



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Agriculture and Agri- Food

AGRI • NUMBER 019 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, December 13, 2011

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Chair

Mr. Larry Miller

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• (1530)

[English]

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

Mr. Dhaliwal, I think we're going to start with you, since you're by video conference. If we run into any technical problems, we can sort them out.

To our three witnesses here in the room, Mr. Gowland, Mr. Dechaine, and Mr. Schneckenburger, thanks very much for coming here.

Of course, Mr. Dhaliwal, thanks for joining us by video. You may carry on for 10 minutes, please.

Mr. Nirmal Dhaliwal (Director, Okanagan Tree Fruit Cooperative): Thank you for inviting me.

My name is Nirmal Dhaliwal, and I live in Oliver, B.C. I've been farming since 1990, when my parents purchased our first orchard. I currently operate 25 acres of cherries, apples, and prunes. I also have a full-time job outside the orchard.

I'd like to start by saying that I am speaking as a member of the Indo-Canadian farm community in the Okanagan Valley. We are about 50% of the tree fruit industry here. Our community is integrated into the whole-farm community. For example, I am also a member of the BC Fruit Growers' Association executive, as well as a director of the Okanagan Tree Fruit Cooperative. However, as relative newcomers to the tree fruit industry, our Indo-Canadian growers have the same special concerns about government programs as all new entrants. I am looking forward to presenting to the agriculture and agrifood committee some comments and suggestions for the next five-year federal-provincial agreement on business risk management programs, Growing Forward 2.

The advance payments program is essential to the tree fruit industry, as apples and pears are storage crops. The program provides cashflow for growers and allows them to market their crop during optimal marketing periods, rather than selling quickly and at potentially lower prices due to the need to generate cash for current expenses. The need for liquidity is especially true for new growers and therefore for the Indo-Canadian farming community. The increase in the amount of interest-free advances is very much appreciated and is an example of a financial program that really works for the farming community.

Another risk management program is AgriInvest. This savings account program is popular with growers, as it helps to generate

needed investments for farm improvements. Many in my community have farms that need improvements, especially buildings and equipment. This program helps us gather the funds needed to begin the renewal of our farms. Also, the funds in the account provide relief for the small, unexpected financial challenges that everyone experiences in farming. The main comment I hear is that the amount of government matching funding should be increased for this program. I believe there is some willingness to trade off improvements in AgriInvest for slight reductions in coverage in other business risk management programs, but there is a balance to be achieved and we are close to that balance at this time.

AgriStability is the problem child. While the provincial administration has improved delivery over the federal administration, there are still problems of communication with those portions of the program that remain administered by the federal government, for example, access to income data. Why is there not a practical solution offered by the federal government, like a check box on the income tax form authorizing the income tax department to expedite the delivery of my information to the provincial AgriStability administration? When I need help due to an unexpected downturn, it hurts more that the administration is not working well.

Because of all of the historic problems with the federal delivery of this program, growers are probably most willing to trade this program off for other program benefits. But in many ways, this should be the most important program for protecting growers' incomes from severe financial declines.

The AgriInsurance program, or crop insurance, is very important in the tree fruit industry. Our crops are high-value crops—about \$10,000 to \$12,000 per acre in revenue—but apples are very susceptible to occasional hail storms, and cherries are sensitive to rain. A damaged crop is not marketable, even for juice. Often hail- or rain-damaged crops have the majority of input expenses incurred at the time of damage, so crop damage or loss would be devastating without crop insurance.

I would like to see the national crop insurance rules reconsidered to encourage diversification. For example, if I have damage to late-season apples, which account for 10% of my acreage and production, this segment of my crop would be 100% damaged and unmarketable, yet there would be no crop insurance due to the pooling of this loss with all of my apple production. This just does not make sense, because instead of encouraging diversification, the crop insurance program is encouraging me to be a monoculture.

If there is damage to that variety due to timing of a weather event, then my whole crop of the same variety would be covered. If that variety is only 10% of my crop, then the loss is not insured, as it falls below my deductible.

I think there needs to be more flexibility in the crop insurance so that provinces can have some rules for tree fruit that may not make sense for grain, and vice versa. As long as the program remains financially sound, there should be more provincial flexibility.

The AgriRecovery program did not help the tree fruit industry in its time of need. In the fall of 2008, we had a late-season freeze that affected the last 10% of the crop, which was still hanging on the trees. AgriStability and AgriInsurance did not provide coverage, mainly because of deductibles or because the frost damage became apparent only after the crop was harvested.

AgriRecovery was not accepted by the province in this case. I feel that provision of AgriRecovery is uneven between provinces and commodities in similar circumstances. For this reason alone, the resources should be directed to better use.

In summary, the advance payments program is essential. Second, the AgriInsurance program is very helpful for investments and short, shallow financial challenges. Third, on AgriStability, if we continue to improve communication of data between federal and provincial governments, it will help growers in deep financial declines, but the problem of long-term but not permanent declines is not covered by AgriStability. Fourth, AgriRecovery coverage is inconsistent and problematic.

I hope these comments are helpful and useful to the committee. Thank you for taking the time to hear from the Indo-Canadian farm community in the Okanagan Valley of B.C. I would be happy to answer any questions.

•(1535)

The Chair: Thanks very much, Mr. Dhaliwal.

We'll now move to Mr. Jim Gowland, a farm operator from... Huron County, I guess it is.

Mr. Jim Gowland (Owner-Operator, Farm Business, As an Individual): Bruce County.

The Chair: Bruce County? So you are in Bruce.

Mr. Jim Gowland: You should know that.

The Chair: I knew it was right on the edge there.

Voices: Oh, oh!

Mr. Jim Gowland: Thank you, Mr. Chairman.

My name is Jim Gowland. I am a cash crop producer from Bruce County, near Walkerton, Ontario. For well over 30 years my business

partner and spouse, Judy, and I have farmed. Currently our corporate family farm business operates and produces 2,200 acres of field crops, including soybeans, wheat, corn, white beans, and some forages.

Similar to other successful farm business operations in Canada, our farm maintains a sustainable crop rotation that maximizes yield and quality attributes and uses cost-effective equipment capital and sophisticated technology practices, which ultimately result in long-term business profitability in our operation. Our farm business success can be attributed to taking advantage of opportunities that add value in the crops we produce.

On our farm business cards, our motto or tagline states "Quality Crop Production for Global Markets". In my view, this reflects the ultimate in a business risk management strategy for our farm business and the entire success of the Canadian agriculture industry. Individuals in industry must work hard to produce a quality product that can add value over and above commodity status. Global markets represent all markets, local or domestic, as well as international. It's every individual's business responsibility to recognize that success depends on the industry's vision, on differentiation, and on being competitive in the global marketplace. Therefore, in my view, collaborative industry and government investment in market development, trade, market access, and research and innovation should be the top priorities in any resource allocation.

Farm business operators, industry, and government always need to be cognizant that Canada is dependent primarily on exports for the success of agriculture and that we exist within the global jurisdiction of a free and open market-based system based on international pricing and trading parameters.

There has always been an emphasis, in my agricultural career, on having a business risk management strategy or having safety nets to aid in the event of cyclical downturns, trade-distorting policy impacts by other countries, or weather and catastrophic events. These backstops are an important tool for the agriculture industry. However, for a successful and sustainable business and industry, it is imperative that Canadian agriculture not slide into total social dependency on income support programs that ultimately lose the vision of being creative, differentiated, and competitive.

Many successful farm business operators will often say that their success did not come from standing by the mailbox waiting for a lifestyle-entitlement payment but from being creative and innovative, especially through cyclical downturns.

According to Statistics Canada data, total farm cash receipts over the last five years, 2006 to 2010, average about \$42.6 billion annually. Within that, total grains and oilseeds represent approximately \$20 billion; the red meat sector represents about \$9.5 billion; and the supply management commodities represent about \$8.1 billion. Program payments such as crop insurance, provincial stabilization programs, and other Growing Forward programs represent \$3.7 billion. Statistics Canada data also reveal that the five-year average from 2006 to 2010 for farm net income after depreciation and inventory change is \$2.8 billion annually.

It should be especially concerning to all sectors of the agriculture industry as well as government when program payments average \$3.7 billion annually and net farm income averages \$2.8 billion annually. When nearly 9%—and some years 10%—of farm gate cash receipts are in the form of government support payments, there needs to be a realization by all involved that other resource investments need to be the focus for increasing profitability within the agriculture sector.

Of interest, our farm business has not received government funds averaging over 1.5% of gross farm receipts annually over the past five years, and those dollars were through AgriInvest. That being said, I will now comment on current BRM program policies and the components of BRM within the present Growing Forward and give suggestions for Growing Forward 2. I used Treasury Board data to get these cost estimates.

Here is a little bit first on general farm program policy. Any BRM programs that AAFC puts in place need the following attributes: programs must be affordable to society—I'm a taxpayer, too, like everybody else; programs need to be affordable to producers; programs need to be time sensitive and to respond to the time of need; programs need to be predictable; programs should be limited to minimal administration at the government level, the farm business level, and the accountant level; programs need to have inter-provincial harmonization and agreement and need to have a totally Canadian focus; programs need to be trade-compliant; programs should not be commodity production distorting; programs should not entice capitalization—business profitability should be the true driver for new capitalization; and programs should not override competitive directives or initiatives.

● (1540)

Here is a little about the Agri suite of programs within Growing Forward.

On AgriInvest, approximately \$160 million to \$175 million is spent by AAFC annually. Again, the 1.5% of the allowable net sales is matched by government. It's a very good program, from my standpoint as a farm business operator. It's well accepted by many producers I know. It has flexibility for producers to access their moneys from their accounts in their own financial institutions whenever they wish to do so. It's very easy to access those funds, and the administration is simple, both at the producer level and at the AAFC level. As well, it's very predictable.

Suggestions to improve it could be to increase the contribution rate from 1.5% to at least 2% or more by both producer and government. An increase over the \$22,500 cap would be great too.

For AgriInsurance, approximately \$450 million to \$550 million is spent by AAFC annually, and then there's the provincial on top of that, of course. It's basically production insurance or crop insurance. We feel this is a pretty good program in Ontario. There's always some fine-tuning that's necessary, but it's reasonably affordable and it's very time sensitive as related to production periods.

On AgriStability, approximately \$600 million is spent annually, just by AAFC. Certainly it works better for livestock enterprises such as beef and pork. It's difficult for crop enterprises to utilize. Diverse multi-sector farm businesses will rarely trigger payments. There's limited predictability and/or transparency in the program.

Suggestions for improving it would include improving the transparency. It would be helpful if farmers could see instantly the impact of their numbers when they actually make the application. Also, of course, there's the whole issue of timeliness of program payments in relation to the time of need.

For AgriRecovery, approximately \$100 million is spent by AAFC annually. Catastrophic events that cannot be foreseen do happen, and as there is for other major disrupting events in society, there is an obligation by society and government to alleviate the severe pressures of such events.

On the advance payments program, approximately \$160 million is spent annually by AAFC. Data show that it represents flexible marketing management of over \$2.5 billion of agriculture production across Canada. Personally, I've used advance payments on a few occasions but prioritize other marketing tools to capitalize on orderly marketing of our agriculture products.

I would summarize by saying that as a grains and oilseeds producer, the two best complementary BRM programs for our farm business currently are the AgriInvest and AgriInsurance programs. AgriInsurance allows us to make sure that any risk in production is mitigated. AgriInvest allows us to build a security fund so we can save through good income years and have immediate access through times of cyclical downturns. To me, this allows us to be responsible in micro-managing our own farm financial business needs. I often use this tag line: AgriInvest and forget the rest.

Canadian agriculture cannot be reliant on subsidies or off-farm income for long-term business success. Again, I must reiterate that the real success for profitability in our farm operations and the future financial success of the Canadian agriculture industry must lie in continued efforts of innovation and differentiation of our agriculture products in a competitive global marketplace. BRM or safety nets need to be only complementary backstops to non-BRM efforts.

As a Canadian producer, I would like to thank the Standing Committee on Agriculture for having me here today to have input into the Growing Forward 2 process.

Thank you.

• (1545)

The Chair: Thanks very much, Jim.

I'll now move to Mr. Dechaine for 10 minutes.

Mr. Louis Dechaine (Farmer, As an Individual): Thank you, Mr. Chairman.

Good afternoon, honourable members.

I would like to thank you for the opportunity to speak to you as an individual on business risk management programs under Growing Forward 2, and more specifically the AgriStability program. The complexity, the predictability, and the bankability of this program under its current format do not work. There needs to be a better way to deliver this program—more along the guidelines of the old farm income disaster program or AgriInvest.

If I may, I would like to share with you the issues I have encountered with the AgriStability program in the last few years.

One is the ability of AFSC to change the structural change calculation for the margin years on a yearly basis. I feel that once a margin is established, the calculation should be set for the five-year period of that margin.

The structural change calculation seems to be variable based on the opinion of the person working on the file. It seems that there are verifiers who understand the way a farm operation fluctuates with the market and the seasonal conditions farmers have to deal with, and they work around it with the structural change, but many of the verifiers just process the paperwork without questioning changes that have occurred.

In some cases, farmers have pastured their hay land because of poor production and reported it in pasture instead of hay. In many cases, this error caused a structural change that should not have occurred. The people who complete their own forms can easily make these errors as well.

The pricing of commodities is based on pricing for December. In a lot of cases, pricing is poor throughout the year and increases at year-end. Pricing of some commodities is a problem. The program has become so complex that many farmers do not understand it and forms are not completed properly. Many farmers want to complete their own forms and want to understand the program they are applying for.

Payments are few for many farmers. It seems that payments are not being directed to anyone who is trying to grow their operation or maintain the operation they have established. Many payments are directed to farmers who are downsizing and getting out of farming. These are not the farmers who need the support money.

Thank you.

The Chair: Thank you.

We'll now move to Mr. Schneckenburger for ten minutes.

Mr. Arden Schneckenburger (Farmer, As an Individual): Good afternoon. My name is Arden Schneckenburger, and I farm in eastern Ontario at Morrisburg, which is approximately 65 kilometres south of here. I farm with my wife, Rhonda, my son, Warren, and

several employees. My parents are of German descent and ours is a second-generation farm.

I would like to thank the agriculture committee for giving me, a producer, an opportunity to give input on the BRM portion of Growing Forward 2.

Cedar Lodge Farms is a cash crop, beef feedlot, and small grain elevator business. We are a diversified farm, as are many farms in eastern Ontario. Ontario in general has a more diverse agriculture base and has more multi-enterprise farms than do many of the other regions of the country.

I have been farming since the early 1980s and over the years have seen a number of BRM programs developed and implemented by the provincial government or the federal government, as well as tripartite producer provincial-federal programs. I have been active in the past as a director on several farm organizations, dealing with everything from cattle to grains, and have worked on the development of various programs.

What I like about the Growing Forward methodology of programs is the belief that no one program stands alone. Marketing, trade, international rules, business risk management, market development, and research and innovation are all key in the long-term competitiveness of Canadian farms domestically, within North America, and globally.

BRM programs have been around for most of my farming career to address issues from high interest rates to market fluctuations. In Ontario, these are referred to as safety nets. Ad hoc programs, which were unpredictable and unbankable, have given way to a more structured suite of BRMs, most recently through Growing Forward 1. This suite of programs is more predictable and bankable and deemed to be less trade distorting. The programs are now up for discussion, and through some tweaking they can help Canadian farmers manage major market shifts and make us more level in global competitiveness.

There need to be tweaks around issues that are out of farmer control, such as non-tariff trade barriers, politics around issues such as BSE, border openings, COOL, etc. These are beyond our control and should not punish us with our margins.

The agriculture farm industry needs basic suites of programs to provide support at a level that is not trade distorting and that is affordable to both producers and governments alike.

Ontario farmers are concerned that not all regions are getting fair treatment and dollars under BRM programs at this time. With Ontario's diversified farmers, fewer dollars are coming to Ontario than to other regions through programs such as AgriStability, AgriInvest, and AgriRecovery. My farm, for example, did not receive any AgriStability money even though my beef feedlot suffered the same losses as feedlot-only farms did, but my other enterprises kept me above my threshold. This put me at an economic disadvantage compared to other farmers in my province.

I agreed with many of the base assumptions of Growing Forward 1, and I believe any ongoing program should have many of the following principles. It should be non-market distorting within Canada and with our trading partners. It should be equitable across all of Canada. It should be easy for farmers to do the paperwork for it and for governments to provide it. Programs have to be cost-effective to governments and producers and should react on a timely basis. They should be as bankable and predictable as possible, should work for both young or beginning farmers and established farmers, and should not punish multi-enterprise farms. Non-farmer-controlled actions by trading partners should not affect margins. Programming should be flexible; for example, there should be AgriInsurance in all regions, but it should be different in Ontario than it is in Saskatchewan. Large enterprises should be separated to address Ontario's more diverse agriculture. There should be flexibility of withdrawal for management purposes, i.e., for AgriInvest, in which the producer decides. BRM programs should be aided by Growing Forward initiatives for market development, trade, innovation, and research.

Help us to compete in the future by providing these things rather than just money for business risk management.

Here are a few of my thoughts on the BRM suite of programs and how they can be slightly tweaked. AgriInvest, as I stated earlier, is the top 15% of your reference margin. It's farmer managed and well received. I agree with Mr. Gowland that we should look at putting a higher amount in the program, like 2% of net sales, which would raise the program cap from \$22,500 to \$30,000. It's quite predictable and it's fairly easy to administer for both producer and AAFC.

● (1550)

AgriInsurance in Ontario is a well-received program. We have very good crop insurance in the province. It's well received because farmers know it's an ongoing and changing program. Every year the farm organizations and the Ontario government work out tweaks to the program. Even though it's part of the Growing Forward suite of programs, it is still changed every year. That's what we like about it; it gives some flexibility.

As for AgriStability, Ontario farmers are beginning to have more and more issues with whole-farm coverage on larger multi-enterprise farms due to a lower likelihood of payments, as compared to single-enterprise farms. There should be some consideration of not punishing farms that are trying to self-insure themselves by being diversified rather than being farms with single entities. One of the ways you could maybe do this is by allowing larger enterprises, such as those with a minimum of \$250,000 to \$400,000 in gross sales, to stand alone. So if you have \$1 million in cash crop sales and \$500,000 in cattle sales, you have the two entities separate.

The issue of consequences and negative margins caused by circumstances outside of a farmer's management control must be addressed. Take, for example, BSE. Beef farmers, never in their wildest imaginations, thought it would take many years to have all of our borders open again. I applaud the government for its commitment to work with farmers and industry to open borders. Having said that, I believe reference margins should be adjusted for what I call political interference by our trading partners in trying to keep us out.

Another area that you can perhaps look at is changing reference margins to the Olympic average versus the three years that we have in the middle right now.

The AgriRecovery program is the least predictable and bankable of all the programs. We need a program like this, which is rapid to respond in the case of a catastrophe. We saw that with the weather we had out west in the last couple of years. Again, it works best for single-enterprise farms, thus if you look at the dollars spent on this program in Ontario over the last three or four years, it's been very low.

The advance payments program is \$100,000 interest free, and it's well received by many farmers. One issue is that many of the larger farmers are not using the program because of the multi-enterprise aspect. In Ontario you're allowed to get advanced payment on a number of different commodities, be it cattle or crops, but you can't get it for each one. Again, I would look at something where, if you have a major enterprise of several hundred thousand plus, you'd be allowed to get it for both.

Ontario non-supply-managed groups have been working on other BRM programs to address income. They believe this rounds out the BRM portfolio. Much lobbying is under way, and work still needs to be done in other provinces to get this national.

On my farm, I use pretty well all of the available BRM programs to help stabilize my farm and prevent sudden income loss or shifts. I use them as an insurance, along with marketing programs for my cattle and crops, to help me stay profitable and viable. Ideally, the market would provide and no safety nets would be needed. However, this is not realistic.

Governments can further help us by putting continued resources in the other planks of the Growing Forward 2 program, specifically market development, trade, research, and innovation.

Thank you very much.

● (1555)

The Chair: Thank you very much.

We'll now move into questions. We lost Mr. Dhaliwal. They're trying to reconnect, so all we can do is just carry on.

A voice: I haven't see you on TV, Chair.

The Chair: Well, Mr. Schneckeburger was on there a few minutes ago.

Oh, Mr. Dhaliwal's chair is empty. Maybe he thought it was over.

Anyway, we'll move to Mr. Allen for five minutes.

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

Thank you to everyone. Mr. Dhaliwal might come back; I don't know, but we'll see what happens.

Mr. Schneckeburger, I was interested in your comments about farms, in Ontario, at least, that are somewhat more diversified than others in other regions of the country, where they may be into mono-agriculture or one particular thing. You started to talk about where you have cut lines, in the sense that if you do X, it should stand alone inside of the whole, and you started to talk about where you saw that line being.

I'd like to explore that more in the sense of how you see it unravelling. At first blush, one says it seems reasonable, but the next thought I had was, "Well, here comes the paperwork." So how do you pull the piece out to make it a stand-alone piece that works inside a BRM suite of programs versus being an integral part of your entire farm operation?

Mr. Gowland, I'd like you to answer the same question, if you will, because somehow I think you might have a different perspective.

May I start first with Mr. Schneckeburger?

Mr. Arden Schneckeburger: I've been thinking about this for a number of years. That's why I picked fairly high numbers, like \$250,000 to \$400,000. I was thinking it would have to be an entity that would stand as a full-time farming operation on its own—be it a feedlot, cash crop, horticulture business, or farmers who are in both beef and pork—so costs can be allocated to different things.

Most farms now are getting fairly sophisticated computer programs for doing bookkeeping. It's relatively easy for us to cost enterprises, and we do that so we can do our own cost of production calculations.

My opinion is that it should be explored, for farms that have that sophistication, etc.

Mr. Jim Gowland: From a grains and oilseeds perspective, that's all we do. I can empathize with Mr. Schneckeburger on a multi-entity type of situation. I would concur that our bookkeeping and our way of being able to count stuff in larger operations are basically not a big deal. Even within crops specific to our grains operation, we keep a pretty good handle on what the production is, what kind of pricing we've got, what our marketing was on that type of stuff, and what kinds of dollars have been brought in with those programs—and we assess the expenses to those too.

It depends on how technical you want to get, but you can split it down to whatever you want if you are dedicated to that purpose. So I think that yes, it can be done.

Basically, with an AgriStability program in our operation, we keep paying our premiums every year to it. The good news is that we've been fairly profitable and successful over the years. But we've had a couple of years where we ask if we can move some numbers around because that's still something that can be done, and you still don't even come close to it. So as far as AgriStability goes in a grains and oilseeds operation, yes, certainly we've been building reference margins up over the last number of years because of increased revenues out of crops. But again, I'm not going to depend on that program to look at cyclical downturns for us; I won't depend on it.

•(1600)

Mr. Malcolm Allen: I don't think confidence in your operations was the question; it was really more the red tape, or at least the paperwork, that I envisioned.

Last week, the folks who were here really talked about the paperwork that needs to be returned to the government or the bureaucracy in order to engage in the programs. As for your own individual farm operations, I have no illusions that you're more than capable, very competent, and know what you're doing down to the last dot of the "i" and cross of the "t" here, there, and everywhere else.

We actually had someone here who runs a consulting business where folks go to do their paperwork to get into the programs. When you break it out, and start to see that it's not just one application for your one entity—I don't know how many entities you really have, Mr. Schneckeburger, but it sounds like there's at least two or three inside your one farm, and some might have four or five—would that present a problem?

Mr. Arden Schneckeburger: Again, I'm going to argue that the bigger the business, the more sophisticated the accounting packages. I don't think it's any more of a burden than it is for a part-time farmer who's spending \$1,000 on an accountant to have the accountant do it. I think on a larger farm we spend our money on the computer programs and we tend to do it ourselves.

Mr. Malcolm Allen: To be honest, that's good news to hear, because I think the Ontario experience is that there's a diversification.

I'm sorry, Mr. Chair, I don't want to go beyond my time, because

The Chair: I'm going to let you finish your comment, but you know that we—

Mr. Malcolm Allen: We're short today, I know. We're going to have votes.

But I appreciate the comment about the ability to do that. I think it's important to know that it is there, because ultimately in Ontario it is diversified farms.

The Chair: Thank you, Mr. Allen.

Mr. Preston for five minutes.

Mr. Joe Preston (Elgin—Middlesex—London, CPC): Thank you, Mr. Chair, and with the limited time I'll get right at it.

Mr. Allen was just talking about the amount of paperwork needed to use some of the programs that are already out there. Each of you, during your presentation, including Mr. Dhaliwal, mentioned some changes or some thought changes. Hopefully, as you were thinking of those changes, you were thinking about whether they would cause more paperwork or less, and we'll go from there.

One of the other things we were looking at in one of the last meetings I was at of this committee was business plans for farming. Mr. Gowland, you mentioned a lot in your presentation about how you've planned to move forward. Even in one of your answers to Mr. Allen, you mentioned about planning and looking at whether AgriStability would work for you, how you would make it work, and that type of thing. I commend you on having that type of business plan for your farm.

We heard that day that 20% of people farming today have a business plan. Most of those put it together simply to be able to get financing, and they're not following a plan the other way. So I thank you for doing that. I think each of you in your conversations with us talked about that. We've hit on some of the 20 percenters here, so let's look at it from that point of view.

Mr. Gowland, you talked about your business and how it works. But you told us a bit about some changes you might like to look at from an AgriStability point of view, and you mentioned transparency being a problem. Is that transparency in how you report or transparency back from Agriculture Canada or...?

Mr. Jim Gowland: Again, you can maybe look at it that we're contradicting our statements here a little bit, but to try to sort it out here, there is the fact that I think we have good information from our operations. As Mr. Schneckenburger talked about, the whole situation of being able to take a multi-component farm operation, split it apart, and have those numbers—and we do have those numbers.

I think where we end up having a problem is with the AgriStability, the application, and basically, whether we are even eligible for this thing. The fact is the frustration level...again, the timeliness of need, in a lot of cases, comes into that. But it's a situation where you don't know for a long time. It's very past tense on when you get that information of whether you qualify or not. Certainly, the word “bankable” comes out, the word “predictable” comes out, and I think there's a big lack of that happening in an AgriStability type of program.

• (1605)

Mr. Joe Preston: So you're trying to find somewhere half-way through, so you can see whether you are going to be eligible or you're not going to be eligible, that type of thing?

Mr. Jim Gowland: Yes.

Mr. Joe Preston: Both you and Mr. Schneckenburger mentioned AgriInvest, and you talked about increasing AgriInvest from 1.5% to 2% and upping the piece on it. What would that look like in your

business if that happened? You're asking for that to happen. What difference will it make to your business?

Mr. Jim Gowland: Again, I look at the fact that there'd be less dependency upon a program like AgriStability, which is certainly something that we don't... We pay the premiums, but we don't get it, which, again, is probably good because the operation has maintained profitability over the years.

I think it would allow us to... I'm not trying to say we're going to hoard away money, because our interpretation of AgriInvest is that you manage that money, and you put it away for a rainy day when you do have a cyclical downturn to use it.

As we move forward, with the size of multi-million-dollar operations, it becomes significant in making sure that you've got enough that you can utilize out of that account to get you through those periods. It's worked well at the 1.5%. I think if you can bump that a half a percent or maybe even a little more, it's a situation where it's attractive to put more money in there.

Certainly there are situations with maximums where you have to take it out. I've heard that mentioned; it gets you to your maximum, then what good's the program? Well, guess what? As a farm business operation or any business operation, I think you can manage that. I think that's not a real big task. There are financial instruments and tools to deal with that.

I'll leave it at that, unless you want to—

Mr. Joe Preston: Okay, great.

You talked a little bit about diversifying...

Oh, Mr. Schneckenburger, on the same point...? Go ahead.

Mr. Arden Schneckenburger: If we go to 2% on AgriInvest and... I have a belief that farmers will be more successful down the road with things like market development, trade, research, and innovation; you can maybe save that other half a percent if you invest it in on-farm research or innovation and trying new things, etc. You would get matching funds from the government. I would see something like maybe tying it in with some of the other planks of Growing Forward 2.

Mr. Joe Preston: I guess the point is that it's an envelope of programs. If you're asking for that, where would you take it from? You're asking for an increase in AgriInvest.

Mr. Jim Gowland: I would take it from... Kind of a no-brainer for me is AgriStability; I'm a grains and oilseeds producer. On the other hand, for the red meat sector, it does work for them. But that's probably where I would look. If I had the gift chest to pull out of, that's what I would do.

The Chair: Thank you.

Mr. Valeriote, you have five minutes.

Mr. Frank Valeriote (Guelph, Lib.): Thank you, Mr. Chair.

Mr. Gowland, did I hear you say “AgriInvest and forget the rest”?

Mr. Jim Gowland: Yes.

Mr. Frank Valeriote: Okay. I do find that interesting.

Interestingly, it agrees with an article I read the other day by Larry Martin, which is a really interesting article. He's with the Macdonald Laurier Institute. He spoke of a study that was done in 2010 by Al Mussell. It showed that from 2004 to 2008, 100,000 farms had sales of less than \$100,000. These 100,000 farms represented 55% of all farming enterprises in Canada but represented only 5.7% of total farm operating income from all Canadian farms.

He thought that with the demand for food in the world we ought to be able to scale up, and that these people, these farms, ought not to rely on BRM programs as much as they do. Of course, he went on to quote how much money is spent on them. Yet I read in *The Economist* that the failure of small farms will lead to the failure of small-town economies and the corporatization of farms—huge farms. He suggests that may be the only way to go if we're going to feed the world.

I understand that argument. I don't agree with it, but I understand it.

But if we get rid of AgriStability, for instance, to me it's like somebody having the opinion that they've been healthy in their eating, they've looked after themselves, and they've cycled every day and worked out, so they don't have to rely on our universal health care system, whereas there are other people—perhaps like me—who are less attentive to their health and who do rely on the health care system from time to time. So while we're not about to get rid of the universal health care system, I don't see why we would get rid of AgriStability.

Don't you see it really as a valuable tool with the BRM and the pork crisis and all of these things we've suffered in the last three or four years? People have had to rely on it.

•(1610)

Mr. Jim Gowland: Well, from a predictability standpoint, I think that even those sectors would still have to question what's there and what they're going to get out of it. I guess there's.... As long as I've farmed—for 30-some years now—and as long as I continue to farm, or my family potentially may start to farm or something like that, we're going to see cyclical downturns. I think basically you want to look at something from a whole-farm production standpoint.

I think it's everybody's responsibility in a situation where you have a program like AgriInvest, where you can take those dollars, bank them away, and use them in times of downturns. You can use those dollars and you can manage the dollars according to the progress or lack thereof in your operation. I think in the long term, if you're having a lot of issues, you have to look hard at that business to see whether it's a viable business or not.

For the purposes of this discussion, too, I'll say that I married an accountant, and basically things are black and white; there is no grey. The situation is that the business has to sustain itself or it's not going to be there. Maybe that's my opinion, but I think business in general

is of that opinion. We're all going to have cyclical downturns. How do you ready yourself for that?

From our standpoint, an AgriStability program in my sector—I'd like to let these fellows here talk about their sectors—a grains and oilseeds sector, certainly does not work very well.

Mr. Frank Valeriote: Okay.

Mr. Schneckeburger, you talked about multi-enterprises and the difficulties that arise when some of them are profitable and one of them isn't. I don't know this, and that's why I ask. Is there not a legal way to separate your enterprises so that your wife runs one and you run the other, and the one who's running the unsuccessful one is able to apply for it? Can you explain that?

Mr. Arden Schneckeburger: I'm pretty sure it's arm's-length ownership of the businesses, so I don't think you can.

Mr. Frank Valeriote: Is that right? You guys are kind of smiling. Is that the case?

A voice: Yes.

Mr. Frank Valeriote: Okay. There is no lawful way to do it

Mr. Arden Schneckeburger: I think you pointed out that out of 100,000 small farms, there were only 5%.... Don't write programs for those people. Yes, they should be in the program. I have no problem with that. Maybe the programs should be written for what I call commercial farms. Then make it so the others fit, and not the other way around. Make it for the business.

Mr. Frank Valeriote: Okay.

Do I have any time left, Mr. Chair?

The Chair: You have three seconds.

Voices: Oh, oh!

The Chair: Sorry about that, but the clock doesn't lie.

Mr. Hoback, you have five minutes.

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

I thank all the witnesses for being here today. It's great to see you out here in December to talk about our future. I think that's very important. Thank you for doing that.

Mr. Gowland, I want to talk to you a little bit. You made a comment in your presentation about the importance of trade. Just give us an idea of how you would see more investment in trade and how that would help your operation. What types of investments would you look at for that?

Mr. Jim Gowland: Our operation—corn, soybeans, and wheat—is a traditional Ontario crop rotation, and you could throw a few white beans in there. Certainly, the soybeans, wheat, and white beans are very dependent on exports. Basically, all of the soybeans at our farm operation are dependent on exports. They go into the European Union, Japan, and Southeast Asia.

The way I look at it, we need to continually look at ways we can better penetrate markets. I have had some farm organization experience and some opportunities to see some of these markets first-hand. Probably back 10 or 12 years ago or more—and it didn't matter what commodity it was—tariff trade barriers were the big thing. We had to look at how we could minimize the impact or how we could penetrate markets if we moved those trade barriers down somewhat. They still are important.

On the trade side, we need to be very cognizant all the time of the whole situation of market access in the non-tariff trade barrier situation. If there is a focal point—it doesn't matter if you are a beef, hog, or grains and oilseeds producer—it is the need to make sure we're looking after issues of biotechnology, unapproved events, and you name it.

I'll let Arden and Louis speak about that as far as the red meats go, because I am not an expert in those. I've never owned cattle.

Certainly, those are the areas we need to push on.

• (1615)

Mr. Randy Hoback: Unfortunately, I have only five minutes, and there are so many other things I want to talk about.

You talked about AgriInvest...and I forget the rest. One of the comments I'd have is about the caps that are placed on AgriInvest at this point in time, especially out in the Prairies. Are you in favour of seeing those caps maintained, or would you like to see those caps go? Or, if you want a cap, what would you cap it at? What needs to be done on that?

Arden, I will start with you if that's okay.

Mr. Arden Schneckeburger: When I was looking at this, I saw some figures. Ontario has approximately 23.25% of the non-supply managed agriculture production in Canada. We are presently getting 16.5% of AgriInvest, AgriRecovery, and AgriStability funding.

Mr. Randy Hoback: It is hard for the individual producers. What they can put into AgriInvest is capped.

Mr. Arden Schneckeburger: That was going to be the answer to my question. That's why I was looking at 2% or so, because I figured that was a better way for Ontario farmers to have more money to be put into a program. I would up the caps. Right now it's 22.5%. I would up it to 30%, 35%, or 40% so farmers can access more. If you're not going to change it for diversified farms, then in my opinion you have to make AgriInvest higher.

Mr. Randy Hoback: Where that creates a problem for me now is that I have some operations in the Prairies that are doing sales in excess of \$6 million or \$10 million. Then you have a cap of \$35,000. Mind you, they're capped on the AgriStability side of it too. Do you see that as something we need to work on? How do we handle that? They are your true commercial producers. There's no doubt about that.

Mr. Arden Schneckeburger: On the whole issue of caps, I would say the farms who are bigger want higher caps. In the future, I would see a need to keep raising the caps as farm sizes increase. I would maybe make it an ongoing thing, not that you have to go to legislation all the time. If you say the top 10% of farms are this big, we'll up it by 3% or 5% or something like that, instead of putting it in legislation and tying it up for five years.

That's why I pointed out that we in Ontario tweak AgriInsurance every year, even though it's an existing program. I would like to see flexibility put into the program even if it's going forward, so we can address issues like that on an ongoing basis.

Mr. Jim Gowland: You make a good point, Mr. Hoback. The fact is that 1.5% currently—the \$22,500 cap—is \$1.5 million of allowable net sales, not gross sales. If you bump that to 2%, suddenly that brings you back down to that cap of \$1 million; a lot of operations have become a lot bigger than that.

There has to be some sort of system to move that forward. That's certainly the situation of farms getting larger. If you are going to go to a system where it's whole farm, and they start to look after their own business interests but not the financial management of those, I think we have to move up that scale with them.

The Chair: You're actually out of time.

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

[Translation]

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

Thank you for having accepted the committee's invitation. My question is for Mr. Gowland.

It is great how confident you are about the way you manage your business. What recommendations would you make to your fellow producers to make their businesses stable and profitable? Does everything have to be based on a good business plan and on in-depth knowledge of business risk management programs?

[English]

Mr. Jim Gowland: Thank you for the question.

As a producer, first and foremost through my career...we look at it as a true business. The farming side of it is a good lifestyle, but all producers need to be very cognizant that it is a business. We have to be pretty receptive.... Something we've done in our operation for many years is the whole aspect of looking at your markets, seeing what's out there, bringing things backwards from those markets, and seeing how you fit into that big picture.

Certainly, we look at the bottom line of what we need to support our family, to handle any debt management over the years, and those types of things; then you work backwards and look at situations that are going to make you the money to do all of that. That's been our business philosophy over the years. Something I like to discuss in open forums, with neighbours and with other individuals within the provincial and national communities, is that we always have to be cognizant of what's out there in the world. I said global before; that's whether it's local, domestic, or around the world. The fact is that you have to know that market.

I've had some privileges to travel, and I think we have to recognize that there is a big world out there to buy commodities. We're not the only ones out there selling commodities. I've been to lots of places in the world where you think you're the only show in town, but you might as well face the fact that there's somebody else sitting in the waiting room and coming in the door behind you who is probably going to try to sell their wares, too. Globally, I think production is ramping up.

As I mentioned in my presentation, with business risk management we want programs that aren't going to, in my opinion, have you sitting on a crutch and wondering if you're going to make it and whether you have enough money. That's a hard way to go through life, waiting on government payments all the time. I've seen people do that. I've been on other boards and in other operations and cooperatives and that type of stuff. There are a lot of problems out there sometimes, and you can be sympathetic, but it still comes down to the fact that it is a business, so we should treat it like a business. If we can have a tool....

I think we're privileged in agriculture that we do get some money, because there are a lot of businesses that don't receive any. I know of some local businesses in our area right now; there's a large equipment sales retail outlet that went into receivership. For those guys who are running the little places in these towns, there are no handouts. So we are privileged to have money come into agriculture, and I would like to say thank you for that.

We have to make sure we're responsible in how we divvy that pie up and how we get it out there. We have to keep it simple, and keep it to a situation that is whole farm and that can be managed.

I hope that answers the question.

• (1620)

[Translation]

Ms. Francine Raynault: How much time do I have left?

[English]

The Chair: You have about a minute and twenty-five seconds.

[Translation]

Ms. Francine Raynault: My next question is for all of the witnesses. The AgriStability program has been heavily criticized. What changes, in your opinion, should be made to it to help farmers quickly address their financial problems?

Perhaps Mr. Dechaine can answer the question.

[English]

Mr. Louis Dechaine: Go ahead.

Mr. Arden Schneckenburger: Again, what I would like to see is multi-enterprise coverage. I also would like to see compensating farmers somehow so that we don't have our declining margins due to what I call political interference, such as when the BSE hit us and they wouldn't open the borders for us, etc. I applaud the government for helping us, but it didn't help our margins for a lot of beef farmers who had the negative margins—or pork farmers. I would say that you have to somehow get the politics out of the AgriStability, get that portion out. Then I think it would be a good program.

[Translation]

Ms. Francine Raynault: Thank you.

[English]

The Chair: Thank you. We have a few seconds.

Does anybody want to comment further?

Mr. Dechaine.

Mr. Louis Dechaine: On the AgriStability program, the paperwork is too much. I believe it should be based more on your income.

Also, it's 15 to 18 months after you've done your year-end when you're trying to figure out these papers. Then a verifier comes back and you don't know what's going on; you're already working on your next year.

The Chair: Thank you.

Mr. Payne, you have five minutes.

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

I thank the witnesses for coming in today.

A couple of times I heard you folks talk particularly about being consistent nationally, province to province. I'm wondering if you can say what particular aspects you think we need to be more flexible about in terms of province to province.... Or should the programs be identical from province to province? What exactly would that mean for the farmers? That's a question for whoever wants to answer.

• (1625)

Mr. Arden Schneckenburger: I'll answer that. As I pointed out in my presentation, something like AgriInsurance is in all provinces. Basically it's crop insurance, but it's different in each province. As you know, it's 60% from the feds and 40% from the provinces, and for crop insurance, in our case a large portion also comes from the farmers in Ontario.

I think it should be made available but with the flexibility that the farmers can work with their governments in each region to make a program work. That's why I'd like to see a little more flexibility within AgriInvest, AgriStability, and AgriInsurance, to tweak it to make it work for the province that it's in.

Mr. LaVar Payne: Okay.

Jim.

Mr. Jim Gowland: Yes, I can answer that.

Certainly I think you don't want any interprovincial advantages or disadvantages, as far as commodity marketing and stuff are concerned. It's great, I think, that the provinces can get involved, depending on what level of support they can put in, but at the end of the day, again, I look at this as a Canadian producer. I farm in Ontario, I know, but as a Canadian producer the situation is that when we're exporting product—and the majority of the product in this country outside the supply-managed system is exported—you're waving the Canadian flag.

To have a province that's disadvantaged or advantaged going into that scenario, that's not flying the flag really well. I guess I'm doing a patriotic thing here, but it's a situation that I think.... We're selling Canadian product, but let's not disadvantage provinces here in those types of programs that are put in place.

So yes, I think there's an opportunity to have some types of flexibility, but again, I think there need to be some parameters around that.

Mr. LaVar Payne: I know we've heard about this several times, and even today we've talked about some of the red tape issues. Mr. Dhaliwal is not here, but he mentioned something about a check-off box on I believe his CRA tax return. I don't know if that would have any impact or ability to get your payments to you sooner, if in fact you needed to get them. Is that a particular item that you all see as a positive process to help reduce the red tape?

Mr. Jim Gowland: I'll start off a little bit on the interpretation of that.

Again, on programs and the discussion about being bankable, predictable, and that type of thing, that comes down to not just what you're going to be eligible for, but to whole.... Again, we have the opportunity within agriculture—and fisheries, of course—with cash-based accounting and how that works out. Again, it's nice to have a program such that you know where the timeliness of the money is, where it's going to be coming in or flowing out.

In a situation like AgriStability, you could be going through some pretty harsh years and not have that payment come out until you have a year of high income, and suddenly—wham—you're hit with the double whammy of higher tax liability. From that perspective, I think we need to make sure we design them so that guys can figure it out and do some tax planning around this too.

Mr. Louis Dechaine: It's like 2004, when we were hit with BSE around home. A lot of farmers could have used the money to survive the cow-calf operation. They lost it when they went out of business. That's when they got their big cheque, and that's not when they needed it.

Mr. Jim Gowland: I can attest to that too. We had a neighbour with Holstein heifers. Of course, the Holstein heifer market was just a disaster through BSE. He was a young farmer, up and coming, and basically it wiped him out. Two years later he got a great big cheque, but he couldn't get back into the industry again.

The Chair: You have about 15 seconds.

Mr. LaVar Payne: Thanks a lot. I'll let you have it.

The Chair: Mr. Rousseau, five minutes.

Mr. Jean Rousseau (Compton—Stanstead, NDP): Thanks, Mr. Chair. You've been pretty tight on the clock today, sir.

The Chair: Well, we are limited due to votes, and if we can get everybody in, it would be good. So let's see what happens.

[*Translation*]

Mr. Jean Rousseau: My questions are for everyone.

What do you think of the arrival on the market of new players from the Asia-Pacific region, Europe and India? Should we take active measures to better market our products so they remain competitive? Is everything based on the productivity of our farms?

I would like to hear from everyone, starting with Mr. Gowland.

• (1630)

[*English*]

Mr. Jim Gowland: Thank you. It's a good question. It sounds like an international trade committee question.

As an open market producer, all of my commodity is based on international markets. Anywhere we can have discussions on how

we better ourselves, how we position ourselves better, and how we sell ourselves better in differentiating our product and getting access into those markets is a good thing. Certainly you know there are sectors that have some issues with that, and that's okay.

I think we have to make sure...that commodity, whether it's 60% or 70% of Canadian production, has to go offshore. We need to be in all of those talks. We have a lot of the population in areas of the world that are trying to better their standard of living. They demand better product. I've had the opportunity to promote and push differentiated product over the years and into a market that's demanding a little bit better. Any time we can move in when there's a consumer demanding that type of stuff, I think we'd better be at the table there to make sure we see what we can do to help them out. I guess I like to be a salesman from the farm right on up.

I'll move on to the other guys.

Mr. Arden Schneckenburger: There are two things I'd like to add to that. One is that we are establishing a very good traceability process in this country of the products we're producing. I think that will help us. Another one is to put more bodies on the ground in those countries, more embassy staff who are agriculturally trained, to help us sell our products.

The government does a good job in trade missions, but that's a one-off. We need bodies on the ground afterwards to help us sell.

Mr. Jean Rousseau: Mr. Dechaine.

Mr. Louis Dechaine: I would pretty well reiterate what these boys said. We need more bodies over there.

Mr. Jean Rousseau: Is labelling an issue on this?

Mr. Louis Dechaine: I don't believe in it. Now that COOL has been struck down, hopefully we don't have to go through that again.

The Chair: You have two minutes.

Mr. Jean Rousseau: Two minutes. Cool.

[*Translation*]

My next question is for Mr. Schneckenburger.

Were there enough incentives in the Growing Forward initiative for the marketing of our products, that is to have access to new markets?

We know that with immigration, there are new products on the market and there is demand for new products. Were there enough incentives in the Growing Forward initiative?

[English]

Mr. Arden Schneckenburger: There have been sufficient incentives. I think you can always use more. I agree with you. Just being a base commodity producer in this day and age I don't think can differentiate you in the global marketplace from somebody like the U.S. growing corn. If we can value-add more here, and value-add before we export, it gives jobs here, maybe on-farm jobs, etc. That's why I would like to see more money put into Growing Forward 2 and in innovation, research, that kind of thing.

Mr. Jean Rousseau: What about you, Mr. Gowland?

Mr. Jim Gowland: Yes, I think that over the last number of years some new incentives have come through Growing Forward, especially in the area of research and innovation. We always ask, "Is it enough?" No, it's never enough. It's a situation where I think we recognize that there are monetary and economic issues.

But I think the whole transition here that we're seeing and that I think is a really major positive.... It doesn't matter whether it's in grains and oilseeds, the red meat sector, or the supply-managed sector. It doesn't matter where it is: the fact of the matter is that we are making it market driven.

It's great that we've had good scientists over the years who have been able to develop things, to put them out there, and to see if they will work. Sometimes that's okay, too, because you pick up on stuff that sometimes wouldn't have been invented or whatever. But I think it's more consumer reactive: we drive that back up through the whole process. You get industry. You get all aspects of industry. You start to have that market-driven aspect. I think it's good. I think we need to expand upon it within Growing Forward 2 as we move forward. Again, as I mentioned in my remarks, the fact is that I think that's where the huge emphasis is for success for the Canadian agriculture industry.

I look at myself. I've been in it 30-some years now. This is crop number 35 going in. I'm starting to look at the exit ramp, and the next generation is coming on here. We need to have stuff in place here to make sure these guys and gals are going to be competitive. I say "gals" because I have two girls who are very active in the agriculture business.

•(1635)

Mr. Jean Rousseau: That's great.

Thank you very much.

The Chair: Thank you.

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

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

Thanks for coming.

First of all, I want to ask Jim a question.

It seems that you've given us an example. You're a practical kind of guy and it's good to have just regular farmers here speaking to us. But in terms of that, you brought up AgriInvest and forget the rest. You did explain that a little to some of the other questioners here, but I would like you to explain what you meant and give us a bit more of an explanation. Validate AgriInvest a little bit more for us, I guess,

and maybe explain, too, why you think some of the other ones can go.

Mr. Jim Gowland: I guess I look at it—and certainly the AgriInvest—coming from the policy area of looking at programs as whole-farm programs. That's a transition we've seen over the years. I've been through a lot of years, with some payments back in the eighties and those types of things, which were very ad hoc in nature. Some of them were commodity-specific and sector-specific programs. I think it's positive that we've moved into a situation of whole-farm types of programs.

Again, I keep coming back to the whole bankable and predictable aspect. You know how much money you're going to put in there, and yes, there's some tweaking you have to do. Again, I keep coming back to this: we are managing our own business. It's an opportunity that.... We still have a government that supports agriculture and is putting money into it, but let's do it in a whole-farm aspect so that it doesn't become distorting for commodity production. I think we have to always be careful about saying, "Which commodity is going to make me more money because of the program payment?" We've seen that happen in other countries too. That causes some issues and some grief as well.

I like to think that I tend to run my operation certainly by segments, but again, it's as a whole farm at the end of the day that it pays the bills, and I would like to see that we still maintain that whole farm. It doesn't matter whether you're a \$100,000 producer or a \$5 million or \$6 million producer; the rules are the same and you have the same opportunities. I think it's a very fair way of doing the division of the pie of that privileged amount of money. I know there are arguments that we should have more sometimes—and that would be great—but you have to divide the pie fairly.

Mr. Bob Zimmer: Do I still have time, Larry?

The Chair: Yes. You have two and a half minutes.

Mr. Bob Zimmer: Good.

Mr. Chair, I have a question for Mr. Dechaine.

I know you raise cattle. I want to know what you think of a price insurance-based model for cattle. If you could design a program, what would it look like?

Mr. Louis Dechaine: We had one before. I know they have one again now on the feeder side of it for your cattle. But the minute you start getting protection into the pricing, people start manipulating it. Any time there's an insurance program, that seems to be what happens.

I raise cattle, but since 2004, since BSE, we have diversified. We also grow pedigreed seed grain, which helps. As a mixed farmer, AgriStability doesn't work for me, and that's my concern with it.

But on an insurance program for cattle.... We used to have the old one until the federal government got out in the eighties. What happened was that it drove feeder cattle too high and then the feedlots couldn't compete. Then they got rid of it. I don't agree with insurance programs for cattle, so I can't comment on that.

Mr. Bob Zimmer: How about Mr. Schneckenburger? What would your thoughts be on an insurance-based program for cattle?

Mr. Arden Schneckenburger: We basically have a program—well, it's being implemented at the present time—in Ontario. It's just an Ontario-based program called RMP, risk management program, for cattle. Time will tell. There are some concerns about it being manipulated. I don't know. I think if it's properly set up it might work, but I think it's in a trial-and-error time right now, so we'll see if it does work.

• (1640)

The Chair: You have 20 or 25 seconds.

Mr. Bob Zimmer: I'm good.

The Chair: Are you sure?

Mr. Bob Zimmer: Yes.

The Chair: Okay.

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

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

Actually I had a whole bunch of questions prepared for Mr. Dhaliwal, but he left town.

The Chair: Apparently after we lost the signal he decided it was all over and left the building. We tried to get him back.

Mr. Alex Atamanenko: I guess I won't ask you about the tree fruit industry.

Mine is a general question. This a theme that has come up over the years I've been on this committee. We've often had farmers like you appear here on various themes, and the plea has often been that we need a level playing field. I remember one pork producer who said, "Please help us compete against foreign governments." How can we do that? Obviously you folks are successful. You run your successful businesses. There are others, perhaps smaller farms, that aren't as successful and that perhaps need some kind of assistance to keep them on a level playing field, especially if we want rural Canada, as we know it, to survive.

We know that the United States, for example, heavily subsidize their agriculture industry through their farm bill. Last week we heard that they recently injected \$300 million to help out the chicken farmers, who are basically going bankrupt. So they're always finding money, and our folks, of course, then have to compete with this. We saw last week that, sure, the prices of chickens from the United States are low, because they're having a lot of problems and they're getting this money. So we always have this argument, I guess, about competing with others. We see the same thing with the European Union.

What can we do? We have all these programs, and we've talked about the pros and cons of AgriStability, AgriInvest, and AgriInsurance. What should our government be doing federally, in

cooperation with provincial governments, to keep that field level in general? Or should we be doing something else to ensure that you folks can get out there and survive and make sure that at the end of the day you've made a profit on your business? We know a lot of folks survive because they have off-farm income.

That's a philosophical question, but I think it's very pertinent. Maybe we'll start with Mr. Schneckenburger and just work our way down.

I'll stop there.

Mr. Arden Schneckenburger: I think we're doing a lot of the right things. We're putting money into international trade. We're putting money into trying to get rid of what I call the politics—you know, people coming up with any excuse why we can't sell another product. I think farmers are participating in the HACCP-type programs, identifying their farms, ensuring traceability, and these kinds of things. I think all of that will help, and it all bodes well for Canadian product in the future. There is still just that big issue of politics: why won't Europe take such-and-such a product? They always say we have supply management, or they come up with some excuse. But we have to get over those politics. I think the whole world should strive for what we're trying to do: to make and put out there product that is good and safe for everybody in the world, not just for ourselves.

I agree with you that if Canada is exporting 60% or more of our agricultural products, we have to be leaders in that, but maybe we can help other countries understand why we're doing this.

Mr. Alex Atamanenko: Mr. Dechaine.

Mr. Louis Dechaine: I will say that the Canadian government has done lots for us. Our traceability programs are second to none. We always have to take on Goliath, it seems, and they find every excuse to try to close the border. But with our traceability programs, the market access is good. We just have to keep fighting them, I guess.

Mr. Alex Atamanenko: Mr. Gowland.

Mr. Jim Gowland: I will reiterate some of the things my two colleagues have talked about. Certainly, on the whole trade aspect, we always have to recognize—whether you are in a farm organization or you are the farmer on the back road, such as me—that we cannot consume all of the stuff we produce in this country, period. That's all there is to it. We have to export.

If we're going to be in that game, we have to get into the mentality that we have to look at all the possibilities of making trade better. We have to differentiate our product.

Again, I've had the privilege to work in the soybean industry, and I'll rattle through some of those numbers. The soybean industry in Canada is one of the smallest soybean producers in the world, yet we are one of the most renowned as far as the quality of production goes. Although we are only 1% of the whole production side, the market penetration of exports we have is phenomenal.

The beef guys have been doing that; the pork guys have been working hard. But I see a lot of the situation where it's an ask by growers and industry organizations to keep investing in market access, to get into these markets, and to find out what the hurdles are that we have to get over. Then we still have to have a differentiated product to sell into that market.

It's a niche thing. It's a combination of both, but again, if we keep throwing money into our pockets—I sometimes wrestle with this, but I don't lose any sleep over it—the situation is that we have to face reality here. If we want to sell into these places, we have to do our homework and make it happen. We can throw a lot of money at safety nets, and again, I said I was grateful for what we do have that comes in this country, but throwing more money all the time at it... I'll probably be chastised by some other individuals within the agriculture community, but the hard reality we have to face is that we can't keep throwing money at it, hoping it's going to fix itself. We have to throw the money in the right places: trade, market access, differentiation of product, and selling ourselves.

We have the best darned flag around the world to sell our products, so that is usually a big hand-up for us in that respect.

• (1645)

The Chair: Thank you.

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

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Mr. Chair.

I'm just going to caution the guests that I have a tendency to filibuster myself—

Voices: Oh, oh!

Mr. Blaine Calkins: —especially when I do a guest appearance at a particular committee. I'm not a regular member of the agriculture committee, but I do represent a rural riding and I grew up on a farm —

The Chair: I'll let you filibuster for five minutes.

Mr. Blaine Calkins: You're interrupting me, Chair. Do I have the floor, Chair?

Voices: Oh, oh!

Mr. Blaine Calkins: I'll just give you a little bit of my background. I'm a farm boy. I grew up in Lacombe on a cow-calf operation—actually, it was a mixed farm when I was a kid, and it became a cow-calf operation because it was the only thing that was viable after a while. With the small number of hogs and the small acreage we had, it no longer became viable to grow grain or oilseed crops. It no longer became viable to produce hogs and sell them in the marketplace. I eventually left the cow-calf operation when BSE hit in 2003, and the rest, as they say, is history. Dad is still there trying to diversify and to do what he can, but other pressures that

have been put on his current operation are going to try to force him out of business again.

Without getting into too much detail about my personal life, I also spent a long time as a computer programmer. I worked for Agriculture Financial Services Corporation in Alberta. I worked on programs—I built information systems like the farm income disaster program, the database, and all the data architecture behind there—and I understand the enormous amount of money we spend on the administration of agricultural programs. As a member of Parliament, I have problem after problem when constituents come to me and say it's taking too long to get their applications through. Accountants come to me and say that filling out an AgriStability form—or the CAIS application form, as it was known as before—required a master's degree to even navigate through the paperwork.

We're spending all this time and effort and frustration, yet at the end of the day we don't seem to get any further ahead insofar as Albertans moving forward. I'll give you an example. We have some running jokes in Alberta: we say we work in the oil patch to support our farming habits. When you take a look at the young people growing up in rural Alberta right now, they are all working in the oil patch—drilling for oil, natural gas, or whatever the case might be. They're diversifying their farm operations by having steamer trucks or other types of oil field operations...working out in order to help keep the farm going. It just isn't viable or sustainable.

I'm going to ask a very technical question here, getting back to the reference margins. Somebody brought up the idea of moving to an Olympic average versus the three. If you look at what happened to the hog industry, when you have depressed prices over a sustained long period of time, your reference margins go so low that you can't even trigger a payment anymore through the stability programming. How do you fix that?

Mr. Arden Schneckenburger: Good question. Again, I'll just take my particular case of BSE. I deem the problem of BSE to be partially political, where the borders were closed and they really shouldn't have been. So how we can fix those low margins—that's where I was saying we have to be compensated; our reference margins have to be lifted as if the borders were open.

• (1650)

Mr. Blaine Calkins: That would incite or give an opportunity for more political interference. You could initiate any type of trade challenge and so on, because we are artificially altering those reference margins—within certain reason.

We understand the risks associated every time we start putting funding toward a program. But then you move those reference margins, and if the commodity price doesn't come back up and the reference margin stays high, you'll still never trigger a payment in the future.

Mr. Arden Schneckenburger: We lost 40% of our feedlot industry in Ontario due to BSE. There's a political—

Mr. Blaine Calkins: What are you going to do?

Mr. Arden Schneckeburger: Yes, you can say we're completely green, or whatever colour you want to use for negotiations and world trade organizations, but there is a point where you're going to have to adjust somewhere to keep those farms in business, or you let them go out and the strong get stronger. We'll have fewer farms. That's okay.

Mr. Blaine Calkins: I appreciate those comments. Those are tough decisions for a politician, at the political level, to make.

I have one more question for you. I've heard cases where individuals incorporate every quarter section of land they have under a private number and they simply farm the business risk management programs. Do you guys have any knowledge of that? Is that happening with any of your neighbours, your friends, anything like that? Do you know of any cases where that might actually be in existence?

No? Well, that's good. I'm glad because—

Mr. Jim Gowland: We have no quarter sections in Ontario.

Mr. Blaine Calkins: I have to tell you, we should be out there farming the land. We should be out there on the tractor or making business decisions on the computer. We shouldn't be making business decisions based on the government support programs that are out there. I think everybody at the table agrees with that, even though we all have different backgrounds in what we're looking for, whether it's grains and oilseeds or whether it's the red meat sector.

Mr. Jim Gowland: I'll just make one comment.

Mr. Blaine Calkins: Sure.

Mr. Jim Gowland: I think you can try to manipulate the system, but at the end of the day who are you kidding?

Mr. Blaine Calkins: That's just it. You should be farming the land, not farming government programs.

The Chair: Thank you.

Mr. Lemieux, you have five minutes.

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

Good discussion today, partly because we are talking about each of the individual programs, or many of them, and about where improvements could be made and where some of the frustrations are, but also because I detected, for example, Mr. Gowland, a strong preference for certain programs over other programs.

Certainly, in our previous meetings I've been putting forward the proposition that the pie isn't going to get any bigger. To want to make changes to all programs would increase the pie when in fact we may have to make decisions as to whether financial resources should go more toward a program that actually works for farmers less. Just to give an example, should some of the criteria for AgriInvest be relaxed and use AgriStability less? In other words, we're not adding more, more, more; what we're doing is starting to transfer to programs that farmers say would work better for them. So there have been some really good comments here.

I want to underline one thing that we have also discussed. This is the idea—one of my colleagues, I think Bob Zimmer, brought it up—of insurance-based programs. I don't mean cost of production programs, because there's a difference. Insurance-based programs

don't guarantee profitability. They try to protect against the downside, but they're not going to guarantee profitability, whereas cost of production programs guarantee profitability. Of course, that's where we get into a problem as a federal government, because as soon as you start guaranteeing profitability, it's starting to look a lot like a subsidy. When it starts looking a lot like a subsidy, you start being open to trade action.

Let me go back to the insurance-based program that's not cost of production based. Instead, it's basically trying to cover some of the downside. You're basically going to see a price that you'd like to sell your product at and you insure close to that price, depending on how much premium you want to pay. It has nothing to do with your input costs. It just has to do with a market price, what you see on the market, insuring toward that price, and if you don't sell, you're covered to a certain level. In fact, Alberta has something like that for their beef sector, of course, under crop insurance. We, the feds, offer the crop insurance program, which is based upon that model.

I want to ask each of you your opinion on this in terms of perhaps expanding that to other commodities, because federally we only offer that really as crop insurance. We have a province that took a particular initiative, which is fine. I think that's where regional flexibility comes in. A provincial government looks at its sector and says, "Well, I think we should move on this kind of a program for our farmers."

I would like to know your input, from a national perspective, if you see that that type of an insurance program would be worthy or worthwhile, helpful to farmers and other particular commodities, that you would have a recommendation to be covered.

Let me start with Mr. Gowland and we'll just work our way to the right.

• (1655)

Mr. Jim Gowland: That's a good question. Thank you.

I have to think about that fairly quickly here.

Certainly the production insurance side works out well for us in Ontario. It would be great if that could be across provinces.

Whenever we start to talk about income guaranteeing of cost insurance, profitability insurance, or whatever you want to call it, the first thing that comes to my mind is where are the thresholds where it's affordable, from a societal point of view and from the government as to whether it can be cost-effective. Also when you put out an insurance premium on your farm operation, I think where's the threshold of where that can be and stuff like that.

With insurance programs, in our operation, we look at it as maybe you can become insurance poor by putting premiums out, depending on how much that's going to cost. In a situation where we're probably looking at 1.5% on our production insurance side of it, there are costs there. If we look at AgriInvest at 1.5%, and we start looking at more programs and stuff like that, where's that line? I like to look at, as I say, what can you afford within your gross revenues as a part of insurance premiums? At what threshold is it that you're basically taking away from your right to make a living?

Mr. Pierre Lemieux: Yes, that's a good point.

Mr. Jim Gowland: So trying to guess where you're going to be in profitability and trying to peg a rate that's comfortable to you, it becomes quite a challenge.

Mr. Pierre Lemieux: It's a good point.

Mr. Dechaine.

The Chair: Thank you.

Mr. Dechaine, and then Mr. Schneckenburger, if you'd like to comment.

Mr. Louis Dechaine: In Alberta we have spring price endorsements on our crops already, where we can insure our crops for certain bushels at a certain price, and we have the crop insurance.

With cattle, they have one now. But it's each to their own to take it, I guess.

Mr. Arden Schneckenburger: As for insurance-type programs for what you're talking about, the more volatile markets are—like they are at the present time—for grain, oilseeds, and livestock. The cost of insurance, i.e., doing it right now by doing options in the futures market, is cost-prohibitive.

I would say in stable markets that might work. In very volatile markets, I would say you'd have a very hard time setting a premium.

Mr. Pierre Lemieux: All right.

Thanks for the feedback.

The Chair: Thank you.

Arden, I thought you had a comment earlier, and it's one I have heard before. You talked about Ontario producers having 24% of the overall farm gate receipts in Canada, but those same farmers access a little over 16%. What's the reason for that, in your opinion? Are Ontario farmers better at diversifying, or do they use self-business risk management more? Is there a flaw in the program? Any comment on that?

Mr. Arden Schneckenburger: Basically the Ontario market is about one-quarter beef, one-quarter pork, one-quarter grains and oilseeds, and one-quarter horticulture. We have the opportunity and the climate to grow many different, and be in many different,

businesses. I think we have a more stable weather pattern with the Great Lakes influencing our soil, so we don't have the cropping disasters such as Saskatchewan suffered the last couple of years.

I would say the fact that the farms have diversified to make ends meet and to become more profitable...we're more self-insuring here in that aspect and that's why you're not seeing the payments. AgriRecovery in Ontario is virtually not used at all. The other ones are considerably down compared to other areas that tend more to be monoculture farms. So I would say, yes, we're self-insuring.

The Chair: Okay, thank you.

Jim or Mr. Dechaine, do you want to comment?

Mr. Jim Gowland: I think that certainly from an Ontario perspective, with the whole situation of diversification, there seems to be less risk.

Mr. Louis Dechaine: That's the same thing I wanted to say.

I don't know about in the other provinces or not, but right around home there are some large farm operations that are totally grain and they don't carry any insurance at all. They figure they've got a big enough land base that they don't need the risk. So it's more your small to medium-sized farms that are using the programs.

• (1700)

The Chair: Thank you.

We have bells going off in 15 minutes and we do have some committee business. We have a motion, and I'd like to get some direction from the committee on where we go after the Christmas break.

With that, I'd like to thank all three of you for coming here today. I thought there were some very good comments by all of you. I wish you all the best in 2012 and a very merry Christmas. Thank you very much.

I believe we're moving in camera, so we'll have to ask our visitors to leave.

[Proceedings continue in camera]

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