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

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**EVIDENCE**

**Monday, February 13, 2012**

—  
**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

Monday, February 13, 2012

• (1530)

[English]

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

First of all, I'd like to wish Mr. Storseth a happy 42nd today.

**Some hon. members:** Hear, hear!

**The Chair:** Actually, that might be a couple more than he is.

Also, as a reminder, the steering committee met last week and there is a unanimous report here that we will have to deal with at the end. We'll have to go in camera for that. I just wanted to stress that it's there.

Our meeting today is split into two one-hour segments. In the first one, we have some Department of Agriculture and Agri-Food representatives, Mr. Mayers, Mr. Tierney, and Mr. Gorrell. Thank you very much for being here, gentlemen.

I'll turn it over to you for some comments. Mr. Tierney, I guess you're first.

**Mr. Steve Tierney (Assistant Deputy Minister, Market and Industry Services, Department of Agriculture and Agri-Food):** Thanks very much, Chair.

Good afternoon. I'd like to thank the committee for inviting me to appear today to discuss current markets and trade programs and potential ways to further improve industry's ability to take advantage of both domestic and international markets.

The government is making important investments to ensure that the agriculture and agrifood sector is well positioned to take on new market opportunities at home and abroad. I look forward to talking with you about what we're doing in this area and some areas for future work.

Under our current programming, a large component of the markets and trade programs are delivered through Growing Forward. Growing Forward emphasizes the role of government as an enabler, with industry acting as an important collaborator and leader.

One of the key mechanisms for industry collaboration is the value chain round tables, which draw together producers, processors, retailers, government departments, and provinces to identify market opportunities and develop collaborative strategies. Growing Forward also supports a suite of market development programs that increase the ability of the sector to identify and exploit opportunities in markets where it is competitive on a cost or attribute basis.

These programs include the AgriMarketing program of almost \$90 million, the Canada brand program of almost \$20 million, the markets information program of almost \$9 million, and the trade commissioner service of about \$24.5 million. These programs facilitate industry success in global and domestic markets and have been very well received by industry.

Every year AgriMarketing is oversubscribed, and participants have consistently expressed their appreciation for the program.

Industry adoption of the Canada brand has grown steadily since the strategy was introduced in 2006. Membership has increased due to interest in consumer-oriented promotions and the expansion of the Canada brand to the domestic market. There are currently more than 400 members in the Canada brand program.

The domestic branding component of the Canada brand was introduced in response to industry interest in improving its ability to market directly to Canadians. Through retail promotions, the Canada brand has demonstrated that by identifying products as Canadian, participants can increase sales and improve profitability.

Additional funding was provided under AgriFlexibility, part of Canada's economic action plan, to intensify demand for Canadian products and key international markets through the Canada brand advocacy initiative. This initiative works to build knowledge of and demand for Canadian products through consumer-oriented promotion and advocacy campaigns, including advertising.

Another area where we have invested is in markets information, to provide relevant and timely information to clients in industry. Industry has noted that this information has helped positively inform decision-making.

Finally, the trade commissioner service is an important element of our market development programming. We currently have 33 trade commissioners in 13 priority markets and provide on-the-ground assistance to Canadian companies and individuals operating there.

In addition to Growing Forward programs, the government has placed a priority on market access. In 2009, Minister Ritz announced the market access secretariat, which partners with other federal departments, industry stakeholders, and provincial partners to advance Canadian interests abroad to reopen, maintain, and expand market access across multiple sectors in identified markets.

The Agriculture and Agri-Food market access report, which was released by ministers Ritz and Fast in October, highlights the accomplishments of the ministers from January 2010 through March 2011, with our support.

In particular, I would like to draw your attention to a few key successes.

Last July, Canada successfully negotiated transitional measures for canola seed exports with China, a market worth almost \$2 billion.

In December, Minister Ritz announced an agreement reached with South Korea to reopen the market for certain Canadian beef and beef products, a market worth \$30 million by 2015, as estimated by industry. This announcement is a step towards finally closing the book on BSE.

Another major victory for Canada was the positive ruling on the U.S. mandatory country-of-origin labelling legislation. Through dispute settlement, Canada was able to successfully defend the interests of the sector and ensure fair access to one of our most important markets.

Most recently, as part of Prime Minister Harper's visit to China, an agreement was signed that clears the way for immediate access on beef and tallow, and joint research to create a stable trading environment with China for Canadian canola seed.

In line with industry recommendations, and highlighted in the government's 2011 budget, additional funding was provided under the economic action plan's AgriFlexibility program to seize the full extent of opportunities in some key emerging priority markets like China, India, Indonesia, and Russia.

AgriFlexibility funding is being used to build on the momentum achieved thus far on market access by accelerating progress in priority emerging markets and building stronger relations with key countries to advance our interests through the strengthening of the trade commissioner service.

Also, as part of Prime Minister Harper's trade mission to China, Minister Ritz was pleased to announce that Tongwei Company Limited, a major Chinese feed company, intends to increase its purchase of Canadian canola meal by up to \$240 million annually by 2015.

The government has also been active in the negotiation of a number of free trade agreements to provide important new export opportunities for the agriculture sector. Canada has most recently implemented FTAs with the European Free Trade Association, with Peru, and with Columbia. We are in the process of putting into force our FTAs with Jordan and Panama. Negotiations are also under way, notably, with South Korea, the European Union, Morocco, and India. Access gains in these markets would result in significant benefit for the sector.

The government has also formally indicated interest in joining the trans-Pacific partnership.

Bilaterally, Canada is also working on the Canada-U.S. Regulatory Cooperation Council in order to make it easier for Canadian and American firms to do cross-border business. This initiative was

announced in February 2011 by Prime Minister Harper and U.S. President Obama.

The government has also made internal trade a priority and is working closely with provinces to review the regulatory environment to make it more relevant to today's market and facilitate internal trade flows. A better integrated domestic market can be a driver for a more competitive and innovative sector.

While our current programming has resulted in significant successes, there have been shifts in global and domestic markets that present new challenges for the sector. The growth and rising demand in emerging markets, coupled with slower growth in our traditional markets of the U.S., EU, and Japan, have shifted our growth opportunities towards the former. These markets require a different approach from the traditional ones. In particular, it requires greater focus on bilateral engagement. Furthermore, technical barriers are increasingly used by countries as a means to protect their domestic industry, making market access initiatives increasingly important to the continued success of the sector.

In the domestic market, Canada's high dollar and strong economic performance have made Canada a preferred export destination. This has resulted in increased import penetration, putting competitive pressure on the sector.

Finally, there are new ways of doing business. Consolidation in the retail sector, the importance of global value chains, and local food movement are increasingly dominant business models that industry and government will need to adapt to in order to compete.

Supported by the unprecedented engagement with industry that has taken place under Growing Forward, Growing Forward 2 presents an opportunity to adjust policies and programs to address new realities and build on successes. The shift in market opportunities to emerging economies suggests that more efforts could be focused on expanding access and improving penetration in these fast-growing markets. In order to maintain our competitive edge in foreign markets, Canada will also need to adopt aggressive strategies to set our sector apart from the pack.

GF2 also provides an opportunity to address the increasing competition in the domestic market. Industry has been supportive of domestic branding. Under GF2 we could explore opportunities to expand this programming with carefully delineated federal and provincial roles.

New market opportunities and a changing business environment may also require our sector to develop new skills. Under GF2 we will continue to explore a means of better assisting the sector in building the skills and knowledge they will need to adapt and compete in a highly competitive environment. We will be working closely with our provincial and territorial counterparts to look at the opportunities and challenges in the sector as we progress towards Growing Forward 2.

AAFC, along with other key departments, continues to work to create and maintain trade opportunities for Canadian agriculture producers and food processors and to support Canada's trade objectives. We also continue listening to stakeholders through forums like the value chain round tables and the market access industry advisory group and using their feedback to identify how Growing Forward 2 can help Canada compete in foreign markets.

• (1535)

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

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

Next we have Mr. Gorrell from the Market Access Secretariat. You have ten minutes.

**Mr. Fred Gorrell (Director General, Market Access Secretariat, Department of Agriculture and Agri-Food):** The introductory comments from Mr. Tierney were made on behalf of the three of us.

**The Chair:** That's just fine. That's more time for questions.

Before we do that, I just want to remind members about the questioning of public servants. The *House of Commons Procedure and Practice*, second edition, states on page 1068:

Particular attention is paid to the questioning of public servants. The obligation of a witness to answer all questions put by the committee must be balanced against the role that public servants play in providing confidential advice to their Ministers. The role of the public servant has traditionally been viewed in relation of the implementation and administration of government policy, rather than the determination of what that policy should be. Consequently, public servants have been excused from commenting on the policy decisions made by the government.

With that, Ms. Raynault, you have five minutes.

• (1540)

[Translation]

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

I would like to thank the witnesses for accepting the committee's invitation. My question is for all of you.

A recent Quebec newspaper reported that more and more of Quebec's farmers feel that the government has taken them for a ride, as many tax credit applications for scientific research and experimental development investment projects have been turned down.

Could you provide some clarification about this matter? Has Ottawa turned off the taps for tax credits?

[English]

**Mr. Steve Tierney:** I'm not aware of any change in the tax credit program. I apologize. It's not an area of great knowledge for me.

**Mr. Randy Hoback (Prince Albert, CPC):** On a point of order, I would just like to remind my colleague that we're talking about market access with the Market Access Secretariat.

If she has other issues concerning research and development to raise, she should put those toward the appropriate witnesses. She could probably even put them in writing, and the committee could submit those to the department and get the answers for her.

**The Chair:** The floor is still yours, Ms. Raynault.

[Translation]

**Ms. Francine Raynault:** Within your department—and I am addressing my comments to all three of you—the Market Access Secretariat, or the MAS, coordinates government initiatives with industry, provinces and territories to improve Canada's position in new and existing markets.

What are the current relationships between MAS activities and the strategic programs under the Growing Forward policy framework?

[English]

**Mr. Steve Tierney:** In a sense, that's still under consultation, since the future of the Growing Forward program has not been approved by ministers, nor have recommendations been made. That being said, certainly the government has been putting a priority on market access: the Market Access Secretariat has had its role expanded since it was first created. Six months ago, further resources were put into the Market Access Secretariat.

I think it's safe to say that market access will continue to be a priority. Certainly, working closely with industry, with our provincial colleagues, and with all of the stakeholders on how best to prioritize our markets and on how best to approach market access issues in a coordinated fashion are things on my planning horizon.

[Translation]

**Ms. Francine Raynault:** Would there be any benefit to incorporating the MAS into the Growing Forward 2 policy framework?

[English]

**Mr. Steve Tierney:** Certainly, market access, in the most generic sense.... I apologize, but I'm a little uncomfortable answering the question, because it seems to stray into an area that is more appropriate, I think, for my minister.

**The Chair:** In any area where you're uncomfortable, Mr. Tierney, as you know, the rule is that you are not bound to answer.

[Translation]

**Ms. Francine Raynault:** That is fine.

[English]

**The Chair:** You still have two minutes.

[Translation]

**Ms. Francine Raynault:** Fine.

Entrepreneurs who wish to market products either in Canada or in the United States are not eligible for the Agri-marketing program. Do you think that one day this will be the case?

[English]

**Mr. Steve Tierney:** The secretariat has a willingness to assist any industry or association in getting market access or in dealing with market access problems. That being said, we probably have 300 or 400 market access issues at the current time. Some are larger than others. We work with industry to prioritize which ones we should put our resources towards. I think the priority setting has been quite successful. The door is open to all firms and associations.

The AgriMarketing program itself is, for the most part, directed towards industry associations. There is a small part of the program that goes to small and medium enterprises. I just wanted to make sure that I hadn't misrepresented the AgriMarketing program.

• (1545)

**The Chair:** Thank you.

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

**Mr. Randy Hoback:** Thank you, Chair.

I, too, would like to wish Mr. Storseth a happy birthday. I definitely wouldn't want to leave him out, and I'm sure he'll stop by for his gift a little bit later on.

I also would like to thank the witnesses for coming by here today to talk about market access. That is very important to our government, as you've seen in your departments and from how you're working and from the minister's travels these last few years. I don't know if there's anybody who's worked harder, as a minister, on market access than the minister we have today. I think pretty well every weekend or every break week, when he has time to travel, he's out there opening up a market, whether it's for beef producers or canola producers, or he's solving an issue with a non-tariff trade barrier, usually a relevant issue.

I'm going to talk to you a little bit about process and how you operate, and whether there are things you think we should be looking at through Growing Forward that may even make the process better. I'm sure you guys are looking at that all the time.

First, how do you interact with our consulates and our trade offices in different regions of the world, and how do you utilize their services to gather intelligence to relay back to the industry?

**Mr. Steve Tierney:** As I mentioned, there are two types of interactions. First, we have 33 employees of Agriculture Canada placed in 13 different markets in the world. Those are our high-priority markets. Eleven of those people are what are termed Canada-based employees. They are Canadian. They focus primarily on the market access issues. The others are locally engaged staff. They are citizens of the country the consulate is in. They are longer-term employees, often with 20 years' experience, and they know the markets well. They work very closely with firms in terms of introducing them to contacts and telling them what the market opportunities are.

In terms of the consulates, we have a direct reporting relationship with the 13 consulates. In the other consulates, quite frequently, DFAIT has trade commissioners, either Canada-based or locally engaged staff, as their employees. We meet with them, typically, once a year. We meet with them once a year, at least, regionally. For example, in Singapore, we have an agriculture employee. She meets

with the locally engaged and Canadian-based employees in the ASEAN region on a regular basis, whether they're DFAIT or AAFC employees. We keep contact, through her, with the locally engaged staff.

We're travelling, not a fair bit but about once a year. We've met quite a number of embassy staff. When we do that, we always talk with them for several hours about their priorities and so on. Then, through the AgriMarketing program, we help a number of industry associations exhibit at various food and agricultural expositions around the world. We take that opportunity to bring in from the region the locally engaged staff to again have discussions about priority setting and so on. As well, there are phone calls and e-mails and—

**Mr. Randy Hoback:** I only get five minutes. I don't mean to be rude.

What do you do in situations when we've done a new free trade agreement? For example, Panama will hopefully be completed fairly soon. What would be the angle—I don't like to use the word "angle" or "attack", and "strategy" may be a better word—now that we have an agreement with this country, to ensure that we get the right producers into Panama and the right connections made? What type of process do you use in that situation? Is there something we should be doing differently? Should we maybe be putting more focus on that? I'm just looking for your opinion on that.

**Mr. Steve Tierney:** We work on two aspects. First, with the consul general in Panama, we do our market analysis on the opportunities there. We look at the data and the import/export statistics. We also talk to the people on the ground about which country may be at risk in terms of shipping their product out but that we can go into. Second, we look at industry to see what they want to supply and whether Panama, for example, is a market where they would have to compete on price or whether they could differentiate a product as Canadian, compete on an attribute, and perhaps charge a little higher price.

It's working on both sides to see where there's a match. That's what we're currently undergoing.

• (1550)

**Mr. Randy Hoback:** But you do have a process in place, then. Let's say we're going to do an FTA on a trans-Pacific partnership, you'd already be starting...maybe not right now, because we're not in that agreement. Canada and Europe might be a better example. Would you already be strategically starting to look at that agreement to anticipate where we can have some benefit for our producers in those regions?

**Mr. Steve Tierney:** I don't want to oversell the amount of analysis that we're doing, but yes, and as it goes forward, we'll ramp up.

**Mr. Randy Hoback:** One thing the CFIA has done a very important job on.... I'll use the example of China and blackleg, and the quick response we had there.

Can you give the committee an idea of just how much it would have cost Canadian producers if we hadn't been able to do that response and how it would have affected the canola market back in Canada? Again, ballpark is accurate; just give us a context of the shape and size of the damage that would have created if we hadn't had the CFIA on the ground as quickly as we did.

**Mr. Steve Tierney:** It's almost a \$2 billion market for us. We would have lost it.

That's the only thing one could say. If they originally were intending to ban canola that has blackleg in it—blackleg is a very prevalent disease in Canada—one could assume that a large percentage of our shipments would have had blackleg found in them, so the whole market of \$2 billion could have been at risk.

Now, that's the seed market. We might have still been able to sell oil and possibly meal, but there weren't the crushers in Canada at that time to produce that much.

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

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

**Mr. Frank Valeriote (Guelph, Lib.):** Thanks, Fred, Steve, and Paul for coming in today.

We've been undertaking this study over the last several weeks, and market access is only one part of the equation. I'm sure you fellows know that. What we've been hearing from most people up here is that the other part of the equation is sadly lacking, and that is investment in research, development, innovation, and commercialization.

Our business expenditure rate has gone down to 1% of our GDP. The average in the OECD countries is 1.6%. We're down to half of what we were putting into this in 2006. They're saying you have to create what people want, you have to innovate what people want, and help them both at the producer level and at processing and marketing.

I'm wondering if during your conversations you're hearing.... I'm sure you must be. Can you acknowledge that you're hearing the same thing? What, if anything, can be done to create a more robust environment in innovation and commercialization through Growing Forward 2?

**Mr. Steve Tierney:** Mr. Chair, if I may, I'll pass on the question.

**Mr. Frank Valeriote:** I asked Fred. I didn't ask you, Steve.

**Mr. Fred Gorrell:** I'm responsible for the Market Access Secretariat, so my focus.... But clearly, the products that we're selling around the world are of high quality and they're wanted. I think the investment that other countries are doing is clear, and there are areas that we could also be working on.

I don't have a dollar value, but with the fact that innovation is one of the goals of the government, innovation in the agricultural sector is obviously something that needs to be pursued as well.

**Mr. Frank Valeriote:** Do you deal with the industry?

**Mr. Fred Gorrell:** We deal with them in a number of ways. We deal with them directly relative to market access issues, but obviously the overall area of innovation would not be my specific area of expertise.

**Mr. Frank Valeriote:** Okay.

Paul, domestic market access includes food safety. If people are going to buy, they want to know their food is safe. During the break, just before we came back, we heard of 224 cuts at CFIA—224 people. I've forgotten the amount; it's over \$20 million.

I'm wondering if you can tell me the impact that's going to have on food safety. Do you know how many inspectors we're going to lose?

**Mr. Paul Mayers (Associate Vice-President, Programs, Canadian Food Inspection Agency):** I believe you're referring to the recognition that there are certain programs within CFIA that are currently sunseting. That's counterbalanced by the investment of \$100 million in the last budget in food safety, in CFIA. That \$100 million has translated into renewal in terms of programming, modernizing how as an agency we approach inspection, with, of course, our continued aim in terms of the focus on food safety as the central priority of the agency.

As it relates to the specific sunseting programs that were identified in terms of our report on plans and priorities, we will review those sunseting areas of activity, and of course the decision with respect to whether sunseting programs are renewed rests—

• (1555)

**Mr. Frank Valeriote:** Sorry. Can I just ask you about the sunseting provisions?

I'm talking about the efforts that were undertaken as a result of the Weatherill report and now the decline in the number of food inspectors that we're going to have as a result of these cuts. I just would like to know if there are going to be fewer food inspectors once this new plan is implemented than there were two months ago.

**Mr. Paul Mayers:** Again, I can't tell you what the ultimate outcome will be until the review process of potentially sunseting programs and any decisions regarding renewal have taken place. Those programs relate to issues that this committee has discussed, such as daily inspection in meat processing.

So whether or not it will ultimately result in any changes will be entirely dependent on the completion of that process of review of programs that are scheduled to sunset.

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

I'll now move to Mr. Storseth. You have five minutes.

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

Mr. Mayers, the Weatherill report came out with several recommendations. How many of those have been fulfilled through the government?

**Mr. Paul Mayers:** All of the Weatherill recommendations have now not only been responded to, but the actions associated with the government's response have gone forward. The government issued its final report on the status, indicating that it had completed all of the recommendations presented by Ms. Weatherill.

**Mr. Brian Storseth:** Mr. Gorrell, from your experience—I'm not asking you to hypothesize—if Canadian members of Parliament are fear-mongering about the safety of the Canadian food system, does that help internal or external—

**Mr. Frank Valeriote:** A point of order, Mr. Chair.

A legitimate question cannot be interpreted as fear-mongering because Mr. Storseth on his birthday decides he wants to call it that.

**The Chair:** I never heard that he was suggesting that your question or anybody else's.... Anyway, it's not a point of order.

**Mr. Frank Valeriote:** Well, this is exactly what he's suggesting.

**The Chair:** Order.

**Mr. Brian Storseth:** I think I asked a legitimate question, Mr. Chair. If the opposition feels a little sensitive about it, that's not my problem.

**The Chair:** Order, please.

**Mr. Brian Storseth:** Mr. Gorrell, could you answer the question?

I'm not suggesting anybody here is doing that. I'm asking you, is that helpful?

**Mr. Fred Gorrell:** In my opinion, the more there is discussion about questions of the Canadian food system domestically, the more difficult it is for me and others to have market access internationally.

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

Mr. Tierney, you talked about the 13 markets around the world. I'm not asking you to list them off, but could you submit a written list of those markets, of what we have in place?

**Mr. Steve Tierney:** Absolutely.

**Mr. Brian Storseth:** That would be beneficial.

I'm not sure if you can answer this question. We've had a lot of accomplishments, a lot of successes in the last several years, particularly, as my colleague pointed out, since Minister Ritz has been on the file.

Moving forward, what would you say our most significant market is that we're going after? Is there one where we have a priority?

**Mr. Steve Tierney:** It really depends on the sector. The meat market in Russia is incredibly important—pork and beef. The Chinese market, especially in canola, the Indian and Turkish markets in pulses.... There is Japan, for soybeans and processed foods, and wheat, of course, in quite a number of countries around the world.

All in all, we're trying to go after all of them in a balanced fashion, taking our lead, in large part, from industry.

• (1600)

**Mr. Brian Storseth:** Mr. Mayers, CFIA has a fairly robust role within the Market Access Secretariat now, as I understand. Could you maybe tell the committee a little bit about the new role CFIA has with that and share your thoughts on how beneficial it has been?

**Mr. Paul Mayers:** Thank you for the question.

We're often asked, as a regulator, what possible role we play in terms of market access, but the foundation of effective market access is confidence on the part of the importing country in the exporting country's ability to deliver for them safe, efficacious product. And that is the role of CFIA as a regulator.

So we collaborate with our colleagues in Agriculture and Agri-Food, within the Market Access Secretariat. That combination is

somewhat unique, in that we have the ability, therefore, as a country to position, when we explore market access, the sanitary and phytosanitary issues in a context for the importing country that gives them confidence that what they import from Canada is not only a great product in terms of quality, but they can be assured that this product meets their expectations in terms of the protection of their consumers. That's the role we embrace as an agency: positioning the regulatory system in delivering that, not just for Canadians but for those who enjoy Canadian products abroad.

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

This is my last question, gentlemen. Mr. Tierney, perhaps you could answer the question I have with regard to better integrating our internal market and maximizing its use. What's the biggest inhibitor we have in facilitating that?

**Mr. Steve Tierney:** I don't know if this is the biggest inhibitor, but we've started looking at some fruit and vegetable regulations, such as packaging sizes and quality standards, that can differ across the country. We have found it's a big world out there, and food processors and horticultural producers need first to be able to start off domestically, regionally really, with local food. To go from there to international export is a huge leap. To get them to be able to export outside the region into other provinces, neighbouring provinces and so on, is probably an important step to moving toward becoming an exporter. Farmers and food processors typically want to grow. So it's looking at the horticulture regulations, and fruit and vegetable regulations are a starting point.

**Mr. Brian Storseth:** Thank you very much, gentlemen.

**The Chair:** Thank you.

Mr. Rousseau, five minutes.

[Translation]

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

My question is for both Mr. Tierney and Mr. Gorrell.

We know that the Market Access Secretariat has a mandate to coordinate government initiatives with those of industry, the provinces and the territories in order to meet the interests of all agricultural sectors. However, in Quebec, the demand for the local product and organic product sectors both within and outside the country has been growing.

What programs have been implemented and what efforts are being made by the secretariat to help these two rapidly expanding sectors?

[English]

**Mr. Steve Tierney:** In the organic sector, we've been negotiating the organic equivalency agreements with several countries. Mr. Gorrell could probably tell you which ones, because I'm going to mix up the ones we've concluded agreements with and the ones where we're negotiating agreements. But that's certainly been helpful to the industry.

I'll let Mr. Gorrell answer the other part of your question.

**Mr. Jean Rousseau:** Perfect. Thanks.



**Mr. Fred Gorrell:** We have equivalency agreements with the U.S. and the EU, and I believe also with Japan. These are areas that are clearly growth markets for it, so there is a great opportunity. Our industry is well positioned.

Relative to your question on “buy local”, I don't think we have any specific programs. It's usually intraprovincial. So it would not be something I would look at. I would be looking at international. But there are definitely programs on the *biologique*. And we're supporting it quite well.

**Mr. Jean Rousseau:** For local products, should we have a national plan with Growing Forward?

**Mr. Steve Tierney:** That will be something, I'm sure—

**Mr. Jean Rousseau:** Obviously, it's growing.

**Mr. Steve Tierney:** That will be part of the discussions on the Growing Forward 2 framework and the kinds of consultations they'll be doing.

On the trade side, if you're buying local, you're not trading.

[Translation]

**Mr. Jean Rousseau:** Does the secretariat have adequate resources to help our industry develop these two emerging markets?

• (1605)

[English]

**Mr. Steve Tierney:** We are quite happy with the resources the government has given us. We have sufficient resources, given the various priorities of the government.

[Translation]

**Mr. Jean Rousseau:** My next question is for Mr. Mayers.

What marketing tools do you have for small producers to help them market new products? This too is a growing sector with a promising future, thanks primarily to the arrival of immigrants who are asking for new products. Earlier, we talked about food safety. What marketing tools, with respect to certification, can you offer to reassure consumers and give them confidence in these new products?

[English]

**Mr. Paul Mayers:** Thank you very much for the question.

There are two aspects to the question. The first is in terms of innovative products that reach the marketplace. We work very closely with Health Canada around new products coming into the marketplace, and depending on the particular product type, there may even be pre-market reviews of products, which enhance consumer confidence in those products before they reach the marketplace. As well, the special needs of small and medium-sized enterprises are also important to us because we recognize that for small and medium-sized enterprises, the cost of compliance can often be a barrier to their growth. This is something that we've been paying particular attention to.

The recent report of the Red Tape Reduction Commission presents an important set of recommendations that we are carefully considering as we look forward as an organization. We have been working in the meat sector, for example, looking at shifting the currently very prescriptive model, which serves as a barrier for some

small enterprises, towards a more outcome-based model that might be better tailored, therefore, to the unique characteristics of a small enterprise, in order to promote their capacity to enter into, for example, interprovincial trade as a first step, and, if they wish, on to international trade as well through federal registration.

**Mr. Jean Rousseau:** Okay, thank you.

I have something—

**The Chair:** You have about half a minute, if you want to use it.

[Translation]

**Mr. Jean Rousseau:** Yes.

My question is once again for Mr. Tierney and Mr. Gorrell.

In Quebec, the agricultural world is still comprised largely of family farms. We still have the good fortune of having family farms belonging to young people from the third or fourth generation who have decided to take over the family business. Who are the industry players who work with the secretariat in this field and strive to ensure the transfer of these businesses and continuity in the marketing of products?

[English]

**Mr. Steve Tierney:** The sector's mandate is more focused on international, such as helping find markets for the farmers in Quebec or elsewhere in Canada, and hence helping their revenues increase, and thereby indirectly answering your question. That's really the mandate of the Market Access Secretariat.

**Mr. Jean Rousseau:** Okay, thank you.

Thank you, Mr. Chair.

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

Now we go to Mr. Lobb for five minutes.

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

The first question I have is for Mr. Mayers. It's one of the questions I hear from producers in my riding all the time, which is that the CFIA is tougher on our producers trying to export products into other markets than they actually are on goods coming into our own country. They are very compelled to comment on this. I just wonder if you can comment on that, and if you feel that's the case. If not, what are you doing to ensure that it doesn't become the case?

**Mr. Paul Mayers:** Thank you very much.

It is a perception that we often hear as well. Let me first assure the committee that there is only one set of rules. Those rules apply to imports the same way they apply to products moving domestically. Indeed, in the context of products that are exported, if there are any additional considerations, those are not CFIA requirements. They may be specific requirements that the importing country has presented, and CFIA has been asked to certify that those additional requirements have been met.

In terms of our oversight—and this may be the basis for that perception—domestic manufacturers and producers see the CFIA in our actions. Of course, when we deal with imports, we deal with them as they reach our borders. The foreign manufacturer doesn't see CFIA as directly. That might contribute to the perception.

•(1610)

**Mr. Ben Lobb:** That builds upon my second question. Of course, I think we've all been curious of this, when we go into the grocery store and we see an apple from Chile, or we see a can of canned fruit from China. How does the CFIA ensure that the sprays and the treatment of that piece of fruit are under the same regulations as those a Canadian producer would have to meet? How do you do that if the first contact is at the border? How does CFIA enforce this at the point of the foreign producer?

**Mr. Paul Mayers:** Thank you.

The first component, as it relates to issues of pesticide use and any residue of pesticides, is through the sampling and testing programs we operate as an agency. We operate a national chemical residue monitoring program that collects samples, and we monitor for a vast range of chemical residues. In addition to that, where particular issues have emerged over time—any trends in terms of products—we have applied a targeted program to certain commodities where we sample and test.

**Mr. Ben Lobb:** For example, if chicken is coming into Canada from China, you will test toxin levels in the actual meat of the chicken on a random basis.

**Mr. Paul Mayers:** That's correct. For any imported product, there is the opportunity to sample and test that product. In the case of residues, they are compared to the maximum residue limits that Canada has established.

So even where a pesticide is not used in Canada, our colleagues at Health Canada may have established a maximum residue limit to use to determine the acceptability of that product.

**Mr. Ben Lobb:** I have a final question for both Mr. Gorrell and Mr. Tierney.

I wonder if you can give us the current state of the Market Access Secretariat. How is it performing right now, and how is it going to continue to evolve as we move forward?

The second part of my question concerns a story in the *Globe and Mail* today about flight costs inside certain departments. Moving forward, I wonder how you are looking at ways to contain your travel costs to foreign countries.

I know you mentioned that in your presentation, Mr. Tierney.

**Mr. Steve Tierney:** We anticipate that the Market Access Secretariat will continue to focus on opening markets where they're dealing with access issues, but will be moving more into relationship-building, as they've been doing with China.

The emerging markets where we're having the most market access issues are primarily in agricultural countries. The farming means more to them than anything else, even as they're transitioning from a rural to an urban society. There are still 800 million people living in rural China, for example. So as they're making that movement, they're looking to us for knowledge, capacity, training, and so on.

The Market Access Secretariat minister has been signing memorandums of understanding and cooperation with these emerging markets. Because we are successful at resolving market access issues, we hope the Market Access Secretariat will be

focusing on the maintenance of market access through these kinds of cooperation agreements.

What we want is access to their markets. What they want is the knowledge and research, the genetics we have—all world-class. They want training in the food safety system so they can produce crops and trade within their regional bases.

We think that if all goes well—no new bird flu or livestock diseases—the Market Access Secretariat will be able to focus as much or more on maintaining access, because we've been successful there.

As far as costs, the number of people on any mission has been going down. People are flying economy across the Pacific and Atlantic oceans. We've generally made a commitment to reduce our travel costs each year, so we're prioritizing. At the same time, we're making sure that we develop the best service to industry, our minister, and the government.

•(1615)

**Mr. Ben Lobb:** On behalf of taxpayers, if you're looking at doing that and have already commenced that, I appreciate it.

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

Mr. Atamanenko, you have five minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you very much, gentlemen, for taking the time to be here.

Mr. Mayers, I'm going to address my first question to you. I'm now working on a file on a company in my riding called SBC Firemaster. In western Canada, they're probably the largest exporter of firewood to the United States. For your information, I'm going to be presenting a letter to the minister tomorrow with some concerns. Maybe this will give you a heads-up.

Basically, what happened is that this very successful company, which has been exporting firewood to the United States for 26 years, suddenly had the border shut down to them last year. Instead of having just one inspection per year, 40 of their trucks were inspected in a period of one month and 35 were turned back. They spent over \$100,000 on inspection fees and fines, lost \$1.5 million, and had to lay off staff. It was a real shock to this very successful Canadian company.

The trade minister, I believe, worked hard and got the border reopened; I was working with him on that and am following up with him and with the minister. But in the letter to me from the sales manager, Mr. John Jefferson, he raises some concerns about the involvement of CFIA on this file.

I guess on the first concern—and I don't have the letter in front of me—I'm wondering what kind of standardization there is. Apparently, they were turned back at the border because their pallets did not accept the requirements of heat treatment, whereas in fact pallets that are imported...and these were supposedly imported from other countries. Apparently, if the pallets are imported into Canada, they are inspected by you folks, and theoretically they should be then allowed across the border because they've already been inspected. He feels that the Americans did not accept our standards. I was wondering what the relationship is there, between CFIA and....

The other concern he expresses is that because of a lack of communication between I guess USDA and CFIA, although the new requirements were known in March of last year, their company was blindsided because they didn't receive notice from CFIA.

Once again, I'm raising these questions with the minister. I'm just giving you a heads-up with that.

I'm wondering what kind of communication exists on the ground. I've worked successfully with you folks before to solve issues dealing with the Americans. What is that relationship on the ground? Is there a standardization so that our businesses aren't being hit hard by arbitrary U.S. decisions?

**The Chair:** Mr. Mayers, just before you answer that, could you just explain to me—if not to anybody else—why the Canadian Food Inspection Agency would be in on inspecting wood?

Is that okay with you, Alex?

**Mr. Alex Atamanenko:** Yes, of course.

**The Chair:** I won't take that off your time.

**Mr. Paul Mayers:** Thank you, Mr. Chairman.

The Canadian Food Inspection Agency has three elements to its mandate. Certainly, food safety is the number one priority, but we have equally important responsibilities in terms of protecting Canada's animal-based resources—an animal health responsibility, if you will—and Canada's plant-based resources, a plant health responsibility. In this case, the issue is of both the firewood itself and any wooden pallets used in transporting the firewood. Wooden pallets, as you can imagine, are used in the transport of many, many products, so the movement of plant pests in wooden pallets is an important phytosanitary consideration, and that's why CFIA plays a role in that respect.

We work very closely, in the context of the question, with our counterparts in the U.S.—the U.S. Department of Agriculture's Animal and Plant Health Inspection Service. Indeed, there's a very high level of collaboration around the management of plant pests. In fact, the Regulatory Cooperation Council includes one initiative that relates around the issue of wood and pallets in terms of the international standard, ISPM 15, which relates to the heat treatment of these commodities. In the context of the specific example that you raise, we are aware of it and have worked hard with our U.S. counterparts.

Mr. Chair, if you will indulge me, I will just explain what happened. When a regulatory agency, in terms of the import of products, identifies non-compliance, it normally then moves that particular exporter to a higher level of scrutiny, and that happened

here. So rather than the occasional inspection of products—not every single shipment is automatically inspected—companies where a non-compliance is identified then move to an intense level of inspection, and that would explain why they went from a level they were used to, to an increased level of intensity as it relates to their exports to the U.S. In that continued inspection they also then had further non-compliances, which continued, resulting in the unfortunate situation.

In working with the company, we were able to provide the company with some advice around heat treatment, which I understand they took up and as a result were able to resolve this issue. But as well, using this as an example, we've continued to work with our colleagues in USDA to explore how we can make for a more predictable trading regime as it relates to wooden pallets, recognizing the impact that can have on trade. Whether you're talking automobiles or firewood, wooden pallets can have an impact in terms of that trade, so it is extremely important for us to address it from a regulatory perspective.

• (1620)

**The Chair:** Your time has expired, Alex. Thank you.

Mr. Zimmer, you have the last five minutes in this round.

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

Thanks again for coming today.

I have a question for Mr. Gorrell—a couple actually. When countries are looking to do business with our agriculture sector in Canada, what types of products are they interested in? It's a fairly general question, but....

**Mr. Fred Gorrell:** Thank you for the question.

Other countries are looking to engage in products from Canada. Is that...?

**Mr. Bob Zimmer:** Yes.

**Mr. Fred Gorrell:** It can be across the board. Major sectors—

**Mr. Bob Zimmer:** What do you see as maybe the top five?

**Mr. Fred Gorrell:** Grains, and I think you're looking at canola, wheat, barley. I think you're looking at our pork, at our beef. Those are the ones with the large stats, but I'd also just emphasize that fruits and vegetables going between the United States and Canada are also a big part. Those are really the sectors we would be focused on, the primary products.

**Mr. Bob Zimmer:** As a follow-up to that question, what types of services are they interested in? You know we offer services as well in Canada. Are they interested in our services as well? If so, what services are they interested in?

**Mr. Fred Gorrell:** It could be, for example, when we trade in livestock genetics. It could be semen, embryos, or live cattle. Often, they are looking for service—that is, the expertise on artificial insemination or other.... So definitely that type of technical expertise that would go with the sale is often part of the package.

**Mr. Bob Zimmer:** Do you have any other examples other than cattle?

**Mr. Steve Tierney:** Generally speaking, if I may, our farming expertise and knowledge is world-renowned—our genetics, whether it's in the grain crops or livestock industry.

What's missing in a lot of these markets is the whole animal husbandry...rotational planting, dry land farming. So our low-tillage, zero-tillage agriculture processes are important knowledge. It's the whole gamut of how to get more productivity, whether it's the forage system going into animals.... We've done experiments in China that Mr. Gorrell has been key in. We're showing that a canola meal diet leads to an extra kilogram of milk per day. It's that kind of thing—it's the broad spectrum of expertise. That's what we have to offer in return for market access and it's why we're trying to build these integral relationships.

In a sense, they're looking for a turnkey package—the whole farm, the AI centre, the forage.

**Mr. Bob Zimmer:** I have another question for both of you.

I don't know if you can answer this, so just say if you can or can't. I wanted to know what the next high priorities are in terms of other nations that you're focused on. Can you say that to us? Could you list those as well?

Some of us know that, but for the benefit of the committee, can you say what those priorities are?

• (1625)

**Mr. Fred Gorrell:** Specifically for countries...actually, I did bring some copies of the market access report that was done by Minister Ritz and Minister Fast. I would leave that, if you people are interested in it, for the committee. I think it's interesting.

Our key markets, which we have reaffirmed with the industries.... I think that's a key point: every year we have an annual meeting where we meet with about 35 of the industry associations, and with the provincial and territorial representatives as well. I may forget one as I go through here, but very clearly you're looking at the Asian countries, Japan, China, Chinese Taipei, and you're looking at India, Russia, the EU, and the United States. Another large one is Mexico.

There is also a focus on a number of areas in Asia, for example, Indonesia. It would be one of our anchors, but we are looking in that whole geographic area. A big part of our focus will be the EU, but also the Asian countries in the coming year. That probably will continue into 2012-13.

**The Chair:** You have about a minute.

**Mr. Bob Zimmer:** Paul, I have a question for you.

Certainly, being more efficient as a department isn't a bad thing. Sometimes it makes us work better for the resources we have. I want you to comment on—for the sake of the committee again—how being more efficient affects our overall standard of safety in terms of the international way. Is that at risk with this leaner and meaner CFIA? Can you explain?

**Mr. Paul Mayers:** No. The approach the agency is taking is that as we look at how we do our business, the investment that has been made in inspection modernization.... The aim is to modernize how we do inspection, to take account of best practices elsewhere, and to innovate ourselves in terms of shifting from prescriptive towards more outcome-based, system-based approaches. The aim is to

improve the outcomes rather than to see any reduction in terms of the safety outcomes for Canadians.

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

With that, I'd like to thank all three of you for being here today, and I appreciate it.

To make the best of our time, if we could ask the witnesses to vacate as soon as possible—not to chase you away—and ask our other witnesses to please take the table as soon as they can....

Thanks again, gentlemen, for being here.

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\_\_\_\_\_ (Pause) \_\_\_\_\_

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**The Chair:** I'd like to thank Mr. Wansbutter from Viterra and Ms. Sullivan from Canadian Agri-Food Trade Alliance. I always have a tough time with that; I'm used to the acronyms.

Ms. Sullivan, if you want to go ahead for 10 minutes or less, please do so.

**Ms. Kathleen Sullivan (Executive Director, Canadian Agri-Food Trade Alliance):** Thank you, Mr. Chair.

I have handed out a presentation, but I'm going to give a condensed version of it for your benefit.

Good afternoon. I'm Kathleen Sullivan, executive director of CAFTA, and I thank you for the opportunity to speak today about the importance of trade and market access for Canadian agrifood products.

Canada's agrifood sector depends on trade. We are the fourth-largest agriculture and agrifood exporter in the world. We currently export about \$40 billion a year in agriculture and food products, and that's about half of all of our production. If we didn't have access to foreign markets, the structure and size of our domestic production and processing sectors would be radically impacted.

Agrifood exports are critical to the national, provincial, and rural economies across the country. Agriculture and food account for almost 10% of Canada's total merchandise trade. Across Canada, 210,000 farms are dependent on export markets. It is critical that we identify new trade opportunities for our agrifood products and that we protect existing and valuable export markets.

Trade must be a priority for this country, and as we look towards the future of agriculture policy in Canada, we can think that trade must be a major concern. For us, this includes three key priorities: first, continuing to seek opportunities to conclude a multilateral trade deal that will further liberalize agrifood trade; second, to actively and aggressively pursue meaningful bilateral and regional trade deals; and third, to address market access issues. I'll talk just very briefly about all three of those.

With respect to multilateral trade deals, around the world agriculture is subject to both domestic and trade policies that impact international prices and the flow of goods. These policies continue to create imbalances in trade and to establish trade patterns that are based on historical preferences or on bilateral trade deals rather than on natural competitive advantage. Only a multilateral trade deal, like that being negotiated through the WTO, can fully resolve these issues.

We recognize that the WTO is at an impasse right now. We do encourage the government, though, to continue to work with other WTO countries to try to breathe new life into those talks.

Second, bilateral and regional trade deals must be a priority. It is critical that Canada act aggressively and uncompromisingly to pursue our export interests around the globe. I have to say this government has put in place the most ambitious trade agenda this country has seen in a generation. We are now looking at the possibility of trade deals with lucrative markets that include the EU, India, South Korea, Japan, and the trans-Pacific partnership. These deals combined would increase agricultural exports significantly, but even more importantly, being left out of those deals, such as that with the TPP, for example, could have devastating consequences for our industry.

We strongly support the government's trade agenda and priorities, and we offer the following observations. First, it's critical that we prioritize our resources. Canada has world-class trade negotiators, but our resources are ultimately limited. We need to focus on FTAs that have the greatest potential to benefit our agriculture and food sectors and the economy overall.

Second, while our current trade agenda is impressive, we have yet to conclude a major trade deal since the NAFTA. It is imperative that we do so as soon as possible to demonstrate that we are serious about trade and that we have the resolve to conclude modern trade deals.

Third, our FTAs going forward have to be ambitious and comprehensive. Countries around the world are negotiating next-generation trade deals like the trans-Pacific partnership, deals that are broad in scope and substantive in depth and that address new and emerging issues.

Finally, FTAs have to go beyond tariffs. We need 21st century deals that address non-tariff barriers and that incorporate disciplines to ensure regulations and decisions that impact trade are based on science.

The final priority in a new agricultural policy framework needs to be market access. Regardless of our trade status with a country, market access issues continue to be a growing problem. Our trade relationships need to be stable, and decisions that impact trade need to be predictable, enforceable, and based on science. We strongly commend the government for establishing the Market Access Secretariat. Going forward we need to provide the secretariat with the appropriate resources and give it the authority necessary to manage issues across federal departments.

We also need to ensure that there is industry participation and expertise to work together with and to support the secretariat's activities, and we need to find longer-term solutions to some of the market access issues that continue to plague our industry. Trade is

critical to Canada's agricultural producers and food processors. We welcome the government's strong approach to trade, and we, in particular, thank both Minister Ritz and Minister Fast for the efforts they have made to find new trade opportunities for our sector. We look forward to ensuring that trade is a key component of Canada's future agricultural policy framework.

• (1630)

With that, I look forward to your questions.

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

Mr. Wansbutter.

• (1635)

**Mr. Richard Wansbutter (Vice-President, Government and Commercial Relations, Viterra):** Thank you, Mr. Miller.

Kathleen has covered off a number of the items. I'll try to accentuate some of those and give you a perspective from Viterra's vantage point.

I would like to thank you for this opportunity to address the standing committee to talk about Canada's development of Growing Forward 2 and about marketing and trade.

Canada's ability to access global agricultural markets is absolutely critical. World trade in agriculture and agrifood products continues to increase. A major source of growth is the increased demand for food, driven by population and income growth in emerging economies. For example, food imports in emerging economies such as China and India have grown by 300% between 1999 and 2008. As we see the forecasts, with world population to increase to 9 billion people by 2015, the demand for agricultural products and the need for trade will continue to rise.

Trade is extremely important to Viterra, a very proud Canadian company. We're headquartered in Canada, of course, and we have extensive operations across Canada, the United States, Australia, and New Zealand. We have a growing international presence. We have marketing offices in Japan, Singapore, China, Vietnam, Switzerland, Italy, the Ukraine, Germany, Spain, and India. We operate in three distinct businesses: grain handling and marketing, agriproducts, and feed and food processing.

In fiscal year 2011, Viterra exported approximately 15.3 million tonnes of grains and oilseeds and special crops; our food division processed approximately 1.3 million tonnes of malt, pasta, oats, and canola; and our feed division processed about 1 million tonnes of feed in Canada and about 700,000 to 800,000 tonnes of feed in the U.S.

The need for agricultural products is expanding, and the need for freer trade, easier trade, is absolutely essential. Notwithstanding the increases in demand for agricultural products, we face what appear to be ever-increasing tariff and non-tariff trade barriers. We face blackleg in canola in our shipments to China, salmonella in canola meal in our shipments to the United States, and we've had issues with Triffid flax in our flax shipments to the European Union.

Looking at tariffs, we face issues of differential tariffs on canola into China, with canola having 9% tariff, soybeans having 3%. We have limited access on low- and medium-quality milling wheat into Europe. We have a 30% applied tariff on canola and malt into India. And we see an over-quota tariff of 30% on malting barley into Korea. These are just a few examples of what we face as an industry on a day-to-day basis.

When we look at Growing Forward 2, and the development of a new policy, there are some key elements and considerations that we would put forward. I would like to note that our government has been instrumental in helping to resolve a number of our trade access issues, and I can speak from first-hand knowledge and first-hand impact. Of particular note is the creation of the Market Access Secretariat. We have relied upon them very heavily in resolving some of our trade issues. Certainly, the blackleg issue on canola into China was a huge one. We're a major exporter of canola into that market. We give credit where credit is due, and the Market Access Secretariat was on the ground almost immediately to address that issue.

While we continue to work with the Chinese on this blackleg issue, the Market Access Secretariat, along with support from the Minister of Agriculture and the Prime Minister, continues to ensure ongoing access to this market, and that's noted and appreciated.

• (1640)

On a go-forward basis, we would like to suggest or recommend that it's critical that the Market Access Secretariat be properly resourced and financed in the future. Trade issues will not abate, and I fear they will only increase, so we need the Market Access Secretariat to support the industry and protect the access we have.

Tariffs, export subsidies, and trade-distorting internal support programs are really best addressed through the resumption of negotiations and eventual conclusion of a World Trade Organization agreement. As has already been stated, we do recognize that those discussions have been in a hiatus, that some of our trading partners appear to lack the will to address these issues.

We feel that as with any policy, it needs to be emphasized that the best venue to address our tariff and subsidy and support program issues remains the WTO. Recognizing that the WTO is not likely to advance in the near future, we must continue to place our focus on addressing our agricultural trade issues through bilateral agreements. We've already mentioned a number of them. One of the most critical ones coming up under current negotiation is the EU. The government has announced interest in the trans-Pacific partnership, which we would certainly support. Scoping discussions, which we would certainly support, have been announced with regard to Ukraine as well as other countries, such as Japan.

Those bilateral agreements really are critical for our country as an exporting nation.

There needs to be continued advocacy for the development of rules and standards that lead to predictable science-based trade through participation in various forums such as the World Trade Organization, as well as the World Organisation for Animal Health, and Codex. Where appropriate, it is important to engage with other like-minded countries to resolve market access issues. What comes to mind on this one is a need for the development of a low-level presence policy to address the unintentional presence of products derived from biotechnology and non-GMO shipments. From our vantage point as an exporting company, this really is one of the most critical and pressing needs, as a low-level presence policy certainly can affect and address a lot of our issues in all our exported agricultural commodities. Again, we thank the government and we thank Minister Ritz for showing leadership on this file, for working with the various departments to advance a policy, and now to start engaging other countries in discussions in and around this. As I said, this truly is very critical to our industry.

I'll close with collaboration, which extends to close interaction with Canada's agricultural industry, and the industry, including producers, exporters, marketers, and processors, can provide useful insights when we deal with our federal counterparts on all the various issues, from a practical marketing point of view, and help provide up-to-date market intelligence to our government. I think it has already been mentioned that we certainly welcome and support the industry advisory group on market access and the value chain round tables.

I sit as co-chair with Fred Gorrell on the grains round table, and I believe these various round tables have proved to be of great benefit by providing a forum to discuss agricultural and agrifood market access issues. These initiatives should not only be maintained but expanded.

Those are my introductory comments. Thank you, and I look forward to the questions.

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

We're moving to questions.

Mr. Allen, you have five minutes.

**Mr. Malcolm Allen (Welland, NDP):** Thank you, Chair, and thank you both for being here.

Kathleen, maybe it's a typo, but help me with page 3 at your first bullet point, the last line. It talks about Canada-EU CETA, and Canada free trade. It says, "...if now signed could see us lose up to \$1 billion...". Should that say, "...if not signed...?"

**Ms. Kathleen Sullivan:** Yes, sorry. That happens when you work on a Sunday.

**Mr. Malcolm Allen:** Reading the rest of it, I thought that has to be a "not", not a "now". It meant the opposite of what your paper said. So thanks.

Let me ask a question on the third bullet point. When we talk about ambitious and comprehensive...and other countries negotiating "next generation" trade deals such as TPP, could you give us a quick overview of what you mean by "next generation"? Are we engaged in next generation or are we still doing—my words, of course—older generation...?

• (1645)

**Ms. Kathleen Sullivan:** I think the Canada-EU free trade negotiations are really the best, and probably the only example we've seen of what I would consider to be a next-generation or 21st century trade deal in that they're incredibly broad. They cover every topic you could imagine—labour mobility, investment, services, trade, and goods.

Trade deals used to focus traditionally on trade and goods. In that regard, they focused on market access; tariffs, quotas—very traditional things. But today, trade is about a lot more than just goods. It is about services, it is about investment, it is about labour mobility, and it goes far beyond tariffs to include non-tariff barriers—things that Richard has raised, such as low-level presence standards around the world for genetically modified material. How do we deal with ensuring that inspection standards are consistent from country to country? Non-tariff barriers, phytosanitary issues, have to be dealt with in these trade deals.

What we also have to do in these trade deals is find new and creative ways for dealing with emerging issues. In the past, what stopped us from trading was tariffs. Now what's stopping us from trading is non-tariff barriers—they've become new and more creative, and it's a different one every time. So we have to create mechanisms in our trade deals that anticipate new things that might come down the road in the future, that can deal with those and that also have really strong enforcement mechanisms attached to them.

Deals that are really broad and really deep are the next generation of trade deal we have to look at. Canada-EU is an excellent example. Even compared to NAFTA, it won't eclipse NAFTA economically, but in the range of topics covered, it's going to be a much broader deal than was ever anticipated in the North American Free Trade Agreement. In that sense, it's going to become the template for all trade deals that we negotiate.

Interestingly, it is also the most modern trade deal the Europeans have ever negotiated. It will become a benchmark for deals that both of our countries or regions negotiate going forward, but we have to finish it.

**Mr. Malcolm Allen:** My next point is not finished: what we see at the end may not be what we envisioned at the beginning. That's the hypothetical. We'll wait to see what happens, because clearly the

government will table it when it's done. My guess is that it'll be more comprehensive than what we've seen before.

There are an amazing number of ways to do non-tariff barriers. It reminds me of the sale of North American cars in Korea—an example of a non-tariff barrier is that your taxes are audited every year if you buy one. That's what happens to a Korean in South Korea who purchases a North American car in that country, but that's the auto sector.

When we talk about science-based—we bandy the term about, and it's my favourite term that folks use when they come here—it's always wonderful. It makes it sound as though we have lots of knowledge when we use it. I'm not saying that folks who use the term don't have knowledge; some don't, some do.

Based on that, what happens if you get into the multilaterals that Kathleen is talking about, rather than bilaterals, and the multilateral decision is based on science that we don't like? Now what? If the science becomes a matter of, "You know what, we don't want an LLP, and we don't want GM or GME or GMO", whatever way we want to discuss that because that's the multilateral, what do we do next?

**Ms. Kathleen Sullivan:** There are international forums, whether it's the OIE or it's through the WTO or Codex, that establish standards for things like maximum residue levels. We don't have one for LLP, but we'd like to see one. Standards for BSE, for example, would be done through the OIE. Those are the appropriate forums to deal with this because those are science-based organizations. Then it becomes up to us as a country to work with those organizations to establish what we think are the appropriate standards.

Where it becomes a problem is when you have countries like Korea, for example, that don't abide by the OIE standard on BSE, and then we have to go to the WTO to challenge them.

What we don't want to see is a country-by-country decision on issues that are science-based. Science is science; it should be relatively consistent around the world, and we need to work through these international bodies to come up with an internationally agreed upon standard.

On LLP, for example—Richard can speak to this—on the low-level presence of genetically modified material, what we have right now is a hodge-podge around the world of some countries that accept a level of low-level presence, some that don't, and it frankly ties up our trade anywhere you turn.

These issues exist. As long as we have genetically modified materials in the world, which we do and they're growing, this is an issue that has to be dealt with. What we need to do is find some sort of international home that has a science background, where we can establish standards that are safe and that are credible, and then through that international body encourage its member countries to comply with the standards. Then we'd have recourse mechanisms. But right now we don't have that, and this is where we really need to focus our attention.

• (1650)

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

Mr. Lemieux, for five minutes.

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

I just wanted to follow up with Kathleen. You were basically saying that it's critical that Canada act aggressively and uncompromisingly to pursue its export interests around the globe. You were talking about bilateral and regional trade deals. I know you were also encouraging us to continue with the WTO, which we are doing, but as you know it's slow going. I think we really have put a focus on bilateral and regional deals, and we've been successful.

I would like to know, for you and your membership, is it good when Parliament—because they go in front of Parliament—passes these trade deals? Would you like to see more of this? Would your clients like to see more of this? Secondly, what kind of impact have these trade deals—the ones that have passed already—had on your clients?

**Ms. Kathleen Sullivan:** The NAFTA would be the one that had the greatest impact on us. I think the sectors would vary, but our overall trade between Canada and the U.S. has doubled since the NAFTA, so—

**Mr. Pierre Lemieux:** What about other countries, though?

**Ms. Kathleen Sullivan:** A lot of the other countries that we've signed trade deals with so far have not been really.... There may be pockets where some of our agricultural sectors have benefited, but to my point, we really haven't seen the kind of broad trade deal that we need to make a really significant impact across the country for agriculture across the board.

**Mr. Pierre Lemieux:** Is that where you see the EU trade deal?

**Ms. Kathleen Sullivan:** Listen, the trade agenda right now is phenomenal. The EU, Korea, Japan, TPP, and India, these are major economies around the world, where in most cases we have trade relationships, but we can also enhance them. These are the kinds of deals that will really make an impact on the agricultural sector. Combined, just those five deals will easily bring in, I would conservatively say, \$5 billion in additional trade—\$3 billion with the EU alone.

I think the government's current trade agenda, looking forward, is really where the money is for the Canadian agricultural sector, and where the opportunities are. There's a great benefit right now to doing a trade deal with the EU, and also the Asia-Pacific, particularly for sectors like our livestock sector, where of course we have to sell the whole animal around the world. We see different tastes, and we

can really start to grow production when we're servicing those two areas of the world.

**Mr. Pierre Lemieux:** Thank you.

Richard.

**Mr. Richard Wansbutter:** If I could just add a specific example to your question of do we want to see bilaterals and what's the impact—and the answer is yes—I would turn to the recent free trade agreement Canada signed with Colombia. From an exporter's point of view, what that has given us is immediate, tariff-free access on peas, lentils, and chickpeas. It's especially important because we had difficulty getting into that market because the Americans had preferential treatment. It may not sound like big numbers—a couple of hundred thousand tonnes—but it is worth a lot of money. It, again, provides producers with access. So those types of deals, where it's demonstrable that we do have access and we are growing that market, are important.

**Mr. Pierre Lemieux:** Thank you.

I actually had the privilege of being at your Vancouver facility, the Viterra facility. I was standing there watching grain come in and grain being loaded on ships.

You realize, of course, with the passing of the Marketing Freedom for Grain Farmers Act, there's been a change in the way that farmers can market their grain. It's the same for companies that might want to market Canadian grain internationally. So I'd like to ask you, as Viterra, do you see opportunity here? Do you think this is a good thing? Are you looking forward to exporting our high-quality product to other markets?

**Mr. Richard Wansbutter:** To answer your last question first, are we looking forward to it? The answer is absolutely, yes. To be participants in all commodities across a broad spectrum and into the international marketplace, I think at the end of the day it will result in benefits for producers. I think it is a good thing. It will provide producers with more options on who they choose to deal with, whether it's the Canadian Wheat Board, ourselves, or all of our competitors. Choice is always a good thing.

I am convinced that this choice will lead to a more competitive marketplace. With competition you get efficiency, and I think you'll see us, as companies, out there trying to secure that farmer's grain.

Collectively, as an industry, we've spent the last six months, as we go forward to August 1, redoing our systems, finance, and accounting; getting our financing in place; and making sure we have all of our logistical systems ready to take on the new marketing environment. We will be ready, and I think it will be a good-news story for the producers and for the industry.

• (1655)

**Mr. Pierre Lemieux:** Very good. Thank you.

Thanks, Chair.

**The Chair:** Thank you.

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

**Mr. Frank Valeriote:** Thank you, Richard and Kathleen, for coming today.



Kathleen, you talked about the need for the trans-Pacific partnership and the losses that could accrue without gaining access to that trans-Pacific partnership.

We know the elephant on the table, and from my understanding it's supply management. At least that's one of the barriers, I'm told. Do you agree with that? If you agree that is a barrier, how do you think it should be dealt with?

**Ms. Kathleen Sullivan:** I don't think you should believe everything you read in the media.

Two weeks ago, we spent a couple of days meeting with all of the TPP embassies here in Ottawa. If you talk to New Zealand, they will absolutely tell you that Canada's supply management policies will stop them from accepting us in the TPP.

With the U.S., it's a little bit more complicated. From what we can gather, every other country is prepared to support us, and certainly not oppose our membership. The issue with the United States—and that's where I would be particularly concerned right now—is just that they're frankly not paying attention to us. I don't think it comes down to any particular protectionist policy we have in Canada. The U.S. has its own protectionist policies, and they certainly have them in abundance on agriculture—their own dairy sector, and their sugar policy as well.

We have a lot of work to do with the Americans. I don't think that Canada's supply management policy is the specific problem or the only problem.

I'm not a negotiator. I'll tell you my perspective on what has worked in the Canada-EU CETA. For the first time in negotiating a trade deal, Canada made no exclusions to its negotiating mandate. You have no idea how much that has helped us in the context of Canada-EU. It sends a signal to the rest of the world that we are serious about talking about trade. At the end of the day, every country has sensitivities. It's up to our negotiators to defend those sensitivities, or narrow the gaps in them, or find ways to make the deal work.

Providing a comprehensive negotiating mandate doesn't mean we're trading off every sector in Canada, but it helps us because it sends a signal at the beginning that we're prepared to trade.

**Mr. Frank Valeriote:** Okay, thank you.

Do either of you have any understanding of innovation and commercialization in gaining market access before I pursue that? I tried with the last witnesses and neither of them did, and I wasted time asking the question.

Do either of you...?

**Mr. Richard Wansbutter:** We're certainly involved with research and innovation as a company.

**Mr. Frank Valeriote:** All right. Let me ask you this.

A number of witnesses have said that part of market access is definitely trade agreements. I don't disagree.

The other part is creating products that are wanted and needed by the market, not just in Canada but around the world. To do that, you need innovation; you need expenditure on innovation and commercialization.

Our business expenditure on research and development is down to 1% of GDP. It was closer to 2% in 2006. The average in OECD countries is 1.6% of GDP.

Do you agree with the notion that others before the committee have stated—that we need to be focused now on that as well, supporting commercialization and innovation in a more robust way?

**Mr. Richard Wansbutter:** I would say definitely yes, it's important to focus on the research and innovation.

I mentioned earlier that I sit as co-chair with Fred Gorrell on the grains round table. In fact, we have one of the working groups specifically on research. That's dealing more in the aspect of how do we draw in additional research dollars.

We can't always rely upon government to always come to the table and provide those dollars. Working with farmers—using end-point royalties, for example—how do we as an industry bring in those dollars that can be directed towards research, whether it's through the universities or through public programs?

It does vary by sector, for example, on canola. To your question about whether or not we listen to the end user and what type of feedback we get from them, canola's a very good example. Accessing the U.S. market, we've developed, for example, nexera canola that is used primarily in the frying market. It's a healthy oil that was developed through innovation and research. It is a high success story with Dow AgroSciences. That's been private money.

Certainly on cereals we've seen more public money.

We are wrestling with that right now. The Saskatchewan government just held a summit last week, and a number of the federal officials were there. How do we revitalize our cereals industry? How do we revitalize our research on wheat and durum and barley? That's what we have to do next. What types of funding models can we develop to attract the dollars and then target them for innovation and research?

• (1700)

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

Mr. Hoback, five minutes.

**Mr. Randy Hoback:** Thank you, Chair.

Thank you, witnesses, for being here today.

I'm actually going to go into two areas. I want to talk a bit about the Market Access Secretariat, but before we go into that, I just want to talk about sensitive products.

Ms. Sullivan, when we talk about sensitive products, it seems like 5% is the number that gets thrown on the table. With 5% being that number, how would that impact our beef and our grains producers, for example, if it stayed at that number? What should that number be for those types of producers?

**Ms. Kathleen Sullivan:** Do you mean in the context of the WTO?

**Mr. Randy Hoback:** Yes.

**Ms. Kathleen Sullivan:** I think that right now the number they're looking at is 4%, with the possibility of buying 2% more.

I'll be frank with you. At this point in time, if we could get the WTO deal—the text from 2008—through, we'd be thrilled. We'd be thrilled to get something done on the WTO and then regroup and start to figure out what's next.

No matter how you cut it, I think the WTO has fallen short of everybody's expectations. Even the most recent WTO text from 2008 fell short of everybody's expectations in terms of what was possible in that round of multilateral negotiations. At this point, our view is that we're making progress: let's make progress and move forward.

I think we also accept that probably the text that was on the table in 2008 is a moot point right now. Most likely, countries aren't going to go back to the table for a year, if not more. At that point, we're probably looking at starting—

**Mr. Randy Hoback:** So you're fine with the 4% that's being recommended at the WTO?

**Ms. Kathleen Sullivan:** On the 4% and the ability to buy 2% more, yes, we were quite happy with that. We were quite happy with all aspects of the deal. It is a balance.

**Mr. Randy Hoback:** Okay. That's interesting.

To go back to the Market Access Secretariat, Mr. Wansbutter, maybe you can help me, because I know you've worked through that. I know that we've had some issues come up, whether it's sclerotinia in the canola being shipped to the U.S. or, for example, the blackleg issue that we had going into China.

In working with the Market Access Secretariat—and I want to be constructive here—are there things that you think we could do to make it even better, as far as how we structure it is concerned, when we look forward, and how it interacts with the industry and the CFIA? Are there things you like right now that you think we should keep in the Market Access Secretariat, things where you might say that's the way to do it and it's professional and done really well? Is there any advice you would give us in that scenario?

**Mr. Richard Wansbutter:** I think one of the most important things—I'm saying this from a trade aspect as an industry—and one of the greatest benefits for us was, although I don't want to sound trite, one-stop shopping. For industry to deal with government, sometimes we get a little overwhelmed with which department we should go to. Once we get that figured out, then it's who do we go to in the department.

But with the Market Access Secretariat, with Fred Gorrell heading it up, if we as an industry have a problem, we know exactly where to go. Fred marshalls the forces. That's extremely powerful. We save so much time in being able to go to one person of contact. Now, I'm not saying that Fred does it all; he's able to rely upon the resources of AAFC, Health Canada, CFIA, and the Canadian Grain Commission as required, and he brings those together. That's extremely powerful. I would say that needs to be supported on an ongoing basis.

As I said earlier in my comments—and I think I can speak for my industry colleagues—it needs to be properly resourced going forward. If that means more staff, I know that's a tough one in today's economic climate, but we need to have resources there, both human and financial, to help us work through our market access issues.

**Mr. Randy Hoback:** Does the industry pay for any of that Market Access Secretariat at this time?

**Mr. Richard Wansbutter:** No, we don't.

**Mr. Randy Hoback:** So it's all government funding at this time—

**Mr. Richard Wansbutter:** Other than when we accompany.... It would be payment in kind when we accompany the minister or Fred Gorrell on what are not so much trade missions, but...for example, we've been over there with the Canola Council. Senator JoAnne Buth has been over there in the past. That would be picked up by the various councils or associations, so I would say that it's payment in kind.

• (1705)

**Mr. Randy Hoback:** You would also provide information and data, whatever is required, in kind.

**Mr. Richard Wansbutter:** Absolutely—a significant amount of information. On market intelligence, for example, we had our people on the ground in Shanghai and in Beijing. We were able to work with Mr. Gorrell and pass information back.

**Mr. Randy Hoback:** Okay.

To finalize on the market access and the CFIA, I know the process we had in China was a frustrating one at the start, but we did get through it. In that scenario, was there anything we could have done better or quicker, in your opinion?

**Mr. Richard Wansbutter:** You know, actually, I've used the blackleg issue as an example of how government-industry cooperation should work. I would definitely use that as a shining example of how we need to go forward.

I think we were caught a little bit as an industry, because it isn't just government.... But we were caught a bit as industry with the whole issue of salmonella in canola meal going into the U.S. It took us a while as an industry, quite frankly, to get our act together. Working with the U.S., with the FDA and the USDA, can be a bit daunting at times. I think there we could have been a little bit more responsive and quicker, but ultimately we got that issue resolved. As I say, it took a lot longer than I hoped it would take.

So those are two examples at either end.

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

Now I'll move to Mr. Atamanenko.

**Mr. Alex Atamanenko:** Thanks to both of you for being here.

Ms. Sullivan, you mentioned that the Canada-European trade agreement, or CETA, is a next-generation agreement, very comprehensive. It's true. It's not just about trade. You mentioned services. The agreement is about the fact that European corporations could theoretically bid on subnational contracts—water, waste water treatment, local procurement. There will be an investors' rights clause similar to the one under NAFTA, where a corporation can sue a certain level of Canadian government if it's refused access. For example, if a community wants to give preference to local companies, it theoretically could be sued by a corporation. This is a pretty comprehensive agreement. We're told that supply management isn't on the table. But there will be tremendous pressure to modify it, if not get rid of it altogether.

I'm just wondering, as a Canadian nationalist, how far do we go before we...? Trade is good, but how far do we go before we lose our ability to control our own destiny? I'm speaking here on that whole subnational contract clause, which has never been in any trade agreement, other than our response to the U.S. "Buy American" campaign. I'm wondering if you have any thoughts on that.

**Ms. Kathleen Sullivan:** I don't know that I can speak to the philosophical question of how far you go in trade before you give yourself up.

From an agriculture perspective, we grow twice as much as we can eat, so we need markets to trade to. We have 210,000 farms across this country that depend on exports. Presumably, without trade, you'd see half of those go—and even more, because we wouldn't have the infrastructure to support a lot of what we're doing. From an agriculture standpoint, we are a country that is based on trade. If you look at our canola sector, we ship 85% of it out of the country; and pulses, 75%.

If we want to trade with other countries, we're going to have to let those other countries trade with us as well. From a CAFTA perspective, our view has always been that we support trade deals, and that trade has to be reciprocal.

The investors' rights clauses, I really can't speak to. You'd be hard pressed to find a stakeholder in Canada who has been as involved in the CETA negotiations as I have. I spent a month last year in Brussels. I have seen several bootleg copies of the CETA text, and from an agriculture standpoint, they're not all correct. So I can only surmise that other pieces of information coming out about the negotiations are not correct either.

I have found that our trade negotiators, DFAIT and Agriculture Canada, have been incredibly helpful and forthright in sharing information with us about where the negotiations are going. I would encourage you to talk to them about your specific concerns.

**Mr. Alex Atamanenko:** We are a trading nation. We've been trading back and forth without a lot of these free trade agreements for years and years.

There is some concern in regard to Europe about their protectionist policies. For example, under supply management we allow up to 5% of chickens to come into the country, 5% of our production without our over-quota tariffs. For them, for our pork, it's only 0.5% right now in Europe. They're a lot tighter than we are.

From your experience, do you see us breaking that hold, that protectionist European hold? It seems a phenomenal task dealing with those folks.

● (1710)

**Ms. Kathleen Sullivan:** We've spent three years trying to achieve the goals you've just set out. We have very little pork or beef access into Europe. We have a lot of problems on our biotech products. Really, no matter how good CETA is, at the end of the day if it doesn't deal with those three issues, then from our standpoint it will be a failure. That's what we've been spending a lot of our time on over the last three years. But I remain optimistic. One of the reasons we have a good shot of getting market access for our agriculture products is that the deal is so broad. It goes beyond agriculture.

Quite frankly, if you were negotiating a deal while we were trying to get beef and pork access into Europe, because we were going to open up our dairy market, we would be on the losing end. There's no doubt about that. When you have a broad range of issues that you can negotiate, like government procurement, investments, or services, you give us and agriculture a fighting chance. That's really important to us.

Whether it will come to fruition in the context of the CETA, we'll find out in the next three months. So far the Europeans have been ambitious about this trade deal. So we remain hopeful. We have spent three years explaining to the Europeans that agriculture is key to this deal if they want to get it signed.

One of the best things for us about this deal is that the provinces are at the table. It would be hard for Alberta, Saskatchewan, or Manitoba to sign a deal that provided no beef or pork access and didn't deal with biotech issues. And the Europeans know this, because we've been telling them about it for three years.

**Mr. Alex Atamanenko:** Is that it, Mr. Chairman?

**The Chair:** Your time's up, Alex.

**Mr. Alex Atamanenko:** Okay, thank you.

**The Chair:** Mr. Payne, you have the last five minutes.

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

And thank you to the witnesses for coming. You just have to pardon my voice. I'm fighting something here. I'm not sure what it is.

I found both of your discussions on trade quite interesting, particularly with regard to the EU.

Kathleen, you said it's really important to get a deal done. Certainly I think that is what we need to do for our agricultural sector in particular. You also talked about this being the next generation of trade deal.

Do you see the next generation of trade deal being similar for the TPP?

**Ms. Kathleen Sullivan:** If you believe the TPP members and what they're saying, then yes, absolutely. They are looking at a very comprehensive deal that will cover all of the categories we're seeing in the CETA. They're looking at very aggressive tariff cuts. They're looking at dealing with non-tariff barriers. So, yes, I think a lot of countries are recognizing that they can't achieve what they wanted through the WTO right now, because it is stalled, and that bilateral trade deals are a good way to capture some of those issues but only if they're aggressive.

The interesting thing about the TPP, because it's regional, is that some of the founding members are hoping it will be the genesis for something much bigger. This is why Canada has to be there. I'll tell you right now, if you include Japan and Mexico, 65% of all of our agricultural exports go to TPP countries. If we are not in that deal, then within their little group they're going to start filling the space we're now filling with our exports. We will have a real problem if we're shut out of a trade deal that includes 65% of our exports.

So, yes, I think that will be a 21st century deal. It will be complicated to negotiate, and we will have to be there.

**Mr. LaVar Payne:** Richard, do you have any comments on that?

**Mr. Richard Wansbutter:** I don't, other than to say I support Kathleen with regard to the importance of being at the table. I don't know how we can, as you say, have 65% of our exports going to those nations and not be at the table. It is critical.

**Mr. LaVar Payne:** Okay. I believe our Prime Minister has said that he wants to be in there. Of course, we know that our agriculture minister has been running around the world trying to open the doors for us.

Certainly the other things you talked about were the bilateral trade deals and the tariff and non-tariff barriers, and also the science-based trade. Can you comment on which body should look at that? We know the WTO is kind of sitting there. What other body could be used to get the science-based in? Secondly, should we not use that science-based on these either regional or bilateral agreements?

• (1715)

**Ms. Kathleen Sullivan:** To the extent you can, you should. For animal health issues, it would be the OIE. Codex can also weigh in. There certainly are a number of different bodies that can take a look at these.

I think some issues are without a home right now, such as low-level presence. Certainly Minister Ritz has shown a lot of leadership in bringing together countries to talk about that and to try to find a home for that one.

Not everything has to go through the WTO. Certainly what the WTO provides or could provide on a multilateral basis is a strong enforcement mechanism. When you're dealing only with bilaterals, you have to build compliance and enforcement into one FTA after another. When you can do these things at a multilateral level, then you have everybody complying to the same standards; the level of compliance is the same, and your enforcement rights end up being the same.

TPP, because it's a regional deal to the extent that obligations go beyond some international commitments, can start to mimic the WTO in a small way. So that becomes an interesting vehicle as well.

But at the root of it has to be some sort of international body that is establishing the standard in the first place.

**Mr. LaVar Payne:** Richard, do you have any comments?

Which other bilateral trade agreements would you see as being the most important for Canada to get involved in? Which would be your top three?

**Ms. Kathleen Sullivan:** Well, Canada-EU needs to be concluded as soon as we can. Equally important to Canada-EU is Korea. I think a lot of you have been meeting with the CAFTA crew over the last week and the last few months.

Korea is a \$1 billion market for us, and we stopped negotiating in 2008. In that space of time, the U.S. and the EU have signed free trade deals with Korea. The U.S.'s is probably going to be implemented sometime this year. We stand poised to lose that \$1

billion market, and we cannot afford to do that. As we're trying to open up other markets in the Asia-Pacific, there's a cruel irony if we in fact lose a \$1 billion market in South Korea. In fact, if we get an FTA with South Korea, we could probably grow our exports from that \$1 billion to well over \$1.5 billion.

Korea could be a huge success story for us. They import 70% of their food. We are one of their top suppliers across the board in every major product that Canada exports—pork, wheat, canola, and beef. We just spent all of this time trying to open up Korea to our beef exports, and that could be, as you heard from Steve, \$30 million for us by 2015. We are about to shut down that whole opportunity if we don't move forward with Korea. So that would be equally important.

I would say the next has to be the trans-Pacific partnership and Japan, because if we don't get into that, we're going to be blocked out of that market. You can see there's a theme here. We're starting to play catch-up on these free trade deals. With Canada-EU, we're ahead of the game, but with Korea, with some of the trans-Pacific partnership countries, we have fallen behind our competitors and we've got to catch up with them.

**Mr. Richard Wansbutter:** Perhaps I can add to that. I certainly agree with Kathleen on concluding the agreements we currently have. We've already indicated looking at an agreement with India. It is absolutely critical. You're looking at the second-largest population in the world that has a huge consumptive demand for our pulses, our special crops. It's the second-largest consumer in the world of oilseeds, and we need access to those markets.

Of course, we talk about the Asian countries. Certainly, China is one of our major trading partners. As we look further ahead, you already mentioned Japan. Again, on our oilseeds side, certainly our high-quality wheats and durums.... It's a very important market.

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

Just on that note, there's a delegation going to India on Friday, which I happen to be part of, and that's high on our agenda of discussions there in our meetings.

**A voice:** Economy class?

**Voices:** Oh, oh!

**The Chair:** Of course.

Anyway, we've run out of time.

I'd like to thank Kathleen and Richard for being here today.

I would entertain a motion to go in camera to deal with some committee business.

Thank you, again.

**Mr. Richard Wansbutter:** Mr. Miller, I could offer some people on the ground in New Delhi. If you're looking for industry contacts, I'm always happy to help out.

**The Chair:** Okay. Very good.

*[Proceedings continue in camera]*







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