



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

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

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AGRI • NUMBER 004 • 2nd SESSION • 41st PARLIAMENT

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**EVIDENCE**

**Thursday, November 7, 2013**

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**Chair**

**Mr. Bev Shipley**



## Standing Committee on Agriculture and Agri-Food

Thursday, November 7, 2013

• (1530)

[English]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** I'd like to call the meeting to order.

As you know, we're doing a study on the Canada-European Union trade agreement. This is meeting number 4, pursuant to Standing Order 108(2), a study of the Canada-European Union comprehensive economic trade agreement, CETA, and the effects of it on the Canadian agriculture sector.

We have Dairy Farmers of Canada and Glengarry Cheesemaking Inc. with us for the first hour. In the second hour we have Grain Growers of Canada and then a video conference from Vancouver, British Columbia, with an individual.

I want to welcome the witnesses we have with us. From Dairy Farmers of Canada we have Wally Smith, president, and Richard Doyle, executive director. From Glengarry Cheesemaking Inc., we have Margaret Peters Morris, president.

Welcome to each of you. You have 10 minutes to make opening statements.

Please go ahead.

**Mr. Wally Smith (President, Dairy Farmers of Canada):** Thank you, Mr. Chairman.

Dairy Farmers of Canada welcomes the opportunity to participate in the committee's study on the Canada-European comprehensive economic trade agreement and the effects of it on the Canadian agriculture sector.

Certainly I don't have to introduce DFC, as we have had the pleasure of appearing before this committee on a number of different occasions. However, I want to highlight that DFC leads generic dairy market development in Canada with an annual marketing budget of \$80 million, which is collected from dairy farms across Canada.

The domestic cheese market has been a priority market segment for dairy farmers, with an annual strategic investment totalling \$30 million dedicated to developing this market across Canada. This investment both sustains and grows the category. Studies have proven that without this yearly \$30 million investment, market share would rapidly erode.

With your indulgence, Mr. Chair, I would like to repeat that. The domestic cheese market has been a priority market segment, with a yearly strategic investment totalling \$30 million dedicated to developing this market across Canada. This investment sustains

and grows the category. Studies have proven that without this yearly \$30 million investment, market share would rapidly erode.

We are proud of the dairy sector contribution to the Canadian economy. We consider ourselves job sustainers, providing stability in the economy and supporting our rural economies. In fact, the Canadian dairy sector increased its number of Canadian jobs from 2009 to 2011 to just over 218,000. It should be noted that the Canadian dairy industry also contributes annually more than \$3 billion in local, provincial, and federal taxes.

Along with fellow Canadian dairy farmers, I reacted strongly to the news of the excessive access that was given to the European Union, in particular in the fine cheese segment of the Canadian cheese market. The access granted to the EU will have major impacts on the Canadian dairy industry, much more significant than what is being reported. Allow me to explain.

The EU receives an additional tariff-free access of 18,500 tonnes—16,000 tonnes of “high-quality” cheeses, which is a term used by the EU; 1,700 tonnes of “industrial” cheeses; and 800 tonnes under the existing TRQ. This is over and above the already 13,471 tonnes the EU already has under the Canadian cheese TRQ.

This gives them an additional exclusive access of 32% of the current fine cheese market in Canada, over and above the existing generous access. The EU access will then total 31,971 tonnes, or 7.5% of the Canadian cheese market. Imports from all countries move from 5% to 9% of total Canadian cheese market.

The loss to dairy farmers is real. The additional access is equivalent to a 2.25% cut in farm quota, representing a farm income loss of nearly \$150 million a year. To put that into perspective, the projected loss from the additional access given to the EU is the equivalent of the entire milk production of Nova Scotia.

In total, the estimated impact to dairy farmers and cheese makers is the loss of the domestic market valued at \$300 million annually.

As you well know, supply management rests on three fundamental pillars: production management, predictable imports, and farm pricing. The ability to predict imports is critical considering that dairy farmers discipline production to ensure that domestic demand is met without creating unnecessary surpluses.

The new increased access to the EU into the Canadian cheese market and importation of MPIs, or milk protein isolates, will require predictable planning to ensure that they do not disrupt the domestic market planning and delivery of milk commitments to Canadian processing plants that employ Canadians in communities across our country.

While we have tabled a more detailed brief, I would like to address some of the anticipated negative impacts on the Canadian dairy sector as a result of the CETA deal. All of these could result in unpredictable imports into the Canadian dairy sector if left unattended.

First, the deal creates new categories of import quotas for industrial cheese versus “quality” cheese, which remains undefined.

Second, there will be a lack of predictability on what will be imported. Based on the current level of imports from the EU and the significant portion that is fine cheese, the impact, depending on the cheese that may come into the Canadian market, is anywhere from 15% to 30%.

• (1535)

Third, the removal of the application to the EU of the over-quota tariff on milk protein isolate is eliminating the action taken by the federal government in 2007 to control the imports of such products through article XVIII.

The protection to be afforded by the EU on geographical indicators and their dairy products should be available within this country. That is effective enforcement and protection of our own standard of identity for dairy products, which is now non-existent.

I would also like to put into context the notion that Canada now has unfettered access to the EU cheese market. In the early 2000s, a WTO panel ruled that any export from Canada sold below domestic price is considered subsidized. Canada has also granted the EU GIs on five popular cheese varieties, further disadvantaging any Canadian exports to the EU. This puts Canadian milk and dairy products at a price disadvantage.

Mr. Chair, DFC is trying to work with the government to ensure that there is no impact on Canadian dairy farmers and cheese makers. In spite of all the negative emotion amongst Canadian farmers resulting from the CETA agreement, I, as president, along with the DFC leadership, am intent on engaging in constructive dialogue with government to mitigate the negative impact to our industry.

In conclusion, I ask that you take into consideration these potential negative impacts on the Canadian dairy sector, a sector that with three reinforced pillars can remain strong, stable, and good for Canada.

Thank you.

• (1540)

**The Chair:** Thank you.

Mr. Doyle, do you have a comment?

Then I'd like to turn it over to Margaret Morris for 10 minutes.

**Ms. Margaret Peters Morris (President, Glengarry Cheesemaking Inc.):** Hello, and good afternoon. Thank you for inviting me to the committee.

My name is Margaret Peters Morris, and I'm the president of Glengarry Cheesemaking and Glengarry Fine Cheese in Lancaster, Ontario. We are makers of fine cheese, artisan handcrafted product, mostly from cow milk. We also work with some other species' milk.

Our new plant commenced operations in October of 2008. We make multiple varieties of hard, semi-firm, and soft cheese out of cow milk, water buffalo milk, and goat milk.

We are known in the industry for being leaders for being successful in this industry since we began production. Just recently, on September 13, we won a Global cheese award. We were grand champion of this particular competition. I think the timing of us winning that and the CETA were almost two in one: I think that's what brought attention to our company, based on our success.

Our company is also closely associated with European suppliers, as our business is also involved in supplying artisan cheese markets and farmstead cheese makers with equipment and production technologies. We have a really good perspective on the dairy business as it sits in Europe and North America, because our connections are within these boundaries.

Artisan cheese production and specialty yogourts are, from what we see, the only sectors in dairy supply management that have shown growth within the past ten years. Artisan cheese production is a sector that can still continue to grow within a supply managed system, as allocation is not restricted and is provided for Ontario, for our plant, up to three million litres once innovation cheeses that have been given allocation under the DDPIP program are expired. That's exactly where we sit right now. This number can go up to five million litres per plant under further programs. So our restriction for milk is not an issue.

To continue to enable new firms to commence and succeed within the framework of supply management, the artisan cheese domestic market during the coming years will require expansion to further markets internationally, as domestic supply could potentially reach saturation. When this will happen I cannot say, but there is a risk.

In the fall of 2011, during the height of the economic recession—that's when we felt it—artisan cheese sales dropped by 20% to 25%, depending on which plant you were. The drop lasted for a period of six to eight months, and it took a year to rebuild it.

If international markets were available to artisan cheese producers, the additional growth potential could possibly enhance this sector by ten times the current levels. That's my perspective.

The majority of artisan producers transform between 300,000 and 500,000 litres of cow milk per annum. With international trade, these producers could increase to five million litres, providing they have the quality. As mentioned in a previous comment, the milk supply can be realized by our current supply management system. This can therefore solidify more than 50% growth, which is derived from current domestic consumption. It takes an artisan plant up to ten years to develop their market under supply management. It's not easy.

Specialty cheeses and vintage Canadian cheddars can realize the potential to increase growth with these international markets. Pre-1970, Canada enjoyed some serious exports for quality cheddars. If programs were available, I know those exports could be restored.

I'll give you a bit of background on my experience in the workforce. I come from a dairy farm. I worked in industry and trade for seven years, in agricultural commodity trading. Now I work independently in business and niche marketing. I think all my perspective is just based on my experience of where I've been in the industry over the years.

What I can say is that in a small way, we have recently brought international attention to the reputation of Canadian cheese, having the goal in our plant to equal or better our European counterparts. Our plant has achieved this goal, with a prestigious award at the Global cheese competition, being crowned supreme champion for one of our cheeses—the Lankaaster aged. We sent two entries, and the second one took a bronze medal in the blue cheese category. I wanted to see if we could compete against the British, and I think we did.

● (1545)

Our cheeses and others in Canada have won numerous prestigious awards, are internationally recognized, and can certainly be marketed all over the world. These cheeses are not price-sensitive, which also enables marketing exporters to have more opportunity to engage in niche markets that purchase finer-quality goods.

The cheeses we manufacture at Glengarry Fine Cheese are Canadian originals. I think it's important that we protect that. They are born from the DDPPI program of the Canadian Dairy Commission. Under supply management, only innovative cheeses and domestic dairy products are given the green light for production; however, Canada has to have its own *appellation d'origine* to identify our work here. The DDPPI could perhaps lay the groundwork to develop this identity to ready our exports for the future and implementation of CETA.

Another mentionable criterion to ready our processors is to improve our interprovincial trade, as well as licensing criteria for the smaller processors. This has been an impediment to trade even within the framework of our own country. The supply management has enabled us and other specialty plants to manufacture very high-quality cheese, as milk quality in Canada is excellent. If we're given the tools to engage in export programs, my feeling is that Canada will succeed.

What I can comment on is that the artisan cheese sector, albeit not a large one, enables on-farm processors to realize growth for cheese within our supply-managed system. The prices for these cheeses are higher than standard cheddars and mass-produced commodity table cheeses used by consumers. Artisan cheeses are perceived as fine products, and consumers have supported the range of products offered by Canadian processors by buying more each year.

I believe our innovation and Canadian provenance on specialty, artisan, and fine cheese made in Canada will have merit on the international scene. As we have proven, we can make this high quality, and we have farms to back it up with the milk supply.

Collectively, cheese factories can achieve and realize some of these export goals.

I've given an example here of what Stilton artisan-origin cheese producers have done in the U.K. They transform 100 million litres of milk into Stilton-branded cheese that is marketed all over the world. This relates to a volume of 1.5 million kilograms and is a remarkable feat from 30-plus family farms. That would be equivalent to where I'm from in the three united counties of Stormont, Dundas, and Glengarry. I don't know if we could do something like that.

This can be a Canadian goal and eventually a program for Canadian artisan cheese makers to achieve for a Canadian-branded product. It will take major cooperation between the provinces and from our supply-managed agencies, federally and provincially.

We're ready to take a step. The infrastructure is in place, there is major recognition for our cheese, and branding has already started with some of the programs of Dairy Farmers of Canada. The efforts to sell cheese in our country will make it easy on the international scene, as we've developed the identifiable blue cow. I think that's a really good program.

Canada is not a big country in dairy on the global scene. CETA will give Canadian processors further opportunity. Yes, there will be concessions; however, we need the tools to make it happen. A start with CETA will open the doors for more business. The trade-off with Europe on a small import quantity of European cheese will not adversely affect us. That is my opinion. Trade will move our dairy industry forward into the global scene where we need to be.

Canadian dairy farmers are always complaining that their markets are not growing. This is what I have heard at producer meetings year in and year out, all my life. They have nowhere else to grow. This opportunity needs to be capitalized on as soon as possible.

Thank you.

**The Chair:** Thank you very much to the witnesses.

Thank you, Ms. Morris.

We will now go into five-minute rounds, starting with Madame Brosseau.

[*Translation*]

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** Thank you, Mr. Chair.

I will ask my questions in French, so it might be a good idea for our witnesses to put their headphones on.

Thank you for joining us and for your testimony, which is very important for us.

I represent the riding—

● (1550)

[*English*]

**The Chair:** We won't take your time away, but the translation is not working.

Madame Brosseau, could you start over, please?

[Translation]

**Ms. Ruth Ellen Brosseau:** Thank you, Mr. Chair.

I represent the riding of Berthier—Maskinongé, in Quebec. The Mauricie has around 1,200 dairy farmers and the Lanaudière region has about 1,700. As a result, this agreement is very important for Canada and Quebec. I recognize that it is important to have good discussions to see both sides of the issue.

Fine cheese production in Quebec plays a major role and is growing fast because we make almost 60% of all fine cheeses.

Mr. Smith, can you tell me how the agreement will affect Quebec and Ontario producers?

[English]

**Mr. Wally Smith:** The impact on producers would be felt equally right across the country. We pool our production, and that production is then allocated to the various plants that process the various fine cheeses.

[Translation]

**Ms. Ruth Ellen Brosseau:** Do you think producers will have more opportunities to export their fine cheeses to Europe?

[English]

**Mr. Wally Smith:** That's a very perplexing question for me.

I have indicated in my opening statement that with the GI protection afforded to the five specialty cheeses in Europe, that's an obstacle. I have talked about the fact that we don't have a level playing field. We have both the CAP payments and decoupled payments that are paid directly to farmers, no matter what their production.

As I indicated, we also have suffered two losses in subsidization at the WTO panel. We are deemed to be subsidized because of our supply-managed system, even though we receive no direct dollars from government in any way. The spin that's put around this so called "unfettered access" is a little dizzying for me, although as part of my goodwill toward the government, in trying to explore opportunities we will certainly try to review and see whether or not there is some opportunity somewhere.

But I certainly would appreciate any kind of assistance from those who are spreading that message to indicate how I can, as a dairy farmer in Canada, take full advantage, profitably, from this market access.

[Translation]

**Ms. Ruth Ellen Brosseau:** After the agreement in principle was announced, one minister talked about compensation and another also said that there would be compensation.

So far, has anyone contacted you to tell you how producers will be compensated?

[English]

**Mr. Wally Smith:** We certainly have had discussions. To date, we're not sure exactly what the deliverables look like, but certainly we are engaged in constructive dialogue with government on this matter and that offer they've made to us.

[Translation]

**Ms. Ruth Ellen Brosseau:** Ms. Morris, will your company export any of its cheeses to Europe?

[English]

**Ms. Margaret Peters Morris:** We don't do it right now, but I'm interested.

**Ms. Ruth Ellen Brosseau:** It could be good news for you?

**Ms. Margaret Peters Morris:** I see it as an opportunity.

If anybody wants to buy something of high quality, as I said, I don't believe pricing pressure is going to be applied to that product. We're not talking about thousands of tonnes here; we're talking about maybe thousands of kilograms, but there is that opportunity.

There are programs already for any small producer, I was informed. Consolidation of product from our country to some other country, like the United States, for one, is possible.

I'm on a jury of cheese judging in Quebec. As I have experienced all through the years I've been judging, the cheeses from Quebec can compete with Europe. The Europeans would buy those cheeses. The Americans want them because they are way better than anything you can get in the States. When you go into another market, you realize how good you are. That's one thing.

• (1555)

[Translation]

**Ms. Ruth Ellen Brosseau:** I have another quick question for you.

How will this agreement benefit Canadian consumers?

[English]

**The Chair:** Could we have a short answer, please?

**Ms. Margaret Peters Morris:** I think the gain is that they can realize that our products are better than imported products. We will set ourselves apart.

**The Chair:** Thank you, Ms. Brosseau.

We'll move to Mr. Lemieux.

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

Thanks to our witnesses for being here.

Mr. Smith, let me just ask you, how big is the domestic cheese market here in Canada in terms of tonnage?

**Mr. Wally Smith:** I'm told that it's 425,000 tonnes.

**Mr. Pierre Lemieux:** I have numbers here that say the cheese market has been growing by 6,000 tonnes to 8,000 tonnes a year, on average, over the last number of years. Would that be accurate? Ballpark?

**Mr. Wally Smith:** Ballpark, retail only as a category.

**Mr. Pierre Lemieux:** Okay.

We know that 17,000 or 18,000 tonnes have been given to Europe in terms of additional access, but we also know that CETA will not start for two years. So over the next two years, the domestic cheese market in Canada is going to grow by 12,000 to 16,000 tonnes, which is almost what we're giving to the EU in terms of new cheese access. In other words, domestic consumption is increasing, and it's going to continue to increase over the implementation phase as well, which would be possibly a five-year implementation phase.

Let me just ask you, of the domestic cheese market today, what percentage of that is serviced or owned by the Canadian dairy sector?

**Mr. Wally Smith:** It's 95%.

**Mr. Pierre Lemieux:** That's a pretty strong market position.

I was listening to your opening comments, and you spoke about the money you spend on advertising. I personally feel that it has been extremely well spent, because I feel that you have the confidence and the loyalty of the Canadian consumer. The Canadian consumer loves Canadian farmers, and there you are, building and reinforcing this bridge with the Canadian consumer.

The reason I mention this is that I'm not too sure why you feel you would lose the confidence and the loyalty of the Canadian consumer. There are 17,000 tonnes of European cheese coming in. Just because it's coming in doesn't mean it's going to sell. I think one of your strong messages is that you produce a high-quality, healthy, and competitive product. Is that right? Is that what you produce in terms of cheese?

**Mr. Wally Smith:** We're proud of the product we produce in Canada, yes, absolutely.

**Mr. Pierre Lemieux:** Right, so I guess I don't quite understand why the dairy sector feels highly threatened by this. When we look at the numbers, we see that you have a 95% lock on the domestic market right now. The cheese consumption growth in Canada will equal roughly what was given to the EU in two years, before CETA even starts, and then there will be a phase-in window of possibly five years.

Maybe you could explain that. If you're making a high-quality product and you have the confidence of consumers, why is the sector so threatened by imported cheese, especially when we have strong competitors for cheese, as mentioned by Ms. Morris?

**Mr. Wally Smith:** With your indulgence, Mr. Lemieux, I would turn that question over to Mr. Doyle. I'm a dairy farmer, and the technical aspect of some of this isn't really that familiar to me.

**Mr. Pierre Lemieux:** Sure.

**Mr. Wally Smith:** Mr. Doyle.

**Mr. Richard Doyle (Executive Director, Dairy Farmers of Canada):** Okay.

There is growth in the cheese market, mostly in retail. Right now, there is no growth in industrial or non-retail cheese. Your 17,700 tonnes is divided between fine cheese and industrial cheese. The 1,700 tonnes is in a no-growth market, so that's a direct displacement. The 16,000 tonnes for fine cheese then becomes an issue as to what the product is. If I look at the fine cheese market, I

see that it's 50,000 tonnes. The Brie and the Camembert, that's the fine cheese market—

• (1600)

**Mr. Pierre Lemieux:** If I could, though, from a dairy producer point of view, he's producing milk for cheese products. One can argue that there's a slightly higher percentage of milk in fine cheese than in an industrial cheese, perhaps, but I think if you're looking at the overall metrics, if the cheese market is growing in Canada at the phenomenal rate that it is and it will far outpace what new access has been given to Europe, surely the dairy farmer, who is providing milk to cheese, sees a growing cheese market.

Whether it's fine cheese or industrial cheese, I don't.... In a sense, you're sort of splitting hairs, because there's growth in the cheese market of 6,000 to 8,000 tonnes a year.

**Mr. Richard Doyle:** Are you telling me that the shelf space in the stores is all going to increase? The reality is that you have a 50,000-tonne cheese market right now. There's the fine cheese in this country, and that grows by 500 tonnes. In five years, you're bringing 3,200 tonnes into a market that grows by 500 tonnes—

**Mr. Pierre Lemieux:** Right, but the domestic cheese market—

**Mr. Richard Doyle:** There will be displacement, whichever way you look at it.

**Mr. Pierre Lemieux:** No, the domestic cheese market is 425,000 tonnes—

**Mr. Richard Doyle:** Yes, but that's not the cheese you're importing.

**Mr. Pierre Lemieux:** But from a dairy—

**Hon. Wayne Easter (Malpeque, Lib.):** Mr. Chair, let Mr. Doyle answer the question. He was asked a question and he wasn't given the opportunity to answer.

**Mr. Lemieux:** Sorry, Chair, but it's my line of questioning.

**Hon. Wayne Easter:** I think it would be nice if he could answer.

**An hon. member:** Mr. Easter, respect his time.

**Mr. Pierre Lemieux:** On a point of order, please respect my time, Mr. Easter.

**Hon. Wayne Easter:** Respect his time to answer the question. It would be nice, guys.

**The Chair:** I'm going to let Mr. Doyle have a quick wrap-up, and then we'll go to the next speaker.

**Mr. Richard Doyle:** We've said it very clearly: the producers are investing to grow that market, and you're saying it's okay, we're just going to give all the growth of that total market. The reality is that the competition is not going to be in the total market; the competition will be in the market niche. A 30% increase versus your 2% or 3% increase is a huge difference in how the market operates.

**Mr. Pierre Lemieux:** I guess what I'm saying is that the existing cheese market is growing.

**The Chair:** Time's up.

I'm going to go to the next speaker, and that would be Mr. Easter, for five minutes, please.

**Hon. Wayne Easter:** Thank you, Mr. Chair.

I think the real question here, regardless of the theories, is this. In the deal, has the Canadian dairy sector been treated fairly? You can make an argument that the market will grow. There's no question about that. But the other side of the coin is the so-called unfettered access to the European community, and I think you mentioned a couple of things on that, Wally.

One is the geographical indicators, which will block certain cheese, as I understand it—and you can expand on that. There is the CAP and the decoupled payments paid to their farmers, which means their farmers are highly subsidized and are allowed to export their highly subsidized product into market. We, who are not subsidized a dollar from the Canadian government, are really not, in effect, allowed to export into their market.

Could you expand on that, just so we see the balance in terms of what the government has negotiated here?

**Mr. Richard Doyle:** The European CAP is \$80 billion. That's what most of the uncoupled payments are, paid to the farmers in Europe. This is not just dairy; this is the overall agricultural sector receiving that. But do the math. Even on a prorated basis, that's a significantly bigger investment than this country provides to agriculture.

The reality about this—I agree with Margaret—is that there are some very specialized high-value market niches that can have access to the EU. But we have access now. We have access for 4,000 tonnes of cheddar, aged cheddar, 18 months old, into the U.K., which we're not filling. The question is why we are not filling this. This is a market niche. This is a high-value cheese. This is a fine cheese, as far as we're concerned, because the processors, to fulfill it, require milk at \$28 a hectolitre. Quite frankly, not a single producer in this country, based on our cost of production across the country, could actually recover their cash costs—no return on investment and no return on labour. They would not even recover their cash costs, not a single one of them.

**Hon. Wayne Easter:** So the unfettered access is basically a myth.

**Mr. Richard Doyle:** As I said, there could be some very high-value market niches that can probably get there, but we would be talking about extremely small volume. For the rest of it, we're not in a competitive environment that provides for it.

**Hon. Wayne Easter:** In your remarks, Wally—you repeated it a couple of times—you seemed to emphasize the \$30 million dedicated to markets for domestic Canadian cheese. What was the point you were trying to make there? I didn't catch the point. Is that money not going to be there to market Canadian cheese? Our industry is going up, increasing, in part because of advertising and in part because of high-quality products at reasonable prices. What was your reason for emphasizing it?

• (1605)

**Mr. Wally Smith:** Mr. Easter, my point was that over the last decade we have invested heavily, as dairy farmers across the country, into developing and growing this category of the cheese market, and we have been successful. By giving that access to the European

Union, not only are you costing the farmers directly on their income, and having to reduce production, but you are also taking away the investment that's been made to grow that specialty market.

**Hon. Wayne Easter:** I follow you now.

The other point is that you indicated that this additional access—and it's partly what the NDP asked earlier—would really mean about 2.25% of farm quota, which is the entire milk production in Nova Scotia.

So the Europeans gain access. If our market doesn't expand, then producers right across Canada lose 2.25% of quota. But there is also another impact, is there not? I think where the biggest problem is going to be is probably in the fine cheese market in Quebec—elsewhere as well, but more so Quebec.

One thing is the farm quota and the production loss to farmers. What's the impact on the business side in jobs created in small cheese operations and business?

**Mr. Wally Smith:** It's speculative. We anticipate a negative outcome.

I think, as Richard pointed out, we won't grow the fine cheese segment in the cheese category as quickly as these imports will come in and flood the market. Then what's going to happen? Is that going to cascade into the different categories of cheese within the sector, or does that mean they're limited—if they can't sell it, they can't export it into our market? Is there going to be a trickle-down effect? Is it going to cascade and increasingly impact the cheese market, or are they going to be limited by the number of sales in that particular category?

We're speculating, and we know there's going to be a negative impact.

**The Chair:** We're out of time on that. We can come back.

Mr. Preston.

**Mr. Joe Preston (Elgin—Middlesex—London, CPC):** Thank you. Thank you all for coming today.

First of all, Ms. Morris, you said in your opening comments that artisanal cheese and yogourt products have been two of the key areas that have been growing in the last 10 years.

To the Canadian Dairy Council, what else have we been trying to grow? Those are two pretty good ones. I'm going to tell you artisanal cheeses have become a bit of a favourite of mine, not that I eat...

Obviously this isn't done without cause or reason. You've suggested we've put some time and effort behind growing fine cheeses. I know the changes to the yogourt market have been substantial, and they're really growing. What else are we looking at? What else have we been pushing?



**Mr. Richard Doyle:** The farmers invest all together. In DFC we have \$80 million in marketing and nutrition, but overall the farmers invest \$110 million across the country on generic advertising, school milk programs, and nutrition programs. We have been focusing primarily on cheese and fluid milk—there is some yogourt and butter in some of the provinces as well—so on most of the dairy products and primarily the role that dairy products play in good nutrition.

**Mr. Joe Preston:** My eating cheese is good for me. Fantastic.

I think Mr. Lemieux mentioned the growth in the cheese industry. You mentioned that the artisanal cheeses have been growing quite well but that industrial cheese has not. Can you give me the answer to that? What would we call mozzarella and other things like that? Is that industrial cheese?

**Mr. Richard Doyle:** Yes, that would be industrial cheese. Everything that is non-retail, and that has been very flat. So that would be further processed products for the restaurants, the pizza cheese, etc.

• (1610)

**Mr. Joe Preston:** There's been no stopping the growth of the pizza companies or meals eaten outside the home. How is it that industrial cheese has not kept up? Maybe I'm asking the wrong person; I should ask the restaurateur instead.

**Mr. Richard Doyle:** Imports of different kits and blends that we've been opposing have taken part of that market.

Margaret referred to the financial difficulty the country went into. We saw a major drop in the restaurant sector, which affected the fine cheese as well as the industrial cheese. Therefore, this is a bit slow. It is starting to pick up a little, but it will be a while before that can be rectified.

**Mr. Joe Preston:** Certainly.

Ms. Morris, the artisanal cheese business and companies like yours and a couple of others that I love to shop at have really grabbed on, and said you can be better than the world on this. I think the Canadian wine industry has shown some similar things. A number of Canadian industries have said we can compete with the best. We don't have to compete with them. We are the best; they have to compete with us.

What made you decide to go that route?

**Ms. Margaret Peters Morris:** It's the only way to succeed in the industry. You have to make the best product.

**Mr. Joe Preston:** You have been in the industry for...?

**Ms. Margaret Peters Morris:** For five years.

**Mr. Joe Preston:** Since you entered it, how many more companies similar to your own—or at least those trying to reach the same heights as yours—have you seen grow and do that also?

**Ms. Margaret Peters Morris:** There are always at least six or eight coming on board every year, maybe more. I don't know everybody in B.C. that is coming on, mostly in the east, but there are always new players. There are also some that are going out of business.

**Mr. Joe Preston:** Of course. That's the nature of business, including those that purchase your product.

You mentioned that you even get to judge your cheese qualities. First of all, where do I get the application for that job? Trust me, I'm qualified.

But that's good. The countries with the experts tend to be the ones with the best. So thank you. It's good that we're doing that.

Back to the others. You said the protection afforded by the EU on geographical indicators should be available within this country and that effective enforcement and something else would make this work. What are you asking for there?

**Mr. Richard Doyle:** One of the difficulties we've had over the marketing in this country with the products in what we call a standard of identity—which is a regulation that declares what cheddar is—and all the cheese we have is that what you see on the market is cheddar “style”, or cheese “product”, or cream cheese “product”. So people add something—

**Mr. Joe Preston:** A qualifier.

**Mr. Richard Doyle:** On the little milk containers, check next time, because I'm sure none of you have noticed. They don't call them “milk” or “cream” anymore; they're called “milker” or “creamer”. This is not milk or cream. It's milk and cream that has permeate added, which is lactose, and it no longer qualifies to the standard of identity for milk. This is a common practice everywhere.

So now here comes CETA and these five GIs that you will guarantee, that will have to have a word style, no geographical indication, pictures of any sort. You're going to have to make it clear that the product is from Canada. You're going to have a whole series of requirements to protect them. We don't even do it for our domestic products. So we're asking the government to enforce those regulations so we can actually compete on a level playing field.

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

We'll go to Mr. Davies for five minutes please.

**Mr. Don Davies (Vancouver Kingsway, NDP):** Thank you, Mr. Chairman. Thanks to all the witnesses for being here.

Mr. Smith, is it possible for you to quantify the financial cost to the dairy producers of their loss of market in terms of transferring milk to processors? Do you have a percentage you could give us?

**Mr. Wally Smith:** The number we've been floating is \$150 million. Are you asking for direct farm impact?

**Mr. Don Davies:** Yes. I've seen the figure of about a 2.2% reduction in milk to processors. Is that what you have calculated as the detrimental effect of this deal?

**Mr. Wally Smith:** Exactly, yes. That's about \$60,000 per farm on the income side.

**Mr. Don Davies:** Okay.

We in the NDP have been saying consistently that when it comes to trade agreements, details matter. So I just want to correct a few details.

What my friend Mr. Lemieux called phenomenal growth in the industry.... When I do my math, out of 425,000 tonnes, an increase in growth of 6,000 to 8,000—say an average of 7,000 tonnes a year—is 1.6% per year.

Is that the annual growth you see in the cheese market, 1.6% at the retail level?

•(1615)

**Mr. Richard Doyle:** That's retail, and that's 60% of that \$425,000. You have to make a distinction again that retail is about 63% of the total \$425,000. That is growing at about 1.6% per year.

**Mr. Don Davies:** Right. I'm looking at the government's technical summary that they put out. They say the total cheese TRQ for the EU will comprise 16,800 tonnes of cheese and 1,700 tonnes for industrial-use cheese. That's 18,500 tonnes of extra cheese. So even if it's 7,000 tonnes a year for two years, that's 14,000. The amount of increased access we have given the Europeans actually will not be absorbed by the growth in the market, just on the numbers they've given us.

Would you agree with that?

**Mr. Wally Smith:** We find it very doubtful that the market will be able to absorb the high-quality cheese or fine cheeses that are being sold in that category of cheese sales, yes.

**Mr. Don Davies:** I want to talk about geographic indicators for a minute. In the same document the government has given out they said we've conceded 179 geographical indications to the Europeans. When I asked the chief negotiator this morning at the trade committee how many Canada got, the answer was zero.

Does Canada not have any geographical indications worth fighting for?

**Mr. Wally Smith:** The answer is no, I'm told.

**Mr. Don Davies:** Are there any in the cheese industry that our Canadian marketers...that we could have gotten?

**Mr. Richard Doyle:** Geographical indication is really a European system. Most of our cheese makers today use trademarks. We get protection of our names through trademarks or standards of identity for what I call the "common name", which is one of the issues we have: how protected is it?

**Mr. Don Davies:** So not in your industry; we've heard about Montreal smoked meat, Atlantic salmon, Saskatoon berries. There are a number of GIs in Canada.

I want to ask about TPP, because here's the thing. One of the three pillars, I understand, of supply management is import controls. Now, this government has taken the 4% tariff rate quota on cheeses and they've extended that to 8%. We're currently negotiating TPP. We're negotiating with India, Japan; Korea is stalled at the moment, we'll get that opened; the Pacific Alliance.

Do you have any concern that by opening up this tariff rate quota from 4% to 8% this is where it will end, or do you have concerns that

this is just a gradual opening of the wedge when it comes to foreign access to our cheese market?

**Mr. Wally Smith:** That's a really interesting question, and a hypothetical one, I would say, because obviously CETA has been taking our full energy and attention.

We are concerned about precedent in any deal. We have been saying for years that the government has concluded successfully 14, 16, or however many trade agreements, and exempted supply management—even in NAFTA, which is trumpeted as sort of a comparably sized deal to CETA, although CETA is supposed to be even bigger. Supply management had been exempted.

I think it's difficult to speculate on what comes next. In our view, it certainly does set a precedent.

I would be very interested to know what kind of answer you would get in the House of Commons if you posed that to the minister during question period.

**Mr. Don Davies:** Thanks.

I know that in agriculture products there are a number of different phase-out periods for tariffs, including for milk protein concentrates. I know that there are three-, five-, and seven-year phase-out periods for tariffs on top of the three years' start. I know that for sugar, for instance, the tariffs won't be completely phased out for ten years. Why that's the case I don't know.

What is the phase-out period for the dairy industry, which I see as having to absorb quite a significant material shock to the producers in this country? Do you know what that period is?

**Mr. Wally Smith:** We don't know exactly what it is, but it should be no less than ten. Then again, is it a phase-in or phase-out? I refuse to consider the idea that supply management would be phased out under any way, shape, or form.

**Mr. Don Davies:** No, I meant the tariffs; I meant as the tariffs are reduced—

**The Chair:** Your time is up.

**Mr. Don Davies:** Oh, I'm sorry.

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

Mr. Payne, you have five minutes, please.

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

Thank you to the witnesses for coming.

I just wanted to say at the outset, Ms. Peters Morris, that one of my staff members loves your new cheeses.

I haven't had the opportunity to try them yet, so I'm hoping that you might—

**Ms. Margaret Peters Morris:** I brought some.

**Mr. LaVar Payne:** Oh, did you?

**Voices:** Oh, oh!

**Mr. LaVar Payne:** I can hardly wait until the meeting is done.

•(1620)

**Mr. Don Davies:** Mr. Chair, on a point of order, can we please distribute that cheese?

**Voices:** Oh, oh!

**The Chair:** That's not a point of order; it's discussion.

**An hon. member:** It sounds like a point of order to me.

**The Chair:** At any rate, it's a great idea, Mr. Payne.

**Mr. LaVar Payne:** We're looking forward to trying that out.

It's my understanding, Mr. Smith, and you can correct me if I'm wrong, that the three pillars are still in place, are they not?

**Mr. Wally Smith:** Yes, the three pillars are still in place.

**Mr. LaVar Payne:** And it's my understanding that the tariff of I think 245% remains intact.

**Mr. Wally Smith:** It's my understanding that the tariffs were not eliminated or reduced.

**Mr. LaVar Payne:** Okay. So I would have to say that for this agreement, we're protecting the supply management system. Everywhere I read, people want to get rid of it. I'm supporting it. Our government is supporting it.

I just want to go back to my colleague's question regarding the cheese market. I know that there are obviously some imports, but when we look at the cheese market maintaining I think 90% or 95%, Canadian cheeses will trump the import markets. To me that's a pretty healthy piece of the market. If we look at other products, I'm not sure they would have that same kind of major access over imported products.

Do you have any comments you'd like to make on that?

**Mr. Richard Doyle:** I must admit that I find it quite interesting that Europe is giving away one-half of 1% for beef and pork and is threatening to pour chemicals on the loads as they arrive at the ports. They have a huge amount of concern over one-half of 1% of access, while everybody here says, "Well, you only have to give 4%, and this shouldn't hurt you."

I don't understand that, quite frankly. I've heard these messages, but quite frankly, 4% is a \$300 million cheese market that has been given away. Whether it's in future growth or whatever, it's still a \$300 million market that has been given away.

**Mr. LaVar Payne:** You made a comment about pouring oil or something on the cheese...?

**Mr. Richard Doyle:** I'm saying that there have been all kinds of reports from Europeans that their farmers would take action against the imports of Canadian beef and pork and so on. It's been in the media; I'm not inventing this. I'm saying that we haven't done that, right?

Quite frankly, we're being told that we're not supposed to be worried about having 4% given away. Europe will maintain 99% of their cheese market. They only gave 1% access on—

**Mr. LaVar Payne:** I'm not suggesting that that's not a good thing, that they can continue to have 99%... What I'm suggesting here is that in Canada we're maintaining about 90% or 95%, whatever the number is. To me, that is pretty good, particularly when we think

about Canada as a trading nation. We're trying to get new agreements right across the world for exports of Canadian products. We know that Canadian products are one of the standards in the world; we make some of the best stuff. In particular, this artisan cheese, I understand, got a gold medal, and another bronze medal, as I understand it. I think that potentially we need to be able to compete everywhere in the world. That's sort of where I'm going on that particular thing.

As I also understand it—and you can correct me if I'm wrong—Canadian cheeses will still be able to keep their trademarks that go into Europe, the European market.

**Mr. Wally Smith:** My understanding is that under the geographical indicators with the CETA agreement, that is incorrect. We would have to use modifiers on the cheese that we actually export into the European market.

I want to back up a little bit to some of your comments about so many people against supply management—

**Mr. LaVar Payne:** Actually, I think—

**Mr. Wally Smith:** There's a handful of journalists who are opposed to supply management. Our—

**Mr. LaVar Payne:** Actually, that's not true.

**Mr. Wally Smith:** Our polls are showing us that we have 81% of Canadian consumers strongly behind supply management and the stable and secure and safe food supply that they have confidence in, and we are very proud of that.

**Mr. LaVar Payne:** I don't disagree with that, but I'm—

**The Chair:** Your time is up. Thank you.

We're going to go to Mr. Atamanenko.

You have five minutes and no longer.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thanks very much, Chair.

My question is one of process. I'd like to read for you something that

•(1625)

[Translation]

Marcel Groleau, president of the Union des producteurs agricoles du Québec, said the following, and I would like you to comment on it:

"This concession is not consistent with the House of Commons unanimous motion on the protection of supply management"...All through the negotiations, no such mention was made in the reports to the industry. "We had confidence," added Mr. Groleau.

"Canada's decision is regrettable and opens the door to the dumping of European cheese on the Canadian market..."

Here we have regulatory support whereas they have financial support". Mr. Groleau points out that, in trade agreement negotiations, countries usually make sure that the subsidies of future trade partners will be reduced or eliminated before opening the market. However, the current agreement does not seem to affect European subsidies. "Our dairy and cheese producers will have to start competing with the European treasury for a spot on the shelves of our grocery stores", said Mr. Groleau.

[English]

He's saying that we've allowed cheese that is subsidized to come into our country. He goes on to say that about 60% of the revenue of the *producteurs* who compete against our cheese comes from subsidies, and our farmers don't receive any money from our government. I guess his point is, is this fair? As we were doing the negotiations, was that a fair way to conduct the negotiations?

[Translation]

Could you comment on that?

[English]

**Mr. Wally Smith:** We have some of the finest and best artisanal cheese in the world, without a doubt, and we can compete with anyone in the world, without a doubt. The caveat is that it must be on a level playing field. That is the issue we're up against. So I agree with what the UPA president has said, because that is what our message is, I guess. Certainly the Prime Minister himself, when he made the announcement about the CETA deal back in Brussels, did acknowledge that there could be some.... I don't know exactly the language he used. There were some fairly big words there about some transitional negative impact and that the government would compensate for that.

As I said earlier in my opening statement, we have fully and willingly engaged in constructive dialogue with the government to try to mitigate some of this injury we are facing as dairy producers. As to the comment about the House motion back in 2005, zero and zero—zero new market access and zero tariff reduction—back in British Columbia where I'm from, zero and zero equal zero. Zero and zero doesn't equal eighteen. I'm trying to figure out the math on that one. But I was told very clearly that the House motion is not binding on the negotiators. It's not binding on the government, so we obviously can no longer use that.

Regarding the House motion, we were told by some officials that the elected representatives of the day today, who have made the deal, weren't even in the House in 2005. So how could it, in spite of unanimous party support, be actually in effect at this date?

**Mr. Alex Atamanenko:** I've been here at this table since 2006, and pork producers and cattle producers have been coming to us saying they need help. They're not getting the subsidies they were promised.

We're probably going to be faced now with dairy farmers coming and saying the government promised them this money, but they're not sure what it is, and asking when they are going to get it and what's going to happen. On the other hand, now we don't even need to subsidize them because they regulate their own market.

Is there a possibility that might arise, do you think?

**Mr. Wally Smith:** Just about anything is possible. I'm quite confident. I believe the government is going to be good on its word in terms of.... Again, I would expect that you, as a member in the House, would hold the government accountable, making sure it delivers on the commitment to mitigating the injury the dairy sector is facing.

We can speculate all we want, but we are proud Canadian dairy farmers who derive our income from the marketplace without any government subsidy, period. We want to keep it that way.

• (1630)

**The Chair:** Thank you, Mr. Atamanenko and Mr. Smith.

We're out of time.

We're going to now move to the second sector. We'll take a couple of minutes. We've got to fire up the screens. We have a video conference, and we'll be back in two minutes.

• (1630)

(Pause)

• (1630)

**The Chair:** Could I have your attention, please? Would the next group of witnesses come forward, please, and the rest of the people find a seat?

Ms. Kunin, can you hear us?

**Dr. Roslyn Kunin (As an Individual):** Yes, indeed. Can you hear me?

**The Chair:** It's as if you were right next door, even though you're in B.C. Welcome.

**Dr. Roslyn Kunin:** Good. Thank you for inviting me.

**The Chair:** Committee, we're about to start on the second round of witnesses. We have witnesses with us from the Grain Growers of Canada. Franck Groeneweg is the director and Janet Krayden is one of its analysts.

Also we have the pleasure of a video conference from Vancouver, British Columbia. We have, as an individual, Roslyn Kunin.

Welcome, all of you.

I'm not sure who is going to.... Will it be Franck or Janet?

**Mr. Franck Groeneweg (Director, Grain Growers of Canada):** It will be me.

**The Chair:** Mr. Groeneweg, would you start, please? You have 10 minutes.

**Mr. Franck Groeneweg:** Thank you, Mr. Chair. Good afternoon. Thank you for inviting Grain Growers to discuss the Canada-Europe trade agreement.

[Translation]

Thank you for inviting Grain Growers of Canada to discuss the Canada-EU comprehensive economic and trade agreement.

[English]

My name is Franck Groeneweg. I'm a Grain Growers of Canada director and the chair of our trade and marketing committee.

I farm 7,500 acres in Edgeley, Saskatchewan, which is about a half hour northeast of Regina, where I grow canola, wheat, flax, peas, faba beans, and hemp. On our farm, we farm sustainably. We're responsible stewards wanting to leave the land and environment in better shape for the next generation, which is my four children.

The Canada-Europe trade deal is the biggest and the most important trade agreement in Canada's history.

The Grain Growers represent over 50,000 successful grain farmers from British Columbia to Atlantic Canada. We have supported the comprehensive economic and trade agreement negotiations—CETA—from the beginning.

We believe that new markets for our crops are absolutely essential to Canadian grain farmers, because we export 85% of our canola, 70% of our wheat, and 65% of our malt barley. In 2011 Canada's top five agrifood exports to Europe were soybeans, canola oil, canola, durum wheat, and non-durum wheat. The Canada-Europe trade deal is opening up a new frontier for Canadian grain farmers, as this trade deal will give us greater access to a market of 500 million consumers with a GDP of over \$17 trillion.

We've just harvested the largest canola crop on record. This shows the importance of export markets to canola farmers and rural communities. Canadian canola oil is a preferred feedstock for Europe's biodiesel industry, and this deal will allow for even greater shipments. In the canola sector, we expect canola oil exports to Europe to increase by \$90 million annually.

Europe is also our largest importer of Canadian soybeans, with more than a million tonnes shipped annually.

For wheat, on day one, the quota for low- and medium-quality common wheat will increase from 38,000 tonnes to 100,000 tonnes. This alone will be worth about \$20 million. Down the road, we understand that the deal also calls for the complete elimination of European tariffs on Canadian wheat and wheat product exports within a seven-year timeframe. Currently, a tariff is in place on exports of low-protein wheat to Europe. Eliminating this tariff and the risk of a tariff on high-protein wheat will give our exporters much greater confidence in establishing long-term supply relationships with our European customers.

I have just a few statistics. For wheat, depending on quality and class, current tariffs can be up to \$190 per tonne. That's about over 50% of its total value. For oats, current tariffs are \$114 per tonne. For barley and rye, they are up to \$120 per tonne. These tariffs can be huge, and they're about to disappear. Down the road, CETA will lock in permanent duty-free access.

This trade deal is coinciding with new marketing changes for wheat and barley in western Canada. It is easy to see that huge gains are on the horizon.

We're the Grain Growers, but any gain for livestock is good news for Canadian grain farmers. The livestock market is a very important market for Canadian grain farmers. The feed industry alone consumes about 80% of our total harvested barley and 15% of our total wheat crop production. Under CETA, beef exports to the EU are projected to increase by \$600 million in this trade deal, and pork exports are projected to increase by \$400 million. We anticipate that the deal will drive significant growth in domestic feed grain sales as exports of beef and pork expand under the new trade deal.

With this Canada-Europe trade deal, along with more efficient marketing changes that are currently happening in the grain industry, we feel that this is the opening up of a tsunami of opportunities for Canadian grain farmers.

● (1635)

Increasing market access for farmers is extremely important, so we're also glad to see that CETA includes a commitment to improve consultation and cooperation around biotechnology. Grain Growers is eager to see the Canada-EU trade deal opening a new dialogue with the European Union through an active working group focusing on biotechnology issues to address non-tariff trade barriers in grain, including measures to ensure the low-level presence of genetically modified grains so that it does not serve as a trade barrier.

Grain Growers also sees CETA paving the way for much greater investment in the development of new seed varieties for Canadian farmers. As part of these trade negotiations, we understand the European Union has raised concerns about Canada's outdated legislation with respect to plant breeders' rights. Currently, we're using old legislation from the 1978 convention governing international trade in seeds. Canada is one of only two developed countries in the world that has not brought their legislation into compliance with the 1991 seed convention, commonly known as UPOV 91. As part of the CETA agreement, we encourage the Canadian government to commit to the modernization of our legislation so that Canadian farmers can benefit from increased investment in innovation, research, and development of new seed varieties in Canada.

I am an immigrant from France, where my brothers still farm, so I can confirm that Europeans' taste for good food is similar to Canadians'. They have an appreciation for high-quality Canadian agricultural products. It is a market where we have a lot of room to grow, and it has cash to pay for that high quality.

It is not just the raw products that are reliant on trade. Our value-added products create jobs here in Canada and need new markets as well.

Canada's agrifood industry accounts for over 8% of our GDP. Europe is a good fit for our industry because it releases more than 36% of the world's new processed food products, more than any other region. Europe is interested in innovative and leading-edge food products, which Canadian farmers and industry will provide. As a farmer from western Canada, I am excited about the new value-added opportunities we're seeing down the road.

Currently, Canadian exports to Europe are only one-tenth of what Canada sells to the United States, but as farmers we learn through experience. While the U.S. is one of our best trading partners, we need to diversify where possible. The Grain Growers of Canada fully supports the agreement in principle with the European Union.

•(1640)

[Translation]

The Grain Growers of Canada is therefore very pleased with this agreement, which will enable growers to become more competitive in coming years.

[English]

We seek to ensure that this agreement is concluded as quickly as possible so that Canadian grain farmers can start reaping the benefits of improved market access for grain and grain products, growth in our domestic livestock sector, and access to new, improved seed varieties.

Thank you for your consideration of our views.

[Translation]

Thank you for your attention.

[English]

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

Ms. Krayden, do you have any further comments?

**Ms. Janet Krayden (Analyst, Grain Growers of Canada):** I don't have any comments, thank you. I'm here to help answer questions.

**The Chair:** Thank you.

We'll now go to Roslyn Kunin. You have ten minutes. Please go ahead.

[Translation]

**Dr. Roslyn Kunin:** Thank you, Mr. Chair.

[English]

I'm very happy to talk to you, and I'm very happy that you have invited an economist to address your committee, because I will be presenting the broad views on the impact of the agreement on the whole Canadian economy.

I don't have detailed knowledge of some of the industries that some of your other presenters have, but I would like to speak strongly in favour of the agreement and its positive impact on at least five components of the Canadian economy.

The first component is Canadians as consumers. I believe the position of this government is to improve the standard of living for consumers and to make things better for ordinary Canadians, whether it is by lowering the tax burden or by other means.

This agreement, with freer trade between Canada and Europe, is going to make things better for consumers by offering access to a wider variety of goods and services, and offering them at better prices, because the increased competition will increase productivity. So people will have more goods, more services, better prices, and it will improve the basic standard of living for Canadians as consumers. I think that is probably the most important thing. That's why we have a government running the economy, to help our standard of living.

The second group that will be helped, and this has been mentioned by others as well, is exporters. Trade is a very important part of the

Canadian economy—the agricultural sector, the resource sector, and virtually every other sector as well. Fewer barriers to trade and reduced tariffs are going to greatly help our exporters to continue to export, continue to improve our balance of payments, and continue to prosper as businesses.

I am on the board of a forest company, among other companies. We've already noticed—although this committee isn't primarily concerned with forestry—that the 10% and 15% reductions on some of the wood products we export are already helping us build the specialized and high-value-added markets that we were hoping to build in Europe. That is going to make it an awful lot easier.

What any economy needs, what any business needs—and sometimes people planning businesses forget about this—is customers. What the European free trade agreement gives us is customers. It gives us access to a market roughly equal in size, wealth, and number of people to the United States.

Much of our trade has been concentrated on the American market, and Canada has benefited greatly from free trade with the United States and Mexico. We are going to get at least an equal boost by having access to the European market.

Having customers, people who are interested in our manufactured food products, our basic grains, and the other goods we produce in Canada, is going to make it that much easier to have opportunities for businesses to grow and thrive in Canada.

There is another side to that coin, of course. A free trade agreement means that Europe will have more access to Canada. How will that help us?

It will help us by dealing with one of the persistent challenges that the Canadian economy has had to deal with for lo these many decades, and that is productivity. We don't get as much bang for our buck, we don't get as much output out of the amount of input—the labour, the capital, and so on—that we put into our economy. We're not as productive. This means our workers can't get paid as well, and our standard of living is affected.

What the free trade agreement and Europe's access to Canadian markets is going to do is increase our productivity. When producers, whether of cheeses or other products, realize that Europe is going to have more access to the Canadian market, they will sharpen their pencils. I believe Canadians are smart, capable, and intelligent. When they realize that, hey, other people are sending cheaper products, less expensive products, good-quality products, products that customers might want into Canada and they are going to have to compete with them, I believe that Canadian business people will find ways to be more productive. They will sharpen their pencils. They will develop a great many Canadian geographically designated cheeses—it doesn't just have to be Oka anymore—and they will compete effectively to maintain their share of Canadian markets, as well as expanding into European markets.

•(1645)

This isn't just a pipe dream. It has happened, probably about 20 years ago now, in New Zealand, when New Zealand faced a financial crisis and had to remove all the tariffs and protections its heavily protected industries, including agriculture, enjoyed. Everyone had said that if it didn't have this protection on its home market, all the businesses and the economy would fail and the country would die. The country didn't die. The country became much more productive; a wider variety of goods and service of better quality were made available; prices for many goods and services in the country fell; the improved quality and pricing expanded export markets; and New Zealand has gone on to prosper. That is the kind of increased prosperity I see in Canada as we become more productive in response to being a more open market to Europe, as well as to the United States.

So productivity, a big factor in our economy and our standard of living, will be given a very strong push in the right direction by having more European goods and services come into Canada, encouraging Canadian producers to work harder to get a better product and better value for Canadians, as well as to meet export demand.

Another thing: as a global economy, Canada needs to be competitive. I apologize for the cliché—you've heard it a million times—but we have to have globally competitive producers in agriculture and in all our other sectors, and we are going to get one huge competitive advantage that we don't even have to share with Europe as a result of this agreement. As this agreement is implemented, Canada becomes the only major economy in the world that will have free trade access both to the United States and to Europe. That will help Canadian businesses. They will have that many more customers, markets, and so on available to them. It will also help to attract outside investment and other global businesses that are seeking a place to do business.

Canada is a very good place to do business. We have rule of law, stability, and many other advantages. We will have the additional advantage of free access to two of the biggest, richest industrialized economies in the world, and I believe we'll be the only major economy to do that.

So we will be a good place to do business: we will be a more productive economy, with more competitive businesses providing goods and services at better value; we will have more customers for our producers and more market for our exporters; and, as I said, most important of all, we will have more goods and services offering better value and a higher standard of living for all Canadians.

I think this is one of the greatest things that has happened to the Canadian economy, and I think many, many people are eagerly looking forward to its implementation.

Thank you. *Je vous remercie.*

•(1650)

**The Chair:** Thank you, Ms. Kunin.

I appreciate all the witnesses keeping their times in order.

Now we'll go to our first round.

You have five minutes, Ms. Raynault.

[*Translation*]

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

Mr. Groeneweg, as we know, GMOs are not really tolerated very much in Europe. Basically, people do not want GMOs.

In your view, could that make it harder to sell our grains in Europe? In addition, are you currently in talks to determine an acceptable percentage?

**Mr. Franck Groeneweg:** I do not have specific data. However, I have some stories about my family in France. Consumers are definitely intrigued by GMOs and wonder about them. I think there is a lot of misinformation about GMOs in Europe. As we can see here, we are in good health. After several thousand meals consisting of GMO products, we are alive and well.

The misinformation on the issue is quite incredible. I think this agreement will open up dialogue that will benefit Europe as well. In fact, there is an opportunity both to advance technology and to feed our planet.

**Ms. Francine Raynault:** I was talking about grain. If our beef and pork products go to Europe and the cattle and hogs were fed with grain containing GMOs, will they be rejected?

**Mr. Franck Groeneweg:** You must understand that a lot of our soybeans are already exported to Europe as GMO products and they are used to feed the animals. So cattle and hogs are already being fed with GMOs. If animals in Europe are fed with GMOs, I don't think there will be a problem with our pork and beef on the European market.

**Ms. Francine Raynault:** We hear all sorts of things here about what Europeans think about GMOs. We are always wondering about that. The fact that there are traces of GMOs in the grain or in the meat must not hurt our trade.

Ms. Kunin, this summer, I visited some outstanding fine cheese producers in the region of La Pocatière. There were also producers from everywhere. They are definitely producing fine cheeses. Their production may not be large-scale and they have rather limited resources.

Do you think that European cheeses coming into our market will affect those producers because they will be cheaper?

People have wanted fine cheese for years in Quebec and I think our producers have been very successful in that sense. If European cheese comes into our market and is less expensive—agriculture in Europe is subsidized—will it affect some fine cheese producers or other types of producers?

•(1655)

[*English*]

**The Chair:** Is it Ms. Kunin you're posing the question to?

[*Translation*]

**Ms. Francine Raynault:** My question is for Ms. Kunin.

[*English*]

**The Chair:** I don't think she caught it.

Ms. Kunin.

**Dr. Roslyn Kunin:** Oh, sorry, was that question for me?

**The Chair:** Yes.

[*Translation*]

**Ms. Francine Raynault:** Yes, I was addressing you.

[*English*]

**Dr. Roslyn Kunin:** Okay.

I'm very glad you asked that question, thank you very much, because I think I have an answer to it.

I have been honoured, if you will allow me to say so, with the Order of Canada, which got me an invite to a lunch with the Governor General. At that very fine meal, we had a plateful of artisan cheeses from Quebec that were really, really excellent. We all asked, "Where did you get these cheeses?" Those of us from the west, especially, had never had them before. They told us that they would be happy to e-mail us a list of all the artisan cheese producers in Quebec, but we probably wouldn't be able to get any cheese, because the Governor General's residence can buy their entire stock.

So I'm looking at the artisan cheese industry as the answer to the European trade agreement—that Canada makes Oka cheeses, makes other very good specialized cheeses, makes all these artisanal cheeses—and that we can develop them under Canadian names and Canadian geography and start building up the capacity and the market of those industries.

**The Chair:** Thank you very much, Madame Raynault. Your time is up.

I'll go to Mr. Hoback, please, for five minutes.

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

What a great presentation this afternoon, to see both sides of the debate on this trade agreement. You know, I'm a little disappointed; I think there is opportunity, as our witness just testified, if people embrace it, in going into Europe. It might be a little tougher, but there definitely is a lot of opportunity for the dairy sector there.

In terms of the grain sector, though, Franck, you said you came out of France, so you know all about productivity of Canadian farmers, grain farmers in particular, versus European grain farmers. I spent a lot of time in Europe when I was with Flexi-Coil and Case New Holland looking at the productivity difference and how they're trying to embrace Canadian technology in Europe to bring down their cost of production. Even though they had heavy subsidization, when you looked at the net dollars in their pockets, it wasn't a lot better than it was here in Canada at that point in time.

You used the example of \$190 a tonne on wheat, and I think you said \$114 on oats. I thought it was \$119, but we're splitting hairs there. I think you said it was \$120 on barley.

You grow about 7,500 acres of cereals. Let's just do the math so that people understand how big this is. Out of your 7,500 acres of cereals, approximately how much of that would be wheat?

**Mr. Franck Groeneweg:** Wheat would be half of it, so let's say 3,000 acres.

**Mr. Randy Hoback:** So 3,000 acres, and you're in Regina, so one metric tonne per acre would be fairly fair.

**Mr. Franck Groeneweg:** That's right.

**Mr. Randy Hoback:** You grow really good wheat because you're from Saskatchewan. We all know that, right? You would be the best in the world.

**Mr. Franck Groeneweg:** Of course.

**Mr. Randy Hoback:** If you were to ship your full production to Europe right now, the Europeans would collect \$190 an acre off your wheat. Take 3,000, multiply it by \$190—if Barry Wilson is still here, I think he has a calculator—and you can see how much tariff was being collected on the backs of Canadian farmers and we are still selling wheat to Europe. We're still competing with the Europeans. We're still selling wheat in the U.K., to Warburtons and places like that. When you look at this now, you must be really excited because.... I know you're not going to get the \$190 a tonne, but once they realize how good our wheat is and now they're going to have more access to it, how do you think it's going to impact your operation?

**Mr. Franck Groeneweg:** There's no doubt that more access to market is making me more competitive. In Canada we always figure out better ways to produce more efficiently. In the future, it's a huge opportunity. There's no doubt about that.

• (1700)

**Mr. Randy Hoback:** Pierre just did the math, and I think he said about a half million dollars.

**Mr. Franck Groeneweg:** Did you get \$600,000?

**Mr. Pierre Lemieux:** Yes, roughly.

**Mr. Randy Hoback:** That's on your farm alone, and you're just one of many farmers that the Europeans were collecting—

**Mr. Franck Groeneweg:** It's actually hard to believe. I'm getting so excited. I hope my equipment dealer doesn't realize this. But that will be good for him, too.

**Mr. Randy Hoback:** One thing you mentioned in your presentation is about the beef sector. Again, now we're going to have processed beef going into Europe. We look at that and realize we're going to have more beef cattle, which means they're going to have to eat more barley. Again, it's another benefit back to the grain producer, and not only that, but in the beef sector those guys are going to actually have more capacity here in Canada because they're going to basically package it up and ship it in boxes to Europe. All of a sudden, instead of relying on the U.S. and the issues we've had with COOL and the problems down there, we've got an alternative now. Again, when you start bouncing that back into your operation on the grain side, what does that mean?

**Mr. Franck Groeneweg:** It gives me more options, because even though we grow some of the best wheat in the world, sometimes the weather doesn't cooperate and that means my production becomes feed. Now I've got an opportunity to choose between selling feed or selling premium wheat for an export market. I have two markets that are actually opening up. It's excellent.

A lot of grain producers are also cattle ranchers and cattle feeders. This gives them the opportunity to balance their income on the farm if one of the sectors doesn't....

**Mr. Randy Hoback:** Exactly.



On the canola oil side of this, again, close to your place we've built new crush plants. We've built two new ones in Yorkton. We've got one up at Nipawin, in my riding. Of course, the Europeans are excited about oil for the biodiesel sector. Again, it's another option. It's just going to be that much better.

Where's the negative here?

**Mr. Franck Groeneweg:** I don't know. I'm still looking for it.

**Mr. Randy Hoback:** Ms. Kunin, you talked about productivity gains and how we can look for productivity gains. That's one thing we've seen in the grain sector: because we had low margins, we had to force productivity. We went into zero tillage and we went to a situation where we had farmers farming 800 acres. Now, Franck, you're farming 7,500 acres with probably one or two hired men, and that's about it. It's very efficient.

I go back to the farms I worked on in Europe—in France, the U. K., and Germany. There would be maybe 400 hectares or 500 hectares. They'd be using machinery that would be three or four metres—

**The Chair:** Could you shorten it and get a quick answer, please?

**Mr. Randy Hoback:** Competition brings about productivity. Do you think competition will bring out productivity in the dairy sector, too?

**Dr. Roslyn Kunin:** Yes. I definitely think so. When people discover they have both increased markets—so they want to get a better, more competitive product—and more competition for their home markets, people will find ways to be a lot more productive and a lot more effective. I used the New Zealand example, but there are many other examples I could give.

It will be a shock to the system, but they will be able to do it.

**The Chair:** Thank you.

We'll now move on to Mr. Easter.

You have five minutes, please.

**Hon. Wayne Easter:** Thank you, Mr. Chair.

We have to be careful not to exaggerate the benefits and underestimate the negatives of this deal. Let's try to stick to the facts. I know that's difficult for the parliamentary secretary to do.

My first question is to you, Ms. Kunin. While the government members like to claim otherwise—that they've been great traders and we've been doing so well on trade—the facts dictate otherwise. In the last 46 months, 34 of them have placed us in a merchandise trade deficit. Sometimes even with a deficit, our economy still grows and there are supply chain benefits that happen. I understand that.

We're going into these trade agreements. What do we have to do to ensure that we get ourselves in a trade surplus position rather than a trade deficit?

I'll make one other point. It's interesting that wherever Canada has signed trade deals, on a surplus-deficit basis we're not doing as well as we once did. We're doing something wrong as a country. I'm not talking against the trade agreement, but how do we get into a trade surplus position instead of a deficit?

**Dr. Roslyn Kunin:** Well, increasing markets of course will increase our exports and will help us. The other factor is the factor that I've mentioned before: being encouraged by the circumstances of the free trade agreement to become more productive, because it is productivity and offering good value for money that will help us improve our position, improve our exports, and become more competitive with imports.

So for productivity, having access to the market and encouraging more business investment will also provide the capital, the incentives, and the knowledge to help improve the productivity.

• (1705)

**Hon. Wayne Easter:** Thank you. We'll take that.

In the grain industry and in particular in the beef industry... I do hope the market opens up for Canadian beef, but let's look at the facts. The fact of the matter is that in terms of the quota we already have for beef in Europe, Canada has never filled it. We have never filled that market. Now we're going to expand that quota. So what's going to happen to ensure that we do fill that market? I think part of the problem is that we don't have a beef slaughter industry here that will ensure the product going to Europe is non-hormone-fed beef.

What I'm saying here is that I want to see this market open for beef, sure, but Canadian beef producers and the industry have not met the openings that are already available to us, so how are we going to do that?

**Mr. Franck Groeneweg:** I'm speaking on behalf of the Grain Growers of Canada, so I'm not a cattleman. I believe they will be testifying to this committee at some point.

I actually believe in “build it and it will come”; whenever there's a demand for something, an industry starts. We've seen it in our crushed canola plants. We increased our production of canola, and the investment came to build these crushing plants. I don't see why it wouldn't happen in the beef or the pork sector.

**Hon. Wayne Easter:** I hope you're right, but the reason I asked that question is that if you listen to the members from the government side, you'd think all we have to do is wave a wand and we're in the market. The reality is—and I lay that fact out—that we've never met the openings we already have in the beef industry in Europe. We've never filled that capacity.

I think a really important area that you mentioned in your remarks is how we get the Europeans to address the low tolerance issues. That's a serious one for us. I wonder where that's at. With the technology that's available today, we do produce great products in this country, but the Europeans can stop us when there's no low tolerance. When it's zero tolerance, there are certain products we can't get in. Where do you see us going in terms of gaining a low tolerance level with the European Union?

**The Chair:** A quick answer, please.

**Ms. Janet Krayden:** Before Franck answers that question, Mr. Easter, I just have to jump in to report an exciting development. I was out in Calgary for a CETA announcement last week at a new beef processing plant called Harmony Beef. They will in fact be targeting the European market with some hormone-free beef.

This is in the process of opening. The deal was closed just a couple of weeks ago, and that announcement was made in Calgary a week ago. It's an exciting new development for the European market.

**The Chair:** Thank you, Ms. Krayden.

We're out of time. I'm going to go to Mr. Norlock, please.

Mr. Norlock, you have five minutes.

**Mr. Rick Norlock (Northumberland—Quinte West, CPC):** Thank you very much, Mr. Chair.

Through you to the witnesses, thank you for being here today, whether it be virtually or physically.

I want to go back. I'm a great supporter of supply management. However, I understand that whenever your industry feels the slightest threat, you have to push back to ensure you keep the same ground. But we were talking solely on meat, and here's my story.

In the county of Northumberland, which is half of my riding, agriculture contributes about \$150 million to the gross domestic product of the county. I think those numbers are low. I think they're much higher.

I was at the Northumberland cattle producers' AGM, and I noticed at that meeting that there were quite a few dairy farmers there. I went to a person I know who's a dairy farmer and asked what they were doing there, at the cattle producers' meeting, and he said, "We produce meat." In particular, I would like to hone down on that, because cows dry up and they have to be sold for meat, but we also have, I believe, a very high-end product called veal. I wonder if any of the witnesses here can confirm that about 100% of the veal calves that are raised actually come from dairy farms. Would that be correct, or do you think it's correct?

• (1710)

**Mr. Franck Groeneweg:** Once again, I cannot answer for the dairy sector. I'm talking for grain producers, the Grain Growers of Canada.

**Mr. Rick Norlock:** Thank you very much.

That number comes from the Canadian federally inspected veal establishments. But for mature cows, I am told that out of an average carcass yield of 650 pounds or 300 kilograms, when you don't take the amount of red meat used for hamburger and all those other things, when we're talking about the high-end cuts, roughly around 100 pounds of that—tenderloins, strip loins, etc.—are sold to restaurants and food services.

In the county of Northumberland, as a federal government, we have just contributed about \$200,000 toward an agricultural incubator that will deal with improving the packing and the food processing of all agricultural products, including meat. As you come from Europe, sir, would you not say that some of our top-end, high-quality beef, some of which comes from the dairy producers, would be a welcome addition to any table in Europe?

**Mr. Franck Groeneweg:** I wouldn't doubt it.

We also have to consider that all my dairy farmer neighbours are grain producers as well, so I guess there is a silver lining to this.

**The Chair:** I don't know if Dr. Kunin has a comment, but I'd like to focus it back around.

**Mr. Rick Norlock:** My next question was for her.

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

**Mr. Rick Norlock:** You will recall, Dr. Kunin, during some previous free trade debates people felt threatened by the Canadian wine industry that was just starting, and you will recall that the average young person in the upper Ottawa Valley, who may or may not have been of drinking age, drank wine such as Baby Duck.

Today, I would have to say that the wine industry close to my riding in Prince Edward County has some of the best wines in the world. Would you not say that they're good because of competition and because we challenged our grape growers, our vintners? They met the challenge. And would you not say that vintners are part of agriculture and we can do the same in other agricultural sectors?

**Dr. Roslyn Kunin:** I have to tell you, sir, that just before free trade with the United States and open wine markets came in, I was speaking to British Columbia wine producers, where we have our share of Baby Duck, and I said the British Columbia wine industry is not in trouble because of free trade but because they make bad wine. Once we had free trade, they started making good wine. I see us starting to make more excellent cheeses, meat products, and other agricultural products as a result of free trade with Europe.

**The Chair:** You have ten seconds.

**Mr. Rick Norlock:** Thank you very much, Mr. Chair, for that 10 seconds.

**The Chair:** I'd like to thank you, Mr. Norlock.

I'll go to Mr. Atamanenko for five minutes, please.

**Mr. Alex Atamanenko:** Thank you, Chair. Thanks to all of you for coming.

Ms. Kunin, I have a question for you to start with. You talked about New Zealand and the fact that they have basically rejected all government control or subsidies and they've opened themselves up to the free market. We know that New Zealand is just waiting to get in the door and ship their cheese and dairy products to Canada, and we know we've been able to resist that because of supply management.

According to the *National Post*, the weighted average retail price of milk in Canada is \$1.45 per litre, and it's \$1.65 per litre in New Zealand. So it doesn't appear that getting rid of their supply-managed system has made things better for the consumer. We know it has been a really hard hit on farmers. In your opinion, should we be retaining supply management and making no more concessions, or should we be getting rid of it as we continue in our negotiations with TPP, of which New Zealand is a part?

•(1715)

**Dr. Roslyn Kunin:** My view, as an economist, is that if we're concerned with the well-being of all Canadians, all Canadians who eat, drink milk, and so on, we should have more open markets and we shouldn't have supply management. From where I live, I see lines of people regularly going across the U.S. border, to buy cheaper dairy products and so on. I think that Canadian farmers would adjust if we had freer trade and less supply management. I think the government said they would help with adjustments both to this and I imagine anything further, though they're not talking about removing supply management yet.

But as an economist, I prefer freer markets to supply management. It helps certain producers at great cost to the majority of consumers.

**Mr. Alex Atamanenko:** So you don't mind the fact that American subsidized farmers are selling their milk at a relatively cheap price by the border, whereas in other parts of the United States the price is a lot more, and that brings our consumers to the United States. Is that kind of free trade, with one side being subsidized, okay with you?

**Dr. Roslyn Kunin:** I am in favour of free markets. I oppose any kind of subsidization. But I think the way to get to a better situation is through less subsidization, less supply management, rather than more.

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

Mr. Groeneweg, Madam Krayden, you talked about canola exports to Europe, which is a good thing. We know there might be certain obstacles. We know, for example, that Germany is one country with a ban on the cultivation and sale of GMO maize. I'm not sure about other grains. There is a stronger feeling against genetically modified organisms in Europe, and whether we agree with that or not, I think that exists.

Because of a low-level presence, we've seen flax shipments stopped and farmers take a hit in Canada. Yet our government...and you agree that we should be having a policy of low-level presence to assist farmers.

The question is this: what do we do if Europe does not agree to our demand for low-level presence? If they basically say, look, folks, this is the way it is here, and if you don't have zero tolerance, then we don't want to accept your shipments, how should we react to that?

**Mr. Franck Groeneweg:** Basically, we're excited to see that there is an opening for dialogue on low-level presence with the European Union. That is a good first step to go that route. But I will also point out that as far as canola is concerned, when we look at exporting oil to Europe, the oil doesn't have protein. The meal is the genetically modified part of it. The oil is not a genetically modified product that's going into Europe.

Plus, part of that market is for biodiesel use. At that point, I think the cars will be okay with a little bit of—

**Mr. Alex Atamanenko:** They probably won't mind.

**Mr. Franck Groeneweg:** They may run better.

**Mr. Alex Atamanenko:** You also mentioned UPOV 1991. You were in agreement with that.

Is it not true that plant breeders' rights might then trump farmers' privileges every time, and make it more expensive for farmers, if we introduced UPOV 1991?

**Mr. Franck Groeneweg:** What it does is give the possibility to invest in better genetics, which gives us the possibility to have better production. At that point, farmers are still able to get the previous genetics for less money, if they so wish.

But as we see in the canola industry, it seems that farmers will always go to the more expensive seeds, because they see the higher levels of productivity from it. They still have that choice. I believe they would have the choice with wheat or any other crop under UPOV 1991.

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

I'll go now to Mr. Benoit.

**Mr. Leon Benoit (Vegreville—Wainwright, CPC):** Thank you very much. I wasn't expecting to have an opportunity here.

First of all, thank you to the witnesses. Thank you very much.

Dr. Kunin, you mentioned that Canada is the only country on earth that has open access to Europe and the American markets, and there's an advantage in that.

I was recently in Europe at a meeting of the economics committee of the NATO parliamentarians. The trade expert there from Europe said that there's only about a 10% probability of the European Union and the United States signing a substantial agreement within the next 10 years, and a 15% probability of Europe and the United States signing any trade agreement in the next 10 years.

If that is the case, could there be an added advantage to Canada, and to Canadian agriculture in particular, with American companies and American business people coming to Canada to get access to that European market?

I'd also like the other witnesses to answer that later, if they could.

•(1720)

**Dr. Roslyn Kunin:** Very, very definitely; if there is no direct free trade between Europe and the United States, and Canada has access to both, we can look for even more investment, business opportunities, markets, and exports coming, being developed, and operating in Canada to gain access to both those markets.

**Mr. Leon Benoit:** To the Grain Growers, do you have anything to add?

**Mr. Franck Groeneweg:** There's not a whole lot to add. Tariff reductions are good for our grain exports. There are secondary benefits as well through livestock. So that's a very good possibility.

Whether we have the European market or the U.S., we're in a great position.

**Mr. Leon Benoit:** The Canada-Europe free trade deal is obviously very beneficial on its own. I was talking to the Turkish ambassador just in the last week. Of course, Turkey is going through all of the processes to become a member of the European Union. Whether they actually do or not isn't that important, but they want to synchronize everything so that they can. One of the things the ambassador said is that with this deal between Canada and Europe signed, Turkey will want to sign a parallel agreement with Canada with exactly the same terms. They'll want to be able to synchronize, which will help them move into the European Union should they choose to do that.

So not only is the European Union a market that will be available to Canadian farmers—better access—but Turkey may well be a new market that's outside the European Union now but is becoming a more important market all the time, with 80 million people.

Do you think this is a side benefit that hasn't really been talked about? At least, I haven't heard it talked about.

**Dr. Roslyn Kunin:** This is the first I have heard of that. I think it would be a very good thing. Eighty million people is around the size of Mexico. Canada's agriculture industry would be very complementary to that of Turkey. I think that would be a very significant boost. It would be the equivalent of adding Mexico to the U.S. free trade agreement.

**Mr. Franck Groeneweg:** You raise a very interesting point, because any country that joins the EU right now would enter into these trade agreements the same way. In 1992 there were 12 countries, and now there are—I'm not exactly sure how many—27 or something like that. That's a huge and expanding market.

**Mr. Leon Benoit:** Those were the two questions I had.

**The Chair:** Thank you.

We'll go to our last speaker, Mr. Davies, for five minutes, please.

**Mr. Don Davies:** Thank you, Mr. Chairman.

There's one thing that Mr. Benoit just said that I wanted to correct.

I believe, Dr. Kunin, you didn't say that Canada is the only country with a trade agreement with Europe and the United States; you said Canada is the only major developed economy with one. I happen to know that South Korea has an agreement with both Europe and the United States.

Is that correct?

**Dr. Roslyn Kunin:** Thank you for catching that. I did say "major", yes.

**Mr. Don Davies:** Thank you.

Dr. Kunin, one thing you said intrigued me, and it jibes with something that former Bank of Canada governor Mark Carney said. He estimated that there is at present \$500 billion in idle Canadian capital right now in Canada that is not being productively invested. Do you see that pressure of European competitiveness coming into Canada serving to motivate some of those Canadian companies to get that capital more active in our country?

• (1725)

**Dr. Roslyn Kunin:** Yes, indeed, because we will have bigger export markets, more opportunities for investment. Then there will be a higher cost to leaving your money sitting idle and more chances to put it to productive use to help feed the growing markets that we can now serve, and to improve productivity amongst Canadian producers to maintain their home markets as well as foreign markets.

**Mr. Don Davies:** Yes. I've also read from a few sources that compared to European countries, Canadian companies don't have the most enviable record in terms of investing in research and development or in employee training or other aspects of investment in their enterprises.

Do you foresee CETA having a positive impact in that regard?

**Dr. Roslyn Kunin:** I think so, because to meet the special challenges with respect to GMOs and some of the other factors that have been discussed here, it is going to be technology that will help us find suitable answers. And of course research is the way to develop those technologies.

**Mr. Don Davies:** I have a final question for you.

One thing that I think is an important missing component of trade deals is that there are a lot of other factors that go into a country's trade performance, including currency. I'm just wondering if you have any thoughts to offer us about the euro versus the Canadian dollar and the impact that currency may have on our trade flows.

**Dr. Roslyn Kunin:** Right now, the Canadian dollar is of course significantly lower than the euro. I'm afraid that I am not in a position to project what's going to happen to our currency as this agreement takes place. If there's more demand for Canadian products, then of course our dollar strengthens.

**Mr. Don Davies:** Thank you.

Maybe I'll go to the Grain Growers.

One thing we know about trade is that the best trade agreement in the world is only as good as the willingness of the countries to conform to it, and the presence of non-tariff barriers can be a big problem. I was talking to some American business people this week about their agreement with Korea. They're extremely frustrated, because the amount of non-tariff barriers that they feel the Koreans are throwing up completely eliminates the benefits they thought they'd get from the Korean free trade agreement.

One example of this is the presence of low-level GMOs. I'm actually a little bit worried that we signed an agreement with the EU without actually having that issue resolved. All that really has been committed to—and you point out that you think it's a positive step—is that there's a committee to look into the presence of low-level GMOs. But wouldn't you agree with me that resolving this issue so that trace elements of GMOs do not result in Europeans sending back shipments of grain to Canada is an essential component to actually taking advantage of that benefit?

**Mr. Franck Groeneweg:** There's no doubt that it's an important part for us to have a strong policy on low-level presence put in place in these countries. There's no doubt about it. But when we look at the grains we export, the wheats, the barleys, and the oats are not genetically modified. We're talking about canola and soybeans.

These are already products that we export now into Europe. So yes, there can be non-tariff trade barriers, there's no doubt about it, but we cannot just hide behind that fact.

**Mr. Don Davies:** In terms of subsidies, can you give—

**The Chair:** I'm going to have to bring it to an end—

**Mr. Don Davies:** Okay.

**The Chair:** —but I really appreciate your questioning.

I want to thank all of our witnesses for coming in.

It's a short run from Vancouver, but thank you, Ms. Kunin, for being here.

Mr. Groeneweg and Ms. Krayden, thank you very much for being part of our study.

I'm going to ask the indulgence of the committee to go in camera for a few minutes to finish up on some discussions we had the other day. We just need to finalize that.

That means we'll ask everyone to vacate the room, other than those who know they should be here.

Thank you very much.

*[Proceedings continue in camera]*

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