



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **Standing Committee on Agriculture and Agri- Food**

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AGRI • NUMBER 011 • 1st SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Tuesday, November 15, 2011**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

Tuesday, November 15, 2011

• (1530)

[English]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** We'll call our meeting to order.

We have Greg Meredith here from the Department of Agriculture.

Greg, thanks very much for being here.

Before we move into the presentation, I would like to remind the members of the following:

Particular attention has been paid to the questioning of public servants. The obligation of a witness to answer all questions put by the committee must be balanced against the role that public servants play in providing confidential advice to their Ministers. The role of the public servant has traditionally been viewed in relation to the implementation and administration of government policy, rather than the determination of what that policy should be. Consequently, public servants have been excused from commenting on the policy decisions made by the government.

With that, Greg, we'll turn it over to you for your presentation and opening remarks.

**Mr. Greg Meredith (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you, Mr. Chair.

[Translation]

If I may, Mr. Chair, I will begin my presentation in French.

Good afternoon. It is an honour to appear before you today.

I will be providing you with an overview of the federal position relating to the development of the new agricultural policy framework.

First, I would like to set the context for our views on future policy priorities. Perceptions persist of agriculture as a traditional industry rooted in the past, reliant on historical production processes, with very little change over time. As you well know, nothing is further from the truth.

Canadian agriculture is driven by tens of thousands of highly skilled entrepreneurs and risk-takers. Technology and innovation are critical to our competitive advantage. Some of Canada's major crops and exports did not even exist 30 years ago, as you know.

[English]

Markets are global. Consumer demand is volatile. Sophisticated retailers and processors are extremely demanding in terms of the quality and attributes of the demand of our processors.

The supply chain is a complex one, yet it still manages to deliver food with a predictability that few industrial sectors could match.

Trade is critical to this sector. As you know, Canada exported about 45% of our agricultural output last year, amounting to about \$35 billion.

In terms of the state of the sector, average net income is increasing—it's increased every year since 2006—but global supply and demand conditions are changing and creating enormous opportunity and, at the same time, significant challenges.

I know you've heard from other witnesses about increasing food demand globally, rising incomes in developing markets, which bring along with them rising demand for higher value-added proteins and greater food in terms of dairy and other high value-added exports. Vast new opportunities in bio-economy are emerging, and at the same time, to fulfill those demands, producers have higher standards that they have to meet in order to get into the global supply chain.

Canada benefits from a wealth of natural resources, but natural resources alone will not be sufficient to guarantee future success. The sector requires, I think, a government partner that can help with innovation and create a business environment that allows producers and processors to prosper.

That's one reason why the policy frameworks that we put together in collaboration with FPT governments is so important. We've really managed to improve our relationships in collaboration with provinces over the last several years.

The first agricultural policy framework started in 2003 and was really a response to a situation where inter-regional competition and intergovernmental lack of policy alignment was producing poor results for producers and processors. The APF managed to address some of those.

When we moved into the first Growing Forward framework in 2008, the sector was still recovering from BSE. Livestock prices were still low. Grains and oilseeds prices were just starting to turn, and the sector was struggling a bit. The government at the time improved on the first framework by giving provinces greater flexibility to deal with local problems while addressing national outcomes and putting a much greater investment emphasis on innovation.

So GF2, the successor, hopefully will build on those successes. To do that, we have developed, as I can explain over the course of my testimony, the engagement strategy that we pursued.

The position we're at right now is that we've defined two significant and primary outcomes for GF2. One is competitiveness, which we define very simply as better market share domestically and internationally and a sector that's adaptable and sustainable. I'll explain later what we mean by those two terms. The key drivers for those outcomes will be innovation and what we call institutional infrastructure, which ranges from the policy, legal, and regulatory environment through to the physical infrastructure needed to carry product to market.

We've heard from stakeholders about the importance of innovation and the importance of ongoing R and D. We've heard from stakeholders about the importance of responding to new consumer demands, demands that deal with the provenance of their food, how it's made, where it came from, and how it's been processed. We've heard from industry about the need for collaboration across the supply chain. That's a very important development, where people from the farm gate and the input suppliers on the one hand, and people delivering food to the table, are recognizing the need to collaborate in order to succeed.

We've also heard a lot about the importance of attracting young entrants and new entrants to the business—in other words, making sure that this intergenerational transfer that we're going to see over the next few years can take place successfully. We've seen greater demands placed on producers for higher standards, higher than we've seen in the past with respect to quality, assurance of supply, safety, and other attributes, including environmental performance standards.

• (1535)

So we'll be dealing with all kinds of new factors as we move into this new environment.

[*Translation*]

The key milestones include releasing the St. Andrew's statements in July 2011, where ministers outlined the intent and policy outcomes of Growing Forward 2. That is very important. After the recent election of seven new provincial or territorial governments, the department can now move forward with developing the new framework.

I will stop there, Mr. Chair. I look forward to your questions.

[*English*]

I'll just leave my remarks there. I think the meat of the new framework will come out over the course of my testimony.

**The Chair:** Thank you very much, Greg.

We'll now move to Alex Atamanenko for five minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thanks very much for taking time to be here, Greg.

There's been a growing concern regarding health, processing of food, the environment. The idea that we need some kind of a national food policy is being discussed across the country. I know that the Canadian Federation of Agriculture is seriously thinking about this. Both our parties here in the opposition have developed papers on this. I've done some consultations across Canada. We believe we need some kind of a Canadian food strategy with the

various...the national farmers union, Christian farmers, the federation; everybody seems to be on board with some kind of policy.

I'm wondering, from your perspective is it doable? Have policy discussions been started in this regard? If so, is there a timeline or are consultations planned? Would there be a direction that it might take, balancing our food sovereignty and our trade obligations?

I'm just wondering if this has been discussed, and if so, maybe you could share some information with us.

• (1540)

**Mr. Greg Meredith:** That's a big, big question, but thank you, because it's an important one.

The government, during the campaign, had as part of its platform a national farm and food strategy, so that's become one of the minister's priorities. We are, as a department, very involved with the Canadian Federation of Agriculture process, which has been one of engagement and discussion for about a year in order to come up with the framework of a strategy.

We've also been a partner with the Conference Board of Canada, which is doing the same kind of thing with a number of what they call investors doing some basic foundational research on what the elements of a food policy would be.

The department has established an interdepartmental committee of deputy ministers that involves my deputy, whom many of you have met, as the chair. It engages CFIA as one of our portfolio partners and involves the health portfolio, so Health Canada and PHAC. We've also reached out to DFAIT and CIDA, because there are food security issues involved with developing a food policy.

So there's a concentration of bureaucratic effort at this point to do a few things, one of which is to put a framework around what food policy really means. The very first thing that everybody agrees on is the clear nexus between food and health. A lot of what was driving food policy at the very beginning was the connection to health budgets, primarily in provinces. If you can use healthy eating strategies to reduce chronic disease—diabetes, heart disease, cardiovascular problems—then you're further ahead than trying to treat those diseases. That kind of laid the groundwork for greater interest in a food policy.

You have a concentration of deputies looking at these kinds of issues and trying to decide where the best value lies in our efforts. The merging dimensions of a food policy that we see others coming up with include this food-health nexus, as well as the whole local eating movement, the movement towards greater attention to the carbon footprint of your food. A great deal more attention is being made to how we deal with food security problems, which have become much more prominent on the international stage recently because of food price spikes and volatility. So our first job, I think, is to put a frame around it and then get some policy direction from the government about where we go with the food policy.

The short answer to your question, Mr. Atamanenko, is yes, it is on the agenda, and we're looking very seriously at it.

**Mr. Alex Atamanenko:** I guess it's too early, Mr. Meredith, to have a timeline on this, or is that...? How long would discussions be taking place within the government, and when would stakeholders, such as the Canadian Federation of Agriculture, for example, be pulled in?

**Mr. Greg Meredith:** We are engaged with the CFA already, but there is no timeline that I could share with you at this point.

**Mr. Alex Atamanenko:** Thank you.

**The Chair:** Thank you very much.

We'll now move to Mr. Lemieux for five minutes.

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

As you know, Mr. Meredith, as a committee we decided to look at Growing Forward, which is the large agricultural policy framework. We're in the middle of Growing Forward 1 now, and we see Growing Forward 2 rolling out in 2013. In a sense, we're dividing our work up into different categories. We just thought it might be confusing if we were bringing in one witness and peppering them with questions and then someone else with other questions. That would be very hard to put together a report.

This would be just one input from the committee. I'm wondering if you could brief the committee on the consultative process that the department goes through in evaluating the strengths and weaknesses of Growing Forward 1, and what process allows you to take the information you gather, and how you gather it, to work with Growing Forward 2 to ensure that the good ideas move forward and the other ideas do not.

• (1545)

**Mr. Greg Meredith:** As you know, "the other ideas do not" is harder. Saying no is the hard part.

In terms of history, one of the criticisms we got on the first agricultural policy framework was that there wasn't enough engagement. So in Growing Forward, we put considerable effort into that aspect. We're convinced that considerable engagement and discussion is important to validate the outcome and to have a credible set of policies and programs at the end of it.

In terms of the engagement process this time around, first of all, we started earlier so that we could make sure that we have programming in place for producers and processors by April 1, 2013.

The process we adopted was three phases. First was to consult on the state of the sector, to see if we could establish some consensus about what were the challenges and what were the opportunities in the environment. We took a lot of time to discuss the next ten years or so—out to 2020, roughly, which was almost ten years when we started.

That phase happened in 2010 and laid the groundwork for a snapshot of what we thought the industry would look like. We sent that out to the sector and then re-engaged in another phase, which was to say that given what we see in the world...

I could go into what we saw a little bit later, but I think you were asking about process.

**Mr. Pierre Lemieux:** Yes, more about process right now.

**Mr. Greg Meredith:** Right.

Phase two, which we completed in the summer, looked at how a policy framework best responds to what we see in the environment. We had a certain perspective. People bought into it. That kind of led to the Saint Andrews statement, which was agreed to by ministers in July this summer, basically saying that the Saint Andrews statement captures phases one and two of the engagement process, lays out some of the key principles, and lays out the drivers and the outcomes that I mentioned to you in my opening remarks.

The next phase is to negotiate with provinces on just how we turn all that we've heard into policy and program choices, and then give producers and processors an opportunity, in phase three, to look at our ideas of what the priority should be and give us some feedback on that.

So it's a three-phase process. I think we talked to over 1,000 individuals face to face and 120 producer groups—

**Mr. Pierre Lemieux:** What do you mean by a consultative process? Are these formal meetings or are these sort of where you're talking about another issue and you ask a question about Growing Forward? Or are they prepped to come in and brief you on Growing Forward 1 and Growing Forward 2?

**Mr. Greg Meredith:** It's more the latter. They comprised public meetings, some one-on-one. Producer groups would ask us to come in and give them the lay of the land. There were a lot of group meetings, sort of inter-sector meetings, and a lot of one-on-one meetings—us and a commodity group, or us together with a horizontal farm organization. It took a variety of tools and mechanisms.

One of the things we did differently this time was select in each province what the provincial officials perceived to be leading-edge farmers who were demonstrating significant innovation in the business models, agronomics, or technologies they were using. We engaged them directly in new ideas to make sure we weren't getting stuck in a rut and hearing the same voices all over again.

So there has been a variety of mechanisms. There was an online tool. I think we've covered the waterfront on both the producer and processor side, as well as with the civil society groups that we deliberately engaged. The engagement process has been very comprehensive. The proof of the pudding will be in the outcome: what we manage to give back to the sector in terms of what we heard; and then making sure that last phase is comprehensive so we have a good vetting of the policies and priorities we propose.

**The Chair:** Thank you, Mr. Lemieux.

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

**Mr. Frank Valeriote (Guelph, Lib.):** Thank you for coming before this committee, Mr. Meredith. I think you'll find it a lot more welcoming than other committees you might have come before.

I've been watching Growing Forward 2. I read the Saint Andrews statement. I'm aware that in May and June of 2010, at least 400 stakeholders came together for your first phase of discussions on Growing Forward 2. Competitiveness and market growth were emphasized, along with innovation and infrastructure.

One of the key features in my riding is research and innovation. When I read the Saint Andrews statement, I noticed the word "commercialization" was used only once. Frankly, that kind of concerned me. I wrote the minister a letter, and I'm hoping for a response soon, if you could just take that under advisement.

More importantly, last year, in May of 2010, our committee actually made a recommendation—recommendation 3.5—that suggested developing a national commercialization expansion program and creating a national agrotechnology commercialization funding vehicle. The response from the government was that they recognized the value of flow-through shares and other tax-based approaches to improve early-stage capital access to non-revenue producing companies.

You know and I know—we all know around this table—about the lack of seed capital and venture capital in Canada. We heard that, I think, from Dave Smardon from Bioenterprise a year or so ago. It's a theme that has been repeated at this committee in the last number of meetings. I'm wondering the extent to which you have heard the same cry for help so that all our wonderful innovation doesn't go south, as a lot of it does.

In Guelph they're now making wheel wells out of non-food agricultural products for Volkswagens. This is one of many things we could be doing, but people just don't have the money to convert this innovation into jobs.

Can you tell me the degree of the discussion, and what, if anything, might the government be looking at with respect to flow-through shares and other tax-based approaches to incentivize these industries?

• (1550)

**Mr. Greg Meredith:** Well, I'll start with what we heard, which was 100% in alignment with what you've just described. But even broader, I would say that innovation is something almost everybody pointed to as the foundation for competitiveness. We don't want to compete solely on cost, in a rush to the bottom. We want to compete on the best agronomic practices, the best technologies, the newest products that are available.

A number of people, particularly in the higher value-added parts of the sector—the bio-industries, the bio-economy—and in areas of functional foods and nutraceuticals where there's a tremendous research risk and tremendous investment required, where the payoffs are huge but the risks are as well, pointed to this as a problem quite frequently.

They pointed to issues well beyond just financing, but I would accept your statement that there's a significant lack of venture capital writ large in the country. As I said in my opening remarks, I think the agriculture sector unfortunately still suffers, I think, from a lack of appreciation amongst the population and the investment community about how dynamic it is, how technology-intensive it is, and what

kinds of returns you can get through investing in near-to-market or commercialization of new products and technologies.

The feedback we got was that we needed to look at not just capital and the tax treatment you're referring to, which would put us on the same footing as, say, the mining industry, but also to look at the investment climate. Are we sufficiently robust in terms of our IP protection, our regulatory environment, to approve these new products quickly, attract money into the sector, and to make sure the return is predictable and quick?

There's a whole range of issues associated with solving what this committee has heard is the "valley of death". You get to that point where the technology is proven, it's a potentially marketable piece of technology or a new process, but getting it from the lab bench to the market is where you fail very often.

I would have to say that we haven't made any policy choices like a tax approach, but certainly what we've heard is very consistent with what you've described, and the sector is looking for solutions.

• (1555)

**The Chair:** Thank you very much.

I will now move to Mr. Hoback, for five minutes.

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

Thank you, Mr. Meredith, for being here this afternoon.

It's kind of interesting; it's unique that we're actually going to develop a program without having the farm sector screaming and yelling for financial aid at one point or another. It seems like everybody else seems to be...in the farm sector is doing fairly well, and we're still moving forward with actually creating a program to help prevent the yelling and screaming and ad hoc payments coming in the future. I think it is something new for any government to actually be in this situation as we go forward and look at our next set of BRM programs.

One thing I was going to quiz you on and comment on is the trade aspect. Your department has been very involved in the trade file and very involved in opening up markets, and I thank you for working with the minister in doing that.

But I am curious about what we are doing to follow up on some of these trade deals as far as making sure that once the minister opens up a market, our farmers have an opportunity to take advantage of that market. What role are you serving there? Do you see that role changing as we move forward?

**Mr. Greg Meredith:** Well, the minister has made it a top priority to establish trade agreements so you have the framework of science-based rules to allow trade. He's invested an enormous amount of time and departmental effort to ensure that once the doors are opened they remain open.

There's been a trend, which I'm sure you've seen, towards what we would call probably politically motivated sanitary/phytosanitary barriers to trade, which really have nothing to do with science and much more to do with domestic politics. So the minister has been extremely aggressive in trying to keep those doors open over the last few years.

The department has a series of trade commissioners who are agriculture-specific around key markets in the world and who work with companies all the time to try to keep that trade flowing. The minister has been putting more emphasis on bringing companies with him and engaging with industry when he's involved in such things as the market access issues with China last year with blackleg and canola oil. The canola industry and the Canola Council were right there with us as a partner so that they can follow up once the doors are open. Likewise with flax and the temporary agreement with the EU, we have the flax industry working with us. When we had problems with the Mexicans and meal, the same process happened. It's a trilateral engagement often with the province, the commodity group, and the federal government.

That idea of opening a market, but then making sure that people can capitalize on it, is a core function of our international trade branch.

**Mr. Randy Hoback:** When we look at associations like the pulse growers, for example—and we've thrown aid at them to help them develop the market as they go abroad—do you see the provinces pushing back on any of those types of programs? Do you see cooperation continuing as we go through with the next suite of programs to keep that encouraging? Or do you see anything structurally changing in how we go about doing that?

**Mr. Greg Meredith:** If anything, I think the collaboration is going to grow. As I mentioned somewhere in my remarks, the value chain is understanding the benefits of working together. Likewise, governments are understanding the benefits of working together. It has been a long learning cycle, but it's rarer now to see Alberta beef marketing itself as Alberta beef. It's generally Canadian beef.

You see greater collaboration among provinces to get out and present a brand to the world. You see a lot of cooperation within the FPT world on market access issues and new trade agreements. As you know, the provinces are right with us in the negotiation of CETA, for example.

I would see a lot more collaboration with industry and with governments over time because the real growth opportunity for the industry does lie abroad and generally not in our traditional markets. They are generally mature—western Europe, the United States—and the real growth is in the developing countries and the so-called BRIC countries, and Next Eleven, where the population growth is phenomenal. The income growth is matching that, so you have more people with more money to spend on food.

I think increasingly Canada will be looking abroad. I am hopeful, and I think I am correct in saying, that there will be more collaboration.

This is just a small commercial for our AgriMarketing program. We see that continuing. It is designed specifically to give industry the opportunity to develop their markets and to come back and do some extension work to inform producers what the market looks like, what qualities of products they're looking for, to make sure they're involved in trade and market development.

● (1600)

**Mr. Randy Hoback:** The reason I ask refers back to my comment about agriculture being in fairly good shape right now in terms of at the farm gate. I am curious to know if we see the provincial

governments wanting to maybe pull back and say, you know, farmers are doing good, so we don't need to necessarily throw all that support at them.

Are you sensing any of that at this point in time?

**Mr. Greg Meredith:** No. In fact, I think people are generally in the same space where you're coming from, that the opportunity is there, but it's not a bird in the hand. You have to go out and get it.

You do see provinces being very proactive and pushing the minister. You see Quebec, for example, pushing very hard for getting Korea moving, and you have provinces telling us we have to get in that Japanese market with our beef and pork products.

The collaboration is very strong. The provinces are very supportive of the market access secretariat. At this point, I don't see any pulling back. I see greater recognition of the opportunity and great understanding that it's now that we have to capitalize on it.

**The Chair:** Thank you.

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

[*Translation*]

**Ms. Francine Raynault (Joliette, NDP):** Thank you, Mr. Chair.

I would like to know how the department intends to encourage agricultural research.

**Mr. Greg Meredith:** At this time, we have several programs requiring partnerships between government, universities and industry. Furthermore, we have put more emphasis on innovation during the years of Growing Forward. I believe that we have invested \$160 million in innovation.

Going by the messages we received during our recent commitment, there will be pressure to provide more. There will be more requests linked to innovation. We will be asked to put more emphasis on research and development.

**Ms. Francine Raynault:** Earlier, you referred to the matter of intergenerational farm transfers.

Do you believe that it might be possible to include in Growing Forward 2 a program facilitating access to seed capital? That would be helpful for new entrants. Parents wanting to sell the farm to their children could continue to have a decent life.

**Mr. Greg Meredith:** The difficulty with subsidy programs is understanding how they will be most effective.

The government has already put several programs in place. If I may, I will continue in English in order to give a more detailed answer.

[English]

We have several programs in place right now to deal with that capital problem. It's a serious one for intergenerational transfer largely because the value of farms has gone up, which means there are barriers to entry for new farmers and the debt structure they end up taking on can be a significant barrier to profitable returns. We have the Canadian Agricultural Loans Act, CALA, which provides young and beginning farmers with capital to invest in a farm. That's an innovation by this government in the last two and a half years to allow young farmers who don't have an experienced track record to have access to capital. One of the problems we heard about during the construction of Growing Forward I was that in the absence of a 10-year history of successful farming, banks were reluctant to invest in young farmers. So we try to deal with it in some measure that way.

There are several tax advantages the government gives farmers for intergenerational transfer. There's the, I believe, \$750,000 exemption for capital gains, which can be used twice if there's a husband-and-wife operation. There are other intergenerational transfer benefits that allow deferral of taxes for a young farmer paying off a parent for his capital investment.

Irrespective of those changes, young farmers are still telling us there are issues, and we have to do more work to determine how to address them.

•(1605)

[Translation]

**Ms. Francine Raynault:** Is Canada well positioned to face the challenge of feeding people all over the world?

**Mr. Greg Meredith:** I believe so.

Canada is one of a small number of countries able to export food all over the world. We have water, we have dynamic and innovative producers, and I believe that we are now well positioned to make sure that the world gets the food it requires.

However, I also believe that trade policies will create problems, in terms of technologies and attitudes, which will have to be resolved to ensure that the world can produce enough food for everyone.

**Ms. Francine Raynault:** Do I have some time left?

[English]

**The Chair:** Time is up.

We'll now move to Mr. Storseth.

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

Actually, I think it's Mr. Payne's time.

No?

**The Chair:** There seems to be a bit of confusion over there.

**Mr. Brian Storseth:** No, I do appreciate it, Mr. Chair.

**An hon. member:** [Inaudible—Editor]

**Mr. Brian Storseth:** I understand that there's a little jealousy because I shot a bigger deer than you this year, again.

I would just like to set the record straight, though, Mr. Meredith. It is very much well known, not only across Canada but internationally, that Alberta beef is the best beef in the world.

**Mr. Bob Zimmer (Prince George—Peace River, CPC):** B.C. beef.

**Voices:** Oh, oh!

**Mr. Brian Storseth:** Now that I've done all the commercials, I can get to the questions.

I have a staffer here, Ms. Pundick, whose family lives on a farm, and I have to hear all the time about the paperwork burden when it comes to the BRM programs.

Do you have any comments on that? Are there any proposed changes to make it simpler? The two things that are always brought up when I'm talking to my farmers are how complex the program is and how expensive it is when they...because inevitably they have to go to an accountant or someone to deal with it, and even then they have problems with it.

That being said, I think it is important to give credit where credit is due, because the program is better than it was under the old program, which had a lot of problems with the paperwork side of things.

Is there any proposal to make the paper burden a little simpler on this? Or is it something you could take under advisement, at least?

**Mr. Greg Meredith:** We certainly hear that a lot.

We do hear good things about Alberta beef as well.

**Voices:** Oh, oh!

**Mr. Greg Meredith:** No, but we do hear that; it's a very common complaint about programs. AgriStability in particular is I'm sure what they're referring to. It's complex, it's not transparent, and it's not as timely as it should be.

A few years ago, perhaps three or four, we tried to streamline the process by offering what we call interim payments or targeted advance payments, which would give a producer 50% of his predicted end payment earlier in the process. We put a calculator up on the web so that a producer could try to work through what the payment would be and make it a little bit more predictable and bankable.

I should explain, though, that it's almost the nature of the program that makes it complex. When we consulted with farmers about the design of this program, AgriStability, there was a debate, quite a healthy one, on margin-based programs specific to a given farm and a mix of farm inputs and outputs, as opposed to a model, which you see frequently at the provincial level, formed on an industry average that you compare your farm with. If you didn't do so well, you get some money. If you did better than the average, you don't get any support.

Producers told us then and have told us since, and very recently, that precision was really where they wanted to be. Their operation is unique and can't be easily compared with something else.



So we have to continue to have a dialogue. We have a committee of producers from across the country that the minister has assembled. We consult with them all the time about program parameter changes and fundamental redesign options.

We haven't reached a consensus on what would be better than AgriStability. I should remind you that one of the things this government did to get money into farmers' hands quicker and more predictably was to establish AgriInvest. That's a program we kick-started with \$600 million right into farmers' accounts. Every year, there's a statement provided to farmers that says your performance on your farm allows you to invest  $x$  dollars matchable by the Government of Canada and the provinces.

• (1610)

**Mr. Brian Storseth:** That's easy to understand.

**Mr. Greg Meredith:** It's easy. It's fast. It's predictable. It's bankable. There are few strings on it—the producer can use it in a bad year for income support or in a good year for buying new technology and investing in new capital equipment, something to better the farm and manage risk better.

So there have been some improvements, but it's a constant challenge.

**Mr. Brian Storseth:** I understand. You're absolutely right; it is a complex program in the first place. To get it right means that there has to be some complexity in the application processes and going through it.

Are there any measurables we can see on how this has gotten better—things like the calculator and some of the other stuff? Are there any tangible results that we can point to or say, hey, we are getting better—incrementally, at least?

**Mr. Greg Meredith:** We have three things we could point to. One is an error rate. We went through an exercise to drive down the error rates, and now I think we're better than the employment insurance program. We have an error rate of roughly 3%. So 3% of the cheques that go out have a problem, but the other 97% don't. We could provide the committee with evidence of that.

We also have a survey of producers that measures their qualitative reaction to service levels of the program, the predictability of the program, and we could share that report with the committee.

Then we have a service standard that we set. I'm going to speak on behalf of my colleague, and I'm roughing it here, but I believe our standard is 75% of forms completed within 75 days. We'll share that service standard with you, because it's public. We make it public for producers. We may have had a few hiccups when we changed it over to a new system that approves delivery, but I think we're doing better now.

I'll undertake, Mr. Chair, to share those things with the committee as quickly as possible.

**The Chair:** Thank you.

Mr. Rousseau.

[*Translation*]

**Mr. Jean Rousseau (Compton—Stanstead, NDP):** Thank you, Mr. Chair.

Thank you very much for being here today, Mr. Meredith. Thank you also for making the effort to speak French with us today.

One of my questions is on organic agriculture, which is developing rapidly all over the world. In Canada, some studies even indicate a rate of growth of more than 150% in this market in the past few years, and also that there is much more demand than supply. Do you believe that more should be done within Growing Forward 2 for this part of the market?

**Mr. Greg Meredith:** I'm sorry for my French.

[*English*]

**Mr. Jean Rousseau:** You can answer in English, I don't mind; it's okay.

• (1615)

[*Translation*]

**Mr. Greg Meredith:** I will try answering in French.

Of course, organic agriculture is growing rapidly. In 2009, the government established new standards for organic farming. Canada now has the opportunity to establish a certification policy based on those new national standards. I believe that there are now 4,000 farmers being certified under the program. We started with a cluster in the organic sector. We provided \$6.5 million in development funding for that sector.

**Mr. Jean Rousseau:** As far as I am concerned, \$6.5 million is not very much. I believe that we should put even more emphasis on adding value to local products, on encouraging local purchases, perhaps through labeling or other measures. Could that be part of a food sovereignty program? That is an question that a lot of Canadians are asking themselves. They want to know if our internal trade is sufficiently protected to ensure that made-in-Canada products are sold on Canadian markets. In particular...

I apologize, I have completely lost my train of thought. That happens sometimes. This is still a learning period.

In terms of food sovereignty, we should especially make sure that prices are affordable for Canadians. Do you believe that we should do more to add value to our products and to facilitate their marketing? We should also make sure that there will be enough products for our fellow citizens to buy.

[*English*]

**Mr. Greg Meredith:** Just to make sure that I'm clear, the figure is \$6.5 million.

**Mr. Jean Rousseau:** Million: okay.

That seems very low.

**Mr. Greg Meredith:** It's leveraging quite a bit more money. Normally the cluster program leverages approximately 40¢ from the industry for every dollar we invest. So there is an opportunity to grow it.

In terms of food sovereignty, we want to be a bit careful because we do have trade obligations and people do like to have the choice of domestic or imported. But during our consultations we have definitely seen the same trends that you would have seen toward local, toward organic, toward preferences for niche foods, and foods the provenance of which you are sure of: you know where it came from and you know how it was produced.

So in terms of Growing Forward 2 we're looking at how we connect farmers to that demand and help them to respond to it so they take advantage of what consumers are asking for. There is clearly a preference in Canada for Canadian foods and Canadian-grown foods. It's just good commerce to help entrepreneurs take advantage of consumer demand.

There are business models, some of which are better than others for doing that. There are niche markets. There are all kinds of opportunities in the new policy framework to say that if the consumer wants it, we should be delivering it. We can help farmers do that.

In terms of making sure there is enough, I don't think that is a big problem, to be honest, simply because we already are exporting almost half of what we produce. So if we can grow our domestic market share, we certainly have the productive capacity to fill it.

**The Chair:** Your time is up.

We now move to Mr. Lobb, for five minutes.

**Mr. Ben Lobb (Huron—Bruce, CPC):** Thank you, Mr. Chair.

The first question builds on Mr. Storseth's question around AgriStability. One of the comments I've heard from many farmers is that it's not bankable, that in fact the banks won't allow any future payment to actually be used for a line of credit or to apply for any expansion.

Is there any work being done on that, to work with the banking facilities to add the predictability to AgriStability?

•(1620)

**Mr. Greg Meredith:** No, not directly with the banking community, not directly with the FIs, at this point, but what you're pointing to is an accurate depiction of the problem, for sure.

By "bankable", we mean exactly as you describe it: the ability of a farmer to say there is my form, it says I'm going to get  $x$  thousand dollars, and I'd like to borrow against it, use it as security or what have you, and build an operating line of credit on it.

So that is a weakness of the program, and we're actually using our own producer group, the national producer advisory committee, to try to look at alternatives. One of the alternatives, of course, is this idea of a model against which you pay out depending on a producer's performance. One of the reasons we are slow and somewhat unpredictable is that we rely on tax-filer data, meaning data the producer uses to file his or her taxes. There's a built-in lag there.

We have not solved the challenge of bankability. The only thing I can—

**Mr. Ben Lobb:** So that's something that the department can continue to work on in the future.

I have one more item on AgriStability related to three specific points: reference margins, Olympic averages, and viability tests. Obviously, you've probably heard about it time and time again from producer groups, specifically from beef and pork, probably, and a few years ago from the commodities.

As we look to the next round of Growing Forward 2, do you feel, from what you can tell us, that at this point in time the department and the other provinces are going to be able to get this done finally? I know that this has been a long-outstanding multi-year issue.

**Mr. Greg Meredith:** It might be worthwhile to ask—I'm looking for a nodding of heads—if everybody knows what reference margin, viability test, and Olympic average refers to.

**Mr. Ben Lobb:** Sorry, but just for the sake of time, we're probably just going to have to—

**Mr. Greg Meredith:** Assume that people know.

**Mr. Ben Lobb:** Yes.

**Mr. Greg Meredith:** Those are three core issues we hear about all the time, so we're very aware that people would like improvements in each one of those.

We don't call it the viability test, just for the record. Everybody else does, but we don't, officially.

We took these specific issues to FPT ministers on more than one occasion in the past two or two-and-a-half years. In each instance, the collective of ministers said, no, we don't choose to go down this path. Because we're a shared jurisdiction—these programs are all federally and provincially shared—the federal minister can't unilaterally change these programs.

So we bring proposals, and generally speaking, the issue is one of fairness: who's going to win in this and who's going to lose—because some would lose and some wouldn't—and what's it going to cost?

On those occasions where we have proposed it, ministers have said, collectively, no.

**Mr. Ben Lobb:** Is it public which provincial ministers say no? Is it on the public record as to which provinces specifically say no to the improvements to those three categories I mentioned?

**Mr. Greg Meredith:** No.

**Mr. Ben Lobb:** It's confidential.

**Mr. Greg Meredith:** We do try to have a collective outcome, make a collective decision.

**Mr. Ben Lobb:** Okay.

I'll move along to the advance payment program. A couple of years ago, of course, beef and pork were huge appliers for the advance payment program. Some of them asked for \$400,000. The payments have been pushed out more than one time.

I wonder if you could remind the committee of when the big percentage of dollars are due. Does the department have a projection as to how many or what percentage will actually be able to be repaid? Or do they need to be extended again?

**Mr. Greg Meredith:** The issue there was that the cattle and hog sector was hurting badly. The government put through changes to the agriculture marketing products act, which allowed us to extend what we called loans for special economic hardship, which these subsectors were in, no question. The minister has given them a couple of stays of default. If I'm correct, the cattle industry will start paying back in March 2012 and the hog industry will start in March 2013.

I don't know that we have a hard figure about what percentage will be able to repay. It's true, though, that both of those sectors are doing much better than they were during the sort of dip, the trough, when we had to extend those initial loans under the APP.

So if we have a specific forecast, I'd have to get back to the committee to let you know.

•(1625)

**The Chair:** Okay.

**Mr. Ben Lobb:** [*Inaudible—Editor*]...three-minute rounds for questions, I might have all my questions done.

**The Chair:** Well, it's good to have questions.

If it's okay with the committee—I didn't want to eat into anybody's time—I noticed that when Mr. Meredith asked about reference margins and viability tests, a couple of new members shook their heads to indicate that they didn't understand.

Greg, would you mind just explaining that a bit? I understand it, but there are some who don't.

**Mr. Greg Meredith:** Yes, I'd be happy to.

The Olympic average refers to how we construct a margin against which a current year performance is compared. You have a certain margin, revenue minus certain expenses, and we look at how you did for five years as a farmer. We take off the high end and the low end—just like an Olympic skating exercise, high and low goes out—and you take the three middle and compare what you're doing today against this average margin. If you drop below a certain percentage of your historical average, you get a payment. That's designed to even out your income to avoid these big cyclical drops and peaks in income.

The result of that Olympic average means that it takes longer for an individual farmer who's been in a low period to build their margin back up. So if we allow different years to be used to construct that reference margin, people would stay in the program longer, getting money longer, and get back into the program. After they have been low for a few years, they'd get back in quicker. That's the Olympic average.

The choice of the Olympic average or the last three years is really a rule that comes from the WTO and dictates whether you're going to be trade compliant or not. So there's a limited number of options that you have to select with the reference margin.

On the negative margin, when a producer goes into negatives—in other words, not only are they not making a profit, they're actually making a loss—we didn't used to cover very much of that loss. Now we cover about 60%, so we're making progress in terms of helping that individual out.

The viability test goes to how many years you can have negative margins in your calculation before you're out of the program. The program is designed to reduce support slowly over time if a farmer is persistently unprofitable. In situations like the hog sector, which we were referring to, there were several years of downtime, and then they were hit with swine flu and borders were closed. There was all kinds of pain on top of the cyclical downturn. They were saying that the idea that you have to have two profitable years means we're out of the program.

That's the so-called viability test. People wanted us to get rid of it so they could stay in the program and have more time to recover and get back to a profitable operation.

Does that help at all?

**The Chair:** I think so.

**Mr. Jean Rousseau:** Yes, thank you very much, Mr. Chairman.

**The Chair:** You're welcome.

Mr. Allen, five minutes.

**Mr. Malcolm Allen (Welland, NDP):** Thank you, Mr. Chair.

Thank you, Mr. Meredith. It's good to see you again.

There's a term they use in the business world called “lessons learned”, which implies we made some mistakes, and what did we learn from those, going forward? Sometimes it's good things. Sometimes you want to enhance those or continue them.

In relation to looking at what's still continuing, as we head forward with the new one that's proposed by the government, and notwithstanding the fact that the directive at least from Treasury Board is a 5% reduction and a 10% reduction and come up with two plans, from what the government says to us, at least in the House, where do you see wringing it out?

I mean, there are some obvious places where there's lots of money in programming. You just talked about a whole pile of money when you talked with Mr. Lobb over the issue of those types of programs, the business risk management, if you will.

Where are you looking—as far as you can discuss with us, obviously—and where do you see wringing out that 5% and 10%?

•(1630)

**Mr. Greg Meredith:** That's a tough one, Mr. Chair, because it would end up being advice to the minister, but—

**Mr. Brian Storseth:** On a point of order, Mr. Chair, I don't know the page just off the top of my head, but I know we can't ask him that.

**The Chair:** Yes, I read that at the start.

Mr. Meredith, if you're not comfortable answering, that's fine.

**Mr. Malcolm Allen:** No, that's fair; I'm not trying to put Mr. Meredith in a box here. I'm simply saying that we all understand there needs to be some wringing out.

Are you looking at all programs? I'm not looking for specific answers to say you're targeting this one or that one. Are you looking at them all?

**Mr. Greg Meredith:** I guess what I could say is that the process of engagement with producers is designed to make sure that the programs are remaining relevant in Growing Forward and that they figure out where they could be improved, such as in the business risk management side.

We are looking for efficiencies in how we deliver. If you can deliver better, faster, cheaper, that's good for everybody. I think it's healthy for organizations to step back from time to time and reconsume the client: Did we get it right? Did we learn the right lessons? If not, let's take a different tack.

I can tell you, because I know you've heard this at the committee already, that people want faster treatment of programming and they want less paperwork. Once they apply to a program, they want to know quickly if they're in or they're out, and they'd like it to be as inexpensive and as efficient as possible.

Just simple client service and listening to what's demanded in the marketplace would tell us that we have to streamline these things on a sort of continuous basis.

Those are the kinds of things that we would think are pretty healthy to look at.

**Mr. Malcolm Allen:** So at this point, it's the "big brush"—if I can use that terminology—you're using to look at all of the bits and pieces of the previous program and the new one vis-à-vis how we go forward and implement it with the lessons learned from the previous ones.

Clearly, there are lessons you learn. The department obviously has learned lessons from the last one, whether it's directly in the department itself or from friends like Mr. Lobb, who bring legitimate concerns about programming and say, listen, this is what I hear. That becomes part of your lessons learned folder, if you will, where you go back and look at it and say, "Hmm, you know what? They may be right about that. Let's go take a look at these things."

Based on that, let me get back to the Saint Andrews thing, because you referenced that in some of your remarks.

When the ministers came together, was there unanimity in the sense that everybody signed on? Are we sort of certain in terms of, "You know what? We all want to get in this boat together and row in the right direction." I know Mr. Lobb asked about specific folks in a specific program, but this is the general framework. Is everybody in the boat?

**Mr. Greg Meredith:** I have to say that the environment around the FPT table is very collegial. That's the result of really working at keeping the relationships open and positive so that even when there are disagreements, it's respectful. Everybody tries to keep in mind at the end of the day that it's the producer and the processor who are going to benefit or be hurt by the way we conduct our business.

In the Saint Andrews case, the Ontario government made a conscious decision publicly to not sign on to the agreement. What you impute from that is very difficult to know. We still have an extremely good relationship with Ontario. I still expect them to be good partners in Saint Andrews. There might be some things we have to iron out.

What the minister of the day felt was blocking her from signing on was I think primarily.... I don't want to put myself in her mind, but I think, from the public statements that were made, it was the risk management program in Ontario that caused Minister Mitchell to perhaps not want to sign on at that particular time.

So there are instances, and there probably will be in the future, where we don't have complete unanimity, but in general the record is pretty strong.

• (1635)

**The Chair:** Your time has expired, Mr. Allen.

I now move to Mr. Zimmer for five minutes.

**Mr. Bob Zimmer:** Thanks for coming, Greg.

I have a few questions for you, but one is specifically to do with AgriInsurance. For those of us who are newer members on this committee, what are some of the improvements made in Growing Forward that were made specifically to AgriInsurance?

That's going to lead up to my second question, about where it's going, if you can answer that.

**Mr. Greg Meredith:** AgriInsurance is, I would have to say, the most popular program we have. It primarily covers crops. There are some mortality and production coverages for certain types of livestock, but for the most part it's crops.

It's a very transparent and bankable program. The federal government pays 36% of the premium, the province chips in 24%, and individual farmers chip in 40%. The provinces administer the program. Working with provinces in the last year, we have been trying to boost things like the unseeded acreage benefit, which helps when you're flooded out. We've had two instances of that out west, as you know; there are very significant payouts from AgriInsurance.

We've also been tasked by ministers to look at developing new insurance and risk management tools in price insurance, for example. We've seen a couple of models in Alberta for fed cattle and cow-calf, where they're trying to develop a price insurance scheme that would allow producers to lock in a certain price. If they can manage their cost of production, they know how profitable they are going to be. That's something we're looking at.

The minister is very interested in continuing to push on the development of either private sector or government-backed tools that can help farmers manage risk. The challenge for us is that a genuinely new tool in an area of insurance that's actuarially sound is a very expensive and complex undertaking. You have to approach it very incrementally and very methodically to get the risk measurement and premiums right, and make sure it's stable and viable over the long term. It's quite a challenge.

**Mr. Bob Zimmer:** Yes.

That leads to my next question. Have you been hearing anything, or is there a desire that you've seen provincially, or in the industry, to have a more insurance-based suite? You talked about that in closing. Can you explain a bit more about what you've been hearing?

**Mr. Greg Meredith:** A number of sectors are looking at price insurance. There is a real appetite for it. The horticulture sector is always looking at how we can improve insurance products for their sector because it's very diverse. It has a different crop cycle and different risks attached to it.

We are definitely seeing a lot of interest. The CPC, the Canadian Pork Council, is considering how they can help their industry do forward hedging, which is another risk management tool. Other ideas have been raised about price and production insurance in the livestock area. Particularly in the western provinces, there is quite an appetite for investigating alternative tools.

**Mr. Bob Zimmer:** Do I have any more time?

**The Chair:** You do, yes.

**Mr. Bob Zimmer:** In my riding especially, I've been hearing about beef and the problems with that in terms of insurability. You mentioned that in your comments, but can you expand on that for our benefit here in committee?

**Mr. Greg Meredith:** The situation that livestock producers in general find themselves in is that mortality insurance is a very specialized part of the business. You don't often see animals wiped out as you would see a crop wiped out. That creates the incentive to look at price insurance as a mechanism to allow the farmer to lock in some surety.

Of course, the challenge is that in a market where prices are going up, as we have now, there is less incentive to lock in today's prices. As you see the trend, you expect, you know...Chicago mercantiles telling you it's going to be higher in three months than it is today, you're not going to pay a premium to lock in today's price. You might pay a premium to lock in three months ahead, but if the trend is up, there's a tendency to lay back.

Alternatively, if there starts to be a trend down, there is a significant incentive to lock in. Then the challenge is to determine if we have a viable, actuarially sound fund or not. Alberta, I think, is taking some groundbreaking steps to test this out in real life for cow-calf and for fed cattle.

You have to take into account quite a complicated set of factors to see if you have something viable over a ten-year period, for example.

• (1640)

**Mr. Bob Zimmer:** Thank you.

**The Chair:** Thank you very much.

We'll now move to Mr. Payne for five minutes.

**Mr. LaVar Payne (Medicine Hat, CPC):** Thank you, Chair.

It was nice to meet you today, Greg, and welcome to the committee.

I have a couple of questions. One of the things I've been hearing about, at least from one of my cattle ranchers, is the flooding of pasture land. They have obviously had a couple of years running on this. I understand there isn't any coverage for that unless the province decides to come up with it.

Can you make any clarification on that for me?

**Mr. Greg Meredith:** In the case of the flooding catastrophes out west in the last two years, there have been some fairly significant government responses in the hundreds of millions. I guess it depends where in particular this ranch is and what they have suffered.

There is concern in the sector that forage isn't as well insured as other cash crops. Especially when you have a situation where you're primarily a cattle rancher and you feed them on forage and you harvest for winter, it's a more difficult problem to solve.

What FTP governments have done is look at a forage-and-feed subsidy. If there is a squeeze on feed and forage and you have been relying on non-cash feed sources, you're suddenly going to find your income really pinched, so governments have been helping out in that respect with transportation subsidies and per-pound subsidies.

Again, there are a variety of reasons why a particular producer would get hit. I think governments have been pretty responsive in trying to cover off as many of those situations as possible. I just can't comment on the individual case.

**Mr. LaVar Payne:** It would have to be triggered, though, by the provincial government, would it not?

**Mr. Greg Meredith:** The AgriRecovery response is part of the suite of BRM programs. It's an opportunity for governments to collaborate, to assess a situation that's provoked by a disaster, to look at the impact on extraordinary costs on recovery and so on, and then to assess what kind of payment is required to get that person back to a productive status and out of the disaster situation they're in.

Generally we ask provinces to trigger it because they are much closer to the ground. Very often one has to go out and look at a quarter and ask: Is it flooded? Is the pasture ruined? Is it seeded? Is it seedable? Is it going to dry? They generally have the agronomic expertise to make that judgment.

So yes, we generally do rely on them to say, okay, let's have a look at this.

**Mr. LaVar Payne:** Okay.

In terms of AgriRecovery, do you know of recurring problems and do you have some solutions for those?

Also, are there any differences among the various sectors that have impacted AgriRecovery?

**Mr. Greg Meredith:** The really good thing, I think, about AgriRecovery is that it's very situation-specific. It drives the finance ministers crazy sometimes because you don't have all the parameters to predict what the problem will be, but it does tend to respond to the particular situation.

We've had everything from diseases such as tuberculosis and avian influenza; we've had salmonella responses; we've had of course weather-related disasters, such as a tornado that ripped through the tender fruit industry. We've had a number in the potato industry, which can be quite devastating. In two or three cases it's been a nematode problem, which is a generational problem to resolve. We've had moisture issues. In the east coast for a couple of years it was moisture issues that were washing out highly valuable cash crops. In the west, vast acreages were under water for two years in a row.

So we've had a wide range of responses. As I say, the good thing about the program is that it's adaptable and flexible. That feature sometimes creates anxiety amongst some.

• (1645)

**Mr. LaVar Payne:** Are there any other improvements that you would see to be able to add to that?

**Mr. Greg Meredith:** We're looking at the program right now. If I'm not mistaken, a number of discussions we had vis-à-vis AgriRecovery and the avian industry led to Minister Ritz making some improvements to the Health of Animals Act to increase or to improve the payments in an avian mortality situation.

It's very difficult to compensate appropriately for a productive animal in an avian situation, like a layer hen versus a broiler. I think we've made some improvements to the HAA as a result of the discussions that were provoked with industry, partly through AgriRecovery and partly with CFIA doing some good homework with its customers.

**Mr. LaVar Payne:** I have one final comment, if I may.

**The Chair:** You can make a little follow-up.

**Mr. LaVar Payne:** I just want to tag on with my colleague Mr. Storseth and say that, yes, Alberta beef is the best.

Thank you.

**Mr. Greg Meredith:** Oh, I've really stepped in it now.

**Voices:** Oh, oh!

**Mr. Pierre Lemieux:** Chair, you should have cut that off.

**An hon. member:** On a point of order, Chair—

**The Chair:** If I had known what was coming....

**An hon. member:** —it's just shameless.

**The Chair:** It's just that they've never had a chance to taste good corn-fed Ontario beef, that's all.

**Voices:** Oh, oh!

**The Chair:** Everybody on the committee has had a chance to ask questions, but I'm seeing a couple of indications for more from both sides.

I'll take one question from the NDP, one from the government, one from Frank, if he has one, and another one here.

Ms. Raynault.

[*Translation*]

**Ms. Francine Raynault:** Thank you, Mr. Chair.

I would like to know if you think that the time has come to review or change the mandate of Farm Credit Canada.

**Mr. Greg Meredith:** Do you mean changing the Farm Income Protection Act?

**Ms. Francine Raynault:** It's about properly meeting the present needs. Some believe that the mandate should be reviewed after all these years.

[*English*]

**The Chair:** Ms. Raynault, I think that question borders on policy and what have you, which of course Mr. Meredith won't and can't answer. So unless Mr. Meredith has an answer in general terms, I'd encourage you to ask another question.

[*Translation*]

**Ms. Francine Raynault:** I have another question.

We said that people want to know the way food is produced, from the way in which the animals are treated to the product that is put on the table.

Do you believe there is a link between the national food policy and Growing Forward 2?

**Mr. Greg Meredith:** I will answer in English to make sure that I answer correctly.

[*English*]

There is increasing interest in the provenance of food, all the way back to the pre-farm gate and what inputs are part of the productive process.

In particular, in the case of livestock, there are the animal welfare dimensions of food processing. We've seen some hideous things on the Internet about animal abuse in the course of food processing. CFIA has the main role for enforcing animal welfare standards, and they do a very good job of it.

I would say you're correct that people are very interested in the where and the how, and the impact of, their food production. I think that lends itself to a market opportunity for producers.

• (1650)

**The Chair:** Thank you.

Mr. Lobb.

**Mr. Ben Lobb:** First, on the hog industry loan-loss program, is there any way the department tracks the progress of that program? The federal government is in for half, right? They've backed half the loans provided in that loan program?

**Mr. Greg Meredith:** On the specifics, I'll have to get back to you. The general structure of that program, as I recall, was that we guaranteed up to 90%. It might have a bit of a sliding scale over time. I think there is a reporting mechanism that the FIs have agreed to on the performance of those loans. We've provisioned a significant amount of money that we provide the FIs on the basis of the loan portfolio they have. They tell us when a default has been triggered.

Are you asking what is the state, and how the defaults are going, or...?

**Mr. Ben Lobb:** It's basically just what the exposure is on our side in terms of risk. It looks like it's not at your fingertips, so I'll move on to another question.

**Mr. Greg Meredith:** I'd be happy to provide to the committee the specifics, whatever we can provide.

**Mr. Ben Lobb:** Okay. That would be appreciated.

In the committee meetings we've had so far studying Growing Forward 2 on innovation, there have been comments, almost to a witness, about the paperwork requirements for a lot of the Agri-Innovation programs, and almost.... I'm not specifically pointing it out, but there's almost a need to hire somebody just to manage the paperwork. Obviously this would be an opportunity for improvement.

What can you tell us, at this point, the department's looking to streamline on the paperwork on this?

**Mr. Greg Meredith:** As I mentioned earlier on the efficiency questions, we've heard that too, and we've certainly seen it in the testimony that people bring to the committee.

I think in general what I've taken away from the discussion is that the programs have been relatively well received, and perceived to be fairly effective, but there are some issues of transparency and making sure that people get answers quickly so that they can make decisions to do other things. There's certainly an issue of complexity.

Governments, especially in complex areas, do a lot of due diligence on innovation programming. I can give you the example of simply purchasing a new piece of capital equipment; it's a pretty straightforward program. If you have a contribution for that, if it looks like a biodiesel-producing operation, you can fund it. In areas where there's high risk, you have to look at the entire company fairly comprehensively, or the entire capacity of the science performer. Do they have the management capacity to carry this off? Do they have the technical capacity? Is the technology feasible? Is there a market opportunity? These things take time.

What we've done is that we had two very successful programs—clusters and DIAP, if I can put those together—and then another program called Agri-Opportunities, and we had—

**Mr. Ben Lobb:** I guess what I'll—

**The Chair:** Mr. Lobb, that was supposed to be one question—

**Mr. Greg Meredith:** Oh, sorry.

**The Chair:** —but you kind of got two in there.

If it's a direct follow-up to it, I'll allow it.

**Mr. Ben Lobb:** Related to that question?

**The Chair:** Yes. Is it?

**Mr. Ben Lobb:** Well, I was going to say that I'll assume that the department's looking to improve the paperwork component to the program.

That's what I'll assume the department's going to do?

**Mr. Greg Meredith:** That was a bureaucratic “yes”.

**Mr. Pierre Lemieux:** In one hundred words or more.

**Voices:** Oh, oh!

**Mr. Ben Lobb:** Yes, I thought so. I just wanted to get that out there.

**The Chair:** Thank you.

Mr. Valeriote, a question?

**Mr. Frank Valeriote:** Actually, Mr. Chair, I just want to comment on the relevance of Mr. Lobb's questions today. They were bang-on, frankly, and I want to....

Sorry?

• (1655)

**Mr. Brian Storseth:** Give him your time.

**Mr. Frank Valeriote:** He's from Ontario, by the way.

I just wanted to pursue a bit the question about business risk management.

You're quite right, the Minister of Agriculture for Ontario was quite vocal in her opposition to the Saint Andrews statement, and it was about business risk management. I'm gathering from your answer, and you correct me if I'm wrong, that the federal Minister of Agriculture was prepared to make changes to the model—call it what you want, viability test or Olympic averaging—but some unnamed provincial ministers weren't prepared to make changes, just to be clear.

Am I understanding you correctly?

**Mr. Greg Meredith:** I think you've got two things going there. One would be the discussions that FPT ministers have had with respect to these parameter changes, which have resulted in no consensus to move forward—in other words, no, we're not going to do these.

In the RMP case, I think it was less the content of Saint Andrews.... Again, I really don't mean to put myself into her mind, but from my perspective, it looked like less the content of Saint Andrews and more that it didn't move in the direction of allowing funding for the RMP, which had been an issue between the governments leading up to Saint Andrews.

**Mr. Frank Valeriote:** But I understood it was specifically business risk that she was concerned about.

Be that as it may, in your answer previously to Mr. Lobb's question, I understood you to say that there was no consensus, but that the federal minister was prepared to move on the issue of the model—Olympic averaging, viability test, however you want to look at it.

I'm just trying to determine that the minister was prepared to make changes but there were provincial ministers who weren't prepared, and that's why consensus couldn't be reached. Is that a fair assessment?

**Mr. Greg Meredith:** No; I would say no. In the cases of the parameter changes, I wouldn't say it was our minister versus provinces. I wouldn't characterize the discussion that way.

**Mr. Frank Valeriote:** Let me ask you, then, another question. On the issue of—this was raised I think by Ms. Raynault—farm transfers, intergenerational transfers, we received a lot of input from farmers that they wanted the definition of related people, such as child or grandchild, expanded to include perhaps nephews or nieces, that kind of thing. The average age of farmers now is around 58 years, and now we have farmers who are 75 or 80 years old and who would basically be transferring their farm to a 65- or 70-year-old person. They'd like to have the option to transfer it more horizontally.

Is that being discussed, or entertained at least, among all of those involved in Growing Forward 2?

**Mr. Greg Meredith:** I would certainly say it's raised, but I wouldn't be at liberty to say how we're forming our policy advice on it.

I expect it's raised during pre-budget consultations with the Department of Finance as well, although I couldn't testify to that.

The tax treatment of intergenerational transfers is a very hot topic.

**Mr. Frank Valeriote:** You're not at liberty to respond: understood.

Can I ask a quick one on SRM?

**The Chair:** Okay. I'm in a really generous mood today.

**Mr. Frank Valeriote:** Thank you, Mr. Chair.

**The Chair:** But this will be the last one.

**Mr. Frank Valeriote:** That's fine.

Can you give us your view on any prospect of the SRM issue being resolved? I mean, we're still having to remove the specific risk material. Do you see an end to that program at some point in the near or distant future? Can you give us a time?

**Mr. Greg Meredith:** Unfortunately, no. The process is quite complex.

The complaint that gives rise to your question is that it's more costly in Canada to remove the SRM material during the processing process. The industry has raised frequently that this is a competitive disadvantage vis-à-vis the United States. They point to the fact that we both, Canada and the United States, have what I believe they call a "manageable risk" rating from the IOE. They ask why there are different standards if we're both in the same risk category vis-à-vis the international standard.

The answer to that is relatively straightforward. It takes more for us to get into that standard. In the absence of our procedures for SRM, we wouldn't be in that standard at all. We would be much lower. That would be quite a critical problem for our export industry in particular.

The reason we have to do more to get into the same level of standard as the United States is that we've had quite a few more incidents of BSE. The United States claims to have found one case, and we're at, I believe, 16, roughly.

• (1700)

**The Chair:** Thank you.

That was a very good explanation of that question, Frank. I mean, it was our industry that, in order for us to sell export, asked for that.

**Mr. Frank Valeriote:** Yes, I understand that.

**The Chair:** It's unfortunate that we have to do more to be basically—

**Mr. Frank Valeriote:** Compliant.

**The Chair:** —on a level playing field, but that's the way it is.

I think we've had some great questions and great answers today.

Thank you very much, Greg, for being here again. It's always a pleasure to have you.

We'll see everybody on Thursday.

The meeting is adjourned.









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