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## Legislative Committee on Bill C-18

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EVIDENCE

**Tuesday, November 1, 2011**

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**Chair**

**Mr. Blaine Calkins**



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• (1935)

[English]

**The Chair (Mr. Blaine Calkins (Wetaskiwin, CPC)):** Good evening, ladies and gentlemen. I would like to call to order the second meeting of the legislative committee on Bill C-18.

As arose from our business meeting of yesterday, we have witnesses here to appear in the first two hours of this committee. Present with us today is John Knuble, the deputy minister from the Department of Agriculture and Agri-Food, and Greg Meredith, the assistant deputy minister. From the Canadian Grain Commission, we have Murdoch MacKay. From Pulse Canada, we have Gordon Bacon.

Are we going to have that video conference, or is that not starting until later on?

We'll try to get those feeds going. Joining us will be Richard Phillips and Steve Vandervalk from the Grain Growers of Canada.

As has been discussed, this is the working group. All of these individuals are appearing under that collective banner as the working group, and we will only hear one ten-minute presentation before we proceed to the rounds of questioning, as laid out in our routine motions.

Mr. Knuble, I believe you will be giving us the ten-minute presentation on behalf of the working group. The floor is yours, sir. Welcome.

**Mr. John Knuble (Deputy Minister, Department of Agriculture and Agri-Food):** Thank you very much, Mr. Chair.

[Translation]

I would also like to thank the members of the committee.

[English]

I'm pleased to be here today to speak to the Marketing Freedom for Grain Farmers Act and the contribution of the working group on marketing freedom.

As the chair has indicated, we have members of the working group here today. I served as the chair, and the other members are here representing the working group. Greg Meredith served as head of the secretariat.

If you will allow me, Mr. Chair, I will just make some brief opening remarks about the work, mandate, principles, and findings of the working group. I understand we've distributed as background to members the working group report itself, these remarks, as well as some charts that are used to explain how Bill C-18 works.

Throughout the summer I had the honour to chair this industry working group, which focused on how the system might transition from the current administered system to an open market that includes voluntary marketing pools. The working group had 11 meetings in the space of an intensive period of two months, including subcommittee meetings on specific issues such as a check-off program for research, producer cars and shortlines, and the information needs of farmers.

Over 50 stakeholders made a contribution, and 21 submissions were received. Beyond the working group there have been many bilateral meetings involving the Honourable Gerry Ritz, other officials, and me. For example, I met with ICE Futures Canada on futures contracts, and I have also met with the Winnipeg Chamber of Commerce and the Business Council of Manitoba on the economic impacts of these changes. The minister is always meeting farmers and stakeholders, while the department has recently completed rounds of consultations with farmers and stakeholders on its Growing Forward policy framework.

In terms of the mandate of the working group, it was announced in mid-July, and we were tasked with preparing a report for Minister Ritz by mid-September. The working group—and I believe you have a list of all the members—consisted of private sector participants and a government secretariat including officials from my department as well as Transport Canada. The working group was asked to assume that all grains would be removed from a monopoly by August 2012; that the board would propose a business plan to continue with CWB, the Wheat Board, as a voluntary marketing entity; and that the system would adjust to marketing choice.

The mandate was to address the following: access to elevators, rail, and ports; access to producer cars; organization and funding of market development and research activities for wheat and barley; delivery of the advance payment program; and any other business-related transition issues that concern the grain-handling and transportation system.

As chair of the working group, I would like to emphasize the word “system” in this last point. Our work was very much focused on this concept and on how to make the supply chains work better. Other issues, as you can see in the report itself, include price discovery, farmer information requirements, and issues related to a voluntary wheat board.

As its discussions took place, the working group developed principles to provide a framework for assessing the transition to a new voluntary marketing system. I refer you to those in the working group report at the beginning in the opening section. I won't go through the details of all six, but let me give you a few highlights.

The first principle identified by the working group was all about predictability and certainty. We heard again and again from farmers and stakeholders who met with us that they had a desire for a smooth transition with a clear understanding of how implementation will occur and when. I can't reinforce enough the importance of this principle and the importance of the principle for the working group and its report.

In addition, there are three other principles that articulate the growth opportunities relating to improved efficiencies, more innovation, and value added.

Finally, two principles focus on the need for an integrated supply chain in which commercial arrangements are based on transparent and timely data and which emphasizes the importance of improving service to domestic and export markets.

• (1940)

In terms of findings, the working group agreed that overall we should give a competitive system a chance to work, one that includes a voluntary pooling wheat board—in other words, a dual marketing system. This, we said, would encourage a more integrated supply chain, boost sales, ensure transparency in the marketing of wheat and barley, and offer producers the option of using pools or spot prices.

We see these as the opportunities, and we also discussed a lot of challenges in preparing our report.

In fashioning our eight recommendations, the working group observed that all non-board grains are grown, marketed, and transported efficiently in competitive, open markets. The same farmers who supplied board grains already thrive producing non-board crops. There is overwhelming evidence that farmers in the grain supply system are more than capable of dealing in open markets.

Members did want government to monitor closely how the system will work for access to ports and inland terminals and access for producer cars and shortline rail.

It will be important to ensure that any competitive behaviour does not affect the workings of the new system, especially for farmers and smaller grain companies, including the new Wheat Board.

Minister Ritz has already taken steps on two of the recommendations by giving the responsibility for the delivery of the advance payments program to the Canadian Canola Growers Association and also by providing information to farmers on the new bill. Certainly there is more work to continue on these information aids, but we have started.

Working group recommendations are consistent with Bill C-18. The bill reflects the open market approach of the working group, including the desire to monitor rather than to regulate. Bill C-18 specifically provides for forward contracting and for a levy for the research organizations—the Canadian International Grains Institute,

the Western Grains Research Foundation, and the Canadian Malting Barley Technical Centre—both of which are areas of recommendation in the working group report.

Perhaps most important, Bill C-18 provides certainty and predictability, a recurring theme, as I mentioned earlier, in terms of the working group and what I've heard from every farmer and stakeholder. The bill implements an open market by August 1, 2012, and in that way it gives the CWB—the Wheat Board—sufficient time to prepare a business plan for a new viable entity and with board guarantees in the interim. This of course is over the five-year transition period.

In the dual marketing system, farmers who want to pool can, and farmers who want to use the new tools have that option too.

Let me conclude in the way the working group report does, with optimism that farmers and other players can meet both the opportunities and challenges of the new system.

[*Translation*]

I look forward to your questions on the working group report and Bill C-18.

[*English*]

Thank you very much.

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

We'll now proceed to our speaking list. For the first round, for the New Democratic Party, Mr. Martin, I would assume.

**Mr. Pat Martin (Winnipeg Centre, NDP):** Yes, thank you, Mr. Chairman.

How long are the speaking rounds?

• (1945)

**The Chair:** I believe, as we agreed upon at the meeting yesterday, it is five minutes.

**Mr. Pat Martin:** Thank you for your presentation, Mr. Deputy Minister.

My question for you, as members of the working group, is can you tell me if there has been a cost-benefit analysis to prove beyond any reasonable doubt—or at least to indicate there is empirical evidence, demonstrable evidence—that prairie farmers will be better off without the Wheat Board than they are now?

Can you tell me what kind of impact study you were asked to do? What kind of analysis were you asked to present to Treasury Board, which would accompany any piece of legislation to assess the impact of this sweeping comprehensive reform to the western agricultural economy?

I would ask you, Mr. Deputy Minister and Mr. Knubley, can you share with us the research you must have done on behalf of the minister regarding cost-benefit analysis and impact study and essentially the business case for this legislation? It will surely lead to the demise of the Canadian Wheat Board as we know it.

**The Chair:** Before I recognize the point of order, can you give me a little bit of latitude here, Mr. Storseth?

This isn't going to cost any of your time, Mr. Martin.

I failed to inform the committee. I believe we have, and I'm trying to confirm right now, Mr. Richard Phillips and Mr. Steve Vandervalk by audio. Is that correct?

**A voice:** Richard Phillips is here and Steven Vandervalk as well.

**The Chair:** Gentlemen, we do not have a video feed for you, so we'll simply accept an audio feed. If you are posed a question, and I'm assuming that you've heard the testimony that has already been given, you will have to identify yourself for the sake of the Hansard recording system, as the recorder here will not be able to visually see who is speaking. Mr. Vandervalk and Mr. Phillips, if you do answer a question, ask a question, or engage in this, I'll simply ask you to identify yourself before you begin speaking.

Now we'll resume the committee business. Mr. Martin asked a question, and Mr. Storseth raised a point of order.

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

If you refer to page 1068 of O'Brien and Bosc, paragraph 2 says:

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 to 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.

I believe trying to get advice that the public servant may have given to Treasury Board would fall under this and would fall under page 1068, Mr. Chair.

**The Chair:** That's great; the very first question that's posed has a challenge to it. The question by Mr. Martin is one of a cost-benefit analysis. Mr. Storseth, you're arguing that according to page 1068 the question is out of order. I suppose I have to have a ruling.

Mr. Martin, would you like to...?

**Mr. Pat Martin:** On the same point of order, if I'm going to be interrupted on such a basic question, I'd at least appreciate the opportunity to respond to the point of order.

**The Chair:** Fair enough.

**Mr. Pat Martin:** We have been gagged, bound, and hog-tied in this committee to investigate in any meaningful way the most comprehensive and sweeping legislation to hit the agricultural community in a century, in 75 years at least. We've been limited to two sessions of two hours each.

**The Chair:** Mr. Martin, you're—

**Mr. Pat Martin:** I am speaking to the point of order.

We're being limited to two four-hour sessions in total to analyze this bill, a comprehensive, sweeping bill with very complex changes to the way the whole grain industry will be dealt with.

We weren't allowed the opportunity in the House of Commons to give it what we believe would be thorough, adequate investigation, study, and debate. At least at this committee we have an obligation, a duty, and a right to do our due diligence, to give it the scrutiny and the oversight it deserves. With the first question we ask, you guys show up here with your goddamn anarchist handbook to try to sabotage the work of this committee.

● (1950)

**The Chair:** Mr. Martin, you'll direct—

**Mr. Pat Martin:** Don't get me started. I have the floor.

**The Chair:** Mr. Martin, I'd ask you—

**Mr. Pat Martin:** I have the floor! Not you!

**The Chair:** I'd ask you to direct your questions through the chair, sir—

**Mr. Pat Martin:** Through the chair, I'm going to ask you—

**The Chair:** —and I'd ask you to use parliamentary language.

**Mr. Pat Martin:** —if I can have my five lousy minutes to ask these guys some questions. How's that?

**The Chair:** Mr. Martin, we have rules. We have procedures here in the House of Commons.

**Mr. Pat Martin:** And I'm not finished my point of order.

**The Chair:** That's fine, but I am going to ask you to refer your questions through me, and I'm going to ask you to use language that resembles more along the lines of that of a parliamentarian. We are all parliamentarians around this table, and your behaviour is representative of what we're doing here.

I'm going to recognize you to have the floor again to continue with your point of order, but I expect some better conduct, sir.

**Mr. Pat Martin:** Our rights and our privileges as members of Parliament are being infringed upon by these jackboot tactics of your committee—and you too, Mr. Chairman; I blame you. You've been parachuted into chair of this committee to sabotage the work of our committee when on behalf of the people of Canada we're supposed to be doing our work to study this bill with some kind of depth and analysis.

The very first question I ask, an innocuous, harmless question—have you done a cost-benefit analysis, and will farmers be better off or worse off with the Wheat Board, in your opinion—and these guys come in here with their manual, with their bloody documents on page 1068 of some book, that I'm not allowed to ask a simple question. It's absurd, Mr. Chairman, and I'll tell you why.

The people I represent want us to do our job as members of Parliament and drill down deep. I've been in committees where for 52 days we've studied a piece of legislation. Here we have two four-hour sessions, and we won't hear from a single producer because you've set up this committee in such a way that the producers aren't allowed to testify, believe it or not. That's what the public should know first. You imposed a gag order on the Wheat Board themselves, so in this whole process—

**The Chair:** Mr. Martin—

**Mr. Pat Martin:** —you could carpet-bomb the prairie region with your own propaganda.

**The Chair:** Mr. Martin, I don't hear a point of order.

**Mr. Pat Martin:** You put a gag order on the Wheat Board to keep them from defending themselves.

**The Chair:** I simply hear a debate arising out of the discussions we had at an in camera meeting yesterday.

**Mr. Pat Martin:** This is a—

**The Chair:** So what I'm going to do is—

**Mr. Pat Martin:** I'm speaking to the point of order.

**The Chair:** —I'm going to—

**Mr. Pat Martin:** I'm speaking to the point of order, which is my right.

**The Chair:** I'm going to make a ruling.

**Mr. Pat Martin:** It's my right to speak to this point of order to defend my right—

**The Chair:** If you have a—

**Mr. Pat Martin:** —to do my job as a member of Parliament.

**The Chair:** Mr. Martin, if you have a point of order, I haven't heard it yet.

**Mr. Pat Martin:** I'm speaking to his point of order, which is trying to undermine my—

**The Chair:** I'm going to rule on the point of order.

**Mr. Pat Martin:** —right to ask a question.

**The Chair:** I'm going to rule on the point of order from Mr. Storseth.

Mr. Storseth, I'm going to allow the witnesses to answer this question, those who feel comfortable in doing so.

Mr. Knublely, if you feel that the paragraph on page 1068 applies, as directed by Mr. Storseth—and those are the rules by which we govern ourselves in this committee—you can recuse yourself from answering that question. However, any other witness who feels that he wants to answer that question or would like to address the question of the cost-benefit analysis proposed by Mr. Martin is free to do so.

Please resume. It's Mr. Martin's time.

**Mr. Pat Martin:** Mr. Chairman, now that I have the right to ask the question, we should remind the witnesses that they do not have the right to not answer the question.

You do not have the right to remain silent at a parliamentary committee. You offset that right with the fact that we can't use any

testimony you give here against you. You enjoy parliamentary privilege.

It's not an option to answer the question if they feel like it. If I put the question, they answer it.

**The Chair:** Mr. Anderson, do you have a point of order?

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** To respond to Mr. Martin's diatribe, the anarchist's handbook he refers to is called *House of Commons Procedure and Practice*. A little further down the line from what Mr. Storseth said, it states: "Consequently public servants have been excused from commenting on the policy decisions made by the government". So it does give them the right to excuse themselves from answering those questions.

I should also point out that the members are here today as members of the working group, and the questions should be geared towards the work of the working group.

**The Chair:** I'm going to stick by my previous decision.

Mr. Knublely, if you feel comfortable answering the question, by all means do so. If other members wish to, they can proceed.

**Mr. John Knublely:** I think there are two or three things I can say on this topic, and I'd be happy to make those remarks.

First of all, the issue of cost-benefit analysis was not a subject of discussion for the working group. In keeping with the mandate of the committee, it was to assume that we were moving forward to implement an open-market approach by August 1, 2012. The focus of the work of the working group has been very much on the "how", not the "whether". In fact....

I understand your question, and I will come to it.

• (1955)

**Mr. Pat Martin:** Sir, my question to you as the deputy minister is were you asked by the minister to develop an analysis of the impact of this legislation to present to Treasury Board? Yes or no.

**Mr. John Knublely:** Let me elaborate a little.

**The Chair:** Mr. Storseth, do you have a point of order?

**Mr. Brian Storseth:** Making some rules is not a reason or a right to break the rules. He keeps referring questions specifically to the deputy minister—what he did on behalf of the government and what he gave to the minister. He's here as a member of the working group. This is about technical questions.

If you don't have the expertise to ask technical questions, you should pass it on to somebody who does.

**The Chair:** Thank you, Mr. Storseth.

Mr. Knublely, it's been raised here that the question is out of order. That's the argument made by Mr. Storseth. Mr. Martin disagrees with that. I'm trying to find a common ground where we can proceed and ask the witnesses questions that are germane to the topic.

Mr. Knublely, if you feel there is something germane to the topic that you can share with us, I would encourage you to do so. Otherwise, I will move on through the questioning list.

**Mr. John Knubley:** On the issue of cost-benefit analysis, this was not part of the work of the people here tonight. I brought a binder with seven or eight studies that have been done over the last 15 years on the topic of cost-benefit analysis. This has been a long-standing debate, and there have been many studies done, in support of an open-market approach and against it.

The list of studies that I've brought today includes one by Professors Carter and Loyns in 1996 entitled "The Economics of Single Desk Selling of Western Canadian Grain". There are also two studies by the George Morris Centre in 2002. Many of you may have noticed that yesterday the George Morris Centre released another report supporting the open market approach. There are two C.D. Howe studies done in 2008 and 2011 that are also supportive of an open market approach. In 2008 Informa Economics did a study called "An Open Market for CWB Grain".

Overall, these studies find no evidence that prices are higher because of the Wheat Board monopoly powers. They point to evidence that prices to farmers in other countries are higher for the same quality and market, and they identify higher costs associated with the CWB monopoly itself.

**Mr. Pat Martin:** I don't mean to be rude, Mr. Knubley, but the time is limited.

Have you done an analysis of the closing costs for wrapping up a \$6-billion-a-year corporation? KPMG did an independent study. They estimated that it would cost as much as \$500 million to wrap up and conclude the activities of the CWB as we know it. Do you concur with those figures? Have you done your own analysis? Have you advised the minister and the government of what the closing costs would be?

**Mr. John Knubley:** We have examined those costs and have discussed them with some of the Wheat Board officials. Where we believe we will make progress in terms of identifying these costs and these transition costs—

**Mr. Pat Martin:** Do you know what they are now?

**Mr. John Knubley:** Once the bill is passed, we will be able to sit down under the new governance of the Wheat Board—

**Mr. Pat Martin:** Some of us say that we shouldn't pass the bill until we know what those costs are going to be.

Is it going to cost \$500 million to dismantle the Canadian Wheat Board? That's above and beyond losing 450 jobs in my riding and all the auxiliary jobs associated with the activities of the Wheat Board.

Yes or no, are those figures accurate?

**Mr. John Knubley:** Mr. Chair, those are the costs identified by Mr. Oberg, the chair of the Wheat Board, in terms of moving forward, with reference to the KPMG study.

**Mr. Pat Martin:** But do you concur?

**The Chair:** Mr. Martin, I'm sorry, your five minutes has expired.

We'll have questioning from the Conservatives, and Mr. Dreeshen, for five minutes, please.

**Mr. Earl Dreeshen (Red Deer, CPC):** Thank you very much, Mr. Chair, and welcome to the working group members, both here and abroad.

As a grain farmer from western Canada, I must say that I'm looking forward to your analysis as we go through how marketing freedom for wheat and barley growers is finally going to be achieved.

One of the issues that has been brought up is that of grain quality. We've heard of new businesses that are ramping up investment plans to take advantage of a revival in production, with an emphasis on quality, especially in the malting barley industry. We've had announcements. Last week we had one on a new pasta plant being built in Saskatchewan, and today there was one on the expansion of malting facilities in central Alberta, where I'm from.

When I think of the other value-added industries that have just been waiting to get hold of top-quality grain to get to market, I'm puzzled by comments from the chairman of the Canadian Wheat Board that there would be a shift in focus to quantity from quality.

My first question is based on the comments of the chair. It begs the question: Who will be responsible for the maintenance of grain quality in western Canada after this bill is passed?

• (2000)

**Mr. John Knubley:** Mr. Chair, on this issue I think the working group saw very much that quality was an issue for all aspects of the supply chain. Farmers themselves are committed to quality. Grain companies are committed to quality. Above all, of course, in terms of the supply chain, the role of the Canadian Grain Commission is fundamental, so I would like to ask Murdoch MacKay to speak to these issues.

**Mr. Murdoch MacKay (Commissioner, Canadian Grain Commission):** Good evening.

The mandate of the Canadian Grain Commission is defined for us under the Canada Grain Act. It states that we, the Canadian Grain Commission, are to establish and maintain standards of quality. We are to regulate grain handling in Canada and ensure that the grain is a dependable and safe commodity.

We basically certify the quality, grain safety, and weight of grain. We are the group that sets the grade and the standards for grain in Canada for 21 grades under the Canada Grain Act. When we set those grades and standards for grain quality, they're based on scientific research that is done in a grain research lab at the Canadian Grain Commission. In our grades and standards, we describe the quality of the grain. It's based on end-use quality. It's supported by scientific research, and we review those grades regularly.

In fact, today in Winnipeg the Western Standards Committee was meeting to discuss the quality of the standard for this year, and tomorrow the Eastern Standards Committee will be meeting also. The result of all of this is that our customers get consistent quality each and every year. They know what they're going to get.

What we do at the end of the day is the most important thing of all. After a sale is made, be it by the Canadian Wheat Board or by another exporter, we grade that grain as it's loaded onto the vessel. We grade every 2,000 tonnes, and those 2,000-tonne increments must meet the standard and quality of the grade that has been sold.

At the end of the shipment, we provide a certificate final, and that certificate final says the grade of grain that has been loaded onto the boat and the weight of that grain that has been loaded onto the boat. We provide that to the exporter, who then provides it to the end-use customer. That certificate final is what our end-use customer is looking for.

When it comes to quality, the Canadian Grain Commission has been doing this for 100 years, and we will continue to do that.

**Mr. Earl Dreeshen:** Thank you.

I know that on our farm we use the load-lock system to make sure we know what we've sent in to get graded, and we have that type of security as well. It's important.

Our government has also invested significantly in research. We believe that research is key to keeping the grain sector strong and competitive. Under the monopoly that the Canadian Wheat Board had, there was a voluntary check-off for wheat and barley research that was collected from the producers. It supported the Canadian International Grains Institute, the Western Grains Research Foundation, as well as the Canadian Malting Barley Technical Centre. Under the Marketing Freedom for Grain Farmers Act, it's also going to include a voluntary check-off, which is important.

Would someone explain to the committee how the producers and the entire grain industry benefit from the important research that's done by these groups?

**The Chair:** Very briefly.

**Mr. John Knuble:** Thank you, Mr. Chair.

What is in the bill is a recommendation of the report. I would like to ask Richard Phillips or Steve Vandervalk to speak to the issue, as they were participants in the subcommittee on research.

**The Chair:** Very briefly, please.

**Mr. Richard Phillips (Executive Director, Grain Growers of Canada):** I would say that the importance of research is one of the most consistent messages that we heard on the committee from I think every single producer group we met with, and the value-added process following research.

I think it's critical that the funding continue for the Western Grains Research Foundation, CIGI, and for the Canadian Malting Barley Technical Centre. As well, let me put in a small plug here. There's also funding that needs to go to Agriculture Canada for public research in general.

The private sector does a lot too. But producer group after producer group identified that the WGRF, CIGI, and the Canadian Malting Barley Technical Centre were critical to continue.

• (2005)

**The Chair:** Thank you very much, Mr. Dreeshen. Your time is up.

Mr. Valeriote, five minutes, please.

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

Thank you, gentlemen, for coming in, and those appearing by telecast.

I have to echo the sentiments of Mr. Martin. Frankly, I agree with them. I may not do it as dramatically, but I do it with the same conviction and the same passion. Please understand that. I'm concerned about western Canadian grain farmers. They were denied a plebiscite. They had their own. It was ignored. We've had three days of debate and now three days of discussion that will affect something as iconic as the Wheat Board and obviously will dramatically affect small farms in the provinces.

However, at the risk of being objected to here, I will try to draw out my questions to the technical nature of the bill. Mr. Knuble, I'm hoping you can talk to me about the legislation and not just the report of the working group. Specifically, can you speak about the commercialization or the privatization, if you will, of the Wheat Board after the transition period?

Clause 42 talks about the corporation submitting an application under either the Canadian Business Corporations Act or the Canada Cooperatives Act or the Canada Not-for-profit Corporations Act. It then goes on to say that before they do, they have to send their application to the minister.

That offends me. I think it would offend any entrepreneur out there. Other farmers right now have a right to create a co-operative without getting permission from the minister. This is a minister who claims freedom for farmers, and yet is micromanaging every single aspect and move of the interim board and even the board that chooses to privatize.

Would you please explain to me why, Mr. Knuble, a board that is going to go private and register under any of those three pieces of legislation needs to seek the permission of the minister?

**Mr. John Knuble:** Thank you, Mr. Chair.

On this issue I'm going to turn to Greg Meredith, the assistant deputy minister for strategic policy.

**Mr. Greg Meredith (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you very much for the question.



This clause of the bill does a few things. It asks the board to come to the government with a privatization plan and it asks for approval for a couple of reasons. One, to make sure that it's done within a reasonable amount of time—that is, four years, with implementation in the fifth.

The other thing it does is it provides the minister the opportunity to make sure that the taxpayers' money, which is at stake in this operation of the voluntary Wheat Board, is protected.

**Mr. Frank Valeriote:** I'm sorry, but the reading of the legislation does not prescribe that. The intent isn't disclosed through the words that are used. It simply says you have to have the application approved by the minister. This is a board. This is an interim Wheat Board, which is supposed to be for farmers and by farmers, and yet even to the last minute he thinks that he—or she, whoever it might be at the time—needs to somehow have some control over an application. I need to voice my dissent with that.

My next question is to you, Mr. Phillips, with respect to the check-off you just spoke of. I've talked to a lot of farmers. A lot of farmers are concerned, of course, as you know—we all know that. There are some who want the board and some who don't. So let's not kid ourselves. Those who are concerned—apparently a majority—are worried that they're not going to get paid for their grain at the prices they have been receiving.

An example is the fact that the Alliance Grain Traders are opening up a pasta factory, and will probably be doing that because they expect to pay less for grain rather than more. Assuming that is the case, why on earth do you think farmers are going to check off any amount of money for research? They're currently checking off 50¢ a tonne for barley and 30¢ for wheat. I'm hearing from the farmers out there that they have no plans to check off for a long time, until they know that this is going to succeed. There's no guarantee of success, and we've now lost a vital source of income for valued research.

● (2010)

**Mr. Richard Phillips:** Thank you.

I would say, when we look at all the other crops out in the open market, that they have check-offs operating very successfully. There's an oat check-off. I will make the estimate that over 90% of the money stays in these check-offs, and that less than 10% of the money for each of these commodities would ever be withdrawn by farmers. So oats, there's a big check-off; canola, there's a check-off; peas, there's a check-off; and lentils, there's a check-off. There are check-offs for all those other crops, and farmers leave the money in there because they know there's value to the research. And almost regardless of whether they see the price—

**Mr. Frank Valeriote:** Mr. Phillips, I'm talking about future check-offs, not current check-offs. It's doubtful that these check-offs will be made by farmers when they're not secure with the form of income.

**Mr. Richard Phillips:** Right now farmers can request their check-off back if they're not happy with what's going on with the work. It's up to the Western Grains Research Foundation to make a case, and for farm groups to stand up and point out the value of this research and the objectives. If \$1 million goes in, it's \$5 million of value coming back out to farmers, because, at the end of the day, I think a lot of farmers will look ahead. They may be unhappy with some stuff, but when they look ahead, I think most people will leave

money in there, because without the research they're going to get left behind in the world market.

**The Chair:** Thank you very much, Mr. Valeriote; your time has expired.

Mr. Merrifield.

**Hon. Rob Merrifield (Yellowhead, CPC):** Thank you very much for coming in as a working group and being able to lend your expertise to this.

I take note that you talk about the importance of the rail freight service review in your report. I actually had a fair amount to do with railway and the rail freight service review. In fact, it was a two-year study on the rail freight service, which was extended because we saw the performance of rail considerably increase as we neared the end of that. In fact, I think it moved rail performance on-time delivery of cars from about 50% up to over 90% last year. So we're seeing a tremendous increase in service, which is really paramount to farmers. If farmers can't move their product to shore and off to market, they're never going to get a nickel for it. So it really becomes critical for that to take place.

My question concerns the timing of the service review and the marketing with regard to this piece of legislation. You make some reference to it being important that they happen in concert. I don't know who would like to take this question, but can you explain, from your perspective, what you saw as you analyzed this?

**Mr. John Knubley:** As a way of introduction, this is an issue that the working group spent a good deal of time discussing. We held a special session on logistics. As I mentioned earlier, we had officials from Transport Canada who were involved in the rail review participating in our discussions. I will let Gordon Bacon discuss the issues, but the simple message from the working group is that we very much see the rail review as complementary to Bill C-18 and the work that's being done as a priority to move forward in that regard.

Gordon.

**Mr. Gordon Bacon (Chief Executive Officer, Pulse Canada):** As the deputy minister noted in his opening remarks, predictability was the key message that came through from all the witnesses that the working group spoke to, and predictability in rail service was certainly a key part of this. What we were wanting to do in terms of managing a transition or making recommendations for a transition was to ensure that we had addressed all areas of predictability. As people know, the Wheat Board has played a major role in bringing grain into the primary system, its movement to port position, and its handling at port.

The committee's strong recommendation was that the rail freight service review recommendations and the course of action the government set out on March 18 needed to move forward quickly. There was discussion that they certainly needed to move in tandem, because this was going to enhance the level of predictability in a major cost to all farmers that is incurred in the movement of product from farm to port and ultimately through to destination.

I'm very pleased. The committee actually hasn't met, but the government made the announcement yesterday that a facilitator has been appointed and that this process is now going to begin.

**Hon. Rob Merrifield:** Yes. Actually it began a long time ago, about a year ago or even prior to that, and the shippers didn't need to wait for legislation to move to a service agreement. In fact, many of the large grain corporations have done this and are working toward one and have moved that ball down the court a long way.

Can you tell me where the Wheat Board is on it? To your knowledge, have they made a service agreement with the railways? It would be paramount for them to move, since they are one of the largest movers of product.

• (2015)

**Mr. John Knubley:** I understand from discussions with Ian White that they intend to undertake those discussions for setting commercial agreements. In terms of the rail service review, there is still work to do. As you know, the six-month facilitation process, which now has a facilitator, will lead to negotiating the template for those service agreements as well as—

**Hon. Rob Merrifield:** Yes, but the facilitator is there just to make certain, if an agreement bogs down. But that certainly doesn't retard the ability of shippers to work out a service agreement. In fact, some of the larger grain handlers have accomplished this. But it's of keen interest to me to see why our largest shipper, which is the Wheat Board, doesn't have an agreement. The idea of just starting to think about coming up with an agreement seems a little bit behind the ball.

**Mr. John Knubley:** I think that upon assent to this bill they will move forward quickly on their commercial agreements, and they will have their opportunity to do forward contracts. It's at that point that these commercial agreements can be really moved forward.

**The Chair:** Thank you, Mr. Merrifield. Unfortunately, your time has expired.

Moving on to our next speaker, we have a question from Mr. Allen.

The floor is yours, sir, for five minutes.

**Mr. Malcolm Allen (Welland, NDP):** Thank you very much, and thank you gentlemen for being here. And thank you for the flow chart, which I think is helpful.

Let me go back to a couple of things you said in your opening remarks, I believe on page 3, which said that the working group assumed three things: a business plan continuing to see the WB as a voluntary marketing agency; marketing and transportation systems; all grains to be removed from monopoly.

As I look through, your first steps talk about reducing the board of directors to five government-appointed directors, so there would no longer be any elected ones. You can check these off: its directors are

removed from office, it continues to work, the old act disappears, and the board of five government-appointed directors continues under the interim period.

So the transition period passes. We have the preliminary period. We get rid of the elected directors; we bring on five appointed ones. They stay in place.

And yet when we look at the bill, they're in place. Proposed section 25 talks about direction to the corporation. I will quote proposed subsection 25(1):

The Governor in Council may, by order, direct the Corporation with respect to the manner in which any of its operations, powers and duties under this Act are to be conducted, exercised or performed.

Proposed subsection 25(2) says, of the directors who are to be appointed:

The directors are to cause the directions to be implemented and, in so far as they act in accordance with section 16, they are not accountable for any consequences arising from the implementation of the directions.

In other words, you have a board of directors that doesn't seem to do anything but take orders and then direct that something be done.

Am I misreading the legislation, or have I lost something in your transition plan?

**Mr. John Knubley:** Mr. Chair, I think the particular reference in the bill is exactly the same as what is in the current act, in terms of the powers to the directors. What I would like to reinforce, before I turn it over Mr. Meredith to explain in more detail, is that broadly speaking the intent here is to use the five directors to design and plan the new entity that will be part of the open market. That is the desire of Minister Ritz.

Greg.

**Mr. Greg Meredith:** The section the member is referring to is very similar to what the current arrangement is between the government and the Wheat Board, whereby the government can provide direction to the board on the way they conduct their business. The "section 16" reference is about conducting business in good faith, with the normal due diligence and prudence. But the subsection you read out that talks about not being held liable is really to say to the directors: "You are following a government order in this respect. It is deemed to be in the interests of the corporation; therefore you wouldn't be held liable by a private lawsuit or some such legal intervention from following the order." This is not terribly different from the current situation.

• (2020)

**Mr. Malcolm Allen:** The only difference is that the directors presently are elected. And if they actually were to decide to follow through on something they didn't necessarily agree with, they might end up being unelected. These folks are appointed, so if they're taking direction from the person who appointed them, they're hardly going to suffer any consequence related to that appointment. I think the distinction is there.

But the bill continues with "Plans, Borrowings and Guarantees". I quote proposed subsection 26(1):

The Corporation must submit annually a corporate plan to the Minister for the approval of the Minister in consultation with the Minister of Finance.

You're setting up a corporation and suggesting to it, "You should act like a corporation, but oh, by the way, we want you to take a plan to the Minister of Agriculture first for approval, and then take your business plan, when it comes to actual money—what you might want to borrow—and have it approved by the Minister of Finance as well."

Now, I heard earlier that there might be taxpayers' dollars involved. I get that piece, that taxpayers' dollars are involved. But why is there a need for the Minister of Agriculture to make a decision on what business the board should carry out? If you indeed want this board to be an entity unto itself at the end of five years, would you not want it to learn how to stand on its own two feet so that it actually can do what it is the government wants it to be at the end of the day, which is a voluntary, successful board that people want to use? If the minister is going to intervene all the time, how do they learn to do that?

**The Chair:** Mr. Allen, your time has expired, but I will allow a brief answer from the witnesses.

**Mr. John Knuble:** Again, what I would want to emphasize, Mr. Chair, is that the transition period and the interim period is up to five years. If the Wheat Board can develop a plan that will allow it to be viable in the open market and to go forward earlier than that, that will be considered. The intent, again, of the legislation is such that we are looking to the Wheat Board itself to find how it can be viable.

**The Chair:** Thank you, Mr. Knuble.

Mr. Storseth, you have five minutes, please.

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

I'd like to thank the working group for all the great work they have done on this and thank them for coming today to talk to us about this very important change for western Canadian farmers.

Mr. Knuble, in your opening comments you referred to a 2008 AGRA Informa study. Would that be the study "An Open Market for CWB Grain"?

**Mr. John Knuble:** That's correct.

**Mr. Brian Storseth:** That's the same study that says on page 4 of the executive summary:

Based on the most recent five-year average of grain delivered into the CWB pool accounts, revenue gains from an open market system would total \$450 million to \$628 million per year.

I'll just say that one more time: "\$450 million to \$628 million per year". It continues: "These savings estimates are based on those aspects which can be quantified, while items such as inefficiencies of CWB contracts, lack of price transparency, storage issues and sales timing are not included" in this estimate of \$450 to \$628 million a year.

Does the working group expect there to be a benefit for western Canadian farmers through an open market?

**Mr. John Knuble:** As I indicated in my opening remarks, the working group anticipates there will be opportunities for new investments, for growth in terms of efficiencies of the grain-handling system, as well as for value added.

I think we are also aware there will be challenges as we move forward in terms of how the new system will work, but we are very confident that at the end of the day the new system will bring growth.

Would any of my colleagues like to comment?

**Mr. Murdoch MacKay:** I would talk about the rail freight service review and service level agreements being made between shippers and the railways, and also the fact that the companies will now be in control of their pipeline. When I talk about pipeline, I'm talking about the movement of grain from their country operations to the terminals. I think you will see increased efficiencies in the movement of grain. In the non-board market, the companies are in control of the movement of that grain so storage costs are less than with the Canadian Wheat Board. That is something I was aware in my previous life.

If you look at the throughput of terminals in Canada, there's a terminal on the west coast and its elevator turns approximately 30 times; there are other elevators there that will turn approximately 15 times. When I talk about turns, that's the total amount of grain they will put through their facility compared to the size of their facility.

If you look at some of the throughput they have in the facilities in the U.S., Bunge is building a facility in Washington, on the west coast, and they're looking to turn that facility 80 times. I think controlling the logistics within your own pipeline will enhance the throughput and the efficiency of facilities, and I believe that will allow benefits that go back to the producers.

● (2025)

**Mr. Brian Storseth:** Absolutely. All you need to do is look at what's going on in Europe to see how important market certainty is to markets and to industry.

Mr. Knuble, one of the things you talked about a couple of times in your opening comments was the aspect of market certainty. I couldn't agree with you more.

I have a simple question for you. What is the potential impact of de-monopolizing the CWB on market certainty, and what do you feel is the best way to maintain market certainty going into this transition?

**Mr. John Knuble:** As I said in my opening remarks, market certainty was a fundamental issue that was raised by every person we met as the working group. In terms of the delivery of that certainty, I think it is to move forward and to implement it in a phased way, as set out in Bill C-18.

That will allow for contracting in January as well as re-establishment of the governance of the Wheat Board itself, and then moving to the interim phase as of August 1, 2012, where we open the market.

You repeal the existing act. You create the interim act, and you put in place the government guarantees that allow the Wheat Board to carry on, on an interim basis, and look for ways to reinvent itself.

Then with a third phase after five years, the Wheat Board will again come forward with a plan that will allow it to be a viable participant in the open market.

My answer is that by establishing these clear phases and clear dates as to when the market will be open and what role the Wheat Board will play in terms of developing its plan we provide certainty to the market.

**The Chair:** Thank you, Mr. Knubley.

Mr. Storseth, your time has expired.

Ms. Ashton, please, five minutes.

**Ms. Niki Ashton (Churchill, NDP):** Thank you very much.

I saw your list of people that were consulted as part of the study, and I saw no reference to any elected Wheat Board directors. As we know, section 47.1 of the Canadian Wheat Board Act refers to the importance of consulting with farmers. One would hope that the working group would have consulted with those who were elected by farmers as part of your important work. I'd like to know why they're not on this list.

**Mr. John Knubley:** What I can say on this, Mr. Chair, is that Ian White, the president of the Wheat Board, was a participant in working group activities. He also was initially asked to be a co-chair with me on the committee. That resulted in a discussion with the chair of the Wheat Board, Allen Oberg, who called me in mid-July and indicated that he did not feel it appropriate that Mr. White serve as the co-chair but he felt comfortable that Mr. White could participate in our meetings.

• (2030)

**Ms. Niki Ashton:** Mr. Oberg is one of the elected directors. There a number of others, eight to be exact, who are pro the single desk, and it seems to me that we're missing a significant part of the story and perhaps the most important part of the story, which is the experience of farmers on the ground and those who, unfortunately because of this government's limitations and efforts to, quite frankly, muzzle the debate, we will not be able to hear their—

**The Chair:** I'm going to hear a point of order from Mr. Hoback.

**Mr. Randy Hoback (Prince Albert, CPC):** Again, we're here to look at the technical aspects of the bill, not to listen to all sorts of speculation and hype based on nothing but her imagination.

**The Chair:** Mr. Hoback, on your behalf I will ask Ms. Ashton: while we all have deeply divided opinions on this issue, the nature of questions here is that we do have an opportunity to question these witnesses on the technical merits of the bill, and I would ask you to keep the tenor and the tone of the committee focused on the issue at hand, if you don't mind, please.

**Ms. Niki Ashton:** Absolutely. I don't think it's imagining anything to know how many farmers on the ground would have wanted their voices to be heard here today, or tomorrow, or the day after.

My next question is about your first section here that refers to access to elevators, rail, and ports. Having read the section, I don't actually see any reference to ports. As the MP for Churchill, I'm particularly concerned about what the loss of the Wheat Board will mean to Churchill. I think we all know it well, sitting around this table—that with the loss of the Wheat Board, the potential loss of 95% of what goes through the port of Churchill, no small number by any means, spells real danger for the community that depends on the work of people working at the port, certainly those who work on the rail lines that connect to the port.

Not only is there no reference to the impact on ports per se... I see quite a bit of reference to elevators and rail. At the end, the committee points out that its issues to be addressed by the working group involved looking at access to ports. How is it that you were supposed to be looking at that, yet there is no reference to it? What we do know is that Churchill will be adversely affected.

If I can add to that, what concerns me here is that there is reference to the potential trouble with government intervention. What we do know is that the Conservative government has with great pomp and circumstance announced a \$5 million investment in the port of Churchill, which is government intervention, yet your work is speculating about the potential dangers related to that government intervention. So what is it? And why is it that the people of Churchill and the people, quite frankly, of northern Manitoba are being not just not referenced in this document but also seem to be the victims of a very contradictory agenda, where we have the government touting the benefits of government intervention, which we know are completely inadequate if we lose the Wheat Board, and yet here in your very document you express danger with regard to that very government intervention?

**Mr. John Knubley:** On the issue of Churchill, this was discussed briefly in the committee. What was discussed much more at length was the issue of access to ports generally, not singling out any one particular port in that regard. I'll ask Murdoch Mackay to speak to that briefly.

Having said that, I do want to say that the government, as you mentioned, has spent a good deal of time looking at the challenges facing the port of Churchill. It is recognized that 90% of the grain that flows through Churchill is Wheat Board grain. It's in that context that at the time of the announcement of Bill C-18 there were really four elements to the response to Churchill: a \$5 million per year incentive for the five-year transition period, to ensure the continued flow of grain for this transition period; an additional \$4.1 million investment from Transport Canada for port improvements; a re-profiling, if you like, of some of the investments that have already been made and not been used in Churchill under Western Economic Diversification; and then a commitment to continue to consult with those involved with Churchill in terms of diversification and how it will work in an open market.

**Ms. Niki Ashton:** Thank you very much.

**The Chair:** Ms. Ashton, your time has expired. I'm not going to allow supplementals. We will have more time with the officials. I think you'll have an opportunity to get your question answered.

• (2035)

**Ms. Niki Ashton:** Yes. I've stopped.

**The Chair:** Mr. Knubley, you wanted another official to address Ms. Ashton's original question. I'll allow a few more seconds to do that.

**Mr. John Knuble:** Again, I think Murdoch MacKay will speak to the discussions within the working group on access to ports.

**The Chair:** Mr. MacKay, briefly please.

**Mr. Murdoch MacKay:** We had lengthy discussions on market access, not only to country elevators that were owned by the grain companies but also to all ports and the access to terminal elevators, be they in Vancouver, Thunder Bay, Churchill, and elevators on the river.

We realize there is excess capacity in a lot of the ports, and we also are aware that today the Canadian Wheat Board, as a single-desk seller, has agreements with the majority of terminal operator owners. If we were to move to a system whereby there would be a voluntary Wheat Board, the voluntary Wheat Board, along with other people, other companies who do not have terminal elevators, would be able to negotiate commercial agreements with them to get their grain handled at their terminal elevators.

One thing that everyone needs to understand is that there is excess capacity and that these companies are looking for grain to handle to increase the volume and the throughput for their facilities. So there are opportunities, and the grain companies have all stated that they are prepared to work with the new voluntary Wheat Board. And Quorum Corporation, who made a presentation to the group, mention in their report that all grain companies they have met with stated they would welcome business at their country and terminal operations from the CWB or any other grain companies. So there are operations and things like this that go on today.

So with regard to Churchill, if it works and it's economically viable for a grain company to put grain through Churchill, or if it works for the Canadian Wheat Board, the new Wheat Board, to work with the Port of Churchill and OmniTrax, they can now work on a handling agreements there.

**The Chair:** Thank you, Mr. MacKay.

That was quite a substantive amount of time you received, Ms. Ashton.

Mr. Zimmer, please.

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

Thank you, Chair, for keeping us organized.

The B.C. Grain Producers in my riding are certainly very happy with the many opportunities this bill would provide. We've heard from the current CWB, and its systems are discouraging future generations of farmers from entering the agricultural sector. I know that most farmers are business entrepreneurs at heart. I know my grandpa and uncle and relatives in Manitoba certainly were, and they like to make their own decisions when it affects their substantial financial interests on their farms.

Can you tell this committee, with specific examples, how the open market will encourage these opportunities? I would welcome responses from Mr. MacKay and Mr. Bacon as well.

**Mr. John Knuble:** Mr. Chair, as a way of opening this discussion, I would say that we did meet with farmers. The working group held a panel and we invited six farmers from across the

prairies to discuss the issues they saw in transition. We also met with I think about ten associations representing the prairie industry and producers the day before the panel we had with farmers.

I think all of us were struck by the desire of the young farmers to have certainty and predictability and to get on with it, to allow them to use whatever tools they might opt for, whether it was to use pools or forward contracts. I think there was a great deal of optimism as well among the younger farmers that the changes were going to bring new opportunities in terms of innovation and value added, as we already see in the canola and pulse areas.

Let me turn to either Murdoch MacKay—

**Mr. Bob Zimmer:** Mr. Chair, I would also welcome an online response from Mr. Vandervalk. We don't get to see him, so it's easy not to notice him.

Go ahead.

**Mr. Stephen Vandervalk (President, Grain Growers of Canada):** Yes, just like in any business, for me as a farmer, cashflow is number one on my farm. With the Wheat Board, cashflow is impossible. You get a price at the beginning of the year and you're not sure that's going stay. It could drop. It could go up. It could do whatever. You don't know how much you're going to be able to haul in. It could be 50%, could be 75%. And then once you do haul that in, you don't get paid for up to 18 months, when your bills are due in maybe three months.

I can give you a perfect example. My younger brother came back to the farm for the first time this year. He's got some land. He could not put wheat in. It's an absolute impossibility for him because he has bills due in November. He doesn't know when he'll be able to deliver his grain and how much he's going to get for it, and when he does that, his cheque won't come for up to 18 months from now. I don't know how anybody can run a business that way, especially a young farmer.

● (2040)

**Mr. John Knuble:** Gordon, did you want to add?

**Mr. Gordon Bacon:** I think that the committee looked at the issues related to the change in the marketing system, and we had two things we were taking a lot of time to think about. One was how Canada can be seen as a reliable supplier to customers around the world, and secondly, how we can maximize return to farmers. We had to look at how we can optimize efficiency through the entire system and make improvements along the way. I think what we've really talked about as a committee is a competitive, market-driven system that will ensure that we are serving both ends: farmers, by optimizing their returns from all crops and the movement of all crops, and to also be seen as a reliable supplier to customers around the world.

**Mr. Bob Zimmer:** Mr. MacKay.

**Mr. Murdoch MacKay:** It's interesting—there was one young farmer on the phone, and I remember this because he said, “Listen, you guys, whatever you're going to do, let's get on with it, because I've just finished harvesting my winter wheat crop. Now I want to make some plans for what to put in next year, and I want to forward-price this contract. Let's get this thing going so that today I know how to plan for next year, and not have to wait six to eight months to know what the initial price might be.” His view is that he can plan his life and have a better viewpoint six to eight months sooner, and be looking at things a year down the road. That's the one farmer that really struck it home with me about the future for him.

**Mr. Bob Zimmer:** Good to hear.

**The Chair:** Mr. Zimmer, your timing is impeccable—it has just expired.

Moving on, next on the speaker list is Mr. Rousseau, please.

[*Translation*]

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

My question mainly has to do with the new members of the Canadian Wheat Board who are going to be designated by the Minister of Agriculture. How can we make sure that sides won't be taken concerning the future of the Canadian Wheat Board, especially since the members will be the ones developing and submitting the plans to the Minister of Finance? They will be the ones approving the plans for borrowing procedures and the conduct of meetings. Ultimately, how can we make sure that sides won't be taken when all the members of the Canadian Wheat Board will be designated by the government?

**Mr. Greg Meredith:** Thank you for the question. I will answer it.

We anticipate that we will have very close ties with the new Canadian Wheat Board. We feel we won't have the same problems that we have right now with the directors of the Canadian Wheat Board. Over the next few years, I think the directors will focus on the success of the Canadian Wheat Board and they won't want to be in conflict with the government. We especially anticipate that there will be a very close co-operative relationship between the government and the Canadian Wheat Board.

**Mr. Jean Rousseau:** I have another question for you. Do you have a transition plan for the directors who will be losing their jobs and for their team members?

**Mr. Greg Meredith:** No, there is no plan for the current directors of the Canadian Wheat Board.

• (2045)

**Mr. Jean Rousseau:** Do I still have time for another question?

[*English*]

**The Chair:** You still have several minutes, Mr. Rousseau.

[*Translation*]

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

Did you know that, when the Wheat Board in Australia was dismantled, the repercussions were catastrophic? Given that, what makes you think that the same thing won't happen in the long run when the Canadian Wheat Board is dismantled?

**Mr. John Knubley:** Our working group has not looked at the problems that might arise the way they did in Australia. We have focused on the regulatory aspects.

[*English*]

When we discussed the issues of access to ports and inland terminals, we did consider various aspects of regulation that were possible. One aspect was the access measures that Australia had adopted for terminal owners to obtain accreditation to export wheat. We did look at that to see whether it would be a regulation that would be appropriate for Canada. In the end we decided that type of regulation would not be appropriate and it would be better to monitor any anti-competitive behaviour and let the market work in the first instance.

[*Translation*]

**Mr. Jean Rousseau:** Yet the price per tonne went from \$99 to \$27 in Australia. That is a significant drop. How can we make sure that the same thing won't happen here in Canada?

[*English*]

**Mr. John Knubley:** Again, on the issue of Australia, in the working group we focused on the regulatory aspects. In terms of how it worked in Australia on the issues at play, what I can say as deputy minister is that I was at the Cairns Group meeting, and the Australian trade minister, Craig Emerson, was there participating in the meeting. It was at that point—and Minister Ritz has cited this occasion many times—that he indicated that the changes in Australia have been very positive and that Australian wheat now exports to 41 countries with multiple sellers, compared to 17 under the single desk of the Australian Wheat Board.

Again, as deputy minister I was at that press conference where the Australian minister spoke to the benefits of the changes that have happened in Australia.

**The Chair:** Thank you, Mr. Knubley.

Mr. Rousseau, your time has expired. Thank you very much.

We will move to Mr. Hoback for five minutes, please.

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

Thank you all for being here today.

This question is looking forward and looking at the new entity that has been created, as well as the transition period. But before I go there, I'd like to know what cooperation or involvement the existing board had with the working group in taking advantage of the situation of signing up acres or actually going about and selling grain, as a new entity, into the new crop years, maybe two or three years out.

**Mr. John Knubley:** Could you pose that question again?

**Mr. Randy Hoback:** I will try to rephrase it. The board had an opportunity this summer to go out and sell grain. Did they make you aware of any sales they had made as a new entity, into the upcoming years, that they would be trying to complete the sales?

We've had accredited exporters come to visit us here in Ottawa saying that they couldn't source grain from the board after March. I just can't see any reason why they wouldn't be able to source grain.

**Mr. John Knubley:** I think they were coming at it from other grain companies, in the sense that they wanted certainty and predictability in terms of the future regime. It wasn't something the working group looked at.

What we do know from talking to Ian White, the president of the Wheat Board, is that the desire to establish those contracts and commercial arrangements is there. What's needed is the clarity of the passage of the bill.

**Mr. Randy Hoback:** Again, that's another reason for getting this bill done as quickly as possible.

As you were getting your information that you needed to do your work, would you say the cooperation from the existing board was helpful, open, and useful, or was it more hostile in nature?

• (2050)

**The Chair:** I recognize Mr. Valeriote on a point of order.

**Mr. Frank Valeriote:** I have to object to the question.

The directors of the Canadian Wheat Board have a fiduciary duty to do everything they can within their power to keep that board alive in its current form. The kind of negativity that's being implied actually negates the obligations that the Wheat Board members have right now. I'd ask Mr. Hoback to reconsider or at least rephrase his question about whether they participated or not, and why they might not have.

**The Chair:** Mr. Valeriote, I do believe this is an issue of debate. But I will ask Mr. Hoback, if he wants to keep on this with line of questioning, to do so in a way that is constructive.

**Mr. Randy Hoback:** Mr. Chair, I'm going to the justification for the changing of the board of directors and why it needed to happen quickly in order to ensure that the farmers had an entity they could actually use going forward. Apparently the existing board is communicating to farmers that this entity has no chance of survival, and they have already written it off. That type of communication is having a damaging effect on the marketplace for the new entity as it moves forward.

As far as fiduciary duty goes, the board has a fiduciary duty to the corporation. But the corporation is being handed a new change, and now it has a fiduciary duty to make sure the corporation and its employees can move forward, and I feel it's not performing that fiduciary duty.

So again, I go back to my question. Were they cooperative? And if they weren't cooperative, give us some insight into how that worked.

**Mr. John Knubley:** Mr. Chair, in terms of the working group... Again, Ian White was a participant, as an observer—

**Mr. Randy Hoback:** Ian White is a board member, but he'd be only one of the existing board members.

**Mr. John Knubley:** He's only one. As I said earlier, Allen Oberg condoned the participation of Ian White.

All I really want to say here is that the presentations of the Wheat Board to the working group were focused on two things. One was

marketing issues, and the second was access issues and the question of whether regulation was required in terms of access to ports and inland terminals. So that's the kind of exchange that occurred between the working group and the Wheat Board.

With respect to the minister—and I'm now speaking as a deputy minister—there have been exchanges of letters between Allen Oberg, as the chair, and Minister Ritz on the issue of transition costs. The nature of the letters was such that Allen Oberg set out the estimated costs for a windup. I think he assumed the Wheat Board would disappear as of January, which was not the case. There were issues around mitigation of cost. We have not been able to discuss the details of these transition costs. So again, at the end of the day, once there is assent to the bill, with the new governance, the officials can work with the new board to establish a new plan for a viable entity.

**Mr. Randy Hoback:** I know that in 2005-2006 they were circulating a plan called "Harvesting opportunity". Was there no presentation from the existing board on what the new entity might look like?

**Mr. John Knubley:** There wasn't one from the board. However, in late July officials did meet with officials of the department to review the elements detailed in the letters exchanged between Minister Ritz and Mr. Oberg.

**Mr. Randy Hoback:** As we move forward now, this new entity will be able to take advantage of the futures markets, which we understand are going to be coming into play in January.

What can we say to farmers, as we move forward, to give them confidence that this entity will actually have the support of the government, or actually have the ability to go out and make the sales?

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

I'll allow Mr. Knubley to address the question. Do so briefly, please.

**Mr. John Knubley:** I think the confidence is demonstrated in the commitment of the Government of Canada to pass the legislation.

**The Chair:** Thank you.

Moving on, this is our last questioner before we start round one again. I have Ms. Block, who is splitting her time with Mr. Dreeshen.

• (2055)

**Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC):** Thank you very much, Mr. Chair.

I appreciate the opportunity to participate in this meeting with members from the working group. I am proud to be from Saskatchewan, representing the riding of Saskatoon—Rosetown—Biggar, where some of the finest barley is grown. The community of Biggar is also home to Prairie Malt.

My question is going to be about the maltsters. In recent years Canadians maltsters have said that they have had difficulty finding premium barley to make malt. We've also seen a decrease in malt barley acres in recent years. So how would an open market affect the farming practices of barley producers, and how would grain handling in an open market affect quality and the varieties of malt barley grown?

**Mr. John Knubley:** Again, I think there are two issues at play here: the transparency of price signals that will now be in place with the new marketing system; and on the quality side there will again be research that is supported by the check-off as well as the work of the Canadian Grains Commission.

So let me just turn it to Murdoch MacKay.

**Mr. Murdoch MacKay:** Thanks, John.

As John mentioned, in today's market the maltsters have to deal with the Canadian Wheat Board for a price, and then the Wheat Board has a contract with the producer and they have a contract with the maltster. But in the future, going forward, the maltsters will be able to deal with contracts and have contracts with the producers.

Also, you'll find that maltsters like to do their business well in advance, so they would probably, in January, be able to put out their prices for the crop year 2012-13. They would be able to put those prices out earlier and farmers would have an ability to see what the prices are and whether they want to grow malt barley well in advance.

That's one area where I think they can do things like that.

With regard to the variety in the development of malt barley, you may find now that there will be commercial entities and companies that may want to get involved in the development of malt barley, seeing that they can now deal with producers directly and contract with producers to grow it. So the variety registration program that we have within Canada would fit in well with that type of thing.

**Mrs. Kelly Block:** Thank you.

I wonder if Richard Phillips would like to respond to this question as well.

**Mr. Richard Phillips:** Actually, Stephen is sitting right beside me. I haven't grown malt barley for two years now, but Stephen grows malt barley every year. Maybe he could respond.

Stephen.

**Mr. Stephen Vandervalk:** Malt barley has expanded on my farm. The CashPlus program that came out with the Wheat Board was a step in the right direction, though only partially. But they gave us a price up front, and that's what's most important to us. We cannot have uncertainty as far as what price we will get is concerned. We need to have a contract, a delivery date, and they'll deliver that and we'll get paid 100% of the price.

I know this year I've talked with three different maltsters. They all want to contract grain with me, but they cannot do it legally, so they have not found a way to do that. The uncertainty is huge.

Not only that, but prices have dropped in the last month. We could have signed up for higher contracts a month ago. Cash is coming directly out of our pockets already. So it's very important that we're

able to contract directly with them for a price and do that as soon as possible.

**Mrs. Kelly Block:** Thank you.

**The Chair:** Mr. Dreeshen, one minute.

**Mr. Earl Dreeshen:** Thank you.

Actually, perhaps I'll come back to some of my other points later, but I just want to mention one thing. I know that one of my constituents had talked to me about advance payments, and of course while that does assist in cashflow—so I don't want to leave the impression that this particular option isn't there—I wonder if you could just talk to us about what the plans are as far as advances are concerned.

**Mr. Greg Meredith:** Thank you for that question.

One of the things we heard very early on from farmers was that the advance payments program really was a key part of their marketing strategy. The advance payments program provides farmers with cashflow early in their growing season, with up to \$100,000 interest-free. And it provides them the opportunity to avoid marketing dips, which they might have to sell into if they were short of cashflow. They can avoid that, holding back their grain until there's a better opportunity price-wise.

The Canadian Canola Growers Association has been administering the advance payments program for canola growers for quite some time. There is about a 40% overlap between the canola growers membership for users of APP and what the Wheat Board was doing.

The working group did hear from farmers that what we needed to do was to keep the APP going, and we needed to do it quickly. So as part of the policy decision when we moved to marketing choice, the assignment of the APP was to the Canadian Canola Growers. They'll continue to administer the winter wheat program and then they will take up the whole program next year.

• (2100)

**The Chair:** Thank you, Mr. Meredith.

Mr. Dreeshen, time has expired.

Committee members, that does get us through the first and second rounds, as agreed to in our routine proceedings. However, our witnesses are here for a two-hour block, as agreed upon by this committee, which means that we have approximately 30 minutes remaining for these witnesses.

What I suggest is we simply proceed to the round one of questioning again, if that's acceptable.

Mr. Martin, I believe you had the floor first, in the first round. The five minutes is yours, sir.

**Mr. Pat Martin:** Very good, thank you.

Let me start by stating how profoundly I resent this travesty of a process. I want it on the record that our party fought long and hard for long, comprehensive hearings on this bill, where we could bring witnesses who are actually prairie producers to argue the relative merits of the bill, not just the regulatory technical details we're limited to here today.



Having said that, let me say that where I come from, in my home city of Winnipeg—Mr. MacKay knows this well—there's a street called Wellington Crescent. Wellington Crescent is where all the rich people live. Every mansion on Wellington Crescent was built by the grain barons and the railway barons, collectively called the robber barons. They got rich and built their mansions by gouging prairie farmers mercilessly throughout the 1890s, 1900s, 1910s, and 1920s.

It was because of that gouging that farmers banded together collectively to protect themselves from the wholesale exploitation. One of the current private grain company owners, Mr. Paterson, has been very honest. Yes, he says, his company will make more money without the Canadian Wheat Board. He's frank. There's no crime in that; there is no law against it. I wish him well. He's a good corporate citizen of Manitoba, but he knows he will make more money because it's as simple as this.

The mandate of the Canadian Wheat Board, the legislated mandate, was to maximize the dollar return to farmers. The mandate of a corporation is to maximize the corporate return to its shareholders. It's as simple as that. This is going to constitute a wholesale transfer of wealth. It will take hundreds of millions of dollars out of the pockets of producers and put it in the pockets of the shareholders of these big corporations.

Am I not reading this correctly? Is this not sort of a *fait accompli*? Is that not how it's going to happen?

**Mr. John Knubley:** Mr. Chair, I think on this issue I'll say two things.

Certainly, in terms of the work we did as a group, we were attentive to what I would call the anti-competitive behaviour of the players in the supply chain. Members did, at the end of the day, want to monitor very closely how the system would work, particularly in terms of access to ports and inland terminals, as well as in relation to producer cars and shortline rail.

**Mr. Pat Martin:** Maybe I should ask a more specific question, then, about milling capacity and producer cars. One of the canards we hear from the government side, and I presume from your working group, is that value-adding will increase dramatically. I think that's part of your report.

Is it not true that the milling capacity in the last decade has increased 11% or 12% in western Canada, with four new mills built, and that's under the current Wheat Board provisions? And is it not true that malting barley has increased 200% or 300% in the last 20 years? Now 75% of all the barley malted in Canada is malted in western Canada.

Under the current regime, will you not concede that value-adding has increased dramatically, in the same period of time that there have been no new milling production facilities in the northern tier of the United States?

Can you verify these figures?

• (2105)

**Mr. John Knubley:** I can't verify those figures. I think that the general understanding is that in terms of barley and wheat relative to the other crops of canola and pulse, there's been a decline in relative

shares. However, I'd be glad to ask my department to look at these issues.

**Mr. Pat Martin:** How about in durum wheat and malting of barley? Have there not been dramatic increases in the value-adding?

And I believe my figures here are true: an 11% increase in milling capacity from 2001 to 2011, with four more mills in western Canada compared to 10 years ago. In malting capacity, the increase has tripled in two decades. In 1985, only half of the total malting capacity was located in western Canada. In 2007, that figure is 75%. Those are good increases in value-adding under the current Wheat Board regime.

To hear them say it, it stifles entrepreneurship and it stifles the capacity to add value.

The reason the Wheat Board doesn't give a price reduction or a price point to bulk buyers is that its mandate doesn't allow it to. It has to maximize the return to the farmer. How can that not be a good thing? How can it not be understood that it's the universality of the Wheat Board monopoly that is its greatest strength? That's its magic.

Imagine having a union where membership was voluntary. How much strength would that union have?

**The Chair:** Thank you, Mr. Martin. Your time has expired, but I'll allow an answer.

Mr. Knubley, address the question, please.

**Mr. John Knubley:** I can't verify those numbers. I can refer people to the George Morris study that was released yesterday, which showed, again, that in terms of relative prices, the prices of wheat and barley have fallen relative to those that have been strong on the canola and the pulse side. In addition, board crops have fallen in acres planted, and the study suggested that price transparency and cashflow issues related to the administrative system that's in place now are the cause of that.

**The Chair:** Thank you, Mr. Knubley.

Moving on, Mr. Anderson for five minutes, please.

**Mr. David Anderson:** Thank you, Mr. Chair. It's a pleasure to be here tonight.

Actually, I can give Mr. Martin an example in terms of the malting barley. All he has to do is drive to Great Falls, Montana, and you can see the huge malt plant from 20 miles away that should have been built in Alberta or Saskatchewan and was not built there. The reason it was built in Montana was because of the Canadian Wheat Board and the marketing system we've got.

The one other problem that Mr. Martin doesn't seem to understand is the board does not have a mandate to maximize profit. That's not what their mandate is in the present bill. Their mandate is actually to order the market. There's no demand that they maximize anything for anybody, other than that they market grain in an orderly fashion.

Our party has fought long and hard for freedom. We mentioned they fought long and hard for more meetings, but we will continue to fight for that.

I want to talk specifically about some of the research in terms of varieties that are grown and approved. SPARC, the research station at Swift Current, is in my riding. They've been responsible for developing the majority of the wheats that have been grown in western Canada. Many of them have been developed and then were not approved because of our grading and marketing system.

I'm just wondering, and I would like Mr. Vandervalk and Richard Phillips to also contribute to this with their comments, about any of the information that you might have found in your working group time that would address the issue of new varieties being approved and the opportunities that will be coming from that. I think they'll be extensive, from what I understand of the past system. I'm just wondering, did you do any work on that issue?

I was interested when Kelly asked her question and Steve talked about malt barley and marketing it, but I'm just wondering if he has any comments on new varieties and those things that might be available.

**Mr. Richard Phillips:** I'll start and then Steve can comment on the malt barley.

We actually met with five people, the directors from the Western Grains Research Foundation. They gave us a pretty good overview of the work they're doing in terms of developing new varieties and what they're doing with the money, both the money from the check-off and then they also receive some money from the railways overpayment on the over-the-revenue cap. They gave us a pretty good overview of that. They gave us an idea about some of their future plans for it, and of course they have a lot of really good ideas.

It may be that not all members know this, but 100%, I think, of the board of directors of the Western Grains Research Foundation is made up of producer groups from across the prairies. So it's producers directing research work where producers feel it's going to bring the biggest value.

I think what we probably will see is a lot more interest from the private sector, in either partnering with the WGRF or perhaps even just doing stand-alone investment in varieties as well. So I think looking forward we'll see far more varieties, and I suspect we'll see far more work being done on some of the diseases like fusarium resistance, for example, which will make a healthier product, or perhaps an ergot resistance sort of thing, things that will improve the quality for consumers.

I think we'll see a lot more work done in that area on the wheat side.

Steve, could you comment on barley?

• (2110)

**Mr. Stephen Vandervalk:** I'll be real quick.

On malt barley, the malters are not very keen to move away from certain varieties because of the taste of beer, to put it simply. They don't want to start with new varieties. Any new varieties, though, are far higher yield, with even better disease packages. We're slowly moving over to them, but they can be very slow on that movement to change varieties.

**Mr. David Anderson:** I think one of the real frustrations on the prairies has been for farmers who may have wanted to grow some

niche grains. The board's been really only interested in bulk sales. I'm just wondering, did you do any work and any research on the opportunities that will be available for niche grains? We're familiar with Warburton and Navigator, which are two that worked well, but the board never seemed to be willing to develop those. I'm just wondering, did you have any comments about how many more opportunities there would be in terms of those smaller lots of grain being sold around the world? That's a market the board would never address.

**Mr. Richard Phillips:** I don't know if we specifically looked at that, but we certainly had comments from farmers and farm organizations that indicated that farmers would probably be out pitching what they wanted as something unique. In Saskatchewan, for example, or in another part of the prairies producers in the area or individual producers would say they will grow wheat to the exact specification and market it to a certain niche crop. There's certainly a lot of interest, and I think you will see a lot of entrepreneurs and producers on it. But it will take some work, and of course at the end of the day there have to be consumers at the other end to buy it from those niche markets. But I think we'll see a lot more expansion, a lot more exploration, and a lot more interest in where those niches could be.

**Mr. David Anderson:** I've got some more questions, but I think the chairman is going to cut me off.

**The Chair:** Mr. Anderson, I think we'll have wait in order to keep with our routine here.

Mr. Valeriote, the floor is yours for five minutes, sir.

**Mr. Frank Valeriote:** Thank you, Mr. Chair.

This is to any member of the panel. The farmers and industry representatives—some of whom came before the working group and worked with the working group and some of whom have come before our committee—have expressed concern that in the absence of action on the rail service review, getting crops to their ultimate point of destination is going to be problematic. Gordon, you're kind of nodding your head right now confirming that.

The clout that the Canada Wheat Board provides gives farmers the edge as far as most of us are concerned—not all of us. I'm concerned about what sort of transportation infrastructure vacuum will exist once the Canada Wheat Board is dismantled.

Before you answer that, I'll tell you why that question arises. I noticed in a lot of the recommendations from the report of the working group that the market forces should be given every opportunity to take effect. Then you refer to the Competition Act and the Competition Bureau as being a tool at the disposal of the minister to deal with it. Well, I'll tell you, any farmer who has come before our committee has basically said that Canada's Competition Act is probably the most ineffective piece of legislation any country in the world has in dealing with uncompetitive behaviour.

Frankly, I would challenge any of you—I'd welcome any of you, frankly, to explain to me where they've stepped in on behalf of farmers in the last three or four years and helped them either with respect to rail transport or anything else. Farmers have come to us and said that the rail cars have holes in them and they're losing their grain. And the rail companies have no concern whatsoever about the loss of the grain. In fact they feel it's the farmers' responsibility and will show up when they bloody well feel like showing up to get their grain cars.

So I don't have the confidence in the Competition Act or the Competition Bureau that many of you have. How is that vacuum going to be addressed in this legislation?

• (2115)

**Mr. John Knubley:** Mr. Chair, I think there are a number of tools at play here, and I'd turn to Mr. Meredith to talk about those tools.

**Mr. Greg Meredith:** Thank you.

For a bit of precision, I would just have to maybe rephrase how I'm hearing the question. We don't think there's a vacuum, so I won't answer exactly what kind of vacuum will be there.

The fact of the matter is now that the grain system outside of the board works very efficiently. It could be much more efficient, and certainly Mr. Bacon will have views on that, but for the large proportion of grains that are grown, shipped, and exported in Canada, the open system works very well. As I say, it can be tightened up and it can be made more efficient, but there's all the evidence out there to suggest that in a market where you don't have competing systems of rail transport—that is, the board-administered system versus the open system—you'll have a lot more efficiencies introduced, not vacuums.

I think Murdoch can talk to you about personal experience with the Competition Bureau being very willing and proactive in moving in and making some significant decisions when it saw the potential for anti-competitive behaviour. In that regard, I think it is but one tool that we have.

There are legislative tools in the Canada Grains Act and the Canada Transportation Act that enable governments, if they want to or if they have to, to intervene—hopefully they won't. And there are a number of mechanisms by which we have transparency into how the system is working. All of those things together suggest that in an effort to have an open competitive market that is maximizing efficiency and lowering costs to farmers, especially where those costs are very high in terms of transport, the open system has that opportunity and should be given the chance to work.

**Mr. Frank Valeriote:** Mr. Meredith, I appreciate your candour, but the rail freight service review that came out last March expressed a lot of grave concerns about the railway industry, and that is yet to be addressed. That's seven months ago, and only now is the government appointing a facilitator. Farmers can't wait that long for redress. That's what I mean when I say I don't have confidence in the Competition Bureau. I don't have confidence in the government's willingness to effect the changes that are suggested by the rail freight service review. We can't wait all the time.

Mr. Bacon, maybe you can respond, because I've heard you express those concerns.

**The Chair:** Mr. Valeriote, your time has expired. I will allow an answer for your question, though.

**Mr. Gordon Bacon:** Well, I think you raise some key points.

The discussion around a service level agreement is to define performance, to find repercussions if performance standards aren't met, the performance standards that would be agreed to by a shipper and a carrier. So I think we'd look to service level agreements to define a lot of those performance metrics that were part of it.

Mr. Chairman, there were two other elements I wanted to mention. One is the grain industry supply chain and the creation of a commodity supply chain table where we will get at the important measurements of system efficiency. You know, whether we have a board going forward or not is something for you to decide, but certainly looking back, perhaps one of the questions that could be asked is what kind of vessel demurrage charges the board was paying last year. We do have transportation problems, and they need to be addressed, which is why as part of the committee we said that the rail freight service review and other elements of the March 18 announcement needed to proceed, because we needed to address some of those issues, because ultimately those costs are borne by farmers. They're not borne by the customer; they all come back to the farmers. And when we talk about a competitive industry, that's where we focus on some predictability in rail service, and supply chain efficiency was really one of the keys.

So we are looking to that suite of four initiatives announced by the government as being really key to making sure we do have some efficiency in this transition.

**Mr. Richard Phillips:** You're interested in what Gordon said, and thank you for that question, Mr. Valeriote.

**The Chair:** Thank you, Mr. Phillips.

We do have to move on to respect the committee rules for time constraints.

Mr. Merrifield, you have five minutes, please.

• (2120)

**Hon. Rob Merrifield:** I want to get back to the rail freight service review just very quickly, because the legislation that is proposed under the rail freight service review is really to lay out a process. But that doesn't retard shippers, the Wheat Board, or anyone from working on the service review and actually completing that. We've seen lots of that happen. I'm very disappointed that the Wheat Board hasn't exercised that opportunity. When it comes to the Wheat Board, and from analysis of what has been said here, I know my colleague has said that under a dual marketing system you have \$450 million to \$628 million more at the farm gate for farmers. So if we look at it that way, then actually farmers are subsidizing the Wheat Board to that degree every year right now. That's something that needs to take place here.

My colleagues are saying we don't have any representation by farmers. I would suggest that everyone here on this side represents a very strong farming area, and many of us are a lot closer than that to it. But when it comes to a question that I get from a number of farmers, I think this is a technical question that I'd like you to focus in on. It's the producer car. We have had some angst about producer cars. A number of farmers are wondering if they are still going to be able to order their producer cars and how that is going to actually work in the system.

Can you comment on what you found as a working group with regard to producer cars?

**Mr. John Knuble:** I'll start and then turn it over to Murdoch MacKay.

The working group recommended that the right to ship producer cars remains in the Canada Grain Act, and of course that's reflected in Bill C-18. We also spent a good deal of time talking about the importance of having a sales program in terms of ensuring shipments by producer cars. I think that's the way it works in the non-Wheat Board grains, that you need a destination. That was seen to be important by the working group. We did agree that, again, monitoring these issues from an anti-competitive perspective would be important as we move forward.

Murdoch.

**Mr. Murdoch MacKay:** We had a subcommittee that met with two administrators of producer cars. We also met with a shortline railroad operator and with a member of the producer-car shipping coalition. These four people all raised four main issues with our subcommittee. One of the issues was competitive access to transportation. I think you heard a lot of people talking about competitive access to transportation, and I think the rail freight service review and service level agreements that could be negotiated between the shipper and the railroad will solve that issue. We've discussed that.

Another issue they brought up was competitive access to the port. We've talked a little bit about this. Today the Canadian Wheat Board has relationships with port terminal operators, and they are one of the largest administrators of producer cars. So in future, the voluntary Canadian Wheat Board would have arrangements with port terminals and would provide the access for those producer-car shippers. Some producer-car administrators have existing agreements with terminal operators and are going to continue to work with them. So there are opportunities there.

Another issue they raised was the access to competitive third-party inspection at terminal ports. This is brought about because of the proposed modernization of the Canada Grain Act. They are concerned that the Canadian Grain Commission will not be at port terminals doing the inward grading and inspection of producer cars. They're worried that if a port terminal operator is doing the grading themselves, then they're going to be at a disadvantage. The legislation said that there would be third-party companies doing inspections, and there's also talk of having the Canadian Grain Commission provide that service. There's nothing decided at this time, although the task force did talk about the need to modernize the Canadian Grain Act. But today the Canadian Grain Commission is there and will be continuing to grade their grain.

The fourth issue that they brought up was competitive freight rates and multi-car incentives. They said they're not treated equally. We know from talking to the railways that there are arrangements with shortline railways such that when the railway is buying them they have agreements with regard to what the freight is and what will be charged. CN charges the freight from the junction to the destination, and the short line looks after the charges for freight from the junction to the loader. Companies, shortline railroads, could discuss this with CN. They could go and discuss with CP, if they have the ability to load 56 112-car unit trains within the 12- or 24-hour process as other companies can. If so, then I think CP and CN might be willing to discuss this.

As to the concerns that people have and the issues that they've raised, there are solutions to them. There are ways that we can continue with the new Wheat Board, voluntarily. They're going to be looking for grain and trying to figure out how to originate it, so it would be good for them to work with these producer-car shippers and shortline railways to continue to do it. The Canadian Grain Commission will continue to allocate producer cars.

● (2125)

**The Chair:** Thank you, Mr. MacKay.

Mr. Merrifield, your time has expired.

We have enough time for one more questioner. Mr. Allen, bring us home.

**Mr. Malcolm Allen:** Thank you, Mr. Chair.

I'm going to share my time with Ms. Ashton, and I'm going to allow her to go first.

**The Chair:** Ms. Ashton.

**Ms. Niki Ashton:** Thank you.

Mr. MacKay, will any people working for the Canadian Grain Commission lose their jobs in Churchill?

**Mr. Murdoch MacKay:** The Canadian Grain Commission staff who work in Churchill, I'm not totally familiar with all of them, but some of them come from other ports. They come from the port of Montreal, from the port of Thunder Bay, and other ports. We augment the staff up there. I'm not sure whether there is any existing staff—

**Ms. Niki Ashton:** A number of them are local staff. They raise families on the income they make by being employed by the Canadian Grain Commission. A number of them are extremely concerned that they will be losing their jobs as a result of the Wheat Board's being dismantled. There is a state of uncertainty that I'm sure you would agree is probably not wished upon any employee of the Grain Commission. I hope this will be looked at in the context of Churchill.

Every time Bill C-18 has come up, the stocks of companies such as Cargill and Viterra have gone up. On the other hand, the plebiscite that asked how farmers feel about the Wheat Board indicated that a majority of farmers across the prairies support the single desk. Anyone watching these trends might come to the conclusion that Bill C-18 is very much in the interests of big agri-business, and not in the interests of farmers. So my question is, whose interests are being represented by Bill C-18?

**Mr. John Knubley:** I think, Mr. Chair, what we can say on this is that the working group did look very seriously, as we mentioned, in terms of its mandate, at the issues related to access to producer cars and short lines. We just spoke about those issues. We also looked very seriously at the issue of access to inland ports and terminals, and we were sensitive to the impact on producers and smaller companies. I think the report reflects that.

**Mr. Malcolm Allen:** Thank you, gentlemen.

You talked about anti-competitive forces. I'm going to draw your attention to your report, on page 10, where it talks about setting the bar. You say that the majority of the group feels that the goal should allow the market to work to favour that type of response and that the minister should put in place monitoring. I'm not sure what that is exactly. It just says that it should be put in place. I'm not sure that I found in the legislation what that monitoring actually is.

Not only that, the trigger for that monitoring system should be high, but there is no definition of what high is. Clearly, your working group said that they wanted certainty and predictability in the market. Yet the one piece you want to put in place that might protect those who are fearful of the change has become "maybe it could be this, or maybe it could be that, or maybe it could be here or there or beyond the ceiling". We don't know.

Is it somewhere in the legislation that I'm missing? Did I just not see it, or does it not exist yet because we're still waiting for the minister to figure out what the monitoring is and what the bar is?

• (2130)

**Mr. John Knubley:** On this particular issue, we did look at what monitoring means, and we discussed it at some length. I think we've already discussed in earlier testimony some of the tools available to us. I'll ask Mr. Meredith to talk to those issues again.

**Mr. Greg Meredith:** Thank you.

Maybe as a prelude, I'll just give you a bit of context as to how we came to the notion that the bar should be high. It was merely to avoid the government being dragged into every commercial dispute.

**Mr. Malcolm Allen:** If I could interrupt, and I don't like to do that, Mr. Meredith, you said that in your paragraph. That's okay. I get that piece. You don't want to be involved in a contract that Mr. Hoback and I get involved with, and I end up charging Mr. Hoback,

as every Scotsman would, because I am one, two cents more than I should. He resents the fact that I have made him pay those two extra coppers.

You've already said that. I don't need to hear that again.

I want to know where it is you think the bar is. How high is the bar to be set? Because clearly that impacts those who feel that there's anti-competitive behaviour. If you can't reach the bar, sir, then there is no remedy for you when you can't reach the bar.

**The Chair:** Mr. Allen, the time has expired. I will allow an answer, and then I'll close up the session.

Thank you.

**Mr. Greg Meredith:** I think it's correct to say that the working group did not define what high means. There's probably more work to do there. As my deputy mentioned, there are a number of tools that allow us to see through what is happening in the grain handling system, from inland terminals right to port. Some come through the CGA, the Canada Grains Act. Some come through the Canada Transportation Act. Some come through our fairly extensive interaction with the industry.

We have a grains industry round table that meets regularly. We have value-chain round tables that bring in other dimensions of the grain industry so that we can see what's happening, and we have a ten-year program and partnership with Transport Canada to monitor, in a very detailed way, the performance of railways in delivering grain to port and then turning around. There is some work to do on how high is high, but we think we have the tools to help us see through that and decide when there are problems and to intervene.

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

Colleagues, our time for this has passed.

**Mr. Brian Storseth:** Could I have just one second, Mr. Chair?

**The Chair:** Just hang on, please.

Mr. Storseth, you have the floor.

**Mr. Brian Storseth:** Mr. Knubley, in his opening comments, remarked about some studies that were reviewed, such as the Informa report and the George Morris Centre report. I was just wondering if in the next day or so the group could table those reports so that the committee could have them at their disposal.

**The Chair:** Are these reports public reports?

**Mr. John Knubley:** These are public reports, and I can provide a list of the reports.

**The Chair:** If you could provide a list of these reports, and they are in the public domain, I think every member of Parliament will be able to access them.

Thank you, Mr. Storseth.

Mr. Knubley, Mr. Meredith, Mr. MacKay, Mr. Bacon, Mr. Phillips, and Mr. Vandervalk, I want to thank you all for participating in our first two-hour block of these particular meetings. We thank you for your good and frank discussion and honest answers.

Committee members, I think, given the fact that we're in the middle of a bit of a marathon here, I'm going to suggest that we suspend for a period of not less than 10 minutes, and maybe up to 15 minutes, so that we can take care of any personal business we might need to.

The committee is now suspended.

• (2130)

(Pause)

• (2150)

**The Chair:** Ladies and gentlemen, we're going to resume now.

With us at the table is our witness Mr. Bob Friesen, from Farmers of North America.

Mr. Valeriote.

**Mr. Frank Valeriote:** I'd like to ask a question of you.

Some comments were made in the opening remarks by Mr. Martin, and I just had a question because something he asked confused me. He made reference to two evenings of witnesses. I'd like to know, is it the intention of the committee to have the clause-by-clause portion of our work open to the public and televised, or is it going to be in camera?

**The Chair:** Mr. Valeriote, the business that's before us today is to hear from our witnesses. I will go back and review what was decided at the meeting here and I will get back to you in due course. In the meantime, I would like to proceed with testimony from Mr. Friesen.

**Mr. Frank Valeriote:** Thank you.

**The Chair:** Mr. Friesen, the way we've agreed to do things here is that we will grant you up to ten minutes to make your opening comments. I encourage you to do so in a respectful cadence so that our interpreters have an opportunity to relay the information in both official languages to us. At that point in time I will open up the floor to an agreed upon order of questions from the committee members and we will proceed for the remainder of this particular committee meeting. So if you're ready, sir, the floor is yours for ten minutes.

**Mr. Bob Friesen (Farmers of North America Inc.):** Thank you very much, Mr. Chair.

I apologize that I am the only thing standing between you and either a bar or a bed, but I will try to be as brief as I can.

It is a pleasure for me to be here. As the chair already mentioned, I'm here on behalf of Farmers of North America.

Farmers of North America, for those of you who don't know, is a farmers business alliance that was started by a grains and oilseed producer from Swift Current, Saskatchewan. The head office is currently in Saskatoon. We have about 10,000 members across Canada. We have members in every province, except Newfoundland.

Our number one mandate and priority is to improve farmers' cost-competitiveness and thereby maximize their profit. Even with the subject at hand, when Bill C-18 passes, we want to help be the architects of a system that's going to help farmers with cost competitiveness and maximizing their profits. That's what we're there to do on behalf of our farmers.

I don't want to beat an old quote to death, but as many of you have heard before, Wayne Gretzky used to say he was good because he went where he knew the puck was going to go. He didn't go where the puck was or where the puck had been. That's the kind of mentality we have at FNA. We want to try to determine where the puck will be and then to be there on behalf of our farmers. We want to make sure that we serve their best interests and that we serve them well.

We do know at FNA that there are some farmers who will want to have current CWB services provided for them in a new system. In looking at this pending legislation, we are trying to determine how best to serve farmers, whether that is in grain aggregation, shortline rail, finding port positions, marketing or whatever. That is, building a crosswalk between farmers and the marketplace, much the way FNA has in the past—and it continues to do so—built a crosswalk between farmers and input suppliers.

To that end, we have created a task force of people with experience in grain handling, rail service, marketing, and producer car shipments. The thrust of our task force is to find solutions that will make farmers more cost-competitive and profitable in a new environment created by policy change.

In that process we've already consulted with the academic community, officials from grain companies, farmers, shortline rail groups, and producer car shippers. While that task force work has not nearly completed its work, we would like to point out the following for your consideration.

The bill does include things like government guarantees, and it has already dealt with cash advances. Those were two very important components. But there are some other issues we would like to share for consideration, and certainly there are issues we want to work on finding solutions for with decision-makers.

Having said that, let me very quickly point out a few things. We do know that the changes in the legislation will have far-reaching implications and will change the environment considerably.

For many farmers to achieve benefits in spite of the changes, and to mitigate some of the impact, they will need tools and assistance to successfully navigate the transition process. They will need to raise capital, make equity investments, market intelligence, and business and market management, to name a few.

A changed role for the CWB in the logistic system will also impact how short lines and producer cars function. This has been a great empowerment tool for farmers, so it's imperative that these essential and very important programs remain a viable part of the marketing and logistic system. Farmers have used them to their economic advantage and they've invested a lot of money.

There also has to be assurance of viable port position access and inland terminal access. We need to create and maintain a system within which we enable farmers to fit their individual marketing goals and producer car shipments into an already challenged and somewhat congested port handling system.

We need to ensure that railways will continue to deliver and service producer cars in a way that is economically viable for farmers.

• (2155)

We also need to build, maintain, and strengthen the relationship between class-one railways and the shortlines to capture the maximum benefit of a substantial public and private investment in infrastructure. And those investments, as you know, have already been made by many farmers—investments made to achieve a cost-effective and efficient transportation system. This has to be harmonized in some way with the new marketing regime coming up.

We need to also assist those farmers who want to take a greater role in the management and ownership of a CWB 2 to allow them to create a cost-effective new grain company that will build and maintain competition in the system. And we need to ensure that a new board will have the incentive to transition the new CWB into a viable company in the interest of all those producers who value it as an empowering market tool.

Finally, we know that farmers, in responding to this policy shift, will need to have access to capital. And as a start, we suggest what we call the AgriInvest and agricultural stimulus initiative.

Very quickly, Mr. Chair—I won't belabour it too long—currently there is about \$1 billion in the AgriInvest tier, and about \$450 million is in fund 2 in the prairie provinces. Now, for those of you who aren't familiar with fund 1 and fund 2, fund 2 is the tier for which, when farmers withdraw that money, it's taxable, and they have to withdraw fund 2 before they withdraw fund 1. So for the prairie provinces, for example, there's \$450 million in fund 2 and there's a further about \$280 million in fund 1. This is just in the prairie provinces. That's \$730 million.

What we're suggesting is that in order to create an incentive and to help farmers raise capital to make whatever investments they might want to make in a grain-handling transportation and marketing system, we waive the taxes on fund 2 withdrawals if a farmer invested in a prior-approved project. That would immediately release somewhere around \$450 million.

Now, let's remember I'm not suggesting that farmers be forced to use that money. It's still there for them to keep for a rainy day fund, if they would so like to. However, you must know that there are currently no triggers in fund 2, so farmers can actually withdraw it to buy whatever they want. This would create an incentive for a farmer to say, "you know something, I don't want to withdraw the money because I'm 30% taxable this year, so I'm just going to leave it

there". Instead, we say, "you know something, if you invested in something that will help maximize your future revenue, then we will waive the taxes", and of course the benefits of taxation will accrue back later to the government, because farmers will have had the ability to invest in projects that maximize their revenue.

Now, what that would do is it would release a potential \$450 million immediately. But because currently farmers have to withdraw fund 2 before they can withdraw fund 1, it would also make available the \$280 million in fund 1. Hence, somewhere around \$700 million to \$730 million now is a potential pool of money for farmers to use to invest in something that will help maximize future profits, and we think is a pretty good way to address some investments that farmers perhaps will want to make sure that they continue to be empowered in the grain handling, transportation, and marketing system.

And this is my last comment, Mr. Chair.

FNA is in the role of serving farmers, and because we're in that role we would like to be part of any network created to make a collective marketing tool successful for those farmers who want to use it, including grain handling and transportation.

Thank you very much for your time.

• (2200)

**The Chair:** Thank you very much, Mr. Friesen.

We'll now proceed to our questions.

Mr. Martin, for five minutes, please.

**Mr. Pat Martin:** Thank you, Bob. It's nice to see you again in your capacity with the FNA.

Let me state at the beginning—and I'm sure you probably agree—that this whole process is a travesty. It's a sham. It's a farce to think that a standing committee can deal with such a comprehensive, sweeping piece of legislation in two short evening meetings. Here is something you may not know. Even the clause-by-clause analysis of this bill has been limited to one evening session. No party is allowed to speak for more than five minutes on any clause, even if there are ten amendments on that cause. It's limited to five minutes per party, per clause. And if we're not finished by midnight, we'll be deemed to be finished and this bill will be over.

We're dealing with a done deal, so I can accept.... Even though I know you're a friend of the Canadian Wheat Board traditionally, and have been for probably your entire professional life, I understand why you're coming here with a presentation with ideas for how farmers might cope with the predictable consequences of this piece of legislation.

We're being asked to buy a pig in a poke here, Bob. We're being asked on the whim of the minister to accept this notion that the government says everything will be better for farmers if we get rid of the Wheat Board. They've never presented a single piece of documentary evidence or a single business plan. There has been no cost-benefit analysis, no studies, nothing to prove their case.

Yet their whole focus has been that they want to fast-track this to provide certainty, stability, and predictability in the marketplace. Wouldn't you agree that the best way to ensure stability, predictability, and certainly in the marketplace, in uncertain economic times internationally, would be to do nothing at all? Don't pull the rug out from under the Canadian Wheat Board. At least don't do it now, not this year, when we're just trying to recover from the global international crisis and possibly going into round two of a global international crisis. Why pull the rug out from underneath the rural prairie farm economy like this?

My question to you would be, as a veteran of this industry for many years, why now? Why the hurry? Can you see any rhyme or reason in this, other than the whim and the notion of an obsessed minister and his equally obsessed parliamentary secretary?

**Mr. Bob Friesen:** Mr. Martin, you will probably be disappointed in my answer. I sympathize with your constituents in your riding. I also know where you're coming from when you talk about process, etc. However, in the discussion in our organization—and perhaps therein lies the difference—I represent a whole host of farmers. Some of them like and rely on the Wheat Board; others would rather not have the Wheat Board. I represent that eclectic group of farmers.

In our organization, we had to sit down and say, “Okay, what's coming? Where will the puck be? What can we do to empower our farmers within that environment?” That's the reason I'm here presenting.

**Mr. Pat Martin:** That's a very logical approach.

**Mr. Bob Friesen:** My role here is strictly to try to, as I said earlier, help be an architect in a system that will facilitate optimizing farmers' revenue, reducing their costs, making sure they're cost-competitive, and empowering them in whatever grain handling, transportation, and marketing environment we have.

• (2205)

**Mr. Pat Martin:** Also, to help them to cope with what you call the far-reaching implications of doing away with the Canadian Wheat Board. I'm glad you came here with concrete recommendations as to how producers might cope. All of your ideas were cost factors. All of your ideas called for government spending to help them cope. This is what's unknown to us. The total cost of this free market flight of fancy of Mr. Anderson's here is untested, unproved, and open-ended. It's a blank cheque they're asking us to write just to fulfill this, as I say, life's ambition, this dream of theirs to abolish the Wheat Board.

I believe everything you have recommended and said to us has merit in helping producers cope with the implications. All of them were cost factors. We heard KPMG estimate \$500 million in hard costs just to close up this \$6 billion per year corporation. What you're suggesting is there's going to have to be a lot more spending, or else we're going to lose producers. Has your analysis of the implications of this bill led you to believe some producers will in fact leave the family farm as a result? Will small producers be affected to that extent?

**The Chair:** Thank you, Mr. Martin. Your time is expired.

Mr. Friesen, please feel welcome to answer the question.

**Mr. Bob Friesen:** Actually, our look at this has been a little more technical and a little more objective than that. We've been looking at areas in which we think we can help facilitate the process. We haven't done a macro-analysis of the sort you're talking about.

**Mr. Pat Martin:** It seems nobody has.

**The Chair:** Mr. Warkentin, the floor is yours for five minutes.

**Mr. Chris Warkentin (Peace River, CPC):** Thank you very much. I appreciate Mr. Martin's segue into my questions.

I thank you, Mr. Friesen, for your testimony today and also for your pragmatic approach. I wish the existing directors of the Canadian Wheat Board were as pragmatic about reaching out and seeking to undertake the work that farmers across the western provinces wish they would undertake, which is to be pragmatic and responsible with the resources that farmers have entrusted to them as well as to undertake a plan for the future.

Mr. Martin just referenced smaller producers, and some of the most important smaller producers today in the market are younger farmers, people who are trying to break into the industry. I happen to represent a whole host of young producers who come and speak to me about this issue and their desire to break into new and innovative markets. Some guys want to start organic enterprises. Others want to produce wheat and barley that will be destined for a specific market within the world or will be for domestic consumption.

The word “obsessed” came up when I was speaking to some of my colleagues. I've become obsessed with this issue because my constituents are obsessed with this issue. They want to have maximum freedom and maximum capacity to go and seek new and innovative markets for their products so they can capitalize and get the best return for their smaller farms. Then they may be able to grow, and they may be able to raise their families on the family farm or break into the market as independent farmers.



You spoke specifically about assisting farmers in that enterprise, to seek additional and new innovative markets. I wonder if you could just say a little bit, in addition to what you've mentioned thus far, about your organization's plans to assist younger farmers specifically who know that there are innovative markets out there, who know that there are opportunities for them to create niche products. I think this is a partnership that's going to be very helpful.

What are you going to do for these smaller farmers, or how do you think you might be able to assist these younger and innovative farmers?

**Mr. Bob Friesen:** We think there's opportunity in marketing. In fact, FNA started an entity that we call FNA Foods a few years ago. FNA Foods was there strictly to aggregate, in this case special crops, and find niche markets for those special crops.

We believe there may be a lot of benefit and merit in gathering a group of farmers who want to work together with FNA. FNA is a farmer member organization. When I say FNA or when I say "we", I include all the farmer members we have. There may be a willingness by some farmers to say "yes, let's work together". I'm convinced there's empowerment in a group of farmers aggregating, a group of farmers investing in a shortline, a group of farmers marketing their grain together and finding port position. I believe that can happen, and certainly our task force is looking at that and determining where there will be opportunities of that nature.

That's also one of the reasons we suggested the AgriInvest stimulus initiative, because—and this is interesting and a bit of a segue—we know that young farmers look at the industry differently than would guys my age. In my case, I'm there to maintain and try to keep my equity. Younger farmers may be much more willing to stick their neck out. They're willing to bet on the future, and they're in the position to do it. Both of them make perfectly good business sense, but the younger farmers are more willing to stick their neck out and invest in the future. We believe this AgriInvest stimulus initiative is also perfect for them.

• (2210)

**Mr. Chris Warkentin:** I appreciate your willingness to work to empower younger farmers. You talk about how younger farmers are willing to stick their necks out. I recently saw a poll. It may be a rural legend, but apparently the Wheat Board looks at farmers and if they're 25 years of age they believe there's a 25% chance that those farmers will support the single marketing program of the Wheat Board. If they're 35 years old, they figure it would be about 35%. If they're 65 years old, there's a good chance that 65% of them are going to support the board.

I don't know if that's true or not, but it seems to be consistent with what I've heard from the farmers in my constituency, where younger farmers are driven to seek alternatives to the current pool system. Younger farmers find it offensive that the federal government imposed the Wheat Board on them as western Canadian farmers, as a war measures act to supply cheap grain to Europe. Many farmers believe this continues to be the policy of the Canadian Wheat Board, and the younger farmers are disturbed by this.

In terms of the access—

**The Chair:** Mr. Warkentin, could you get to your question? Your time has expired, and I would like Mr. Friesen to have an opportunity.

**Mr. Chris Warkentin:** I do apologize about that.

The point is that younger farmers are looking for change. You obviously are willing to be a partner with them, and I think it's important that younger farmers who are listening to this debate understand there are willing partners who are going to undertake pooling options with your organization, or that this may be an opportunity that can be facilitated through your organization.

**The Chair:** Mr. Friesen, a brief answer, please, sir.

**Mr. Bob Friesen:** Yes, we're looking at exactly that as well.

**The Chair:** That was very brief.

Mr. Valeriote, five minutes, please.

**Mr. Frank Valeriote:** Thank you, Mr. Chair.

Thank you, Mr. Friesen, for appearing before the committee.

For consistency's sake I'm going to ask you a question that I asked of one of the previous witnesses.

I've been on the agriculture committee now for three years, and I've heard from farmers appearing at that committee and elsewhere. They've expressed their concern that in the absence of action on the rail service review, getting crops around the prairies to their points of destination is very difficult as it is, and the clout that the Canadian Wheat Board provides gives farmers an edge that they need. They're concerned about the gap that is going to be created in the absence of the clout of the Canadian Wheat Board.

That question arises from my review, not only from my discussion with the farmers, but the report of the working group on marketing freedom. On page 8 and other pages they say the minister and the government should give market forces every opportunity to work and interventions should be considered only when necessary, and they refer to the Competition Act and the Competition Bureau as tools the minister can effectively use to address anti-competitive behaviour.

My concern is that farmers have come before our committee many times and said this is an ineffective tool. There's really nothing that the Competition Bureau has ever done, particularly with respect to the railways, who will even give them cars that have holes in them, and they lose their grain as the cars are running down the tracks.

So I'm wondering, since on page 10 of that report—Mr. Allen made reference to this in one of his questions—they're suggesting the bar be set high, and the government be reluctant to intervene, do you see a gap? Do you see a loss of clout? Do you see the Competition Act and the Competition Bureau as effective tools that can be used to prevent the abuse that everyone fears the farmers will suffer at the hands of the railway?

• (2215)

**Mr. Bob Friesen:** That's an excellent question.

First of all, we're very concerned about the lack of empowerment of farmers against a very consolidated grain handling industry, as well as against the railways. That's one of the reasons why FNA is where FNA is, because in the face and in the wake of consolidation, we're there to try to empower farmers.

As far as anti-competitive behaviour, we're very concerned about our Competition Act, but that has already stemmed from our experience in some other industry sectors, say the seed industry. There are things in technical use agreements that have us seriously concerned. And there are some of the experiences we've had in Atlantic Canada to give farmers the option of using an organization like FNA. So I wouldn't express the same level of confidence in the Competition Act and the Competition Bureau that has been expressed before. I think the government should look very seriously at ensuring that the Competition Bureau has the teeth, if that's what's needed, or the courage to make sure they scrutinize very carefully, because farmers need that. Farmers need to make sure there isn't anti-competitive behaviour.

By the way, in my international experience, that is a concern all around the world.

**Mr. Frank Valeriote:** I have another small question, if I might.

Mr. Knuble previously referred to the C.D. Howe Institute and to the George Morris Centre. I know the people at the George Morris Centre. It's in Guelph. They are typically conservative-leaning think-tanks. There is nothing wrong with that. You need to hear from all sources all the time, in balance.

One of the other conservative magazines, *The Economist*, recently said that smaller producers faced with mounting market costs will inevitably have to sell their farms to bigger rivals and agri-business companies, devastating small prairie towns whose economies depend on individual farmers with disposable income.

What causes me concern is not so much what's in the bill but what is not in the bill. As parliamentarians, we have to look five, ten, fifteen years down the road. I'm concerned about food security and food sovereignty. I'm concerned about some of these small farms being bought up by large agri-businesses and, more likely, by foreign countries whose concern will be more with their interests than with our food sovereignty.

Does that concern you—the purchasing of all of these small farms by big agri-business or other countries? Should there be some legislation to keep that from happening in order to protect our food sovereignty?

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

Mr. Friesen, please feel welcome to answer the question.

**Mr. Bob Friesen:** Creating legislation to save small farmers is a whole new subject. Are we concerned about the family farm? Yes. Are we concerned about small to medium-sized farms having less power in the marketplace? Yes, but that's exactly why we are doing what we're doing. That's why FNA was started back in 1998, for the input side. Now we've started doing the same thing for the market side, and we want to continue to help empower farmers there, because we think 10,000 farmers working together can do an awful lot of good.

That's also why I suggested making sure that the new board of the Wheat Board, whoever that may be, has the impetus and the incentive to try to make that a successful marketing agency so that in the five-year transition period there is something viable farmers can use, if they so choose, so that at the end of those five years there is something farmers can embrace and can say it is theirs, it is working, and it is what they want to use, for those farmers who want to use it.

**The Chair:** Thank you, Mr. Friesen.

Mr. Merrifield, please.

• (2220)

**Hon. Rob Merrifield:** Thank you very much for coming in, Bob, at this late evening hour.

I applaud what you're doing as an organization. In fact, we use Farmers of North America on our farm, and you have certainly reduced inputs as we exercise the opportunity you provide for farmers. That's very good, and I applaud that.

I know you were in my office here recently and talked about this plan for AgriInvest, but from the informal study done in 2008, we heard that breaking the monopoly of the Wheat Board would actually increase income to farmers in the prairies by somewhere between \$400 million and \$600 million. So that's \$500 million, not just for one year but for every year. That is a conservative amount, according to this study. Therein lies a significant amount of money. You're talking about \$450 million and \$285 million from the two funds coming together to free up some of those dollars for investing in agri-investments.

If you look at it that way, the subsidization of the Wheat Board right now by prairie farmers is significantly more than that, on a yearly basis. So I would challenge you, if you're working on behalf of farmers, to consider that as you move forward.

You talked about the movement of goods, and I couldn't agree with you more. Railways and a rail freight review are absolutely paramount to moving along with this so that farmers have the opportunity to get their product to shore and off to market.

Shortline rail is also part of it. We talked about producer cars. We talked about a rail freight service review, but shortline rail you have some interest in and knowledge of regarding the rail service review. Can you comment on what you would see as an opportunity for shortline rail?

**Mr. Bob Friesen:** I am not an expert on shortline rail. I know they benefit farmers, and I know a lot of farmers who have invested in shortline rail. I believe it helps make the transportation system more efficient. I believe it facilitates producer cars, which farmers feel bring more dollars back into their pockets.

I can't elaborate on the logistics of shortline rail, and I apologize for that. I was hoping to bring an expert, but it was rather short notice. We were concerned about making sure that the service agreement was held to or that there was going to be a mechanism for compliance to make sure that service was improved.

We also think there should be a costing component to it. But make sure that railways don't interpret a suggestion to improve service as a signal to charge more. The whole railway service issue is huge for FNA, even with what we've already done with FNA foods and aggregating specialty crops.

**Hon. Rob Merrifield:** Getting back to the rail service review, there's nothing stopping producers and those who want to use producer cars. In fact, we encourage them to have service agreements and not to wait for legislation. Legislation just says that there will be a process in place to make sure that it will happen in the long run. But the issue is with the Wheat Board. That's the issue we're dealing with here tonight in this piece of legislation.

I imagine you are as frustrated as I am, if you have the best interests of farmers at heart. The Wheat Board has been pushing aggressively for a service agreement with the railway, because they are the largest mover of product in the country.

To be sitting back, not aggressively pursuing this in the best interests of farming, farmers, and moving product ahead, is somewhat frustrating to me. I want your comments on this. Do you see it the same way? Are these service agreements becoming a reality in the industry?

**Mr. Bob Friesen:** Yes, we think the service agreements definitely should be put in place. There should be compliance arrangements to make sure that the service improves to a level that farmers should be able to expect out of the agreements. We would encourage the minister to push that file as quickly as possible.

• (2225)

**The Chair:** Thank you, Mr. Friesen.

Mr. Merrifield, your time has expired.

Mr. Allen.

**Mr. Malcolm Allen:** Thank you, Mr. Chair, and thank you, Mr. Friesen.

You talked earlier about the FNA trying to help farmers bring stuff together, looking at all kinds of avenues, pooling where they wanted to have them do that. We are looking at this idea going forward. The government's legislation says there'll be a dual-market system. That's in their reports, in their piece that says that's what they intend to

have. It's a five-year span—there's some transition. At the end of five years, if it doesn't work out, tough. See you later.

You're doing what every good soccer player does. I know Canadians love hockey, so it's always the hockey analogy. But in soccer, it's about space and where the ball is going to go, similar to what you were saying about the puck. What could be incorporated into the legislation that would enable the entity they see as CWB 2? How would that be a player in your overall viewpoint? How would it work if there were pieces of the legislation that enabled them to do what I think you're trying to suggest? That is, for those who want to pool to go ahead and do it, and for those who want to be in the open market, off you go, go and do that. It seems as though this legislation is enabling the Canadian Wheat Board in whatever incarnation it's going to be. Under this legislation, it's more likely to fail than succeed, because of the way it's been set up.

**Mr. Bob Friesen:** On that one, we have looked more at commercial solutions. It would be premature for me to talk about those, because we're not prepared yet to talk about them. We have looked at them in the task force. We think there are ways of making sure that the new iteration of the Wheat Board can be successful.

But I mentioned earlier that I think one of the key components will be that there is a board that has a reason to want to make it successful. That will mean that the board will want to make sure there's a viable marketing agency for those farmers who want to use it—and there may be a lot of farmers. To me, for tonight the debate is quite simple. We have a lot of farmers who want to continue to use a marketing agency; we have farmers who want to market on their own. What we're saying is let's make sure that for those farmers who still want to do this we create something viable for them.

The FNA is prepared to be involved in that as much as possible, and we're prepared to help make sure that the new iteration of the Wheat Board, or whatever we want to call it—I don't know what we'd call it, but for simplicity's sake, CWB 2—is successful, so that farmers can use it.

We haven't seriously looked at how this could be done in legislation. We've mainly deliberated how it could be done commercially.

**Mr. Malcolm Allen:** I appreciate your candour.

You pointed out, at least about the director part... One of the questions I raised earlier with Mr. Knuble and Mr. Meredith was about the whole idea that the basic ministerial appointments of five directors, who are, for all intents and purposes, directors at the whim of the minister and the Governor in Council, and who will take direction from the minister and implement the directions whenever they're given—assuming that they are given, which I expect they would be, because there's a whole... The legislation talks about all the pieces the minister will approve—the minister will approve this, the minister will approve that, and on and on it goes.

My sense is that this board of directors isn't functioning necessarily to the benefit of farmers who want to pool, but on the whim of a minister who decides which direction he wants to go in.

From your viewpoint—and I know you haven't looked at the legislation from the perspective of what you would do—do you see any merits to maintaining some process of election of directors for those who want to pool, rather than having absolutely the entire board appointed?

• (2230)

**Mr. Bob Friesen:** Is what you're suggesting that part of the board would be appointed and part of it would be elected?

**Mr. Malcolm Allen:** Well, I'm allowing you to give suggestions here, Mr. Friesen. I'm not suggesting whether it should be or shouldn't be. At this point it is. Under the present format, a certain number of the board of directors are appointed for “technical expertise”; then there's another group elected by those folks who participate in the Wheat Board who pool, who have an election and have the ability to get a ballot—even though the government has decided who gets the ballot and who doesn't get the ballot, depending on how many years and how much you farm and all the rest of it.

I'm looking to you to know whether you have any thoughts around what you think that board composition should look like—not specific numbers, but whether it should have elected directors or whether it should simply all be appointed directors.

**The Chair:** Thank you, Mr. Allen. You've gone a little over your time. I've been very generous there.

Mr. Friesen, if you could, just answer this.

**Mr. Bob Friesen:** Thank you, Mr. Chair.

We haven't looked at election versus appointment in the organization, but what we have looked at is that the directors should be well versed in the grain handling, transportation, marketing industry. They should know what that's about. There should also be a component on the board of, say, expertise in equity investment, in raising capital, and there should be directors who have a passion to make this work on behalf of farmers. After all, it's supposed to be a marketing agency for farmers.

So it's more the criteria of the directors that we've talked about than whether they should be elected or appointed. But that's a suggestion I'm willing to take with me.

**The Chair:** Thank you, Mr. Friesen. We appreciate that.

Moving on, I have Mr. Storseth for five minutes, please.

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

At the beginning of my round, I didn't want to interrupt Mr. Martin, but I want to clarify a couple of things. It is disappointing that a mere 20 minutes before his tirade we actually had the committee table several studies that prove that marketing freedom works or will work for western Canadian farmers. This isn't something based on a whim.

To address Mr. Valeriote, who is knowledgeable about the George Morris Centre, we should, frankly, take a look at what they're actually saying, at their analysis, at the modelling they're doing, and not just say that they're a conservative think tank, so it doesn't matter and we're not going to take them into account. I'm not trying to put words into his mouth, but the point is that—

**Mr. Frank Valeriote:** Mr. Chair, I didn't say that.

You're welcome to correct your language, if you'd like. I didn't say we should—

**The Chair:** Mr. Valeriote, thank you very much.

**Mr. Brian Storseth:** I just did that, but as you said earlier, Mr. Valeriote, when you imply something, it is the action that you're doing.

I would like to read into the record from page 3 of the George Morris Centre executive summary. It says:

The results of the producer surveys and literature review should be sufficient evidence to move to a voluntary system. The analysis of value added further backs this up, as we demonstrate that the grains-based value-added industry could, in the future, be worth between \$1.4 billion and \$2.87 billion, depending on the rate of growth. Additionally, employment in the industry...

As Mr. Martin so aptly pointed out, there is a global economic recession.

Additionally, employment in the industry would grow from 7,600 people to between 12,800 and 25,000, depending on total value added and labour productivity levels. Overall, the costs to producers and to the grains-based value-added industry outweigh any benefits of the CWB's monopoly.

I thought that was important to read into the record, Mr. Chair.

Mr. Friesen, it's good to see you here with the FNA. We've dealt before on input costs. It is good to see a small group of farmers looking for opportunities.

Basically, one of the things I have a question for you about is that we've had several private companies come forward who see opportunities, for example, for pooling. You mentioned that earlier in your presentation.

Would you like to expand on the opportunities you see here for pooling in regard to your company?

**Mr. Bob Friesen:** There would be those in the organization, Mr. Storseth, who wouldn't like your calling the FNA a company; we're a member-based organization. But I understand what you mean.

As far as pooling is concerned, if our organization were to do pooling, that would have to go along with some sort of government guarantees as well, which would be perfectly fine.

We see opportunities in pooling, in grain aggregation, in marketing and finding port positions for our members' grain, and all the things that farmers now rely on the Wheat Board for, and possibly even more. But we see those opportunities because we are a farmer member-based organization.

For those who would ask what is going to happen to the typical profits that are made in the industry, I would respond that an organization like FNA would accrue the margins back to those who would be working through the organization. So it has the empowerment aspect of a group of farmers working collectively, but it also has the benefit of accruing back whatever profits are made through that transaction and through the transportation and grain handling, et cetera. We see those opportunities.

You can start small and continue to multiply as you add more farmers, and of course that results in gaining more clout in the entire industry.

• (2235)

**Mr. Brian Storseth:** Obviously you would agree, would you, that all these opportunities you see would be accentuated through market certainty moving forward and having a clear path forward, with real timetables put in place? You would see market certainty as being an important aspect of these opportunities?

**Mr. Bob Friesen:** For anything to happen at FNA with regard to this, there has to be some sort of certainty. We could work within almost any environment, but a level of certainty absolutely helps the dynamics.

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

Do you see yourself as a competitor to the new Wheat Board, the new entity?

**Mr. Bob Friesen:** Sorry...?

**Mr. Brian Storseth:** Do you see yourselves as a viable competitor to the new entity moving forward?

**Mr. Bob Friesen:** I wouldn't see ourselves so much a competitor as a partner in a new entity.

**The Chair:** Mr. Storseth, I'm sorry, your time has expired and we've gone over.

**Mr. Brian Storseth:** It really seems like you give them more time than us, but that's okay.

**The Chair:** You're welcome to challenge the chair, Mr. Storseth.

Ms. Ashton, five minutes, please.

**Mr. Malcolm Allen:** A point of order, Mr. Chair, if I could.

I don't like to interrupt my honourable friend across the way, so I didn't, but he referenced a couple of reports that he said prove the value that farmers will get from the Wheat Board, reports that he said were tabled. To be honest, I have to be forthright, the ones that were tabled this evening.... I don't have any documentation that was tabled this evening.

I believe what the department said was they would provide a list of reports that we could then go and access. So far we haven't received the actual list. So I don't believe my friend was wholly accurate when he said they were tabled this evening for us to actually

look at. I haven't seen the list, unless of course it happened while I went to the gentlemen's room, but I don't think so.

**The Chair:** Mr. Storseth.

**Mr. Brian Storseth:** In a collegial manner, my colleague Mr. Allen is absolutely right, I'm jumping the gun. They haven't been tabled as of yet. Of course the Informa document is going on four years old, and the George Morris Centre document is older than that. I would hope that members of the other side would have taken the time to already read those documents and see the \$450 million to \$628 million advantage per year to western Canadian farmers. In the timelines, my colleague opposite is absolutely correct, and I correct the record.

**The Chair:** Thank you for correcting the record. I see no further need for me to rule on this. The minutes and the Hansard will clearly reflect what was presented in the last round.

Moving on, Ms. Ashton, for five minutes, please.

**Ms. Niki Ashton:** Thank you very much.

Thank you, Mr. Friesen. Obviously it's very important for us to hear from you as a representative of an organization made up of farmers. The challenge we're faced with here is that we have very limited time to be able to hear from people like yourself, people who have worked on the ground, who are farmers, given obviously the limitations of this committee.

There's also the fact that before Bill C-18 was voted in the House there was an unwillingness on behalf of this government to actually consult with farmers by holding a vote. What is your opinion on the importance of listening to farmers when it comes to legislation that is so critical to their well-being, to the survival of their communities, and quite frankly to the future of our industry?

• (2240)

**Mr. Bob Friesen:** I think it's important that all levels of government listen to all farmers in a discussion on any issue.

**Ms. Niki Ashton:** Fair enough.

Our message has been one that has sought for a proper form of consultation rather than two sets of four-hour sessions where for a lot of farmers, whether they're still out on a field or it's been a difficult year, their ability to connect with us has been extremely limited. Unfortunately, this government has sought to ignore their voices in this process.

You referenced how we go forward in terms of different elements that are involved in that kind of future direction. A recurring concern stemming from Bill C-18 is the impact of losing the Wheat Board on the Canadian brand of grain, in that they've done extensive work with farmers' direction to develop some of the best grain in the world, to market that grain in such a way that has resulted in a stellar reputation, a guaranteed reputation. Of course we know that brand was not the Wheat Board's brand, but the farmers' brand, the Canadian product as such. There is a great concern that as private corporations that aren't Canadian come in and carve out the Wheat Board and carve out the work of farmers across the prairies, along with that we will lose the Canadian brand we are all so proud of. What are your thoughts in terms of that fear that many people have shared with us over the last number of weeks?

**Mr. Bob Friesen:** How much sustaining power a brand would have in an international market if we had a new Wheat Board is beyond my expertise to comment on, because I don't know what would happen to the brand. I think that when it comes to our international markets, they want quality and they want consistency.

And certainly I think we should be proud, as Canadian farmers, of what we produce and what we market. This is another thing FNA is very involved in, making sure that people realize that it's about farmers. So I think that's very important. But how this will impact that brand, I couldn't comment on.

**Ms. Niki Ashton:** Of course you're familiar with the prairie reality. There are some farms that are close to larger markets and there are many farms that simply aren't, whether it's our neighbours to the south, the U.S., or to major transportation hubs. The concern is that most prairie farmers are not sitting beside extensive local urban markets, and they produce hard red spring wheat and durum, best used for export.

Understanding that prairie reality, how do you think these farmers, whether they're in the northern parts of our provinces or far away from some of these centres, will fare in a system where they're no longer able to coordinate in such a way, and certainly in a system where for others it may be much easier to tap into the work of large agri-business?

**The Chair:** Thank you, Ms. Ashton. Your five minutes has expired.

Mr. Friesen, I will certainly allow you an opportunity to answer the question, but before I do so I would like to just mention for the benefit of the members of the committee and the members of Parliament who are here and their staff that I've confirmed that the transportation service provided to parliamentarians here on the Hill will continue to run 30 minutes after the conclusion of this committee meeting for the benefit of those parliamentarians who are here.

Mr. Friesen, please address the question.

● (2245)

**Mr. Bob Friesen:** In terms of the problem you just described with regard to farmers being in remote areas and having to truck their grain, that happened quite a while ago with the consolidation of grain companies and the building of large inland terminals and closing down the community elevators. So that's an issue, of course. And this is why we believe so strongly in building a good network of

shortline rail and making sure that farmers have access to terminals inland, and then by extension also have access to port positions.

But the thing you described really started years and years ago, when elevators were closed down and the rails were abandoned.

**The Chair:** Thank you, Mr. Friesen.

Mr. Hoback, for five minutes, please.

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

Thank you, Mr. Friesen. It's great to have you here today. It's refreshing, because actually what I want to hear is what you're talking about, this move forward in a timely manner so that we can provide some certainty into the marketplace so that organizations such as yours can move forward and make plans, farmers can move forward and make plans so we get some stability so that farmers can take the benefits and do what they want with them.

Really, I want to compliment you on your proposals, and I look forward to working with you and your organization as we move forward, because you've brought forward some very positive suggestions. I think we're going to see this come across the prairies in a similar fashion. We'll see all sorts of organizations like the farmer-owned inland terminals, for example. I think they'll be looking at this and looking for opportunities to work together, maybe with an organization such as yours or the new entity, as they see fit. That's the beauty of freedom. They can do what they want when they have the freedom to do that, and I think farmers will definitely be the beneficiaries of it.

Mr. Friesen, the topic of Churchill always comes up. I know your organization has actually used Churchill to receive fertilizer. What's your impression of Churchill and the role of Churchill as you move forward with your organization? Do you see a role for it? What would you expect the impact to be, or do you have any insight into that?

**Mr. Bob Friesen:** Certainly, as you already said, I think we brought four or five ships of fertilizer in. If fertilizer is brought in, of course it makes ultimate sense that you would carry something back out. Certainly aggregating grains, and using Churchill, if that worked with the input side, would be an opportunity we would look at.

**Mr. Randy Hoback:** You're actually not a big organization. Well, I shouldn't say that. For the group you are, you definitely punch way above your weight. You were not scared to compete with the Monsantos of the world, for example, when you brought in your generic glyphosate.

You don't see any problems in competing, as far as having two or three dominant players forcing you out of the marketplace. You seem to have been able to find your niche and move forward. Do you also see that happening here?

**Mr. Bob Friesen:** Well, that is a challenge. If you have two hours, we can go into how we built the pesticide industry. But that is a concern. Again, I think the power will be in the weight of the farmers who will be part of any group.

Mr. Storseth asked earlier if we would you see ourselves competing with a new Canadian Wheat Board. I wouldn't see one farm organization competing against another farm organization with regard to this. I would see more of an alliance building. The more alliances we can build, the more power we would have against a consolidated grain industry.

Quite frankly, we would like to see far more farmer ownership in grain handling. We lost it, as you well know. We lost it in western Canada. We would really like to see more of that back in the industry.

**Mr. Randy Hoback:** Again, those options will be there in the open market for them do that, if they so choose.

Chair, Ms. Ashton made a comment in the last meeting about the impact of corporate share prices. She said the values of companies such as Cargill have gone up. I'd like her to table the evidence that Cargill's share value has gone up in value. I'd like to know exactly where she got that information. So if she could table the document that shows Cargill's share price actually going up, I'd appreciate it.

**An hon. member:** Viterra too.

**Mr. Randy Hoback:** No, I'm just looking for Cargill's. We can get Viterra's from the newspaper any day of the week. With Cargill being privately owned by a family, I'm curious how she knows.

I assume, Chair, that you'll have her do that.

• (2250)

**The Chair:** She is welcome to table documents, if she so chooses, in response to your request. It is a consideration for debate. I don't know of any precedent where one member of Parliament can demand that another member of Parliament table a document.

**Mr. Randy Hoback:** I don't want to demand anything; I'll just politely ask her to table the document.

**The Chair:** I think your point has been made. I noticed Ms. Ashton was paying attention, so we'll leave it up to her as to whether she wants to provide that information to the committee for the purpose of debate.

But to continue with your time, Mr. Hoback, you've got about 40 seconds left.

**Mr. Randy Hoback:** Mr. Friesen, in the northeastern part of Saskatchewan, where my riding is, we talk about shortlines and rail lines. There are quite a few shortlines in my riding. You talked about how you could work together with them to provide a more efficient delivery system.

There's one line that has been abandoned for quite a few years, and that has actually come up in an abandonment process. I know a lot of the producers in my area are excited about it, because it creates that link going straight to Churchill—basically Tisdale, Hudson Bay, up to The Pas, to Churchill. That's where the grain comes out of my area. The numbers are all over the map, but they can save roughly 15 bucks a tonne by doing that.

All of a sudden, it makes commercial sense for the grain out of my area to go to Churchill. Do you see FNA having a role in that? If so, what would that role be?

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

Mr. Friesen, we'll hear your answer and we'll move on.

**Mr. Bob Friesen:** Could I refrain from answering that question, Mr. Hoback?

Again, that's something we're looking at in the task force. For competition reasons, I would rather not mention it, but perhaps we can talk about it later.

**Mr. Randy Hoback:** Sure, that's fair.

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

[Translation]

Mr. Rousseau, you have five minutes.

**Mr. Jean Rousseau:** Thank you very much, Mr. Chair. If I can, I am going to share my time with Mr. Allen.

[English]

**The Chair:** Certainly.

[Translation]

**Mr. Jean Rousseau:** Thank you.

Mr. Friesen, thank you for being here.

What kind of technical support can FNA provide to producers who are going to be in a tough spot if the Canadian Wheat Board is going to be progressively dismantled over the next few years? Based on the bill, our understanding is that, if farmers no longer use the Canadian Wheat Board, it will be dismantled.

You said that you are a partner in all this. Can FNA provide producers in difficulty with the technical means to get by or to move on to something else?

[English]

**Mr. Bob Friesen:** If you're talking about money, no.

**Mr. Jean Rousseau:** No, I'm talking about ways to handle the dismantling of the Wheat Board.

**Mr. Bob Friesen:** Perhaps I've been misunderstood. We're not talking about helping to dismantle the Wheat Board or about hastening the dismantling of the Wheat Board. What we're saying is that when this bill passes and we no longer have a single-desk Wheat Board, the issues I raised need to be addressed. We need to make sure that considering those issues, we are the architects of a system that will work for the collective group of those farmers who would like to continue to work in that group.

We're also not saying that we are there to compete against a new Wheat Board. Rather, the new Wheat Board would also be a farm organization. We're a farm organization, and we would be more prone to building partnerships and alliances with an organization like that again to create an even bigger group to empower farmers as much as possible on shortline rail, on grain aggregation, on finding inland terminal space, on finding port positions for the grain. So all of that, of course, is contingent on getting a good group of farmers and getting a business plan in place, but again, it's not about replacing the Wheat Board. It's about being prepared for a new environment and allowing farmers to work inside a new environment that will continue to empower them and make sure that they improve their cost-competitiveness and their profitability. We made one suggestion as far as raising capital for farmers goes. We're not even saying that would be enough, but we are saying that would be a start to provide an opportunity for farmers to invest in something to adapt to a new grain handling, transportation, and marketing environment.

So again, to sum up, we're trying to define where the puck is going to be and make sure we're prepared for it to be there on behalf of all those farmers who are interested in being part of a group that we think has the potential to empower them. Again, there will be others who say they want to market on their own. That's fine, but we at least would like to make sure we have an empowerment tool in place.

• (2255)

**Mr. Jean Rousseau:** Thank you, Mr. Friesen.

**The Chair:** Mr. Allen.

**Mr. Malcolm Allen:** Thank you, Mr. Chair.

Thank you, Mr. Friesen.

I understand the sense that you are looking for synergies, perhaps, with what the Wheat Board might become—an alliance.

So as you work on this project you're outlining—and you said you're not able to answer some of the questions yet because the work is ongoing—do you have a sense of a timeline as to when you will have completed that? Do you have a sense of how you will be able to utilize the knowledge you gain to perhaps ally your organization with whatever this Wheat Board will become? Because, quite frankly, at the moment the legislation talks about the minister basically deciding what it will look like. I think actually I might like you and the farmers rather than just the Minister of Agriculture, whoever that minister happens to be, to have that decision-making power.

**Mr. Bob Friesen:** I don't want to leave people here with the feeling that we're out to replace the Wheat Board because we made some recommendations we think are quite important with regard to a new Wheat Board. It has to be run by a board of directors that has the success of a marketing agency for farmers in mind. Beyond that, it should help farmers work within that new environment together with decision-makers, including the people in the room, of course, and several levels of governments, to make sure we find solutions to some of the outstanding concerns we have. I don't think we're alone in some of those concerns, and the board should make sure that they are addressed and that a group of farmers will not be left stranded. Let me put it that way. We want to facilitate that happening, together with whoever we can work with.

**The Chair:** Thank you, Mr. Friesen.

Mr. Allen, you've gone over your time by a considerable amount.

Mr. Zimmer, go ahead for five minutes, please.

**Mr. Bob Zimmer:** Thank you, Mr. Chair.

Thank you, Bob. I actually really like your name. Anyway, it's refreshing to hear you looking forward, and thanks for coming at this late hour.

Part of our goal is to do this quickly. The rationale is to actually give the farmers certainty, and to provide this certainty and clarity without delay, so we wanted this to be ready by August 1, 2012. We've been told we're rushing through this, but there's a good reason for it.

I'd also like to thank you for clarifying that the position of government is not to get rid of the Wheat Board. It's quite the opposite. It's to have a dual-market system where the CWB has a place, as do farmers who want to sell in the open market. So thanks for clarifying that as well.

As you know, we planned a transition from a system that jailed farmers for selling their products to a system that embraces opportunity and freedom for the future. For me, it's such a stark contrast from what it was to what it's going to be. There's a lot of hope there for us.

What do you think is a positive future for western Canadian grain producers? And unlike my colleague Mr. Martin, I know that B.C. is one of the four provinces that actually produce grain. What do you think our positive future is?

• (2300)

**Mr. Bob Friesen:** The grains and oilseeds industry in Canada has a huge future. I think we're probably more efficient than anybody else in the world. Our farmers have learned to do it right, even on the input side. I think farmers are beginning to realize—and you must know that in western Canada, as farmers say repeatedly—that one of the biggest concerns they have is input cost. They're pushing back against input cost.

Typically, with many of our exports, the world price is the world price. How else can you then improve your profits? You do it by reducing input costs. I think there's a huge future for the grains and oilseeds sector.

**Mr. Bob Zimmer:** Thank you.

I have another question. Can you tell this committee some very specific opportunities in the value added in other sectors that you're going to see from this move with our Bill C-18?

**Mr. Bob Friesen:** Sorry, could you repeat that question?



**Mr. Bob Zimmer:** Yes. Can you tell this committee some very specific opportunities in the value added in other sectors? Specifically.

**Mr. Bob Friesen:** I would be speaking above my expertise on that one. Sorry, I'm not trying to be cagey about it.

**Mr. Bob Zimmer:** Yes.

**Mr. Bob Friesen:** I don't know anything about the value-added industry in the grains and oilseeds sector.

**Mr. Bob Zimmer:** Thank you.

An example that my constituents have told me about is the possibility of noodle factories and the like being added just because the proximity to grain is there. The access to grain is there now, and the opportunities are being discussed as we speak. I just wanted to know if you saw or are aware of any of these opportunities.

**Mr. Bob Friesen:** No, I'm not, but again, the investment idea we had would also facilitate investment in value added, and in fact the draft document we have on that initiative talks about exactly that, about using it as an incentive and stimulus for value-added investment.

**Mr. Bob Zimmer:** Thank you.

**Mr. Bob Friesen:** Of course the other thing that's kind of encompassing this whole thing is we've heard people say that if current grain handlers are now going to handle the grain, they're going to be making the profits and giving them to their shareholders. Yes, of course, grain companies do exactly that: they make a profit and give it to their shareholders. Together with farmers, we would like to do everything we possibly can to keep as much of that money in farmers' pockets as possible.

**Mr. Bob Zimmer:** Sure.

I just wanted to clarify something, Mr. Chair, with Mr. Martin, but I see he's gone home for the evening already.

Thank you, Mr. Chair.

**The Chair:** Mr. Zimmer, thank you for that.

Well move on, then. We have five minutes.

Mr. Dreeshen.

**Mr. Earl Dreeshen:** Thank you very much, Mr. Chair.

One of the things that was mentioned earlier was the attack on the family farm and the difficulties that are going to exist there. Basically, I'm someone who has farmed. My family's been involved with farming for over a hundred years in central Alberta.

We want to give something back to the farmers. I think your organization is looking at opportunities for young people, young entrepreneurs to indeed do that. You did talk, as well, about your role and what you thought you could perhaps do with a voluntary Wheat Board. People tell me that 100% of farmers who want nothing to do with the Canadian Wheat Board will be able to market their grain as they choose, and 100% of the people who want to market their grain through a voluntary board are going to be able to do that. These are the things that are going to help bring young people back to the farm.

I just wondered if you could perhaps talk somewhat about how you see yourselves as partnering with this new voluntary Wheat Board, in order to see those types of things occur for the family farm.

**Mr. Bob Friesen:** I still can't see that far, so I wouldn't know exactly what that would look like. For the moment, and for the current discussion, I would simply emphasize that we make sure that we deal with the issues I listed. Those would be shortline rail, producer cars, making sure farmers have a way to market their grain and store their grain, and so on. Having said that, looking after that is where I think you people need to get involved in making sure that it happens. Part of that would perhaps be within the government's mandate. I think it has already been said. The minister is going to scrutinize it to make sure that it's going to work. We just really have to make sure that it works. If those things don't work, I think we're really going to lose.

When those things work, we are further prepared to work with farmers to help them with regard to market intelligence, market business, marketing skills, facilitating transportation, reducing transaction costs, and so on. Of course, the more you have working together, the more volume you have.

That's kind of beyond these points. Let's make sure that we address those concerns. I know that all of you have similar concerns, but I think they can be addressed. We need to make sure that they work for farmers.

● (2305)

**Mr. Earl Dreeshen:** When you are talking about things like brokerage, as far as products are concerned, it's making sure that you can get them to market. Will you consider that as one of the roles your organization would be able to play—buying or selling futures or assisting in marketing?

**Mr. Bob Friesen:** Yes. Again, that would be something that would be in an upcoming business plan.

The one thing I can tell you is that we are almost done putting in place a security insurance program for our members, which we think is going to greatly facilitate farmers' cashflow. It will enable them to get insurance for receivables so that they are more secure. They can, in fact, start purchasing inputs with that receivables insurance.

That's already a step in that direction of creating a more stable platform for farmers.

**Mr. Earl Dreeshen:** The Canadian Wheat Board has a couple of ships already, as you know. That is something I'm sure there will be more debate on. You also talked about producer cars. This is another part of the particular product line and the movement of product. Could you give us some indication as to what your thoughts would be as far as producer cars are concerned?

**Mr. Bob Friesen:** On producer cars, again, the number one issue would be to make sure that railways serve farmers with producer cars and that there is timely delivery and timely pickup to make sure that farmers get the benefit of the producer cars the way they have to date. Again, the more you can aggregate cars and grain, the more clout you have with regard to service agreements and grain handling agreements. All of that, in aggregation, would work better.

As far as ships are concerned, that's way above my pay grade to talk about.

**The Chair:** Thank you, Mr. Dreeshen. That concludes your five minutes.

It also complies with the routine proceedings insofar as we have gotten through the first and second rounds of testimony. I believe that there has been consensus that we could probably stop the witness at this point in time, unless I see any protest otherwise.

I have an issue I need to dispose of. Before you leave, Mr. Freisen, I want to say thank you very much for coming to the committee today and giving testimony. It was a helpful and frank discussion that will help parliamentarians here work their way through the legislation.

Go ahead, Mr. Anderson.

**Mr. David Anderson:** Mr. Chair, Mrs. Block and I had some questions, but we are prepared to forgo them for this evening. I would just like to make one observation, and we'll be content with that.

I want to commend Mr. Valeriote, Mr. Rousseau, Mr. Allen, and particularly Ms. Ashton, who could be out campaigning, for sticking it out through the whole night. It must be especially challenging when their board critic left the meeting halfway though and isn't here. Unfortunately, Mr. Martin had something he needed to do, so he left the meeting. I certainly have to commend the other members for staying for the duration of the meeting.

**The Chair:** I appreciate your comments, Mr. Anderson.

I do want to thank the members. We got off in the earlier part of our meeting to a bit of a rocky start, but I'm certainly doing my best to accommodate the needs of the committee. I appreciate the good discourse that we've had.

Mr. Valeriote, you asked a question of me earlier, just as we were about to begin here, about whether or not it had been determined at our organizational meeting how we're going to dispose of the bill through clause-by-clause. I've referred to the clerk, and I looked at the minutes from the meeting. While I can't discuss what's happened in an in camera meeting, what I can say is that there was no direction given to the chair in regard to that. But I will refer committee members to the Standing Orders, in particular to Standing Order 76.1 (5) regarding the Speaker's power to select amendments.

If we were to proceed in camera for the clause-by-clause consideration of this legislation, we would put the Speaker in an unenviable position. I'll read this into the record:

The Speaker shall have power to select or combine amendments or clauses to be proposed at the report stage and may, if he or she thinks fit, call upon any Member who has given notice of an amendment to give such explanation of the subject of the amendment as may enable the Speaker to form a judgment upon it. If an

amendment has been selected that has been submitted by more than one Member, the Speaker, after consultation, shall designate which Member shall propose it.

The note in the standing order says:

The Speaker will not normally select for consideration by the House any motion previously ruled out of order in committee and will normally only select motions which were not or could not be presented in committee. A motion, previously defeated in a committee, will only be selected if the Speaker judges it to be of such exceptional significance as to warrant a further consideration at the report stage.

And it goes on.

If we were to proceed to clause-by-clause consideration of this legislation in camera, we could have a situation where we would put the Speaker in an unenviable position of not being able to rule on a proposed amendment should one come forward at the report stage. He would not be able to refer to an in camera session of the meeting where any amendments could have been proposed to that legislation in camera. They would not be admissible on the floor of the House of Commons due to the rules we have.

Therefore, I will rule right now that unless otherwise directed by this committee, we will begin the clause-by-clause consideration of this bill in public.

• (2310)

**Mr. Frank Valeriote:** Thank you, Mr. Chair.

**The Chair:** Given the discussions we've already had, Mr. Friesen, I thank you for your testimony.

I think at this point in time we're going to adjourn the meeting.

Ms. Ashton, did you have a point of order?

**Ms. Niki Ashton:** It's a question about tomorrow. When will we know who our witnesses are?

**The Chair:** That's a good question. The witness list has not been 100% confirmed yet, but we're going to have witnesses beginning at six o'clock. We will have witnesses right through until ten o'clock.

In the first hour of the committee the witnesses are scheduled to be Mr. Ken Rosaasen, from the University of Saskatchewan, and Ian McCreary, Allan Oberg, and Stewart Wells, from the Canadian Wheat Board.

At seven o'clock we will proceed to hear from Mr. Voss and Mr. Nielsen, former directors of the Canadian Wheat Board; and Mr. Ron Bonnett, from the Canadian Federation of Agriculture.

At eight o'clock we will proceed with the Minister of Agriculture and department officials. The minister has agreed to come for one hour. It is my understanding that will be at eight o'clock. Then we would have the officials staying on throughout the discourse, until ten o'clock.

Thank you.

Mr. Hoback.

**Mr. Randy Hoback:** Chair, Ian McCreary is no longer a director of the Canadian Wheat Board, so I was curious—

**The Chair:** He did appear on the list that was submitted by the various parties for witnesses.

I would also point out that Mr. Voss and Mr. Nielsen are no longer directors and they've been accepted as witnesses for this committee. How we will deal with that at that point of time, we will have to decide. But I would assume we would take a similar position that the working group had, where because of their common position we would hear one presentation from that particular group.

I would expect we will have two ten-minute presentations for the first hour, and two ten-minute presentations for the second hour.

Thank you.

This meeting is adjourned.

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