of them. My comment there is this. You're looking at an Olympic average reference margin, the middle three of your five years. What happens when you have three or four bad years in a row, for example? Now your reference margin goes to nothing.

We have information all the way back to 2002, so why don't we just open it right up? Let's go with all the reference years and let's pick something that's going to give you what would be considered a normal profitable average, maybe a ten-year average, or you take your best six out of ten—I'm not sure. But that's why I say "at the moment". If on my farm I have three bad years in a row, my reference margin is going to deplete significantly and now I no longer have insurance under that AgriStability program.

Mr. Francis Valeriote: I've heard some of you before, but I've heard all of you speak today to us, this committee. Have you had success bringing your concerns to the minister? And has he indicated at all a willingness to respond by changing the programs? Any of you?

Yes, Curtiss.

Mr. Curtiss G. Littlejohn: Yes, thanks for the question—well placed and very timely, as a matter of fact. At the Canadian Pork Council reception last week, the minister did speak and he did address the fact that with the prolonged downturn in our industry, due to a number of factors that have affected the rest of Canada and us, there need to be some changes made, but there was no commitment to a timeline. There was no commitment to making them retroactive. There was no commitment to trying to fill the gap.

Mr. Francis Valeriote: Has he ever invited you into his office and said, ladies, gentlemen, we've got to sit down and look at these programs? Has he ever met with groups of you to say, let's revisit this and let's forge a new program?

William or Stuart, or any of you? Roger?

Mr. William Van Tassel: No, not about that point there—no, not really. We brought forward a suggestion a few years back with the Canadian Federation of Agriculture about the AgriFlex program, saying we know there are problems, so we have to use a different fund to help it out. That's what we brought forward. It was AgriFlex that we talked about. Anyway, it didn't come out the way we thought it would.

Mr. Francis Valeriote: You talked about research. We know that about \$156 million of an \$8 billion agriculture expenditure goes into research. If you were to have input into what that research model would look like, exactly what would you invest that money in, or more, if it were possible?

I invite any of you to answer that.

• (0925)

Mr. William Van Tassel: If I could begin answering, because I've talked about the future of farming in Canada, I'm talking about grain farming and grain farmers. You must have research and you need to be competitive. You need to have the increases in yields. You need to have research for resistance.

Let's look at wheat. We're having a fusarium problem in eastern Canada and even in Manitoba. You need to have varieties that are going to be resistant. Right now, private companies are not investing in research because there is no return on investment for them. So the public has to do it, and they're not.

With regard to wheat, there's around \$20 million a year being spent on breeding. It should be around \$80 million. In the long term we really need to have that investment if we want to have a prosperous agricultural industry. We really have to look that way. But I can't say take away all the programs for business risk management because you have to consider the short term and the long term. You have to think about farm families. You have to think about the regional economy and what the farms provide. You have to think about having long-term research.

The Chair: Monsieur Bellavance for seven minutes.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Mr. Chair, I will ask my questions in French. I encourage you to use your earpiece if necessary.

Good morning, gentlemen. Thank you for your presentations.

The committee wanted to hear from farm producers and see how they were using current programs. Even though you all represent organizations, you are all still farmers. That is the best method we, as elected officials, have to see where things stand. When we implement a program, no matter how much we study it or review the criteria, we cannot know straightaway whether it will work well or not. I think you are having the same problem. When the government replaced the Canadian agricultural income stabilization program with agriinsurance, agriinvest, agrirecovery and agristability, the idea was that these programs would bring certain improvements, but it was not known whether those improvements would benefit producers in a tangible way out in the field, in real life, or whether they would provide producers with adequate income support and insurance.

The best time to take stock of a program, to see what the outcome has been for producers, which areas need to be improved and what has worked well, is after a few years of use—and, by the way, I have been urging the committee to review these programs. We saw proof of that earlier: we heard that agriinsurance was working fairly well. So not everything has been negative, but some issues keep coming up. We seem to be hearing the same complaints, especially as far as agristability goes. When the minister appeared before the committee last week, I told him about those complaints. Basically, producers had the same complaints about agristability as they did about the CAIS program. For instance, the cost of production is not taken into account. And that creates problems we are familiar with. When producers are in serious trouble for a number of years in a row, similar to what you experienced in the grain sector and what the cattle sector is experiencing now, they cannot take advantage of the agristability program. So changes need to be made.

When the minister was here, I did not get the sense that he was very open to such change. As Mr. Littlejohn said, the minister made no commitments in his speech. Nor did he make any in his remarks before the committee. You can read what he said. He did tell us, however, that agristability was better than the CAIS. But you, yourselves, told us that they were more or less the same thing. It was like trading six of one for half a dozen of the other, as they say.

In your view, what key changes should be made to agristability before it is really and truly a better program than the CAIS? What areas should we focus on exactly? That question is for all of you.

Mr. William Van Tassel: I listed a few things earlier. Obviously, a program that does not take into account production costs cannot really do what we would want it to.

Something else that was mentioned earlier, an Olympic average is very short. You need to increase the number of reference years in order to prevent the yo-yo or roller-coaster effect. We need to keep things on a more even keel. Now we can see a big problem in terms of the viability test. Would it be possible to make changes on that front? That is another problem that needs to be addressed. And you also have negative margins. At what point can you say that a farm is no longer viable? It can change very quickly, as we have seen. Those are the three areas where change is necessary.

Some provinces may consider other types of programs to address major challenges. For instance, the farm income stabilization insurance program in Quebec and the risk management program in Ontario.

● (0930)

Mr. André Bellavance: Would anyone else like to comment?

[English]

Mr. Curtiss G. Littlejohn: Thank you for the question. It is very succinct.

I think there are some very simple things that need to be changed with the program, especially from the hog industry point of view. The three-year negative margin rule has got to go. It's got to go tomorrow. Today would be even better.

In our industry, for the factors you all know, most farmers have been in negative margins for five years. There will be no payouts, or very limited payouts, so that rule has to go.

On lengthening the average out to ten years—the Olympic average, or going to a simple ten-year average—as we've watched these programs grow and evolve, I believe that would be a more realistic way of predicting where average margins are. We watch the grain markets, and it's a longer cycle than in the hog industry, unless there's a real issue somewhere in the world.

Base them on COP. I think that's a good way of doing this. We live in a technological world; all the numbers we need to do this are in the system today. It's a matter of somebody putting the money forward to build the programs to make that happen.

The other big issue we have is response time. When we are almost at the end of 2010, waiting for a 2008 return is plainly unacceptable. I'm amazed that the Auditor General hasn't picked up on that and slapped the government of the day. You can change that. Response times can be changed by using technology. The challenge is that technology costs money to put in place, and unfortunately, agriculture technology doesn't rank high on any government's list of things to put money into, whether it be provincial or federal.

The Chair: Mr. Bailey, do you briefly want to comment?

Mr. Roger Bailey: Yes. As I say, this is my first time to a committee. However, I've been involved in the risk management advisory committee in B.C. and the first of the federal consultations this spring.

We always talk about changes to the program, and I wonder if someone could explain the height of your mandate to me. What can we request changes to? In my estimation, with changing AgriStability a little bit this way or that...I've been involved in those discussions for a decade in the tree fruit business.

I don't think that's where the solution is for the future. I think the solution is to realize that according to the federal government's presentation in the spring, since 1973 we've had steadily declining real farm margins. Only those commodities that are low-cost producers in the world are viable under your tests.

You have to look a little further out and ask, is this the type of program you really want to do? Do you want to put in a safety-net

program that takes out a little bump in the road, or do you want to start strengthening agriculture in general?

That's a budget question. You've got real limitations under this program, budget-wise. You can't just change the program. You're taking money out of one commodity's pocket and putting it in another.

Where is that ceiling on suggestions for change you're willing to see?

The Chair: In general, Mr. Bailey, if I could, you talk about the mandate. Any changes to the programs are done in conjunction with the provinces; you have to have agreement there. I'm not going to argue the merits of whether that's right or wrong; it complicates things. But that's certainly a big part of it.

Mr. Allen, seven minutes.

Mr. Malcolm Allen (Welland, NDP): Thank you, Mr. Chair, and thank you, everyone, for coming.

Mr. Bailey, I hear what you're asking, and I believe it's the mandate of the government to decide one way or the other. If I can, I'm going to ask you to comment. I know the CFA is working on a national food policy. The chair is correct; we have this federal-provincial dynamic that talks about how we do programs.

Quite often, we're not necessarily doing what works for farmers, even though the intentions may be right sometimes. Clearly what we're hearing is that the CAIS program didn't really address the needs. These programs don't really address these needs. Depending on which farm you happen to be on, and as Mr. Person was talking about earlier, on one side, as a person—no pun intended—you're doing okay in the grain industry, but on the consultant side, when you talk to folks in the livestock industry, they're not doing so well with a similar program. He gets the dual experience.

You're in the fruit industry, which obviously in the Niagara peninsula, where I come from, is a significant industry. We saw it being decimated over the years for different reasons.

Let me ask you what you need, not what we think you need. What do you need in the tree fruit industry to be viable, sustainable, into the future? I premise that by saying I don't buy the argument that if I can get apples cheaper in China, then we don't grow apples in Canada anymore. I want to know about growing whatever that tree fruit is here in this country, and how you would see the programs making your viability an essential component as we go forward.

• (0935)

Mr. Roger Bailey: There are two parts to my answer. Just in simplistic terms, the programs that exist now need to take into account ways to trigger in years where margins drop for those producers who are doing the right things: diversifying; expanding their operations to reach an economic unit; or beginning in an industry, regarding succession or just new entrants to the industry. Those things completely wipe you out of all these programs, except the top tier of AgriInvest. Nothing else even comes close.

I've been farming tree fruits for 15 years, which makes me one of the newest entrants in that business, and expanding to become what is now, I believe, to be our economic unit. It's around 100 acres, when it was 20 acres 15 years ago. That's a difficult thing to do. Under your structural change guidelines, it doesn't even come close. I can get just as little for my fruit compared with the year before and not trigger anything, when the farmer who hasn't done anything and has all the wrong varieties and declines a little bit triggers a big payment.

In terms of the way the structure of the program works, that would be it. In terms of the long view of it, I need the government to recognize that agriculture is important in Canada, and when we're talking about free trade with other countries and these types of things, give us the tools to compete. We have low-cost producers who use products that we're not allowed to use because our citizens in Canada want us to be model farmers in the world of farming. Yet we compete directly with those countries that are able to use obsolete products and other things that we're not allowed to use anymore with no tariff barriers and no trade barriers.

I'll give you an example from this summer. The cherry industry in tree fruits is a good spot to be in right now in B.C., and this year we had a new pest move in. It came in on fruit from California. It was originally from Japan, and the CFIA was marking our shipments as "not exportable". At the same time, they said it wasn't within their mandate to stop that fruit coming in from California.

That's a little bit outside of the mandate of this, but you have to push the government to look at the bigger picture so they're not restricting you to just looking at the safety net programs in themselves.

Mr. Malcolm Allen: To Mr. Littlejohn, I've spoken to hog producers in our area, who are not all necessarily in my riding—

Mr. Curtiss G. Littlejohn: The four who are left in B.C.?

Mr. Malcolm Allen: No, this is at the southern end of Ontario. They live down the peninsula. I'm sure you know many of them; they've been at it for a long time, right?

I talked to a couple of them—I know you'll probably ask what equity—but I'm dealing with gentlemen who have been at it for a long time, who are making decisions as they talk about succession eating up all their equity in their operation, to try to sustain it, to pass it on, with their grown children looking at them and saying they don't know if they want this business.

At the same time, the father and the mother are trying to stay in the business to have something to pass on. I heard you say earlier that we need to change the program tomorrow, but today would be better. Is it your sense that we will have a viable hog operation in

eastern Canada in three to five years, or are we watching the demise of the hog industry in eastern Canada?

Mr. Curtiss G. Littlejohn: Thanks for a difficult question.

Being involved in the management group that has \$75 million in the hog farm transition program, I've had the ability to watch the country shrink. What has happened in the last five years has destroyed what hog industry there was in eastern Canada, east of Quebec. They're down to 100,000 hogs a week as opposed to 600,000 or 700,000 five years ago. The same is true once you get past the Manitoba-Saskatchewan border. The industry has been devastated.

The industry in Canada is being concentrated in Manitoba, Ontario, and Quebec. Ontario is where the dominant share of our country's population is. And there will always be a hog industry in our country and in Ontario. I can't predict exactly where it will be, because I have no idea, of the people who will survive this battle, how many will be mortally wounded.

The challenge we have, if you get right down to it, is that the answer is not in safety nets. The dollars are in the food chain. Galen Weston's corporation last week announced quarterly profits of \$213 million. My friend here, the accountant, will tell you that's after they're done squeezing every penny out so they wouldn't have to pay tax.

They had the same issues in England about 12 years ago, and they fixed it by having a royal commission. The royal commission came in and said that goal number one is that farmers shall be profitable. Goal number two is product identification—we'll identify our products so that consumers have a choice. The livestock industry in Britain, especially the swine industry, was destroyed by retailers demanding what they thought consumers wanted. And they flooded the shelves with product that was raised to those specifications.

Well, you know what? Consumers are consumers and citizens are citizens. Citizens want to do what's right. They'll tell you in a survey that they'll buy it if it's identified, they'll buy it if it has traceability, and they'll buy it if it's organic. But the minute they walk past the grocery store shelves they become consumers, and they buy the best product at the lowest price. It's a mindset that we have to change.

I honestly believe there are enough consumer dollars in the food chain today that no one who produces product in Canada that's sold on a Canadian grocery store shelf should have to be begging the government for money to feed his family and to support his operation.

I have the same issue with my family at home. I have two children in university, both taking ag courses. On the bulletin board in our office we have a little cartoon that came out of *The Globe and Mail*. It's a son and his dad, standing on a cliff overlooking a field full of cattle. The dad has his arm around his son and he says, "Someday, son, this will all be yours", and the little balloon coming out of the side of the kid's head says, "This must be some kind of family curse."

If there is profitability in agriculture, we will have another generation and we will feed the world. If we continue to let cheap products from other countries flood our shelves and feed our consumers, then we get what we ask for, gentlemen and ladies.

● (0940)

The Chair: Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair. And my thanks to the witnesses for being a part of today's committee.

I don't think any of us would disagree that, under the current suite of programs, particularly AgriStability, there need to be changes. I'm hearing two different stories from grain farmers from the east and from the west. Maybe you can help me with that.

I can tell you that for the last four or five years the grain farmers here have been very happy. They have had good prices, and they've had good quality, so that isn't an issue. The issue is the long term. There is no doubt about it.

Unfortunately, we lost that long-term good stuff with the programs when CAIS came in, and now we can't go back to that. We can't go back to what we had under NISA. It's unfortunate.

Curtiss, we've met a number of times. You gave us a little of history of your place and its large expansion in 2005. Today, some young farmers who have been caught in expansions are worried. Do you think government plans should pay for expansion? I am asking Curtiss and then Stuart, because you're on two sides of the country.

Mr. Curtiss G. Littlejohn: That's a great question. I appreciate that, because in 2004, when we decided to embark on our new building construction—I never said expansion, I said we recapitalized and built new buildings—we were pushing 1,400 sows. We had contract barns scattered across the province. We were having issues finding qualified, skilled help. We were having issues with costs of production. We didn't think our costs were in line because of transportation, disease, and medication. We looked at developing a model that would provide a reasonable income for our family and some level of employment for the neighbours around us, and that would be able to be passed on to the next generation.

At 45 years old, we felt we would have this thing paid for by the time we were 55, with reasonable market ups and downs. My kids would be through university. I always tell them they need to work for someone else for five years first, and then maybe they'll find out that

the old man is not such a miserable pup after all. Then they could come home, and if they wanted to farm, there would be a viable operation that was paid for. They could purchase it, and that would provide for our retirement.

So we didn't expand. The challenge of programs is always the expansion factor. When we look at the business risk management programs that are being put forward in Ontario, or AgriStability-plus in western Canada, there are built-in safeguards within those COP programs to prevent people from expanding more than 1% or 2%.

I agree with you 100% that programs should not fund expansion. Expansion should be done on the merit of the business.

● (0945)

Mr. Bev Shipley: I'm sorry. I thought I used your word when I talked about that.

Mr. Curtiss G. Littlejohn: I hope I didn't misquote myself.

Mr. Bev Shipley: Stuart.

Mr. Stuart Person: From a young farmer's perspective, expansion is a necessary evil, I guess, if you want to call it that. If I were going to get really big in the grain farming sector, I'd need a lot of cash. I'd need \$250 an acre for equipment and \$250 an acre to cashflow my inputs. If I wanted to be a landowner, I'd need another \$1,000 an acre—and that's cheap land in Saskatchewan. It's good land, but it is probably the cheapest in the whole country.

So if you want to talk about that, I don't think the government needs to fund it, but you need to back us up. Going in there myself, I've run the numbers. I'm an accountant and it scares the crap out of me. To get a viable farm in Saskatchewan, which I consider to be anywhere from 3,000 to 5,000 acres—and if you really want to do it well, it would probably be closer to 10,000 acres—the numbers are scary.

Mr. Bev Shipley: Have the funds been available for that through Farm Credit, for example?

Mr. Stuart Person: Yes, but there is no backing there. They'll bankrupt you just as quickly as any other bank. AgriStability is great right now for me, but is it always going to be there? I don't want to be sitting here in three years, like these two guys, saying I'm done.

Mr. Bev Shipley: I want to go back to Curtiss for a minute.

You mentioned 2004, and we actually had this discussion with the Canadian Pork Council.

I know you took a bit of a shot at bilaterals, but quite honestly, the Canadian Pork Council have indicated, as we have, that this is where we are going to open markets up. We start to look at markets. In Canada we don't use the whole animal. We need to be opening markets, and the minister has actually spent more time doing that than being back at home most times.

When I go back to 2004 I get confused a little bit. The dollar was at 65¢. In my area we had a number of what we call loops jumped into the scenario. We more than doubled the production of pork in 10 or 12 years. It was built on cheap feed and a low dollar. Then we were hit by circovirus. The next year the government came in with \$67 million or \$76 million. Quite honestly, it was a miracle drug.

Mr. Curtiss G. Littlejohn: The vaccine.

Mr. Bev Shipley: It was a miracle drug that actually made healthy pigs. I think most producers are still using that vaccine.

The next year, the dollar was starting to climb. The quality of feed was excellent. We now had sows that were healthy. We were having larger pigs and larger litters because of healthier pigs. And it just seemed that everything was growing, because we now had people who had gone into the industry who had never had a pig on the farm before. Obviously, the processors jumped in, because some of them were financing this. Quite honestly, they were mostly financing this. They were expanding the processing.

So you build an industry on cheap feed and a cheap dollar. When I talk to other business people, they say that if you do that, you're going to crash. We have an industry that crashed. I'm here to help the industry. I'm just trying to understand what we're going to do so that this doesn't happen again.

As Curtiss said, we have all these barns sitting out here, and we've brought in four or five programs to help the industry. Some have been more successful than others. But how are we going to stop this from happening again?

The pork prices started up and took a bit of a dip. They're going to come back. I was at a meeting not too long ago, and I was talking to some beef guys and pork guys, and I asked the one guy, younger than you by a bit, how it was going. He said it had been tough going. I asked how lamb was doing, and he said, "Well, lamb's really selling." I asked if there was anything around here, and he said, "Well, we've got one down the road. It's about 7,000 acres." I said, "Wow, are you going to buy it?" He said he would go down on his hands and knees to buy that farm.

There's a hog producer. I'm going into the equipment dealer...and they're selling equipment to all parts of agriculture, including hog and beef guys. Land rents in my area continue to go up. Land prices continue to go up. It's not driven in areas where there's supply management—it's driven a bit by them—but in the areas where I don't have supply management...

I need some help to understand a little bit. Curtiss, how do we come out of this? I mentioned that to Mr. Preugschas one time. How do we get out of this, and what are you doing so that we don't get back into it again? We will come out of it.

I agree that we need to look at it. I don't know where cost of production comes in. I know how it works, but I'm not sure how you implement it, because everybody's cost of production.... You have land at \$1,000, and you have 7,000 or 8,000 or 10,000, depending on where you are.

• (0950)

The Chair: Mr. Shipley, could you ask your question?

Mr. Bev Shipley: Okay.

How do you help us so that we don't get back into this situation again, given the facts I've given you?

Mr. Curtiss G. Littlejohn: You covered a lot of ground there.

There are two things I'll touch on. First of all, I didn't slam the bilaterals. I firmly believe that the bilaterals are part of what we need to do. What I said was that the minister can build them, but if we don't have an industry here to supply them, we won't be able to do that. I think the bilateral with the EU could be the saving grace for our industry. They use products that we don't, and it would be fabulous for us to see.

Your question becomes a real business question. In southern Ontario, especially in your area, we're very fortunate. We have a lot of older farms that are land-based. Their COP is phenomenally low. What I've seen in the last two years, from the friends I have in that part of the country and up in Perth and Stratford, is that they've been subsidizing their hog operations with the high price of grain and the bountiful crop. Most of them, in the last two years, have had a crop that has been 15% to 20% above normal. That crop has been sold, and that cash has been ploughed back into the hog operation. One of my best friends is a farmer just outside of Sebringville, and he figures that his cost of production—he doesn't include his labour, he doesn't include his owned land, and he doesn't include depreciation on his machinery—is the bare cost of inputs to grow his corn. Those people are going to survive. They are absolutely going to survive.

Strangely enough, my COP, and I buy all my feed, is less than his, if you figure in the land he bought, because we're not land-based.

As far as expansion, it's going to be a tough sell. I think we succeeded in doing what we did back in the early 1980s, and we've poisoned a generation of bankers to the livestock industry, whether it be cattle or hogs. They are taking significant losses.

Everybody was aggressive. You commented on people who have never been in the pig business getting into the pig business. There is the large one in your area with premium pork. That was an amazing franchise that was put together by someone who understood how to structure franchises and how to make money. He sold out two years before that; he took his money and ran and left the farmers to take the rap.

The Chair: Okay. Thanks, Curtiss.

Mr. Eyking, could I ask you to take the chair for a couple of minutes?

Mr. Easter.

Hon. Wayne Easter: Thanks, Mr. Chair.

Thanks, folks, for coming in.

There's an interesting and shocking story in today's *Globe and Mail*, showing that Canada is really falling behind in terms of agriculture and meeting our own needs, actually.

But I think one of the most interesting comments was your comment, Roger. Curtiss said the issue is profitability. Are we going to have profitability or are we going to depend on other countries for our supply of food? You asked if we either want the type of program that will take a little bump out of the road or something that's really going to be a strength to agriculture. Having been there when CAIS was originally developed, with all its warts—and AgriStability is really the same principal program—do you think these kinds of safety nets are really what we require going forward? I think that's a key question that we have to ask.

The government members defend the current programs, but these really are just CAIS reinvented and changed a little bit. As you said, Stuart, it's working now for you, but we know that prior to 2006, it wasn't, and it's the same damn program. So I think we really have to seriously look at that, because we know it's not working in the livestock industry. We're hearing absolute horror stories, and AgriRecovery isn't really working either, from everything I hear.

I think I'd ask for your experience in AgriRecovery, Curtiss. You talked about the circovirus and some of the other problems you've had. If AgriRecovery had worked, it would have helped your margins, I assume. So what's your experience with AgriRecovery? We certainly know it's not working in the wet zones, or for the livestock industry in some areas of the west and most of eastern Canada.

Rather than going through them, I think there are a lot of good points in what you said, Bill, and you, too, Stuart, and Roger, on solutions, such as doing away with the viability test, the negative margins, and so on. We want to push those forward.

Looking at that whole averaging business, I think the objective of government should be to get money out to producers in times of need, and do whatever they have to do with the averages to get that money out there. Now, that's not necessarily the fault of the minister,

but I can tell you that the Department of Finance looks at that very closely. They don't want to spend a dime; that's their objective.

Anyway, to you, Curtiss, I asked my question about AgriRecovery. What did you mean by "bare land value"? You went through your own personal situation. And where is Farm Credit? Farm Credit was designed to assist farmers. Are you claiming they won't restructure?

• (0955)

Mr. Curtiss G. Littlejohn: Thanks, Wayne.

First of all, those from AgriRecovery have limited experience in our industry, other than looking at it from a foreign animal disease perspective. When individual producers or the Pork Council approached the government and said that circovirus was a disease—a non-economic issue—and that there should be money here, the government did come forward with some money to pay for vaccines. The bureaucracy stepped forward, and we got an emergency release on vaccines out of Europe. But in my opinion, at the end of the day, the devastation was such that there should have been a payout under AgriRecovery, and I think all the provinces that were affected would have supported that.

Instead we were told, "Wait for the AgriStability money; that will help. Wait for your AgriInvest cheque; that will help. Wait for these other programs to kick in, and they will help." At the end of the day, we took it with a grain of salt and said we'd do that. But the knife in the heart came this spring when the western guys needed money, and they got it before they had to jump through any of the hoops. So it appeared the grain industry was held in a higher regard than was the livestock industry in this country—and let's be honest here, it always has been, no matter who has been in government.

You asked the question about FCC. I was speaking with a gentleman this morning on the phone and he put forward what I've been hearing in Ontario, which is that the definition of insanity is being reinforced almost on a weekly basis. I have to be careful here, because I am in farm debt mediation myself and I can't use anything from my own perspective—that's not allowed—so I have to go by what I've been told.

Wayne, you know Mr. Bartels. You've talked to him down in southern Ontario. I was talking to a gentleman this morning in eastern Canada. Last week I talked to people in the western provinces. Basically what we're looking at is that for hog farms...as long as the building on them is less than five or eight years old, the farms are going for land value.

The definition of insanity is to continue to do what you've always done and expect a different result. What we see happening is that farmers are managing through family. In one gentleman's case, I know his church has come to the rescue and offered him enough money to buy his farm back from Farm Credit at land value. He is refusing to take that. They want more money than what an accredited appraiser has offered as an opinion of the value of the property. So this young gentleman and his family will soon be evicted—I don't like to use that word—and yet the offer was there on the table. In that case we'll see Farm Credit having to carry this farm all winter. There are going to be animal welfare issues to deal with.

If the dollars are there for what the marketplace is paying, why are we testing the market with every single case? That would be my question. Why are we testing the market? The market will need to be tested at some point in time, but we don't need to test the market every single time. That's the definition of insanity.

• (1000)

The Chair: Wayne, your time is up.

Mr. Richards, you have five minutes.

Mr. Blake Richards (Wild Rose, CPC): Thank you. I will be sharing my time with Mr. Hoback, but I'd like to ask a quick question.

I guess this is probably mainly for Stuart as our young producer here. When we were going across Canada this spring, I know at least a couple of you appeared when we were doing that study on the future of farming, looking in particular at young farmers. I would certainly be open to letting others address this particular part as well if they'd like to. We heard quite often that a lot of times the programs weren't working properly for those trying to get into the industry, young farmers trying to get started. The programs could be improved in terms of what they're doing there to help with those trying to get into the industry.

I'm just curious as to whether that would be your take on it and why or why not.

Mr. Stuart Person: My experience with it as a new producer is that you do get assigned some sort of area average margin to start with. You have to be operating for a couple of years before you build a history.

One of the things that could be done to assist with that, and this is being tested right now, is that if you're a young producer and you buy an existing farm—let's say you buy a corporation from a gentleman who could be your father, your uncle, or someone you don't even know—that AgriStability margin should go with the operation. If you are buying out a good, viable farm and you have a strong AgriStability margin, you should make sure that stays with the operation no matter who the owner is. There's value in that too. As accountants we look at that as well, in terms of selling the farm. We think there could be value in there, and it would increase the value of the farm when the producer is selling it, because there would be a safety net with a good margin in place.

But for anyone just jumping in with two feet, cold turkey, it's not as good. We do need to ask what the benchmark is. Area averages take into account farmers who are not very good producers. So you are dragged down by them. Do you look at the top 50% of the

producers in the area and say you're going to give an average of their margin? That might be something to look at.

The Chair: Does anyone else have any thoughts on that?

Mr. Roger Bailey: Beyond that, when a young person gets in, quite often they're looking at the numbers as to what they would do to be a viable farm, but whenever they make a move in the direction of being viable through diversification or upgrading, they're cut out. I'm in the tree fruit industry. Apples were looking as if they weren't going to be as stable as other things, so I opted to change to cherries. So when my neighbour loses half of his margin in apples and triggers a payment, I lose half of mine in the apples but don't trigger a payment because the cherries are good. So this type of program is a disincentive for that diversification. I believe it should be a lot-specific or commodity-specific program, not a whole farm program.

• (1005)

Mr. Stuart Person: I'll speak to that as well. It's the exact same thing if you're a mixed farm, with animals and grain. You know, your cows are down, your grain is up. You take the cow loss. You have to take it because you're not going to trigger a payment, and vice versa. If you're specifically in cattle and you happen to have a margin, which is pretty much non-existent right now, you will trigger a payment. It's the same with grain. So it does penalize guys who are diversifying. We all encourage diversification, yet the program is structured to penalize people for that.

The Chair: Mr. Hoback.

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

Actually, you've touched on one of the areas I was going to touch on. I'm looking at the programs, and there are some things I'm hearing consistently over and over again. One is the timeline of repayment, or the time of a payment. Bankability always comes up when I talk to producers. If they could go to the bank...even if they know they're going to get their payment, if they knew the payment would be close or at least closer to what they actually get.... I think there have been some improvements there. Then the cross-subsidization, or the farmer who has a combination of, say, in this case, hogs and grain, or beef and grain, getting caught in that scenario, as Mr. Person talked about. The other concern I always hear about is caps. I come out of Saskatchewan, so I hate caps. Caps, to me, basically punish the efficient producer, and I don't think that's fair.

I guess what I'm looking for here is a couple of things. Regarding timeline of payment, do you have any ideas on how we could speed that up? Right now we have the ability to do an advance on your AgriStability payment. I know there were concerns when we did that a couple of years ago. Under CAIS, when you did an advance, some guys would actually take the advance, over-estimate, and then suddenly get a bill in the mail because they had over-estimated. I think we made some changes, at least in Saskatchewan, to help prevent that from happening.

In the same breath, on bankability, Revenue Canada.... I kind of like my income tax forms, even though I hate income taxes. But at least when I fill out the form, at the end of the form it says I'll get so much back, or I have to pay so much, and that's pretty bankable. Have any of you guys looked at what we could do to create that situation in this scenario?

Then, of course, there is the cross-subsidization, such as when you have a hog enterprise and you have a beef enterprise and a grain enterprise. Have any of you thought about how you would structure that? I know even trying to restructure it through corporations doesn't necessarily work, because they'll merge you together and bring it back under the whole farm. In fact, I've seen scenarios where some of the bigger farmers are actually four or five brothers who farm together to be efficient, yet they get penalized because they're getting lumped together under AgriStability.

I guess I'll go back to the timeline of getting the payments out quicker, and work down that list. What I'm looking for here, guys, is how to make it better. We can all pick on whether it's a good program or not. I hear that it's generally a good program except for a few flaws, and I think that's what we need to speak to as a group. Let's pick out what those flaws are and see what we can do to improve them.

The Chair: Do you have any comments on what Randy is asking there?

Mr. Bailey.

Mr. Roger Bailey: Recently, the administration of the programs for B.C. has been moved regionally to Kelowna and out of Winnipeg. This is the beginning of it, but early indications are it's more responsive. The people in the office, to a large extent, are the same people who were transferred from Winnipeg, those who wanted to go, and yet it's far more responsive, for whatever reason. Maybe that will help in other areas also.

Mr. Stuart Person: I guess all of those changes are possible to make if you really want them done. Do we need to look at doing a bit of a study on the program? We did it in Saskatchewan with crop insurance. We went out and talked to the producers, got some feedback, and put forth, I think, 14 recommendations, or something like that. I think 12 of them were adopted. Maybe that's something we need to do with this program.

One of the problems is you're talking about Canada. Well, there's huge diversity in terms of what's going on in Prince Edward Island versus B.C. versus Saskatchewan, so I'm not sure you can put an umbrella program in place that would work for everyone.

As I said, I'm here until Thursday. We can talk for two days on this stuff, and I can give you all the answers that I think should be there.

The Chair: Thank you, Mr. Person.

Just before we move on to the next round, Mr. Bailey and Mr. Person said something a couple of minutes ago about being penalized for being diversified. I understand and agree with you to a point, but I just want to throw this out, whether it's a question or just thinking out loud.

Is it not up to us as producers? I am a farmer in my other life, I guess you'd say, and I'm going to give an example in my own case. Back in the 1980s, with everybody in my part of the country, the move was to grow corn as a cash crop. Well, everybody did it. I soon found out that I couldn't do it. I could grow a hell of a crop of silage and feed it to my cattle, but I couldn't make money, so I got out of it because it wasn't making money.

If you start having the taxpayer subsidize that diversification, I'm not sure that's right. I throw that out, and if you want to comment on it, that's fine. But I think you see where I'm coming from on that.

● (1010)

Mr. Stuart Person: I agree, but the taxpayer is going to subsidize. You're talking here today about subsidizing Curtiss here, who is a straight pork producer. So what's the difference if you have a mixed farmer who's doing grain and pork? You're going to subsidize Curtiss, but you're not going to subsidize me because I happen to have grain? In essence, I'm subsidizing myself with my profitable grain operations.

What you end up having is...you're dividing it. I'm a grain farmer; Curtiss is a pork farmer. Curtiss is going to go broke. We have no more pork industry in the country. That's what's going to happen.

If you're going to subsidize pork, you've got to subsidize it all the way, because some guys may like to run a mixed operation and some guys might find that works better for them.

The Chair: We're going to move on, but I would even throw that further. What you're suggesting, I think, is that you subsidize over-production, which is, in turn, exports. And I'm not sure the taxpayer should be funding exports to feed people in other countries. But that's another issue for another day.

Ms. Bonsant, five minutes.

[Translation]

Ms. France Bonsant (Compton—Stanstead, BQ): As far as subsidies go, I will not be rude. But I prefer to subsidize farmers so I can eat instead of Americans so the government can buy F-35s.

Mr. Littlejohn, from what I understand, if agristability calculations do not take into account production costs, programs stay effective and efficient, regardless of the fact that you are taking 10 years to assess whether it is profitable or not, from beginning to end. When a program is not put together well, it will not be explained well, and so it will not be effective.

[English]

Mr. Curtiss G. Littlejohn: And the question is...?

[Translation]

Ms. France Bonsant: You said earlier that production costs were not taken into account under the agristability program. Even if you take 10 years to review and improve the program, if it does not take production costs into account, will the program automatically be ineffective?

[English]

Mr. Curtiss G. Littlejohn: Okay. I think I understand a little better.

The cost of production, as we see in the supply managed commodities, is an excellent way to ensure that producers make a reasonable return on their investment for their time and labour. By not having cost of production in the formula, you disadvantage a section of our industry. The programs that we have today don't take into account all costs.

It's a different issue, I guess. We disadvantage our producers here in AgriStability in two ways. We do not allow for true costs of production, and that is a challenge. As Mr. Shipley has said, we need to understand how, if we have a COP program, we limit production so that we don't cause over-expansion. There always needs to be a certain amount of expansion within an industry. The flip side of that is that in all of our trade talks we defend our supply management to the detriment of the non-supply-managed commodities.

So we do a little bit of sucking and blowing. It's a difficult question. This is not a simple issue, as we all realize, in how to address that. The challenge we have is that we're trying to plan a strategy for an ongoing war while we're in the middle of a heated battle, and that always makes it difficult. The challenge you have is that we are the ones who pay the price as we try to figure it out.

[Translation]

Ms. France Bonsant: I am trying to wrap my head around this. We talk a lot about the next generation of farmers. I believe you mentioned it earlier, when you referred to the cartoon in *The Globe and Mail*. The government is working on a report on the next generation of farmers.

If agristability, agriflexibility and so forth are inadequate, could that prevent the next generation from taking up farming? I am not farming expert, you are the experts. I am simply trying to understand. If the programs are no good, will there be fewer young people interested in pursuing farming as an occupation, as a way of life?

• (1015)

[English]

The Chair: Mr. Van Tassel, do you want to jump in there?

[Translation]

Mr. William Van Tassel: If a sector is profitable, there will be no problem in terms of the next generation. Look at Quebec. It had a program. Of course, supply management comes into play, but farmers are, on average, much younger there. If a sector is doing well, the next generation will step up.

I want to come back to something you said earlier about the programs. You can have an agristability program with an average of 10 years. It will help; it will improve the reference margin a bit. But a real program that takes into account production costs would clearly work much better.

I would like to respond to something I heard earlier. Canada is a big country, and the same model will not necessarily work everywhere.

Ms. France Bonsant: It is the same as gloves: you cannot have one size fits all.

Mr. William Van Tassel: Exactly. The agriflexibility program was put forward because different provinces can use it where the need exists. Programs can vary, as in the example I gave earlier. Manitoba may want an agristability plus program. Ontario may opt for a risk management program, as well.

Ms. France Bonsant: The pork industry is not supply managed, is it?

[English]

Mr. Curtiss G. Littlejohn: No.

[Translation]

Ms. France Bonsant: Would that be a good idea? We wondered about whether....

[English]

Mr. Curtiss G. Littlejohn: No.

[Translation]

Ms. France Bonsant: Is it something you want to see happen?

[English]

Mr. Curtiss G. Littlejohn: That's a good question. There's been a lot of talk over the years about supply management in the pork industry. I believe in 1972 there was a vote, and it wasn't put there.

One of the challenges we have in supply management, and supply management is COP-plus, so there's always a return, is that in many cases—and we see this in Quebec, where they have an ASRA program, which guarantees a base level—it develops a parasitic relationship where the suppliers know what your support level is and their costs line up so your margin stays the same. Only the very efficient producers ever get past that and say they beat the average, and they make exceptionally good money. The average producers live in this parasitic relationship. They're allowed to make a good living, they're allowed to feed their families, and they're allowed to have money for retirement, but the suppliers know what you're making as a profit and it becomes very parasitic.

On the opposite side, looking at where we are today, what we have is not working either. We're going to become dependent on imports of food to feed our country.

The Chair: I was going to touch on this at the end, but Madame Bonsant was just talking about the issue.

Earlier you mentioned bilaterals, but also pork or beef or whatever. I can tell you, before I came to this place, I was always a little biased toward it. It just drove me nuts when I heard about American or New Zealand beef, or whatever, coming into this country when I was having a heck of a time as a producer trying to make a living.

You made a comment about shutting that down, and you just talked about how there was a vote—and I think there has been more than one, or at least it's been talked about a number of times, about making the industry supply managed.

The Canadian Pork Council, along with the Canadian Cattlemen's Association, has made it quite clear—not everyone, obviously, agrees within the industries—that they don't want to go that way. My point here is that both the Pork Council and the cattlemen want to send products. We want to look at markets or find markets around the world, because we want to produce. It's like being almost pregnant; there is no such thing. You either are or you aren't. If we're going to ship our products around the world, I think you know as well as anybody that we can't turn around and close our borders, or you're closed in.

I don't know whether you want to comment on it or not, but I thought it needed to be pointed out.

Mr. Curtiss G. Littlejohn: That's very true. While I like the idea of supply management, I don't believe I've ever been a proponent of moving the hog industry there. We do depend on world markets. To me, there's a difference between supply management and a support program that guarantees you're going to have a food supply within the country.

There's another point here that I wanted to bring....

When you look at any industry—I don't care what industry it is—if you want to be good in the export market, you have to be strong in your domestic market.

Right now, in the cattle industry and especially in the hog industry, our processors and further processors and our exporters seem to have forgotten that. They're so focused on export, export, export that they've let the Americans and the Europeans come in—some of the Danes to a certain degree, but mainly the Americans. They've kicked our butt to the tune of almost 250,000 metric tonnes a year.

That product is not to the same specifications as it is here in Canada. It's not identified the same way. We've heard at other agriculture committee meetings where our processing industry is not allowed to use products that were allowed to be imported. I don't know whether it's lax inspection or just that nobody knew about it.

It's a very complicated issue. At the end of the day, if we don't have a strong domestic industry able to feed our people, then we cannot compete in the export market.

• (1020)

The Chair: Thank you.

Mr. Hoback.

Mr. Randy Hoback: Thank you, Chair.

Excuse me, I'm working on about four hours' sleep; I got in late last night. But we'll keep working through this.

When we were talking a little earlier about whole farm support and I made the comment about the beef and the grains, one of the things I left out was the income tax portion of it.

When you have a grain farm and a beef farm, if you have the ability to write off your losses on the beef against your grain, how would you handle it if you were to say, okay, we're not going to do the whole farm, but in the same breath there are income tax benefits to having the whole farm under the tax act?

Stuart, do you have any comments on that?

Mr. Stuart Person: From a tax perspective, I assume you're going down the road of having separate operations or separate corporations. If you separate the corporations, you are going to pay tax on the profitable one for sure. Is that a bad thing? I don't know.

As a producer, if I was going to be subsidized, or assisted, I guess I should say, in my cattle operation, because it was struggling, and my grain operation was doing fine, maybe I wouldn't mind paying taxes on my grain operation. From a grain farming perspective, I'd say 80% of my producers are paying tax through the nose, because they're successful. We're encouraging that. Tax rates are good right now.

Does that answer your question?

Mr. Randy Hoback: Yes, I guess so. I'm just looking for ideas. I've heard that quite a bit from farmers, saying they don't want to go into beef. Actually, it's gotten to the stage where, even on my own farm, we grow one crop. We're not even going to cross-subsidize a low barley price with canola. We're going to make sure our margins are high.

You're looking at the program starting to make decisions for you based on the safety net, instead of being based on what the market signals are telling you to do.

Mr. Bailey, did you have a comment?

Mr. Roger Bailey: I don't know the details of how the tax would work, but I think it wouldn't be as big a difference over time, on the face of it. If you're paying tax on one side, you're developing a loss carry-forward on the other. I don't think that's such a big factor.

Cost of production in our industry is calculated regularly. I like the idea of going in that direction rather than separating the loss under the current program. Cost of production is something that...the consumers vote to put things in place that we must follow when we produce their product.

It might be more stomachable to have a bigger ag budget for these programs based on a cost of production, because that cost of production is something the consumers of the country give us as farmers. We can all produce a less expensive.... We can produce perhaps as cheap as other countries. But under the cost of production, those costs are put upon us by the consumers of the country. So it might be more stomachable to move the budget.

Mr. Randy Hoback: Mr. Bailey, I know what you're trying to do. You're trying to get a floor so that at least you have some profitability.

The problem I see with the cost of production, and maybe you have some ideas on this, is that as soon as we do a cost of production program, those costs change and they seem to escalate and escalate. In fact, you start creating false costs. You see industry in the sectors start cranking up fertilizer. He's got a guaranteed profit, so he can add another 10% to the fertilizer. We can add another cost here and another cost there. How do you prevent that from escalating?

•(1025)

Mr. Roger Bailey: I don't know. I've never thought of it going in that direction before. All I'm looking for are things that respond to the consumers' desires. Consumers put higher food safety regulations on us than some of our competitors have. So the consumer, or the taxpayer, needs to share that burden if they want product produced in Canada.

Straight cost of production doesn't work. We used to have farm income insurance in the tree fruit industry. It drove it right in the tank, because everybody's aiming for just below zero so they can get the biggest payout. That's the same argument as splitting the crops out so you get a payment on one side.

I'm not saying I advocate that. It's the same thing: everybody's shooting for a bigger payment. That's the wrong thing. As a country we should be shooting for better production. What I don't like is it creates this unlevel playing field so that the old boys' club, in whatever form that takes, has a much easier time of it than new entrants. Perhaps that's the way it should be. That's the way it is in most of society. However, that doesn't bode well for the future of farming in Canada.

Mr. Randy Hoback: I'm sorry, William, I'm going to cut you off; I know you probably have some good ideas on it. I'm going to change to a different set of questions

I know we've heard lots of people complain about the viability test. But as a taxpayer, when do I say enough is enough? Is it after three years? Is it after four years? When do I, as a taxpayer, say you have to change the way you have structured your business or farm? What is the proper timeline? There has to be some balance there. You can't just keep throwing money at an unprofitably structured situation on a farm.

One thing about a farm is that you can grow lots of crops; you can produce lots of different animals. When do we, as an industry and as taxpayers, find a balancing point to say this thing has gone through a structural change and now you, Mr. Farmer, have to change?

I will start off with William because he didn't get a chance last time.

Mr. William Van Tassel: It might be a very difficult question to answer, but you could look at it differently. In looking at the grains sector, if you go back a few years—three or four years—it wasn't that profitable. But it came up. If you look at the hog sector, there were different reasons the prices stayed low. You talked about the H1N1 and every problem possible; maybe there should be a study of each one.

Farms usually go from generation to generation, so I think there should be something much longer term than the three or four years.

You may also have to look at the regional economy. What does a farm bring to your rural economy? I think it makes much more return than what it costs the government, to start with, anyway.

Mr. Randy Hoback: To quickly comment on the three years to five years, I agree with you. But unfortunately we have these things called WTO rules that limit us in the timeframes we can use for averages.

I know crop insurance uses a 10-year average. You throw the high and the low out in Saskatchewan, and in some ways that would make a lot more sense, as you said. But unfortunately we don't have that luxury. We have to live within the world rules we play in, so that's why we're forced to do it the way we are.

Am I done?

The Chair: [*Inaudible—Editor*]...Mr. Hoback.

I understand Mr. Easter and Mr. Eyking are splitting a round.

Hon. Wayne Easter: I want to come back to Curtiss.

Overall, on this whole discussion, one of the things that has me concerned is how we stack up against the rest of the world. Are we, as a country, going to support our producers equivalent to other producer support in the world, or are we not? Otherwise, we're going to fall behind.

I come back to the bare land value and your comments, Curtiss. As I understand it—and I have several Farm Credit Corporation cases myself right now—you could have an operation or land values at \$400,000 and Farm Credit will not restructure with the current operator. They'd rather take the chance on selling that out, even if you can get financing to purchase that operation at the bare land value.

I find Farm Credit is more interested in putting people on the market than they are in keeping them on the farm. It's a huge problem.

You said, in your case, that you're in the top 5% of producers. You're an efficient operation. You have market problems, etc., that put you where you are, and the other things you mentioned.

Is Farm Credit of assistance in keeping guys on the land, or are they not, in terms of that kind of proposal?

• (1030)

Mr. Curtiss G. Littlejohn: That's a multi-part question, Wayne, but I'll tell you what I hear in the countryside.

There is a struggle with where Farm Credit's policy has been in the past. In talking with accountants and lawyers—producers call me all the time, and I'm the local rep—15 or 20 years ago, Farm Credit had a policy of finding the market value and then finding the quickest way to resolve at that value. They would do many things to make that happen. They would use trailer mortgages. They would use debt set-aside or plain debt writedown. They were in the business of trying to fund agriculture, and at the end of the day, if they sold it to the neighbour for \$1, why wouldn't they move it back to the farmer for \$1?

From what I'm being told there seems to have been a policy change at FCC. They will move so far, but then they're going to test the market. From research I have seen, I do know that every time they've tested the market in the last nine months it pretty much comes back at land value. With the gentleman we talked about earlier, if he and his church can raise the money to buy that farm back, or offer Farm Credit what they will probably get in the marketplace, it would seem like a reasonable business proposition to take that: reduce your costs and move on.

Having said that, there will come a point when the market needs to be tested; I don't know if that's every other week or every other month or once every six months. But we know in our business today, the hog business, that grain prices are going up and hog prices are not keeping up with that. Producers, at least in the next four or five months, are going to struggle to keep going.

I guess I'll leave that there.

Hon. Mark Eyking (Sydney—Victoria, Lib.): I'm not going to talk about the programs. I think it was mentioned enough today that we need more fairness and more efficiency in the programs out there.

I'd like to talk a little more about getting more for your product. I have two quick questions.

You mentioned the George Westons and the Maple Leafs of the world and whether they should have a share in farms, a minority share, so that they make sure that they're profitable and pay the right price. It's debatable how that would work.

Mr. Bailey, on supply management and a marketing board for apples, to me, it's almost at the point where most of the apples are consumed. I know we export some. Would it work having a marketing board for apples—let's start with apples—in Canada?

Mr. Roger Bailey: Well, that's certainly on the table right now within the organizations. As a representative of the tree fruit organization, I would say yes. As a long-term strategy for the country, I don't know. It is pretty scary to be that far out of the world market if you're trading in the world market. I would prefer to see the

government take agriculture seriously when they're talking about trade agreements.

In Canada, we only grow half enough apples. We only supply 50% of our Canadian consumption. So the decision has to be made. Is it a food security issue? There are farmers who would prefer to be under a marketing type of scheme, one way or another, than go out of business. In that sense, it certainly could be a good thing.

Hon. Mark Eyking: I'm not saying that we shouldn't import apples.

Mr. Roger Bailey: No, far be it from anybody to say that. We don't supply anywhere near enough.

Hon. Mark Eyking: I'm afraid that you'll come back here in 10 years' time and we'll only have one-quarter of the apples supplied in Canada. And the things that you said should have been changed on imports and regulations didn't happen. You wonder if maybe now is the time to stop the bleeding and have some sort of control of this situation.

• (1035)

Mr. Roger Bailey: Well, a lot of the tools are in place. Regardless of whether there's a marketing board, a lot of the tools are in place to stop the dumping. You've made the agreements. We just don't have a mechanism there, such as AgriStability. It's \$300,000 to get an anti-dump in place that won't be in place until after the season is over. Those are the issues. The government has policies in place to help us with that; they're just not timely. The ship is too big. There needs to be a mechanism put in place to say, "Okay, it's a no-brainer. Washington State has a massive crop this year. There is going to be dumping. Therefore, we're going to be proactively putting an anti-dump in place."

I don't remember what year, but when I was involved in the industry before, the industry went ahead to try to get an anti-dump, and even though the Americans didn't counter it, we weren't give it. If that's the level of support we're getting from our government, with tools they've already put in place, then the rest of this stuff is redundant.

The Chair: What year was that?

Mr. Roger Bailey: It's going back a ways now. I don't think I'll pick off the year, because I wasn't personally involved in that, but it was half a dozen years or so ago. And the same thing could happen any year. Our industry has just said that we're not wasting the money trying, because even if we win, the government won't go with it.

The Chair: Okay. Thank you.

Mr. Storseth, you have five minutes.

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

Thank you, gentlemen, for coming today.

Stuart, you're from my neck of the country. You're a young farmer getting into it. I'd like to ask you some questions.

First of all, we all have complaints about any kind of banking industry, but at the end of the day, Farm Credit Canada has been very positive in my area. Without them, we wouldn't have a lot of the farms we do. What's your general opinion of Farm Credit and the role they play?

Mr. Stuart Person: Well, they play an important part for the agriculture industry. They are way more flexible than the big banks, right? The programs they have in place are structured such that it does make it affordable for a young farmer like me, for example, to maybe purchase my father's operation and buy him out over time and then expand. However, they still have rules to follow, and they have gone down that road in recent years where they're getting a little tighter. They're probably accountable to somebody down here. If they have too many losses, somebody starts to raise the flag.

It is probably good for them to have checks and balances in play, but at the same time, their checks and balances are probably working as well as AgriStability in certain areas. It just doesn't quite work.

Mr. Brian Storseth: When it comes to responsiveness, that's something we hear all the time. I agree, these programs need to be more responsive than they traditionally have been. When it comes to agricultural recovery in northeast Alberta, and all of Alberta, when we had the drought it took almost a year to get ag recovery money, which was far more responsive than we've seen in the past. I was led to believe by the producers in southern Alberta whom I've talked to, and some in the Yorkton area, that it was a lot quicker when it came to the floor relief money this time. Would you say the ag recovery program has become more responsive, or is it responsive enough at this point?

Mr. Stuart Person: It was very responsive this spring. I'm not sure \$30 an acre was the right number.

Mr. Brian Storseth: And arguably we'll never find the number that everybody is going to agree on.

Mr. Stuart Person: Ultimately, for the producers who are properly insured under crop insurance and AgriStability, it was more or less an advance.

Mr. Brian Storseth: That's my next question for you.

When it comes to all these programs—and all you can really answer for is your sector of the industry—what's more important to you, a real insurance program that's bankable, dependable, and based on premiums, or continuing to try to adjust the AgriStability program and the margin-based programs, whatever you call them?

Mr. Stuart Person: I think that's the same question. If you put the right programs in place, you will have an insurance policy in place. For me to make the kind of investment I need to make to be a sustainable farmer, I don't have the appetite for that risk level. My friends who are doing it are doing it because their dads are just handing it over, saying here's my \$7 million farm, I only need \$40,000 a year to live, enjoy. It's pretty easy if that's the case, right?

Mr. Brian Storseth: How much time do I have, Mr. Chair?

The Chair: A minute and a half.

Mr. Brian Storseth: Would you rather see a premium-based program, where farmers can pick and choose how much...? For example, some of my guys...one guy does 4,000 acres. He wants to be able to insure this much on this and make that decision himself... or this margin-based program, which the government dictates a lot of. Just quickly, because I have another question, where would you rather that be, or is it both?

Mr. Stuart Person: Premium-based programs, as long as they're affordable, will drive the right behaviour. Private enterprises are looking at insuring it, and I can give you those examples later.

• (1040)

Mr. Brian Storseth: Yes, and I've talked to a few of them.

Last question. In my area, the battle goes back and forth sometimes, and this isn't a political question. I actually want your views on it, and you can use the rest of the time explaining your position on this.

When it comes to your ability to market grain, do you want that freedom to be able to do it yourself as a young farmer and still have the Wheat Board there but have the ability to market yourself, or would you rather the system stay as it is right now?

Mr. Stuart Person: My opinion on the Wheat Board is it can stay there, but I like the choice. If they're good at what they do, they'll be competitive and I'll sell my grain to them. The problem with the Wheat Board right now is it's not accountable. There are millions of dollars of losses, and no one seems to pay the price other than the producer.

Mr. Brian Storseth: I agree with you 100%.

Thank you.

The Chair: Thank you, Mr. Storseth.

Mr. Lemieux, for five minutes. You have the last round.

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

I'd like to start by commenting on something that Curtiss said regarding opening of foreign markets. Curtiss said that really the minister shouldn't be focusing on that—bilaterals are not what the sector needs—he should be focusing more at home. I think I disagree. The bigger the marketplace that farmers have to sell into, the better. The more places they can sell their product, the better. It's simply a supply and demand equation. If supply stays constant but demand goes up, that's better for farmers, and demand goes up when foreign markets are open. Certainly, this has been one of Minister Ritz's strengths, and I think it's been one of his areas of priority.

The second thing I want to mention is regarding some of the discussion we've had today as to whether the programs are working or not. I think what we're hearing around the table, what we're hearing from you, is that at particular times for particular commodities the programming doesn't always work particularly well. However, I would like to point out that...I don't have the exact number in front of me, but we spend about \$8 billion a year on agriculture, and billions of that actually flow to the farm gate through these programs. It's billions and billions of dollars that flow to the farm gate every year in these programs, and that money is reaching farmers.

Part of my experience, simply by being out on farms talking with farmers, is that if a farmer receives support, he doesn't broadcast that. That's his farm operation and he doesn't put a big sign up on his gatepost saying he received this amount of support from the government because he had a difficult year. The inverse is true. When a farmer doesn't necessarily get the support he needs in a particular year, that's broadcast a little more widely.

So I wanted to point out that there are billions of dollars that are flowing through these programs to help farmers every year.

I guess if we look at the pork sector, when a program struggles to support an industry that is in decline for a number of reasons—it might be the high dollar, it might be overproduction, it might be the COOL that went in down in the United States, and there are a number of things that can come into play—then I think the government makes an effort to provide a supplemental program. For example, in the case of hog farmers, there was the HILLRP program put together. This was a program that didn't exist before, and it was put into place with the help of the industry. I think the government tries to plug holes as they present themselves, with additional programs, or they try to provide leniency—for example, on advanced payments—where and when they can to give farmers that extra breathing room.

I'm not saying the programs meet every need under every circumstance, but I'm saying there are a number of tools that are at the government's disposal and are used to help when they can.

I want to go back to...it ties in with the pork. I think the question Mr. Hoback asked is a good one because it's something that we all struggle with. We understand the implications of negative margins over time, but the question becomes.... The federal government tries to provide a level playing field so that all farmers across Canada are treated equally, so that commodities are treated in the same fair manner. This is something producers asked for, right? They want a level playing field; they don't want it tilted in favour of any one commodity or another, or one particular circumstance or another.

If you take pork, I think the industry realized that a year or two ago the supply was too large for demand, so pork prices started to plummet. A lot of our exports to the U.S. dropped at the same time. This was part of too much supply and not enough demand, because of the COOL implementation, which we're fighting. So the herd had to downsize, and that's painful—that's very painful, particularly when it gets personal. A pork farmer has to decide whether he is viable in these circumstances or not. That's a very personal, very difficult, gut-wrenching decision.

I'm not too sure who determines viability. After what period of time does one say it's been in declining margins for such a long period of time now...? At what point, as Mr. Hoback said, does the taxpayer say we should limit the support?

● (1045)

The Chair: Does somebody want to touch on that one?

Curtiss.

Mr. Curtiss G. Littlejohn: I have a couple of quick points.

It's the second time, Mr. Chairman, that I've been challenged on my comments around bilaterals, and I'll repeat it. I think bilaterals are good, but I do believe that if we don't look after the industry here at home, we'll have nothing to sell once those bilaterals are accomplished. Minister Ritz is, if anything, an advocate for the agricultural export industry.

Leveling the playing field is a big issue. If we have an industry here.... We get into things and we ask at what point do we stop subsidizing an industry and let it go into decline. We need to be there.

I'll use my own example. I have a cost of production that rivals that in Brazil, because of the way we've chosen to structure ourselves, yet Brazilian product will come into this country and displace the product that I produce because it's coming here at an incredibly low rate, the same as American product, which is dumped into this country.

I'm prepared to go head to head with anybody in the world on cost of production as a viable producer. I'm not prepared to sit back and go out of business because the Government of Canada—and it doesn't matter, sir, whether it's a government of today or a government of tomorrow—is not willing to protect its industries here at home.

I'll finish up on the other comment you made, sir. Under the—

Mr. Pierre Lemieux: Could I just jump in for one second?

I want to follow up on what you mean by protecting the industry at home. If you mean setting up tariff barriers, then it doesn't help with the export markets that you were just talking about. What did you have specifically in mind in terms of protecting the industry at home?

Mr. Curtiss G. Littlejohn: My own thoughts here are that we should be promoting Canadian, and I believe we are starting down that road. Minister Ritz will be helping us with that. At the end of the day, consumers are not aware that two-thirds of the products on their shelves are products of the U.S.A.

Mr. Pierre Lemieux: So it's a consumer education thing.

Mr. Curtiss G. Littlejohn: Partly, but it's also that we have different standards here.

Mr. Pierre Lemieux: Thank you, Mr. Chairman.

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

We're out of time. Thank you, gentlemen, for coming here.

As Mr. Person said, I'm sure some may have more questions for you. I think they know how to get a hold of you.

The meeting is adjourned until Thursday.

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