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

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**EVIDENCE**

**Wednesday, February 8, 2012**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

Wednesday, February 8, 2012

• (1530)

[English]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** Would everyone take their place, please? We need a couple more members for a quorum. I guess they are in the room.

With that, I'd like to thank all our witnesses for being here today. We appreciate your coming. I understand we have a PowerPoint, and just in case we run into technical glitches, which can happen the odd time, I think I'm just going to stray from the agenda here and allow the Grape Growers of Ontario to present first.

Are you ready, Ms. Zimmerman?

**Ms. Debbie Zimmerman (Chief Executive Officer, Grape Growers of Ontario):** Thank you very much, Mr. Chair.

**The Chair:** You have 10 minutes or less, please.

**Ms. Debbie Zimmerman:** Certainly.

I have a French version here, too, so I'm going to try to read from this one.

Thank you very much for allowing us to present today. I'd like to thank our member from Welland, Malcolm Allen, for the invitation to speak today before the committee. I will try to be as brief as possible as I'm going forward.

I'd like to provide some background information on the grape and wine industry and some context to the discussion on marketing and trade as it relates to Growing Forward 2. The Grape Growers of Ontario is the official organization, acting under the authority of the Farm Products Marketing Commission, which represents more than 500 growers on 15,000 acres of processing grapes, including 176 wineries in the province, and four viticultural areas: Niagara Peninsula, Pelee Island, Lake Erie North Shore, and Prince Edward County.

Ontario is the country's leading grape producer, accounting for about 77% of Canadian wine and grape production in the country. The total farm gate value of Ontario grapes exceeded \$78 million in 2011, and we had one of our largest productions ever, with 64,000 tonnes of grapes. Over 96% of that production is hybrid and vinifera wine grape varieties, and 4% are what we call labrusca or juice grapes.

The wine industry alone generates \$600 million in retail sales in Ontario. That's in 2011. The grape and wine sector supports approximately 7,000 jobs in Ontario and over \$100 million in direct wages.

A litre of 100% Ontario or Canadian wine produces \$11.50 of economic impact, compared to \$0.67 per litre of imported wine, for an added value of about \$529 million per year. Each acre of grapes, which I'm sure you'd be interested in, generates \$30,000 in taxes to the Province of Ontario each year, so we're building hospitals and schools.

In 1987, prior to the free trade agreement, there were 62,000 tonnes of grapes grown in Ontario, and 55% of those were juice grapes like Concord and Niagara. Farm gate value then was \$26 million. Forty-six million litres of Canadian wine were sold, and our domestic wine enjoyed a 49% share of the Canadian wine market.

With the help of the federal government in 1987, the grape and wine adjustment program, because of free trade, became a game changer for the grape and wine industry. It has grown, matured, and established itself as a world-class wine region. This reputation for excellence was founded in the appellation system called VQA, which means 100% Ontario or Canadian grown.

While production of grapes is about the same today as it was in 1987, through the investment of vineyards, innovation, and research, 96% of Ontario grapes are now hybrid and traditional European vinifera.

What's interesting about all of this is that market share has not grown all that much for Canadian wines. In fact, it has dropped from 49% in 1987 to only 32% in 2011.

The 32% market share for Canadian wine sold in Canada includes wine that is 100% domestic content. So really what we have are two: Canadian, and international and Canadian blend. VQA wines, which are 100% Ontario or domestic grapes, are only 11% of market share in Ontario. Currently, you will find that Canadian-international blend contains only 25% domestic content.

Turning to Growing Forward, why is it an important component of growing the grape and wine industry? I think you're all aware of this. We have four components of Growing Forward. The AgriInvest, AgriStability, and Production Insurance have been important programs, providing a level of long-term stability to the agriculture industry by assisting with large declines in farm income due to factors that are quite often beyond the control of farmers. I think everybody understands that when it comes to weather, in our industry particularly, growing grapes in a cool climate is often difficult. Also there are the exchange rate, fuel costs, and adverse weather conditions.

The Grape Growers of Ontario encourages the government to retain these business risk management programs in Growing Forward 2 and recommends that the federal government participate with the Ontario government in the new self-directed risk management program, which will supplement AgriStability and AgriInvest.

• (1535)

The self-directed risk management program payments are reduced by the amount a grower receives through AgriStability, so that program provides relief in instances when AgriStability does not adequately cover a loss. For example, if a vineyard suffers significant winter injury and needs vines to be replanted, it will take four years for the vines to come back. It's not an overnight event. The reference margin used to calculate AgriStability payments will be declining during the years the grower has no income for the damaged vines but has the expense of re-establishing that vineyard.

The Grape Growers of Ontario congratulate Prime Minister Harper on the recent cross-border agreement reached with President Obama. We welcome the action plan for perimeter security and economic competitiveness and the action plan for regulatory cooperation, and we anticipate that these could have a significant positive impact on the Canadian horticultural industry going forward.

For example, our juice grapes are trucked to the U.S., because that's the only processing plant left for Canadian juice grapes, and quite often they are turned back at the U.S. border due to Federal Drug Administration, FDA, regulations that make it impractical for our buyers, and in fact for the U.S. buyers, to purchase Canadian grapes under the current situation.

We also thank Minister Ritz for taking this on, as we have asked that considerable time be spent on this issue to help our juice grape growers.

The juice grape growers have been subject to lengthy inspections and FDA protocols that have made it impossible for this industry to survive.

Why does our industry need Growing Forward programs to work more effectively?

Innovation is critical for our industry to survive, and I think we want to continue to be globally competitive. Our frustration has been that we have been unable to do that in the past. The horticultural industry is important, and we represent a number of sectors in our office in St. Catharines. We represent the Grape Growers of Ontario, Ontario Apple Growers, and Ontario Tender Fruit Producers. When I speak about AgriFlex, in terms of it being part of Growing Forward 2, I'm representing those industries as well here today.

The projects that a number of us had prepared under AgriFlexibility for the last couple of years would have provided cost-share funding for investment by growers and much needed technology and infrastructure. As an organization representing a number of areas—as I've described, apples, tender fruit, and grapes—we have produced a survey of growers prior to submitting the AgriFlex application. We had initial interest from about 127 individual grape grower businesses who were willing to invest \$9.7 million with access to matching funds to be administered through the commodity organization. The other organizations obviously had a similar

response from their membership. The AgriFlexibility applications from the horticulture industry were declined—all three boards were declined—when the program rules were redefined to prevent individual businesses from receiving funds.

Growing the local market is critical to sustaining the industry long term, especially given that market share of Canadian VQA and ICB wine has been stagnant for years at 32% of wine sales in Canada, whereas competing international wine regions hold shares upwards of 70% in our own market here in Canada, which is quite disturbing. In comparison, Australia owns 90% of its domestic market, California 63% of the entire U.S. market, and New Zealand 57% of its market.

In a presentation to the Standing Senate Committee on Agriculture and Forestry on November 29, 2011, the Canadian Vintners Association indicated that foreign wine producers around the world, including Australia, the United States, New Zealand, France, Italy, and others are financially supported by their national and regional governments for both export and domestic market programming for wine sales and regional development. For example, EU wine reform dedicated \$1.2 billion to support the marketing of wine between 2008 and 2012.

Grape growers in Ontario and actually in Canada should not have to compete with the treasuries of foreign countries.

• (1540)

The federal AgriMarketing program, known as AMP, which has supported long-term, international marketing strategies, needs to be expanded to include domestic marketing programs to allow commodity groups to promote consumer awareness and encourage consumers to buy locally.

Grape Growers of Ontario strongly supports the Standing Committee on Agriculture and Agri-Food's recommendation in their third report, on the competitiveness of Canadian agriculture, to modify the AgriMarketing program so that initiatives to grow the domestic market for Canadian products can be eligible. We support that and thank you for it.

How's my time?

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

If you want 10 seconds for a closing remark, that would be...

**Ms. Debbie Zimmerman:** I was going as fast as I could, Mr. Chair. I apologize.

**The Chair:** No, I don't doubt that.

**Ms. Debbie Zimmerman:** I think I've said just about everything I need to say. Certainly whatever is left in the document you can read.

I appreciate the time.

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

**Ms. Debbie Zimmerman:** You're more than welcome.

**The Chair:** We'll now go to the Canadian Produce Marketing Association. We have Ms. Proctor and Mr. Lemaire.

Take ten minutes or less, please.

**Mr. Ron Lemaire (President, Canadian Produce Marketing Association):** Thank you, Mr. Chair.

Honourable members of the Standing Committee on Agriculture and Agri-Food, on behalf of the Canadian Produce Marketing Association, I would like to thank you for the opportunity to speak to you today.

Some in the committee will know the CPMA from other events, like Horticulture for Health, but for those of you who do not know the Canadian Produce Marketing Association, we represent a fresh fruit and vegetable industry valued at over \$9 billion in Canada. CPMA is a not-for-profit association that has represented the interests of the fresh fruit and vegetable trade in Canada for the past 87 years. Representing a vertically integrated supply chain, we support the needs and interests of member companies from farm gate to dinner plate. In short, the association includes grower-shippers, food retailers, food service operators, and most everyone else in between. As an example, members include the P.E.I. Potato Board, B.C. Tree Fruits, Loblaw's, Metro, Sysco, and Gordon Food Service.

Within a membership of over 770 companies, CPMA represents the interests of 456 Canadian companies, including over 150 Canadian grower-shipper-packers. This diversified Canadian membership provides CPMA with a unique perspective of the issues and challenges facing the Canadian food system, domestically and internationally, on the primary production and market levels.

Recognizing that the committee is seeking information pertaining to two core areas, I hope to be able to provide some insight from the perspective of the fresh fruit and vegetable supply chain and food system in Canada, by looking specifically at how industry, government, and a range of diversified stakeholders and sectors need to converge to create a model that will allow Canadian companies involved in fresh fruit and vegetable production and sales to grow into the future.

The fresh produce business moves at a very rapid pace. Given the perishable nature of the business, it's no surprise the industry's mantra is "sell it or smell it". This reality adds to the complexity of the marketplace and the nature of how produce is sold and marketed. Some suggest that while investments by the provincial and federal governments in development programs are a part of the economic engine supporting our industry, we feel they aren't the key, but they are definitely the spark plug.

The fresh produce industry in Canada enjoys the benefit of a strong export and import market with our closest trading partner, the United States. Canada exports over \$4 billion of fresh produce annually to the U.S. and imports approximately \$7 billion worth. The successful importing and exporting of fresh produce relies heavily on the integrity of the Canadian regulatory system and policy tools that support our market. Effective regulations protect our health, safety, and the environment, while supporting growth, investment, innovation, and market openness.

As the North American market is extremely significant to the fresh fruit and vegetable sector, we are very pleased with the work

currently under way by the Regulatory Cooperation Council. The RCC is an excellent example of how the federal government can support industry, potentially expand market opportunities through enhancing existing mechanisms, and foster cooperation in the design of regulations to ensure alignment in their implementation or enforcement. While this approach on a bilateral level with the U.S. is encouraging, we must also look inward on a domestic level to ensure consistent application and interpretation of existing tools, such as plant health regulations and others, to ensure the competitiveness of the domestic industry.

CPMA welcomed many of the recommendations from the Red Tape Reduction Commission report, and underscores the need to ensure that unnecessary or burdensome regulations do not negatively impact the competitiveness of the industry. It is also crucial that government departments ensure solutions developed for one commodity are not automatically assumed to be the best solution for all.

Traceability and the introduction of sustainable packaging, such as returnable plastic containers, or RPCs, are examples of innovation in the produce industry. Traceability supports the continued safety of food, while RPC utilization in produce—much like previous implementation in milk and meat crates for distribution—supports a sustainable delivery of produce from grower-packers to the distribution centres of both food retailers and food distributors. It is crucial that industry and government collaborate to address any existing or emerging regulations or policy that might negatively impact an industry's ability to deliver on innovations such as these. As an example, something is currently happening in Canada with RPCs at the CFIA level.

The fresh fruit and vegetable sector in Canada has not realized its full potential on the domestic and international level. There are many lost opportunities due to the complexities of the global marketplace and the lack of alignment between the supply chain, related policies, regulations, and gaps within an overall food system approach, which includes many intersecting stakeholders working beyond a linear sector model.

• (1545)

The Canadian Agri-Food Policy Institute identified that:

The issues and solutions affecting the sector are cross-cutting and increasingly complex, including those relating to reliable food production and supply, trade and market access, diet, nutrition and population health, and environmental sustainability and climate change adaptation. Positioning the country for future success depends on wisely managing these issues. Doing so requires changing the way we link broad food issues and connect agri-food and other stakeholders. It's about adopting "food systems thinking".

As the report stated:

We need to stop talking only about sectors, value chains and product lines and start thinking more about agri-food "systems". Future success hinges on taking a systems approach that better understands the connections among many diverse players [within the marketplace].

The produce industry has functioned within a vertically integrated supply chain for many years. Moving perishable products like fruit and vegetables required a chain to leverage partnerships and collaboration within a competitive and complex food systems approach. This system has included the traditional supply chain partners and has begun to expand beyond adjacent sectors, such as research, health, transportation, environment, food security, and beyond.

An example of this approach can be found in the recent development and launch of the produce transportation guidelines, which were created with cross-sector partners from Canada and the United States to address common issues and improve competitiveness within the marketplace.

Additionally, the produce industry has grappled with a range of challenges such as extreme variances in input costs compared to those of international markets, as we heard from the previous speaker; lack of tools to support regulatory requirements, and the lack of private funding to support needed market information, research, and innovation. To address these challenges, we recognize the opportunity to build upon existing successes, such as those of the RCC; to develop food systems within the produce industry, which will bring together intersecting sectors; and to improve research and competitiveness within the industry with our government partners.

The current provincial and federal government programs for fresh fruit and vegetables, which support public-private partnerships such as programs funded by the regional adaptation council and the work under way with the Vineland Research Station are examples of models that should be expanded. As the produce industry is made up of many small to medium-sized companies, there are limited private funds available to invest in areas that could be considered expendable or optional, even though they are essential to market growth.

As an example, tools such as single ingredient data to support fresh fruit and vegetable nutrition labelling in Canada are required and are unfortunately cost-prohibitive for many small growers. CPMA is working with Health Canada and Agriculture and Agri-Food Canada to develop a top 20 list for industry.

Understanding market demand and trends is also vital as consumer needs and market opportunity are evolutionary within our social media environment. An example of work under way includes research in Ontario focused on planting and testing new ethnic vegetable varieties to meet the changing Canadian demand. This research is being conducted in conjunction with researchers, growers, and retailers to develop and test products, an example of a true food system.

Other projects include taste profiles. Taste is fundamental to selling more fresh fruit and vegetables. Growing good-tasting product is key. Breeding programs and consumer testing with peaches that are grown not only to meet consumer demand with regard to size and colour but also to offer the right taste profile to address consumer preferences are fundamental. Funding to support this research is needed. Research to develop a plum with the highest level of antioxidants of any plum in the market is another activity going on in Ontario. Across Canada, additional research supports

innovation and enhancements in produce cultivation and production. It is crucial that all of this work continue.

This integrated supply chain model and developing food system can be seen every day in the fresh produce industry. They rely on policies and regulations that allow for the ease of trade and the reduction of barriers to get fresh fruit and vegetables to the consumer. The rule of “sell it or smell it” can govern many decisions within our supply chain. As noted, the lack of aligned or harmonized policies and regulations can dramatically impact the marketing and trade of fresh fruit and vegetables.

As we begin to see urban centres across Canada becoming more actively engaged in the development of a food strategy to ensure a sustainable food supply within their municipalities, we need to work proactively towards a whole-food system approach, which requires aligned policy development to support a cross-section of sectors and, in the end, produce safe, healthy food for Canadians.

• (1550)

The balance between our domestic import and export markets is vital. While we see a great emphasis on developing our “buy local” programs, it's important to recognize that we must work in synergy with the year-round supply of produce that all Canadians enjoy.

Our end goal is a produce supply chain that is delivered to consumers in a safe way. Industry and government play a key role in this goal. As part of the whole-food system, the produce industry recognizes the need to work collaboratively to support the availability of produce and to bring innovative products to market.

**The Chair:** Can you wrap up, Mr. Lemaire?

**Mr. Ron Lemaire:** Sorry, Mr. Chair.

In closing, we need the development of new markets and improved existing markets, domestically and internationally, for fresh fruits and vegetables. Canadian regulation, policy, and programs need to support research and innovation, adopt a food systems approach, and create economic opportunities for the produce sector.

Thank you.

• (1555)

**The Chair:** Thank you.

We'll now move to the Canadian Soybean Exporters' Association. We have Mr. Harry and Mr. VanderLoo.

You have 10 minutes.

**Mr. Martin Harry (Chair, Canadian Soybean Exporters' Association):** Thank you, Mr. Chair.

Thank you for the opportunity to present to this important committee. It's a pleasure for me to be here today with my colleagues from the Canadian Soybean Exporters' Association to present our perspectives relating to marketing and trade under Growing Forward 2.

I serve as current chair of the Soybean Exporters' Association, a non-profit association that represents members in all facets of the Canadian soybean industry. Also with me today is our past chair, Sue Robert, and our treasurer, Martin VanderLoo.

The mission of CSEA is to continue to improve the quality and value of Canadian soybeans and promote the export of Canadian soybeans and soy products into world markets.

I'm here today to talk about the value of marketing and trade to the soybean sector and to present our perspectives.

Canada grows approximately 3.8 million acres of soybeans. Manitoba, Quebec, Ontario, and most recently, in the last couple of years, Prince Edward Island were seeded to soybeans for a total production in 2011 of 4.2 million tonnes. Over the years, plant breeders in both the private and public sectors have developed different varieties of soybeans for a multitude of different uses that include industrial products, animal feeds, and food for human consumption. There's a chart in the brief.

Exporters are investing in the growing opportunities for Canadian soybeans. During the 2010 calendar year, Canada exported approximately 2.6 million metric tonnes of soybeans, with an approximate value of \$1.3 billion. Of this total, it is estimated that 40% went as food grade—and when I say food grade I mean non-GMO food grade—representing a physical amount of 1.5 million metric tonnes.

These food grade soybeans provide additional revenue to the local Canadian farmer and grower in terms of premiums paid over and above the value of what the domestic oil processors would pay for soybeans—the Chicago Board of Trade pricing. Based on CSEA's recent estimates, an average premium of approximately \$1.50 per bushel is paid. This amounts to an additional \$87 million in revenue for Canadian soybean growers and it contributes to the local economy of the communities in which the growers reside.

Canada is a global leader when it comes to soybean quality and value. In a number of global markets Canadian soybeans are the first choice of food processors that are at the leading edge of emerging trends in value-added soybean products. Members of CSEA work in collaboration with the seed industry, soybean growers, and a dedicated handling system to ensure that Canada produces the very best soybeans.

Throughout every link in the value chain, from the variety breeder to the soybean grower to the receiving elevator, exporting members play a key role in ensuring the needs of the end-use marketplace. In addition, CSEA was instrumental in assembling the first comprehensive national standard for identity preservation—IP—through the Canadian Grain Commission. There's a chart in the brief as well.

Research is the key to staying ahead of the changing demands of the global markets. Growing Forward 1 offered this research component. The global soybean market is highly competitive, and

the soybean specifications of individual soyfood producers evolve as they respond to their consumers' preferences. Soyfood manufacturers may specify traits such as high sugar, special proteins, high and low levels of isoflavones, as well as functional performance when used for the production of soy foods such as tofu and miso.

It is essential that the Canadian soybean industry keep pace with the changing demands for soybeans. Soybean characteristics are addressed during crop breeding and the selection of new soybean varieties. Because new soybean varieties must perform under Canadian field conditions and exhibit the quality characteristics desired by the food grade soybean markets, the development process is complex and resource intensive. Evaluation techniques that can accurately and efficiently identify the best candidate soybeans are critical to success.

Under Growing Forward 1, CSEA has a DIAP in testing procedures for food grade soybean evaluation that helps us overseas. Under the DIAP research initiative, CSEA and AAFC have cooperated to identify soybean characteristics important to the global customers and ensure that these characteristics are incorporated into new varieties. A key component of this strategy has been the development of lab-based evaluation protocols for selection and for monitoring the quality of the Canadian soybean.

I might add that there's another DIAP focused on research through the Canadian Field Crops Research Alliance—producer groups and industry—and it was at \$8 million plus. It goes from Manitoba right through to the Atlantic Ocean. It's focused on the breeding of soybeans.

• (1600)

Collectively, these research initiatives and resulting techniques will enhance the capability of the Canadian soybean industry to remain in the forefront of global food grade soybean marketing. This initiative will benefit from the capabilities of CSEA access to market intelligence and AAFC's research team's unique capacity to conduct this research genetics, soybean seed biology, and soy product functionality. It's essential that Growing Forward 2 continue with adequate funding levels to ensure there's no interruption with these research programs. In the case of soybean breeding, it's a 10-year process from the hundreds of initial crosses to get one variety, with the needed food traits, to the growers and then to the market.

Another issue is transportation, which impacts the market competitiveness of Canadian soybeans. Over an extended period of time, CSEA export members have been receiving reports from overseas buyers indicating that the Canadian food grade soybeans are more expensive on a per tonne landed basis than food grade soybeans supplied by our U.S. competitors. Preliminary observations would indicate that this price differential is simply an issue of currency. However, further analysis identifies that competitors can move containerized cargo out of Chicago and Columbus over the U. S. west coast—sometimes over Canadian ports—considerably more cheaply than we can move cargo out of Toronto and Montreal via Vancouver. There's a chart in here.

The informal study of the containerized ocean freight rates comparing Toronto, Chicago, and Columbus, Ohio, reveal that Canadian firms are paying as much as \$530 over published freight rates from Chicago or Columbus, and they go to the same destination globally. In discussion with various freight forwarders and oceans carriers, there are sometimes very clear indications that the differential between U.S. freight rates based on Chicago/Columbus versus Toronto is the result of rail rates. The situation has a serious impact on our competitiveness overseas.

CSEA would submit that the issue of the freight rates on eastern Canada containerized traffic must be addressed to ensure the continued competitiveness and access to global markets. This is a very serious issue for the soybean export industry and could have detrimental effects on the livelihoods of Canadian farmers, grain companies, processors, and shippers.

Here are some additional issues impacting marketing Canadian soybeans.

It is imperative that Canada participate and become a member of the Trans-Pacific Partnership. Our overseas customers are asking about this.

The Canadian soybean export sector continues to work with our soybean breeders and researchers, as well as partners within AAFC, to ensure that there's compliance with the Canadian and international regulations on heavy metals and maximum residue levels. It is imperative that regulations by other governments are not put in place that would be an impediment to trade.

My fellow presenter talked about red tape and bureaucracy. CSEA is a small organization with limited financial and staff resources. We're all volunteers in this organization, except for a part-time staff member. Wading through the mounds of paperwork required for submitting a funding request requires both cash funding and commitment of staff to monitor and manage the application. The significant commitment to cash funds and staff time has precluded CSEA from applying for such funding from the current Growing Forward program. CSEA would submit that alternate methods of accessing funds for trade and marketing programs for smaller organizations such as CSEA need to be developed under Growing Forward 2 and still maintain accountability. It is CSEA's observation that larger organizations that are both well funded and well staffed tend to participate in marketing and trade initiatives under Growing Forward. However, smaller organizations like CSEA that are results focused can also play a role in turning marketing and trade initiatives into tangible Canadian success stories.

In summary, the Canadian soybean exporters sector provides employment and generates economic activity throughout all segments of the soybean value chain. While the soybean value chain starts with research and development of soybean varieties, it also includes production and growing of specialized varieties by Canadian producers, the identity preserved handling system and specialized processing activities of the grain elevator sector, and the transportation system that moves soybeans to market via truck, rail, lake freighters, or ocean-going freighters.

Once again, CSEA stresses that public research is pivotal to the continued success Canada has in the identity preserved soybean program. Canada is known around the world for success in breeding non-genetically modified soybeans. The soybean breeding programs have adapted over the years to meet the demands of protein, size, hilum colour, health characteristics, and, most importantly, yield for our growers that both international and domestic buyers are seeking.

The results are in the product. Canadian exporters not only maintain the quality of the soybeans they receive, but they enhance the quality. It is through this commitment that Canada can supply high-quality soybeans to world markets.

My colleagues and I would like to thank you very much and will answer any questions at the end of the session.

• (1605)

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

Last but not least is Mr. Bacon. Go ahead for 10 minutes.

**Mr. Gordon Bacon (Chief Executive Officer, Pulse Canada):** Thank you, Mr. Chairman and members of the committee. It's always a pleasure and a privilege to be asked to appear before the standing committee to share some of Pulse Canada's thoughts, and today talk a little about Growing Forward 2 and what we believe—

**The Chair:** Before you get going, the bells are going to be going off in about three minutes. We've got an emergency vote that we got word of. Just ignore them; we'll try.

What I'm hoping to do is let you finish your presentation, and I think we should have time for one five-minute round and then we'll probably have to go. That will still leave lots of time for us to get there, and we will come back. But we'll see how the time is when your presentation is done, whether we have some questions.

Go ahead.

**Mr. Gordon Bacon:** Any strategy for agriculture needs to have a vision, and what I propose you consider is the vision we've laid out in the pulse industry, which is one that focuses on profitability. A focus on profitability says we have to get into a little more detail than just talking about meeting the growing need of the growing world population for food. We have to focus on profitability.



Growing Forward 2 has to be a business strategy that focuses on the issues that keep our industry competitive in the international marketplace. We'll just go through the first two pages and leave them.

I want to lay out what we believe are the four key points that need to be part of Growing Forward 2, and in part of the “foresighting” exercise that we all go through, I think we have to consider that we're probably going to have not more money—we may be lucky to get the same amount of money—but it's conceivable we'll have less. So in my discussion I want to talk about the four priorities in order of descending importance.

Number one is market access, and I really don't know that we need to spend a lot of time talking about it. Our sector exports 80% of what it grows, so market access agreements, including the Trans-Pacific Partnership, are key. When you're an export-dependent economy, you need access to markets.

Number two is under the category of food safety. We have an increasing number of non-tariff trade barriers. I would put into this category issues of low-level presence policies and chemical residue policies. I want to emphasize that everyone in the food industry is most interested in ensuring that we're protecting human health and environmental safety. The question is, what can we do to ensure that all consumers around the world have that confidence, but not have food safety issues become impediments to trade? I think one of the key areas there has to be harmonization of regulatory processes among governments around the world. Again, I would reference some of the comments that have been made about the Regulatory Cooperation Council, the recent initiative that just started with meetings in Washington, D.C. There is a need for codex reform. A lot of policy initiatives need government drive and support, and these need resources. So under Growing Forward 2 we need to ensure that some of these initiatives are properly funded.

Frankly, in our view, some of the departments, rather than having budget cuts, need to have additional money, because this is paving the way to allow business to be profitable and to be competitive on a global basis.

I'm cutting out a lot of really good stuff here, but you can read it later.

Number three is on transportation, and again, it's a point that's been made. A lot of things are on the go on transportation. As you know, I'm co-chair of the crop logistics working group, which is a committee that was set up by Minister Ritz to look at some of these issues. What I want to emphasize on transportation is that having a service level agreement in place is not the end point, and having facilitated discussions about a service level agreement is not an end point. None of us get to unfold the “mission accomplished” banner until we see performance statistics that say the entire supply chain is functioning better—and we never get to unfurl it, because it's a constant process of continual improvement.

We've heard presentations from the Canadian Soybean Exporters' Association. Again, as an export-dependent economy we have to be competitive. I'd like to remind the committee of a comment that was made when we did sign a bilateral trade agreement with Colombia, and that was that even with a 15% tariff advantage, some of the

Colombians did not see Canada as a preferred supplier, because we were not reliable. So the focus on transportation has to continue as we go forward.

The last point is one that's been made, and that is that we need to be competitive in marketing and trade to be an innovative agricultural sector, and that means investments in research—not just investments in science, but investments that take that science and put it into the business community. So these are investments in innovation.

As a fourth element, as a key core principle of Growing Forward, we have to have investments in innovation that include investments in scientific research. All of us will have to do a better job of making sure that the public understands why public investment in research is a good investment for everybody.

Those are the four key elements that we see that will ensure we have a profitable sector.

● (1610)

The last comment I want to make is on the transition. When I look at the calendar, I see that we have 13 months left in Growing Forward 1. Being realistic, counting back from March of 2013 and starting to ask when application forms and policy decisions need to be done, all of you need to have the work done before you go on summer break. That will give the department time to put applications and programs together, have industry respond, and have applications submitted. It will give us ample time to review the applications and have decisions about funding for Growing Forward 2 in place by January 1, 2013. That will allow industry to be ready to roll with new programs and a new policy framework on April 1.

The timelines are tight. But if we're not going to have to get into bridging programs, if we're going to make sure that we have a strong government and industry partnership, that's what we're going to need.

Mr. Chairman, I will leave my comments there with those four points and a concluding comment about the need for speed, so that we have a seamless transition from Growing Forward 1 to Growing Forward 2.

**The Chair:** Okay, thank you.

The bells started less than a minute ago, so we have 30 minutes.

Do I have unanimous consent to go to at least one five-minute round?

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Mr. Chair, I think 15 minutes is cutting it a bit tight. Why don't we go with two questions and then come back?

**The Chair:** I didn't say 15 minutes.

**Mr. Pierre Lemieux:** You said one five-minute round. That's five, 10, 15....

**The Chair:** No, I meant a five-minute question.

Okay. We'll just carry on.

Mr. Allen, you have five minutes.

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

Thank you to all, and good afternoon.

Debbie, we haven't seen each other in a while. It's good to see you. We don't get too many folks from Niagara coming up here. It's a pleasure to have you here.

I want to go back to your presentation. We didn't quite get through it. There were a couple of pieces near the end that I'm really keen on. One is about clarifying labelling. One of the things we find difficult I think in the wine industry is making sure that at the end of the day folks actually know what they're getting.

In the interest of time, Mr. Chair, I'll wrap in the other one.

Your last slide, actually, is on the value-added per litre of wine. You talk about 100% imported products being 67¢. They go all the way to \$11.50 if they're VQA, as we know it, which is 100% Canadian in the bottle—grown, vinted, and indeed bottled and marketed in this country—which is a magnitude that other producers would just love to get, I'm sure, versus their competitors. But that's a different issue.

I'd really appreciate it if you could comment.

**Ms. Debbie Zimmerman:** Thank you.

I'll be as brief as I can be. I apologize for not getting through the presentation.

First of all, CFIA, as everyone knows, has been consulting since 2009, when Prime Minister Harper made a pronouncement, actually in our Niagara region, that Canadians should be able to have clear and concise labelling. What's on the bottle should be in the bottle.

We need this to be concluded. We're hoping that these discussions are going to end soon, because they impact so much of what we do. An international-Canadian blend should have at least 25% Canadian in the bottle. Every other wine region in the world has at least that. So if you're going to use the term "Canadian", it should be Canadian in the bottle. It shouldn't be about a process; it should actually be Canadian product. We're hoping that this is going to be concluded soon.

The other component is, yes, growing local.... I think anybody who has any agricultural history in their own particular riding or in the country knows the benefits of a local product. Obviously, the spin-off benefit for us has an economic impact of over \$11 when it's made in our area. That comes from the value-add right through to the end product, which is wine.

As everyone knows, the wine regions across this country attract more than just wine. They have restaurants. They have experiences for the entire sector, and that's tourism as well. So investing in that is hugely important in Growing Forward. That's why we support ensuring that the marketing program be reinstated and that it focuses not only on exporting but on the domestic market as well.

•(1615)

**Mr. Malcolm Allen:** From your perspective, is there anything we can do in Growing Forward 2? Setting aside the 25%, how can we enable the growers across this country? We're seeing vineyards

actually crop up in places we never thought we'd see them. They're in Nova Scotia. They're in non-traditional places.

Is there a way for us to help increase that VQA market in the sense of making sure that folks are aware? Is there something you think we can do?

**Ms. Debbie Zimmerman:** I think it's going back to that AgriFlexibility and the innovation. We have to innovate in order to stay ahead of the curve. Having a grape growing region in southwestern Ontario was unheard of before, but it is there now. Still, you need innovation to help it to grow and to transform, given that growing grapes in a cool climate is difficult at best.

We are looking at a new apple variety that has health benefits and less gas—those kinds of benefits come with creating new brands and varieties. We need to stay ahead of China, and in our case we need to stay ahead of Chile, Argentina, California, and, more important, New Zealand and Australia.

So it's innovation—that's why we want AgriFlexibility to continue in Growing Forward 2, with the access to the dollars.

**Mr. Malcolm Allen:** Mr. Bacon, it's good to see you, as always.

You talked about transport issues. It's primarily rail. We may not face them quite the same in other areas. Do you see a way that we can have some teeth in what you eventually want to do, namely, to see a change in the service that we receive vis-à-vis agricultural product and potash?

**Mr. Gordon Bacon:** Yes, there are elements that are a part of good business arrangement service level agreements. I think the role that Parliament can play is enhanced public sector reporting. One of the committees we have under the crop logistics working group is responsible for coming up with recommendations. Ultimately this will show whether all the things that we've done have made a significant difference. We will be reporting back through Parliament to say whether we have gone far enough. I think with the suite of initiatives in place, we will make progress.

We've already made some real progress. The railways are performing quite differently now than they were two years ago, but we have to make sure that the entire chain is performing well, and enhanced public sector reporting is how you get the report card.

**The Chair:** Mr. Lemieux, if you spoke, that would give us about 19 minutes to get to the House.

**Mr. Pierre Lemieux:** Let me ask my colleagues.

**The Chair:** You don't want to? Okay.

We will be back afterwards. I apologize for this, but there's nothing we can do about it. Have a coffee, and as soon as the vote is over everybody will rush back here.

The meeting is recessed.

•(1615) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1700)

**The Chair:** Okay, we have a quorum.

Pierre, please go ahead whenever you're ready.

**Mr. Pierre Lemieux:** Thank you for waiting so patiently. It is a bit frustrating when we have you come in from afar and then we get interrupted like that. But here we are.

I'll start my questions with the grape growing presentation. I was looking at your pages 4 and 5, and I just wanted to understand something: the tonnage of grapes grown has gone from 62,000 tonnes to 64,000 tonnes. That's a relatively minor increase, but the litres of Canadian wine sales have increased—more than doubled—from 46 million litres to 103 million litres. Even though the quantity in litres of Canadian wine sales has more than doubled, the market share has gone down to 32%.

Could you explain that? And don't feel restricted to talking about percentages. I would also be interested in knowing, for example, whether some of these litres are being exported. How is the export market for Ontario vineyards? Has that grown over time, which is why we're seeing a higher percentage of sales? Perhaps that's export driven. I'm not sure.

**Ms. Debbie Zimmerman:** Some export sales are actually ice wine. Ice wine is probably the only sufficient export market. Obviously the whole ice wine market is important to us, but the difference is we have two types of wine. One is called Canadian 100%, and the other is international and Canadian blend. That's where you'll see that differentiation in the numbers, because you're blending in a portion with a portion of imported as well.

We also have juice grapes. Juice grapes used to be the significant portion in 1987, but when free trade came in, a lot of our juice grapes were pulled out and the vinifera and hybrid grapes were planted to take their place.

•(1705)

**Mr. Pierre Lemieux:** Right. So when they're bringing in the blend, what is that exactly? What form is that?

**Ms. Debbie Zimmerman:** International and Canadian blend? I wish I had a picture. A big tanker comes up the Welland Canal. You take a fire hose, you stick it in the tanker, and then you pump the wine into another tanker. Then they take it to a bottling plant and they put in 75% imported and add 25% Canadian.

**Mr. Pierre Lemieux:** Okay, and the farm gate value has gone up?

**Ms. Debbie Zimmerman:** Significantly, because of the type of grape. Labrusca or juice grapes are about \$300 to the tonne compared to wine grapes, which now can go anywhere from \$1,200 to \$2,400 a tonne.

**Mr. Pierre Lemieux:** I know you face challenges domestically. For example, as you know, there's a Conservative member who has put forward a bill to help overcome some of the interprovincial boundaries—

**Ms. Debbie Zimmerman:** Trade barriers.

**Mr. Pierre Lemieux:** Absolutely. I'd like to know a little bit more about your exports. What do you do to increase exports, and where is the Ontario wine industry exporting to?

**Ms. Debbie Zimmerman:** Most of our exports are in ice wine, so a lot of that goes into Europe, but again, it has a lot to do with what is allowed in European trade agreements as well as in China. We export a lot of ice wine to China. You're probably going to be faced with some questions about potential trade challenges to ice wine, and how ice wine grapes are actually produced, because obviously there are some international standards for ice wine that we need to meet.

So that's mostly where our products go.

**Mr. Pierre Lemieux:** What about other wines? Is there a marketing effort to sell Canadian wines to other countries? I think you're recognizing here that other countries have access to our domestic markets. What about our wine access to foreign markets, and what is the wine industry doing to push that point?

**Ms. Debbie Zimmerman:** I'm sure you're familiar with the Canadian Vintners Association, who presented here. They do a lot of work, but I would say one of the most important elements for us, given the cost of export, is that we don't even own our own market at home.

As a Canadian industry, first and foremost, our growth opportunities are right in our own backyard, and we're being limited by policies, international—

**Mr. Pierre Lemieux:** Right, but they're not necessarily mutually exclusive, right? You're able to export even though you might not have a high enough share of domestic consumption.

**Ms. Debbie Zimmerman:** Obviously there are opportunities to export, but in relative terms, in terms of the ability to be successful and profitable, the opportunities are at home first.

**Mr. Pierre Lemieux:** Yes, but I think that's where the interprovincial trade barriers are not helping, because basically wine is landlocked into the province in which it's produced. The only other avenue from selling in your own province is exporting it, right? I mean exporting outside of Canada—not outside the province, but outside of Canada.

**Ms. Debbie Zimmerman:** The bill that is before the House with regard to interprovincial trade barriers, as I understand it, is for personal use, and there is no limitation on what type of wine you can bring in. It's not limited to domestic. We're not afraid of the opportunity, though, to be able to showcase our wine in another province.

**Mr. Pierre Lemieux:** At the agriculture committee we've done some travel in some of our studies, and I remember that in British Columbia—and this is going to be the same in Ontario—there are internationally recognized Canadian wines that win very prestigious awards, and they're locked into the province. They could be sold internationally, but other Canadians do not derive the benefit of those fantastic wines.

**Ms. Debbie Zimmerman:** No, they don't. Exactly.

**Mr. Pierre Lemieux:** Then again, there is a bill that is trying to address that, and of course we hope that more things will follow from that.

I'm trying to focus a bit more on the international markets and on what efforts are being undertaken to penetrate foreign markets.

**Ms. Debbie Zimmerman:** I think that's a good question for all of us. I would say from my perspective of growing grapes in Ontario that our whole focus has been not to drop a grape on the ground in the province of Ontario because we're not able to sell our grapes to the people who are making wine in our own province.

In 2008 we dropped 8,000 tonnes of grapes on the ground because we didn't have a market in our own province.

• (1710)

**Mr. Pierre Lemieux:** Oh, I didn't realize that. So you're saying that production of grapes is far beyond what the actual market requires.

**Ms. Debbie Zimmerman:** Absolutely. That's why we're looking forward to national standards right across the province and the country.

**Mr. Pierre Lemieux:** Okay, thanks.

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

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

**Mr. Frank Valeriote (Guelph, Lib.):** Thank you all for appearing before the committee today.

I only have five minutes, so I can't ask all of your questions. I'm going to focus on Ms. Zimmerman, Mr. Lemaire, and Mr. Harry, in the first instance.

We've heard time and time again from everybody coming before committee about innovation and commercialization, and really the lack of funding for it. We know that the business expenditure on research and development has gone down considerably in the last six years. We are below average. The average in the OECD countries is 1.6% of GDP. We're at 1%, and that's very disconcerting, almost alarming.

In the agriculture industry, as I understand it, you need to be like Apple is in the tech industry. You have to create what people want and need. You talked about it, whether it's traceability, new products, methods of farming, and any number of other things.

In the "Saint Andrews Statement", I think a word was mentioned about innovation and commercialization—not very much was given to it—and that is the structure for the moving forward, and the discussions on Growing Forward 2. Can each of you—Mr. Lemaire, then Mr. Harry, and then Ms. Zimmerman—express to me how vital that is and whether you have concerns about the absence of investment in innovation and commercialization?

Mr. Bacon, you can be thinking about the next question, which is in regard to the railway performance review. You said that things have changed in the last two years. I'll tell you, it was pretty bad before. I'd like to know what those changes are, and what more can be done and needs to be done in the rail industry specifically?

Mr. Lemaire.

**Mr. Ron Lemaire:** Thank you.

On innovation, when you start looking at fresh produce specifically, the margins are so very tight. Input costs, as we heard,

and other variables that impact what a producer can sell on a competitive level, force the industry to really look towards innovation to be competitive. So what new product am I putting out? What components or elements of that product am I putting into the market? I mentioned taste as being fundamental. What do we need to look at to try to drive and support...? Well, innovation can support competitiveness, not only domestically but internationally. Learning from some other innovative activities that are happening on a global level and leveraging those back within a domestic level are key.

The other challenge we get back to in produce is that we have 700 SKUs at retail and in over 150 different commodities across the country. So when you start looking at that volume of product and how you can take innovation relative to the various commodities, you need to sit down and really start looking at the best opportunity for innovation within each area. That one-commodity approach may not work. You have to look at it as a whole level and work individually.

**Mr. Frank Valeriote:** Mr. Harry.

**Mr. Martin Harry:** Research is a long-term investment, and I'm glad you recognize that the research percentage is down. I deal a lot with public sector breeders, university, and AAFC. Most of the public researchers are over retirement age and are not being replaced—I'm talking about this government's public researchers—and the universities are cutting back.

I deal with new varieties. It's a ten-year-plus, long-term investment, but it's not fancy. It's not glorified. It's not "health benefit". It's not "food additive". It's not the buzzwords. It's basic research. That's what's suffering. If we could say, "We can put soybean in the car tomorrow", then we could get all kinds of funding, because it's fancy, and it's a buzzword. But it's not basic research.

When we get into food quality of soybeans with the Harrow AAFC—they do world-renowned quality analysis for soybeans—we cannot sell any varieties overseas without having them to back it up. They're recognized the world over. So we need to keep that going.

Yes, research is very important, but it's not the fancy stuff; sometimes it's the basic stuff.

**Mr. Frank Valeriote:** It's the basic stuff, yes.

Ms. Zimmerman.

**Ms. Debbie Zimmerman:** I think one of the important things is that people don't realize that we are solely dependent on a market for our vines from another country. We need to be able to grow our own rootstock in this country based on the climate we have.

As I think I emphasized right in the beginning, a bottle of wine grown in this country brings a lot more value than a bottle of wine that's brought into this country. That's not to say that we're against imports; we're prepared to compete with them. But at the end of the day, when we can have a reliance on a marketplace and a market for our own product here in Canada, and have rootstock that we're growing here....

That was one of the things we wanted to see addressed in here, obviously, in Growing Forward 2. We actually applied for funding to develop a national rootstock program with our four regions of Quebec, Ontario, Nova Scotia, and B.C. We were turned down. The other component is that we went to FedDev, and we were turned down.

So what we want to be able to say is open up the parameters for this Growing Forward so that it actually means what it says: growing forward. We believe the Ontario and Canadian grape and wine industry will have huge benefits for everybody, and growing it at home is important to us.

Innovation, obviously, and research in new varieties are both key. It's the same issue: lots of people are retiring—it's the demographics today—and we need researchers in this sector as well.

• (1715)

**Mr. Frank Valeriote:** Mr. Bacon, on the railway.

**Mr. Gordon Bacon:** Some elements of rail performance have vastly improved. Other elements we'd like to see some improvement in.

With regard to transit time variability from certain shipping points to port, we're still seeing some very highly variable transit times, which, in a very complex supply chain, makes it difficult to know.... It's like trying to make a connecting flight when you really don't know if the flight time from Ottawa to Toronto will be 43 minutes or two hours and ten minutes because you're circling.

We also need to see improvements in things like container rollovers, where, because of poor performance in the entire system, we're seeing steamship lines that overbook by 40%.

We just need to have the key measurements identified and keep the focus on them so that we're not being swayed by specific statistics that might say an element of the system is working better when the system in its entirety is not.

**Mr. Frank Valeriote:** Right.

Thank you.

**The Chair:** Thank you.

Mr. Lobb, you have five minutes.

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

The first question is to Mr. Harry or Mr. VanderLoo.

I think everybody here understands the importance of trade, and trade deals. You mentioned the TPP in your document.

I just wondered if you could talk about, for the committee and for people who will read this report, some of the over-quota tariff percentages you guys face when you're trying to compete with the United States, say, in the South Korean market. Perhaps you could give the committee an idea of some of the over-quota tariffs we face, because that is a huge issue.

**Mr. Martin VanderLoo (Treasurer, Canadian Soybean Exporters' Association):** Well, as most of you are aware, the U.S. has recently come to an agreement with the South Koreans with regard to some trade liberalization there. The Korean government has some tremendous import tariffs. In the case of soybeans, it's 487%.

What's ironic is that some private industry there is looking to import some Canadian soybeans because of the quality we have and because of the characteristics of our beans. They're actually willing to pay those kinds of tariffs and duties.

So anything that can be done to try to come to some sort of terms or trade deal with South Korea would certainly be welcomed by our industry, and I'm sure by others as well.

Again, it's really quite interesting to see that some of the end users in South Korea are willing to pay those kinds of dollars just to have access to Canadian soybeans. I say Canadian soybeans, but it's not only Canadian; they certainly import from the U.S. as well.

There's a move afoot for a quantity of U.S. soybeans—I don't recall the exact number—to be allowed into South Korea duty-free this coming year. Apparently there will be a gradual progression to allow that to increase. Our concern is that we'll be shut out of that market, for the most part, if Canada is not part of some of those negotiations ongoing.

**Mr. Ben Lobb:** In addition to that, all countries, all currencies, and all businesses are obviously keeping a pretty close eye on the world economy and on Europe. This is having impacts on people's purchasing, which I guess further compounds the importance of certain trade deals getting done in a reasonable amount of time.

Mr. VanderLoo, can you tell the committee about some of your findings from your recent trip to Japan and about what the sentiment is over there right now?

**Mr. Martin VanderLoo:** Yes, certainly.

I was travelling to Japan. I returned a week and a half ago. I would say that for this trip—over the last 15 to 17 years I've gone on this annual jaunt, so to speak—we've come home with less business than we traditionally do, for a couple of reasons.

Firstly, on the economy over there, Japan in particular has been suffering for some time. They're actually currently experiencing some deflationary times. There has been a slight oversupply in the food grade soybean business as well.

But interestingly enough, when I was talking to the business people in Japan two weeks ago, time and time again they alluded to their nervousness about the global economy and what the European situation might do to the marketplace. They're reluctant to make any kind of long-term contracts.

The other issue is that they talk about the challenges they face globally and what kind of effect that will have on commodity prices. They're very reluctant to step up to the plate and make any kind of long-term decision at this point.

• (1720)

**Mr. Ben Lobb:** Mr. Harry, in the presentation, on one of the pages near the beginning, you mentioned the importance of developing innovation and agri-products and the agri-innovations program. You did mention lead times being a decade to get the next bean the consumer wants. Can you stress how that's important for government funding, or at least, in your opinion, the importance of that moving forward so we continue to get the right soybean for the right customer?

**Mr. Martin Harry:** In the marketplace in this country today, and more so in the U.S., a lot of the private sector companies have gone to GMO because they have a return on investment. The conventional farmer's right and privilege to keep his own is an issue, so you don't always get returns.

There is in the world... In North America, we have a large percentage of the conventional soybean business breeders. We have four. That's it. The U.S. has a lot of public breeders, but their percentage is so small, so we have European countries coming to us looking for conventional soybeans because they're restricted with IP.

But again, in regard to the way research has changed in my 30 years in the agriculture business, and in four years of university before that, we have fewer researchers at the university levels. We're having fewer bodies. It's just a sign of the times. Agriculture Canada is no exception—right or wrong—but we have less research all the time.

One of our breeders at the Ridgetown college campus in southwestern Ontario died two years ago. He was a very renowned breeder—world renowned. It has taken me two years to work with the university to get him replaced. It was just posted 10 days ago, knock wood, and we may have a new breeder in place by spring.

But that kind of lag time and slowness... It's because they couldn't find the funding, even though industry is putting a lot of money into that program. My organization alone is putting half a million dollars a year into the University of Guelph on royalties and levies to keep breeding going, because that's how we survive in the public sector.

So it's infrastructure. It's lack of bodies. It's retirements not getting replaced. It's just getting harder for these guys to do it. And that's just the basic research. That's not the value-added stuff to see what the traits are going to bring or all this kind of stuff. Fortunately in this country, in southwestern Ontario we do have a good team. At Agriculture Canada there are still two breeders, and at the University of Guelph there is one and a new breeder coming.

**The Chair:** Thank you.

Mr. Atamanenko, five minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thanks to all of you for being here.

I have just a quick question, Mr. Harry, as a follow-up. As a point of clarification, is there any GMO soya consumed in the human food chain and in our country?

**Mr. Martin Harry:** In this country?

**Mr. Alex Atamanenko:** Yes.

**Mr. Martin VanderLoo:** Probably most of it.

**Mr. Martin Harry:** Probably most of it, yes.

**Mr. Alex Atamanenko:** Most of it in GMO? So it's not just for animal feed or—

**Mr. Martin Harry:** No, no. It depends on the country.

**Mr. Alex Atamanenko:** It depends on the country, so....

**Mr. Martin Harry:** Europe is non-GMO. Japan is non-GMO. The Asian fringe countries just buy basic commodities cheaply around the world market, so coming out of the U.S. or Brazil it would probably be GMOs.

**Mr. Alex Atamanenko:** So here, if we buy soya, it could be GMO or it could not be.

**Mr. Martin Harry:** That's correct.

**Mr. Alex Atamanenko:** Okay. I wasn't quite sure of that.

**Mr. Martin Harry:** That's fair enough.

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

Mr. Lemaire, I'd like to pursue a little bit the vegetable and fruit industry.

I've said this many times before and I'd like to get your point of view on it. I think it's no secret that before we started signing on to free trade agreements, the FTA with the U.S., and then NAFTA, we had significantly more producers of vegetables and fruits in Canada. We had something called "in season tariffs" at that time that protected our vegetable and fruit producers.

I've talked to producers when I've been with the committee or on my cross-Canada tour that I did as part of my study, and it's very difficult for our folks to survive in this market. There's constant innovation, and people are developing strengths in trying to compete.

Is there any talk in your industry of having a floor price, for example? We know that often apple producers are hit because we get apples that are below the cost of production being dumped into Canada. One of the biggest broccoli producers in Ontario says he makes money when there's a drought in the States.

Has there been any talk about having a floor price, to have a level so at least our folks can compete without worrying about being undercut?

• (1725)

**Mr. Ron Lemaire:** There has been discussion amongst various groups. I know the Ontario apple marketers, in approximately 1999-2000, were trying to determine and understand the actual market price so that as a group they weren't going into the market below price amongst each other.

The management and development of that system alone was very difficult, with misinformation sometimes being fed into the system around pricing and/or volumes. That's just an example on the apple side relative to the vegetable side, and you can take any of the various groups. The complexity of creating that floor price would be extremely challenging.

Is there an uptake to looking at how you could create that? Potentially there is, but the time investment to create it could maybe be misused. There may be other ways to achieve a competitive market, as opposed to spending a lot of time, money, and effort on that specific issue.

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

Do I have a few minutes, Mr. Chair?

**The Chair:** A minute and a half.

**Mr. Alex Atamanenko:** Would my colleagues like to ask a question?

[*Translation*]

If my colleague would like to ask a question, I will give her the floor.

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

Mr. Lemaire, in your document, you have said that the government must facilitate and create an environment to fully achieve a connection between health and agriculture policy for Canada. Could you give us some details and examples, please?

[*English*]

**Mr. Ron Lemaire:** Specific to a combination of agricultural policy that links health and agriculture, at this point there has been work to try to bring together Health Canada and Agriculture to try to frame discussion around how we develop policy that can support industry. The single-nutrient database would be one significant piece around that.

Have we seen any other policy models? I'm not aware of any.

This is why it's important that we start looking at how we intersect the various government departments' policy, as well as industry. It's not only a public discussion; it's a private discussion as well on how we bring the two together and work across intersecting sectors that are basically working on a common ground. We talked about transportation as examples.

When we look at the health community, in British Columbia, agriculture in the classroom is an example. You not only have agriculture, but you have education and health linking together to deliver a sound program to increase knowledge and consumption of fresh fruit and vegetables with children.

I think these types of policy development models could be very successful on a national level as well.

**The Chair:** Thank you.

Mr. Hoback.

**Mr. Randy Hoback (Prince Albert, CPC):** Actually, I'll split my time with Mr. Payne. I understand that Mr. Payne has to leave, so I'll let him go first and then I'll continue.

**The Chair:** Sure.

Mr. Payne, go ahead.

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

I want to make a comment first. I know there's a new law striking down some issues with transporting wine across the borders, and I

just want to say that I've found a really nice Ontario wine that I am transporting to Alberta. Anyway, it's a very nice wine.

**An hon. member:** Is that on the record?

**Mr. LaVar Payne:** It is on the record. I think everyone knows.

As a general comment, I'm wondering what you think about the work Minister Ritz has been doing to try to open up markets across the globe.

That's a general question for whoever wants to answer, and then I'm sorry, but I have to leave.

**Mr. Gordon Bacon:** I'll talk about it from a primary agricultural and commodities perspective. We were behind the game in a lot of market access areas. We talked about Colombia. We ratified before the Americans did, but we would have been behind by a 15% tariff disadvantage. Right now in Morocco we have a 30% tariff disadvantage on peas relative to the U.S. and a 3% tariff disadvantage on lentils. We cannot compete as an exporting nation unless we have access that's equal to or better than other exporting nations, and if you're exporting product and you don't have equal tariff treatment, you're just not in that market.

I think that's a cornerstone. That was my number one priority. If you're an export economy, you cannot be at a tariff disadvantage relative to other exporters if you want to be in the game.

• (1730)

**Ms. Debbie Zimmerman:** I could comment on the ice wine issue.

We want to believe that Mr. Ritz will ensure that our ice wine remains a product of the highest value, not to be dumbed down by other countries that may not use the methods we do to produce ice wine in Ontario. This value is important to protect. I know this is a consideration right now, as Mr. Ritz is discussing expanding the trade agreement.

We want to ensure that it's protected, and that the market is protected, the export market. We thank the minister for his work on opening up and moving the goods between Canada and the U.S., because that will help us tremendously.

**Mr. Randy Hoback:** Thank you, Chair, and my thanks to the witnesses for tolerating what's going on with the votes. I appreciate your understanding.

Mr. Bacon, one thing with the pulse growers: you've done a really good job with the research dollars you've been given through the federal government in identifying research programs. Can you describe some of the programs that you've used in the pulse sector?

**Mr. Gordon Bacon:** The pulse sector, like every other ag sector, has had the opportunity to apply for science cluster money and a number of other programs. Are you interested more in the programs or the kind of work that we're focusing on?

**Mr. Randy Hoback:** I was interested in the work you're focusing on and how you go about receiving the funds, as well as things you could improve on that we could promote.

**Mr. Gordon Bacon:** Here's one area for improvement, and this was brought out from the universities. One of the considerations we can look at in Growing Forward 2 is using the current programming. You actually have to spend the money before you can apply to have some of it refunded. So if you have a \$500,000 research grant, you may have to spend the money before you can submit a claim. So there's a question of cashflow. We need to be considering ways to have some of the research money advanced at the beginning of a project, so that industry is not looking at ways to generate cashflow. There are advances on some of the programs, but some of them were a little difficult to administer.

Perhaps it would help to see if there are ways to advance some of this money up front. I realize there's a risk that government takes if money is not expended in the way it was supposed to be, but I think we have to balance that off against the ability to actually conduct those research programs.

One of the things that has been working well is the collaboration we're starting to see between government agencies such as Health Canada and Ag Canada. They are starting to take a look at what we can do to further some of our work in ag products and health outcomes, and there's certainly a lot more that could be done there.

In our view, we need more alignment between the regulations and the research. To get novel product approval—and we'll use pea fibre or pea starch as an example—we have to have regulatory approval, because they're considered novel products in Canada. When we go to the U.S., we have to go through FDA to get GRAS status.

As to areas of collaboration, which may be through the RCC, they're basically trying to reduce some of the duplication of effort

and increase mutual recognition, so that we don't have to repeat everything. I am all for focusing on human health protection and environmental protection, but we need to get rid of some of the overlap, doing the same work twice. We need to stop reviewing work that has already been reviewed by other scientists. It's duplication that's not adding value. I think we can pay more attention to issues such as health protection by focusing on the right things and not duplicating things that add no value.

● (1735)

**The Chair:** Thank you.

Mr. Harry, I know you have to head to the airport. Do you want to jump in on this one at all?

**Mr. Martin Harry:** I somewhat agree. Well, I totally agree.

A point Mr. Bacon made, which was slight in my program—and I've been doing a lot of these government funding things for quite a few years—is that we cannot have a gap.

You were very good in saying that by January 1 we've got to be going.

We've had other government programs—co-Ontario-federal—where the research funding is going, it runs out, and a year later... So for a year, the researchers have hardly any funding to carry on that study. The continuation factor is very important, in my mind, just because it is long-term research for some of these projects.

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

I know some of you have to go right to the airport. Thanks again for being here. We apologize for the delay, but it was out of this group's control. Anyway, thanks again.

The meeting is adjourned.

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