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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)): I call the meeting to order. We will have a few more members joining us, but we do have a quorum.

We have our witnesses here today from the beef value chain round table, the pork value chain round table, and the sheep value chain round table. We're going to start with the beef value chain round table. We have Mr. Blair Coomber and Mr. Travis Toews.

I understand, Mr. Coomber, you're going to start. You have 10 minutes or fewer, please.

Mr. Blair Coomber (Government Co-Chair, Beef Value Chain Roundtable, and Director General, Multilateral Relations, Policy and Engagement Directorate, Agriculture and Agri-Food Canada): Thank you, Mr. Chairman. Thank you for the invitation to be here.

I am going to make a few brief comments on behalf of the federal chairs, and then turn it over to each of the round tables.

Good afternoon, and thank you very much for the opportunity to speak on behalf of the value chain round tables. In March, our former colleague Steve Tierney provided you with an overview of the VCRT process in each of the 11 round tables.

Canada's agriculture and agrifood sector is world-renowned for the quality of its products, impeccable standards and regulations, as well as its innovative technology and research. While this sector maintains a strong advantage over global competition, the agriculture and agrifood sector can be a diverse and varied industry. Contributing factors include economics, geographic location, provincial and federal regulations, as well as environmental and social issues. The value chain round tables establish stability and cohesion within the sector, and provide an excellent platform for bringing together key industry leaders with the federal and provincial governments. The VCRTs are industry-led in partnership with government, and are innovative, efficient, and accountable.

[Translation]

No single segment of the value chain can, on its own, meet all the demands. Collaboration is necessary. Producers are working with processors and other stakeholders to find a mutually acceptable solution or course of action to address the major issues.

Round tables give every stakeholder, from field to fork, a single forum in which to discuss concerns and priorities with governments and other interested parties. Furthermore, the supply chain as a

whole can contribute to the solution. This gives the industry access to federal government representatives to discuss solutions and concerns as they arise.

[English]

The VCRTs contribute to the sector's success via issue identification, coordination, and solution-based results that lead to better working supply chains and faster-growing sectors. Therefore, it is in the best interests of the industry and governments to collaborate.

The round tables will also bring together other government department officials who are integral in moving forward priority issues for the individual round tables as needed. Other government departments that the round tables work with include the Canadian Food Inspection Agency, the Department of Foreign Affairs and International Trade, the Department of Fisheries and Oceans, Environment Canada, Health Canada, Transport Canada, the Public Health Agency, Human Resources and Skills Development Canada, and Citizenship and Immigration Canada.

Industry has found this forum extremely effective in producing tangible results and outcomes. It should be noted that the VCRTs have expanded from six to 11 round tables over the last four years, which is an indication of industry's interest in them and of their willingness to financially contribute to cover the cost of attending the round table meetings.

In addition to the round tables, the all chairs forum reinforces AAFC's commitment to the round table process and includes annual discussions between the value chain round table co-chairs, AAFC's deputy minister, and his federal colleagues. This provides a chance to widen interdepartmental engagement of industry issues and provides an opportunity to develop actions that will address issues of importance affecting all the round tables.

Other forums developed out of common cross-sectoral issues include the Agri-Subcommittee on Food Safety and the labour task force working group. This is a unique opportunity to highlight two successful round tables, beef and pork, and to introduce you to our newest round table, the Sheep VCRT. These two round tables provide perfect examples of how to successfully establish a functioning and productive sector by harnessing the supply chains' expertise and knowledge.

I'd like to highlight that the beef value chain round table was established just prior to the BSE outbreak in 2003. Its role during the BSE crisis is a prime example of the importance of these forums and their ability to manage crises. The forum served as a primary mechanism for consultation during the crisis and contributed to restoring the beef industry's competitive position, both domestically and globally.

The pork round table is focused on competitive issues and on moving the sector forward after the restructuring that took place a few years ago. The pork round table has developed a strategic plan that encompasses four pillars: the competitiveness environment, market penetration, value chain integration, and innovation and research.

Additionally, the pork round table successfully functioned as a media coordinating body for a government-industry communications response to the H1N1 flu epidemic. The newly formed sheep round table carries tremendous potential; however, the sector is facing major competitiveness issues that need to be addressed. This forum will assist in bringing together a fragmented industry to collaborate towards a common goal, contributing to the success of the sector.

Mr. Chair, members, I would like to introduce the industry co-chairs or representatives: Travis Toews, from the beef value chain round table; Florian Possberg, from the pork value chain round table; and Andrew Gordanier from the sheep value chain round table.

• (1535)

Now I would like to turn it over to each of them for some brief comments, if that's okay.

The Chair: Mr. Possberg, do you want to go next?

Mr. Florian Possberg (Member, Board of Directors, Canadian Pork Council, Pork Value Chain Roundtable): Certainly.

Thank you, Mr. Chair.

I'm pleased to have this opportunity to meet with this committee today.

The pork value chain round table is dealing with a number of things. The Canadian pork industry is world-renowned for production standards and high-quality products. In 2011, we had sales of just over \$3.2 billion and exported to more than 100 countries.

To maintain an advantage over global competitors, it is essential to offer products that exceed expectations, that are really second to none, and to differentiate the quality of offerings and add value to the final product. On that note, we've been able to successfully move more product, from frozen to fresh, into international global markets.

The pork value chain round table was launched in 2003 to provide a platform for discussing ideas, priorities, and solutions that will contribute to the long-term success of the industry. Like all round tables, the pork value chain round table requires input from across the supply chain. The suppliers include exporters and retailers and others involved in getting our pork to the marketplace.

Our round table focuses on competitiveness issues affecting the sector, and a strategic framework that is structured around four pillars drives our agenda. Number one is creating a competitive

environment; two is maintaining market penetration; three is value chain integrity; and four is adding innovation to our industry.

The key challenge over the last five years has been to move from a period of the industry's surviving to one of its succeeding. In 2007 we were faced with a rapidly changing Canadian dollar, higher feed prices, and competition from various other interests that created difficult times for our industry. We really did see some repositioning of our business.

The success of the Canadian pork industry is largely dependent on its ability to differentiate the quality of offerings and add value to the final product. We've been involved in such things as Canadian quality assurance programs, which provide food safety and assurance for our customers globally.

The Canadian pork industry must be able to compete with international competitors. In the pork industry, the number one exporter globally is the United States, followed by the EU, and Canada is in third position. It is the Americans who set the benchmark.

We need to look at things such as improvements to transportation logistics to facilitate trade, the development of ways to reduce operating costs, and the improvement of the regulatory environment.

It's interesting to observe how regulations and logistics can affect the marketplace. I was amazed to learn that it costs more to move product from Red Deer to Vancouver than it does from Montreal to Vancouver. The difference is that one moves by rail and one goes across the tall hills by truck. Those things can be worked out with a focused interest and people working together.

The round table, in collaboration with government, is investigating how Canada's revenues and costs stack up against those of the U. S. and in fact global competitors. We know that Canada's ability to produce high-quality pork ranks with the very best—Brazil and maybe a couple other jurisdictions would be in the same position as Canada and the United States.

In reference to market penetration, the success and strength of the industry depends on access to markets around the world. This has been a strength of Canada. Our ability to export to 100 different countries is pretty amazing and is something we're very proud of. As with beef, market access is critical for the pork supply chain.

• (1540)

By negotiating access within countries' import regimes, addressing compliance requirements of international markets, completing free trade agreements, and implementing effective promotional programs to highlight Canadian products in key markets, we can ensure that Canadian products have access to lucrative global markets. There really is a difference between markets. Some are high-priced, high-quality markets, and some not so much.

The supply chain must provide the systems to ensure food safety, provide for animal welfare and traceability, and ensure stringent biosecurity measures. And that speaks to our health in Canada. It's interesting that Canada probably exports genetics to more countries globally than any other country in the world, and it's because we have a very good health status, and that's a prerequisite. Many of the leading genetic companies have located international operations to Canada for that very reason.

Our sector is currently finalizing an action plan on issues and initiatives that could influence different segments of the supply chain. We regard innovation and research as critical to maintaining the competitiveness of our industry. Our minister has been wise in investing in various initiatives in our industry, such as the Canadian Swine Health Board, which helps to maintain the status we have as a high-quality supplier of healthy pork and genetics.

Research and development priorities of pork producers include increasing food safety, enhancing animal welfare, reducing costs of production, and generating novel feed inputs. The pork round table is working to ensure that industry members take advantage of ongoing research being conducted throughout this sector.

What we see as our next steps, priority issues for 2012, include continually moving forward on the pillars of the strategic framework, maintaining our domestic market, initiating traceability across Canada, funding research and innovation, continuing to work with our federal government on market access, and ensuring our industry is prepared for emergencies.

In closing, Mr. Chairman, the pork sector has been through a tremendous amount of change over the last few years, but with collaboration on all levels, we will continue to strive towards a sector that is profitable, sustainable, and innovative. Thank you.

The Chair: Thank you very much.

Mr. Gordanier, please go ahead.

Mr. Andrew Gordanier (Industry Co-Chair, Chair, Canadian Sheep Federation, Sheep Value Chain Roundtable): Thank you.

I'm here to talk about the sheep value chain round table. I will begin with just a little bit of background.

The main goal of the sector is to create a profitable industry that encompasses all areas of the supply chain. Presently, the supply chain is fragmented and needs to be harnessed for future success.

Comprised of meat, dairy, wool, and genetic sectors, Canada's sheep and lamb industry is focused primarily on the production of high-quality lamb meat. However, the development of sheep dairy products such as yogourts and cheeses is a new area that promises future success.

In 2010 Canadian producers supplied 42% of the domestic meat market demand for Canada, and the farm cash receipts for sheep and lamb in Canada totalled \$142 million. The combination of population growth and shifting consumer demands indicate there will be a growing demand for lamb and sheep dairy products. This is an opportunity industry needs to capitalize on to ensure its long-term viability and profitability.

The Canadian sheep sector has enormous potential both domestically and internationally, yet the industry recognizes there are many issues facing the industry that will hinder its growth. While the industry has been seeing consistent increases in demand for the product, there is a worldwide shortage of lamb.

There has been a 3.3% decline in the amount of lamb imported into Canada in the past 12 months. The decrease is not surprising given that flocks worldwide have been shrinking. The global reduction can be attributed to increases in the cost of production, weather-related drought, and within-country competition for more profitable uses of land.

This is a huge opportunity for the industry to capitalize on, not just filling our domestic demand but also the export potential. It also becomes an issue of food security and ensuring there are diverse agricultural products produced in Canada to feed an ever-increasing population.

Industry and government are working together to advance and implement actions intended to improve the industry's competitive position and expand Canadian production. Collaboration along the supply chain and with governments is integral in any success the sector may have.

Achieving this competitive position requires expansive representation from all levels of the value chain. The sheep value chain round table was formally established in 2011 to develop a shared understanding of the key market challenges and opportunities facing the industry, and to enhance cooperation and interaction amongst all stakeholders along the sheep value chain.

Here are some challenges, issues, and other factors facing the sheep industry. Better coordination of industry knowledge will assist in transforming this industry in a fashion that is beneficial for rural Canada, the producers and processors, and other stakeholders.

The industry is also facing a reduced number of processors. There is a need to focus on ensuring the entire value chain is profitable. The way the lamb industry is structured, most lamb are killed in provincially inspected plants, so that the meat cannot leave the province in which it was processed. In trying to access more markets, plants have been trying to become federally inspected and several have ended up going bankrupt. This is not helping the industry.

Government and industry have prepared an economic analysis on the impact of increased supply of lamb on domestic price. This piece was very well received by industry and provides important information going forward.

One area of concern is competitive access to animal health products, for example, veterinary drugs. The sector, with the help of government, is working to make the system better for industry while protecting animal health. Sheep traceability offers the potential to the sheep sector to impose not only the ability to manage disease but also enhance its competitive position. This system is being built in partnership with federal, provincial, and territorial governments.

The advancement of the sheep industry is dependent upon keeping existing producers in business and attracting new entrants to the supply chain. Supporting the existing and new entrants will be a priority for the sector going forward.

Industry, in collaboration with government, has developed an action plan that will result in expanding the size and the productivity of the Canadian flock and will improve the overall competitiveness of the industry.

• (1545)

In the next steps forward, industry will continue to work with governments to develop plans that will contribute to fostering a successful Canadian sheep industry.

Finally, in closing, there is a remarkable amount of industry knowledge available that can be tapped into to work towards making this sector another success story.

Thank you.

The Chair: Thank you very much.

We'll now move to questions.

Ms. Raynault, five minutes.

• (1550)

[*Translation*]

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

My question is for Mr. Toews.

The industry went through a serious crisis in—

[*English*]

The Chair: I'm sorry, I maybe jumped the gun.

Ms. Francine Raynault: Okay. Thanks.

The Chair: Mr. Toews, Mr. Coomber never mentioned you, and I apologize, I thought we were done there.

Madam Raynault, we'll come back to you in a few minutes, and you will get your full time.

Mr. Toews.

Mr. Travis Toews (Past-President, Canadian Cattlemen's Association, Beef Value Chain Roundtable): Thank you, Mr. Chairman.

For those who don't know me, my wife, family, and I own and operate a cow-calf and yearling operation out of Grande Prairie,

Alberta. I appreciate this opportunity to present on behalf of the beef value chain round table.

The Canadian beef industry is a global leader, known for its premium products, world-renowned genetics, innovation and research, as well as its investments in food safety and quality. The biggest importers of Canadian beef are the United States, Mexico, and Japan. In 2009 Canada's beef exports totalled over \$1.2 billion.

Launched in 2003, the beef value chain round table was established to foster a collaborative industry-government relationship that would secure an enduring competitive advantage for Canada in global markets. In 2003 and subsequent years it served as a BSE round table and enabled initiatives and solutions from the total supply chain during that time.

The beef supply chain in Canada has many different interconnected parts from genetics, feed manufacturers, backgrounders, cow-calf operations, feedlots, renderers, processors, food service, and retailers. There are places in the supply chain where each of these parts interact with one another, and there are issues of common concern and priority for all parts of the supply chain. However, there are also parts of the supply chain where the priorities and/or concerns are different and distinct.

For example, it's in the best interests of all parts of the supply chain for additional markets to open to Canadian beef. It is also in the best interests of all that each sector functions in the most competitive manner possible. The challenge is to grow the total pie so that all members of the supply chain have additional opportunity.

Competitiveness issues are incredibly important to the sector and recent key priorities include own-use imports, traceability, e-certification, the temporary foreign worker programs, the beef legacy fund, and regulatory cooperation with the United States. AAFC and other government departments are actively working with the sector to move forward on a number of these priorities. However, there are examples where the industry feels faster movement is necessary. Improving the regulatory environment through regulatory modernization concerning e-certification, the approval processes for veterinary drugs, new plant varieties, and food safety interventions remains a top priority for the sector.

The sector continues to dedicate attention to determining and updating market access priorities and is working alongside the Canadian Beef Breeds Council, the Canadian Livestock Genetics Association, and Canada Beef Inc., to increase international and domestic market development. Innovation and research enable the industry to maintain a globally competitive edge, and the supply chain has played a role in the creation of the beef science cluster.

The sector is in the process of drafting a national beef research strategy that will define a five-year national beef research strategy that establishes desired industry research outcomes and improves coordination of funders. AAFC has been involved in the creation of this strategy and continues to support the sector moving forward.

A key priority for the sector is the management of information transfer issues associated with tracking and traceability. The beef information exchange system, developed by the Canadian Cattlemen's Association, is a program that's a world-renowned example of this. Both are important and effective tools that support emergency management by enabling the flow of information across the agrifood chain, and therefore, reduce the economic impacts of an emergency.

Recently the round table took the opportunity to review its objectives with a goal of resetting its agenda. This revised agenda will be considered further at future meetings.

Looking ahead, the beef value chain round table will continue to work on identified issues of importance and next steps over the course of 2012 and beyond. Key priority issues going forward for the beef value chain round table include exploring value creation opportunities, development of the beef research strategy, and continuing to work on competitiveness issues identified by the industry.

• (1555)

In conclusion, the beef value chain round table's vision is to lead the world in profitable, innovative beef solutions together. I will say that while many of our issues, in particular regulatory challenges, move slower than we would like to see, I don't know of a venue where we have advanced those regulatory issues of concern in a more constructive way than at the beef value chain round table.

One of the table's most important achievements has been the improvement in the spirit of collaboration across the beef value chain.

The beef value chain round table has also been instrumental in establishing a foreign veterinary presence, resulting in four CFIA veterinarians posted abroad in key markets.

Another beef value chain round table initiative has been the creation of the Market Access Secretariat. While the beef value chain wasn't the initial organization to kickstart that initiative, it certainly lent a lot of support in its establishment.

Again, as was mentioned, the beef value chain round table was instrumental in managing and enhancing communication during the BSE crisis. It played a pivotal role during that time. It has also been very instrumental in working with the Bureau of Veterinary Drugs to enhance their resources and eliminate the backlog in approval of new products. It has worked ultimately to contribute to the beef cattle industry firmly recovering its global competitive position.

Finally, I would be remiss not to thank Minister Ritz, Minister Fast and Prime Minister Stephen Harper for their support and assistance, and for moving forward with many of the priorities that have been identified at the beef value chain round table.

The Chair: Thank you very much.

Ms. Raynault, for five minutes.

[Translation]

Ms. Francine Raynault: Thank you.

Mr. Toews, mad cow triggered a serious crisis in your industry back in 2002, preventing you from accessing many markets. I believe that things are falling back in place.

Do you think that efforts to open markets will put you on the right path and allow you to return, 10 years later, to 2002 export rates?

In your estimate, how much has the industry lost since 2002? People are eating less and less beef, opting instead for poultry. What kind of advertising do you do to tell people that beef is now safe, that mad cow is a thing of the past? How do you respond to all that?

[English]

Mr. Travis Toews: Thank you for that question. I think it's a very appropriate question for the cattle industry at this point in time.

As you've noted, we did experience a serious setback in 2003 when we lost all of our market access due to the discovery of BSE. I don't think the losses to the industry have been entirely quantified but they clearly were in the billions of dollars. It was a significant setback for the industry, and the supply chain that supported that industry.

Due to a lot of work by industry members and key government officials and work through the beef value chain round table, we have recovered the vast majority of that market access that had been lost. The industry is moving into a much brighter day. In fact, we're finding ourselves very competitive globally in spite of a high dollar and very high feed prices.

While with higher prices, per capita consumption of beef has dropped slightly, demand as measured by quantity times price has held constant here in Canada. We're very pleased about that. We're appreciative to Canadian consumers for supporting the industry.

You make a very good point on what's next in terms of market development both domestically and abroad. That's an issue our industry has taken quite seriously. In fact, it was really that question which prompted the reorganization of our market development organizations, which consisted of the Canada Beef Export Federation to look after our international market development, and the Beef Information Centre to deal with our North American market development.

In order to make better use of the funding and to be more efficient, we've combined those two organizations into Canada Beef Inc. That new organization is up and running with a new executive director. They've hit the ground running. They have both a very comprehensive domestic North American market development program, as well as a very targeted, focused international market development program.

We believe the time is right to really move forward with that market development work on behalf of the industry.

•(1600)

[Translation]

Ms. Francine Raynault: Canada is said to have 12,000 sheep farms, mainly located in Ontario, Quebec and Alberta. Now, production appears to be dropping because of the shortage of lamb to supplement the flocks being fed and sold. What can we do to stop flocks from shrinking? Should there be lamb production operators that focus solely on breeding lambs, which would then be transferred to other operators for feeding in preparation for the market?

If we depend on the export market for lamb, we may be taken for a ride. Our production will shrink and we will sell less lamb. There isn't a lot of Canadian lamb on the market; it is usually from New Zealand. People would obviously prefer Canadian lamb. There is a difference between our lamb and New Zealand's.

How do you intend to stop flock size from decreasing?

[English]

Mr. Andrew Gordanier: Thank you for the question.

There's an initiative under way right now out of Saskatchewan, a co-operative that wants to pool lambs together to create a central distribution of lambs that would primarily go through federal slaughter so they'd be available for wider distribution across provincial lines, etc. There is a consolidation, I think, that's happening within the industry as far as production goes. Certainly, in western Canada right now, the feedlot industry is growing in the number of feedlots as well as the size of those feedlots. We're not talking about huge numbers here; certainly, it is a small industry, for sure. So we have primary producers who are producing lambs that are then being fed into a feedlot system, and that's making it easier for those animals to make it into the rest of the supply chain.

Through the sheep value chain round table, we've identified two specific issues—one being expansion of the industry, and two being access to medications.

Regarding the first, expansion of the industry, that working group is comprised of much of the value chain. We're working at getting some processors at that working group to make sure the whole value chain is able to participate. They're just at the very beginning of identifying some of the challenges with expansion. Access to good quality genetics is certainly one. There are good quality genetics, it's just that the volume of those genetics available to domestic producers is a challenge right now, considering the demand we have for our final product.

On the access to medications, we have a disadvantage against some of our competitors because of access to medications or vaccines that they may have in other countries. So the access to medications working group is looking at the efficacy of some of these products from other countries, and how applicable they would be to be used in this country. Many of those that come to mind are specifically around vaccines, so it's preventative medicine, rather than reactionary medicine, on the production side of things.

•(1605)

The Chair: Thank you.

Mr. Zimmer, you have five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thanks for coming today, everybody.

I just have a question I'm going to ask and try to get all three of you to answer as quickly as possible, because time is limited. It sounds like the value chain round tables have been a success for all of you, so I guess what I want to ask is, could we make it better? Are there any little things you could see that would improve the efficiency of it, or something like that? Do you have any quick comments?

I have some questions to follow, so let's start with Mr. Possberg, and go down the line.

Mr. Florian Possberg: We have enjoyed a forum where the major players that consist of our value chain round table have really been able to be in one place at one time, and that's very important. As producers, we often suspect that everybody else in the value chain is very profitable except us, but by getting to know our partners in the value chain better and understanding their concerns, it has been very educational for my end of the business, which is the production end.

I think the ability to actually get very important things done from a producer point of view seems to take time, and of course, difficult problems often do, for example, fixing the ability for containers to move our product much more efficiently by rail as opposed to truck. We think there are solutions, but there's a whole infrastructure that needs to be modified to make those things happen. We're seeing some of the concerns that we brought up that involved regulation and how we certify products going overseas, and I think Mr. Toews expressed this earlier. Some of the changes being made to CFIA are pretty exciting. Again, it takes time for these things to happen, but we are seeing a response, which is very positive.

Mr. Bob Zimmer: I'd better give some other panellists some time to answer.

Mr. Toews.

Mr. Travis Toews: I think generally the beef value chain round table has functioned well and effectively. I think it's most effective, particularly when dealing with regulatory issues or issues of CFIA—that we have the right people in the room for those meetings. And obviously, we make the most progress when we have the most senior people there. Again, that's always, I think, a priority for the chairs, and when we don't have the right people, we don't probably make the progress that we would like to make. Out of all the venues, again, I believe it's been probably the best venue for moving the bar on regulatory issues and issues of competitiveness.

Mr. Bob Zimmer: Thanks.

Mr. Gordanier.

Mr. Andrew Gordanier: It would maybe be a little bit premature—we've really only had one official meeting, and one the year before that was just getting the ball rolling—but for us, just having the whole value chain together around a table, just that in itself is a big deal, because we really are quite fragmented in all of our production, really. It's bringing that all together, sharing the ideas, the challenges. It was mentioned earlier that everyone else in the value chain is making money except me. So that was a real eye-opener, I think, because that's something we share at the sheep value chain round table as well.

Mr. Bob Zimmer: I just wanted to specifically ask Mr. Toews one question about herd insurance or price insurance.

We talked about it before; Alberta already has a model. You know I'm your neighbour and we look over the fence, and some of our farmers wish we had it over there. What is your membership asking for in terms of that? Are they asking for a specific kind of insurance? You talked a bit about it before, but can you just talk to that again?

• (1610)

Mr. Travis Toews: Sure. The Canadian Cattlemen's Association would really like to see a cattle price insurance program made available across the country, and thereby ensure that all regions have a competitive playing field, in other words, have the same risk management tools as those in other provinces. In Alberta, the cattle price insurance program has had a lot of interest, this spring particularly, and there have been real opportunities to manage price risk through it. So that's our position. We'd like to see it taken nationally.

Mr. Bob Zimmer: Okay.

Is that good, Larry?

The Chair: You have a little bit of time.

Mr. Bob Zimmer: Mr. Possberg, can you answer a similar question?

Mr. Florian Possberg: In terms of risk management?

Mr. Bob Zimmer: In terms of insurance and that sort of thing....

Mr. Florian Possberg: Well, we've been moving forward in how we can manage risk better by using some of the commercial tools. Of course, hedging forward-selling product is quite a challenge for smaller producers in particular, so we're working on a program where.... The real issue around small producers hedging is margin calls and what you do when the market turns against you.

A true hedging program has really no risk. The commodity market takes the risk. But what we are working on is a program whereby the federal government helps secure the producer's margin, so that when he actually takes his product to market, he can enjoy the price that he fixed at an earlier time and not get squeezed out.

Mr. Bob Zimmer: Right. So you're saying that you would like.... Are you finding the answers you're looking for in the private sector or are you looking for that in government?

Mr. Florian Possberg: Well, really, the mechanism to forward price is in the private sector. The ability for producers to really access that fully is.... They need some help. Bankers, particularly in our sector, where we have had difficult years, their willingness to secure margin accounts for a product that's not yet sold is.... It's really difficult for us to do.

The Chair: Thank you.

Mr. Easter, you have five minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

I apologize for not being here for the presentations. I was called in a little late.

I appreciate you coming and putting forward your position on the total value chain.

My question is mainly for the pork and beef round tables initially. What are the implications of Canada being asleep at the switch, I would say, on the South Korean FTA? The U.S. has an FTA, which was signed in May, as you know, or came into effect in May. I'm told that within two years, if we do not get into our own FTA, we'll be non-competitive in that market, and it's something like a billion dollar market.

Is that what the implications are? Can you give us a little feedback on that? Basically, I'm saying that the government needs to get on this one.

Mr. Florian Possberg: Yes, South Korea is a very premium market for us. They would rank about third or fourth in terms of value of exports last year, but in terms of the value per kilogram, they would rank only behind Japan, which is sort of the premier-premier.... We are disappointed that we have not been able to negotiate the beneficial agreement that the Americans have.

You're probably right. As the American tariff does wind down, we probably will lose that market without a free trade agreement, so we're encouraging the federal government to do whatever is necessary. That being said, we think progress is being made, perhaps giving us preferential treatment in our very number one market, which is Japan, so we're working with government. But there are a lot of different strings being pulled in a lot of different areas, and we are disappointed with the Korean outcome.

• (1615)

Hon. Wayne Easter: I sit on the trade committee, Florian. There's no question about it—there's pressure from the auto industry the other way, but it is a premium market.

I think it's basically the same thing, Travis, for beef. I don't think it's as big a market for beef, but it's a premium market.

Mr. Travis Toews: Yes, the Korean market is a very important market for Canadian beef. I was in Seoul earlier this spring and we met with the trade there. At this time, Canadian product is not disadvantaged significantly in terms of the duty that's applied. Over time, that spread is going to increase as we move past the U.S. FTA implementation date.

For now, Korean importers and retailers are actually positioning Canadian beef as a real premium product, which we were pleased to see. They believe they can extract a premium from a lot of that product in Korea, so that's positive. But there's no doubt about it, a Korean FTA is high on our priority list as well.

Hon. Wayne Easter: In fairness, I think we probably have two years, from what I'm hearing, before we really become disadvantaged.

Two questions, one on the temporary foreign workers program you mentioned. We're extremely concerned about that in the cash crop industry—whether producers have enough time to bring in foreign workers because the application period has to start in December. Changes to EI may impact that. I've been in both the Maple Leaf plant in Brandon and the Cargill plant. How could changes in that program affect that part of the value chain, the processing sector?

Secondly, there's something I'd like you all to think about, the value chain, all three—lamb, beef, and pork. Are you looking at the structural discrepancies in the production base across the country? We've seen that in Atlantic Canada, in the beef industry more than any other. But we were really disappointed that we could not get another year on the hardship loan in Prince Edward Island, because we were a year behind catching up to the pricing, but the government wouldn't come through on giving it a year. In fairness to them, the Canadian Cattlemen's Association wouldn't agree. As a result, we have had some more producers go out of business.

We're to the point in the production base in my province where we're down about 40% of what we were five years ago. The federally inspected small beef plant that we'd like to keep in business is having a supply problem. If we lose that plant, then we have to ship to Ontario. For us, the livestock industry is the core, whether it's potatoes, cash crop, or whatever, in terms of rotation of crops, land use, and so on. So it's not just that industry itself, it's important for the total industry.

The Chair: Mr. Easter, ask your question.

Hon. Wayne Easter: Are you doing anything in terms of the structural discrepancies across the country?

Sorry, Mr. Chair.

The Chair: I wanted you to get to the question, that was all.

Mr. Travis Toews: We can certainly talk about structural discrepancies. There's no doubt that, as with any industry that goes through difficult times, an industry restructures. Typically, those are the times restructuring takes place. I'm convinced that the Canadian cattle industry has emerged as a more competitive industry as a result of some of the restructuring that took place.

With regard to the emergency advance on the advance payments program, you're correct, we did not ask the federal minister to further extend that program. We believed that he provided very fair terms. Cattle producers like to pay their bills. We all knew it was an advance. It was extended, in our view, for a sufficient period of time. We believed the repayment terms were sufficient, and so we didn't ask for a further extension.

Hon. Wayne Easter: That's my point, Travis, there are differences across the country. In Atlantic Canada we were not in the same price position as you were in western Canada.

The Chair: Wayne, you're well out of time. I was just letting the witness answer that.

Anything to add, Travis?

• (1620)

Mr. Travis Toews: No, I think that covered it.

The Chair: Okay.

Mr. Storseth, you have five minutes.

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

I'd like to thank the witnesses for coming. As always, it's good to see you guys, some of you more than others, but it's always important to talk about the red meat value chain.

I had a couple of questions. Perhaps we could highlight some of the things we were talking about.

You were talking about the government creating policies that will increase throughput at ports. That is something that I think is absolutely critical. What do you see as some of the best practices or ways forward in which we can do that?

Mr. Florian Possberg: The investment the federal government has made in Prince Rupert we view as very positive, but it's taken a long time to make it practical to use that port. Our major exports for pork are Japan and Korea, and we're also exporting to the Philippines and other places. The time from Prince Rupert to Tokyo is about two days less than it is from Vancouver. Vancouver is quite congested. But to make that practical, we really need drop-off points for reefer units across the Prairies and across other parts of Canada that aren't the major centres, like Montreal or Toronto.

Sometimes that's a bureaucracy that just needs an attitude change. On the Prairies, we think the railways might have a more difficult bureaucracy to deal with than the federal government. Hopefully that's changing, but it takes a while to get things done.

Mr. Brian Storseth: Thank you very much. I'll come back to you in a minute.

Mr. Toews, you were talking about the beef value chain round table and some of the successes we've had because of it. You were talking about key markets. Another thing you talked about was veterinarians being posted abroad. Can you talk about some of the places you've identified to send them and which markets are key markets for us?

Mr. Travis Toews: Sure. Thanks for that question.

Really, the importance of having technical expertise abroad came to the forefront in 2003, when there was a massive effort to begin to reopen those markets. As for key markets that have received veterinarians, one has been Mexico and another one has been Japan.

In the Japanese market it has been very critical throughout the market access work to have that technical expertise on the ground. We're fortunate with the expertise we have there today, particularly at this juncture of Japan moving forward with, hopefully, opening for beef and cattle under 30 months.

Mr. Brian Storseth: Thank you.

It looks as if we might have to talk slower. Mr. Lobb's translation isn't working for you there, Mr. Toews.

I'd like to talk a little bit about the importance of rail to your industry and to everybody's industry. But I'll start with you, Mr. Toews. Can you talk a little bit about the importance of rail when it comes to your industry, and also, perhaps, feel free to allude to the rail review that's going on right now.

Mr. Travis Toews: I'll speak to the importance of an efficient infrastructure system. In the cattle industry, rail is not used significantly to move our product directly. However, rail is used to move feed stuffs across the country and into the country at times from the U.S. Obviously, because we're a global player, we have to be competitive on all fronts so we need a very efficient transportation system. An efficient rail system is part of that equation.

I can't really speak to the rail review, but I can certainly state that our industry is dependent on a very efficient transportation system and infrastructure.

Mr. Brian Storseth: Does anybody else have a comment on the importance of rail?

Mr. Florian Possberg: If I may, the challenge with meat is that it's a product that requires swift action and refrigeration or freezing. You know, "Sell it or smell it." It's not only the logistics of getting containers to places, it's making sure that it actually moves in a very timely manner and the product is kept under the conditions necessary for it.

Our primary high-paying markets in southeast Asia demand fresh-chilled product. This means it has to be kept in very controlled temperatures, two-to-four degrees, two-to-seven degrees Celsius. That product, if it's properly handled, can have up to 70 days shelf life from time of processing to the product actually being in stores in far-away markets. But if those conditions aren't met, that product will deteriorate rather rapidly. Making sure that everything works smoothly is very important for our product.

• (1625)

Mr. Brian Storseth: Thank you very much.

I'd like to make one last point to thank industry, thank yourselves. Mr. Toews, I've worked with you on some of these things. Government can open up some doors and take down some barriers, but really it is Canadian industry that has to step up and create the relationships and get the job done. You guys have been doing an excellent job over the last few years, so I think it's important that we thank you for your work as well.

The Chair: Thank you.

Ms. Brosseau, you have five minutes.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you very much.

I've only been on the committee about two months and there's so much to learn. Recently we visited Cargill in Guelph. We started off there and then we visited a feedlot and I really appreciated seeing how the animal moves through the transformation and actually comes to your table. I was wondering if you could talk a bit about the distribution sector, because I know in Canada there's maybe three or four big grocery stores—Loblaws and Metro—and I was wondering how this affects each of your industries. Is it positive? Is it negative?

Who wants to start?

Mr. Travis Toews: Thank you for that question. It's a question that I think many producers ask across the country and it's a worthwhile question. I think that not only do we need to consider our retail distributors but probably our processing industry as well.

As primary producers we depend on an efficient processing and distribution sector. We need them to be very competitive in order for us to be competitive globally.

I think the best way to answer this.... I recently had a discussion with a counterpart in Australia and Australia has very close geographic access to many high-value Asian markets. They did

not have their markets disrupted due to a BSE event and yet their fed cattle always trade consistently lower than Canada and the U.S. I asked this individual, who's a leader in their industry, why is that the case, given the market access that they have and his answer was very quick. He said, "In Australia we simply do not have as efficient and as competitive a processing and distribution system as you have in North America."

As producers we sometimes don't believe that we benefit from that world-class processing sector and that world-class distribution network, but the reality is that we do. Market power shifts and swings from time to time, but overall, we have a very competitive distribution sector here.

Mr. Florian Possberg: We actually have an interesting thing going on in Canada. Although we're the third largest exporter of pork globally, 30% of the pork consumed in Canada actually comes from outside of Canada, mostly the United States. Part of that is because the big retail chains want to deal with volume and big distribution centres. When they do specials, they want to know they have quantity of products.

But what's not said is that we don't identify our product as Canadian product. It's one of the things we're working toward in the pork industry. We seem to be better at marketing our pork in Tokyo than we are in Toronto or Montreal—

Ms. Ruth Ellen Brosseau: We need a branding strategy for Canadian pork.

Mr. Florian Possberg: Yes.

So now we're actually getting around as an industry. We've left the branding part to the processors to date, but as producers we really feel that it's our product that we're very proud of, and we can't sell it to you as a consumer if you don't even know it's Canadian.

We spend a lot of time in Canadian quality assurance programs in the pork industry. Hopefully, in the next while you'll know or you'll have a choice to buy pork that is branded Canadian quality assurance.

• (1630)

Ms. Ruth Ellen Brosseau: When you go to a grocery store and you walk into the meat section, you'll see on the package "Canadian pork", is that what you're talking about? Or are you talking about labelling or just a pan-Canadian marketing advertising campaign?

Mr. Florian Possberg: About 95% of the pork we produce actually goes through a very stringent food safety process program. We've branded it Canadian quality assurance that the Canadian Pork Council manages.

When we talk to other people selling branded product, they tell us we have a good story to tell and we're not telling it. We have to work as a value chain with our processors and retailers, and give our Canadian consumers a choice to actually know and buy Canadian pork.

Ms. Ruth Ellen Brosseau: Andrew, I have a quick question about sheep. This might sound silly, but are sheep slaughtered at a slaughterhouse that would slaughter cows or is it a specific provincially regulated slaughterhouse just for sheep? Because I know things would have to change in order to accommodate the transformation to sheep.

Mr. Andrew Gordanier: Because of the lack of volume that we have in the sheep industry in Canada, we have no dedicated plants specifically for lamb slaughter. We do have a plant in western Canada that has a specific kill line for lamb, but they go into a central portion of the slaughter plant after that where the products are broken down.

So they are multi-species plants, that do lamb and veal; or lamb and beef; or lamb, beef, and bison; or lamb, pork, beef, and bison. Because much of the slaughter is provincial, they rely on multi-species situations.

The Chair: Thanks, Ms. Brosseau. You're out of time.

Mr. Lobb, for five minutes.

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

I'd like to welcome Mr. Easter to the committee this afternoon. I always welcome his positive attitude on agriculture whenever he's at the committee. I'd just like to note that Mr. Eyking has the same mentality, and for the pair of them, their recollection begins in 2006, and they've forgotten the years of 1993 to 2006—but whatever.

The first question I have is for Mr. Possberg. It does have to deal with labelling. The Ontario cattlemen have done a great job with the Ontario corn-fed program, and they've been able to really sell it to Loblaw's and get them to put it on the shelf. It did take a long time, but they're getting it done now.

A moment ago you touched on labelling. Where is that and what kind of a timeframe are we looking at? When I go to Zehrs in Goderich and buy ribs, you really wouldn't know where they are from. So where are you going and in what kind of timeframe will we see this take place?

Mr. Florian Possberg: Through discussions with our partners in the value chain, we've come to the conclusion that we have a problem. The problem is that more American pork comes in and our consumers are actually eating less pork year over year, so it's a double whammy.

We've committed, as the Canada Pork Council, to actually take part of our check-off and dedicate it to domestic marketing. The good part is that the other people in the value chain, the processors, through the Canadian Meat Council, have committed to going hand in hand with us. At the end of the day, if we can successfully develop the label that retailers are enthused about, and we think we can. We're probably a year or two out, but we really now have the momentum to get things done. So I think you're going to start to see some of our labels show up in the next 12 months probably.

We've had programs in the past. We've never been able to sustain them, and as you know, in the branding world you can't do it half-heartedly. You have to be committed to it. So within a couple of years, hopefully, a lot of the pork that you see that is Canadian produced will be identified as Canadian, and we'll have a label that clearly defines it as such.

• (1635)

Mr. Ben Lobb: I'm sure it will turn things around once consumers see that in their grocery stores.

It's the same question for Mr. Gordanier. It's the same thing. When I go to Zehrs in Goderich I see lots of lamb from New Zealand but I don't see any from Canada, so what's the strategy for lamb in Canada, lamb in Ontario, wherever? What is the strategy for packaging and labelling to identify a "Made in Canada" or a "Made in a specific region" brand?

Mr. Andrew Gordanier: The problem is much deeper than labelling for us. It's more of a supply problem because of lack of supply. We have very little federal slaughter on the lamb side of the business in Canada. It's almost non-existent, really.

In order to be in those large grocery store chains, you'll rely on a federal slaughter for their central warehousing. You probably won't find us in Loblaw's for a while until we have been more successful with our expansion of the industry and expansion of production, because that is really the biggest reason you're not seeing us in those big box stores.

Where we are being very successful is in your corner butcher store, where we can use a program like Homegrown Ontario, for example. Alberta Lamb has a program similar to that as well, as do smaller, independent grocery stores, which is probably the best place to look for a Canadian domestic product.

Mr. Ben Lobb: Okay, that's good.

I have one other question for Mr. Possberg. We've talked a little bit about this in committee with the fast food retailers and some of the grocery store chains really pushing toward a code of practice for the sow industry. I'm wondering if you or any of your colleagues have begun to do any research on that. Today there is a finite number of sows in Canada. With the changes with gestation crates, sow crates, whatever they want to call them, how many more sows are going to have to be in the Canadian pork industry to deliver the numbers we're delivering today?

Mr. Florian Possberg: There are about 1.3 million sows today producing 27 million hogs per year. Of that, probably 1.1 million would be housed through their production cycle, the maternity part, in gestation stalls. The part being questioned today is whether we can continue that practice into the future.

I actually chair the pig code committee that is looking at how we treat this in terms of animal welfare going forward. It's quite a complicated question, actually. There's no really simple answer, but we're trying to create the balance between what the public wants, what the producers can deliver, and what we can do while keeping our producers viable and in business.

We are developing a uniquely Canadian code. It will likely be quite different from the European or American ones. At the end of the day, we think we will have something we can be proud of. The code process is under way today. We think we'll have something finalized by the middle of next year.

If there ends up being a large transformation for our breeding herd from one style of housing to another, our producers are asking whether there is something the federal government or other levels of government can do to support the transformation.

Mr. Ben Lobb: I have one quick question, because I know that my time's running out. What is the standard you use right now in the industry for the number of piglets per sow per year? Where is that number today?

Mr. Florian Possberg: The Canadian average would probably be 22. The very best producers would have 30 plus.

Mr. Ben Lobb: With the changes, obviously the mortality rate of piglets will go up. Have you done some sort of estimate as to the decrease in the number of piglets per sow?

• (1640)

Mr. Florian Possberg: There's a misconception out there that we're going to make stalls disappear completely. That's not true. During the farrowing process, when they're having the piglets, and the piglets are very susceptible to having a very large mother lie on them, there's no jurisdiction saying that this is really a threat, because having a big mother lying on a very small pig is not really good animal welfare for the baby pig.

We think there's enough evidence that we can make the change to partial group housing for gestation from our current state of having total gestation stalls. If we do it right, we can do it with minimal loss in productivity.

The Chair: Thank you very much.

We'll go to Mr. Atamanenko.

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

Before we start, I'd just like to say that I, too, welcome Wayne to this table. I certainly have valued his expertise and knowledge over the six years I spent with him on committee. He probably has more experience in this sector than anybody else around this table. I just don't appreciate the cheap sarcastic shots at a colleague, Ben. I don't think that's right. Anyway, I just wanted to put that on the record.

Travis, it's really nice to see you here. You've retired as president, but you're still involved. Thank you for continuing that fight on behalf of cattle farmers.

It's a pleasure. It's always great to see you here.

You mentioned something I found quite interesting, among other things. You mentioned that vets are posted abroad in key markets. I know that when I was an interpreter, one of my missions was visiting all these pork slaughterhouses in Canada where they had vets from Russia. They had come here to check the production lines to make sure that it was acceptable for our meat to be exported to Russia. From my understanding, we do the same thing for meat that's coming in from outside of the country.

Why would we be sending our vets abroad to enhance our export capacity?

Mr. Travis Toews: That's an excellent question, Mr. Atamanenko.

The veterinary technical expertise is valuable in countries such as Japan, Mexico, and others because of the depth of technical knowledge required for the technical market access negotiations dealing with the science around BSE and around specified risk material and its implications. It was for that reason that it was very beneficial to have that expertise in those foreign markets.

Mr. Alex Atamanenko: In other words, Travis, when undergoing negotiations we have a vet on our side to explain what exactly happened here, for that authority?

Mr. Travis Toews: That's right.

Mr. Alex Atamanenko: Thank you. I wondered what that was.

For the pork sector, Mr. Possberg, time and time again over the years that I've been here we've had representatives from the pork industry saying—and I remember once—that we don't have a level playing field, that we need a level playing field to compete with foreign governments. I don't hear that now. Does that mean that the pork sector is experiencing better times, that we've been able to hold our own, and that our farmers are in a better position than they were, say, two or three years ago?

Mr. Florian Possberg: We did go through a tremendous period of difficulty. It started in 2007 and ran through until about 2010. That's not to say we've had a real rosy time since, but I've always maintained that tough times make good managers. So, the ones that have survived are really quite clever in how they run their business and how they survive.

We still have a way to go. One of the programs that helped us out during the tough times was the AgriStability program. Our producers had enough bad years that they really had no margin in their account. So, if they are hit with really difficult times again, AgriStability is not going to help much for our producers. We're quite vulnerable, but we're surviving now, and I think we've structured our business so we're more competitive, which is a good thing.

• (1645)

Mr. Alex Atamanenko: Thank you.

My third question is for Mr. Gordanier. In our country we have the problem, I understand, that we can't export from province to province if we slaughter in provincial slaughterhouses. I imagine most of the lamb and sheep are slaughtered in provincial slaughterhouses. Is there a push by the federation to change that, so we can move lamb right across this country?

Is there enough market for lamb domestically, given the fact that we import from New Zealand and other places? In other words, if the market were open, could our lamb producers produce as much lamb as possible and still continue to produce and make money?

Mr. Andrew Gordanier: Sure. Thanks for that question.

Most of the slaughter capacity is in Ontario and Quebec, most of it being in Ontario. Most of the consumption is also in Ontario.

Although not having as much federal slaughter as we would like to have creates a little bit of a problem, not being able to go province to province is not a huge concern. In western Canada we have a federally inspected slaughter, so some of that production comes east. The animals that come live east and are slaughtered here in provincial plants end up in the provincial, small independent grocery stores and your corner butcher shop.

For us specifically, it's not a huge problem, although there are some interprovincial—I shouldn't speak too much to it—pilot projects going on with interprovincial trading of meat from provincially inspected slaughter plants. There is an interest, certainly regionally, say in eastern Ontario, with Quebec, with central warehousing, as I mentioned earlier.

I'm sorry, what was the second part of your question?

Mr. Alex Atamanenko: Let me ask another one if I have a couple of minutes here. Are the B.C. lamb producers limited to our own British Columbia market, or is there a way for them to move their produce across the country?

Mr. Andrew Gordanier: Specifically, in British Columbia, they're in a significant deficit production situation considering the population that we have in Victoria and Vancouver, and the demand there far outstrips the supply.

Mr. Alex Atamanenko: In other words, we're okay then?

Mr. Andrew Gordanier: In the short term, yes, but it would depend on the level of expansion that we experience as we move forward.

The Chair: You're out of time, Alex.

Mr. Alex Atamanenko: Thank you.

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

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

Thank you to our witnesses for being here today. I think it's important that the value chain round tables have a voice in this study of supply chain management, particularly as we're focusing on the red meat sector at the beginning.

The government feels that value chain round tables are big contributors to the industry, and they work very well with government as well, so you're filling an important role.

I'm glad to hear—I think Travis was saying—that there is growth in the value chain round tables. I think that's a good thing.

When we started this study, before we moved into the red meat sector, we sort of did an overview, and now we're focusing on the red meat sector. The value chain is quite long, of course, and it branches at many different places. What I'd like to know is—and maybe I'll just start on the beef side, because we did go to see a slaughterhouse in Guelph—where does the value chain round table see it can have the most impact in the value chain itself?

It starts at the farm. It works its way through feedlots. It gets into the slaughterhouse. Of course it can branch there. You can get products being sent straight to retailers, which people see perhaps on grocery store shelves. It can go to butchers. It can go to restaurants. It can go to further food processing. How far along that chain do you actually look, when you're looking at ways that you can bring value to the value chain?

I'll start with the beef side, and then maybe I'll ask the same question of pork, and then of sheep.

Mr. Travis Toews: That's a very good question. I'll give a really short answer and then a little longer one.

Ultimately the beef value chain round table has a lot of value at any and every point in the value chain, right from the genetics industry in the cattle industry right through to the retail side, where the consumer is buying a product, or even the food service side.

One thing I think has been particularly noteworthy with the value chains is the realization that for us to function competitively as any one part of the industry, we're dependent on the whole industry being incredibly competitive. So the beef value chain round table has been a venue where we can collectively consider each individual sector's competitive challenges, take a look at those challenges, take a look at what the solutions might be, and not in isolation of the other sectors. Because as you know, very often solutions developed by one sector will have unintended consequences in another. So it's been a great venue to look at those issues collectively and then to move forward with an action plan.

• (1650)

Mr. Pierre Lemieux: Right. Okay, thank you.

Is there someone who'd like to answer over on the pork side?

Mr. Florian Possberg: The real value we, as producers, see is that we didn't often have the opportunity to sit down at the same table with the major processors and other partners in the value chain and the federal government, quite frankly, and the people from CFIA. So it's been a great opportunity to exchange ideas.

One of the things that Mr. Toews mentioned is right on. We actually started talking about emergency preparedness, and one of the examples was that if we had a hoof-and-mouth disease outbreak, quite frankly all hell would break loose. The packers' response was that they would probably lay off their workers and go home, because they would have issues selling the meat. For the producers, not having a place to slaughter our animals seemed like the exact opposite of what was needed in the event of such a tragedy happening. So the opportunity to actually sit down in a forum like this and actually understand the mindset of other partners in the chain and understand what their actions would be under certain circumstances was really quite valuable. So we can work those things out if we know where the issues are, and we can attack them.

Mr. Pierre Lemieux: Good.

Is there someone from the sheep side?

Mr. Andrew Gordanier: I would say that just having the whole value chain at the same table is a huge one for the sheep industry. It's not really something we've done before, or if we have attempted it before, we haven't done a very good job of it. We really do have everyone from the value chain there.

For the sheep industry right now, or specifically for lamb meat, we have a situation in which the primary producer is getting paid very high prices for the primary product, and that's causing negative margins along the rest of the value chain. We see expansion of production being very helpful with that.

I mentioned before, but I think it's worth mentioning again, that the creation of this expansion working group out of the sheep value chain round table is something that's absolutely necessary. Having the whole value chain as part of that discussion will make it meaningful for everyone.

Mr. Pierre Lemieux: From testimony we have heard here on other matters, and from what you are saying, the impression I think we all have around the table is that the different players in the value chain want success at all the different levels, and that it's a cooperative approach. That's one of the things I have noted when it comes to food safety.

CFIA wants to work with you and not against you. You want to work CFIA and not against CFIA. You want to work with processors and not against processors. The idea is to have all the players win as much as possible, as you increase the value of what you are offering the consumer. I think that's what I was hearing in your answer as well, that it's a cooperative movement, and that when you have players from all the different levels of the value chain working together on solutions, it then fosters that spirit of cooperation.

The Chair: Thank you.

I think that was just a statement and not a question.

Mr. Pierre Lemieux: It was, yes.

The Chair: Okay, thank you.

Ms. Raynault, back to you for five minutes.

[*Translation*]

Ms. Francine Raynault: My question is for the Sheep Value Round Table representatives.

Unless I am mistaken, we produce about 40% of what is consumed.

What kind of advertising do you do to encourage people to pursue this type of production? Do you need help? Why is this type of production so rare, and why are we unable to supply 80% of lamb, for instance? What can the government do to help you increase flock size, thereby ensuring our own food security in this field?

• (1655)

[*English*]

Mr. Andrew Gordanier: For sure, thank you.

Two working groups were created, coming out of last fall's sheep value chain round table, one was the expansion working group. They have just started to establish action items or limiting factors on expansion. As a result, one of those is the access to medications. There are production-limiting diseases that we struggle with in this country. We don't necessarily have access to vaccinations that can be used as a preventive measure so that every birth actually makes it to something on the table.

Right now, we don't experience that. We have production-limiting diseases that slow down production. We are also experiencing very high prices, which makes it a challenge for producers to expand their flocks. You can't keep replacement ewe lambs back and send them for slaughter at the same time.

What can the government do to help? We're working with government to get access to those medications. We're working with the veterinary drugs directorate, but also with the Canadian Animal Health Institute, which is, from my understanding, all the drug companies at the same place. We know what products are available in other parts of the world, and just getting access to those and getting distribution.

Coming back to the lack of size of our industry, there isn't always a huge incentive for those companies to bring a product to Canada to put on the shelf. That's a hurdle we are attempting to get over right now because there are provisions that state we can use science from other countries. That's huge—using that science from other countries so that the drug company doesn't have to go through all the hoops to get it approved here in Canada. They can use the science from Australia or from the United States to make a product available on the shelves here for producers.

[*Translation*]

Ms. Francine Raynault: Thank you.

[*English*]

The Chair: Ms. Brosseau, go ahead.

Ms. Ruth Ellen Brosseau: Does it take a long time to get a new medication approved in Canada?

When something is being used in another country and it works well for them, how long does it typically take to get approved in Canada?

Mr. Andrew Gordanier: We recently learned, through working with the Canadian Animal Health Institute as well as the veterinary and drug directorate, that we're researching all those things, actually. Whether we're able to use the science from there depends on what is approved in another country and what the agreement is with that country. I mentioned Australia specifically because agreements are already in place to use their science. Some of the drugs we're looking for are vaccines. Specifically, we're looking for access to our available European companies. We haven't gone through all the steps to know exactly how long all that takes. I don't really have a very clear answer for your question, unfortunately.

The Chair: Thank you.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair. Thank you, witnesses. It's great to see you here today. To a lot of you, it's great to see you here again.

Travis, I know we were in Colombia together about a year ago, so it was good to see you were down there working on opening up markets. Our Prime Minister and Minister Fast were there, and I believe Minister Ritz was also there, too, if I remember right.

I guess when we look forward to opening up markets, we've seen that both the agriculture minister and the Minister of International Trade have been very active. What's the impact to you guys if we continue along this threshold, especially on markets like CETA and the TPP?

• (1700)

Mr. Travis Toews: Thanks for that question. That's a great question.

In light of dealing with limited resources with government, our industry's competitiveness depends on competitive global market access. Even with a smaller cattle herd, it's just as vital today. The efforts made by Minister Ritz particularly, but also Minister Fast and the Prime Minister, have been absolutely imperative to regaining the ground we have over the last few years. From our perspective, we need that work to continue.

We know that travel is expensive. Yet there's no substitute for Minister Ritz travelling, virtually during every break he's had, into another key country of market access potential for the Canadian cattle and beef industry as well as other agriculture sectors. We need that to continue.

The reality is that in the cattle and beef industry, in order to maximize cutout value, or the value of every fed steer and heifer we produce in Canada, every part of that animal has to find its way to the highest value market in the world. That's going to be something in the neighbourhood of 20 to 25 markets, potentially, from every fed steer and heifer. That's the way we're competitive.

Mr. Randy Hoback: Can you give us an overview of what it has done to the price? One can go to different areas of the cattle sector. If you look back two years ago, let's say, at a cow-calf operator, and what was he getting for calves and what is he getting today, just give us an idea of what opening market access has done to the sector.

Mr. Travis Toews: There are a few things at play, but clearly increased market access has been a major contributor to the price increase, along with very tight supplies globally and in North America. We've seen prices almost double for the average rancher out there. They certainly have gone up in the neighbourhood of 60%, up to 90% or 100%.

Mr. Randy Hoback: Mr. Possberg, you've been through a tough time in your sector. You're right; the tough have survived, there's no question about it. I commend you guys because it's been a tough grind.

If I heard you right, you see light at the end of the tunnel. We're starting to come out of it. What are the things you identified as the key issues we should be working on to get you out of this tunnel and get the sector healthy again?

Mr. Florian Possberg: There's no question that the efforts to keep foreign markets open is absolutely essential for us. Over 60% of the pork we produce in Canada is exported globally. We find that, in particular, some of our major markets have responded quite positively to our federal government's initiatives abroad: Russia, China, even Japan. When we see our Prime Minister, Minister Ritz, and Minister Fast, along with some of our industry people, go to visit those countries and talk to their people, we see a boost in our traders' ability to market into those markets. It just makes for good relations and it's very positive.

The effort that is going into the CETA negotiations could be very positive for us if we get the right results. We don't know if we're going to get the right results yet, but quite frankly, unless you put the effort in, you'll never know. If we actually pull that off, Canada will be in a very good position in terms of our other major competitors—the United States and Brazil—to access the European market. That could be very positive for us for a long time.

Mr. Randy Hoback: Actually, you touched on a point that reflects back to the round tables and that information, when you said, if we “get the right results”. Obviously, the industry at the round table level has gotten through and said this is what we require out of this type of agreement. That's how it would be communicated back to the department, is that correct?

Mr. Florian Possberg: It is.

The Canadian Pork Council is brought into the discussions. We also understand what impediments our processors and traders have. Sometimes you can have access in theory, but in practicality you really don't, so understanding what all the pieces are to make it work properly is really important. The value chain has been helpful in that area.

● (1705)

Mr. Randy Hoback: Am I there?

The Chair: You're pretty well out of time.

Mr. Randy Hoback: Thanks, Chair. Thanks to the witnesses.

The Chair: Mr. Lemieux, for five minutes.

Mr. Pierre Lemieux: Thanks, but I'll let Bob take part.

The Chair: Mr. Zimmer.

Mr. Bob Zimmer: Thank you, Pierre.

I have one last question for Mr. Toews.

Our government has been targeting efficiencies. Often efficiencies have a positive effect on quantity and quality. I want you to comment about some red tape issues with CFIA at auction marts. How can we change that? What are some specifics that you would see us do?

Mr. Travis Toews: That's a pertinent question.

We desperately need and we benefit from, largely, quite a competitive marketing process in Canada, not only isolated to auction markets. Quite a high number of cattle do continue to sell at auction markets. In terms of challenges there, what's really important is that adequate tolerances are applied when it comes to enforcing our mandatory ID system, which we all believe is incredibly important.

We need to ensure that those folks on the ground are using a common-sense approach when applying the regulations. While there's a genuine effort to improve tag quality, those tags do continue to fall out from time to time, and unless that CFIA agent wants to comb the bottom of that cattle liner to find the lost tag, there needs to be some reasonable tolerances applied.

Mr. Bob Zimmer: Thank you.

Mr. Pierre Lemieux: Actually, Chair, just in the time we have left, that actually touches on a question I wanted to ask. Maybe I could hear from all three sectors again on what you think traceability adds to the value chain. I know traceability is a current topic in that there have been certain initiatives, particularly at auction marts regarding traceability. It goes down to the farm level.

I'll start with beef, go to pork, and finish with sheep. Could you give a quick summary of what you see as the impact of traceability on your industry?

Mr. Travis Toews: First, the beef value chain round table is a great venue to discuss traceability, because we have all sectors around the table.

Approximately 10 or 12 years ago, the Canadian cattle industry made a big step forward in moving towards mandatory individual animal ID. This has provided us with the ability to do herd-of-origin trace back. That ability was instrumental in Canada obtaining controlled risk status at the OIE around the whole BSE issue. Of course, gaining that controlled risk status was instrumental in regaining market access. We do already have a traceability system at play in the cattle industry. We have basically a bookend system with the ability to do herd-of-origin trace back, and retirement of the tags at either processing or export.

We want to move forward as an industry eventually to full animal movement tracking, but we want to move forward carefully. The last thing we want to do is move forward hastily and bring extra regulatory burdens on an industry that competes globally. At the same time, technology is improving monthly. I think as those tag traceability trials have shown, the technology is still in catch-up mode, in terms of what we demand of it.

We're committed to seeing that premises ID is finalized across the country, and then moving to a phased implementation of movement tracking. At the same time, we hope technology will be improving so that we can move forward incrementally but progressively to eventual full traceability.

Mr. Florian Possberg: We've been working really hard on the traceability file for a few years now. We have it to the point now where we have most of the premises across Canada identified. We have computer systems in place to actually track animals. We're still having some issues with confidentiality and other issues that kind of defy logic from a producer point of view. If you're going to actually identify something, you should have the freedom to actually use that information in a worthwhile way, so we still have a few things to deal with.

We're not doing individual animal ID, as they would in the cattle and sheep industry. We're dealing with pens of pigs and loads of pigs. The advantage we have is that our animals don't go out to pasture and move from place to place throughout their lives. They're usually quite confined to where they're produced.

We're seeing progress, but we're still seeing challenges. We think there is a benefit, but as Mr. Toews outlined, it has to be workable and it has to be done in an economical way, because our producers do not want regulation for the sake of regulation. It has to produce something positive.

• (1710)

The Chair: Thank you very much.

Is there any—

Mr. Pierre Lemieux: The sheep people might have wanted to say a word on it.

The Chair: Okay, Mr. Gordanier, go ahead.

Mr. Andrew Gordanier: I'll simply touch on carcass information from RFID. It's very limited, but the producers that do have access to that service from a packer... Very few lambs are being graded, but for the ones that are, being able to get information back on an individual basis... I know maybe for beef and pork that seems rather elementary, but for the sheep industry it's something very new for us.

Getting that information back and being able to use it for decisions genetics-wide, as well as how we feed our animals, is very useful.

Mr. Pierre Lemieux: Do you mean back to the farmer?

Mr. Andrew Gordanier: Right back to the primary producer, exactly. If it's gone through a feedlot, we have a similar situation where there are some problems with privacy, of course, being able to share that information. However, we're working through that through different agreements, I guess.

Secondly, as far as disease outbreak control goes, we see around the world that an outbreak is quite disastrous for an industry. Having a traceability system in place would allow us to, hopefully, control that.

The Chair: Thank you very much.

Is there any point you weren't asked about that any one of the three round tables would like to comment on?

Mr. Possberg.

Mr. Florian Possberg: I'd like to make a point around one of the things we're trying to deal with as an industry, it's the Growing Forward 2 process. A lot of our major funding initiatives, whether it's in exports or health or traceability, the way our funding is set up March 31, 2013, is kind of a key date. That's when Growing Forward 1 ends.

The uncertainty we're dealing with, not knowing what Growing Forward 2 is going to produce, is causing a little stress. We know it's a process, but it would be nice if we could have a little more definition from one program to the next.

The Chair: I know the discussions with both Minister Ritz, and provinces and territories are ongoing right now. That's about all I can say.

Mr. Lemieux, have you anything you can add to Mr. Possberg's comment?

Mr. Pierre Lemieux: No.

The Chair: They're there, and I think I sympathize with you and understand why the sooner the better.... That's a fair comment.

Travis.

Mr. Travis Toews: Thanks, Mr. Chairman.

I have one point to add. There was a fair bit of discussion around labelling, good comments around labelling and product of Canada.

I think as most of you know, we're dealing with a challenge with mandatory country of origin labelling in the United States right now. It's certainly our view, at least in respect to the Canadian cattle and beef industry, the solution we're proposing down there also ultimately provides instruction to the product of Canada rules here.

We recognize we're in an integrated North American industry. Ultimately, it's our view that if a product is substantially transformed in a particular country, it should become a product of that country. We'd advocate that for Canada, as we do in the U.S.

The Chair: Thanks, Travis.

Andrew, do you have any last comments?

Mr. Andrew Gordanier: No, I think I'm good. I certainly appreciate the opportunity to come here and answer the questions.

Thank you.

The Chair: Thanks very much to all of you. I think it has been very productive. I know that we attempted to do this a while ago, but crazy things happen here. Anyway, thanks very much again.

The meeting is adjourned.

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