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Chair

Mr. Larry Miller

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•(1530)

[English]

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

I'd like to welcome our witnesses here today. Thank you very much for being here.

We have Farmers of North America, James Mann; Grain Growers of Canada, Richard Phillips and Trevor Petersen; from Ontario Agri-Food Technologies, Gord Surgeoner. And by video from Regina, Saskatchewan, we have Virginia Labbie.

Welcome, Virginia. Can you hear us?

Ms. Virginia Labbie (Senior Policy Analyst, Saskatchewan and Agri-business, Canadian Federation of Independent Business): Yes, I hear you fine. Thank you.

The Chair: Thank you very much.

To start out, we're going to hear from the Farmers of North America, and James Mann, for 10 minutes, please.

Mr. James Mann (President and Chief Executive Officer, Farmers of North America Inc.): Thank you very much, honourable Chairman Miller and caucus. It's my great pleasure to represent Farmers of North America at your session today.

I think everybody's received a copy of the presentation that we put forward, and I want to hit the highlights in a few minutes and look forward to the questions that follow. Of course, I'm not a Bob Friesen, so I'm not going to be quite as well polished as he, but I look forward to the questions nevertheless.

I'd like to first introduce our organization. I'm sure most of you, being involved in agriculture in one way or another, are familiar with us. We are a commercial organization that represents around 10,000 farmers. Our primary mandate is to in fact increase competition in the agriculture sector as it applies to the farm community, to ensure that the prices they receive, but more importantly the prices they pay, for their input products are competitive globally and competitive with rates that are close to the cost of production, rather than to what the market will bear. As you'll see in the presentation, you'll note that the market behaves rather differently from a truly competitive environment. It's more like an oligopoly type of marketplace. Most of the inputs farmers have to acquire are for their land.

I'd like to address four major areas: cost competitiveness, regulatory competitiveness, innovative business structures, and speak a little bit about the Canadian Competition Bureau.

If we take a look at farming as a whole, you will note that we have a situation where farmers are generating tremendous amounts of revenue. Unfortunately, you can be gaining \$50 billion in revenue and at the end of the day you're left with a very small return on investment. The significant portion of that goes into the cost of production, primarily fertilizers, chemicals, and seed. As I mentioned earlier, those areas are primarily represented by an oligopoly type of market where there's very little competition occurring.

If you take a look at where we fit globally, cost competitively, we have some deep concerns, and we'll talk a little bit about that as I get through the presentation and we get into the regulatory environment, talking about GROU and the former OUI program.

I'd just like to point out that you'll see in our presentation some of the examples and some of the industry comments that have come out over the last couple of years as grain prices and the marketplace have improved dramatically for farmers. Some of the representatives of the fertilizer sector or the grain-handling sector note that they've been given significant opportunity to increase the prices they receive. If you take a look at the operating statements of companies like Agrium, Monsanto, Bayer, and those companies that represent the seed industry, you'll see that their balance sheets and their operating statements are vastly improved as a result of what appears to be the good fortune in agriculture.

I want to make one other point, and that is on the research on volatility. As we've seen, the marketplace becomes very volatile. We see that there are certain types of farmers who have become much more vulnerable, even though the opportunities are greater, as a result of the higher level of risk associated with higher prices, both at the receiving...and the higher cost of inputs. That marketplace becomes much more difficult for a farmer to manage. Those farmers who don't have the risk management tools or certain skills become highly vulnerable to that type of environment. In fact, in good times you may see a greater loss of farmers from the industry, even our good producing farmers, because of their perhaps so-called lack of skills in the risk management area. So this is a key area.

Going back to cost competitiveness, I'd like to talk a little bit about what our organization does for competitive research. Any time you're developing a strategic plan, which our company does daily, in trying to counteract what's going on in the board rooms of the large companies the farmers are buying from, you have to have the best information possible.

•(1535)

Two years ago we set up an organization called the FNA Strategic Agriculture Institute, which is a non-profit organization that was sponsored by Farmers of North America with the primary purpose not only to liaise with government and other farm organizations, but also to conduct research on the competitive environment between farmers, and between Canadian farmers and other farmers around the world. Again, whether you're designing policy in the House or developing strategies in the boardroom, you have to have the best information, understand where you fit in the marketplace. In fact, CAAP provided funding to us about a year and a half ago to do a study of what was out there for that kind of research. We found that there was a lot of anecdotal evidence, lots of second-hand information, but there really is no fundamental research that talks about how farmers compete with one another around the world. And as you know, we are getting significant competition from eastern Europe, the Ukraine, and for a number of years from Argentina, Australia, and Brazil. We need to be cognizant of that, and despite our greatest efforts in Farmers of North America and FNA-STAG to get joint funding—and we've invested literally hundreds of thousands of dollars into this project—it's been very difficult to get corresponding funding from some of the government organizations to help facilitate that.

We believe that would be extremely important in providing that information, both to government and farm organizations. And we see the differentials between farmers being extremely important, so they can benchmark, try to make the best decisions as to what's best for their operations. As we progress with that, I would encourage...and one of our recommendations is to see the government help or participate in what we think is a key process to ensure our farmers remain competitive with other farmers around the world and are in fact managing in the best way possible based on the information that we can provide them.

That's part of what we're doing with regard to competition and the research. I do want to talk about another area, competition and competition law. As you'll note in our presentation, we have exhibited what tends to be a process that companies go through to gain additional market strength. There are, as you've seen, tremendous amalgamations and mergers in all the major input sectors that farmers are involved in. You can take a look at a diagram, for example, of who Monsanto has acquired, or BASF or Syngenta. Even in the fertilizer sector, you'll see massive numbers of companies consolidating down to very few.

There are a couple of reasons they do that. One is for efficiency, but more importantly it's because of their impact in the marketplace. When that happens you need to have strong competition policy. You have to have a government that stands behind what competition stands for. Our experience has been, particularly in the fertilizer sector, that... I was involved as a witness a number of years ago, when Agrium wanted to buy out Sherritt Gordon. The Competition Bureau talked to us, and at the end, Agrium was allowed to do that. They ended up with 60% to 70% of the marketplace. When they can do that, they have literally the ability to write the ticket as to what prices are going to be, and the others just fall in line.

We've seen that when we've tried, for example, in the glyphosate business, to create competition. We ended up seeing total reluctance

from companies to provide competitive quotes. We've taken that to the Competition Bureau and got just a pat on the back and “thanks for letting us know,” but really, at the end of the day nothing happens out of that. We find that in other jurisdictions—particularly in the U.S.—competition law can be quite a bit stronger, and I think we need to take a hard look at it, and perhaps take a good look at the agricultural sector and the competition law that affects that.

Again, our personal experience has been that as much as we've been through that door, we find it really isn't effective, and really, the only answer is to do what we in Farmers of North America do through private businesses to create that competition on behalf of our farmer members. But there is certainly more that we believe government can do in that whole area.

I'm getting close to my 10 minutes, so I just want to talk briefly about Farmers of North America and what we do with regard to the tremendous change that's going on in the grain-handling sector. With the change in the Canadian Wheat Board there are all kinds of changes that are going to be occurring, whether it be branch lines, grading systems, producer-car facilities, and we think there is a role we should be playing. I would suggest and appreciate it if government would help facilitate us in doing this so we can help farmers manage through this dramatic change that will be going on in the industry.

•(1540)

I understand that competitive forces should create an efficient environment, but we have found that Adam Smith's invisible hand doesn't always work. It's out there somewhere, and I sometimes think that maybe Bayer has found it, or Monsanto, but certainly farmers are trying to get a handle on it and get it back to help create competition.

We've created the task force. We have some of the best people in the industry looking at what we can do to create competition, and again, I would like the folks here to take note of what we're doing.

With that, Mr. Chairman, I'll wrap up and encourage any questions you may have on what our organization is doing in areas that we see need to be accomplished in the realm of competition.

The Chair: Thanks very much, Mr. Mann.

We'll now move to the Grain Growers of Canada. We have Richard Phillips and Trevor Petersen for 10 minutes, please.

Mr. Richard Phillips (Executive Director, Grain Growers of Canada): Thank you for inviting us to be here today.

My name is Richard Phillips. I am the executive director of the Grain Growers of Canada. We represent tens of thousands of successful wheat, barley, canola, corn, pulse, rye, and triticale growers in Canada.

With me today is Trevor Petersen, vice-chairperson of the Alberta Barley Commission, a member organization of the Grain Growers of Canada, and I'll be sharing my time with him.

Trevor.

Mr. Trevor Petersen (Member, Alberta Barley Commission, Grain Growers of Canada): Thank you, Richard.

Good afternoon, committee members.

My name is Trevor Petersen and I farm near Red Deer, Alberta, with my wife Carmen and our two children, Micah and Haley. I am a third-generation farmer, growing wheat, barley, canola, and field peas on about 1,500 acres.

I would like to discuss how we can make the barley industry more competitive globally.

Barley has had two traditional uses: malt for beer and livestock feed, primarily for cattle and pigs. With the coming changes to our barley marketing system, one of our most important needs is a commitment from government to help us develop new markets for our barley.

In the past, farmers have either sold our feed barley to local mills or feed lots. Our malt barley has gone to malting plants via the Wheat Board, or has been part of larger Wheat Board sales overseas.

Looking forward, we are excited about the many new opportunities in front of us. For example, in human health, barley lowers cholesterol, and with further research we could document other health benefits, such as lowering glycemic indexes. That would be of benefit to people with diabetes.

Another opportunity is in the Japanese market, where our barley is being used to make a popular beverage called shochu. In the malt industry, my local malting plant is doubling their storage and increasing their capacity. I know other new companies are now looking to invest in western Canada to take advantage of the growing global demand in beer consumption. This value-adding means more jobs in our communities.

The other major area of opportunity for barley is in the feed industry. One recent success story was the development of low-phytate barley. When fed to livestock, this barley reduces the amount of phosphorus in the manure. In today's world, there is a lot of concern about safe ground water and farm practices. This new low-phytate barley helps show consumers that we, as stewards of the land, are farming more sustainably and protecting our environment.

On behalf of the Alberta Barley Commission, which is a member of the Grain Growers of Canada, I would like to thank you for this opportunity to be here today.

Mr. Richard Phillips: For my part, I would like to raise three key areas important to helping increase competitiveness within our agriculture industry.

First, an increase in overall research funding, public and private, is needed. Those of you who have been around this committee understand that farmers are divided on many issues, but this is the one that unites all of us.

We appreciate that the federal government has started putting more money into research in the last few years, and we recognize there has been an effort through both science clusters and the DIAPs. These programs ensure that actual commodity associations and actual farmers have more influence on our research priorities.

The private sector is also a huge investor in research and innovation in Canada. But it is primarily involved in only three crops: corn, soybeans, and canola. The public sector often works on core agronomics and diseases where there may not be a commercial return, and without that return there is limited incentive for the private sector to invest. It would take an increased investment of \$26 million per year for 10 years—that is, each and every year you would have to add \$26 million to get us back to 1994 public research levels at Agriculture Canada.

But we also realize the fiscal reality of trying to achieve a balanced budget in these turbulent times. The Grain Growers of Canada has a new proposal to help increase public funding: change the accounting for royalty income within Ag Canada. For example, if you have an Ag Canada scientist who develops a new variety of wheat, royalty income flows back to Ag Canada. Today, that goes into the Ag Canada budget. But then the government puts that much less money into Ag Canada. This should change.

We suggest that in the absence of increased direct federal contributions, at a minimum the government should commit to the current Ag Canada research budget and adjust for inflation. Next, the government should allow all royalty streams generated by Ag Canada discoveries to be added on top of the research budget. With no new government cash, the research budget would grow by \$5 million or \$6 million next year. This would increase as scientists see that their programs can grow when they develop products that farmers want. It's win-win.

We also think the federal government can play a bigger leadership role in encouraging private-public partnerships.

The second issue today is trade and market access. At the Grain Growers of Canada, we believe the government doesn't owe farmers a living, but it does owe them a policy environment where they can make a living.

Increasing our trade opportunities and market access are two very important areas for our farmers. Over 90% of Canadian farmers rely on exports or export prices for their success, so bilateral trade agreements are helping to keep us on par with our competitors. Markets like the European Union and the trans-Pacific partnership will be critical to our future success.

But as important as new trade deals are, it is just as important is to ensure ongoing market access. The Market Access Secretariat is a good example of how the government can help farmers. It is one thing to open a market; it is another to ensure that trade can actually happen in a world where artificial trade barriers often exist.

Lastly, reliable rail transportation is needed to increase our competitive edge. When we don't deliver grain on time to our customers, either they start looking elsewhere or the penalties and demurrage lower the price we receive for our grain. That is why the rail service review process and the new appointment of facilitator Jim Dinning has been so important. We are happy to see the government moving this file along.

In summary, with your help and the right tools, the future and competitiveness of Canadian agriculture has never looked brighter.

Thank you. We look forward to questions.

• (1545)

The Chair: Thanks, Richard.

We now move to Ontario Agri-Food Technologies and Mr. Gord Surgeoner.

Dr. Gord Surgeoner (President, Ontario Agri-Food Technologies): Thank you very much for the opportunity to speak on innovation, some suggestions on Growing Forward 2, and what I think should happen.

I'm president of Ontario Agri-Food Technologies. It's a consortium of farm associations, industry, academia, and regional governments. I emphasize that we get some money through Growing Forward 1, but we put it all back out the door, and I'll show you how effective it is.

Our mission is to ensure—back to the point on science and technology—that our farmers have access to the latest technologies, whether they choose to use them or not. The other key one is to create new market opportunities for the business of agriculture.

Innovation is a commonly used term in Ottawa and all around the world. I define innovation as processes or products that create value. There's historical value, cultural value, and environmental value, but I'm talking about economic value. From a government perspective, the number one thing is opportunity for profitability for our primary agriculture sector. There's also the creation of jobs for Canadians. With that goes increased tax revenues to the federal, provincial, and local governments. Innovation can create value through savings by increasing the probability of success to farmers so we don't have to use things like business risk management as much.

I was a university faculty member for 28 years, heavily involved in innovation and research. I serve on many boards. There's a list there. I was elected for nine years to the Ontario Agricultural Adaptation Council Board. In pure science, I'm the vice-chair of the Ontario Research Fund Board that provides about \$250 million primarily to the medical community, but we are seeing some agriculture go in there now.

I want to emphasize a key thing. In my opinion, there are five degrees of types of innovation. We tend to talk about research a lot, and I absolutely agree that research is a starting point for many types

of innovation. That's the discovery. It's both public and private, but it's also global. Things do not necessarily have to be born and raised in Canada. But in order to create that value to society we have to capture that research and implement it, so that's the capture side.

I take this great idea and we start using it as farm practice, or we start to make that widget product. We start by selling it nationally. The next step is to work into the global markets and sell that globally. So cattle genetics.... We're selling sheep genetics to Vietnam right now. Those are the kinds of things.... So there's expansion to the world.

Another key thing we need to talk about is how to attract innovation. I was just talking to Mr. McKay. We're looking right now at a Chinese investment in Scarborough that would use \$12 million worth of skim milk powder. It wouldn't affect supply management. They would send that skim milk powder as baby formula back to China, where they're sensitive because of melamine and a whole bunch of other safety issues with food. They want to make it happen here, and it really provides value to our primary producers. So we have to think in those kinds of terms.

Finally, how do we retain our companies and not have them go elsewhere? Another big one on attraction...we just got a big Dr. Oetker pizza plant. It's going to employ 1,000 people in the city of London, Ontario. But more importantly, the pepper, cheese, and wheat—all of that for a North American market is being produced in Canada.

When you talk about innovation, I totally agree about discovery. But my key point to you is that we need to make all parts of this. I do not have an accounting of how we spend our innovation money. Is it 80% on research, or is it 90%? How much is going to these other categories that I think are very critical? I'll explain. So what is the percentage, and is it the right mix of money? I think that's something we should consider in Growing Forward 2.

• (1550)

I want to emphasize two key things. Growing Forward 1 was basically a big success, in my opinion. The reason I say that is because some novel things were done. The federal and provincial governments came together to make programs for each province without a one-size-fits-all approach—agriculture is different in different provinces. There was resource sharing, in terms of money to make it happen, and allowing certain groups like the adaptation councils....

And by the way, after nine years, our farmers have a 98% satisfaction rate with the delivery of those programs, where elected farmers, etc., are putting out the money.

The other key things are a third-party delivery and a five-year program instead of a year-to-year program. I think those are very important.

When I look at traditional agriculture, it's been food and feed—food to the world, feed to the animals—but there is a whole new growing realm I want to talk about.

If you look at supplying only Canadians, a lot of the time in agriculture is fighting for market share. In fact, more dollars are being spent, not on the farmer or the primary agriculture, but on the marketing, SKU space, and processing. If you look at my evolution slide, you'll see that we've actually achieved very inexpensive food to Canadians. If I take out the energy, we're now at about 11% of the food dollar that the primary producer gets.

So how do we get new opportunities? If I get you to eat more chicken, you're going to eat less pork. If I get you to eat barley, we're going to have less wheat. We're fighting for market share. We need to grow the pie, in my opinion.

If you look at the expanding markets, I agree that the market for health products is going to be a big one, and industrial products is another. Ethanol and biodiesel are classics right now, but there is a plethora of new kinds of plastics and products coming down the pipe.

Here are the things I think are key in the next five years.

Bilateral trade agreements are the first thing I want to emphasize. I think that's absolutely key. We produce more than we can actually consume as Canadians. We need global markets and we have to have those bilateral agreements.

I really want to compliment something called the Brand Canada program. For the last two years, Canada has been the number one place in the world to do business, and on a global basis, Canada has been seen as the best country for the last two years. So we have a cache in the word “Canada”; let's take advantage of it in our global markets.

We're going to work on food specifically for health. Our mushroom growers, through innovation, can make a powder. If they put those mushrooms under an ultraviolet light, they make vitamin D just as you and I do. In a kilo of dried mushroom powder, there are 2.2 million international units of vitamin D. That vitamin D can then be added so that when I eat pizza, the pizza crust is actually an excellent source of vitamin D. If I eat pasta or many other things, vitamin D can be added. Because Canadians don't get a lot of sunlight in the wintertime, we are always shy of vitamin D—at least in Ontario; you get a lot more blue skies out west.

Ethnic foods are the other thing I want to emphasize. Again, the Chinese are building this whole world market on baby formula. I see the ethnic population.... Many of our rural populations were developed by the poor and destitute who left Europe. The rich, well-educated are coming in now, many of whom have been in the food processing business. We have to engage and use them to get back into global markets.

Then there is this whole new world of industrial feed stock that is being driven simply because the value we get is not rising at the same price as oil. It used to be that a barrel of oil and a bushel of corn were essentially the same price. Now it's \$100, and we're really happy if we get \$6 right now. As that gap grows, our opportunities into other spaces grow very dramatically as well.

If you look at the next slide, these products are all being sold commercially from soybeans: biodiesel, lubricants, and hydraulic fluids. Also, the engine oil for the entire University of Guelph fleet is 99% soybean oil. So there are all kinds of things going on.

I want to emphasize that programs don't have to be large in order to be effective. The key things are to be client-friendly, flexible, and fast. In the world of business, you have to make decisions rapidly and move them forward. When I'm trying to close a deal in China next week, the idea of whether we'll find out if we have something six months from now just doesn't help a lot down the road.

For example, in our shop we've created a rapid response to business opportunities, which allows our producers and our processors to go to foreign customers and sell products. Within 48 hours, they will make a decision—they're not going to a trade show; they have a customer they're going to sell to.

On about \$140,000 of investments, \$32 million of sales have been created. Some of them are big wins. An example is Dave Hendrick, of Hendrick Seeds, who has gone from planting 25,000 acres of soybeans four years ago to planting 70,000 acres.

• (1555)

I do want to emphasize expanding into the Maritimes. I think there were some 8,000 acres being planted this past year in P.E.I., where they need, in my opinion, more diversification in the types of crops they have. That ability to make it fast, simple, and we only pay on receipts and only on hard costs....

The other key thing is that small companies that are highly innovative are focused on cashflow. We have all these big government programs and granting programs, etc. Having been a university faculty member for 25 years, I know that writing a grant is as much an art form as it is the facts. So the key to me is that we actually help some of those where it makes sense. Get the farmers involved real early. We have our grower associations writing letters of support, and we help make it happen, but they must have a minimum of 25%, normally 35% "skin in the game" as I call it, their own private investment. That has brought in, in the last two years, \$9.3 million to our processors and our farmer associations to create value.

So I have a couple of things—I'm on the final page—and here are the key ones, my recommendations.

I have seen third-party delivery systems work under Growing Forward 1. I think they're highly effective and provide great value, as does the Auditor General. We've had the Ontario one audited by the Auditor General—great value, 98% success rate by our farmers. There's a whole study to show the value of it.

One thing where I think we have failed is having industry at the start when we begin a research program or big programs. I've been involved in a couple of things where the researchers have gone off on their own thing and then they come to industry. Let's sit down at the start, figure out what we're looking for and how we're going to go about it as customer partners with our researchers. If we just do the research and then stop, and now we're going to sell it to you... "Well, I didn't want that." We have to have our customers involved in the process.

One of the things I've been concerned about in these Growing Forwards and previous programs is that we will often have a six-month, seven-month gap between programs being signed. If I'm an employee there and I know I could be out of a job next week...some of the best people will leave, and we have very good employees in the third-party systems. I think it's critical that we don't have a gap.

Programs need to be fast and flexible, and by that I mean things like 48 hours, no boxes. They send a letter, we do due diligence. The closer you are to the problem, the better you can solve it, is my decision. Solving a problem in rural Saskatchewan or rural Ontario from Ottawa is not nearly as effective as with, for example, our adaptation councils, with elected farmers and food processors from all across the province figuring out how to do it. In Ottawa the decision is made and we're following all the rules. When we invest, we invest as much in the person as we do in the project itself—the history of that person, the trust in the farm community, how they've dealt with growers in the past. So the people side of the equation is just as important, if not more important, than what's down there on a piece of paper. Only by being local can you do that.

• (1600)

The Chair: Can I ask you to wind up?

Dr. Gord Surgeoner: Yes, I have one last thing.

One of the things I do want to emphasize, if you look at that graph, is optimization of program delivery. When government announces a \$10 million program, it's \$2 million, \$2 million, \$2 million, \$2 million, \$2 million. Well, that's not effective use of

money, because it takes about a year to get the customers and projects in.

So you want a little bit at the front end, grow it up to the end, and then have most of your money at the end, particularly if we're paying the bills that these companies and producer organizations have incurred, yet we get all the money flatline. If you're having commitments, you get a money distribution one way. If you're having it based on expenditures, you should have it the other way. We have seen that over and over in 10 years. We should be using the money more effectively by not putting it out on an even scale.

With that, I quit.

The Chair: Thank you very much.

We now move to our last witness, but certainly not least, Virginia Labbie from Saskatoon, with the Canadian Federation of Independent Business.

Ms. Virginia Labbie: Thank you.

On behalf of the Canadian Federation of Independent Business, and our farm members across the country, I would like to thank the committee for the opportunity to present our members' views today on the competitiveness enterprises pillars of Growing Forward 2.

You should have a copy of our slide deck presentation, which I'd like to walk you through in the next couple of minutes.

I just want to give you some background on CFIB. We're a not-for-profit, non-partisan organization representing more than 108,000 small and medium-sized businesses across Canada, who collectively employ more than 1.25 million Canadians and account for \$75 billion in GDP. Of those, we represent 7,200 farm and agribusiness owners, the majority being primary producers.

We set our association policy through the survey process. In other words, one member equals one vote. So we're pleased to present some of our member survey results and data today on competitiveness from our recent survey on the future of agriculture. Slide 3 is our national monthly agriculture business barometer. We release this every month, and it takes into account our agribusiness members' optimism levels for the year ahead and the various cost pressures and business constraints impacting their farm businesses.

The good news is, optimism levels have been trending upwards since mid-2009, and our agriculture index is hovering near 60.

Agriculture is certainly not immune to the global economic challenges, and while government alone cannot solve all the global problems, they can certainly take steps to improve the regulatory and tax environment in which farmers operate, and help to fuel, not dampen, this optimism. That is why your work is so important in identifying those competitive challenges and barriers to growth as we move forward on policy development for Growing Forward 2.

Slide 4 is about agribusiness succession, and I certainly don't need to tell you this because the committee has focused a lot of attention in recent years on young farmers as the future of agriculture. As you are well aware, one of the trains coming down the track is the issue of agribusiness succession and farm transfer. The latest survey data from close to 1,700 CFIB farm member respondents reveals that nearly 40% plan to exit their agribusiness in the next 10 years, either through retirement, transfer of ownership, or sale of their farm businesses. That's a pretty stark statistic.

On slide 5, when we talk about enhancing farmers' business skills through Growing Forward 2, I think this is certainly one area that needs to be addressed. Only 16% of CFIB farm members have a formal written succession plan. One-third have an informal plan, but over half do not have any succession plan in place to sell, transfer, or wind down the business in the future. So I think this really has an impact on the long-term competitiveness of the farm sector, and the question we need to ask is, how do we encourage that next generation of agricultural entrepreneurs to enter the farming industry? The answer has much to do with the discussions today about removing those barriers to growth and entry and addressing our competitive challenges.

I'll ask you to refer to slide 6. This spring, we surveyed our farm members on the future of agriculture, and we received 1,049 responses from our members and hundreds of comments on the priorities for the sector. It's clear that our members are very engaged on this issue, and when we ask them to prioritize how governments could improve their agribusinesses' overall competitiveness, farmers had three top priorities for government: one, increase the focus on regulatory reform and reducing red tape; two, reduce the total tax burden; and three, increase the focus on improving market access for Canadian agricultural products.

It is important to note that providing more ad hoc subsidy payments was definitely near the bottom of the list.

If you refer to slide 7, this is what an agribusiness owner really feels like. One of our member's comments from our Future of Agriculture survey really sums it up. He says it is just the sheer volume of work that must be done to satisfy all levels of government and industry regulations: manure-spreading regulations, fishery setbacks, environmental programs, employee deductions, CFIA regulations, Stats Can requests, the level of reporting from banking institutions, new livestock hauling regulations—and the list goes on.

●(1605)

As you can see, it's not just that one regulation or that extra form or that bad experience with government customer service; it's that total burden that's placed on the farm business owner. That's why our first priority is focusing on regulatory reform and reducing red tape. We really believe that this is a low-cost way to drive productivity and innovation in the agriculture sector.

CFIB has estimated that government regulations and paper burden cost Canadian businesses more than \$30 billion a year—this is just to comply with regulations at all levels of government. Farmers are certainly not immune to this burden. CFIB welcomed the Prime Minister's announcement of a red tape reduction commission, and CFIB's president, Catherine Swift, is serving on this commission. We understand the commission has been working towards addressing red tape and regulatory reform, and we are looking forward to its upcoming report on the next steps in the process.

Many of our farm members submitted their concerns and real-life examples of what is not working to this committee, and we are pleased that many agencies have been provided with this feedback.

One of our pre-budget recommendations is to make regulatory reform permanent through binding legislation that would require ongoing measurement and public reporting of regulatory activity and quality of government service. We also recommend that there needs to be a commitment to paper burden reduction targets—placing constraints on regulators so that for every new requirement that's introduced, one or two will be eliminated.

The Province of British Columbia is the first government in Canada to enshrine regulatory accountability into law. I wanted to provide you with a couple of examples from our Future of Agriculture survey from farmers who submitted their views. It gives you a flavour of some of the regulatory hurdles our members face.

Take the farmer who has to fill out 400 forms for every container of polypropylene bags he imports to package his pulse crops for export. This is a duty drawback that was put in place to protect Canadian bag manufacturers, yet there are no Canadian polypropylene bag manufacturers left in Canada.

We have dozens of comments from farmers who don't feel they're playing on a level field. We've talked to a member who cannot access organic pesticides that have been registered for 20 years in the European Union and in the United States.

In reference to the Canadian Food Inspection Agency, we have a cherry grower who said that the CFIA enforces inspection of exported cherries beyond necessity, and yet allows imports of cherries on consignment.

Pesticide application in Canada is not on a level playing field with the United States and many other countries, where there is access to chemical products not available in Canada.

Increased food safety concerns seem to apply only to Canadian producers and not to the bulk of imported food.

Another comment is:

My product competes openly against those from other countries, yet my inputs are strictly regulated: pesticide residue, minimum days to harvest, etc., while those entering Canada are not monitored. If the product I sell is monitored, so should the competition in the name of public safety and fair competition.

Clearly, there is work to do, and we hope that regulatory reform is a high priority in Growing Forward 2.

Our second priority for government action is on taxation, which feeds into our data on succession. In CFIB's federal pre-budget presentation to the Standing Committee on Finance and in our pre-budget submission, we are pushing for government to index the lifetime capital gains exemption to inflation, as was previously promised. CFIB was pleased that the federal government increased the lifetime capital gains exemption from \$500,000 to \$750,000 in Budget 2007. The lifetime capital gains exemption is a significant retirement vehicle for our farm members, and given that four in ten agribusiness owners plan on selling, transferring, or exiting their business in the next 10 years, this would be extremely helpful. Indexing this measure will ensure that its value does not erode over time.

•(1610)

We also recommend increasing the capital cost allowance on agricultural equipment. We know that agribusiness owners must make significant annual investments in equipment to stay competitive, and farmers must rely on cutting-edge technology to remain competitive. So CFIB is recommending that the federal government increase the capital cost allowance on farm equipment to more closely resemble depreciation rates in the United States.

Finally, slide 9, as we've heard already today, shows that our third priority is improving market access for Canadian agricultural products. This is really an important slide, because it really shows that when we surveyed our members on business risk management programs and on programs like AgriStability, and we asked them what role government should play in helping to address risk at their farm, CFIB farm members said the government's number one role was addressing actions of foreign governments—for example, border closures. Only 17% said government should address any risks their farm may experience.

CFIB's farm members applauded the recent WTO decision on U. S. country of origin labelling. It's clear our farm members have an appetite for more work to be done to continue to open up global markets to Canadian agricultural products in order to improve the agriculture sector's overall competitiveness.

In closing, we will be providing this committee our members' feedback in the CFIB report on Growing Forward 2 and the future of agriculture in the coming weeks.

I thank you again for the opportunity to appear before this committee.

•(1615)

The Chair: Thank you very much.

We will now move to questions, starting with Mr. Atamanenko for five minutes.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thanks, Larry.

Thanks to all of you for being here.

Richard, it's good to see you again, as always. You mentioned a number of things in your presentation. One was trade access, and of course we're also talking about competitiveness, with the premise being that the more competitive our farmers are the better off we'll be in our rural communities.

My first question has to do with the Canada-Europe trade agreement. We know we're pushing farm groups and the government for more access to European markets. However, at least according to the research I've done, on the European side, the main corporations are driving their agenda, and they want more access, for example, to local contracts, to what we call subnational contracts, which could put our communities at risk due to competition from these companies. If they want to provide local jobs, then they could be sued by these companies. There are a lot of factors. There's the idea that this may increase the cost of drugs. There could be some control issues with regard to our water.

When you're looking at these agreements, are you looking at them from all sides? Are you looking at the potential effects that an agreement such as this one could have on our communities, for example, in western Canada? Has your organization given this much thought?

Mr. Richard Phillips: I would say we're well aware of that, and we do stay in touch with groups. For example, the consulting engineers have raised some of these concerns with us as well, such as what happens if you're a small municipality—let's say my home town of Tisdale—and you put out a tender for a water plant and you get 12 European firms that bid on it, which may or may not have the capacity to understand what the weather and climatic conditions are for winters in western Canada as compared to winters in Europe? Those are the sorts of things we've talked about.

I'd have to say that as grain growers, we don't have that capacity internally in terms of staff and resources to do all of that. We have worked through the Canada-European round table, through which a lot of businesses in Canada come together. We work through groups like that and listen to what they have to say.

At the end of the day, our members, whether grain producers or beef and pork producers—because where they gain, we gain, because we supply the feed grains to them—are saying to work on this deal, but we are aware and we try to stay on top of what the other issues are. We don't have the capacity to truly analyze it.

Mr. Alex Atamanenko: My second question has to do obviously with the Canadian Wheat Board, and you folks have supported the current legislation. We have certainly talked about this a lot, and there has been a lot of heated debate.

The Wheat Board has had respect worldwide. It's had sales contacts and experienced people. Whether we like the single desk or not, it has provided stability in good years and in bad years and in an unstable world.

I'm wondering if you folks have done any analysis as to what could happen now with this opening up of a dual marketing system, and whether that stability will be hurt. Are we going to be facing American protectionism, for example, as we've seen in other areas? Will we still have the ability to get those key markets? Will it have an effect on our rail service? Will the railways try to get away with more gouging, which we know they are doing? I'm wondering what you folks have done to prepare for your position on this.

Mr. Richard Phillips: I would say that one of the issues out there with a lot of farmers is.... People are asking a lot of these questions, too, Mr. Atamanenko. They're asking what the contracts will look like and what they will supply. Farmers are wanting to contract their new grain. People are contracting canola, the new crop canola, into fall pricing options already. We see some good prices in the wheat market. People want to start locking in their prices. So the answer is hard to know actually.

There are going to be some big bumps on this road, I won't deny that a bit. But at the end of the day, I think there's a sense of urgency to get this done so we can start looking at that in January, in order that farmers and companies can start giving out the contracts.

I was at a meeting with some Wheat Board employees, mid-level management people. They said they're ready to roll and want to get going. If this is what they're going to do, whether we like it or not, then they have to start thinking about what the contracts are going to look like, whether their pools are going to be six-month pools, one-year pools, or 30-day pools, and what sorts of options can even the Wheat Board operate under. So there are good people there who say that if this is the new environment, let's get at it.

• (1620)

Mr. Alex Atamanenko: It's certain, though, that there hasn't really been an in-depth economic analysis of the ramifications, and we're still moving ahead. Do you still feel confident that...? Obviously, the farmer who is doing really well, the big operator, and I know many of them personally, will do well. But a lot of people who are good farmers are maybe not computer literate, such as myself, and in the past they have relied on the Wheat Board and their stability. What effect do you think it may have on people like that?

Mr. Richard Phillips: I think we want to see the Wheat board being as successful as it can be in the new environment. We do want to see that. So the five years of guarantees that are being provided, if they have good people in there.... We do want to see the pooling

options. I have three quarters of wheat in this year, almost 500 acres of wheat on my farm. I want the Wheat Board there because I'm probably going to put at least half of my grain in the Wheat Board. I may break it up between the different pools. For me, that's one way to manage some of the risk in the price. If I choose to speculate in the open market with my other wheat, I can, but personally I want to see the Wheat Board there as an option, and I will use it. If we don't use it, it will be gone.

Mr. Alex Atamanenko: That's an interesting comment—

The Chair: Alex, you're way over time. I let you go on.

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

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you very much, and I'd like to thank everybody. We've had some great testimony. Unfortunately, I won't be able to ask all of you a question.

I'd like to welcome Mr. Petersen here from Red Deer country. I assume you live near Alix or farm near Alix somewhere.

Mr. Trevor Petersen: No. Actually, I'm only 10 minutes south of Red Deer.

Mr. Brian Storseth: Excellent. The Rahr malting plant there, they're tripling their storage. Is that what I understood you to say?

Mr. Trevor Petersen: They're doubling.

Mr. Brian Storseth: From 400,000 to 1.2 million, I think is what their company press release says.

Mr. Trevor Petersen: I believe the expansion is to double their actual holding capacity.

Mr. Brian Storseth: That's a \$6 million investment.

Mr. Trevor Petersen: It could be. I'm not familiar with the numbers.

Mr. Brian Storseth: Do you believe that this investment would have been made if the changes to the Canadian Wheat Board weren't proposed?

Mr. Trevor Petersen: I have pretty good information that it likely wouldn't have.

Mr. Brian Storseth: Excellent.

I would like to ask Mr. Phillips a couple of questions, and feel free, Mr. Petersen, if you have answers to them as well....

Rail transportation and changes to the rail transportation system clearly are some things that are always brought up when we talk about competitiveness in the agriculture sector, particularly in western Canada. Level of service review, you touched on. You and I are both very familiar with that process.

I'd like to ask you some questions on technology and if there's a role technology can play in increasing competitiveness or facilitating a better rail system, things like better rail cars that load or unload easier, have a larger capacity and a lower footprint. Would these be things that your organization would see as beneficial?

Mr. Richard Phillips: I have to say we probably haven't spent much time on that.

Where we think the railway should be using technology better is in letting us know when the trains are going to arrive. What happens now is that the grain elevator says the train will be there Thursday at noon, so the elevator manager has people like Randy Hoback, or whoever the farmer is in that area, gear up to haul their grain in to make sure it's in place. On Thursday at noon you bring in your extra staff, because you will have to work until midnight, and then the train never shows up.

Surely to goodness, if Canada Post can tell you where your parcel is, you can find a train of 100 cars somewhere. Why there can't be GPS systems with access to the grain elevator managers, so they can log on to a secure site and see that the train is still in Saskatoon...it's obviously half a day away, so there's no need to have everybody come in. That is where I could see technologies improving, in that sort of communication.

I'm probably not qualified to talk about whether new, lighter cars would be more fuel efficient to haul. I probably don't know much about that, but I would say the fleet is aging, and if there were incentives for re-investment, I think that would be a good thing to do.

Mr. Brian Storseth: That would be a benefit. I agree with you. I was on the transport file for a while, and I found it amazing that they could have 97% accuracy for time of arrival when it comes to passenger cars, but when it comes to shipping our wheat and barley or canola around the country, 64% is a great number for them.

The last question I have, and I know my time is going to be short, is on research. You brought it up, Mr. Phillips. We've done a lot of studies on research and we've had a lot of people here. I'm not a believer that total dollar numbers are always the answer, because a lot of research dollars don't end up getting spent. It's too bureaucratic; there's too much red tape that you have to go through.

The question I have is how important the commercialization factor is to your organization. How important is it that we know what we want to commercialize before we start the research, or is it more important that we have the research and that where it ends up is the most effective way? What would your organization's stance be on that?

•(1625)

Mr. Richard Phillips: It's not a political answer, but it is a little bit of both. I think there has to be some of that blue-sky work out there. It seems a little crazy at the start, but eventually you discover

some stuff. Then there has to be the other piece, as Mr. Surgeoner also mentioned, where you tie it in.

It's both. Whether the blend is three-quarters commercial oriented and one-quarter blue-sky, I probably don't know that, but it is both. It's not just one or the other.

Mr. Brian Storseth: I know you may not have a number right now, but could you get back to committee on what your organization would like to see when it comes to that?

Mr. Richard Phillips: Sure. We have a board meeting next week and I'll put this on our agenda.

Mr. Brian Storseth: Thank you very much, gentlemen. I thank everybody for coming. I know my time is short, but it's always good to see you guys.

The Chair: You have about half a minute.

Mr. Brian Storseth: No, that's fine.

The Chair: You're okay? Good.

Now I'll move to Mr. Easter for five minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you. I knew he'd give me his half minute, Mr. Chair.

Thank you, folks, for coming. It's nice to be back for at least one meeting, Mr. Chair.

On the question that was just raised relative to the transportation issue, I think one of the big problems is that the service review is done but the government is failing to implement it. They're really falling down. The railways have been getting away with unbelievably poor service, gouging western Canadian farmers, which the Canadian Wheat Board showed was by many millions.

The government continues to sit on that service review rather than acting, so maybe the parliamentary secretary could take that back to the government and we could get it done.

I've always maintained, on this competitive issue, that farmers are the producers of wealth but they're caught in the middle. On the input side, you mostly have an oligopoly. You've got the fuel companies and the price of oil.

Can anybody tell me if there's competition at the level of \$100 a barrel of oil, when in some places it costs \$7 a barrel? In the oil sands it certainly costs a heck of a lot more, but there's no competition in the oil industry.

On the fertilizer side, we had the potash issue last year. If you want to talk about supply management, that's administrative supply. They were basically shutting down some mines in order to ensure the supply was a little tight so prices would go up. That's on the input side.

On the output side, you've got the transportation, which you already mentioned. You've got two railways, western farmers who are 900 miles from tidewater position. You've got a few grain companies. I could tell you lots of stories on the potato industry in P. E.I. The problem there is that if you're going to do business with any of the potato companies now, you have to buy all your products from them or you don't get a contract. So there's no competition there, on both the input and output sides.

If we're talking about competitiveness, how would you suggest we get some competition and fair play on both sides of the producer? I think that's the key question. Our producers can compete around the world if they're given a fair playing field, but they're trapped. Have you any suggestions on what needs to be done, on both sides of the producer, in order to challenge that?

James, I know you guys are doing something, not collective bargaining, I guess, but in terms of volume pricing to try to bring down prices somewhat on the inputs.

The research is absolutely great, Gord. Nobody knows how many products are made out of soybeans or corn. I mean, there are car parts and everything else now.

How do you ensure there's fair competition on the inputs and outputs, or the services that are looking after the outputs from farmers, so they do have fair play? Are there any suggestions in that area?

We've had hearings here on the Competition Bureau and still nothing has been done. I'm not going to blame your government; we did nothing either. I don't know why governments can't deal with the Competition Bureau and at least make it as strong in Canada as the one in the United States. Is that the answer? I don't know.

Who wants to start? It's a simple question.

• (1630)

Mr. Richard Phillips: There's a guest who can't see us all the time.

Hon. Wayne Easter: Yes, Virginia, I'm sorry. You too.

Ms. Virginia Labbie: Thank you.

Hon. Wayne Easter: Any answers?

Dr. Gord Surgeoner: If you want, I can start on a concept that we're working on. In new markets where we don't have history, as I will call it—because in agriculture there's a lot of history and people don't get along—different groups have put different kinds of investments into a project.

So we're working on one right now, for example, to create the inside wheel-well coverings for Volkswagen, and that's a combination of recycled plastic, etc. The farmers are putting in capital investment. The actual manufacturers are putting in capital investment. The farmer provides open books between both parties. I'm not worried about the farmers' inputs; I'm worried that he gets 15% return on his high-capital investment. But I also say the manufacturer, who's buying big extruding equipment, etc., is allowed the same advantage—so whoever has differential on the capital investment.

Once you are paid back, you are equal partners and profit beyond your capital return is shared equally, because you're both essential to make this happen. You must have this right at the start, as these markets are being developed and as these people sit down and start the process to make it. Where I have existing markets, that's far more difficult to do.

Mr. James Mann: If I may, Mr. Chairman, and thank you for the comments and the questions. You've hit what I would say is probably the fundamental problem with farming. We are tremendous producers of wealth—absolutely, no question. In fairness, we don't get to keep nearly as much as we should, given the amount of work and effort that we put in, as Virginia aptly talked about and some of the farmers gave as first-hand responses back to their organization.

Again, to me, it's something that farmers, if in an innovative environment that allows farmers to participate in the marketplace in such a way.... That's what we're trying to do with farmers in North America, to be able to have strategic investments and strategic positions in the marketplace to allow competition to work freely.

It is very, very difficult, particularly when you don't have a Competition Bureau that you can get to work with you. That is the most frustrating part. It seems that there isn't a merger that they don't like.

I can understand they want our organizations and companies to be globally competitive, but when you allow them to be globally competitive you're doing it at the expense of the SMEs. The small and medium enterprises have to pay more for their inputs and the business they're doing with those companies, even if those companies are more globally competitive. To me that's a direct policy decision, to allow that to happen at the expense of one and to the benefit of the other. It's really a question of what is it that you want to have. That's a question that has to be asked with regard to the Competition Bureau.

There are very strategic ways on the input side, and it's hardly at all about what our organization does. It's not just about volume buying. For example, on the innovative side, we have companies that are banding farmers together, not only on strategic investment but on certain research, such as LCO technologies that help the transfer of nutrients from fertilizer in the soils back into the plant. It's farmers being involved in that primary research and owning that research, or at least having the ability to ensure that in the marketplace those that are involved in that part of the business have to compete with an entity that does that.

We're looking at the same thing in the grain-handling sector. We may make this legislation look really good if we can provide competition in that whole marketplace of the grain-handling sector.

There isn't an analyst out there—whether you look at Credit Suisse or BMO Capital Markets—that isn't positive, that isn't saying the pipeline revenue for these companies will increase. Every dollar of pipeline revenue per tonne is an extra \$50 million bill for farmers. Our job is to ensure that doesn't happen, that our companies become efficient and competitive, and that those costs are a cost of providing those services plus a reasonable profit and not otherwise.

But it does take organization. Farmers really don't have cooperatives anymore in the grain-handling sector and a lot of other sectors. We just have to pull them together, and I think that's part of the solution, or it is for the most part a commercial solution.

The Chair: Thank you.

We're way over time. Maybe we'll get back into this discussion.

Mr. Hoback for five minutes.

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

Actually, it appears we've started on something that I think a lot of us on this committee feel—the frustration. Sometimes you look at the Competition Bureau and what it can or can't do, or seems to be unable to do, and that frustration shows up.

But there are many different ways to have competition. For example, you can have competition on railways by having value added on the Prairies. Another way to have competition is to have another means to use the product somewhere else that they're not handling it. I look forward to the days when we're going to see more of that competition in the grains sector.

One thing I want to talk about is our competitiveness. As we look forward and try to make sure that our farmers are competitive on a global playing field, we need to look at what we need to have that edge.

I'll start with you, Richard. When we start looking at the niches or the edges we need, research is a big one. Where do you see or how do you see the research—there's a combination of research for research, but then there's also research for specific industries and specific products.

How do we as a government allocate funding to one or the other, or should we even be involved in that? Is this something that we should just let the private sector take care of, and we just encourage it to keep moving along through tax incentives and stuff like that? I'm looking for some input on what you think we should do there.

• (1635)

Mr. Richard Phillips: I would say that moving to the clusters was actually like starting something brand new. This is probably the biggest change we've seen in how research funding was allocated in years, so I think if we look at how those are going and say, how could we make that better, or is that the model? It certainly was fresh thinking, different from what's been done in the past.

We actually just spent almost two full days working with the grains round table, and the whole focus was on research. We're actually looking as producers at how could we step up to the plate, too, rather than expecting government to do everything for us. Do we want some sort of end-point royalty? Do we want a broader check-off? The Western Grains Research Foundation, for example,

has the check-off on wheat and barley, but the barley only captured a small number of their producers, because most of the barley was sold outside the Wheat Board. So how do we broaden the base so that all farmers contribute?

We're looking at—and we're not ready to present this to you yet, so I won't go too far down this road. We're spending a lot of time as producers asking what we could bring to the table so that we are equal partners, and whether it's with the commercialization stage or innovative research at the start, or the people who are actually bringing it to market. We have to do more as producers, too. That's what I would say.

Maybe within a few months we'll be... I think by March, actually, we'll have all of this done and ready to present to you.

Mr. Randy Hoback: Gord, what would you say to that?

Dr. Gord Surgeoner: I live by a quote: research is global; implementation is local. I totally agree that we have to have what I call fundamental discovery research, but as we do so, we should be looking at research around the world, too, and saying, can we take that and implement that in Canada and be first to market with somebody else's research?

For example, in Sarnia, Ontario, BioAmber just announced a \$75 million plant that will make succinic acid and will be de-icing plants with it. It's all through a fermentation using corn. All the research was from elsewhere around the world and we're implementing it here in Ontario.

I totally agree. NSERC and people like that do what I call the high-end discovery. The Ontario Research Fund, at the provincial level, that's the discovery research. I, personally, am more interested in...if we do that research and we expend taxpayer dollars, the last thing I want to see is that being implemented in another country. As Jim Grey, the head of the Integrated Grain Processors Co-operative, says—as we're looking at bringing a big company in to hook up where our ethanol plant is an anchor tenant for a whole new biorefinery—“stolen with pride”.

The concept that \$100 million was spent in another country, doing primary research and building it up, but we implement it, and it's our farmers who sell the product to those customers, rather than the other, where we, the taxpayer, have paid for that discovery research, the development research, and then we don't have the receptor capacity to take it... Part of that deals with the business and the forms and the time to go through the process here.

I absolutely agree that you need both types, but remember that primary research is going on all around the world. In my opinion, we have been overshooting the discovery research, particularly when we have NRC that can do a lot of that, and we should be looking more at the implementation research and the back and forth with industry, the development side.

Mr. Randy Hoback: I'm running out of time here, but that tells me then—and again, like you said, the primary research should be part of it—that maybe more of our focus at this point in time should be on the implications of getting our farmers using the latest research, and it doesn't matter where it comes from, and how we get that into their hands as quickly as possible. Is that fair to say?

Dr. Gord Surgeoner: That's absolutely right.

The Chair: You have just a little time left, Mr. Hoback.

Mr. Randy Hoback: One other comment, on the transportation file, is that when we talk about competitiveness and stuff like that...I know Mr. Storseth has been talking about the different rail cars. We have Mr. Dinning now as part of the process. How do you see the process moving forward?

Maybe I'll go to Mr. Phillips again. Do you see that process actually starting to...? Mr. Dinning has just been hired, and it's taken a while to get someone hired in that position. How do you see that? Are your organizations interacting with him?

• (1640)

Mr. Richard Phillips: What I'll say is that we're pleased to see him there. I would say in fairness to Mr. Easter's comments, it did seem to take a very long period of time. On the other hand, towards the end of it we said to the government, "You know what? If you're having trouble finding the right person, we're not going to open this act and do this again for 20 years. Maybe we need to wait and make sure we get the right person." We kind of sucked it up a little bit and said, "Get the right person and do this thing right."

We're staying in very close touch with the lumber industry, the mining industry, the fertilizer industry, the coal shippers—all the major shippers. We have a very tight coalition, and we're still working together very closely to see this thing move ahead.

We have a fair amount of optimism that Mr. Dinning will be able to help them pull together the model service-level agreements, because without a good service-level agreement, all the penalties will continue to be one-sided and there will be no financial repercussions to the railways for poor service. We simply have to balance the playing field, and this is probably the only reasonable and cost-effective way for shippers of all sizes to see that through.

Mr. Randy Hoback: Of course, you're looking into the future for that level of service, right?

Mr. Richard Phillips: Yes.

The Chair: Thank you very much.

Virginia, feel free at any point to jump in. I don't want you to feel that we're ignoring you.

We now move to Ms. Raynault, for five minutes.

[Translation]

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

I want to thank each and every one of you for accepting the committee's invitation.

My question is for Ms. Labbie.

In your brief, you say that the regulations and red tape are burdensome and frustrating for your members. With that in mind, should we be worried that more producers will give up their business?

I want to link that question to slide 5 of your document. Is that one of the reasons why 51% of people have no succession plan to transfer or sell their business?

[English]

Ms. Virginia Labbie: Thank you for the question.

Certainly, a trend we're seeing is that our members do not have formal succession plans. But I don't see that as a direct link in terms of folks not continuing on with farming because of the regulatory burden. As I said, it's our top priority. In every survey we've done on our farm members' top priorities, the top responses are regulatory reform and the reduction of red tape. I think we have a huge opportunity here to unleash entrepreneurship at the farm gate by reducing some of those major costs for our farm members on the regulatory side. Focusing on that regulatory reform I think will make it easier for farmers to get into the industry, get interested in farming and agriculture, and free up some time for our farm members to invest in their businesses, invest in their communities, and invest in their own families.

We have farm members and agribusiness owners spending hours and hours just on complying with things like Stats Canada surveys and a number of items. If they had that time, there would be a huge opportunity for them to invest in those things to make their farm businesses more competitive. It would inspire a lot more innovation at the farm gate.

Thank you.

[Translation]

Ms. Francine Raynault: Thank you.

My question is for Mr. Surgeoner.

You said that Canada needs bilateral trade agreements to facilitate access to foreign markets. What do you think needs to be done to make it easier to reach those agreements?

[English]

Dr. Gord Surgeoner: First of all, I want to give the current government credit. Mr. Ritz has been going around the world helping to create these bilateral trade agreements. I try to be totally non-partisan, but that has helped a lot.

The other key thing that really helps us in getting access to new markets, and it's something I was hammering away at last night at the rural-urban night in Chatham, Ontario, is that we have a wonderful ethnic community in Canada. Most of the population growth is in the cities, and it's in ethnic communities—from China, Southeast Asia, the Middle East—that have smart engineers and smart food processors.

What we need to do in agriculture, in my opinion, is engage our ethnic Canadians—again, if we look around this table, we don't see a lot—and allow them to go back as ambassadors for Canada to get us access to those markets. If I went there to build that trust, it would take five, ten years. We send over our people who, like me, went to an agricultural college and grew up on a farm. We need to send new Canadians who worked in those food processing industries and who came to Canada. I was just with one yesterday. It took him 10 years to get here. He ran seven companies for a billion-dollar Middle East food company. He can get us access to that marketplace.

We need to celebrate our ethnic diversity and utilize those new Canadians. I think that's one of the key ways we can get access to new markets.

• (1645)

Mr. Richard Phillips: We have an excellent example of that in Saskatchewan. The largest pulse processor and exporter has family ties throughout the Middle East. Here, business is sometimes done dollar to dollar. If I don't like Mr. McKay's store, I'll go to someone else's store, where it's a little cheaper. But in other parts of the world, it's a lot about family relations and long-time relations and trust between people. Our new Canadians have those connections back there to build on. If we found ways to utilize them, that would move us forward much more quickly.

The Chair: You have a little time left, Ms. Raynault.

[Translation]

Ms. Francine Raynault: Very well. I am still addressing myself to Mr. Surgeoner.

According to your document, Growing Forward 2 addresses only innovation and not business risk management. Could you expand on that idea?

[English]

Dr. Gord Surgeoner: On business risk management, I have been in agriculture all my life and I leave that to the farmers and the farm associations. I know very well that it's a touchy area to get into. I think the best thing we can do for business risk management is give our farmers access to more markets.

Our farmers want to farm the marketplace. As everybody is saying, they want a level playing field to do that. I've shown this new way of agriculture because I have different types of customers I can go to, so I don't have to go to one of the seven grain companies. I can say, "There's a car company just down the road that's making a part. We can supply the product there."

So diversity of sales opportunities is one way to reduce the need. Business risk management is important, but when it gets into the details, we all have to understand that in agriculture there are hundreds of different kinds of businesses. From the grain farmer in the west to the greenhouse pepper grower I was with yesterday, who

grows 48 tonnes of peppers a year, they're totally different kinds of markets, totally different things. That's why the idea that we combine federal and provincial resources in one cookie cutter for the entire country doesn't work.

I think Growing Forward 1 was novel and did an excellent job. It should continue.

The Chair: Thank you very much.

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

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

Virginia, I have some questions for you, particularly on the CFIB. I appreciated your comments on succession planning. The questions I'm going to ask are related to business acumen within the farm sector.

Our committee did a study on the future of farming. Certainly one of the discussions we ended up having with witnesses concerned succession planning and just how difficult it is to have those discussions. There aren't many resources in place to trigger those discussions. There are many different facets to succession planning, some of which are business related; for example, the capital gains exemption. They're also very personal, as far as how to move the farm from mom and dad to the kids, which kids, and exactly how you do that.

That leads to my question, because I think you're in a unique position in the CFIB. You work with all businesses from all sectors. I appreciated the numbers you gave us on the agricultural sector. Do you find that farmers who are running their farms, hopefully as businesses, have the same sort of business acumen as other businesses within the CFIB?

Ms. Virginia Labbie: I'm glad you asked that question. We surveyed our members on a number of business practices they employ. We found that the farm members in our organization were more Internet savvy than many of our general business owners. We know that they are adapting and adopting new technology. So it's really important that our members are on the cutting edge and adapting to new technology.

Succession planning is difficult for any farm business owner or any general business owner. We look at the numbers for our general business owners as well, and the figures are similar for our members on how many have succession plans in place. I think this committee has a real opportunity to examine how to...[*Technical difficulty—Editor*]...focused with a business plan moving forward so we make sure we have that successful transfer of farms.

CFIB has been part of the solution. We've developed our own guide that we provide to our members. It basically gets the conversation started and helps folks have those difficult discussions. It gets the ball rolling to start thinking about how they'll transfer to the next generation.

• (1650)

Mr. Pierre Lemieux: On what you were saying about the support you provide to your members, including farmers, do you offer courses or give out written material encouraging farmers to seek out business-type courses that would help them with business-type decisions on succession planning, when to pay down debt, how much debt to pay down, when they should reinvest, how much to reinvest, and how much they should have in savings? Do you offer courses? Do you recommend courses? How does that work?

Ms. Virginia Labbie: We partner with an online university, and we actually offer our members a number of online business courses that they can take on business management, succession planning, farm safety—those various business issues. Basically, a lot of business issues apply to our farm members, and they certainly can take advantage of our member programs that we have in online training. Most of our members are very technology savvy so they can take advantage of those things.

We also offer a network of business resource counsellors across the country who help our members through some of these things and provide them the succession guide and some advice on moving forward. Certainly we don't provide accounting advice or anything, but we provide the tools to get them started on some of these difficult discussions, as you've mentioned.

Mr. Pierre Lemieux: Let me ask one last question. What do you see the government's role being in this area? Do you see the government as having a role? Do you think we should leave it to, for example, the CFIB and perhaps the organizations that represent farmers to promote business acumen within the farm community? What is your view on that?

Ms. Virginia Labbie: I think we all have a role to play, and certainly on the succession file it's more important that we're all on the same page on this, that we all plan for a successful transfer, because four out of ten farmers plan to exit their business in the next ten years. That is a big number, and that really is going to impact the success of the industry.

It's everyone's responsibility, farm groups as well as government, to promote that. In our survey and in the information that we'll be providing you, we actually found that a number of our members are using more and more the services of consultants. That is probably an avenue that can provide some of those services as well, but it is something that we all need to be promoting as an industry, to make sure the industry is successful moving forward.

Mr. Pierre Lemieux: Actually we had some witnesses here who represented consultants who provide that kind of advice, and we had a good discussion on that. That's a good point.

Thank you, Chair.

The Chair: Go ahead, Virginia, if you want to finish a comment.

Ms. Virginia Labbie: We worked with the Canadian Association of Farm Advisors as well on a succession guide specifically for farms, so there are those folks out there who are doing that groundwork so they can provide that service as well.

We'll certainly be encouraging our members. We've been on this issue of succession for a number of years, and we will continue to encourage our members to get that plan in place, to have those difficult discussions, and move forward.

Thank you.

The Chair: Thank you very much.

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

Mr. Jean Rousseau (Compton—Stanstead, NDP): Thanks, Mr. Chair.

[*Translation*]

I would like each of you to take turns answering my first question.

You all talked a lot about the high cost of inputs. We know that the price of oil will remain high. The regulations also saddle our Canadian farmers with a rather high administrative cost. What needs to be done, under Growing Forward 2, in terms of marketing and developing a brand strategy for small businesses and family farms? Family farms are truly a part of Canada's identity. They are part of the life of many communities across the country. I'm very worried about the future of small businesses in farming.

I would like to hear your thoughts on that, starting with Mr. Mann, please.

• (1655)

[*English*]

Mr. James Mann: Thank you for the question.

There is a tremendous amount of niche branding and individual initiatives on many of our farms doing all kinds of things, right from the organic sector to raising pumpkins—just lots of opportunity. Providing an environment that allows that to be stimulated is very important, but I can't over-emphasize the importance of farmers and cooperatives and governments working together to brand Canada.

I know there have been programs and efforts to do that, but we haven't reached the threshold level where we've really been able to do something with it. I would encourage the government to find ways of doing that, because we have opportunities sitting on our doorstep that we're really not taking advantage of. I spend half my life travelling around the world, and everybody loves Canada, but how do you get Canada...? It's a question we need to answer.

Mr. Jean Rousseau: Mr. Phillips, please.

Mr. Richard Phillips: As was mentioned, the farmers want to make their living. We don't want a cheque from the government and to have to rely on that. Most farmers are very entrepreneurial, so whatever can be done, like the professional skills development on how to start a new business, those sorts of training and extension work—those are valuable pieces. I might have a great idea, but how do I get into the pumpkin market if I've never grown pumpkins before?

There are roles for that sort of extension in business services, and the government has some role to play in helping to provide that. They do that today through business centres, but it's been a while since we've been consulted on what should be updated—is it modern, is it current, and what is the Federation of Independent Business doing? Is there some innovative stuff out there? In terms of helping us, that is one area that is a place to help.

Mr. Jean Rousseau: Mr. Petersen, please.

Mr. Trevor Petersen: I guess what I need for my farm is help in creating the new markets. So many markets out there are untapped, but we don't have the ability or the capacity to access some of them with current programs. There has to be such a huge volume a lot of the time to access some of the smaller niche markets. I work with a marketer to market my crops, and he's just waiting for the day that the new system is in place so he can start bringing containers onto farms. We fill them with our own wheat or our own barley, they get hauled to the railroads, they go to the coast, and they're on a ship to a small market somewhere in Asia, or whatever the case may be. But under the current system it always has to be volume. You can't fill volume with small niche markets.

We were in a small town just outside of Vegas where there's a little brewery. The brewer is dying to get some Alberta product in his small brewery, but he has to go to other entities in the U.S. He can sneak it down; he's admitted he's been able to get some Alberta barley for his micro-brewery.

There are so many examples like that, and we just can't tap them under our current system.

Mr. Jean Rousseau: Thank you.

Dr. Surgeoner.

Dr. Gord Surgeoner: To me there are two kinds of markets. One is the local market, and to me that's the purview of the provinces. For example, in Ontario, Foodland Ontario is one of the most recognized signs out there. In the city of Toronto, for example, where our small farms are getting smaller and are surrounded because of the cost of the land, and the way we produce is being challenged, we have created the Greater Toronto Area Agricultural Action Committee, and they're working with co-ops, stores and things like that. That's one world.

The other world is sending it to China or the Soviet Union, etc., and there I think this consistent message to bring in Canada is, "Quality is in our Nature". This should be our message that we repeat over and over again, but I want to emphasize that we must make sure that people delivering those products meet some standard, because it'll take one bad incident to destroy all the good.

● (1700)

Mr. Jean Rousseau: Do we have time for Ms. Labbie?

The Chair: Certainly.

Mr. Jean Rousseau: Could you answer?

Ms. Virginia Labbie: From our perspective, and certainly our farm members' perspective, branding is extremely important for any product they're producing. Again I must focus on the fact that the regulatory environment does hinder some of our members in terms of bringing products to market.

I'll give you an example. It's not an agriculture-related example, but a lady last year who we highlighted during Red Tape Awareness Week, made teddy bears stuffed with rice. Our current regulatory system does not allow her business to stuff these teddy bears with rice, for some reason or other. It's silly. It's those kind of things. She was going to be marketing them, but she wasn't allowed to. I believe the problem has finally been solved after months and months of working on this issue.

We've got to get to the point where we're streamlining that regulatory environment, making sure that regulations are in place for a good reason—food safety is extremely important—but making sure it's a little easier for our folks to bring those products to market.

Thank you.

The Chair: Thank you very much.

I now move to Mr. Lobb for five minutes.

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

The first question is for Ms. Labbie. In your presentation you talked about the adjustment to the capital cost allowance. I was wondering what rate you would propose and what you would include and exclude to adjust the CCA.

Ms. Virginia Labbie: Our recommendations in our federal pre-budget submission focused...a first step would be around class 8 and class 10 agricultural equipment, things like combines, tractors, those kinds of things. We know that our farm members are making huge investments in capital. Currently, the capital cost allowance for those is 20% and 30% respectively, for class 8 and class 10. Other groups have also proposed this, but we would increase it by 10% on each of those, if possible, improving that so we're a little more competitive with the United States. We'd be happy to provide you with more information on that at a later date, if you'd like.

Mr. Ben Lobb: Just so I'm clear, up 10% would be from 20% to 22% and 30% to 33%, or is that from 20% to 30% and 30% to 40%?

Ms. Virginia Labbie: It's 20% to 30% and 30% to 40%, yes.

That's an example that has been brought forward, but certainly we need to have a look at that. We know our members are spending a lot of money on capital investments, and that would be a good place to start.

Mr. Ben Lobb: My next question is for Mr. Surgeoner.

This question is a little theoretical, a little ethical. The population of the world is over 7 billion now, and continuing to climb. You've been in research for 30 years at the academic level. Is it ethical, in your opinion, for governments to fund research for agri-industry when we know there's a hungry world out there, or is it part of growing the pie and moving the bar forward?

Dr. Gord Surgeoner: In my opinion, it's moving the bar forward. Let me say two key things. This is, in a nutshell, the food versus fuel debate. Really, that's what you're talking about.

First of all, hunger is not a production issue, globally. Hunger is a distribution of wealth issue, and I want to really emphasize that component. We have 700,000 Canadians who go to food banks and 75 million Americans who take food stamps. Is that because there's not enough food? No.

There are more calories and more protein being produced by agriculture than ever in the history of mankind, even with 7 billion people here, so per person. What we need for third world countries is to allow their farmers to get fair return for labour and investment. If you want to talk ethics, the worst thing we can do, in my opinion—unless there's a catastrophe like Haiti—is dump free food into those countries and destroy the markets of their farmers.

If we want to help those countries—and many of the aid agencies are starting to do this—we shouldn't give to the governments of those countries, because corrupt government in those countries is one of the key problems. Look at North Korea, Zimbabwe, and I could name a lot more.

You contract to co-ops of those farmers, where you give them forward contract money so that they can buy the seed, they can look at it, get stability, and provide the food to their population. But if we simply give it away, we are destroying their farmers, and I think that's a recipe for disaster.

• (1705)

Mr. Ben Lobb: Those are great comments.

There is one other topic I want to ask you about. We've heard from organic farmers about transitioning from traditional to organic and

the period of time it takes to become officially certified. We were talking before the meeting about farmers, even in my own riding, who have made a decision to grow switchgrass. Do you think it is something we should consider when we think about innovation and changing the different lineups or portfolios that we grow?

The other question is, we provide funding, or loans—I guess I should say loans—with the advanced payment program, \$400,000, and \$100,000 of that more or less interest-free, to advance farmers, but when they transition, or if they choose to transition.... In your opinion, is it their choice? They have to make that decision and they live with it, or should the government look at funding this or helping?

Dr. Gord Surgeoner: I'm so glad you asked that question because it was one of my points.

We have very innovative farmers, so it is actual people who are moving the edges. We actually have, in our system, disincentives for change. I agree with crop insurance, and I agree with advance payments, particularly with high fertilizer costs and things like that, but the guy who is putting in a crop like switchgrass or miscanthus, who is actually moving the bar forward for a whole new realm of crops, has to wait two and a half years before he'll get cashflow, because it takes that long to get up on these perennial crops.

The farmer has land rental costs, fertilizer costs, etc., and that farmer is about \$1,000 in the hole before cashflow begins. He's taking a risk to move into a whole new world of change. He's innovating, if you like. It's a high risk, and yet if I want to just grow corn again, my normal corn, wheat, or soybean, I get the advance payment, I get my crop insurance, and all that.

We should, in my opinion, have a pool of money that allows for farmers to de-risk the actual risks that farmers run trying some of these new crops, transitioning to organic, or whatever. Allow those opportunities. Cap it so you don't have everybody going crazy, but in my opinion we need to level the playing field so that we're not creating disincentives for the farmers who are actually trying to make a change by doing something different.

The Chair: You're out of time.

Now I'll move to Mr. Atamanenko.

Mr. Alex Atamanenko: Thanks, Mr. Chair.

I want to begin where I left off. If we have farmers who take part of their grain and keep it with the board in the interest of stability, has there been anything done to see how much we would need to maintain that viability? If everybody takes the wheat out of there, then there's no credibility in the world, and when farmers want the Wheat Board, it's not there. Is there some talk among farmers about how they would like to do this?

Mr. Richard Phillips: There's still a lot of speculation, but we have a long history of cooperative spirit on the Prairies. I believe that people will use the Wheat Board. Whether it's for a third or half or two-thirds of their wheat, I believe people will use the board.

There has been a poisoned atmosphere, and I won't point any fingers. I was in meetings yesterday and I was talking with some Canadian Wheat Board mid-level management people. They said that if this was what was going to happen, then they wanted to get at it as a staff group. They want to go out there and buy that grain and do business with the farmers.

They have an incredible Rolodex of sales contacts. They have good people who know the logistics of ocean freight and rail freight, and they have a good brand, Canada. The Canadian Wheat Board has a great brand name around the world. I think people are going to use them.

•(1710)

Mr. Trevor Petersen: May I add a comment?

Mr. Alex Atamanenko: Certainly.

Mr. Trevor Petersen: As a farmer, whether I agree or disagree with the Wheat Board and its stance, all I want is a choice. I don't want somebody telling me that I have to sell my malt barley or my milling grade wheat through the board. All I've ever asked for is a choice, and I haven't been offered that. I will use the board if I see that there's a benefit to using it. I don't want to see the board disbanded. I think it has a valuable place on the Prairies, but I want a choice.

The farmers have spoken, and they want the single desk. But what about the farmers like me who don't necessarily want the single desk? All I'm asking for is a choice. The farmers' rights are being ignored by the government. What, my rights don't matter?

Mr. Alex Atamanenko: We're not going to get into that debate here. We have a few minutes and my colleagues would like to ask another question.

[Translation]

Ms. Francine Raynault: Thank you.

I have a question for Mr. Mann.

In your presentation, you pointed out that an increasing number of producers are vulnerable and need risk management tools. Do you feel that the situation is serious, even critical? Should we be worrying about your members' future?

[English]

Mr. James Mann: Managing risk is one of the most important things for any business, especially a business like farming that carries a huge amount of risk on many different fronts. A producer has to improve his land. We have to be marketers, accountants. There

are a lot of things that we have to do, and managing risk is one of the most important things you can do when things are volatile.

We've had tools to manage risk, and there are new tools being created on the horizon. I'm sure others will take the place of those that have been changed. But the bottom line is that in Growing Forward I would encourage the government to find ways to facilitate or fund farmers in the process of managing risk. Take a look at what FNA-STAG is doing to create research to help farmers make better decisions, provide information, and give farmers the tools they need to do it on their own.

We have about 30 staff. Most of them are agrologists. We talk about succession planning, but more important is strategic planning on the farm. We have consultants in the program that allow for that, but it's a snapshot in time. It's a very dynamic environment.

What we do is work with farmers to manage that tremendous risk. ICE is putting up some tools out there for wheat and barley, for futures contracting on that side of things. We need more on the input side, because it's the forgotten side of farming. You have \$40 billion in revenue and \$38 billion of that is what you expand in inputs to get \$2 billion in net, as an example.

We have to find ways of managing that risk. There are all kinds of things that are being done to buy futures on fertilizer and crop protection. I firmly believe we need more tools to do that.

The Chair: Thank you.

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

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

My question is through you, Chair, to the witnesses.

First of all, I want to thank you all for coming out today. It's very important that we hear your words of wisdom as this committee looks at all aspects of Growing Forward.

I missed some of the conversation that went on around transportation. I know that Mr. Mann talked about it, and Mr. Phillips also talked a bit about it.

Mr. Phillips, I think you talked about some of the organizations that are going to be part of this process, particularly the coal and grain growers. As part of that whole rail review, will every producer, whether of grains, oil, coal, or liquefied natural gas, be part of the whole process? If not, why wouldn't they be?

•(1715)

Mr. Richard Phillips: There are a couple of things going on.

First, we have the Canadian rail shippers coalition. We represent about 90% of the freight revenue of CN and CP. This is the critical mass that we've had to keep pressure on the government and to keep pressure where it had to be to get this rail service through the system. To the railways' credit, they're good lobbyists the other way.

What we also have, though, is the grain logistics working group—I can't think of the right acronym—which is going to be just the grain sector looking at why we aren't getting the grain trains, 64% versus whatever that other number was, on time. In fairness to the railways, sometimes the terminals may not be unloading the cars quickly enough, or maybe somebody is trying to ship the wrong grain out just because they want it out of their elevator, and then they plug up a terminal somewhere in port position.

The government has created the working group so that we can ask where to measure everybody. In fairness, it's not always the railways that are the problem. We'll ask what the grain companies need to do. How many days in advance do they need to order their cars? How many days in advance can they tell the railways, "We have a boat coming into Vancouver, so we're going to have to get 10,000 tonnes of wheat through the system by this date"? That system has not worked well in the past, and there's a lack of communication among all the players.

So the government has appointed a working group, of which the grain growers are part. We are going to sit down with the railways and the terminal operators to try to sort this out, to find out whether we can make this communication work better.

So there are two different groups there.

Mr. LaVar Payne: Will the shippers by boat be part of that process, as well as the individuals who load those ships?

Mr. Richard Phillips: The committee that was just recently appointed by the government includes the associations. It's the Keystone Agricultural Producers, the Saskatchewan Association of Rural Municipalities, the Grain Growers of Canada, and Pulse Canada. It's the actual associations that have farmer representatives or representatives from the staff of the farm groups who are very knowledgeable in transportation.

Mr. LaVar Payne: The reason I ask is that sometimes there are bottlenecks at the ports.

Mr. Richard Phillips: Yes. The Port of Vancouver is there. I believe all the ports are there, but I don't have them in my head.

Mr. LaVar Payne: That's an important piece, because I did work for a petrochemical company and I understand some of the difficulties we've had there.

I'd like to ask Ms. Labbie some questions. You talked about capital gains and what we need to do to change that provision to increase it. I think you mentioned that we've gone from \$500,000 to \$750,000. I missed part of your conversation about how you saw that moving forward.

Second, is the capital gains exemption just for farmers, or is it for all aspects of CFIB?

Ms. Virginia Labbie: Thanks for the question.

Our recommendation on the lifetime capital gains exemption is to index it to inflation annually. By indexing it, we won't see the value

erode over time. Really, what we've been saying is that as we index things such as tax brackets and those kinds of things, we'd like to see the lifetime capital gains exemption indexed as well to ensure that it keeps up with inflation every year.

Mr. LaVar Payne: Is that for all individuals?

Ms. Virginia Labbie: Yes, that would be for not only farmers but for business owners as well. It's not exclusive to farmers, but that is our small business recommendation. We know that our farm members do use this as a significant retirement vehicle, so certainly that would be something our members would really appreciate in the 2012 budget.

On the capital cost allowance, again, that is in our pre-budget recommendations as well. Again, we're saying initially start out with agricultural equipment. We have a number of recommendations in our federal pre-budget for various industries, various small business measures for small business, so there are a number of recommendations in there, but this one is specific to agricultural equipment.

Thank you.

• (1720)

The Chair: Very quickly.

Mr. Richard Phillips: I think you have to ask yourself this. What is the goal of this capital gains exemption? Is it to provide tax-free savings for farmers to retire, or is it to actually assist, in theory, selling your land cheaper to your children, for the next generation of farmers coming in? If it's the latter, if you want to look at increasing it, you may want to just think outside the box and say that if you're actually selling it to a younger farmer or someone in your family coming in, maybe there could be a higher exemption, versus just selling it to a neighbour who's going to be a larger farmer.

You may want to look at how we can use that system to accomplish what it is. What's the goal, I guess?

The Chair: Thank you.

Just on that point that Mr. Phillips mentioned, when the committee did its study on the future of agriculture and basically getting young farmers involved today, or into the business, that was something, Richard, that came up fairly consistently: more of an exemption there to allow for the generational transfer. So it's a good point.

Mr. Zimmer, you have the last five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you.

I just want to commend Trevor especially for explaining that opinion that we thought...so well in terms of the CWB. That's why the plebiscite was so problematic to us. The option you listed—I call it the hybrid option—of having the Wheat Board and an open market wasn't simply offered on the ballot. I think if they had, it would have been a much more accurate plebiscite, to say the least. But thank you for going there.

I want to ask you specifically, because you're one who actually gets your hands dirty, and specifically more at a micro-level.... We've talked about red tape reductions and we speak to more of a bigger picture, but what are three of the biggest frustrations for you as a farmer in terms of red tape? Along with that, what would you offer to us as solutions to make that better?

Mr. Trevor Petersen: That's pretty deep.

Mr. Bob Zimmer: Yes.

What are the three things that make you mad about red tape?

Mr. Trevor Petersen: Can I come back tomorrow with my answer?

Voices: Oh, oh!

Mr. Bob Zimmer: Or just even your top one. I'm sure it's paperwork.

Mr. Trevor Petersen: Certainly paperwork, yes, is one of them. I think a big frustration, and it's been brought up here today, is the lack of competition for what I have to buy to grow my crop.

Mr. Bob Zimmer: Can you explain?

Mr. Trevor Petersen: Well, I'm the only one in the food chain I can think of who takes whatever someone will give me, but I have to give what other businesses want, otherwise I don't get my product. If I want fertilizer, if I want fuel...whatever price they tell me, unless I do a little bit of shopping.... But they're usually so close to one another that there isn't really an advantage to switching the supplier that I've used for 10 years, say. You build trust with that supplier and you trust that they're doing their best to give you the best price they can.

I checked with my fertilizer agent a month ago about whether I needed to start buying my fertilizer. Well, they were hopeful that prices would come down a little bit. But without any competition out there, why would they?

Natural gas prices used to dictate the price of fertilizer. They have nothing to do with it anymore. Natural gas is as low as it's been probably for a long time, yet what am I paying for my fertilizer? It's about 150 bucks a tonne more for urea this year than what I paid for it last year?

Mr. Bob Zimmer: Yes, it doesn't make sense.

Mr. Trevor Petersen: It doesn't make sense. So I have a real issue with the lack of competition.

Mr. Bob Zimmer: I'm going to ask you, too, based on the new reality—it hasn't happened yet, but hopefully it will by next August 1—what are some of those new opportunities you spoke about in more of a general sense? I don't want to give away your market secrets to your competitors, but what are some of those new markets that you see? What's the buzz around some of the new domestic

markets for wheat with the new reality? Can you expand on that? Maybe Richard could answer, too.

Mr. Richard Phillips: I'd say wheat and barley.

Mr. Bob Zimmer: Yes, that's fine.

Mr. Trevor Petersen: I'm currently aware of money from overseas that wants to come in for malt. They're just sitting on their laurels, waiting to see when that's going to happen, and if it's going to happen. I know there will be a tremendous influx of money into Canada, just with the contacts the Alberta Barley Commission has and some of the grain buyers I deal with. I think there is going to be a lot of money brought into Canada to add value.

We are each known for shipping the raw product and I can't add value out of raw product being shipped. I need some value added to it before it's shipped. We ship grain over and then we get the value-added product back. Well, who is making the money? It's not me; it's somebody else in between. I would like to see this money come so we can start doing some value-adding.

● (1725)

Mr. Bob Zimmer: I have one more question, if I have time.

We talked about having that new generation of farmers. I'm from the B.C. Peace River area, and we have the BC Grain Producers Association there. They're a young group, and again, they want these options that you're speaking of. But it's retaining these guys and these ladies who want to get into farming.

What would you suggest we need to do to retain and also attract new farmers to farming? How do we do that, in your mind?

Mr. Trevor Petersen: It's been mentioned earlier today, too, that farmers don't want to farm the mail box. I don't want to go looking for a cheque from the government every week. I don't like ad hoc programs. I would just as soon be dealing in a competitive environment where I can make my living from what I grow rather than having to depend on programs.

So whatever the government can do to help us out to gain that competitive edge....

Mr. Bob Zimmer: We need to get out of the way, is what you're saying in some respects.

Mr. Trevor Petersen: I wouldn't say get out of the way. We can't do it all on our own, either. We need the contacts; we need the help the government agencies have.

I farm to the best of my ability. I use GPS and EZ-Steer, I use my BlackBerry. There is only so much I can do, so the help is still needed from government. We've seen the government pull out a little bit both at the provincial level and at the federal level. It seems that every year there's just a little bit less there.

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

I have just a couple of things.

Mr. Mann, you made a comment, and I think I wrote down your exact words, that we need to take a strong look at the Competition Bureau. I've heard this statement before. In your opinion, does the Competition Bureau not use the teeth it has, or the powers, or does it not have enough power or enough teeth to do the job? If you could answer that as briefly as possible, I'd appreciate it.

Mr. James Mann: In our firsthand experience, it's a bit of both. Definitely, if you read the words in the act and the regulations, there are teeth there. It's a matter so often in the interpretation and how it's actually administered. But there is some of both.

But above that, it's having a policy. Are we looking at our big organizations becoming more competitive globally, or do we want to help our SMEs? I don't know if there's been a deliberate thought to that or if there has been a deliberate look at the agriculture side. I would recommend that we take a hard look just from the agriculture side.

The Chair: Sure, okay. I appreciate your comment on that.

Ms. Labbie, I was actually surprised when I saw the low percentage in slide 9, where it indicates, "government has no role in assisting managing risks". Do you have a provincial breakdown on that, by any chance?

Ms. Virginia Labbie: Yes, we do. I just don't have it with me. But that's something I could forward to the committee for sure.

The Chair: Okay. That would be great if you could.

I have another comment and maybe a little bit of a question concerning the Internet survey you did. I was also pleasantly surprised by your comments that you found agriculture producers today are actually Internet savvy and their knowledge of technology is as good as or maybe a little higher than others. That kind of ties into another thing. I'm a farmer, and I know that all generations of farmers in recent years could always grow a good product, whether it

was a field of wheat or canola, or a herd of cattle, or hogs, but we were poor marketers.

I think it's improved with all this use of technology or what have you. Would you say the farmers out there today are not only better at marketing their own products, but they actually want to do it? Is that a fair statement?

• (1730)

Ms. Virginia Labbie: Yes, that's a fair statement, and the classic example is the Canadian Wheat Board issue.

We've surveyed our members extensively on the Canadian Wheat Board. We've asked them about marketing their own wheat and barley outside of the Canadian Wheat Board. They're ready to do it. They do it already with their canola, their pulse crops, and their oats. They welcome the opportunity to market their products on their own, just as they already do with their other crops.

There are some members who will certainly continue to use the Wheat Board. Close to 60% of our members want the Wheat Board to remain as a viable marketing option, so we're not saying to dismantle it. But I think our members are ready to make a lot of their own marketing decisions. They are excited to do that and are looking forward to August 1, 2012.

Thank you.

The Chair: Thanks to all of our witnesses for being here today.

Ms. Labbie, thank you for joining us by video conference.

We appreciate it very much, and it will go a long way toward helping us complete our report.

The meeting is adjourned. See you next Tuesday.

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