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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I thank the witnesses for being here today.

We have with us from the Quebec group, Mr. Nil Béland; and from Potatoes New Brunswick, Joe Brennan, chair; from the Saskatchewan Association of Rural Municipalities, Ray Orb; and by video conference, from the B.C. Breeder and Feeder Association, Connie Patterson and Lindy Gilson.

I will just make a comment to members. The interpreters are having a little trouble with the audio. We are trying to sort it out on the video at the other end. Hopefully, by the time we get to it we'll have it solved. They're doing their best is all I can say. We may have to carry on as best we can, but I just wanted to put you on notice.

With that, Mr. Béland, I turn it over to you for 10 minutes or less, please.

[Translation]

Mr. Nil Béland (Member, Board of Directors, Éleveurs de volailles du Québec): We looked at the programs in a very summary manner. For us, Éleveurs de volailles du Québec, the most important program in the poultry sector and that pertains to the supply management issue is the AgriStability Program.

AgriStability has not been used much so far, if at all. We use it mainly in case of serious disasters, such as the one that occurred in British Columbia six or seven years ago, in the case of the avian flu.

The AgriStability program is meant to be used in case of a poultry production disaster. What we need most are not necessarily programs as such, but rather the protection of supply management. I think that the various parties took very strong positions in the last few weeks, and we are happy about that. It enables the producers, the industry and the consumers to get more for their money.

The issue of supply management has limited the need for new programs so far. Let us take the case of Europe. They abandoned supply management in milk production. Since then, they have had to create new programs to help producers and processing plants survive. Whereas here, in Canada, supply management makes all forms of substantial financial support from the state unnecessary. Moreover, it allows consumers to get more for their money every week.

Studies of chicken production have been conducted and supported by Laval University. They compare our production with chicken production in France, in the United States and in Australia. In some

countries, the free market rules. They have done away with supply management. In our country, supply management has been maintained.

In Australia, for example, the price paid by the consumer has increased more than in Canada. The producers and the industry have less and less money. It is the distributors that have taken in most of the money. So far, these countries have not had to intervene significantly to help producers. However, they have started doing so recently. Maintaining supply management will make it possible to avoid investing additional money.

For us, Éleveurs de volailles du Québec, AgriStability is a tool enabling us to face disasters such as the one we had a few years ago. That being said, the program's effectiveness is theoretical for the time being. We hope that remains the case, since we do not want any disasters.

Our environment is obviously very regulated. In comparison, the banking environment, despite being heavily regulated, generates money and does not jeopardize the economy of the country. It is similar in our case. Supply management allows us to keep the ball rolling and still bring in money for the state, instead of costing it money through various programs. When I say that, you understand that it does not prevent....

I am looking for words. You know that this is my first time here, and it is a bit intimidating, especially since I am the first one to speak.

A voice: We are normal people.

Voices: Ha, ha!

Mr. Nil Béland: I know that, I know that. Ha, ha!

To return to the issue of programs, the protection of supply management is essential. That is the case not only for producers, but also for the whole community and industry.

One of the missions of our system is to keep the agriculture alive in as many regions as possible. That is in fact what we are seeing everywhere.

I cannot perhaps speak for all Canadian producers, but in Quebec, we have programs throughout the province to help people start a business. They make it possible to keep the economy alive throughout the province.

That summarizes our interest in requesting this type of support. I would like to tell you how to improve the AgriStability program, but since it has remained basically theoretical so far, I cannot do that.

•(1535)

That is the presentation I wanted to make. Thank you.

[English]

The Chair: Thank you very much for being brief.

Mr. Brennan, for Potatoes New Brunswick.

Mr. Joe Brennan (Chairman, Potatoes New Brunswick): Thank you, Mr. Chairman.

First of all, I'd like to thank you all very much for the opportunity to present to you today on behalf of Potatoes New Brunswick. Our organization represents 186 potato growers in the province. We currently grow approximately 50,000 acres of potatoes. Slightly over half of our crop is sold for processing. The majority of that is for french fries, but there are some chip potatoes. The balance is divided between the fresh market and seed production.

The Chair: Mr. Brennan, could I just get you to slow down just a hair? The interpreters are having trouble keeping up.

Mr. Joe Brennan: Fair enough. I've had that problem before.

The Chair: We're not having any trouble with that eastern accent. It's the speed.

Thank you.

Mr. Joe Brennan: We've been asked to present our views today on the business risk management programs that currently exist and to offer our thoughts on how to improve these programs in Growing Forward 2. Potato farming is a very high-risk business. This crop, like many other crops, is highly influenced by weather in terms of both yield and quality, and the market is influenced by supply and demand on a global basis.

In New Brunswick, we export the majority of our crop to the United States. Therefore, currency fluctuations and the health of the U.S. economy greatly influence our market. Potato production is a very capital-intensive business, too. Currently, our cost of production is approximately \$3000 per acre. So we incur risk on many fronts. Our producers do use, and definitely need, the business risk management programs that are currently in place. I will attempt to address each program.

AgriInvest is utilized by most of our producers in the province. The current balance is approximately \$7.5 million for the entire province, not just potato growers. As an organization, we don't really know how actively this program is being used, and have not heard many complaints from our producers. It should be safe to say they are reasonably satisfied, because when they are not, we usually hear about it.

On AgriInsurance, approximately 65% of our acres are insured under the Canada-New Brunswick crop insurance program. This program has been an integral component in managing production risk for our growers, and we view it to be the front line of defence. In four of the past five years, we have experienced significant production problems in the Saint John river valley. The 2011 crop was the hardest hit. The planting season was delayed by cool, wet weather. A serious hailstorm hit parts of the valley in mid-July, affecting approximately 5000 acres. Rainfall was double the normal amounts. This excessive rainfall, which was upwards of 90

centimetres in some areas, caused problems such as soil erosion, terrace and waterway damage, and widespread late blight—which resulted in increased costs and reduced yields—and many other disease problems, which have resulted in storage breakdowns and a greatly reduced amount of potatoes to sell. We are estimating that the decline in the farm gate sales from this crop, plus the increased cost of production because of the problems, to be in the range of \$60 million.

The result of successive years of below average yields is that premiums increase due to high payouts, while insured yield declines. Our crop insurance program is running a deficit. We realize that this program must be actuarially sound, but it is becoming uncomfortably evident that extreme weather events are much more frequent than they have been in the past. The effect on our premiums and our coverage is devastating. An extreme but very real example is where an entire crop is left unharvested because of disease. This automatically causes a 10% decline in that farmer's coverage for the next 10 years. That very quickly reduces the effectiveness of crop insurance as a viable risk management tool for that farmer. This concern is similar when a farm experiences subsequent years of low production, and the value of the program diminishes.

We must have higher participation in crop insurance. It is the only safety net program that directly addresses in a timely manner a loss caused by production problems on a farm, so we must find a way to protect a farmer's production at a reasonable level. It is imperative that adequate coverage is provided at a reasonable cost. I would even say that the premium level is secondary to the coverage level. The worst-case scenario is when the premiums are increasing while the coverage is decreasing. That is what we're facing now. The result will be that fewer producers use the program and will end up assuming more risk themselves. This will put more strain on the other programs in the BRM suite, such as AgriStability and AgriRecovery, neither of which can address the risk as directly or in as timely a way as crop insurance.

I acknowledge that I have raised more problems here than solutions, but I believe that if we can agree on the importance of this fundamental pillar of risk management, we can find a solution that will better protect our producers.

On AgriStability, in talking with producers, accountants, and bureaucrats, I believe most would agree that the AgriStability program is generally meeting its objectives. It was not designed to support a sector or a producer suffering a prolonged period of unprofitability. It certainly doesn't do that. With the advantage of several years of data, it has been suggested that a longer period be used to determine the reference margin. A five-year timeframe, particularly in these volatile times, may be a bit tight. Perhaps a seven-year period would provide more stability and better reflect the true performance of the operation.

• (1540)

The major criticism of the program is not of its design, but of its delivery. The delay in processing claims is often excessive. As an example, when a farm operation has a non-calendar year-end, it can be up to two years between the production year when the loss was incurred to when the claim is finalized. The fact that the Canada-New Brunswick AgriStability program is administered in Winnipeg does not help the situation. In light of the changes happening across Canada with the administration of this program, we strongly encourage the establishment of a maritime provinces administration centre. We have discussed this with our minister, and urge your committee to look into this option as well. We feel the program could be delivered more effectively and more efficiently on a regional basis.

Another common criticism of AgriStability is that it is very complex and most often requires the services of accountants when filing the returns. But I can't offer a better solution if we want a comprehensive, farm-specific income stabilization program. I feel that most farmers and accountants now have a good understanding of the program, and we will be better served by making the required adjustments to improve the delivery and design of this program than by replacing it.

In New Brunswick, we had an AgriRecovery program for the 2009 potato crop to assist with the cost of properly disposing of the part of our crop that broke down in storage as a result of a very wet and cold harvest season. The first challenge with this program, like others, was to understand how it's structured. Another concern is the time required to get an application approved and implemented. I realize this program must be developed and scrutinized very closely to verify the need and to avoid abuse; but as all parties involved with the process better understand the guidelines, I do expect the time required can be reduced. In the past, it's often close to a year after a disaster occurs before dollars actually flow to help address those losses.

In New Brunswick, we are again in the process of making another AgriRecovery application as a result of the disastrous situation our growers are facing with this 2011 crop. Although we've been working on this file since July, it is optimistic to expect to have a signed agreement by March 2012. I cannot criticize anyone or any department in particular for this, because I know first-hand that many people have devoted, and still are devoting, a lot of time and effort toward a favourable agreement. But we must find a way to streamline this process so neither the producers nor the system is paralyzed for so long.

As for the advance payment program, Potatoes New Brunswick administers this program for our producers. Currently, about 140 of our 186 producers participate, and we feel it works quite well. Our policy is to offer only the \$100,000 interest-free portion, and our staff are very pleased with how the program is administered from Ottawa. Like any program, the need for some flexibility is important. Due to the situation we are in this year, we have made a request to the federal administration for a stay of default to help our producers get through this year without unduly pressuring their creditworthiness. We are expecting a response quite soon.

In summary, I feel that the existing programs have worked fairly well in attempting to manage business risk in our sector. Efforts to improve the delivery of all BRM programs must continue, with particular emphasis on more regional administration and improved processing times. Maintaining reasonable reference margins in AgriStability and insurance production levels in AgriInsurance is imperative if we are to adequately manage our risk.

I want to stress again that, as extreme weather events are becoming more frequent, and as costs continue to escalate, AgriInsurance must be modified and supported to adequately mitigate the increased risk. I believe this program will require more funding from both producers and governments. If this program does its job, the demands on other programs will decline, and the dollars will flow to where the need is greatest in a more timely manner, and with less chance of waste.

The potato industry in New Brunswick is vitally important to our economy. It's the source of over \$1.3 billion worth of economic activity in a province and region of Canada that desperately needs more development. The stability offered by the BRM programs over the past two federal-provincial-territorial agreements has been crucial to our survival and success. We look forward to working with our government partners to improve these programs and our industry.

Thank you very much for the opportunity. I would welcome any questions later on from your committee.

• (1545)

The Chair: Thank you very much, Mr. Brennan.

We now move to Mr. Orb, from the Saskatchewan Association of Rural Municipalities, for 10 minutes, please.

Mr. Ray Orb (Vice-President, Saskatchewan Association of Rural Municipalities): Thank you, Mr. Chair.

Good afternoon. My name is Ray Orb and I am the vice-president of the Saskatchewan Association of Rural Municipalities. I thank you for inviting SARM to present here today regarding business risk management programs under Growing Forward 2.

SARM represents 296 rural municipalities in Saskatchewan, which means that it is the voice for 100% of the rural municipalities in the province. It represents and serves the interests of Saskatchewan agricultural producers.

SARM consulted with the Province of Saskatchewan and Saskatchewan livestock industry groups prior to devising our recommendations. I will be speaking from that paper here today regarding the AgriInsurance, AgriRecovery, AgriInvest, and AgriStability programs.

Beginning with AgriInsurance, we feel insurance for crops needs to be improved. The largest problem with the current crop insurance program is that it does not have adequate coverage levels or reasonable premiums. An effective crop insurance program is one in which it is economically feasible for all grain producers to enrol. Suggested improvements to the program would include providing an option to buy up coverage at a reasonable premium rate to make the program more realistically reflect actual costs of production, that is, to have coverage beyond 80%. Arriving at a reasonable premium rate for this amount of coverage would require that government provide a bigger share of the premium than they are currently providing. Using the area average for yields, weather data, and coverage levels don't work. There is a need to collect more data at farm sites to ensure that these variables reflect reality. Crop insurance would have to ensure that all crops were insurable and that costs used to determine things like reseeding benefits reflected the most recent price and cost. SARM feels that if these improvements were made, then buy-in from crop producers would increase considerably.

We also see a need for an improved forage insurance program. Forage crops are not like annual crops, and therefore a forage insurance program specifically designed for forage crops is critical for livestock producers. Alternative insurance models that incorporate multiple weather variables such as precipitation, frost, humidity, heat, and wind are needed. That means adding more on-farm stations that measure more variables than just rainfall and temperature. Today's improved technology should make providing more real-time weather stations more cost-effective.

SARM would also like to suggest that forage insurance consider utilizing alternative variables to calculate program payments. For example, animal unit months, or AUMs, is a measurement that is currently calculated on pasture land by the Saskatchewan Assessment Management Agency. This measure takes into account the grazing capacity of these lands.

Lastly, we feel that AgriInsurance must include a program for livestock. The livestock industry in Saskatchewan and across Canada is asking, via the Canadian Cattlemen's Association, for a price insurance program for livestock with cost-shared government and producer premiums available at all stages of cattle production. SARM supports the Saskatchewan cattle groups and the CCA in this request.

Regarding the AgriRecovery program, we believe that disaster program like it must be continued under Growing Forward 2 to cover extreme situations such as market crashes and weather issues. Disasters such as these are unpredictable and out of a producers' individual control, no matter what management measures they take.

SARM's major concern with the current AgriRecovery program is how a disaster is defined. The definition of a disaster must be clarified and parameters outlined so that producers know what kinds of disasters will be covered. The current program provided disaster assistance for floods in 2010 and 2011, but southwest Saskatchewan experienced drought for four consecutive years around 2006 and received no assistance from the federal government. AgriRecovery should clearly convey to producers the definition of a disaster and outline the parameters defining what will and what will not be covered.

SARM understands the intent of the AgriRecovery program is to provide disaster relief when disasters strike, by filling gaps that are not covered by existing programs. And SARM believes that funding provided to producers from the program should not take away from payments received from any other programs under the BRM umbrella. For example, if a producer triggers a payment from the AgriStability program due to a margin reduction, then AgriRecovery funding should be above and beyond payments from AgriStability. AgriRecovery payments should not be included in a producer's income when calculating whether they are eligible for other payments.

• (1550)

All BRM programs, including AgriStability, should be simple to administer, both for the producer and for the government, to ensure the timeliness of payments and low administration costs. Producers need to hire accountants to apply for AgriStability, and the staff on the program administration team must be highly skilled to process these applications. Current complexities on both ends result in frustration, confusion, continued delays in payment distribution, and excessive cost. Also, the current AgriStability program is not bankable, which makes it difficult for producers to make annual plans as well as to attain financing, as lenders and institutions cannot define what financial coverage producers will receive.

We also see a flaw in the way AgriStability currently accounts for hay and feed grain inventories, as it doesn't reflect how a livestock producer actually uses these products and it penalizes some when calculating margins. Livestock producers feed this inventory to their livestock, so it shouldn't be considered part of inventory. It should be assigned a value and considered an eligible net sale, not a part of inventory. We realize that such a change would require an audit and verification process.

We continue to see issues with margin calculations. As AgriStability remains a margin-based program based on an average of previous years, it still results in a depressed margin for producers facing past years of hardship and disaster. For those with compounded years of drought or flood, it becomes increasingly difficult to trigger a payment because of the depressed margins that are their reality.

The last program we would like to comment on is AgriInvest. Many producers view the current AgriInvest program as beneficial, as it is easy to access in times of need. It is also predictable and bankable. In many cases, farms and ranches are getting bigger, so adjusting the contribution rates allowable under this program should reflect the realities and expenses of larger operations. Currently, this program is capped; producers can only deposit up to 1.5% of their allowable net sales into an AgriInvest account. SARM would like to see this increased to allow a producer to contribute up to 2.5% of allowable net sales.

In conclusion, SARM would like to stress the importance of making sure that business risk management programs under Growing Forward 2 work for all farmers. Administrative costs must be minimized, payments must be quick, and the data used to calculate payments must reflect reality to ensure that the support being offered is effective. What we are suggesting might not require additional funding. We are suggesting a reprioritization of existing funds to make BRM programs less administratively heavy and to redesign programs to make them more responsive to the needs of farmers. SARM doesn't want to see BRM programs stifle innovation; instead, we want them to work in conjunction with funding for research, technology, and innovation.

SARM thanks the committee again for the opportunity to present. I would be pleased to answer any questions you may have.

• (1555)

The Chair: Thanks very much, Mr. Orb.

Now we'll move to Ms. Connie Patterson for 10 minutes.

Ms. Connie Patterson (Regional Administrator, B.C. Breeder and Feeder Association): First of all, I'd like to say thank you for giving me the opportunity today to speak to you via video conference.

I'm representing the B.C. Breeder and Feeder Association, which is a provincial organization. We represent all the feeder associations and breeder associations in British Columbia.

We operate under a provincial government loan guarantee program and provide financing for association members to purchase cattle. We also administer the advance payments program for all British Columbia cattle producers. We have an administrator in our provincial office and a regional administrator, so we actually work very closely with our beef producers to access the Growing Forward program because, for many of them, unless you're an accountant or you have someone with some expertise, it's very difficult to wade through the pages of information.

Our producers access the Growing Forward programs AgriInvest, AgriStability, and AgriInsurance. It's mandatory for any producer applying for APP to be enrolled with AgriStability, of course. Producers submit their applications for AgriInvest and AgriStability each year with their income tax returns, so individuals have to go to Surrey, British Columbia, to the Canada Revenue Agency office, and corporations go all the way to Winnipeg to the office there. In most cases, again, accountants are preparing the schedule A's.

Beef producers across Canada have faced extreme financial hardships over the last eight years, starting with BSE in 2003. This was a major disaster for the cattle industry. We have lost a lot of our producers in British Columbia—B.C.'s cattle herd has been reduced by 35%, the highest percentage in any part of Canada—and our cattle numbers have decreased by 15% across the country.

The Growing Forward program was designed to provide financial assistance to producers in years when their income declined. The producers' reference margin was determined by an Olympic average of the previous five years—drop the high and the low and average the remaining three. Negative margin coverage is available up to 60% if the producer had two of three positive years under reference margin calculations. After year after year of declining incomes, a lot

of our B.C. producers are receiving no financial assistance, as they now have only negative margins in their reference margin calculation. Changes need to be made to this program to provide protection for producers if this type of catastrophe were to happen again in the future, or producers were to margin declines in excess of three years.

Producers make annual contributions to their AgriInvest account based on 1.5% of their allowable net sales, with a matching contribution from the provincial and federal governments. They calculate it from their AgriInvest and AgriStability applications. Producers who have negative net sales due to an income decline are not eligible to make an investment in their AgriInvest account and receive no matching funds.

In 2011, cattle prices have increased substantially for our producers. If these prices continue for the next few years, producers will once again have positive reference year margins. However, to protect these producers from future margin declines, changes need to be made to the program structure of AgriInvest and AgriStability.

We have some suggestions to increase the percentage of ANS in the AgriInvest program to at least 3%. Any negative reference year margin calculation should be changed to zero, with the zero figure being used in the calculation. This would ensure a positive reference margin for producers.

During the good years, with a strong market, producers do not need the program. It's for the years of poor consecutive markets for cattle producers that we need access to the program with the assurance of a positive reference year margin.

BRM program payments should be allocated to the program year in which they occur in AgriStability. For example, if a producer receives an AgriStability payment for the 2008 year and receives it in 2010, the payment is added to allowable income in the AgriStability program for the year 2010. In all cases, program assistance needs to be allocated to the year that triggered the payment. This works best for us. If producers suffered a margin decline in 2010, this 2008 AgriStability payment would effectively reduce or eliminate any potential payment they may have received in 2010, the net result being that the producer may only receive a one-year payment when there were two years of poor margins.

●(1600)

AgriInsurance crop insurance is another BRM program that is used by our B.C. producers. The program provides producers protection for their crop yield. In B.C., we have had several drought years in the last 10 years. In addition, many areas of B.C. face severe wildlife damage to their crops, which can drastically reduce their crop yield. The probable crop yield offered to a producer on his or her crops through AgriInsurance is based on a producer's 10-year average production. With drought and wildlife damage, a producer's average production is seriously affected. In B.C., this program is not very well subscribed to, with only 15% of the producers who are raising crops accessing it. A lot of our producers are saying it's just not worth it any more, that their production yields on AgriInsurance have been reduced so much.

If a producer has continued drought or wildlife damage, they will claim themselves right out of the program. Positive changes that could help producers with this program are a producer-based production level, as opposed to a 10-year producer production average needing to be established on an individual producer level. This type of change would provide protection to producers who find themselves in a claim situation for drought, flooding, or wildlife damage, without adversely affecting their future production guarantee.

The federal-provincial BRM programs play a very important part in agriculture, and for the stability of our cattle ranchers when we have a tough year with cattle markets and the weather. The program needs to be structured in such a way to ensure protection in the year needed and that any payments be allocated to the year applied for.

The cattle industry in B.C. and in our country took a huge hit due to BSE in 2003. We are now rebuilding a mother cow herd, with the first real retention of heifer cows this fall. The BRM programs aid in the rebuilding process and encourage young people to enter our industry. We need to protect our cattle producers for the raising of forage cattle and the ability to market our product at fair market value.

Thanks so much for listening to me, and I welcome your questions.

The Chair: Okay, thank you very much.

We'll now move into questioning.

Mr. Atamanenko, you have five minutes.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much to all of you for being here. It's good to see you again.

Ray, I haven't seen you for a while. The first question is for you in Saskatchewan. We talk about the various programs, including AgriStability and AgriInvest, and reviewing those. I remember when I was first elected in 2006, one of the first case works that we had to touch upon was the flooding in Saskatchewan, of the Porcupine I think it was, and then also the drought.

It seemed at that time that everything was really slow getting off the ground. Here you had both levels of government, senior and federal, neither wishing to start. I'm not really sure what the final result was, whether farmers were adequately compensated or not. I'm

assuming that things have improved, that there's a better system in place now. I'm wondering if you would comment specifically on these programs. Here we have a serious flood, farmers lose money, and what happens? How does this kick in from your experience?

Mr. Ray Orb: You're referring to the timeliness, I guess. There are a number of things that would have to happen. I know that provincially, the crop insurance has to assess the damage. I think they then report back and the federal government then has to.... The province has to actually declare a disaster, and then the federal government looks at it.

I think it's better now than it was. I referred back to 2006 in my presentation when the program was still a little shaky. There were producers in the southwest part of the province, as I mentioned, who went for at least four, maybe five years.... They actually were dried out. They had no feed at all for their cattle and somehow this program didn't kick in.

I think the program's timeliness is better. We're still looking for a better definition, and maybe something more timely then, because of the fact, as far as a grain farmer or a cattle farmer is concerned, they don't actually have any production that year. If you don't have any grain carryover, you really have nothing to live on. I know sometimes senior governments don't understand that message, but when you're a farmer and you have bill collectors, it gets to be very stressful and I think we need to have a program that kicks in.

AgriStability doesn't really deal with that, because it's always a year behind. I know there have been cases where advance payments were made through AgriStability, and some things happen during the year where you did have some land that did have some crop. While that's so much better for the farmer, the farmers then have to pay the money back, and farmers don't like to put themselves in that situation because it causes more instability.

●(1605)

Mr. Alex Atamanenko: Thank you.

Does anybody else have any comments on this. Ms. Patterson, Mr. Brennan, Monsieur Béland?

Ms. Patterson.

Ms. Connie Patterson: No, I think he covered it very well.

Mr. Alex Atamanenko: You talked about drought, Ms. Patterson, and BRM program aid in your building. I'm wondering if you could go into a few more specifics as to, from your experience, how it's worked really well and what are some of the improvements that can be made.

Ms. Connie Patterson: In the rebuilding process of our industry, you mean?

The big thing for cattle producers is access to market our product at a fair market value, as well as to have some form of stability. One of the big things for us is the distance that many of us have to travel to a packing plant to be able to kill our livestock and get it ready for market. Therefore, it's really important that we have areas that look after the feed end of things so that we can finish our cattle more quickly, making sure that we have access to transit, killing plants, and feedlots. That's the big thing for British Columbia. We're out on the far side of the country.

Mr. Alex Atamanenko: Thank you.

Do I have any more time here, Mr. Chair?

The Chair: Yes, you do.

Mr. Alex Atamanenko: I'd like to discuss the topic of the reference margin, which is calculated using the Olympic average—in other words, the last five years of a producer's margin. Remove the highest and lowest margins within that time period and average the remaining three years. There's been a lot of criticism of this program, and I was wondering if you, Mr. Brennan, would have any specific ideas on this.

Mr. Joe Brennan: I guess I referred to the option of going to a seven-year average because we do have that much data now. Since 2003, the former CAIS program, the predecessor to AgriStability, worked very similarly. With the advantage of that much background data, a longer timeframe may give you a bit more of an even flow, because you're right that that's the big kicker in a volatile sector. If you get two bad years out of five, it really impacts your coverage. If you get three bad years out of five, then you're pretty well smoked because the...*[Inaudible—Editor]*...out there too. That's a real dilemma, and I don't know what all the options are, other than to artificially reinstate some margin there by a factor, which again would add stability back to an industry.

If you did have a sector that was suffering from a prolonged period of problems, you would have the advantage of history there, in that you could say that it was an unusual 10% to 15% trend down because of the situation, the droughts or the floods or whatever the case may be. So then let's bump everybody's reference margin in that sector or region back to a more normal level to give them more normal coverage, again understanding that it's likely to cost the system more money, yes. That's the way it works, we know that. It is a real dilemma when your coverage goes, because then you essentially have no program.

• (1610)

Mr. Alex Atamanenko: Thank you.

The Chair: Mr. Allen, five minutes.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair. It's good to see our witnesses here today.

Thank you very much. Mr. Brennan, it's always good to see you. Long time no see.

I want to talk a little about the ACRA, the AgriInsurance piece of this. Listening to Mr. Orb, I almost felt as if I were in New Brunswick again. A significant hailstorm went through in July. If everything had stayed reasonable after that, a section of the area of New Brunswick would have been hit hard. We might have come out

of it okay. However, a number of folks in that area weren't under the crop insurance.

To your point, 65% of the potato acreage is covered, and a significant number of grain acres aren't covered either. Here you brought up one point to say that the premium level may be secondary to the coverage level. Could you talk about a few other ideas that might encourage a higher take-up on the crop insurance? If we're going to start to see these isolated storms, that has to be our first line of protection for the producer.

Mr. Joe Brennan: When you look at a program like AgriInsurance, any insurance program has to be actuarially sound. It has to be self-sustaining over time.

Again, I realize that probably not all the options are within my scope. But if the problem is too low a coverage and too high a premium, then one of the choices is to increase coverage arbitrarily, which in turn is going to mean premiums will have to be increased. There are not a lot of ways to get around either one of those things.

I have a real issue, because in our sector—and I admit that it's of narrower scope, a narrower focus than the other people addressed, because I'm pretty well talking about one commodity here—I'm talking about an industry for which over half the production is processing that is sold mostly via pre-season contracts, so the price isn't going to vary. Most variation on those farms is because of production. The situation they face is very different from that of a person even in our own sector who would be growing for table stock on an open market, where the price as well as production fluctuate, and then he would get hammered just as the grain or beef producers would. It would be the same situation.

That's why I said that if crop insurance were more broadly based, it would be more protected, because there would be a larger pool with which to average and, therefore, I would think, there should be fewer fluctuations on the production side. That would be one help. Encouraging that as costs go up and coverage goes down is an impossible job. So we either have to arbitrarily hold coverage up or put premiums at such a rate that people still think there is value there.

My point was that even a low premium for low coverage is not the answer, because costs are increasing and, as somebody mentioned here, it is not a cost-of-production insurance. The per unit rate is based on market prices over a period of years and oftentimes it's not as reflective. That average market price does not go up as directly as our costs have been going up in recent years, so we already have a lag in value there. So even 80% crop insurance does not cover our cost of production. It covers a big chunk of it, and if you have AgriStability and AgriInvest to help top it up, that's a workable angle.

Mr. Mike Allen: Do you think there's a case to be made for linking some of the programs and their investments to some of the beneficial and best management practices that we have? I ask because a lot of the folks have done a lot of terracing and a lot of things like that in land management, even though we experienced a lot of erosion this year.

Maybe you could speak a little bit about that, and about the state of the rotation crops, because it's apparently very capital-intensive for potatoes. What is the state of the rotation crops for potatoes?

Mr. Joe Brennan: It has improved in the last couple of years because of the improved commodity prices for the crops. That's one of the dilemmas we've had in the east over the last few years, when our major rotation crops were small grains. At \$100 a tonne it's a necessary evil. You had to rotate for the healthier ground, but it certainly wasn't a cash generator for the enterprise. Therefore, a lot of the rotation became very tight, like a phase of one year in two, or two and a half at the most. That doesn't help the value or the quality and productivity of the potato crop.

In the last three years we've seen more alternative crops coming in—more grain, corn, soybeans, and canola. I hope the cycle of beneficial prices for those commodities will continue so that our growers will tend to ease back on potato acreage, which has happened the last three years, quite frankly. We've dropped probably 5,000 to 6,000 acres of potato production since 2009, and that's a good thing for several reasons. I think that a longer rotation will help mitigate some of the risk of potato yield as well.

As for linking crop insurance coverage directly with some of those practices—which is your direct question—there is reason for that. It's not going to be a popular one, I'll guarantee that. But again, one thing we can't do is to lose the effectiveness of these programs. If it is going to guide some better management practices along the way, then I'd have a hard job to argue against that, quite frankly. I do think we have to be more prudent with our public dollars, which are not the answer to everybody's problem. As farmers, we don't accept those sorts of things readily when we are forced into doing things that we would otherwise not want to. We also have learned to accept reality quite well over the years in a lot of things.

Again, it would be a process that would have to be entered into very thoroughly and studied well, but there could be value in it.

•(1615)

The Chair: Okay, thank you.

Mr. Valeriote, for five minutes.

Mr. Frank Valeriote (Guelph, Lib.): Thank you all for appearing before us.

This isn't the first time we've looked at business risk management. We looked at it a couple of years ago in our study of the competitiveness of the agriculture industry. And yet we still have a letter coming—of December 5—from the Auditor General confirming what you said in regard to BRM, that “Farmers can wait up to two years for a payment and the amount of the payment is hard to predict.” So while I'm not particularly optimistic that what is recommended here is going to resonate, necessarily, with the government, I'm still hopeful that with Growing Forward 2, it's an opportunity to embrace these ideas and make some changes.

Having said that, I suppose this question is premised on our belief that climate change is actually happening, something on which, I believe, Mr. Orb, you said something extremely interesting. You said that we have to define disasters. When you said that it just really struck me.

Some time ago, Nicholas Stern, then Chancellor of the Exchequer in Great Britain, and a former World Bank chief economist, said that it's going to cost \$7 trillion to deal with it, and \$11 trillion if we don't deal with climate change.

Given our collective failure to deal with the issue or to embrace adaptation to the change, I'm wondering if you actually see a greater need for these business risk management programs, particularly AgriInsurance and the AgriRecovery, as we move into the future and face more of these predicaments. How would you see the definition of disasters perhaps broadening, if that's the case?

Mr. Ray Orb: Yes, that's a very good question. I think it's a very timely question as well. I've actually been in Ottawa three times in the last three weeks, and the first meeting I went to was with Agriculture and Agri-Food Canada, and the catchphrase apparently now in Ottawa is “climate variability”. We don't want to call it climate change any more.

A voice: Well, it's a start.

Mr. Ray Orb: It's a start, but it's to recognize, I think, that our climate is a lot more extreme that it has been for quite some time. I've noticed as a farmer that in the 30 years I've farmed, it hasn't been as extreme as it's been over the last five years.

There are a lot of things, and I think, obviously, our presentation is leaning more towards insurance programs. Last year during the flooding, many residential buildings and homes and cottages were flooded, and some of the private companies were saying, well, maybe it's time we started talking about flood insurance, because you can't get flood insurance.

Maybe we have to start looking for different models of crop insurance. If you're a young farmer anywhere in Canada, if you have any size of farm, if you're starting out the first year, you'd be wiped out because you don't have any crop insurance coverage. You'd have the area average, which is way below, not even close to, the cost of production. With AgriStability, it's the same. I assume if you had a disaster, they or the government would assign you an area, a margin you'd start with, but we've been asking our provinces to allow us to use maybe our father's margins, if we've been farming together with him for five or six years, and start using his crop insurance yields. But they don't like breaking that apart; they like to deal with you in one. We see that as problematic because it is important for young farmers and beginning farmers.

They've done some good modelling with crop insurance. I'm sure they've done it all across the country, but I think it's time they look at it as a national program, where they can say to the provinces, look, this is what we'll offer you. If you have four or five consecutive years of being flooded out, well, we're going to start reducing that amount that you lose every year. So you can still stay in the game and maybe you could hopefully get back on your feet.

•(1620)

Mr. Frank Valeriote: Do you agree, then, that we should broaden our definition of disasters and that we should be looking at this specifically, given climate change?

Mr. Ray Orb: There are a whole lot of things that come into that. BSE was a disaster. But the program wasn't designed to handle it, because the margins dropped off and so you had no coverage.

Mr. Frank Valeriote: I have one tiny question for whoever wishes to answer this.

The committee has been told, on occasion, that the government should reduce support for business risk management programs and redirect the funds to research, innovation, and increasing market access. Now, at one level, I can understand that, because people don't want to receive their incomes by cheque in the mail. At the same time, we know there's a need—and perhaps I'm disclosing my preferences here.

Do you support that proposal to put less emphasis on BRM programs and more on research, innovation, and increasing market access in Growing Forward 2?

I'd welcome any or all of you answering that.

Mr. Ray Orb: It's a tough question, but it's a question our organization is aware of. We're hearing that our governments, all governments, would like to balance their budgets. Let's face it, if we had our choice, we'd like to keep a good insurance program—something farmers could participate in, understand what they're covered for, and afford to pay the premiums on. We still have to keep some kind of core business risk.

AgriInvest is very important. We need to keep and enhance that program, because it's very predictable. You can have a disaster on your farm. For example, if a grain farmer needs a combine motor, it's about \$30,000. You'd have to come up with that money, and a lot of farmers don't have it in the middle of the harvest. You can't rely on AgriStability to help you there.

I think we're tending to go away from AgriStability because of the way the program is designed. If it's maintained, we don't think it's going to be a good program. So we're saying that we should look at some modifications. Maybe it'll end up keeping the government's costs lower.

Innovation and research are very important. Canada has to keep its doors open to any company that wants to set up here. I think we have fairly user friendly regulations that make it attractive for companies to come here and invest. I think they've proven that, and so we'd like to maintain that. We need to keep a good relationship with the universities. The University of Saskatchewan has had great success in plant breeding. We want to keep those doors open and make sure that companies can come and invest. We think the two go hand in hand.

The Chair: Thank you.

Mr. Lemieux.

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

Let me preface my comments by saying that I know from the studies that we've done that there are lots of irritants with respect to the programs in place for farmers, lots of things that could be made better. I want you to know, though, that as of September 2011, the four main programs of AgriInvest, AgriStability, AgriInsurance, and AgriRecovery have paid out over \$7 billion to farmers. So there is money moving to the farm gate.

I want to change the context of the discussion. It's easy to say, "Well, you know what? We should change this or that so that it pays out more." Actually, the discussion I'm interested in having moves away from the assumption that the best solution is to change everything so that more moves out. I'm not convinced that the provincial governments can afford that, particularly given the economic realities we find ourselves in.

Mr. Orb, in your presentation you talked about insurance programs. I know with AgriStability there are complaints about the margins, about when the payments are made, about having to wait one and a half to two years. It's not bankable. Yet we have an AgriInsurance program, and you made some comments about how to improve that program.

If we were to invest more in insurance programs, would we really need AgriStability? I'm interested in those kinds of options, what I call benefit options. Which would be of more benefit to farmers, a more robust insurance program, or AgriStability with a few changes?

Or take AgriInvest, which is definitely a bankable program. That's a savings program. It allows farmers to take money from their accounts, matched by government, to deal with whatever situations they face. Is it better to have a more robust AgriInvest? I noticed that someone mentioned raising the amount to 2.5% from 1.5%. That's a good suggestion, but where are we going to find it? Should we take that from AgriStability and say AgriStability is really not working well?

Mr. Orb, do you have a benefit analysis?

•(1625)

Mr. Ray Orb: We call it reshuffling. AgriInvest is basically the top 15% of your margin. AgriStability handles the other 85%.

Mr. Pierre Lemieux: That could change.

Mr. Ray Orb: That's right, it could.

Mr. Pierre Lemieux: You're saying that AgriStability doesn't work for farmers and that you're not happy with it. I'm asking you if that should change. Should we do away with AgriStability and have a more robust AgriInvest and a more robust crop insurance? Should we cover AgriStability off with these other two programs, which seem to be working great?

Mr. Ray Orb: It is hard to predict how it would actually come out, whether it would cost the government more or less. I know that AgriStability is a huge irritant. You quoted some of the numbers. We know there've been payments going out. We have difficulty tracking those payments, finding out what provinces are receiving. We know what our province budgets for every year, but we don't know until a year later, because of the way it's funded.

We had a good program before. We had an investment program called NISA. There was a lot of money sitting there but the farmers didn't access it. One problem was that you couldn't trigger it, because you pretty nearly needed a disaster.

Mr. Pierre Lemieux: AgriInvest replaces NISA.

Mr. Ray Orb: Yes.

Mr. Pierre Lemieux: Should we have a more robust...? Maybe I'll ask Mr. Brennan.

Mr. Joe Brennan: Yes, I think that's where you're going. You're going back to where you were with crop insurance with NISA pre-2003. Most farmers were quite happy with that, except that it was a triggering mechanism. Of course, there's also the reluctance of some farmers to trigger it. That's their problem. They had the money there; it was their choice. I guess it's not a bad idea at all. It deserves some thought. It's about choices here, I agree. We can't expect that more is going to be the answer. I acknowledge that.

Mr. Pierre Lemieux: Connie, do you have any last comments?

Ms. Connie Patterson: No, I was just listening for the same thoughts in what they're discussing. It's like reshuffling the deck—that's pretty much what you're saying.

Mr. Pierre Lemieux: I don't know if I would call it reshuffling the deck. I'm talking about optimizing certain programs and diminishing others that you feel aren't working. It's not a little bit of this and little bit of that. I'm talking about big changes here and big changes there. Will that serve you better?

Ms. Connie Patterson: It depends on what the changes are going to be and in what programs. It isn't something that we can decide today. The world is changing so fast, and things are moving so quickly that we need to get a group closer to the provinces. Not every province is the same, either. That's another thing. We're very different from one side of the province to the other.

• (1630)

Mr. Pierre Lemieux: Would you rather see a stronger AgriInvest and a stronger insurance program, or an insurance program for livestock—which you don't have right now—instead of an AgriStability?

Ms. Connie Patterson: We've been asking for that for a long time for the cattle. It's never come up for discussion the way you are talking about it today. That would work better for a lot of us, yes.

Mr. Pierre Lemieux: Okay, thank you.

The Chair: We'll now move to Mr. Rousseau.

[*Translation*]

Mr. Jean Rousseau (Compton—Stanstead, NDP): My first question is addressed to Mr. Béland.

You said that maintaining supply management was essential and that countries that abandoned this system had to help farmers by financing various programs.

Could you explain in more detail why it is essential to maintain it and what is the cost of maintaining it compared with the cost of the various programs?

Mr. Nil Béland: Currently, the supply management system does not cost the community or the state much of anything. There are some small supply management programs, but they are minor and do not represent any significant amount.

In Europe for example, some countries abandoned milk supply management. Their system was equivalent to our supply management system. After they abandoned it, the price for the producers dropped, while the consumers did not receive any economic advantage. Moreover, the consumers, through their taxes, had to subsidize dairy farms and find a way to save them, especially in France, Germany and Belgium. The consumers could not benefit from the elimination of supply management, and the producers found themselves in a difficult situation. That really did not help the farm transfer, it did not help anyone.

Mr. Jean Rousseau: So this jeopardizes family farms, rural areas?

Mr. Nil Béland: Absolutely. The only farms that required less aid were the ones located close to plants. Therefore, the farms could not spread throughout the country, as is the case with our dairy, poultry and egg farms, which are present throughout the country. That was the drawback that arose.

For example, there was concern about supply management in the country when the slaughtering of turkeys stopped in the maritime provinces, in Nova Scotia. Obviously, the production took place in central Canada. However, our concerns arose from the fact that the slaughtering of turkeys in Nova Scotia was necessary to cover the entire country. If this activity is stopped in one province, one could ask which province will be next, or what activity will be next. Moreover, we no longer have an argument for or the economic advantage of being present everywhere in the country. This is why maintaining supply management is important for everyone.

Mr. Jean Rousseau: If I am not mistaken, you are not affected by the AgriStability program and all this. You do not need this since you have a supply management system.

Mr. Nil Béland: We need the AgriStability system in case of a disaster. During such times, the program could help. We have not needed it so far since the program was set up after the crisis in British Columbia. We need this program in case anything happens. We promoted this program a lot in Quebec but an insufficient number of producers registered. This is a risk issue. Disasters are very rare in poultry production, but they can occur. It has already happened.

Mr. Jean Rousseau: Thank you very much, Mr. Béland.

My next question is addressed to Mr. Brennan.

You said that you exported most of your production to the United States. You indicated that we had to pay attention to regional differences and adapt the programs to the specific situations of certain regions.

Do you think that many direct and indirect jobs are lost because of the lack of awareness regarding this diversity?

[English]

Mr. Joe Brennan: Yes, perhaps.... More diversity is better than less diversity. As I said, up until very recently, we were very dependent on one crop to make the business flow. That is changing and it's changing slowly. I think that's an improvement because any time we depend on one thing.... Again, I've heard people complain about multi-enterprise operations not affecting how they can access some of this AgriStability. I think that's okay because the diversity is helping to manage the risk, and that's a good thing.

That's like a question a while ago. We don't want to do things in programs that discourage the market from operating as it should. Sometimes we found in our sector that if buyers know there is coverage for farmers' costs to some degree, they will perhaps not be as inclined to pay as much as they might otherwise be, because they realize they've got to pay enough to keep that farmer in business. When you get a concentrated supply chain, sometimes it can affect how the market works.

• (1635)

[Translation]

Mr. Jean Rousseau: Would you say that diversity can help when it comes to exporting certain products or certain types of production?

[English]

Mr. Joe Brennan: Yes, for sure. Again, with most crops, processing is a critical part of the market. You must have enough critical mass and volume to warrant a processing sector. Of course, in the potato industry we have been very fortunate to have that. For other crops, I know they're looking to plants in Quebec for canola, soybeans, and those kinds of things, to do that. But diversity is a good thing, and diversity in all crops in all sectors is positive. I do think it helps mitigate risk and helps reduce the cost of the overall operation.

Am I getting to what you want?

Mr. Jean Rousseau: Yes, of course. Thank you very much.

The Chair: You're out of time.

Mr. Payne, for five minutes.

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

I hope the committee will indulge me for a few moments. I have a few guests here, two from my riding and one from Mr. Dreeshen's riding. They are the Mayor of Foremost, Alberta, Ken Kultgen. He's also a farmer in the riding. Sitting next to him is John Turcato, who is also a farmer in the riding at Taber. You may recall that John was one of the farmers who went to jail on the wheat board issue, when he tried to sell some of his grain. Next to John is Jim Chatenay, who was the former director of the Canadian Wheat Board, in Mr. Dreeshen's riding. He also went to jail for trying to donate some grain.

Anyway, I just thought I would introduce those gentlemen.

The Chair: Thank you for pointing that out, Mr. Payne.

Mr. LaVar Payne: Anyway, I think it was nice for those gentlemen to be here. Both John and Jim are actually going to the Senate committee hearing in the next 10 minutes or so, to speak on Bill C-18.

I thank you for your indulgence, Chair, and members.

Now to get down to the business here of the committee, we have heard a number of times about red tape and forms and so on. I'll open up the following question to anybody. Do you see any opportunity to reduce the red tape and the forms in any of the applications you might use, for the organizations you represent, in terms of trying to collect any business management programs or AgriInvest? Are there any areas where you see an opportunity to reduce red tape or forms to help out the farmers in your organizations?

This is open to anybody.

Ms. Connie Patterson: I will speak on that, from British Columbia. Our administrators and I look after a lot of the forms for our cattle producers in the province, and these certainly are cumbersome. They're not easily managed, for a lot of cattle producers. So yes, instead of 18 pages, it would be nice to see them come down to half that size, or be condensed more.

Mr. LaVar Payne: Connie, would you have any particular recommendations you could provide to the committee in writing to help in that area? I know there's red tape reduction going on right now, as well.

Ms. Connie Patterson: Yes, certainly, we could do that. We have some notes already in our office, so I will have somebody do up those notes and send them off.

Mr. LaVar Payne: That would be great. Thank you.

Mr. Orb, I think you were—

Mr. Ray Orb: Yes, I had a comment on that. I think there are some ways we can save.

I know the Province of Saskatchewan now does its own administration of AgriStability, and it has helped tremendously. I think you have people who understand the problems that are indigenous to Saskatchewan, so that's been helpful.

An idea that I think is being floated around with AgriStability is where you'd have a program that is current in the year in which have a production or price issue, or whatever it is. I think you could do it more simply than it is being done now. Most farmers realize that it doesn't matter whether you sell your cattle in the fall or you harvest in the fall, because you know exactly what kind of year you've had.

If you do your income on an accrual basis, which is what AgriStability does, as it always puts it back to the accrual system, you'd be able to hone in on what the problems are. You wouldn't have to put it off a year, or a year and a half, to get payments; the government would know where they're at and so would the producers. I think it could be made a lot simpler and a lot cheaper.

It costs us about \$1,500 a year to do AgriStability, and we've had one payment in the last 30 years. AgriStability wasn't always there, but through all the programs that's all we've had.

• (1640)

Mr. LaVar Payne: If you have any particular suggestions and could submit them to the committee, that would be good.

Mr. Ray Orb: We could certainly forward that.

Mr. LaVar Payne: All right. Thank you.

[Translation]

Mr. Nil Béland: In Quebec, in the offices of the Union des producteurs agricoles, there are accounting services used for tax purposes. Therefore, documents are very often completed by these people. Some producers complete these documents themselves. Often we learn what to do only when all these documents are completed. When you do business with specialized offices of this kind, this service costs only a hundred dollars or so, and the documents are sent directly to the person for whom they are intended. The process is very fast.

However, the process is longer for people who, like me, operate within AgriStability, which is a part of supply management. The documents for my 2009 tax return were completed at the end of September 2010. So there is some delay. With the exception of paperwork, it is possible to operate much more efficiently.

Mr. LaVar Payne: Thank you, Mr. Chair.

[English]

The Chair: Thank you very much.

We'll now move to Mr. Jacob.

[Translation]

Mr. Pierre Jacob (Brome—Missisquoi, NDP): Thank you.

My first question is addressed to Nil Béland, who is a board member of the Éleveurs de volailles du Québec.

In theory, types of production that come under supply management, such as yours, are not eligible for the Business Risk Management or BRM program. Should products subject to quotas benefit from the BRM programs just as eligible types of products do, and why?

Mr. Nil Béland: As for supply management, production is managed within the system, and the risk is inherent to that. Certain risks are part of the production, but are included in the cost of production. Each producer must do his job, carry out the production properly, regardless of field-specific uncertainties. Within the system—I am speaking mostly about poultry and eggs since I am the most familiar with them given that I work in those fields—we have insurance programs that help us manage our risk.

I would humbly say that supply management is a very good system, but we cannot have the advantages of all the systems without any disadvantages. Therefore, for this type of risk management, I prefer that the risk remain within the system. That is how we operate. It is not perfect, as we have seen in British Columbia, and that is why the AgriStability program covers us. In any case, the risk must be managed within the system.

To come back to the case of British Columbia, the people there had to stop chicken production for a long time. It was transferred to other provinces, other producers, other slaughterhouses, other hatcheries and other mills, which did their part. Production was transferred partially back to British Columbia the following year. Therefore, the risk was covered within the system.

It would be detrimental to receive more government aid. That would not be acceptable.

Mr. Pierre Jacob: Thank you.

My second question could be addressed to you, Mr. Béland. However, if other participants want to respond afterwards, they may also do so.

Canadian agriculture is diverse both in terms of production types and in terms of company size. However, BRM programs seem to be mainly for large traditional sectors, such as grain, beef and pork, and not for marginal types of production, which are often operated on a small scale.

Shouldn't the government reconsider the way it supports the agricultural sector, taking into account production diversity and the various models?

• (1645)

Mr. Nil Béland: For niche production, it is necessary to find the money in the market itself. That is how it works.

There is also the matter of system effectiveness. In Quebec, the system is not quite the same, even though the federal government contributes to the stabilization insurance program in Quebec. Below a certain number of hours, producers are not covered.

For niche production, the funding must be found in the market itself. Government aid is mainly to help mass production. It is in fact meant to make sure that the general population has enough food. It is a matter of food sovereignty.

Mr. Pierre Jacob: Is there anyone else who would like to answer the question?

[English]

Mr. Joe Brennan: Maybe I would just say that the challenge with any a program is to have one that is common enough to suit many diversified sectors. The more you do that, the more complex it's going to be. There's a limit to how far you can make a one-size-fits-all program for everything. So it would be a real challenge to do that.

The fact that they are often direct marketers makes it a risk management tool, because they get the value of the crop without having the pressure of the processing and the wholesale/retail in there as well. As Mr. Béland said, that would help to mitigate those risks on their own.

[Translation]

Mr. Pierre Jacob: Thank you.

Mr. Orb.

[English]

Mr. Ray Orb: The short answer could be yes, that it could be looked at. I think niche markets are important. Producers could be given the choice, as it is now, if you want to enrol in a program. It's something that would have to be looked at for new programming. I think it would be a good idea to look at that.

We have people who are willing to start up processing in Saskatchewan. Right now there's a whole new market emerging there. We didn't need to have the ability to do that before. Maybe some of those people would be interested in that. So I think consultation would be good.

[Translation]

Mr. Pierre Jacob: Thank you.

[English]

The Chair: Mr. Zimmer, you have five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): I would like to ask Connie a question.

How are you doing there in Dawson Creek?

Ms. Connie Patterson: We're under the snow belt and doing well. There's a lot of snow today.

Mr. Bob Zimmer: That's good to hear.

Dawson Creek is in my riding. It's mile zero of the Alaska Highway and the B.C.-Peace River area. That's a little plug.

Thanks, Connie. One thing you mentioned that was a bit concerning, to say the least, was the 35% loss of herd. I'm sure we don't need to say it was because of the BSE crisis, and otherwise.

With that concern, to follow up on what Pierre was asking you, what do you suggest would move us closer to a good solution in livestock insurance? If you could write that program, with your vast experience—I know it's 40 years-plus, though I hate to say that—what would it look like?

Ms. Connie Patterson: We had a program for livestock insurance in British Columbia some 25 years ago and it worked very well. Just as with any other insurance there were premiums, and the program paid out if the market fell. If the market did not fall, that money was collected and stayed in the pool. It worked so well for British Columbia that after it was all over—and we retired the program after 10 years—we had \$9.5 million that we use as a fund to this day. We collect the interest from it and pay out grants for programs that enhance the cattle industry. That's how well it worked for our province.

So there is a model from 25 years ago, and you might like to look at it.

Mr. Bob Zimmer: I also have another question, Connie. We talk about business risk management, but another side of that is attrition. We're seeing, and you had mentioned it too, that farmers are leaving the industry for whatever reason; they're retiring and moving on, but we're not getting new blood, so to speak, into the system. I know of one guy I met up in Montney, Frank Wiebe, a good cattle feeder guy who was aggressive—he really wanted to get this thing going.

What suggestions would you have to address that side of BRM?

● (1650)

Ms. Connie Patterson: I think the biggest thing is to have the programs readily available. Again, what we at B.C. Breeder and Feeder have done is taken it on for the province, for the whole cattle industry, so that these people can have a chance to get a cash advance. A lot of the eligible ones who have come through BSE and some of the other troubles are having trouble with an operating loan. So, cash advance is one of the great programs. Once your calves have hit the ground, we can get that cash advance to help sustain you in your farming operation for the year, whether it be in grain or cattle or a combination of both. I would have to say that's one of the really good ones.

One of the other ones that works well in the cattle industry, especially in British Columbia, is the interest relief program. The federal government pays a portion of the interest on the loan for feeder cattle, and that's administered through the feeder associations. Those are the kinds of things that will enhance young people, and that's what we need to do. We need to make sure that the programs we're putting forward and adjusting and tweaking always have those young people in mind because we are definitely in the rebuilding process in our country.

Mr. Bob Zimmer: Right, do I still have time?

The Chair: You have about one minute.

Mr. Bob Zimmer: One last question, Connie. Based on your experience, if you could list the top three issues and you could fix them today, what would those issues be, especially with regard to the feeder industry? I know the feeder industry is in a unique position. You're not dealing with finished cattle specifically, but it's a unique position in the cattle industry. What would you name as those three concerns and how would you fix them?

Ms. Connie Patterson: In the feeder industry, the first thing would be to have money available so you could buy your feeder cattle. Having a decent interest rate would be one. The other one is markets, to be able to have access to market and feed stocks. Those would be the main things to enhance the feeder cattle in our part of the world.

Mr. Bob Zimmer: Okay, good. Thanks for coming, Connie.

That's it for me.

Ms. Connie Patterson: Thank you.

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

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

Thank you, folks, for being here.

Let me put on my other hat as a member of a different committee. This will be no shock to my friends, I don't think, but let me talk to you about what the Auditor General found about BRM:

Another long-standing problem is understanding program objectives and responsibilities for managing farm income risks. From 2008 to 2010, the Department conducted a strategic review to address pressures from producers and industry for program improvements. The review found a lack of clarity in the roles and responsibilities for producers, industry, and government relative to farm income risk management. It also found that objectives for income support programs needed to be clarified.

That comes from the Auditor General. Of course, there's a recommendation to Agri-Food Canada from the Auditor General that says:

Agriculture and Agri-Food Canada should work with service delivery partners to understand their challenges and develop and monitor realistic implementation timelines for future income support programs.

The department said, of course, that would be done in Growing Forward 2 in 2013. I know we're almost at the end of 2011, but the reality is that the Auditor General and the department concur with you on the things you've identified and commented on numerous times today, but the fix is down the road.

So I guess my question would be this. On the ground in your areas—whether in Quebec, Mr. Béland, or in New Brunswick, Mr. Brennan, or in B.C., Ms. Patterson, or in Saskatchewan, Mr. Orb—do you sense that we will lose farmers between then and now? I don't mean just because we will lose some anyway, when they go out of business, but losing farmers because these programs aren't going to get fixed until 2013, even though the Auditor General says—and this is no longer anecdotal—that the programs aren't doing what they're intended to do and folks are waiting up to two years for money. I don't want to read the quote because it takes too long.

Whoever would like to start, go right ahead.

● (1655)

Mr. Joe Brennan: I will start. That is exactly where we are in New Brunswick, coming out of four not great years out of five. With the situation we face this year, some farmers who will not survive because they can't afford to wait for the system that's probably going to come. I do think there are some farmers in that critical situation. So to answer your question, yes, I do think we're in that situation as we speak.

Mr. Malcolm Allen: Does anyone else have an opinion on that? Ms. Patterson or Mr. Orb?

Nil Béland.

[Translation]

Mr. Nil Béland: More in Quebec, but not necessarily within supply management. Thanks to FISI, the Farm Income Stabilization Insurance program in Quebec, pork producers who often need government aid receive it very fast thanks to advance payments. The government has found a method that does not require people to wait two years, even though there will never be a perfect method.

Regarding our supply management system, we cover production costs using a very efficient method. When the price of mash increases, since that is the biggest cost in the production of both eggs and poultry, the increase does not take a year, but rather three or four months. As a result, our risk management system and our calculation principle make us react very quickly. Two years is certainly too long. I know that pork producers have received aid. For beef producers, the situation is different, but the same calculation principle and the same approach apply to speed up the process.

[English]

Mr. Ray Orb: I'd also like to comment on that.

I think that's a good observation and that the timing is probably not that bad to be looking at new programming, because,

coincidentally, we are looking at some fairly good grain prices right now. Farmers in Saskatchewan are producing an awful lot of canola and flax, which are fetching good prices around the world.

As far as livestock producers are concerned, those prices haven't been good for cattle since 2003. They're finally getting back to what is more normal. I'm not going to say they're great, but I would say they're good. That's likely because of the BSE that happened in 2003, because it caused a sell-off in both Canada and the U.S.

I think it gives us a little bit of breathing room for the next couple of years to be able to look at other programs. Programs like this should be designed to deal with the problems in the bad years. In the good years, most farmers don't need help. It's for the bad years that you have to be able to design programs that kick in, and they have to be effective. I think the timing is actually good now to be looking at this, to be looking forward.

Ms. Connie Patterson: I agree with Mr. Orb on that one. We definitely are in better times now for the grain and cattle industries. We're definitely on an upswing with cattle, where the demand is much greater than the supply. So this is the time that we need to take the time to look at new programs or fix the other ones that we have, so that when we do come to the next problem, we're ready for it.

Thank you.

The Chair: Thank you very much.

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

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

I wonder if Mr. Béland could kind of take us a step back forty-plus years ago and express to the committee why the feather industry, the poultry industry in Canada, adopted a supply-managed model, and maybe comment about some of the issues that were happening, say, in Michigan and northern New York in the feather industry and how they moved to the southern U.S., to Georgia and Alabama.

Could you enlighten us with a little history lesson about why supply management came into the country?

[Translation]

Mr. Nil Béland: In fact, supply management has existed in Canada for 40 years, in almost all areas of production, including poultry and eggs. Production was moved around on the American side in areas where it was cheaper, where salaries were lower and where agriculture was perhaps easier in the short term. However, when one type of production is concentrated entirely in certain states—there is a lot of production in certain sectors and very little in others—there are recurrent risks of disease.

In Canada, since supply management was established 40 years ago or so, the risk has been controlled throughout the whole country and we have had significantly fewer problems related to disease than the United States has. In Canada, we do not see *Salmonella Enteritidis* or mycoplasmosis problems often. There are only a few cases, and usually, they are brought under control very quickly. But in the United States, when there are outbreaks of these diseases, there are entire sectors, municipalities, entire areas of 100 kilometres where production must be completely destroyed to resume from scratch. Supply management enables us to spread risk management nationwide and keep villages alive throughout the country.

• (1700)

[English]

Mr. Ben Lobb: In addition to that, while we all love our U.S. consumers, our American counterparts believe they're the world of free traders, the freest of free marketers. Yet we know that their U.S. Farm Bill is one of the most significant expenses in their budget. Over 15 years, more than \$5 billion has gone into the dairy industry in the United States. It was \$1 billion that went to the dairy farmers there in 2009, and over \$300 million last year went to the feather industry in the United States.

We're not here to bash the U.S., of course, but I wonder if you could share your experience with the U.S. Farm Bill, and some of the hypocrisies evident when they make comments on supply management in Canada.

[Translation]

Mr. Nil Béland: Clearly, I am less familiar with the data on milk production, since I am much more involved in egg and poultry production. The production of eggs and poultry has hardly cost the government a thing; whereas the United States has had some situations where they had to intervene financially, either directly or indirectly. The Farm Bill provides an indirect form of intervention, though other producers or other types of production. That would not be in our interest. The Farm Bill made it possible for them to lower the cost of production. Help in the U.S. came in the form of assistance for large-scale producers.

Here, the assistance is provided much more directly. I do not know if that answers your question exactly, whether your question and my answer have anything in common. The Canadian position over the last 40 years has made it possible to stabilize production for all those under the supply management system. The local impact is probably underestimated. For example—and I am speaking mainly about Quebec—organic production depends a lot on the production of chickens and eggs, since they provide the main raw material for organic fields. There is no direct intervention in organic production, but since the supply management system exists almost everywhere, it allows other types of production in the vicinity to do well.

[English]

Mr. Ben Lobb: In addition, because supply management certainly works in your industry, you've been able to push the bar far ahead of many of our other producers worldwide.

Could you tell the committee some of the areas that poultry farmers in Canada have excelled in, whether it's biosecurity, biohazard, or the general health of our chickens or hens and the eggs they produce?

[Translation]

Mr. Nil Béland: Absolutely. There is the health of birds, the environment. I cannot speak about other provinces, but when it comes to the environment in Quebec, we have had agri-environmental fertilization plans in place for many years. They have been easy to implement in poultry and egg production. There are new technologies. Buildings have been heated with chicken manure for quite a while in Quebec, but unfortunately these are things we do not think about. These things are done at the environmental level, since our producers benefit from fair prices in their sector and are capable of generating profits and reinvesting them in research. This is probably not accounted for directly in the federal programs since the producers do it themselves.

[English]

Mr. Ben Lobb: Is that it for time?

The Chair: Yes, that's it. Thank you.

Did you have a comment that you wanted to make, Mr. Brennan? No, okay.

Mr. Dreeshen, five minutes.

• (1705)

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much, Mr. Chair.

It's a pleasure to be here.

I am a farmer from central Alberta, so a lot of the different programs you've talked about are certainly ones that I'm aware of, and I certainly hear about some of the issues associated with them.

I know many people suggest that AgriStability was designed by accountants for accountants. It's one of those types of things where people suggest that it's going to be so complicated. I think the common sense thing there is to start taking a look at where these numbers come from on your tax forms and all of your inventories. It can be made a lot simpler. That is certainly one of the things that I'm well aware of.

Also, they were talking about the lag time between triggering a payment and how long it would take you can get the money back out of it. Being close to the two years is pretty close to the same as what you would get with the grain you would sell through the Canadian Wheat Board, but that's a different point.

Mr. Allen and I were also on the public accounts committee together, so we had some opportunity to discuss what the Auditor General said with regard to those particular programs. I think it's important, too, to recognize that as a government we feel that this exercise we're going through right now is so critical in trying to get the information needed for Growing Forward 2.

I know that many people have suggested that they can come up with some written suggestions for each of the programs, and I think that's important. What Mr. Lemieux mentioned earlier in talking about maybe focusing toward the crop insurance aspect of it, with still other components that will be successful, is perhaps a way that we can look at it.

So when I go through all of these types of things, there's one question I have. I know this had to do with AgriStability. You talked about a five-year timeframe but then expanding it through to seven years, which would be dropping the same Olympic average you would be using.... I'm just wondering what the cost implications would be for something of that nature. Are people then going to say they want to have the best of the two so they can make their decisions based on that? Do you have any ideas, in each of your different commodity groups, as to how that would affect it?

Connie and Joe, I suppose, would be most closely related to that issue.

Mr. Joe Brennan: Go ahead, Connie.

Ms. Connie Patterson: I guess I didn't quite catch what he was saying.

The audio is cutting out on us here.

Mr. Earl Dreeshen: I'm sorry, Connie. I'll just go back to it.

Ms. Connie Patterson: We lost part of that question.

Mr. Earl Dreeshen: Okay.

Basically where I was coming from is that if the five-year average is to go a seven-year average one, there are going to be more costs associated with it. Are we going to be talking about people having an option as to which one they're going to take, depending on the commodities they have? I was just wondering whether or not you did any kind of cost analysis when you made that particular suggestion.

Ms. Connie Patterson: Actually, we have been working on that in these last six months. We had discussed what you're talking about when we were changing the reference margin, if that's what you were meaning. I just didn't really feel free other than to say that everybody should have a choice. You should have a choice as to which program you want to go into and whether you want to do use five or seven years. That should be important.

But again, we were just starting to play with our figures. I think that maybe I just didn't want to get too far from there, other than to add this to the notes of mine that are going to be coming.

Mr. Earl Dreeshen: That's great. Thank you.

Mr. Brennan.

Mr. Joe Brennan: I'll say no. We have not done any costing of it. The intent there was to flatten out the curve so that you wouldn't see as much change and so many gyrations in the margin.

Mr. Earl Dreeshen: Thank you.

Mr. Brennan, I think both of you—you and Ms. Patterson—were speaking about AgriInvest and moving it from 1.5% up to I believe 2.5%. Are you still asking, then, that the provincial governments and the federal government should be matching that? Or are you simply saying that the government contributions should be kept at the 1.5%, and simply allow us to top it up higher?

Mr. Joe Brennan: I would say—

Ms. Connie Patterson: We're still talking in B.C. about matching.

Mr. Earl Dreeshen: Joe, is it the same type of thing?

Mr. Joe Brennan: Yes.

●(1710)

Mr. Earl Dreeshen: I guess my last question, then, perhaps talks about the trade irritants that were mentioned before. I know that the provinces and the federal government do hear from a lot of industry groups that are talking about the potential for countervailing, depending upon the types of things that are being presented.

I'm curious about what your concerns are in your associated commodity groups on that particular issue.

Mr. Joe Brennan: We have been very fortunate in recent years that it hasn't been the problem that it was, say, back 8 or 10 years ago, when there was a constant battle with the U.S. in the potato sector. But honestly, in these last five years, we've taken the irritations off of them for several reasons, the exchange rate being one, I expect. We also work more closely with them in international organizations, so there's a bit more understanding of each other's case. But we really haven't faced any countervailing issues for a few years, and it's been much better.

Mr. Earl Dreeshen: Connie, do you have any comment on the countervailing part?

Ms. Connie Patterson: No. I was going to say pretty much the same, that...[*Technical difficulty—Editor*].

The Chair: I don't know whether you can hear us, Connie, but we've lost you totally. And if you can't, I guess you don't know.

Mr. Earl Dreeshen: I think perhaps she's answered my question.

But Ray, from Saskatchewan's perspective, have you heard any concerns in that regard?

Mr. Ray Orb: I will go back to answer your first question, on the average of the five to seven years. I think that would actually have helped with BSE in 2003. Another thing that would have helped is was if they had increased the negative margin. Can you actually believe that people had negative margins? And that happened for a number of years. They were dealing with this up until two years ago, I believe. I think those two changes would have helped.

They did change the negative margin, but it probably needs to be adjusted up some more.

Mr. Earl Dreeshen: When you have your AgriInvest, of course you would have funds available then to be able to pay premium differentials for that margin, if that were part of what a new insurance program would be like.

Mr. Ray Orb: They could have looked at that at the same time. I think that would have been helpful.

Mr. Earl Dreeshen: I know my time is up. Perhaps you could consider some of those thoughts when you give us suggestions.

Thank you very much.

The Chair: Because we lost you for a minute, Connie, do you want to follow up with a response to Mr. Dreeshen?

Ms. Connie Patterson: I just missed that last part where he was talking about the insurance programs.

The Chair: Okay.

Earl, if you wouldn't mind repeating—

Mr. Earl Dreeshen: I realize this is going to be difficult to jump into the middle of this.

Mr. Lemieux had been talking about having funds available, and then crop insurance, looking at two parts of the program, with the ability to access funds out of the one to be able to pay premium differentials with crop insurance. I'm just wondering whether that might be one of the things you would look at when making suggestions to the committee with regard to program adjustments, if you think that would be a logical approach to take?

Ms. Connie Patterson: It certainly bears thought, definitely.

Mr. Earl Dreeshen: Great. Thank you very much.

I'm sure my time is up.

The Chair: Thank you.

I just have a clarification.

Mr. Brennan, you were talking about diversity, and I believe it was in response to Mr. Rousseau's question. And, Mr. Orb, you might have touched on it.

When I think of diversity, it's when you have a mixed operation, were you basically don't put all your eggs in one basket. You had said something that made me think you were thinking of something else. Was I wrong in assuming that?

Mr. Joe Brennan: No. I was referring to the trend in our area right now. There are more farmers going to other crops, non-typical crops in our area, like grain corn, soybeans, and canola, and diversifying into those other crops instead of solely potatoes. That's what I meant by that. And it is a good thing.

•(1715)

The Chair: Sure. And that's the type of diversity that I was thinking of.

I've had the odd farmer say to me, "I'm into four or five things. Because of that, it sometimes keeps me from drawing an AgriStability payment—or maybe not as big a one."

But I also have a lot of other farmers tell me, "It's our responsibility to minimize our risk." Would you agree with that statement?

Mr. Joe Brennan: I would. I've said that already.

The Chair: Okay.

Mr. Joe Brennan: Yes, I would certainly agree with that.

The Chair: Thank you very much.

With that, we do have some committee business to take care of. I'd like to thank our witnesses for being here with us.

Connie, thank you very much for joining us. I hope the snow doesn't pile up on you too badly up there.

Ms. Connie Patterson: Thank you.

The Chair: Okay. Thanks very much.

We'll just let the witnesses leave the table. Thanks again for being here.

•(1715)

_____ (Pause) _____

•(1715)

The Chair: Mr. Lemieux.

Mr. Pierre Lemieux: Chair, just because we are discussing routine motions or amending a routine motion, I recommend that we move in camera.

The Chair: Okay. So you're moving that motion?

Mr. Pierre Lemieux: Yes.

The Chair: All in favour of the motion? Opposed?

(Motion agreed to)

[*Proceedings continue in camera*]

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