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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Vice-Chair (Mr. Malcolm Allen (Welland, NDP)): Mr. Miller has informed me he's going to be a few minutes late, so we're going to get started.

Thank you, everyone.

We have with us today Mr. Todd Hames, from the Canadian Canola Growers Association; Christina Patterson, also with the Canadian Canola Growers Association; Beth McMahon, from the Canadian Organic Growers; Ron Maynard, from the Dairy Farmers of Canada; Mark Davies, from the Turkey Farmers of Canada; and Mr. Boyd, also from the Turkey Farmers of Canada.

Welcome all.

For those who haven't been here before, presentations are ten minutes or less. We'll start with the Canadian Canola Growers Association.

Mr. Todd Hames (Vice-President, Canadian Canola Growers Association): Good afternoon, Mr. Chairman and members of the committee.

Thank you for inviting the Canadian Canola Growers Association to speak to you as you study the Agriculture and Agri-food Canada Growing Forward 2 program and the issues that affect the competitiveness of Canadian farmers, a topic that is critically important to Canadian canola growers.

Along with my brother we farm 9,000 acres of oilseeds and grain crops near Marwayne, Alberta, which is about 30 minutes northwest of Lloydminster, right on the border of Saskatchewan and Alberta.

For any business, the ability to compete is fundamental to its long-term sustainability. This is true for canola growers and part of why canola has been able to expand into a \$16 billion economic driver of the Canadian economy. In the agriculture sector, and specifically in the canola industry, remaining competitive in both the domestic and international markets is key to our survival. For the canola industry, being competitive means being able to constantly adapt and innovate in an ever-changing, increasingly competitive global market.

While canola is a good example of agricultural success, to remain competitive and to ensure the success story continues, canola farmers require a policy environment that encourages innovation, defends science-based regulations, and supports good business management practices. Equally important are government policies that facilitate the canola industry gaining and maintaining access to

international markets, allowing us to compete on a level playing field with our competitors.

I would like to address some specific areas in which government policy directly affects canola growers' ability to compete and remain profitable.

The first area is science-based regulations. Canola was born out of science and innovation, and for the canola sector science and innovation remain a top priority in ensuring the long-term success and competitiveness of the sector. The cornerstone of Canadian crop innovation is a predictable and science-based regulatory system that encourages investment in research and development. That system has served the canola industry well in the past, and that system will be required for it to remain competitive in the future. Although canola is a major contributor to the Canadian agricultural industry, on a global scale it is small compared to competing crops such as palm, soybean, and corn, which attract substantially more research dollars from the private sector. Maintaining an investment- and research-friendly environment is critical to attracting investment in the canola sector. Without that, the canola industry will simply not be able to continue on its innovative path, which supports healthy farms, a healthy economy, and healthy consumers around the world. To put that in perspective, canola has 17 million or 18 million acres, and corn has 90 million acres.

Maintaining science-based regulations not only has significant implications for the canola industry's ability to attract investment in research and development, but it is also critical to our success in international markets.

Another area is market access. The Canadian canola industry is highly trade-dependent, with over 80% of seed and canola products exported on an annual basis. Therefore, the success of the industry is contingent on its ability to export its product around the world. Our ability to compete in international markets is affected by non-science-based regulations in some importing nations. One way to encourage these countries to adopt science-based regulations is for Canada to maintain and defend a strict policy of science-based regulations, setting an example for other countries to follow. Low-level presence policy is a major issue being discussed with the EU and EU industry counterparts. To strengthen our hand in these negotiations and ensure that our access to international markets is not disrupted by unintentional low-level presence of GM events, Canada should adopt its own LLP policy and then work with other countries to encourage them to adopt similar policies. Without accomplishing this, unintended and unexpected disruptions in market access will occur and directly impact the profitability and competitiveness of canola farmers.

● (1535)

The federal government is consulting with industry on developing low-level presence policy, and looking ahead will be critical to securing our market access in international markets. One of the big reasons for this is that the ability to measure such low levels is possible today in the billions. So one-billionth could be detected, and that could be one seed or a couple of seeds in a train load, which can prevent the whole product from moving to market.

On trade, beyond low-level presence, there are other trade restrictions that directly affect canola farmers' ability to remain competitive with our counterparts in other exporting nations. In a number of markets, canola continues to face discriminatory tariffs. For example, in China and Taiwan, canola seed has a higher tariff than that of soybeans. In Korea, Pakistan, and India, canola oil has higher tariffs than soybean oil. In a highly competitive marketplace, this translates into either fewer sales or lower prices for canola, due to an unfair tariff disadvantage.

It is critical that the rules of international trade do not put our canola at an unfair competitive disadvantage. Minister Ritz, Minister Fast, and the federal government have pursued a trade strategy that includes free trade agreement negotiations with Europe and India, and more engagement with Asian countries such as China, Japan, and South Korea, who now have a trade deal with the U.S., leaving Canadian farmers at a disadvantage to our American counterparts.

Canadian Canola Growers encourages the government to continue moving forward on an assertive trade strategy with those other countries. Uninhibited market access to new and existing markets is vital to expanding the canola trade around the world.

On research, the canola industry has set an aggressive goal of 15 million tonnes of sustained demand and production by 2015. The industry is on track to reach this goal, with 13 million tonnes of production in 2011 alone. However, in order for this goal to be reached and sustained, government policies that stimulate investment and encourage innovation will be required. Perpetual innovation and investment in the canola industry has led to new seed varieties with improved health and agronomic characteristics, facilitating improvements in stewardship and market development.

While research needs to be industry-driven, support from the government is essential. Most of the agronomic research in Canada is conducted by Agriculture and Agri-Food Canada research stations. This research is critical to the competitiveness of the canola sector. Crop production research has helped to improve yields, lower input costs, manage new and emerging diseases and insects, and improve sustainability.

For example, clubroot is a serious soil-borne disease that emerged in canola only a few years ago. The federal government's contributions have been very valuable in the effort to combat this disease. Specifically, the clubroot risk mitigation initiative was launched with the assistance of the federal government.

Continued research into the nutritional benefits of canola, such as reducing the risk of cardiovascular disease and improving the ability to manage diabetes, is also important in improving the market demand, as is research done to improve the nutritional profile of canola. The results of this research will help increase consumer

consumption of canola and improve the health and wellness of all Canadians, which has the ultimate impact of reducing health costs for Canadians.

The federal government's continued and expanded support of research directed at both the agronomic and the end-use properties of canola will play a significant role in keeping canola growers competitive. In addition, programs like the recently announced agricultural innovation program will help facilitate innovation in the entire agricultural sector.

On rail service, with the majority of canola grown in Canada being shipped to export market by rail, canola growers rely heavily on the service of Canadian railways to market their grain. Industry competitiveness in the global marketplace is dependent on the railways providing timely and efficient service to Canadian agriculture. A more effective rail system in Canada would make canola growers, along with all grain farmers, more competitive.

● (1540)

The Canadian Canola Growers has strongly advocated for an improvement to the rail service in Canada through participation in the government's rail service review. The recent appointment of a facilitator and the establishment of a working group are important steps in moving forward, and we are encouraged by these steps. However, this is only the beginning of a process that is required to address the significant issues that farmers face with rail service. Only by moving forward on all of the aspects of the review will there be any significant improvement to the efficiency of the rail service in Canada.

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): Would you like to wrap up, Mr. Hames, please? You're over time now, but we'll allow you to wrap up.

Mr. Todd Hames: Okay.

Access to affordable credit is of major importance for growers to manage their cashflow and take advantage of marketing opportunities whenever they may present themselves. The federal government's advance payment program, administered by CCGA and many other commodity groups, provides farmers with advances of up to \$400,000, with \$100,000 interest-free.

Feedback from the program from farmers is also generally very positive. But one area in which they are telling us this program could be improved is by increasing both the total limit and the interest-free limit. Fertilizer alone on the farm is up 50% this year.

Farm size has grown substantially over the last decade. In addition, input prices have risen significantly. For this to remain a relevant and effective cashflow management tool, we believe it is time now to increase these limits to more accurately reflect the current economics of farming in Canada.

Increasing the cash advance limits would allow producers to take advantage of more market opportunities with expanded credit, and it would better serve young farmers with higher debt loads.

Business risk management is another area with government support. While not perfect, the current suite of programs plays a valuable role in achieving the long-term sustainability of the industry. CCGA has done its own research in this area to help provide solutions to the challenges we see with the current suite of programs.

Thank you for your time. I look forward to your questions.

The Chair: Thank you very much.

We'll now move to the Canadian Organic Growers. We have with us Ms. Beth McMahon for ten minutes, please.

Ms. Beth McMahon (Executive Director, Canadian Organic Growers): Thank you, Chair, honoured members, for inviting me here today. I am Beth McMahon, the director of the Canadian Organic Growers. This is Canada's oldest organic agriculture organization, which first started in 1975.

The Canadian Organic Growers enjoys a large and diverse membership, with more than 1,500 individuals and businesses across Canada across the value chain. We have four regional affiliates, ten chapters, and a quarterly magazine.

My position with COG is quite recent. However, for the past eight years I have been executive director of ACORN, the Atlantic Canadian Organic Regional Network, which is the organic association for Atlantic Canada. I'm also a member of Agriculture Canada's Organic Value Chain Roundtable and a director of SOIL, Canada's national sustainable farm apprenticeship program.

In working with the organic sector, what has struck me the most is the innovation and motivation of producers and processors. Although spread across commodities, scales, and geography, this sector is enthusiastic about sharing information, encouraging growth, and celebrating the success of others. I believe these core values are leading to financial gains, adaptation, renewal capacity, and further innovations, a positive feedback loop that we're encouraging.

I've personally witnessed the intentional information sharing and leadership in livestock, horticulture, and various companies and commodities.

Our sector has created producer networks for sharing information on seed production, grains, and community-supported agriculture. Encouraging these types of communication initiatives is a very cost-effective way to facilitate industry collaboration and problem sharing.

In no other part of our agriculture are the new entrant rates as strong as what we are now seeing in organic production. We know that renewal in the general farming sector is of great concern, so supporting organic production can be an important part of the solution for supporting the whole base of agriculture. Many of our new entrants do not come from farm backgrounds and require significant training and support.

Access to funding for new entrants is still a challenge I hear about on a regular basis. With many entering into the field with hefty

student loans, even with production experience and solid business plans, farm loan boards and commercial banks are not interested in supporting start-ups. Creativity and determination abound in our sector, which is why we're seeing strong growth in the community-supported agriculture models, but greater access to capital is required for scaling up.

Even at smaller scales, the values of organic agriculture are important to rural economies, succession options, and farm knowledge transfer. The surge in interest in organic farming is also providing current producers with new sources of labour and aspiring farmers with real-life education. Through on-farm training initiatives like CRAFT in Ontario and SOIL, which is across Canada, aspiring farmers are placed on farms for a full growing season. Last year in Canada there were over 200 farm apprentices, which led some to start their own operations, others as skilled labour for future years, and yet others who realize farming just isn't for them. Many farm hosts are playing an important role of extension agent in their communities, filling part of the large gap that government used to lead. Our organization believes there would be considerable value in supporting more people on the ground who can provide technical organic guidance to new producers, those in transition, as well as those who are looking to adapt their operations to more lucrative markets.

Certainly one of the most efficient methods of increasing knowledge sharing and collaboration are in-person meetings and conferences. As organizer of one of Canada's largest agricultural conferences, I can personally vouch for how incredibly important they are for encouraging innovation and adaptability.

Ten days ago we had more than 500 people at the ACORN conference in Dartmouth, with hundreds coming from out of province. What you may find interesting is that most participants were not organic, but everyone was there to learn something from more than 40 workshops in soil fertility, pasture management, new crops, marketing, financial profitability, and more. There were also side meetings for the Maritime Hop Growers Cooperative, a new provincial food distribution initiative, and another meeting for the development of the Nova Scotia organic sector strategic plan. No one left this conference without new ideas, energy, and enthusiasm after what was a pretty dismal growing year. We achieved all of this without large government grants, just a few sponsors and registration fees, as well as the volunteer efforts of more than 70 people.

This is an example of how our organic associations are providing value to the entire agricultural sector. Run without the revenues of check-offs and mandatory memberships, organic farmers, businesses, and supporters generously provide funding to keep our organizations operating. Human resources are also spread thin, with fewer than ten full-time staff working in various organic organizations in Canada. As identified in the GF2 discussion paper, support for industry associations is critical, and this is very true in the organic sector. Our heavy reliance on volunteer contributions does not provide much stability. We need greater support and investment to build our core human resources, ensuring the infrastructure to share knowledge, lessons learned, avoid duplication, and increase our general capacity for our sector's competitiveness.

• (1545)

In the past three years there have been thousands of hours volunteered by organic stakeholders participating in the consensus-based methods of the Canadian Organic Standards, which is managed by the Canadian General Standards Council and the Canadian Organic Products Regulations. This investment is one of the reasons that Canada is now so well regarded internationally for its organic products. This is the only reason we were able to achieve a bilateral trade agreement with both the U.S. and EU, which is a first in the world. This places Canada in a very competitive position since these two regions represent 96% of the organic marketplace. It is essential to review and maintain our organic standards in order to protect these important trade agreements and develop others.

Already, there are many outstanding issues to review in the standard, but no means to do so. We need government to commit to the maintenance of the standard. This is a key priority for the sector and critical to our adaptability. Volunteers can't do it alone.

The organic sector is in a strong position of growth. With more than \$2.6 billion in sales in Canada last year, the consumer appetite for organic products is undeniable. Despite having 4,000 primary producers and 1,200 processors, demand still exceeds production, so most of that \$2.6-billion sales figure represents imported product, and this is an incredible opportunity for our organic sector.

Organic production and processing is providing the consumer with an assurance that what they are buying was grown without synthetic pesticides or genetically modified seeds, processed without artificial additives, and raised in humane conditions. This requires significant record-keeping for traceability, on-site inspection, labour, and expense. Organic producers and processors must also have systems in place to avoid contamination, planting buffer zones and adding extra standard operating procedures for processors and abattoirs. The organic sector goes the extra mile to meet consumer expectations, but it's not enough.

Currently we're facing the threat of increased GM contamination. If GM alfalfa is registered, our buffer zones won't block these tiny seeds, which can travel with pollinators for several miles. Alfalfa is also the first transgenic perennial crop grown to tolerate glyphosate, which also presents a long-term risk to any producer who wishes to avoid GM crops. There are no programs to compensate organic producers for lost market premiums or, more seriously, lost certification due to GM and environmental contamination.

Increasing organic production and exports benefits Canadian agriculture as a whole, contributing to Canada's brand position: "Quality Is in Our Nature". Canada will always be in a difficult position to remain globally competitive on price. However, we can excel in quality and trust, and organics is an excellent fit in this model. Most of the work that we are engaged in has broad applications to all of agriculture, from the scientific research on low-input systems, to new farmer training and knowledge transfer, to building Canada's reputation for high-quality foods.

I would urge this committee to ensure that your support for organic is clear in the Growing Forward 2 parameters and negotiations with the provinces, thereby ensuring the continued growth of this innovative sector across Canada.

Thank you.

• (1550)

The Chair: Thank you.

Before we move on to our next witness, I'd like to make the committee aware that we have a number of guests in the audience who just arrived from the Republic of Bangladesh. I'd like to welcome all of you here. With this delegation, there are four members of Parliament, including the chairs of the committees on social welfare, agriculture, labour and employment, and fisheries and livestock.

Our committee today, ladies and gentlemen, is continuing our study into Growing Forward 2, which is a slate of programs that delivers continuity and stability to agriculture in Canada. They're about to be renewed, and when we're done with this report, it will get reported back to the ministry and the House of Commons. The component of this study that we're doing right now is on competitiveness in the industry.

I hope that you enjoy your time here in Canada and at the committee here today. Welcome.

With that, we'll now move on to Dairy Farmers of Canada and Mr. Maynard.

Mr. Ron Maynard (Vice-President, Dairy Farmers of Canada): Thank you, Mr. Chairman.

Thank you, first of all, for inviting us here today to make a presentation.

My name is Ron Maynard. I'm a dairy producer from Prince Edward Island. I farm there in partnership with my cousins and we milk 150 cows. I've been involved in the dairy organizations for a number of years, and the file I'm mainly responsible for at Dairy Farmers of Canada is the environment and animal welfare and the research that goes along with that.

Today we'll talk about the Canadian dairy sector. The Canadian dairy industry, farming and processing together, is the second-biggest food sector in Canada. Dairy is one of the top two sectors of seven out of ten provinces. In addition to being jobs sustainers, we also contribute \$3 billion in tax revenue to the three levels of government.

Canadian dairy farmers are efficient. From the introduction of supply management until 2008, according to USDA statistics, yield increases in Canada, at 138%, have been higher than in the U.S., at 110%; the U.K., at 81%; and much greater than New Zealand, at 35%. Farm size and efficiency have continued to increase under supply management. Canada has had comparable rates of decline in farm numbers to the U.S. in the nineties. Moreover, when compared with the decline in farm numbers on a longer period, the rate of decrease is very comparable. From 1970 to 2009 farm numbers decreased 90% in both Canada and the U.S.

Since the introduction of supply management in 1971, average herd size has increased from about 20 cows to 76. Shipments per farm have increased by 600% from 1976 to 2010. The productivity gains in Canadian dairy producers are comparable to if not better than any of the producers in the rest of the world.

Canadian dairy genetics are sought after worldwide and are frequent topics during the agriculture ministers trade missions. The government and the dairy sector continue to invest to maintain our world-class genetics.

It is essential that farmers supply milk to meet Canadians' demand for milk and milk products. This is the first pillar of supply management. The steady supply of quality milk to meet consumers' demand for milk and dairy products has the benefit of stabilizing prices from farm to fork. Farmers collectively negotiate prices for milk. Prices are regulated. By being able to negotiate collectively, farmers are better able to cover the cost of producing milk, including labour and investments. Farmers are thus empowered to deal as equals with the small number of large processors that buy their milk. Clearly these three pillars are interlinked. If a single pillar is compromised, then the entire system is affected.

Canada is a high-cost producing country. We have to deal with five months of winter and seasonality, similar to the climate of other Nordic countries, even with our highly efficient dairy herds. Seasonality of the dairy production has been practically eliminated. In 1960 we produced twice as much milk in the summer as we did in the winter. That has now been stabilized and levelled out. This contributes to processor plants' efficiency, because plants can run at 100% year-long, day in and day out—and that's efficiency.

Stable, predictable prices for the whole supply chain are effective against volatility in world markets. Where other governments are dispensing subsidies, a direct transfer from taxpayers to the farmers—in the U.S., \$5 billion—in Canada we charge the consumer

the true, actual cost to produce the milk. This volatility has led to discussions over the last couple of years in the U.S., where they are looking at developing a supply management system to assist their farmers.

Dairy is known as one of the most volatile agricultural commodities. The severe shifts in price in recent years are a testament to that and reinforce the need for high tariffs, because the world markets are so inefficient in balancing supply with demand. High volatility requires higher tariffs, but Canada still allows more access to our dairy market than the U.S. or the EU.

Yes, we are seeing more expensive prices in Canada right now, but in the last decade Canada has had a 40% advantage, and no one was talking about that. We were in supply management then as well, and that didn't get the credit for the price advantages.

So what do stable prices get us? Stable prices are a benefit throughout the chain. If the price is stable and there's no volatility transferred to the retailer, once again we see stability in the share of the dairy chain and a greater share returned to the farmer than our fellow farmers receive in other countries. All stakeholders benefit from stability in the Canadian industry.

• (1555)

At the height of global food prices, we can see the range of price increases for dairy products: 14% to 15% in Europe; 10% to 12% in the U.S.; and 2% in Canada. Other countries are coping with this through subsidies. The government in Canada has had no desire to see our farmers have to compete against the treasuries of other countries.

What supply management means is that the dairy farmers get a fair price for their milk from the market. Processors get a stable supply of high-quality milk throughout the year. Despite the higher prices paid to farmers, processors earn adequate profit, and consumers pay reasonable prices for dairy products.

Canadians spend about 10% to 12% of their disposable income on food. Dairy products constitute about 15% of this spending on food. There are no financial contributions by government to supplement the farm producers' income, so Canadian consumers pay only once for the true value of the product. Production discipline limits surplus production that could otherwise distort world markets.

Moving to the Growing Forward 2 recommendations, we have made a number of recommendations to AAFC during the Growing Forward 2 consultations that have taken place thus far.

DFC places a major priority on research. We are committed to the next phase of the dairy cluster and are prepared to commit \$5 million in the one-to-three industry-to-government ratio to fund the next cluster.

We are also looking at ways to continue to help and encourage farmers to reduce on-farm costs by installing, for example, digesters or wind power. Our former president, Jacques Laforge, as some of you may know, has installed a digester on his farm. I have a windmill on my farm, and we have solar panels, which are quite common for heating the water we use for our cleaning.

There needs to be a long-term industry and government commitment to animal welfare, animal health, traceability, research, food safety, and biosecurity. Dairy producers are seeking collaboration with government to empower industry with the regulatory environment and policy instruments that will help facilitate and foster an environment of stability and predictability. These are imperative to the Canadian dairy industry's pursuit of opportunities for growth and an effective response to current and future consumer demands.

As more and more Canadian consumers voice their interest in being more aware of their food, they expect government to keep them safe, so there is a continued need for effective and enforced national regulation standards. We need to improve the resources given to the border inspectors to help them do their jobs, as it's getting increasingly complex. Border controls are important for all goods. We need a border surveillance system that inspects and verifies.

In conclusion, our definition of competitiveness is that it should be measured by the ability of an industry to provide sustainable profitability in every sector of the industry, including at the farm.

Thank you for your time.

• (1600)

The Chair: Thank you, Mr. Maynard.

Now we'll move to the Turkey Farmers of Canada. We have Mr. Mark Davies and Mr. Phil Boyd. You have ten minutes, gentlemen.

Mr. Mark Davies (Chair, Turkey Farmers of Canada): Thank you, Mr. Chairman.

I'd like to take this opportunity to thank you as well as the other committee members for letting us express our views on the Growing Forward program under the competitiveness banner.

As stated earlier, I'm Mark Davies, and I hail from the Annapolis Valley in Nova Scotia, where I run a family farm there that was started about 35 years ago, when supply management came to be.

As just a quick overview, our board of directors at TFC is an 11-member board of directors, comprised of eight farmer-elected representatives, two appointed primary processing sector members and one appointed member from the further processing sector. I mention this because I think it's important to recognize that we have all facets of the industry involved. That serves us well in the decision-making process and as we design programs and policies to benefit our members.

Our mission is to develop and strengthen the Canadian turkey market through an effective supply management system that stimulates growth and profitability for all economic stakeholders. This, for us, is job number one. We have a uniquely Canadian marketing system that is well supported and well equipped to be

foundational for the development of competitiveness by individual farms and firms.

Our role as a national organization is to create a platform where individual enterprises from the farm throughout the value chain can continue to develop their own competitive edge in the domestic market. In many ways, our organization, with its obligations of responsibilities under the federal-provincial act, is a facilitator for enterprises within the turkey section, playing a key role in how challenges and opportunities will be addressed. In that context, our role in fostering competitiveness in the turkey industry is focused on a number of priorities. What I'll do is just touch briefly on each of those.

The first priority would be on-farm food safety. With support from Agriculture and Agri-Food Canada, our organization has developed the TFC on-farm food safety program, known as OFFSP, an auditable national program that incorporates biosecurity protocols and detailed on-farm record-keeping to reduce and control potential food safety hazards on-farm. The program and its management system have passed technical review by the Canadian Food Inspection Agency.

I think it's worthy to note that continued funding for the ongoing maintenance and continuous improvement of the industry on-farm food safety programs is recommended to ensure that producers can best maintain the safety of Canadian food through risk prevention on the farm.

The second item I'd like to touch on is flock care. Canadian turkey farmers have long been committed to providing wholesome and safe food to consumers in a way that ensures the humane care and treatment of their birds. Our flock care program is an auditable national program, as mentioned, that provides turkey farmers with measures to ensure the proper handling and care of their birds, based on the Canadian recommended code of practice for the safe care and handling of farm animals—chickens, turkeys, and breeders—from hatchery to processing plant.

Following a request from the Turkey Farmers of Canada, in conjunction with the Chicken Farmers of Canada, the Canadian Hatching Egg Producers, and the Canadian Poultry and Egg Processors Council, the National Farm Animal Care Council has commenced a review and update of the code of practice for chickens, turkeys, and breeders, which was last revised in 2003. In order to be effective, the code of practice must be reviewed regularly, and revised as production and management systems evolve. Revisions to the code of practice are supported by funding received from Agriculture and Agri-Food Canada's agri-flexibility program. The maintenance of this funding is critically important for the ongoing practical relevance of these codes.

Moving on to the third point, which would be disease surveillance and compensation, Canadian turkey farmers participated in the Canadian notifiable avian influenza surveillance system, known as CanNAISS, a joint initiative of government, industry, and Canadian farmers to prevent, detect, minimize, and eliminate the presence of notifiable avian influenza in Canada's domestic poultry flocks. The program is a very important component in the management of foreign animal disease. At this point in time we're entering our third year of this process, and to this point have had a clean bill of health, 100%, for all members tested.

• (1605)

New compensation maximums payable to owners of birds ordered destroyed under the authority of the Health of Animals Act were announced in March 2011. These revised figures better reflect the market values of birds and represent the culmination of extensive consultation between industry stakeholders and government.

Good progress has also been made on market value assessments. Adequate compensation is considered a critical component in both effective disease surveillance and pre-emptive cull programs, in which the ultimate goal is to contain a disease before it spreads and save all partners—governments, the public, and the industry—the cost of managing a full disease outbreak.

Compensation maximums must be reviewed on a regular basis by the Canadian Food Inspection Agency to ensure that they are fair and will adequately cover legitimate costs in the event of an ordered cull. The means for calculating payouts to individuals must be transparent and must reflect the market value of the birds at the time of the ordered cull.

Moving on to scientific research, poultry industry research is a vital factor for the Canadian turkey sector in terms of productivity, economics, competitiveness, food quality assurance, and general societal concerns about poultry farming and food production; for example, concerns for the environment, bird care, and food safety.

In terms of productivity, it takes 30% less feed today to produce the same amount of turkey meat compared with 30 years ago. This is the direct result of improvements along the supply chain, from enhanced feeding programs and formulations to management practices on farm.

In 2010, the Turkey Farmers of Canada research committee conducted an environmental scan to assess the strengths, weaknesses, opportunities, and threats presented to turkey research in Canada. Referencing this information, a formal TFC research strategy was drafted and approved by the TFC board of directors in May 2011.

The development of the research strategy is complementary to and partially the result of work and support from the Canadian Poultry Research Council. Some of the objectives and priorities are reducing human health risks from entering the poultry value chain; continuing to promote the prudent use of antimicrobials and increasing the use of antimicrobial alternatives; enhancing existing while developing new production systems and strategies to further improve the well-being of Canada's poultry flocks; and developing functional and value-added products that enhance the health and well-being of Canadians and meet niche market demands.

In the fall of 2010, the federal government committed to invest up to \$1.8 million in poultry industry research through the Canadian Poultry Research Council's poultry science cluster initiative. The funds allocated by the government have helped to increase Canada's capacity for poultry research and have assisted turkey farmers in addressing priorities and challenges by promoting innovation and fostering national coordination among scientists.

The industry needs the support of government programs to achieve the significant societal benefits that poultry research and innovation bring to Canadians. We recommend that Growing Forward 2 commit sufficient funds to poultry research and innovation to maintain and enhance the capacity of the present system. Programs must recognize the structure of the value chain so that all parts, from primary research to application, are sufficiently funded.

To be a world leader, Canada must have a world class research facility and clearly identified objectives. Industry cannot do it alone; government must be involved financially and in capacity-building at an institutional level, an example being the science cluster I just mentioned.

Turkey Farmers of Canada has identified the need for a turkey market development committee and is in the process of developing the terms of reference for this committee, which is expected to begin full operation in early 2012. Committee members will include producers, processors, representatives from the Canadian Restaurant & Foodservices Association and the Retail Council of Canada, as well as a Canadian-registered dietitian, and maybe even a Canadian foodie and/or chef—they seem to have a lot of influence in our society as of late.

In 2008, a comprehensive turkey nutrient value analysis was jointly undertaken by TFC and Health Canada. At that time, the nutrition information for turkey meat on Health Canada's Canadian nutrient file was primarily out of date and sourced from the United States. This has been a valuable tool for us in moving forward and espousing the benefits of turkey meat in the marketplace.

Marketing and promotion, including access to market information, is not inexpensive. Government expenditures in this area are not considered trade-distorting and therefore constitute an area in which a transparent and easily accessible program could be enhanced; for example, in the area of matching funds.

Under promotional activities, the most valuable market for Canadian turkey farmers is the domestic market. Over the last 18 years the industry has seen the retail market share for further processed products increase from 15% to 22% in volume.

●(1610)

More important, though, in terms of value is that sales of further processed products have increased from 33% of sales dollars in 1993 to 56% in 2010. I think that is a commentary on societal changes—in people's eating habits and in their day-to-day lives—and how these have evolved over the last decade or so.

Under the rubric of domestic branding, having been involved in the consultative process with staff from Agriculture and Agri-Food Canada, the Turkey Farmers of Canada have long been aware of the Canada branding initiative, which aims to clearly define Canada as a brand and highlight the benefits and attributes inherent in products of the Canadian agricultural industry.

As of this month, our agency has received approval to use the Canada brand identification in web and email communications to generically promote Canadian turkey and the Canadian turkey industry. The Canada branding identification is now in place in our email signatures and on TFC's bilingual website, which targets Canadian consumers.

The application process for this was well-ordered and efficient.

Market segmentation is an economic concept that in the simplest terms means developing a commercial advantage through product differentiation. If done correctly, market segmentation and product differentiation allow the industry to divide end users into groups, so that supply and demand and the price relationship of both are in equilibrium.

We at TFC allocate several classes of quota that are end-use-based. The agency's primary and multiplier breeder quotas are established to cover the marketing of mature turkey meat domestically, but the intent is to ensure that these two segments of the industry, which have a significant export dimension for breeding stock—for example, eggs and poults, which are not import-controlled—can expand or contract in correlation with the international market.

On the domestic side, the agency allocates quota for whole turkeys that are primarily marketed and consumed during the festive seasons, those being, as we all know, Thanksgiving, Christmas, and Easter; these are fairly stable markets.

The further processing segment, which encompasses raw cut-up parts, deli meats, roasts, niche products, etc., is allocated based on individual processor requests. This market-driven approach to allocation is required to service what is seen as the highest-value market segment of the industry and the one that holds the most promise for growth in the coming years.

In conclusion, as committee members are well aware, the next decade will bring challenges but also opportunities for the Canadian agriculture and agri-food industry. As consumers' tastes change and the demand for more specialty products grows, market segmentation and product differentiation provide opportunities to maximize sales, if we can outrace our competitors to deliver these products to the

marketplace. This means having timely information on consumer trends.

This brings us full circle to the concepts of value chain, market research, promotion, food safety, animal care, and scientific research, which are addressed elsewhere in this presentation, and to the role of government in those areas.

The thought I'd like to leave you with is one I mentioned at the beginning of my presentation. At our agency we believe that we create the platform that allows for the development of the tools necessary to move the industry forward in new and innovative ways that will serve both stakeholders and consumers alike.

Thank you very much.

●(1615)

The Chair: Thank you very much.

We'll now move to questions.

Mr. Atamanenko, you have five minutes.

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

Ms. McMahon, you mentioned GM alfalfa. What are your thoughts on putting a moratorium on GM alfalfa, and why or why not?

Ms. Beth McMahon: Of course that is something that our entire sector is very actively pursuing. Last year your bill failed to evaluate the economic impact that GM would have—on all sectors: you don't have to be organic to be affected by GM contamination in potential markets. Certainly alfalfa is, as I mentioned in my address to you, of heightened concern, because it is such a small seed and the pollinators that are required to activate it can travel something like 12 kilometres. We don't really have a system here in Canada to know whether your neighbours are using it or are not using it, and so one of the concerns is that you really don't know where that cross-contamination may come from. And because it's such a small seed and a perennial seed, it's not something that's going to be frost-killed in one season, if you realize that there's alfalfa growing in your field and you didn't plant it—if you were even going that far in detail.

In our consumer markets, one of our promises to the consumer is that by choosing organic products you are avoiding GM content. We have already put in place a system that mitigates that. This is what our producers have done—and our processors. We already do testing; as I said, we plant buffer zones; we get letters from neighbours saying that they are not growing.... For example, in P.E.I. there is a lot of non-GMO canola for the Japanese market. It's not organic.

Mr. Alex Atamanenko: I'm going to interrupt you. I'm sorry, but I have only five minutes. Thank you for that.

Mr. Hames, would your sector support them? You're established. You have a market, and you're doing well. Would you support the organic sector and others who are calling for a moratorium specifically on GM alfalfa?

Mr. Todd Hames: What we support is science-based regulation. The other way to combat that a bit, as we talked a little about, is through low-level presence. I really believe you need this policy on low-level presence.

Mr. Alex Atamanenko: I'm going to stop you there. Would you support a moratorium now on GM alfalfa until we do the scientific studies, until we do the market impact studies so that these folks don't take an economic hit if all of a sudden there's this low-level presence? Would you support them in that?

Mr. Todd Hames: I don't think it's for the canola industry to get into the debate on whether alfalfa.... We're not here to put down other farm groups or what not.

Mr. Alex Atamanenko: I just want to take up the low-level presence. The government wants to allow 0.1% or higher of our food being contaminated with genetically modified foods that have not been approved by Health Canada for safe human consumption. In other words, these foods would have been approved somewhere else, which might have different safety standards, but would not have been evaluated by our own regulators. So I don't understand why, for example, the canola industry would be calling for low-level presence, since you have a market. Obviously an overwhelming majority of canola is genetically modified. You have markets. Either it's acceptable in another country or it's not. So why would you even be considering or calling for a low-level presence when you already have the presence and you have the markets? I don't quite understand that.

•(1620)

Mr. Todd Hames: There are some genetically modified events that may not be registered, or registrations may not be kept up because of the cost of that kind of process in some countries. When you measure such small quantities, an old event that is past registration or is not recognized in a marketplace could appear in a test of one-billionth of a cargo, and that can cause trade disruption if that country is looking hard enough for that single event. As I say, it could be a small contamination in the corner of a ship that some seeds are lodged in. There are a number of different ways contamination can occur at very small levels. Having a low-level presence allows for the equipment that can test at such small amounts.

The Chair: Thank you. We're out of time, Alex.

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

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

Thank you, everybody, for coming today.

Mr. Hames, you're from the same part of Alberta I'm from. It's good to see you here.

How many organic producers would there be in your neck of the woods, as a percentage, would you say?

Mr. Todd Hames: I certainly have no idea.

Mr. Brian Storseth: I'm not going to hold you to the details, but I mean of the guys in your area that you know.

Mr. Todd Hames: There are organic farmers, I think, across this country, and in my area I know there are organic farmers.

Mr. Brian Storseth: Would you say it's about 20%?

Mr. Todd Hames: No, it would probably be less than 1%.

Mr. Brian Storseth: How many guys grow canola that's genetically modified?

Mr. Todd Hames: I would say it's 100% in our area.

Mr. Brian Storseth: You gave a great presentation, and I know you didn't get a chance to get everything in that you wanted to.

I'd like to talk to you a little bit about competitiveness in the rail sector. This is something I've been talking about for a long time. Obviously a more competitive rail system includes the level-of-service review. Getting away from that for a second—we'll get back to that—would you say there's a place for a more competitive rail sector? Is there a place for technology advancements in there? For instance, would a railcar that has more capacity and less footprint and that is easier to load or unload be something that you would perceive as being beneficial?

Mr. Todd Hames: Obviously any improvement in technology so they can get more product done, it's about tonnes per mile or per day. If the railways have a way to do that, then yes, I believe there is. Obviously with GPS technology in rail movement, it's hard for us farmers to understand how the rail companies don't know when the train's going to show up. With GPS technology, they should know where that train is. I would go there first before I made cars bigger.

Mr. Brian Storseth: It always amazes me how they can have a 99% time of arrival when it comes to passenger trains, but when it comes to our trains out on the prairies with our wheat, barley, and canola, 65% seems like a great number to them.

Getting into that and the level of service for you, what are some of the things your organization would like to see come out of the level-of-service review? And how important do you think the level-of-service review is for competitiveness in the agriculture sector moving forward?

Mr. Todd Hames: If I were to move that even more globally, the rail system in this country is holding hostage many more industries than agriculture. It's holding this country hostage in its ability to move forward. It is the backbone of this country for the development: if we go back in time, western Canada was developed under the railway system.

•(1625)

Mr. Brian Storseth: I agree, and I agree we should be exploring all options, whether that's through technology, level-of-service review, or pricing reviews.

I know my time is running short. You also talked about market access, which is clearly something important to the agriculture sector, not just canola. Science-based regulations, I agree, are tremendously important.

Could you tell me the most important market that you see out there for canola?

Mr. Todd Hames: Obviously the big market in expansion is the Asian market, China and India, because of the population explosion there.

Someone said today at a presentation that it's easy to get markets; it's harder to keep them. I think that's one of the key things of market access: the ability to keep the market open for the future. It's one thing to get the market, but it's to have that market access and have the things in place to keep the channels open.

Mr. Brian Storseth: What do you see are the priorities in making sure we maintain those markets once we open them? The minister's done a great job of getting us access to these markets. What's the challenge in maintaining them?

Mr. Todd Hames: I think it is common regulations, a regulatory system that can be recognized across borders more easily. Low-level presence policy is part of that. And non-tariff—breaking down communication. Sometimes it's just a matter of countries learning about your product. They've got some old thing on the books that's got some tariff. Obviously it's bringing down tariffs.

Mr. Brian Storseth: Excellent.

We talked about effectiveness in the railcar system. You talked about how the country revolves around rail. I couldn't agree with you more. Your area would be serviced more by CN. Have you seen an increase in the level of service over the last number of years? If not, do you have any knowledge of CP, in particular over the last year?

Mr. Todd Hames: Over the last year, obviously, CP dropped the ball and CN took hold of that opportunity. I think that goes back and forth from year to year. As a producer I'd love to see common access to rail lines, such that we'd have running rights, we'd be able to purchase from other companies so we'd have competition in the rail system.

Mr. Brian Storseth: Absolutely. Thank you very much.

The Chair: Thank you.

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

Mr. Frank Valeriote (Guelph, Lib.): Thank you, gentlemen and ladies, for coming today and taking time from your busy schedules to be with us.

The issue of supply management has been on everyone's radar. Ron, you've raised it unequivocally. In the last couple of weeks we've seen a lot of editorials precipitated by people in the restaurant industry, which frankly I find troublesome. We've looked at competitiveness for years here in the one area where farmers aren't receiving their incomes from cheques in the mail from the

government to their mailboxes: the supply-managed industry. You're right, Ron: other countries such as the United States highly subsidize their farmers, well beyond what Canadians have ever done.

I go to the farmers' market in Guelph at least twice a month, sometimes more when I can get there on Saturday mornings. People from all socio-economic backgrounds are there. They are not complaining about the price of cheese, eggs, or milk. A hell of a lot more restaurants are opening there right now than there are people getting into the farming industry. So we're behind you, and you need to know we're behind you. You can comment on that, any of you: Mark, Ron, or Phil.

One of the issues that has arisen is the difficulty that young farmers have in getting into the industry because of the price of quota, which seems to rise. I'm wondering if any of you have thought how that might be addressed so we can encourage young farmers to get into the industry in some fashion.

Mr. Ron Maynard: Thank you for your comments. And thank you to the government and all parties for the continued support of supply management. We very much appreciate that.

In response to your question, the dairy industry has taken that as a concern. We have a new entry program that is across the country, with the exception of maybe one eastern province, and that is the P5.

We have 50 new producers who are assisted in coming into the industry each year. They're assisted by a loan program of giving them a quota on a loan basis and they have to purchase an equal amount. Then that quota has to be returned over a 17-year period. We realize it is an expensive proposition to get into, but I guess it's a cost factor of doing business. Anything where there is a stable return, whether it be a McDonald's franchise or a Tim Hortons franchise, or whatever, there is a cost of getting into the business. There seems to be an attitude out there that anyone can produce food. It is a business. It is a profession. It is within supply management, and because of the stability of supply management it is a profitable entity.

That's what the dairy industry has done to address that new entry program.

•(1630)

Mr. Frank Valeriote: Mark.

Mr. Mark Davies: I echo a lot of Ron's sentiments. He stole some of my thunder with the examples of the Tim Hortons and obviously some of the restaurants that are opening in your area. I'm sure they're not for free.

In our industry it's a little different from dairy. It's more provincially based. But I know some provinces have put, for a lack of a better word, a moratorium in place on the price of quota. They've tried to restrict the amount of quota, not in the sense that you would, but ownership, percentage-wise.

It's an issue no different from any other industry where it's been recognized. There are different steps being taken to see what they can do to keep it in line and to ensure that it's there for future generations to be able to get into.

Mr. Frank Valeriote: Without threatening the value of farmers' estates later in life, do you recommend that more attention be given to this and maybe having governments collaborate with one another, and farmers, and your groups to see how something more effective might be done?

Mr. Mark Davies: At this point, I would have a cautionary no. I think it's working fairly well. This has really become an issue, I would say, in the last ten years.

Ron has touched on a lot of the issues. Inherent in supply management is a lot of regulation to adhere to when it comes to food safety, animal care, and the production itself. In regard to the cost of doing business, he summed it up. That's one of them. Because of the stable environment, you're going to have the increase in the cost of the quota.

As I mentioned before, a number of different programs in different jurisdictions are looking at different ways to handle it. It's not problematic in some areas at all. In some areas they have the entrant policy. In my province we have an entrant policy. I'm not going to speak on an individual province's behalf, but I believe most of them do have some policy to ensure there is new blood injected in on a regular basis.

Mr. Frank Valeriote: Beth, I have a quick question.

The Chair: Sorry, Frank, you are out of time. Thank you.

I'll move to Mr. Zimmer for five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): I have a question for Mark again. One of my constituents is an owner of one of the chain restaurants, and he has made a comment to me. Although he absolutely supports supply management on our side, he has some questions on limited access to Canadian product. I wanted to know if you're aware of that. What he was saying to me is that it's limiting access to him, so they have to go elsewhere. That's a concern for me if we're limiting that.

Mr. Mark Davies: I may defer part of that—

Mr. Bob Zimmer: This is chicken, now. In fairness to you, it's not turkey I'm talking about.

Mr. Mark Davies: Okay, well, then, no comment.

I share some of the same issues. In fact we've had an issue in the past year because of some of the challenges we've had in our market over the last 24 months. Our market tends to follow alongside the economy because of a lot of the higher-value cuts, through further processing of deli products, as I referenced in my presentation. We've had some issues with managing that. I think we've done a good job of it. We've had supplementals that can be applied for and brought into the country in case they can't be found within the domestic market.

Regarding chicken, I don't want to go out on a limb and comment on that. Within the same system, I know they have some programs that allow access, I believe, to grow—re-export and things of that nature. Sometimes it depends on the type and the cut.

In our market we might have some turkeys, as we say, in the freezer. They might not have been in the right form for some of the retailers at that particular time. If you just look at the stock numbers and try to plug in to match up with what you are looking for, it doesn't always work out.

• (1635)

Mr. Bob Zimmer: Another question for Todd.

I'm from the B.C. Peace River region, and canola has been a big story in our riding. Especially, there's been a migration away from wheat for various reasons. We grow 95% of B.C.'s canola in my riding, so it's very significant, a very good story.

I wanted to know specifically how the Growing Forward program funding has improved competitiveness in your industry and if you can explain how it's done that.

Mr. Todd Hames: I'll comment on the science cluster, the Canola Council with the science cluster. I'm a full believer in partnerships with the value chain. I think that's one of the big gains there. I mean, the multiplication of the research dollars from the government and producer levies and crushing industry levies and seeing grower levies combined has really multiplied that out into market development.

Mr. Bob Zimmer: Where do you see us going with canola, being as it's such a big thing in my riding? Where do you see us helping you basically increase your profitability well into the future? How can we help with that, or what are some areas that you see we can help in, without just writing you a cheque but helping you do it yourself?

Mr. Todd Hames: A guaranteed canola price would be good.

Seriously, this may sound a little strange, but one of the things that I think the canola industry is facing is competitiveness in some of the other grains we're growing. In my area it's very similar to your area, in Dawson Creek, in the sense that it's canola and wheat.

I see one of our advantages to help farmers is actually to make wheat better, to have a rotational crop that's competitive, that can make more profitability for farmers. Maybe that's a strange way to answer.

It's research in a nutshell.

Mr. Bob Zimmer: I guess I go back to canola again. You mentioned a little bit about making other crops more competitive. That's one thing that can make it better. Do you have any other ones that can make it better, canola-specific?

Mr. Todd Hames: Obviously most people know the world is growing and we need to increase food production. There are lots of things that will help scientists. It's going to take science to increase the food production enough to feed the world. When we hit nine billion people I think it's twice as much food production as we're producing today in the world. That's not going to happen without science.

Some of the things that are coming, like higher efficiency use of nitrogen fertilizers and also water use efficiency... I think in the future we're going to be talking about nutrients and water to grow food. Those are the limiting factors that possibly could affect food production in the world.

The Chair: Thank you very much.

We now move to Ms. Raynault for five minutes.

[Translation]

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

I thank you for your attendance here today. My question is for Mr. Hames.

Do all canola producers need access to global markets to survive?

[English]

Mr. Todd Hames: We're highly dependent, obviously, on the export market with exporting a large amount of oil and seed. We are dependent on that export. With 80% of it being an export of some sort of product, yes, we are dependent on some kind of export.

•(1640)

[Translation]

Ms. Francine Raynault: I would like to know why in China and in Taiwan, there is a higher tariff for canola seed than for soy.

[English]

Mr. Todd Hames: That's a good question. I believe bilateral trade agreements with other countries have negotiated that in there somehow. It's being proactive. It's talking to other countries, and I think that's what we need to do. We need to talk to them. We need to explain the product and ask them that question. Sometimes they don't even have an answer. It's protectionism.

[Translation]

Ms. Francine Raynault: Very well, thank you.

Mr. Maynard, you mentioned that one of your goals was to help producers reduce their production costs. In this context, you seem to favour wind turbines. Do you think more producers will adopt the practice? We know wind turbines are not popular with everyone.

[English]

Mr. Ron Maynard: I think in my circumstances, in Prince Edward Island our electrical rates are such that the cost was from 12¢ to 14¢ a kilowatt. It costs me somewhere around 8¢ to 9¢ a kilowatt that I get producing the power from my windmill. It's that rate because there is a government assistance program funded by both the federal and the provincial governments to assist in the capital purchase of that windmill. That makes that cost-effective.

If I were in another province, in the province of Quebec, for example, where they have a much lower electrical rate, then.... It's economics in many cases. It's the technology that's around, it's functions, but once again it comes back to the economics in the province where the individual producer is.

[Translation]

Ms. Francine Raynault: Ms. McMahon, you mentioned in your presentation that access to funding seemed to be a problem for organic producers.

Should the government do more in this area?

[English]

Ms. Beth McMahon: I think a lot of it has to come down between the federal and provincial agreements. Obviously farmers are accessing funds within their own province, and what we've found is that there's a discrepancy among the provinces in how they've interpreted Growing Forward 2. Even in terms of organic production, I know that Prince Edward Island and New Brunswick have both subsidized and supported organic farmers for their costs, for training, and even for shared infrastructure costs—storage and processing facilities. Yet in Nova Scotia we were told that the Growing Forward agreement did not include organic. So there was a different interpretation of what some of the terminology meant in this current agreement.

So I think it would be very useful to our sector if it were articulated at the federal level, and then the provinces could implement what was best and prioritize it. I think every province wants to prioritize renewal and investment in new entrants, so if it were made easier and clearer that would be very helpful.

The Chair: Thank you very much.

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

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

I'd like to make a point. I think Mr. Maynard made a good point when he spoke about the new entrants program, and he said that government should stay out of it. I think that was a wise comment, because if I take my home province of Ontario, I think they've done a fine job managing it themselves, and quite likely the provincial government or the federal government would have helped enough to screw it up. So I think that's good that we've stayed out of it.

The first question is for Mr. Davies. There was an article in the *Globe and Mail* yesterday, and I've had meetings with renderers as well on the price of fat that would go into feed processed at a mill. It was \$300 a tonne a few years ago, and it was up to \$900 a tonne, and in fact in August it was as high as \$1,200 a tonne for the fats that provide the energy in the feed. In your sector, what is the risk associated with this increase in price? Obviously this falls into your cost of production, but in the long term these prices will start to have an impact. What is out there in innovation to help counteract this?

•(1645)

Mr. Mark Davies: You've hit the nail on the head as far as an input cost in most livestock, and in particular in poultry.

One thing I will point out is that looking toward the future we don't see any real relief in sight. We see this as an increasing input. And without getting into a long, drawn-out debate, we all know ethanol and how it plays because of the initiative in the States. Corn is the other major additive in the feedstuffs, and I think—correct me if I'm wrong—this is the first year in the States that over half has gone into the ethanol industry instead of the food industry. This is of course troubling on our side, because it is subsidized.

Having said that, it has already had its impact. I referenced that we had a troubling couple of years. We're doing pretty well now. I think we've managed it well because of our system, but it has increased the end price where the consumer is going to pick up that product.

It's hard passing that on to the retailer. In our industry specifically, we see it featured a lot of times at a loss for the retailer. That's the loss leader we've all heard about. As far as the feedstuffs, the feed companies are constantly working on reformulations. I know in the last year I have experienced it, and I'm from Nova Scotia, which doesn't have a huge farming community relative to Ontario or out west, but they have seen the gains in the quality of feed that we have fed. We base it on a conversion factor, and it has improved by about 5% or 6%.

So research and technology are constantly being implemented on a yearly basis. The feed business is a very competitive industry.

Mr. Ben Lobb: It's my understanding that right now the allocation for quota in Ontario for turkeys is about 80%. I'm not sure of the exact number. The question I have, though, has to do with market segmentation on page nine. I understand there's a huge demand on the organic turkey front. Because the percentages are set across the board, even though organic turkey farmers could supply more than they do, because the quota is allocated across the board, they are getting a reduction as well.

Even though it's a bit of a stretch to call it innovation, it could be innovative thinking. Do you think that's something you would look at down the road so it would help the entire turkey industry to put more turkey on people's plates?

Mr. Mark Davies: At TFC, a turkey is a turkey, to be quite upfront about it. Not to speak for any other jurisdiction, but Ontario has a comprehensive plan in place to deal with the market segment termed organic. That's a frustration even among different processors looking for "more of their share". That's one of the guidelines, if you will, of supply management. The good with the bad—we've heard people describe it that way. I think it's being addressed within Ontario. They're aware of it. Sometimes what people want and what they need are two different things. Sometimes it's maybe not looking at the bigger picture, maybe just looking at their individual situations. We've all done that in the past.

We try to look at it as the big picture. It's a national market. We break it into regions when we try to determine the proper number to set nationally and we then administer that to the provinces. Within that province they have that mandate and that jurisdiction.

So I don't want to go out too far on a limb, just the generalities I know about what has gone on. In my own province, we set up a program. We're trying to deal with the same issues.

• (1650)

The Chair: Ben, you're pretty well out of time.

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

[Translation]

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

My first question is for Ms. McMahon.

Given that organic agriculture requires more intensive labour and management, the cost of organic products is generally higher than that of conventional products. What program would you implement to give the Canadian organic agriculture sector a competitive advantage?

[English]

Ms. Beth McMahon: One of the things that we can continue to do is invest in the organic science cluster. That's been going very well. That's managed through the Organic Agriculture Centre of Canada, in which the federal contribution was over \$6 million, and industry's has been \$2.2 million. If we can build that base of research and science—because organic is based on science and research—as well as nutrient management and efficiency, and lowering input cost, we will start to see those price differences decline.

We're already seeing that in certain segments, and long-term studies show that the profitability of organic farms is higher.

[Translation]

Mr. Jean Rousseau: Do foreign organic products on the Canadian market also meet Canadian standards?

How could we change Canadian standards to promote our competitive advantage?

[English]

Ms. Beth McMahon: Actually, we're doing very well at this point.

The national Canadian organic regulations were passed and finalized this year after a two-year implementation, and that resulted in those bilateral trade agreements with the EU and U.S. That means that any product coming into Canada has to meet Canadian organic standards and is inspected to that, except in terms of the U.S. and EU, which we deem as equivalent there.

We're not getting dumped on any more.

[Translation]

Mr. Jean Rousseau: Very well, thank you.

[English]

Ms. Beth McMahon: We do need to continue to invest in those standards.

[Translation]

Mr. Jean Rousseau: My question is for the turkey and dairy farmers.

The Canadian agricultural sector is facing a number of new challenges, including a reduction in the number of farms, of producers, concentration in the sector, high production costs, and, mainly, an aging farm population. That is one of the aspects which is of most concern to me. In a number of sectors, there is practically no next generation.

What types of administrative incentives, for instance grants for apprenticeships or exchange programs with foreign labour, would you like to see in Growing Forward 2, to attract the next generation? We need new blood in a number of these sectors.

[English]

Mr. Mark Davies: Thanks very much for the question.

It's interesting. I agree that we need new farmers and this influx of new blood. Quite honestly, within our industry there is quite a good influx of generational farmers. That's not really an issue. I think that's common across supply management for the most part, again not to speak for everybody within our industry. The number of our farms, although there have been slight changes in sizes, has been within 5% to 10% in the last 25 years. We've maintained a stable number of farmers within our organization, and a lot of younger farmers are involved in it. I used to be considered one; unfortunately, I'm not any more. But as I look around rooms when I'm in meetings in my home province, half are probably under 40 years old. We're quite pleased with that, and we see a bright future for it.

I understand, in a lot of commodities, the aging nature of the farm and some of the other commodities, and I agree we do need that support in Growing Forward 2.

Mr. Jean Rousseau: Mr. Maynard, please.

Mr. Ron Maynard: Stats Canada published a record last year that said that 66% of supply management farms were multi-generational farms, as Mark has said, as compared to 16% of the non-supply-management farms. I think the answer to your question is that the stability that's found and the profitability that's found throughout the dairy chain is the answer to providing the next generation, and we need the next generation of those people who know how to produce food there, and that we have them with the stability that's found in the supply management system.

Thank you.

• (1655)

Mr. Jean Rousseau: So you think that supply management has an influence on that?

Mr. Ron Maynard: Well, as I say, Statistics Canada says that 66% of the supply management farms are multi-generational farms, which indicates that there is a father and a son, one or two generations, and that in non-supply-management farms it's 16%.

Mr. Jean Rousseau: Okay. I have some—

The Chair: You're pretty well out of time.

Mr. Jean Rousseau: Okay. Thanks, Mr. Chair.

The Chair: You're welcome.

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

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

I want to thank all of you for coming out today. I know that's important information you're providing to the committee.

My first question is to Mr. Hames, the canola growers. I don't know if you have already decided in terms of research dollars, but what would be your top priority in terms of a research project that you would see coming out of Growing Forward 2 for the canola producers?

Mr. Todd Hames: That's a difficult question. There are always a lot of fronts to go after.

I'm going to speak about what has maybe been more successful. I think market development—developing the healthy aspects of canola oil—is what's given us the market advantage in the world. Because health is very important to everybody and certainly is a buzzword, I'm a bit of a believer in promoting the healthy aspects and finding out what other good things canola oil can do for you. That's one priority. I call it market development.

Obviously there is a lot of research going into the germplasm and varieties, and that's continuing. The reason I maybe don't talk so much about that is because private industry is looking after that in partnership with us, so it's obviously very important to keep moving that forward.

Mr. LaVar Payne: Okay. Just in terms of the industry itself, how does it contribute to the research? Is there a check-off, or just how does that process work?

Mr. Todd Hames: We have a levy, a voluntary check-off that is submitted to the grower groups. On top of that, the Canola Council—which is different from the group I'm with—has check-offs and levies that they collect from the industry: the crushers, the exporters, and the seed companies.

Mr. LaVar Payne: In your presentation you also talked about the cost of fertilizer being up by 50%. Is that something recent, or was this over a period of time, or just—

Mr. Todd Hames: It was over 12 months.

It's hard to believe, and I try not to think about it, but my fertilizer price this fall was up 50% from last fall on nitrogen. That's the largest input we have on the farm.

Mr. LaVar Payne: Is that just the fertilizer cost, or does that include freight as well?

Mr. Todd Hames: That's fertilizer... In my yard, I guess.

Mr. LaVar Payne: In your yard. And it depends on where the fertilizer comes from, obviously.

Mr. Todd Hames: Right.

Mr. LaVar Payne: Okay.

My colleague talked about the freight rates in particular. I'm from southeast Alberta, in the corner—the great riding of Medicine Hat. We have CP Rail down there, and I hear day after day about the lack of movement of cars for producers. And it doesn't matter, as you indicated, whether it's for grains or for other types of production—because we do have fertilizer production in my riding, as well as methanol and a few other chemical producers—I hear that on an ongoing basis.

We're hoping that this rail review is going to produce some great benefits, not only for producers, but also for the rail companies themselves, to make them much more competitive and get that product to the customer on time.

My next question is for Mr. Maynard. In your presentation to us, you talked about the contribution that the Dairy Farmers of Canada would make in terms of research to Growing Forward; I believe you said \$5 million.

Mr. Ron Maynard: Yes.

Mr. LaVar Payne: How would you see that fund helping out the industry? And secondly, is there any particular area you would like to see the research dollars going to in Growing Forward 2?

• (1700)

Mr. Ron Maynard: Just last week in Montreal, we had a meeting called a research conference seminar with the producers, with some processors, with other industry stakeholders, and with the researchers. Right now, we're in the dairy research cluster.

We were looking at where we are now and taking a look at the research that's in place, and looking at the future and asking, “Where do we have to be?” Last time, the dairy cluster came on a little quickly, and we didn't have time to consult fully with the full industry. So some of us who act as leaders kind of said, “Well, this is where we think we want to be.”

So it was a two-part process. One part was to justify that what we're doing now is along the right lines, and the other part was looking at where we want to be in the future. The basis of it is sustainability—environmental sustainability, animal welfare, food safety, and new product research—and that's the basis we would like to see the next research cluster encompass.

The Chair: You are out of time, Mr. Payne.

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

Mr. Malcolm Allen: Thank you very much, Chair.

Thank you, everyone.

I'm going to address my question to Ms. McMahon, but I'm going to steal from you, Mr. Hames, your science-based approach to things. We hear of this here on a regular basis, but quite often—and please don't take any offence, because I think what you say is not incorrect—it's used as a euphemism for “must be good, because it's science-based”.

Science used to be based on a flat earth society at one time too, but we proved that to be wrong. In fact, I was watching my 27-year-old daughter do physics the other night, and it wasn't the physics that I did in 1972. It evolves over time.

Ms. McMahon, I would get back to you. We hear the term “science-based” quite often. Is the organic sector based on science as well, or is it based on—I don't know—smoke and mirrors?

Ms. Beth McMahon: No, not today; right now, with over 4,000 producers—and 40% of those are in the prairies—this is business, it's economics, and it is science. The only way we're really seeing a lot of people transition into organic is that the science is there and they're fed up with some of those fertilizer bills.

Quite honestly, that's why we're getting, as I said at that conference, so many non-organic producers in attendance.

At the same time, it's also based on consumer demand. Consumers are saying they want organic turkeys, so there has to be a shift. Whether a turkey is a turkey.... If the consumer says they want it and they're going to pay for it and there's a value to the end producer, then it's going to happen.

It's the same with canola in P.E.I. They have a market in Japan for non-GE canola, so they grow it and they make money and they export it. It is about adaptability and seizing those market opportunities.

Mr. Malcolm Allen: The other question I have for you is around the idea that somehow, in order to feed the potential of nine billion people down the road, a certain model needs to be used, and otherwise we can't be successful.

Would you agree that this is the only model to be successful to feed what potentially might be nine billion people on this planet?

Ms. Beth McMahon: Absolutely not. I feel as though there is value to different scales in production models. That's why community-supported agriculture models are doing so well in Canada. Then maybe the surplus of exports can go to that international market.

At the heart of it, we still believe that locating production in areas and countries that need it most makes the most sense. Maybe it doesn't line our pockets, but if a certain country is food-insecure and if they're able to grow their own product, that is, I think, the best solution. Right now we see a lot of regions that could use our expertise.

Mr. Malcolm Allen: Mr. Maynard, quite often what we hear from detractors of the supply-managed system, which clearly we are not, is that somehow you're non-competitive. I say that from a perspective of looking at our market per se. Your chart reminded me, albeit I wasn't in this country in 1960—I didn't actually get here until 1963—as I thought through things the other day, that I have a memory of my mother complaining bitterly about the price of milk and how it went up through the roof and down through the basement during the 1960s. There were five kids in my family, me being the eldest, and as you can imagine, we drank a lot of milk when we were younger.

Can you take a moment to simply explain to us—I already have a view of it—how you folks look to be competitive in some of the things that you do?

• (1705)

Mr. Ron Maynard: “Competitive”, as I said in my conclusion, is always difficult to define. For “competitive”, use “sustainability”. What we're into is sustainability. We're into environmental sustainability, we're into economic sustainability, and the stability that's in supply management is what we're talking about.

We have higher costs than other countries because we have, as I said in my presentation, a winter season here. We have to store feed; we have to keep animals in shelter. We're the same as the northern European countries, the Scandinavian countries especially, which have a higher cost of production.

To be competitive, we produce milk by Canadians, for Canadians, using Canadian standards as far as environment, employment, and food safety are concerned. Yes, we are going to be more expensive than some of the offshore competition who don't have those expenses.

The Chair: We'll now move to Mr. Hoback for five minutes.

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

I'd like to again thank everybody for coming out this afternoon. It's great to see you here today. As we talk about Growing Forward 2, I think where we want to go to is where we need to be.

I'm going to start off with the Canadian Canola Growers Association. We had the impact of China's basically shutting the border down to canola. To help the committee understand the impact on your industry when it was shut down for that brief time, perhaps you can give us an example on a per-tonne basis of how it worked. Even if you don't know the exact dollar figures, maybe tell us the impact.

Mr. Todd Hames: Thanks, Randy, for putting me on the spot.

Certainly there was a huge impact on the Canadian canola growers, partly because the market was just emerging in China. Demand was starting to really ramp up in China, and with the 15-million-tonne Canola Council goal, this was the way we were going to achieve it.

In dollar terms, China would take something around the million-tonnes-a-year mark, and they were just starting to ramp that up to probably two million tonnes. So it was a significant blow to an industry that was probably producing at the time about 11 to 12 million tonnes. It would be 10% or 20% of the canola crop in

Canada—as distinct from giving a dollar-per-tonne figure—as a percentage of the export market. There was a huge market.

Mr. Randy Hoback: I can remember that it was a big issue. I know that the Minister of Agriculture, even the Prime Minister, got involved in that one. We're still trying to make sure that it doesn't happen again. But in the same breath, there are still some restrictions in place that we've been able to work on with our colleagues in China to at least get market access. I think this underlines the importance of market access and what can happen when you lose it, especially when you lose it based on a non-tariff trade barrier—something based on politics rather than on science.

In the case of trade agreements we're working on with Europe, and with the TPP, how important is it to the canola growers to see those types of trade agreements come in place, that we have mechanisms to deal with disputes and to help market access?

Mr. Todd Hames: It's absolutely critical. To highlight what we just talked about—that China and the U.S. are huge markets for us, and we're export-dependent—we need to have more people to whom we're exporting so that we're not dependent on one market alone. That's the main thing: we need market access to all of these countries, so that if someone has a problem or a hiccup the industry is not shut down because we're only in one door.

The canola industry's goal is to get more trade going on with more countries so that we're not as dependent on one partner.

Mr. Randy Hoback: One thing we've seen in the canola sector also is the increase in domestic crush in Canada, and actually a change from the crush happening offshore to its now happening on the prairies. That's the type of thing I'm hoping to see in the wheat and barley market as we move forward.

How does it change the Canadian canola growers? Now you're dealing with not just exporting the seed; now you're talking about oil. How do you go about the promotion of not just the seed now, but the oil too?

• (1710)

Mr. Todd Hames: That's a good point. I'll highlight that. It's a result of partnership, of the value chain, and a goal of 15 million tonnes by 2015 to coordinate growing more canola and crushing more canola at the same time.

Those products.... One of the market development issues is probably the bigger issue of getting rid of the canola meal. It's mainly a by-product with canola. Soybeans is our competitor. Soybeans are crushed more for the meal; canola is crushed for the oil. I don't think the oil is a big problem to get rid of; it's going to be the meal. We've worked with the dairy industry a lot in China and in the U.S. to show how the canola meal can help milk production increase.

Mr. Randy Hoback: I'm going to move on to organics, Ms. McMahon.

One thing we've had a lot of testimony on before this committee, not at this sitting but before, when we looked at the biotech sector—and I know Mr. Valeriotte was working pretty hard on this—is trying to figure out a way that organics and the biotech sector and GMO sector can survive side by side. One question that keeps reoccurring concerns low-level presence and the acceptability of a reasonable amount of low-level presence. Have you in your sector talked about this, and have you looked at where we need to be with it? Is there a compromise to be had here?

Ms. Beth McMahon: We have. We actually had a presentation at the Organic Value Chain Roundtable last week. As I'm sure you can imagine, the organic sector is very unsupportive of this.

One thing I want to raise, and I don't even know that the canola growers realize it, is that it's not about just a singular incident; it can be a repeat offender over and over again. That was clarified during those meetings. It's not a singular issue whereby something that is undesirable to the Canadian consumer or a Canadian grower comes in and is dealt with, and maybe the shipment is not destroyed or rejected. It's something that can just keep happening, as long as they're under those limits. If you keep adding it up over years and years, the contamination can be quite significant.

We know that one kernel within a tonne of ethanol corn can destroy that entire tonnage for baking purposes, because the enzyme breaks down. Just that 0.1% can have very detrimental effects, whether intentional or not.

Mr. Randy Hoback: Really? I've never heard that before. I've never heard anybody say a low-level presence that small would impact on—

Ms. Beth McMahon: Yes, a study was done in the United States by the American Bakers Association, because they're quite concerned over ethanol-based corn, point blank. So they were reducing it, saying even if it's not intended for human consumption, that cross-contamination has significant detriments to human consumption and baking quality.

The Chair: Your time is up, Mr. Hoback.

The last five minutes go to Mr. Lemieux.

Mr. Randy Hoback: I have a few more questions, but I guess I'll have to stop.

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

I want to focus the discussion on the farm gate. In Growing Forward we've been studying science and innovation, but now we're looking at the competitiveness of enterprises. I think of this at the farm gate, meaning that we expect our farmers to be good farmers, and they are good farmers, but we also expect them to implement business skills.

As a government, we sometimes obligate business-type training if someone requires access to a particular program, if there is difficulty within their sector or on their farm, but each of your organizations is different. You have different scenarios, different systems, and different networks.

What I'd like to know from each of you, does your association promote business development, business skill development, and

business strategy development at the farm level, so the farmer is looking ahead more than just in the crop season in which he finds himself? But he might be looking at should he pay off debt, should he acquire more capital acquisitions, should he use an accountant, what tools does he have to help run his farm like a business—those types of business decisions that would affect his enterprise.

Because your organizations are quite different, because we've got supply-managed sectors and we have non-supply-managed sectors and the communication levels between the farm gate and your associations would be different, perhaps I'll start on this end with turkey farmers and then we'll go to dairy farmers and then to organic farmers and then to canola farmers.

Perhaps you could explain to me what you offer and how you encourage the take-up by farmers within your association. And is there a take-up?

• (1715)

Mr. Mark Davies: Thank you very much for the question.

The short answer would be not in any formal sense. It's not as if there's a course of business acumen to take and here's some.... It's more we could provide resources and some direction.

Inherent in supply management—and Ron has touched on this before—is this model of the farm and how it is to be operated, the cost structure. Within supply management is a very savvy group of business people. I think that's evident. It doesn't matter if it's supply-managed or not; if you're not a good producer, you're not in business. I think it's that simple.

Supply management provides a little more stability, but along with that stability, as has been referenced before, is a heavier debt load. So the risk is inherent in that.

To tell you the truth, I don't think it's something that's needed from the top down, if you will. It's something that any good businessman is going to seek himself.

Mr. Pierre Lemieux: You've got a monthly publication, and in there you might have something.... I've seen supply-managed farms go under because of bad business decisions. They've extended their debt load when they shouldn't have, and the bank is demanding payment and they're unable to pay—there goes the land, and the quota is next.

So even in that way, I'd be encouraging....

Mr. Mark Davies: I'll just let Phil make a couple of comments, if he would.

Mr. Phil Boyd (Executive Director, Turkey Farmers of Canada): Thank you.

Mr. Lemieux, I think if we go back to Mark's opening comments, that our organization is one that is there to facilitate and provide, it's consistent with your question. But in terms of our role, we think and we hope that the turkey farmers in this country are among the best-informed farmers in terms of what's going on around them and in terms of the kinds of things they have to consider when they do their own risk profiles, for example.

We hope they're well informed in terms of society's demands on their farm enterprise so they know what they're dealing with in terms of the variables out there, whether it's in terms of latest research, animal husbandry, increasing feed efficiency, all those kinds of things.

We have a farmers-only website where we have research bulletins and fact sheets and those kinds of things. We think from that perspective we offer a service to our farmers in terms of their knowledge base and then they are well equipped to make decisions on their own enterprise.

That's the only piece I wanted to add. Thank you very much.

Mr. Pierre Lemieux: Perhaps I'll just jump to the organics, because I think we're going to run out of time. That was a supply-managed-based answer, and then perhaps we'll have something that's not supply-managed.

Ms. Beth McMahon: Yes, we're different. That's one of our primary issues. Especially with so many new entrants, profitability is absolutely essential and is one of the main things many of our organizations are focusing on.

With cost-of-production tools we actually have a business transition pathway—not just the agronomic side of it, but the business side of it—that's over 100 pages based on interviews with organic farmers, including actuals. We have books on record-keeping and crop profitability and budgeting that are recent, in the last year, that are flying off the shelves, as much as something on that can fly off the shelf. We also use those as the basis for magazine articles and webinars in the conference. Actually, at the conference that I referenced earlier we had a full business profitability stream as well as another marketing stream, which attracted people who drove from Ontario to Dartmouth to access it. That included actual start-up budgets of three different farms going through. We worked with a business development officer in the Department of Agriculture.

Mr. Pierre Lemieux: That's very good. That kind of information I think farmers would find very useful.

Thank you.

The Chair: Thank you very much.

There was a report, Mr. Hoback, that you indicated you would like Beth to table.

Mr. Randy Hoback: Could you find that report, Beth, and table it or get a copy to us?

Ms. Beth McMahon: That's right, on corn. Yes, sure.

The Chair: Thank you.

Ms. McMahon, at the start of the meeting—I think it might have been in response to the first questioner—you talked about GM alfalfa and what have you. Unless I heard you wrong, you implied that it was already in Canada and that it could be basically.... Okay, you're shaking your head.

● (1720)

Ms. Beth McMahon: No. It's approved, so if it goes to the point where a commercialized alfalfa is registered then it can be used.

The Chair: But it's not approved in Canada and it's not applied—

Ms. Beth McMahon: GM alfalfa is approved, just not the specific commercial type.

The Chair: But no application to—

Ms. Beth McMahon: Yes. It's ready to go.

The Chair: I just wanted to clarify that, and I have one comment on it. Even if it was never approved here or never applied for and approved, given the fact that it's been approved and applied in the United States, inevitably it's probably going to get here anyway. It's like the emerald ash borer, which started in the United States. It's now in southern Ontario and I hear it has started to reach the Ottawa area. Some things happen whether they're planned or not.

Ms. Beth McMahon: Agreed. But even on the LLP, when we asked if there had been any incidents in Canada that would qualify for LLP we were told last week there had been none. Right now we have a pretty good record in Canada.

The Chair: Sure.

Very good. With that, I'd like to thank all the witnesses for being here today. Thanks again for coming.

The meeting is adjourned. See you all on Thursday.

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