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Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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•(0845)

[Translation]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone.

[English]

We are moving on with our agricultural policy framework, or APF, study.

Yes, Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I'll try not to take too much time here, but I would like to make a suggestion.

I think we have agreement around the table that if we can, next week, we take one hour of our hearings, perhaps on Tuesday, to hear from the ranchers in Alberta who have been impacted by the tuberculosis case that has been discovered there. It would be just to hear some of the impact, what they're hearing, and what they're being expected to do over the next few months as well.

I'm wondering if there's agreement from the committee that we could have a one-hour hearing on that.

The Chair: Is everyone in agreement?

Some hon. members: Agreed.

The Chair: Okay. Everybody agrees to that. So then on the 22nd

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): On the 22nd we'll do a briefing by the ranchers regarding the tuberculosis case.

The Chair: Okay.

And you can get in touch with...as far as who will be appearing.

Mr. David Anderson: Okay. Yes. I want to thank the committee for their co-operation.

The Chair: Thank you, Mr. Anderson.

To get back to this morning's business, I want to welcome, from Food and Consumer Products, Carla Ventin, vice-president of federal government affairs; and from the Canadian Council of Food Processors, Sylvie Cloutier, chair, and François Couture, senior adviser, innovation.

[Translation]

Welcome.

[English]

We will start with a 10-minute statement from Ms. Ventin for up to 10 minutes.

The floor is yours. Thank you.

Ms. Carla Ventin (Vice-President, Federal Government Affairs, Food and Consumer Products of Canada): On behalf of Food and Consumer Products of Canada and the member companies we represent, I would like to thank the Standing Committee on Agriculture and Agri-Food for the opportunity to provide input into the next agricultural policy framework.

FCPC is Canada's largest industry association, representing the companies that manufacture and distribute the majority of food, beverage, and consumer goods found on store shelves, restaurants, and in people's homes.

Our member companies provide an important market to farmers, investments in local infrastructure, and countless direct and indirect jobs that significantly contribute to the economic sustainability of Canadian communities. Our membership is truly national, providing high-quality jobs to both urban and rural Canadians in more than 170 federal ridings across the country.

Food manufacturers are in fact the largest employer in the manufacturing sector in Canada, with approximately 300,000 Canadians working in over 6,000 manufacturing facilities in every region of the country. Food manufacturing employs more than the automotive and aerospace industries combined.

There is enormous growth potential for our industry. According to the chair of the advisory council on economic growth, Mr. Dominic Barton, food is going to be one of the biggest businesses in the world. Mr. Barton believes that Canada has the potential to be a global leader in food production.

There are many reasons for food manufacturers in Canada to be optimistic. For the first time, food manufacturing was identified as a priority by the federal, provincial, and territorial agriculture and agri-food ministers at their annual meeting in July. Federal budget 2016 also recognized, for the first time, food manufacturing as a significant driver to the economy. The government's commitment to diversify and move Canada beyond our reliance on commodities toward growth in value-added production is significant. We are hopeful that this recognition will be reflected in the next agricultural policy framework.

However, we continue to face challenges, including a lack of recognition of the sector's importance and potential. Only about 5% of Agriculture and Agri-Food Canada's overall departmental spending is allocated to the food manufacturing sector. That's right: only 5%. It's even less in the current Growing Forward 2 framework. This means that the vast majority of all the department's funding in areas like research and programs, which are critical for our sector, exclude the food manufacturing industry.

According to the department's own statistics, investment in processing plants, advanced technologies, and R and D in food manufacturing facilities in Canada has not kept pace with our competitors. We also know that Canada is importing more processed food than we are exporting.

The food and beverage manufacturing sector requires additional focus and support in the next agricultural policy framework. Priorities for support include: one, capital investment and integration of new technology; two, innovation and research; and three, meaningful access to international markets.

On number one, capital investment and integration of advanced technologies, I want to direct the committee to a 2014 KPMG report called "Technology Readiness Assessment of Automation and Robotics in the Food and Beverage Processing Sector in Canada". The findings of the report demonstrate that the Canadian food and beverage processors are lagging behind their competitors in Europe and the U.S. in the level of automation and robotics. Top barriers to that include cost.

This is a major challenge, because food manufacturers require modern equipment and facilities to be productive, innovative, and competitive in Canada and abroad. Other countries are fiercely competing for these investment dollars, and Canada needs to be in the game if we want to keep and grow value-added jobs here in the country.

We support the excellent work and recommendations of the food processing industry round table to create a unique investment fund for food manufacturers. The round table's proposal, seeking \$500 million over five years for a food innovation fund, would provide incentives to modernize the footprint of our industry. We're also encouraged by the federal government's \$160-million commitment to innovation through the agrifood value-added investment fund.

On number two, innovation and research are key to the competitiveness of Canadian food manufacturers. Industry investment in R and D in Canadian food manufacturing is low. We need to attract company-specific R and D into Canada, as they successfully do in the Netherlands. Publicly funded research is also critical. However, the vast majority of the current publicly funded research projects in the department exclude the food manufacturing sector.

● (0850)

We need investment in science-based projects to create competitive advantages and to help meet the changing needs of consumers in Canada and abroad. Research is needed on the product development and technology side. For example, consumers want food that stays fresher longer and transports well. They also want products with varying nutritional profiles and ingredients to suit their preferences. There is also a demand for smaller packages that

produce less waste and can be recycled or composted. On the equipment side, why do we import almost all of our food manufacturing equipment from Europe? Why can't we do the cutting-edge research here in Canada to develop the technology to make food in a way that is more efficient, produces less waste, and uses less water and energy?

On number three, meaningful access to international markets, our trade deficit in processed foods speaks to the need for increased support for meaningful access to international markets. That's why trade deals, like the one recently signed with the European Union, are so important. The current funding framework is light, however, on helping companies sell their value-added products on the global market. More resources and a shift in focus are needed to benefit the entire value chain.

This all leads to the broader question of why Canada is lagging in capital investment and R and D. A contributing factor is that Canada can do a better job in making itself a country more attractive to investment. In the recent report by the advisory council on economic growth, it is noted that Canada's regulations are seen by investors as unwelcoming. This is also reflected in a recent report by Canadian Manufacturers & Exporters, which we partnered with them on, that found Canada's regulatory environment is becoming less supportive and more onerous compared to 2014 levels. In our industry, we continue to face antiquated regulations that make it difficult for our industry to innovate and compete. Updated regulations are urgently needed to encourage companies to manufacture in Canada, grow their operations, and introduce new innovative processes and products. The government's innovation and growth agenda are contingent on a modern regulatory framework.

While outdated regulations continue to pile up, we are now facing a whole new set of regulations and government intervention in our industry. While we applaud the government for a comprehensive whole-of-society approach to improving the health of Canadians, this unprecedented amount of change will require an unprecedented amount of investment and resources in an unprecedented time frame. The government's healthy eating strategy will change how we make our products, how we package our products, and how we market our products. This shifting landscape will transform the entire food manufacturing sector in Canada in a very short time frame, and it will cost money.

One of the labelling changes, the revised nutrition facts table, is estimated by Health Canada to cost more than \$500 million. Importantly, this is money that is not spent on capital investment or R and D. Our industry is being asked to grow, invest, and innovate on the one hand, while on the other hand we're facing monumental changes that will impact every aspect of our operation.

It's also important that the food and beverage industry be included in the consultations on how our environment will be transformed in Canada, but industry has been excluded from the in-person consultations on Canada's food guide, which we see as a lost opportunity. While an online consultation is open to us, as well as to 30 million Canadians, the survey itself is leading, contains closed-end questions, and suggests that processed food does not play a role in a healthy diet. We are eager to contribute our knowledge and resources to help the government develop and promote a modern, science-based Canada food guide.

We ask that this committee look at funding for our industry in the next agricultural policy framework to help us transition to this new and unprecedented landscape. To create a more attractive place to invest, it's important that the government modernize existing regulations before adding new ones to the mix; conduct a comprehensive economic analysis of Health Canada's proposed changes, which includes looking at the impact not only on food manufacturers but also on consumers and farmers; and ensure a collaborative approach that includes consultations with all groups.

Canada has the potential to be a global leader in food manufacturing, and the work of this committee is extremely important. Thank you for this opportunity.

●(0855)

The Chair: Thank you, Ms. Ventin.

Next we will hear from the Canadian Council of Food Processors.

Ms. Cloutier, you have ten minutes.

Ms. Sylvie Cloutier (Chair, Canadian Council of Food Processors): Thank you, Mr. Chair and members of the committee, for inviting us to appear today. My name is Sylvie Cloutier. I am the CEO of the Quebec Food Processors Council and the chair of the Canadian Council of Food Processors. I am here today with François Couture, a senior adviser and expert in food innovation.

The Canadian Council of Food Processors, CCFP, is an alliance of all provincial food processors associations, and represents collectively over 1,500 Canadian companies from all regions of Canada, ranging from small independently and privately owned companies to larger public businesses.

The food and beverage industry is the most important manufacturing sector in Canada and in many provinces. The sector employs 300,000 Canadians across the country, making it the largest employer in the Canadian manufacturing sector. It has over \$90 billion in shipments annually.

If you don't mind, Mr. Chair, I will continue this presentation in French.

●(0900)

[*Translation*]

The food processing industry is the primary client of Canadian agricultural producers. For example, in Quebec, the food manufacturing sector buys and processes more than 70% of the province's agricultural production. The food industry adds value to agricultural products, creates jobs, generates revenue and contributes significantly to society.

The industry is facing challenges such as opening up markets, increasingly fierce competition, food integrity, major regulatory changes, the ability to respond to consumer demands and to health and other trends, while ensuring our companies' ability to innovate.

In addition, the financial pressure on our food companies, coupled with the precarious state of some, reduces their ability to compete, innovate and grow.

As you may have heard by now, there will be between 9 and 10 billion mouths to feed on the planet by 2050. Canada already has the enviable reputation of being the breadbasket of the world, but how are we going to maintain that reputation and to position ourselves as a world leader to meet multiple demands? Canada must quickly adopt a vision and an action plan, and the government has an important role in mobilizing and supporting its food industry.

It is clear that the food processing sector has not yet received its fair share of funding under the current program, Growing Forward 2. The food processing sector is overwhelmingly under-represented, with barely 5% of the overall spending earmarked for programs, research and innovation. This shortcoming needs to be addressed with the new five-year policy framework and the government must be fair to its largest manufacturing sector in Canada by investing in innovation, research and development, new technologies, equipment, market access, acquisition of strategic information and so on.

A massive investment in the food processing industry would help develop the sector, as well as maintain the added value and the jobs in Canada.

We support the major policies outlined in the Calgary statement, specifically those related to markets and trade, science, research and innovation, and the processing of value-added agricultural and agri-food products.

In fact, investments to keep our companies competitive and help them bring their products to market are essential. Promoting Canada's reputation abroad for the quality and safety of our products is important, but it is not as important as government support for companies' development activities such as equipment upgrades, access to strategic information on new markets, access to skilled labour, or access to capital to fund infrastructure projects.

We believe that priority must be given to research and innovation. With the opening of markets, innovation is a key component of the sector's competitive advantage. Research and innovation stimulate the productivity and competitiveness of the agri-food sector and will secure the industry's growth and sustainability. That's the way to go if we want to be a global leader and if we want to provide value-added products to the world. Continued funding in science, research and innovation from the private and public sectors to foster a culture of innovation within our businesses is essential.

SMEs in the Canadian agri-food sector with fewer than 500 employees represent 99% of our businesses, 85% of our jobs, 45% of our research and development expenditures, and 49% of our shipments.

We are all aware of the importance of SMEs and the role they play in economic growth, or in the GDP, in the number of facilities and in terms of employment across Canada.

We have seen a decline in R and D investment in agri-food SMEs. We rank 22nd among the OECD countries in terms of corporate spending on research and development in all sectors.

Yet, the role of innovation in the agri-food sector is essential for people's quality of life. We believe that effective solutions need to be developed quickly, taking advantage of the networks that connect agriculture, food, health and environment with the concerns of society.

SMEs in Canada are struggling to find the tools they need to innovate and compete better with other companies globally and in Canada. They need help to have a variety of platforms, tools, resources, networks and levers for open and collaborative innovation.

The government needs to strengthen the agri-food sector's capacity to respond to emerging sector challenges and priorities by improving knowledge transfer activities while encouraging continued industry leadership.

Thank you for your time.

• (0905)

The Chair: Thank you, Ms. Cloutier.

We will now move on to the questions.

[English]

Mr. Shipley, you can start.

Mr. Bev Shipley: Thank you very much.

Thank you, witnesses. It's great to have you here as we discuss the next Growing Forward.

Ms. Ventin and Ms. Cloutier, I'll start with a question for both of you. Funding initiatives seem to be a significant part of the presentations, either in the processing part or the consumer products in terms of moving forward with those. Your industries are both large, with a lot of companies and large employers. One of the things that has come up—you will maybe have heard this from your organizations—is labour shortage. You're going to have innovation and you're going to be able to move forward and you're going to grow the markets and you're going to grow in terms of the

processing. Can you talk to us a little bit about what your thoughts are on how we would move forward? Or perhaps you could talk to us about labour shortage issues you may be experiencing in your organizations, and about how we might consider, during the Growing Forward 3, some remedies for that.

Ms. Carla Ventin: Yes, labour shortages are definitely a challenge, both skilled and unskilled. For example, we need folks to be able to take the peas from the field and flash-freeze them within a couple of hours. If the peas stay in the truck for more than two or three hours, they're spoiled and they have to be thrown away. It's timely labour. You can't have people not showing up. This is a real challenge, and it's a challenge across the country.

The second thing is that skilled labour is also a big challenge. In that KPMG report I referenced on automation and robotics, what I found interesting there was that it was not only the cost of the adoption of this technology for Canadian food manufacturers; it was also finding the right people with the skills to be able to integrate that technology. You don't get technology from off the shelf. It has to be re-engineered and integrated, and we need those skills.

Ms. Sylvie Cloutier: I would just add that in the temporary foreign worker program, as you probably know, all manufacturing sectors were excluded. Right now we do have in the fields some workers on the production side but they cannot work on the food processor side, and they work hand in hand, so when harvest time comes, we don't have enough employees on the food processor side. We need to exclude food processing from this—

Mr. Bev Shipley: I'm going to run out of time, but I want to follow through on this.

I'm meeting with some folks afterwards, and I think, through Going Forward 3, we have to integrate some way of talking to our young people about the availability of skilled trades in the agriculture industry. I'm hoping that at some phase in this Growing Forward 3 we have something about the promotion of jobs for skilled workers. We're going to have to deal with the unskilled through the temporary foreign worker program or the seasonal, but these skilled trades are out there, and people don't think of agriculture as being one of those.

Do you see that as an opportunity, and how can we put this, how can we advertise, how can we instill into our young people through our education system the availability and the opportunities for our young people in those skilled trades in agriculture?

Ms. Sylvie Cloutier: With regard to agriculture and agrifood, as you probably know, we have lots of very good jobs in the food processors industry. In some provinces, you have initiatives right now to promote the agriculture and agrifood sectors, but we do need to have a Canadian strategy on valorization.

•(0910)

Mr. Bev Shipley: Do you see yourselves as part of that?

Ms. Sylvie Cloutier: For sure.

Mr. Bev Shipley: Ms. Ventin?

Ms. Carla Ventin: Absolutely; when you have engineers in Canada studying, they don't think engineers are required on a food manufacturing facility to operate the highly automated and robotic technology that is necessary and will become more necessary if we want to stay in business.

Mr. Bev Shipley: One of the things you mentioned, Ms. Ventin, in your presentation is the funding, and we're talking about Agriculture and Agri-Food Canada here.

To both of you, do you see the funding initiatives not only with Ag Canada but also Industry Canada? Are you making the same sorts of presentations or appeals to that body?

Ms. Carla Ventin: Sure. As we both said in our presentations, only about 5% of Agriculture and Agri-Food Canada's funding is for food manufacturers. We always deal with Industry Canada, ISED, as well, and we have seen significant improvement, especially since the deputy minister from Agriculture and Agri-Food Canada, John Knubley, moved over to that department and started talking about the importance of food manufacturing. However, the challenge we have is that they always send us back to the Department of Agriculture and Agri-Food and say, well, that's your home department. It's our home department, but we're getting less than 5% share of the funding.

Mr. Bev Shipley: What kind of a formula would you be looking at in terms of the needed funding?

The Chair: I'm going to have to stop you here, Mr. Shipley. That's all the time we have for this question.

[Translation]

Mr. Breton, you have six minutes.

Mr. Pierre Breton (Shefford, Lib.): Thank you very much, Mr. Chair.

Thank you to the witnesses for being here today.

I would like to mention that the head office of the Canadian Council of Food Processors is in my riding, in Granby. I know you represent very important industries from our region, including Industries Lassonde inc., in Rougemont, Agropur, and Aliments Ultima, located in Granby. These three companies alone sustain more than 2,000 jobs in our region. There are some 300,000 jobs in agri-food processing in Canada. It is an important industry nationally, and in my riding also. Your testimony is extremely important.

You spoke at length about research and development and about funding for innovation and equipment. The agri-food processing sector depends on international markets. Its growth depends on exports. Access to new international markets is needed.

What would you recommend to the government to boost your competitiveness and thereby allow you to gain greater access to international markets?

I would like to hear from Ms. Cloutier first, and then from Mr. Couture and Ms. Ventin, if they wish to answer.

Mrs. Sylvie Cloutier: First of all, I would recommend improving access to information.

We currently have opportunities with the European Union. These will of course crystallize once the agreement is finalized. The Institut du Québec has in fact published a study confirming that the agri-food sector probably has the most to gain from access to European markets.

That said, in order to access European markets, first we need strategic information about those markets. We also need access to global distributors, and finally we have to innovate. The Institut du Québec also noted in its report that we will have to innovate and offer a lot of new products that appeal to those markets.

Would you like to add something, Mr. Couture?

Mr. François Couture (Senior Advisor, Innovation, Canadian Council of Food Processors): Even if there are large companies in Quebec and in Canada, most of the CEOs we have worked with on the ground tell us every day that it is a David and Goliath situation. We are relatively small players internationally. Innovation is certainly part of the key strategies we have to use to provide the products of tomorrow.

The market situation is changing very quickly and there are major export challenges. Our companies must be able to keep up with the rapid innovation in the markets.

The digital world is on our doorstep. We are seeing new platforms emerging, at Amazon, for example. This creates consumer supply systems that are completely different from what we have had up until now. We have to position ourselves to respond to the markets of tomorrow.

Our SMEs and large companies must develop new innovation ecosystems in order to respond to these changes, which are happening very quickly and will not wait for us.

•(0915)

Mr. Pierre Breton: Ms. Ventin, would you like to add something?
[English]

Ms. Carla Ventin: The only thing I would add here is that we know that we need to export in order to grow. That is absolutely key.

Currently the market access secretariat in the department is limited in funding. It's also limited in scope and resources and being able to get market access for value-added products. They're pretty good at getting access for wheat and canola, but once you have a product which is mixed, it's a baked good or something that is meat filled, or a pie, that's more difficult.

It's not only lack of resources there, but we also need help in getting access. It's more difficult, much more complicated, getting a value-added product into another country.

[Translation]

Mr. Pierre Breton: I'm glad we talked about the labour shortage. Mr. Shipley spoke about it. That was one of the points I wanted to raise. Thank you for your reply.

Environmental sustainability and climate change represent a new theme among our priorities. What are your members' expectations as to this new priority which was included in the Calgary agreement?

[English]

Ms. Carla Ventin: Our member companies are definitely committed to protecting and conserving their resources. You have to think about the member companies that we have, and a lot of companies already take great strides in order to meet consumer needs. They know that consumers are interested in more environmentally sustainable practices, and this is part of their brand.

What I can tell you is that we did a few member company surveys on environmental sustainability. In 2011, for example, with the members that took part in this survey, we found that the majority of our members have policies and practices in place to reduce waste and emissions throughout their product's lifestyle.

We also did a survey a few years later, in 2015. What we found in 2015 was that 94% of respondents already have greenhouse gas reduction target plans in place.

The Chair: Thank you, Ms. Ventin. We're going to have to stop you there.

[Translation]

Ms. Brosseau, you have six minutes.

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

I would like to thank the witnesses for taking part in our consultation on the next agricultural policy framework.

I am very pleased that you spoke about the labour shortage. For a number of years, the agriculture sector has truly been held hostage. We all know that more food will have to be produced in order to feed the growing population. So there is much work to be done in this regard.

Mr. Couture, you mentioned the digital shift. In June, I accompanied the Minister of Agriculture and Agri-Food on a trip to China. I was very surprised to see how the Alibaba group works. There is nothing similar here, in Canada.

Can you tell us how things have changed? What advice would you give us to make the most of this opportunity?

Mr. François Couture: We are currently following the work of Niraj Dawar, at the University of Western Ontario, in London. He is making a lot of headway to help us understand what will happen.

Digital platforms are foreign-owned: by Americans, Asians, and Chinese. The platforms are not accessed by companies based in Canada. Strategically then, accessing these emerging markets through digital channels will be an important issue for all companies in Canada, both small or large.

As Canadians, we will also have to find our way since we have an incredible storehouse of resources, talent and know-how. We have to find a way to position ourselves on these new markets and these new platforms, which are not necessarily operated by Canadians. Although there are Amazon subsidiaries in Canada, the major access decisions will likely be made elsewhere.

It will be extremely important to position ourselves in downstream market activities, as much as in upstream market activities. Everything that brings us closer to the market downstream will become increasingly important to the industry, especially for SMEs. There are a great many SMEs, they do not have the resources, and at present they are not receiving help to review their strategies in light of what lies ahead.

We have already reached that point. As we speak, it is possible to simply press a button and milk or basic products will be delivered to us through robotic or artificial intelligence supply systems. That is where we are headed.

● (0920)

Ms. Ruth Ellen Brosseau: That is truly impressive.

I will now turn to Ms. Ventin.

[English]

Carla, do you have anything you would like to add?

Ms. Carla Ventin: I would just say that Alibaba is extremely important. There is a huge demand for Canadian food, especially in Asia. Canadian food is well trusted, ranked by the Conference Board of Canada in 2014 as a top place for safety. China can't get enough Canadian food, so we need to take advantage of that.

Ms. Ruth Ellen Brosseau: Absolutely.

[Translation]

We have seen great interest in buying Canadian products and confidence in Canadian producers and Canadian food products.

I know the federal government must consult industry in order to improve the next strategic framework, which is a five-year agreement. I know the current framework poses a number of challenges and that we have to make improvements.

Your organizations have stressed the importance of investing in the food processing sector. Compared to other countries, we can see that Canada is lagging behind.

Can you tell us more about the importance of good programs and good investments to make sure we put our eggs in the right basket in order to support the agri-food industry?

Mrs. Sylvie Cloutier: As mentioned earlier, in order to break into new markets, we have to be competitive. The only way of doing that is by helping our industry be competitive, remain a leader in food safety, be innovative and identify new market needs.

We have to remember that we are the most important conduit between Canadian agriculture and consumers. Quebec and Ontario buys over 70% of agricultural production, processes it, sells half of it in Canada, and exports the rest. We can easily increase production. All we need is access to markets. Once again, in order to access new markets, we have to be productive and be able to sell products at competitive prices.

That means we have to invest in upgrading equipment, in strategic information, and in capital to enable companies to have infrastructure and construction projects and to build value chains between agriculture and food processing. Many projects could be put forward quite easily, but the government must decide to support this sector.

The Chair: Thank you, Ms. Cloutier and Ms. Brosseau.

[*English*]

We'll now hear from Ms. Lockhart for six minutes.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): Thank you to our witnesses. This is great information for us to have today.

I wanted to clarify something, Ms. Ventin. You spoke about R and D and investment and potential for international markets. You talked about two things: one, about the huge demand for Canadian food because it's trusted and safe, and international markets are confident; but two, about increasing regulations and how that's onerous.

Can you reconcile those two things? Are they related? I'm assuming that as we prepare to export more and more, there are regulations required for that. Is that what you're speaking of, or are there other regulations?

• (0925)

Ms. Carla Ventin: No, these are in addition. For example, you're absolutely right that our industry, as has been repeated, does require more investment and support in R and D and capital, etc. Just think about what the government did for the automotive sector—highly automated, efficient, and productive. That was because there was a strategic focus on that sector. So I think that's interesting.

No, the regulations I'm talking about... There are existing regulations that are an ongoing irritant, for example. It's nothing to do with food safety or exports or anything. For example, there are things called “standards of identity”, outdated recipes. If you want to slightly modify your product with ingredients that consumers want, you can't do that without going through a whole regulatory process. That's not good for innovation.

In addition to that, there's a whole new set of regulations right now on the whole product life cycle of our industry. It has nothing to do with the fact that we need investment in capital and R and D. That is everything from how we make our products, what goes into them, whether it's sodium or trans fat and so on. It's how we package our products. It's the back-of-the-pack labelling and the front-of-the-pack labelling, which are huge changes, and it's how we market our product.

Those things are separate, but it's an unprecedented huge change.

Mrs. Alaina Lockhart: Is that driven by consumer...? What is driving that shift?

Ms. Carla Ventin: That's a good question. That was the decision by Health Canada to focus on these areas. I think there are some changes that are driven by the consumer and that our member companies and the industry are doing anyway. There are some things that just needed to be updated, and other things are the direction the government has chosen to take.

Mrs. Alaina Lockhart: Okay.

Mr. Shipley started to ask you about what proportion you felt was more reasonable for investment. Could you talk about that a little bit more? We ran out of time, and I thought it was a very good question.

Ms. Sylvie Cloutier: In terms of funding?

Mrs. Alaina Lockhart: Yes.

Ms. Sylvie Cloutier: What we've been saying is that we should get as much funding in percentage as our representation to the GDP. On innovation, for example, there's a huge fund. If we represent 5% of GDP, we should get at least 5% of any investment going toward food processing or the manufacturing sector in general.

Mrs. Alaina Lockhart: Do we have any comparisons with other countries? As we compete in the global market, we want to remain competitive. What are other countries investing there, and at what rate?

Ms. Sylvie Cloutier: That depends; in the Netherlands, for example, it's a huge amount of their budget, as it is in Switzerland and....

Ms. Carla Ventin: I know that Agriculture and Agri-Food Canada has those stats. For some of them, industry investment in R and D, for example—this is on the company side—it's half that, as it is in the Netherlands or the U.S.

If you look at the whole departmental spending on everything, it's only 5% for food manufacturers, and that is our home department. As Sylvie said, a percentage of the economic contribution of our industry....

Don't forget what they did in the Netherlands, which is really important. They decided that it is a strategic sector, and they recognized the importance of the industry economically but also for food security purposes. It's important that we can make our own food and feed our own country.

Mrs. Alaina Lockhart: You spoke about being sent back to your home department sort of thing. What you're saying is that you see a place as a whole of government to look at this sector as a potential for innovation and investment.

Ms. Sylvie Cloutier: I believe that every department involved in food processing—agriculture, health, industry, transport—should have an open door for our business and not work in a silo. We need to have the departments involved in food processing talking to each other, and if possible have a committee. The departments need to work together and have an open mind on how we can develop a strategy that will involve everybody.

● (0930)

Mr. François Couture: There's a lot of fragmentation here in Canada with regard to the agrifood industry. This is a large country with many resources and a lot of diversity from coast to coast. I think that is a challenge, but it's also an opportunity, a driving force that we should use as far as innovation is concerned. It's not only the funding but also how we manage this.

I like the concept of a Canadian food nexus working together and building new platforms to innovate more efficiently and more rapidly. This is really key, especially for SMEs. If we want to position ourselves down the road, we need to do things differently.

The Chair: Thank you, Mr. Couture.

Now we have Mr. Longfield for six minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thank you, Mr. Chair.

Thank you, all of you, for being here.

I'd like to continue on that phrase of the "food nexus". The University of Guelph has received \$77 million to try to position Canada as a food leader, but growing food is only part of the equation, as you've said. Processing and marketing food is a big part of where value is added.

Could you talk about what you would see a food nexus looking like?

Mr. François Couture: It's driven by communities, cities. We already have an initiative in the city of Lévis, which decided to implement a collective place where agrifood companies would be able to work directly with the users, *les citoyens*, the consumers, to reinvent the food of tomorrow.

I think this can be connected on a virtual or semi-virtual level. Projects like Guelph's and others that will come should be connected together, provide this very important expertise all across Canada, and facilitate the vertical coordination of all of that across the country to make it more accessible and easier, especially for SMEs and even larger companies, to understand what's available out there. If you work in the field, as I do, it's always complicated for the companies to understand what they really have access to.

Without that, we're going to do well, I guess, but not as well as our competitors, because it's going too fast.

Mr. Lloyd Longfield: Right. Thank you.

Ms. Ventin, do you have any comments on how we can bring all this together?

Ms. Carla Ventin: The only thing I would add is that there have been successful models of collaboration in different countries—for example, in the Netherlands. I think that's really important. The collaboration can't stop at the farm gate. It has to go throughout the value chain all the way to store shelves, restaurants, and people's homes.

Mr. Lloyd Longfield: The Netherlands keeps coming up. They've worked hard to become number two in the world, and they're such a small country in terms of physical size. The fact that they've focused on this as a strategic sector... I'm looking at Stats Canada's report from 2015 that has food processing at 255,000 Canadians, and

automotive having 125,000 Canadians. Automotive does take a lot of attention and strategic focus.

Are there programs within the automotive strategy that you could see directly transferring over to food manufacturing and food processing?

Ms. Carla Ventin: I don't know the specific program names, but from what I understand there has been specific support for many, many years for technology development and integration. That is absolutely key. Automation and robotics increase productivity and competitiveness and innovation.

We don't have that focus or support, and our industry never has.

Mr. Lloyd Longfield: What comes to mind is the automotive innovation fund. A food innovation fund equivalent is something that maybe....

Ms. Carla Ventin: Absolutely.

Mr. Lloyd Longfield: I can't put words in your mouth, but there seems to be that massive opportunity.

You started talking about the greenhouse gas reduction targets and what businesses have done there. Through cap and trade or other mechanisms, a massive market is developing around greenhouse gas trade or greenhouse gas reductions. Has your industry looked at that as an opportunity for Canada in the future?

Ms. Carla Ventin: To go back to the point I was making, it's already being incorporated by successful companies, because consumers care. Our products have direct contact with consumers. They do care about the packaging and the recycling and their commitment to environmental sustainability, so a lot of that is already taking place. As I said, in the survey, the vast majority already has these reductions and tracking and monitoring in place, and they'll continue to do so.

● (0935)

Mr. Lloyd Longfield: But companies in Guelph, like Cargill, have reduced their water consumption massively by three-quarters of their previous consumption. There is an economic driver on their energy consumption as well as a consumer driver, but there are going to be additional economic drivers as people start looking at who is producing most efficiently.

Is there a goal toward production efficiency that could translate into greenhouse gas...or could the government look at incenting that?

Ms. Carla Ventin: That goes back to the need for automation and robotics. As I was mentioning, why aren't we producing and inventing automation and robotics and equipment here for facilities that produce less water and that are more environmentally sustainable and greener? I think there are opportunities there.

Mr. Lloyd Longfield: Finally, from my side, the connection between ISED and agriculture is something that I've been trying to sort out as a new member of Parliament. You see innovation being funded through ISED that could easily be used in food processing and food manufacturing. Are your members aware of the ISED programs, or is there opportunity there to try to use existing programs or expand existing programs to include food manufacturing?

Ms. Carla Ventin: I think there is always an opportunity to do so. The innovation agenda, by the way, is excellent. We're very supportive of that, and we're working very closely with ISED. The challenge we've continued to face for a long, long time is that the department says it's Agriculture and Agri-Food Canada who has to help us with the money and the support. That's very challenging. Although we are part of the innovation agenda umbrella, we get punted back to Agriculture and Agri-Food Canada.

The Chair: Thank you, Ms. Ventin.

Could you or Lloyd define what the ISED program is, just for the record?

Mr. Lloyd Longfield: That's Industry, Science and Economic Development. It's the department. Navdeep Bains is the minister.

The Chair: Thank you.

[*Translation*]

You have the floor now, Mr. Gourde. You have six minutes.

Mr. Jacques Gourde (Lévis—Lotbinière, CPC): Thank you, Mr. Chair.

I would like to thank the witnesses for being with us here today.

Other witnesses have told us that the agriculture and agri-food sector contributes about 7% of Canada's GDP. Some people think this could increase to 14%. The food processing industry could play a major role in this regard. The population will stay the same though, so if we want to increase this percentage, we will really have to focus on exports.

Are you ready to face that kind of challenge?

Mrs. Sylvie Cloutier: Yes, the industry is ready to some extent. Here too we need support to be more productive. We have to make sure we have strategic information that will enable us to export to new markets and to innovate. That is the key to exports.

We really need to be part of the federal government's overall innovation strategy, whether through Industry Canada or Agriculture and Agri-Food Canada. We absolutely have to start seeing our sector as being innovative and having tremendous potential.

Mr. François Couture: As to the objective of substantially increasing our contribution to the GDP, I tuned in to a U.S. interview of Warren Buffet this week. He said that the innovation economy depends on big ideas.

Our companies have to generate these big ideas, they have to be very creative. That is what will help us move forward and develop export contacts. We have to not only identify the market destination but also go there, see what is being done elsewhere. That will help us generate ideas, in Canada and in the agriculture sector. This diversity and innovation process must be triggered, based not only on our

domestic vision, but also on what is happening elsewhere. That will be very important for the future.

Mr. Jacques Gourde: Thank you, Mr. Couture.

My next question is in that vein.

Some countries, such as the Netherlands, are leaders in production, processing and exports. Can we learn something from those governments and those countries as regards the synergy between the processing and the production sectors?

Mr. François Couture: Quite right. They created the Food Innovation Strip in FoodValley. Their industry is at the heart of decisions made regarding innovation and research activities, specifically at the University of Wageningen.

For an innovation to gain currency in the market, a company or entrepreneur must have a vision that it puts forward to change things and it must be willing to take risks to do so.

The other major university is in northern California, near Sacramento. It is the University of California, Davis.

The food industry is now a vector for change globally. Canada must also become a vector for change internationally through this industry. By practising healthy farming that connects food and health, we can have a significant impact on people's quality of life and on wealth creation. This is a new continuum we have to work on, especially as regards food.

● (0940)

[*English*]

Ms. Carla Ventin: The Netherlands is an excellent example. I know that the department has done a study trip there. One of the things that I took away from what I've learned is that the Dutch think big. They think beyond their small place in the world. They think big, and they're innovative. The government has decided that agrifood is a strategic sector, and they fund that. They attract global mandates of R and D, which is extremely impressive. Also, they look to the future. They readily adapt new and disruptive technologies and new innovative products that consumers want.

[*Translation*]

Mr. Jacques Gourde: Ms. Cloutier, you also talked about the major challenges in recruiting workers for the food processing industry. To recruit labour, the industry must offer good jobs. Why are people shunning those jobs? Is it because the companies are too far from the big centres where so many people are looking for work?

If you set up a plant in my region that needs 2,000 workers, you would have tremendous difficulty finding people to fill those jobs. Around big cities like Montreal, there are about 250,000 or 300,000 people looking for work, but they do not want to commute 40 or 50 kilometres to take those jobs.

Do you have anything to suggest?

Mrs. Sylvie Cloutier: As you know, food processing plants are often located close to the supply source. That is why there are a lot of plants in the region. They are often close to the farms that supply the food.

Workers would have to be bussed to the region from Montreal to meet daily labour needs. Efforts will definitely have to be made in certain communities to attract workers.

Right now, people tend to live in the big centres. We will have to start thinking about local and regional programs to encourage those interested in working in the food processing sector to go where the work is.

Unfortunately, moving plants to major centres, whether Montreal, Toronto or elsewhere, no longer in any way meets the needs of the channel between suppliers and purchasers in the case of food processing companies.

The Chair: Thank you, Ms. Cloutier and Mr. Gourde.

Unfortunately, we have run out of time. This is a very interesting conversation. We can certainly not separate consumers from the companies that process the raw materials.

Thank you for your presentation.

Thank you everyone.

We will now give the new group of witnesses a few minutes to take their seats.

• (0940) _____ (Pause) _____

• (0945)

[English]

The Chair: There will be a vote at 11 o'clock this morning, so we're a bit pressed for time. At 10:30 there probably will be bells, so we'll get going immediately.

Today we have, from the Canadian Meat Council, Mr. Troy Warren, president and chair of the board of directors; and Ron Davidson, director of international trade, government and media relations. From the Chicken Farmers of Canada, we have Mike Dugate, executive director; and Lauren Kennedy, senior government relations officer.

Welcome to all of you.

We will have a 10-minute opening statement by the Canadian Meat Council.

Mr. Troy Warren, the floor is yours.

Mr. Troy Warren (President and Chair of the Board of Directors, Canadian Meat Council): Good morning. Thank you for the opportunity to present the Canadian meat industry's perspective on the next agricultural policy framework.

My name is Troy Warren. I shall address you today as president and chair of the board of directors of the Canadian Meat Council. I'm also vice-president of product management, planning, and procurement at Maple Leaf Foods. Accompanying me is Ron Davidson, who's the CMC's director of international trade, government and media relations.

The Canadian Meat Council has represented Canada's federally inspected meat plants and processors since 1919. The council includes 50 members that are packers and processors and 90 members that provide goods and services to our industry.

The meat industry is the largest component of Canada's food processing sector. The industry is an indispensable link in a highly integrated, globally competitive value chain that encompasses feed grain farmers, hog producers, cow-calf producers, feedlot operators, dairy farmers, and goods and services providers. The meat industry registers annual sales of \$24 billion, exports of over \$5.7 billion, and provides 65,000 jobs. Establishments vary from less than 100 to over 2,000 workers. A packing facility is typically one of the largest, and sometimes the largest, employer and taxpayer in a community.

Unfortunately, the employment and economic contributions of the food and meat processing industries are not well recognized. If Canada is to benefit from its natural and technological and human capital advantages, it's important that the committee identify three things: one, champion recognition of food processing as Canada's number one manufacturing sector, and the meat industry as the largest component of food processing; two, insist that food and meat processing be acknowledged and treated as such by policy-makers; and three, advocate for a coherent and supportive whole-of-government policy, program, and decision framework that allows the meat industry to achieve and maintain globally competitive status.

The meat industry welcomes the six overarching objectives and the six priority areas of the next agricultural policy framework, but it believes success will require commitments that extend beyond the mandates of Canada's ministers of agriculture and agri-food. I shall begin by commenting on the current version of the framework, and then reflect on several additional factors on which action will be necessary to ensure that the anticipated outcomes will be achieved.

The first is markets and trade. The Canadian livestock and meat sector cannot be a globally competitive value chain in the absence of access to export markets. As the recognition of access to foreign markets is an exclusive mandate of the government, this activity cannot be undertaken by industry. Unfortunately, as technical barriers become ever more complex and as new international trade agreements are negotiated, government resources allocated to overcoming trade barriers have been reduced. The reduction of support for exports pertains most particularly to the Canadian Food Inspection Agency.

There are in excess of 300 foreign market access barriers on the priorities list maintained by the market access secretariat. Given the characteristics of the prioritization mechanism, it seems unlikely that many items will ever be actioned. Hence, while the next agricultural policy framework emphasizes increased global competitiveness and trade, the reduction in government resources that support exports is in fact compressing production, value-added innovation, exports, investment, economic growth, and jobs. It is critical that resources available to the market access secretariat, and to the export support responsibility of the Canadian Food Inspection Agency in particular, be increased to the levels that would permit these organizations to fulfill their mandates.

The second area is science, research, and innovation. Continuous investment in science, research, and innovation is more important as animal welfare, food safety, nutrition, health, and environmental requirements evolve. Industry consultation in the establishment of government priorities for science, research, and innovation should be institutionalized.

Three is risk management. Animal agriculture is excluded from the largest area of business risk management expenditure. There is \$941 million allocated to AgriInsurance. Animal health and mortality risks are not adequately mitigated or managed through ad hoc disaster programs. Combined with the significant erosion of AgriStability, the absence of Agrilnsurance severely exposes the livestock and meat industry sector to market and biological risks. Animal agriculture should be eligible for Agrilnsurance.

Four is environmental sustainability and climate change. The Canadian livestock and meat sector has registered major advances in the areas that impact the environment, including feed conversion and the use of water. These concrete achievements should be taken into account when decisions are being taken on future environmental policies and programs.

● (0950)

Five is value-added agriculture and agrifood processing. The inclusion of agrifood processing as a priority for Growing Forward 2 was a positive development. The meat industry appreciates the support it received under the slaughter improvement program and the AgriInnovation program. The next agriculture policy framework should build on this success.

A competitiveness challenge confronting Canada's manufacturing industry, including meat processing, is process innovation to drive cost reduction and productivity improvement. Although process technology innovations such as robotics, digital processing controls, machine vision systems, and artificial intelligence exist at prototype stage in other countries, few are manufactured or supported in Canada. Consistent with its innovation agenda, the government should offer grants for in-plant demonstration pilots where manufacturers, engineers, integrators, and academic partners collaborate to prove out and cost proposed innovations.

Six is public trust. Public trust is vital to the continued growth of our livestock and meat sector. The industry supports and advocates for public audits of animal production. Within packing and processing establishments, achievement of ever-increasing levels of food safety is priority one. In addition, the industry is investing in outreach initiatives to provide science-based information on the

value of high-quality meat protein, vitamins, and minerals in a balanced diet.

On missing components, an agricultural policy framework confined to the mandates of the Minister of Agriculture and Agri-Food is not sufficient for a sector that is impacted broadly and deeply by other government departments and agencies. It is vitally important that there be a whole-of-government commitment to policy, programs, and decisions that support increased agriculture and agrifood production, value added, innovation, exports, investment, and jobs.

Concerning taxation and fees, the meat industry values the current government's policies and programs, such as internationally competitive taxation and accelerated capital cost allowance. These policies have had a positive impact on the retention and creation of meat production and processing jobs in Canada, and it is of the utmost importance that they be continued.

Conversely, government fees are placing the industry at an increasing disadvantage relative to international competitors. In the U.S., food safety is a public good, and the government provides funding for meat inspectors. Canadian companies must contribute to the salaries of government-employed meat inspectors. The U.S. industry funds foreign regulatory officials who audit the U.S. meat inspection system. In Canada, the Canadian government invoices the industry for 50% of expenditures incurred by foreign officials who audit our food safety system.

The government will soon publish the new safe food regulations for Canadians. We understand these regulations will be accompanied by a new fee regime that will further disadvantage processing in Canada. Regardless of whether it is sold in the domestic or foreign marketplace, non-aligned government taxes and fees disadvantage the Canadian livestock and meat sector on every kilogram of meat produced. Non-aligned taxes and fees function in direct cross-purposes to the objectives of the next agricultural policy framework.

On regulation, the meat industry is the most intensely regulated food industry in Canada. Science-based, outcome-oriented, and competitive regulations must be the foundation of commercial competitiveness. The next agricultural policy framework should not remain silent on this subject. For example, mandatory temperature requirements for carcass cooling, cutting, and boning are significantly more lenient in the EU. Nevertheless, the CFIA allows EU meat products to enter Canada despite their less onerous production conditions. In addition to food safety implications for consumers, the divergence between Canadian and EU standards penalizes Canadian companies in terms of yield and operating cost.

Canada and the U.S. have quote-unquote equivalent meat inspection systems. Nevertheless, shipments of U.S. meat into Canada proceed directly across the border to a CFIA-inspected facility. Conversely, shipments of Canadian meat into the U.S. incur unwarranted waste of time and expense associated with mandatory stops at privately owned facilities before proceeding to the USDA inspection facility. Food safety requirements that disadvantage production in Canada function in direct cross-purposes to the objectives of the next agricultural policy framework.

On labour, meat processing companies require full complements of skilled workers to remain competitive. However, an insufficient number of Canadian workers are willing to become meat cutters or butchers, and fewer still are willing to relocate to our rural towns. Each worker on the production line in a meat plant creates four other jobs in the economy. By preventing access to workers for jobs that most Canadians will not do, current government policies are suppressing the creation of many more jobs that Canadians would want. The absence of sufficient workers is a leading threat to the retention of a competitive livestock and meat sector in this country.

• (0955)

In conclusion, Canada's globally competitive livestock and meat value chain has the desire and capability to provide increased production, value added, innovation, exports, investment, and jobs. We welcome the commitment of the Minister of Agriculture and Agri-Food to the next agricultural policy framework. However, we also believe that the success of the next agricultural policy framework will require a coherent and supportive whole-of-government framework of policies, programs, decisions, and government-industry co-operation.

Thank you.

• (1000)

The Chair: Thank you, Mr. Warren.

We now go to the Chicken Farmers of Canada.

Mr. Dungate, go ahead.

Mr. Mike Dungate (Executive Director, Chicken Farmers of Canada): Thank you, Mr. Chair.

Chicken Farmers of Canada proudly represents 2,800 chicken farmers. While the number of other farmers may be shrinking, we are up a hundred farmers in the last year. We are a growth industry on farmers even. We have a value chain, and it's a value-added industry. We have 244 hatching egg farms that go to 40 hatcheries, 76 feed-mills, and 191 processing plants across the country. We purchase 2.6

million tonnes of feed a year, supporting farmers in the grains and cash crop sector.

We are a driving force in supporting jobs, economic growth, and prosperity in both rural and urban communities across every province. We sustain 87,000 jobs, contribute \$6.8 billion to the economy, and pay \$2.2 billion in taxes.

We welcome the development of the next agricultural policy framework. Past frameworks have provided farmers from coast to coast with the policy support and programming required to make agriculture a success in this country. Our farmers have appreciated the opportunity to be engaged and consulted by government in order for it to better understand the needs of our industry and our priorities moving forward.

Chicken Farmers of Canada was present in Calgary when the "Calgary statement" was approved in July. We believe that the requests of the Canadian chicken industry are in alignment with that statement.

First and foremost, from a policy perspective, we appreciate your continued support of supply management, a system that allows us to provide stability and that is really our risk management program. We have made many representations over the past couple of years in terms of the integrity of the import control pillar with regard to illegal imports around spent fowl and the duties relief program. I'll leave those for another time.

Our first recommendation pertains to the issue of public trust. Public trust is really three things: doing the right thing, implementing assurance systems, and communicating to consumers.

Canada's agriculture sector is one of the most respected and valued sectors, both at home and abroad. However, with the heightened dissemination of information that comes with growing social networks and technological advances, consumers are becoming concerned about where their food comes from and more aware of the environmental, animal welfare, and health and safety impacts of food production.

Our farmers are proud of the chicken they raise—safely, with care, to high standards. They are doing the right thing on their farms.

Chicken Farmers of Canada has a federal, provincial, and territorial on-farm food safety system that is recognized. We are the first commodity to receive full recognition, in 2013. Only one other commodity, dairy, has passed through that program. It has best practices in terms of biosecurity and disease prevention. It is audited annually, and 100% of the farmers are on the program.

We also have a third party audited mandatory animal care program. It is designed to demonstrate the level of care that we have. It is based on the code of practice, and we just updated our code of practice in 2016. It includes animal care requirements, and it's based on research and science.

I think the biggest difference between the two is that one has an FPT-recognized protocol and the other doesn't. One of our biggest first tasks here is that we implement for animal welfare the same type of recognition protocol that we have on food safety.

We are going through an animal care assessment framework right now. There are animal rights groups and researchers involved in this committee. We think this forms the basis of the technical recognition of a program, and we would like to see that put in place. As Troy was saying, food safety and animal care are a shared responsibility and a public good. We take our part very seriously.

• (1005)

In respect of the on-farm animal care and food safety programs, Chicken Farmers of Canada and its partners across the country spend \$3.4 million a year managing this system and implementing it. That means training, certifying auditors, program administration, conducting third party audits, and revising and updating the program and keeping it current.

Of that portion, on the food safety side, about \$100,000 a year goes for the CFIA third party audit that has to be done each year. We pay \$3.4 million. We think there is a public good and a sharing, and we would like to see that sharing on an ongoing basis. Our second ask is that we put in not a program that lasts for two or three years but one in which there is an ongoing sharing of the costs that are certain for us moving forward. We don't want to develop programs that are at no cost to us and then, once the government funding goes, the programs fall apart because we haven't factored them into our overall costs.

Public trust also requires that government convey messages about our industry. We will convey our messages through our value chain on our sector, but we need good government communication from a public trust perspective in order to assure the public that government is doing its part. Whether it's CFIA or standing up for CFIA, we need to ensure that trust is conveyed not by us but by government as an amplifier of what we're doing.

Federal and provincial governments have made it clear in their mandates that the environment is a key priority for everyone in the coming years. We're looking at our impact in terms of that. Chicken production has one of the lowest meat impacts in environmental production. We're looking at it. We're doing a life-cycle assessment right now to understand exactly where we are and where we can improve. We hope to have that concluded in 2017.

I'll talk for a minute on innovation. We're pleased to see in that Calgary statement the importance of innovation. We support that. We like the cluster funding program that had gone on in the last agricultural policy framework. We think it needs to be enhanced from a contribution perspective in the funding level, but we would also like to see it not limited to five years. Can we not do an ongoing funding process so that we can make long-term commitments?

The challenge for us in poultry is that, unlike in beef and pork, that have three and two Agriculture Canada research stations, we have no research stations for poultry at Agriculture Canada. In the last cuts, we lost our last two poultry scientists.

In the whole poultry industry, we have developed a network of research and chairs at universities across the country. In order to provide that on an ongoing basis, we want to see cluster funding that goes on a long-term basis, not just for five years where we have to go back, and now it's a case of whether or not we can re-fund at those research stations at universities.

We are taking a significant step ahead on antimicrobial use reduction. This is one of our public trust issues. The poultry industry has voluntarily, across the whole industry, agreed not to use class one antibiotics on a preventative basis in poultry production. That has been in place since 2014.

The challenge for us on the innovation side is that we're looking at antibiotic alternatives. We need to work with authorities on approving antibiotic alternatives. If we're going to do the research on these alternatives but then we can't get them approved for use here because we're a smaller market or we classify them as drugs versus feed additives, then that research and innovation we're doing is going for naught.

We support the federal action plan on antimicrobial resistance and use in Canada, we're working with government on the next steps, and we're designing our next reduction strategy accordingly. One of the key parts in doing that is the Canadian global food animal residue avoidance data bank. We use gFARAD in order to determine what antibiotics can be used and to make sure there are withdrawal times. It is fully funded by industry. We think there should be a cost-sharing with government. It is not a high-ticket item.

To wrap up, we're in a partnership with you. We're in a partnership with government on food safety, animal care, the environment, what we're doing. We think there is a shared responsibility. We also think there's a shared benefit in what we're doing. That's why we're asking for a shared cost, because it is a partnership as we move forward.

• (1010)

We want to work on our third party audits. We want to see an animal care recognition program in place. We want to innovate and put that in place, and we're looking forward to having further discussion with you in terms of where the framework is going.

Thank you very much, Mr. Chair.

The Chair: Thank you very much, Mr. Dungate.

We'll now proceed with the question part.

Mr. Anderson, you have six minutes.

Mr. David Anderson: Thank you, Mr. Chair.

Both of you have had trade challenge issues. A lot of the discussion around APF is around funding, but we've also been talking about market research and development and those kinds of things. I want to talk a little bit about those trade challenges and the resolutions of them. Within APF, does there need to be some content about mechanisms to deal more efficiently with trade challenges? I'm interested in both of your perspectives on this.

Mr. Mike Dugate: I think the point is that agriculture is our sector. The agriculture department is our home. We need policy support from Agriculture Canada. One of the challenges is that it really does take a whole-of-government approach. We need to work across Finance and Canadian Border Services Agency and CFIA, which is now more under Health Canada where it was Agriculture before. I'm not sure that there are policy or regulatory implications within the agriculture minister's mandate that need to be done, but he absolutely has to take the policy lead in terms of it.

Mr. David Anderson: Okay.

Mr. Warren, you guys faced the COOL challenges for years. It took a long time to resolve that.

Mr. Troy Warren: Yes.

I definitely think it should be included in the framework. The challenge, obviously, with many international countries—I can rhyme off a few, the U.S., Russia, China—is that despite what would be a ruling by WTO or something, they either don't acknowledge that ruling or they work to extend whatever policy they've put in place for as long as they possibly can, such as in the case of COOL.

The challenge for us as a country that's so heavily dependent upon exports is that the damage is done by the time we finally get resolution. With COOL, you can say we won victory, but it nearly took a decade to claim that victory and to get our market access back. In the livestock industry in Canada, on pork and beef, animals really flow back and forth. They had probably knocked that industry down by 50% to 60% by the time we finally won that ruling, and there's no compensation in the meantime for those people who have gone out of business because their model of accessing some of these markets has disappeared.

So that's the biggest challenge. It's a great opportunity to export, it provides growth opportunities, but when an export market gets shut down, depending on its impact within the sector, the effect can be long-lasting. Whatever conditions could be included to help during those periods of time would also be very helpful.

Mr. David Anderson: This might be a difficult question, but do you have any suggestion on any mechanisms that might be included in APF? I know these are international challenges and they're typically done with trade, but do you have any ideas of anything we can suggest within APF that would work?

Mr. Ron Davidson (Director, International Trade, Government and Media Relations, Canadian Meat Council): There are a couple of things. One might be more active participation and better funding for Canadian participation in international standard-setting

bodies. For example, there are understandings that are reached there that, as Troy was mentioning, some countries won't abide by or won't adopt. I'm talking in this case, for example, about products, beta-agonists, used in animal production in Canada, which other countries simply ignore.

The other thing is that when we come up against trade challenges, such as what happened with COOL, the industry put a lot of money, millions and millions of dollars, into that. Certainly funding is an issue as to whether or not we even engage in trying to challenge them up front.

Mr. David Anderson: It's actually interesting, and it just came to my mind, that one of the things that was a strength for us was our ability to work with some of the associations in the United States. Maybe there's something there as well.

This is a fairly predictable question, I think, from what we've heard in the committee, but do you want to talk a little bit about the labour challenges faced by your sector? This has come up time and again in various ways. Do you have any advice for us? We're going to write a report and make some recommendations. Do you have any recommendations in terms of labour challenges?

• (1015)

Mr. Troy Warren: We would like to see ourselves included in any kind of base of agriculture where people are still able to access workers, be it on farms and so forth, and to have that access to labour.

With regard to the loss of the temporary foreign worker program, I mean, our industry would be a success story in terms of the pathway to permanency. I can speak specifically to our operation. We're short by 100 workers. We've been fighting to fill those 100 jobs for, honestly, multiple years now. We just churn through people. We actually go through on average about 50%; we have 50 to 60 workers who churn every single month. It's very difficult to run an operation when you're constantly trying to train people and educate them. This is food. We have high standards as to what needs to be done in our operation.

That's a burden on our plants. The way we get around that often is with overtime, or we move work to other parts, or we don't do value-added activities. It's something that needs to be addressed. Despite our efforts to do labour assessments and various other things like that....

I can speak to where we are in western Canada. We are active in trying to hire people out of the native community as well, and yet we can't staff our operations.

The Chair: Thank you, Mr. Warren.

Thank you, Mr. Anderson.

Mr. Peschisolido.

Mr. Joe Peschisolido (Steveston—Richmond East, Lib.): Mr. Chair, thank you.

I would like to thank the witnesses for joining us.

I would like to follow up a little on Mr. Anderson's questioning. Our agriculture minister has talked about Canada becoming a world superpower in food. Obviously we need to maintain the productions that we have with the U.S., particularly in hogs and cattle.

I'm from the Vancouver area, and a lot of focus now has been on Asia—China, Korea, Japan. You talked about 300 barriers to trade. Other than negotiating, is there anything from the framework agreement that we can take to facilitate our guys here, so that we can eliminate some of these barriers, or deal with them at least?

Mr. Ron Davidson: I want to be clear that 300 is for the whole agriculture sector. That's from the market access secretariat.

Mr. Joe Peschisolido: How about for livestock?

Mr. Ron Davidson: A lot of them.

Mr. Joe Peschisolido: Okay.

Mr. Ron Davidson: The way that mechanism functions is that they prioritize everything into four categories. The reality is that there are so many on the list and so few people that they really only work on priority one, if you're lucky. They take a long time to resolve these market access barriers, and they take a lot of technology and scientific support behind them. They're a long, slow process, and frankly, we're depending on other countries to come around to our view, at the end of it.

The resources are the biggest challenge that we find. I can give you an example. We used to have a CFIA that had a meat division, and the whole division would get involved in trying to negotiate these access barriers in foreign countries. They reorganized and made an import and export division. We had one person in that division for a couple of years who had the whole meat sector. It was one person. Now she has a bit of help, but there just aren't the resources there to do it.

If you can't export the product, you're certainly not growing your industry. You're basically conceding and forfeiting the jobs that go with it. That really is the key, and that is a government mandate that we can't do. It's only the government's mandate, and that's why we put so much priority on our presentation. Where we need the government to be involved is where its mandate is. It's a unique mandate, and it takes a lot of work and a lot of time.

The resources have gone down. The support to exports has gone down. At the same time, you're talking about increasing them.

Mr. Joe Peschisolido: Following up on that, for the first time in many, many years, I think decades, we're going to be opening up a CFIA-inspected slaughterhouse or abattoir in B.C. There will be one in Kamloops, perhaps one in Prince George, or at least we're looking at that.

Is that viable? I'm assuming the answer is yes, and if it is yes, how do we do it? Does the industry have to rejig a bit to the focus on high value-added because these abattoirs are aiming for a market in China, Japan, and Korea, not in the United States?

Mr. Troy Warren: They're viable provided you can access labour. Ultimately, what those markets pay a premium for is a high-quality, consistent product, and in many cases a highly converted product.

We're in the disassembly business. It's easy to sell big parts of animals. When you do that, you're typically sending it to someone who's then going to provide the value. They're going to disassemble it into a consumer-ready product.

What our industry will thrive and succeed upon is producing consumer-ready products, both for this country and for countries around the world. There's lots of opportunity developing in Asia. They need to import their protein, based just on their own production capabilities and their growing demand. For us to move up the value chain and provide sustainable jobs, it needs to be in a converted value-added format. That can be viable, but if you're just going to sell pure commodity parts of...and I can speak for Maple Leaf. We run chicken plants as well. If it's chicken or pork or beef, if you're selling commodities, you have to be really, really cost-effective.

That's also a challenge in this country with some of the other regulatory issues we face. There are better places to make pure commodity meat products than in this country. You can go to Brazil or some parts of eastern Europe that aren't part of the EU, and you can get really cheap labour, really cheap pigs or whatever, and you make big chunks of animal, but you send it somewhere else for the value to be added to it.

• (1020)

Mr. Joe Peschisolido: Up until about the Korean War—or as they say in Korea, the American war—the largest part of the hog industry in western Canada was in B.C.

Can we revive that, particularly given the fact that China, Japan, and Korea want our high-quality hogs, cattle? Perhaps we can just focus on them; I was going to ask something about chicken, but I don't think I'm going to have time.

Mr. Troy Warren: I think B.C. definitely has an opportunity. The breadbasket of Canada is more from Manitoba to Alberta, which has the grains and so forth. The challenge is then you've got to move the grain to where the animals are, and there's more land to put animals in those other parts of this country.

B.C. can have a viable marketplace, even relative to the population, even just to service the greater Vancouver area.

Mr. Joe Peschisolido: There are a lot of folks who eat out.

Mr. Troy Warren: Yes. You don't need to go to the other side of the world to go see Asia, in some cases, if you go to Vancouver. There are definitely markets there to be serviced.

The Chair: Thank you, Mr. Warren.

Thank you, Mr. Peschisolido.

[Translation]

Ms. Brosseau, you have six minutes.

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

I would like to thank the witnesses for taking part in this study on the next agricultural policy framework.

[English]

Mike and Lauren, thank you so much for yesterday. Francis and I had the opportunity to go out with some other MPs and staff to visit an amazing farm. I think it was in Richmond. It was Jonathan Fraser. I'd also like to thank them for letting us disrupt their day and have them answer all of our questions. It was a great visit. It wasn't my first time on a chicken farm, but it was definitely impressive to see all their chickens, all the work they do, and how far we have come.

[Translation]

Mr. Dungate, in your presentation you said that you had worked hard to develop a program and that you had conducted an audit of this food safety program without government funding.

Do you think the next policy framework should stipulate a specific amount to help you conduct those audits?

Mr. Mike Dungate: Thank you very much.

As to the farm food safety program, as in all other sectors of production, we received initial funding to develop the program. When funding is provided for program development only, however, there is a greater risk that production sectors will drop their program subsequently and not get past the first stage, instead of moving on to the second stage and so forth up to final approval of the program. That is what has happened in so many production sectors.

We want to establish a partnership with the government in order to share the costs and benefits. Whether it is a 50-50 split or 20% for the government and 80% for us, that kind of arrangement would be very helpful for us. What we really want is something stable, long-term.

• (1025)

Ms. Ruth Ellen Brosseau: Absolutely.

You also talked about audits of animal care or animal welfare. Consumers often ask us how to find out where foods come from and what their ingredients are. Moreover, it is a local market. There is a movement that supports buying locally.

Can you describe the scope of your work to promote animal welfare? What could the federal government improve to support you in that work?

[English]

Troy Warren or David could also answer that question.

[Translation]

Mr. Mike Dungate: Yes, of course.

We created the “raised by a Canadian farmer” program. Various retail outlets and restaurants participate in the program. As a result, chicken production and consumption have increased by more than 3% in 2015, and are expected to increase by 4.5% this year. People want local products.

Moreover, Canada is the world's eighth largest producer of chicken, but it accounts for just a small share of our market.

I agree with what Mr. Warren said about the importance of value added products, especially in gaining access to export markets. That said, offering fresh chicken and value added products in Canada is the best way for us to increase our production and generate benefits for the Canadian economy.

[English]

Ms. Ruth Ellen Brosseau: I don't know how much time I have left, but I know there were comments by Mr. Davidson and Mr. Warren about market access. I know that Canada has signed CETA, and I know that for farmers in my riding—I represent chicken, a lot of dairy supply management, and also pork—when they saw this deal, they were like, “Okay: I'm going to be able export. This is great.” I know that out west there are lot of farmers saying that this is amazing and that they have this opportunity. We have to make sure we say it's an opportunity, because there are trade issues.

I know a lot of issues have been talked about when it comes to washing cattle. When we go to the slaughterhouse, there's an acid wash. You also mentioned cuts, and you talked about how there have been cuts to market access. It was also mentioned by Mr. Davidson that at CFIA there was a meat division, that we don't have a meat division, that there was one woman who was working really hard to resolve these issues.

Can you talk to us about the importance of trying to work past... and maybe better funding of CFIA? Perhaps you could talk to us more about the cuts that were made to market access and the importance of making sure they're well funded, because when we have trade agreements, but we have these irritants, and we're not able to work past them, then they don't really mean very much.

The Chair: Sorry, Madam Brosseau. Your time is up.

Monsieur Drouin, you might be able to fit it in somehow. Go ahead, for six minutes.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Actually, that was going to be one of my questions.

Voices: Oh, oh!

Mr. Francis Drouin: I'll be nice and say please elaborate.

An hon. member: What a gentleman.

Mr. Troy Warren: There are a number of what I would call unresolved technical barriers with the CETA agreement for the red meat sector in Canada.

We are extremely supportive of the agreement. Any market access is a very positive development for our industry. The challenge, though, is that it has to be meaningful market access, and that's what we're struggling with. For the beef sector in particular, where the use of a number of antimicrobial sprays is absolutely paramount in providing Canadians with food safety requirements to deal with E. coli and so forth, those treatments are not approved in the EU. Any product that goes through that process in Canada will not be able to be exported to the EU. For whatever beef plant is using those processes, there is really no access to the EU.

Our challenge here is that when we negotiated, we allowed them to come into our country with standards that are below ours. Ultimately our challenge probably with the agreement is they have full access to us, and what is their reason to now negotiate with us to accept our standards?

We're not going to give up on the sector. We are going to try to work with the industry to fund research to then support why these processing aids have no human health risk and are good from a food safety standpoint and so forth, but the industry is going to fund that. We certainly need government help and we need research. We are going to need to go to the EU to basically prove our point that these things are valid and appropriate processing aids. Doing that on our own, from our perspective, is not work that we should be having to do. The government got us the access to this market, and they need to create full access to this market rather than just having an agreement in principle with no ability for us to execute trade.

• (1030)

Mr. Francis Drouin: Fundamentally it comes back to a public trust issue. In Europe they want to be able to say not to worry about Canadian meat, it's safe. They'll have the same processes as us, yet the Canadian process is a lot safer than theirs.

If I can move on to the chicken guys, Mike and Lauren, thanks for yesterday. I appreciate it.

In terms of public trust, you mentioned that you have an animal care program. How do you see the next APF play a role in an animal care program? I know that most farmers raise their chickens and their animals with respect and security and whatnot, but there is always that one video that will be on social media and somehow the whole industry is acting like this when we know that's not the truth. We're not doing a good enough job communicating this to consumers.

How can CFIA or the government help, and how can we help your industry ensure that you communicate well with consumers?

Mr. Mike Dugate: Thank you, Mr. Drouin.

I think the challenge here is that we're fully supportive: we've had our animal care program in place since 2009. It's on. It's fully audited every year, and from that perspective it's mandatory for us. There is no ability from any government regulations to make it mandatory. We use our supply management regulations in each province to do that.

I take it that it's the same way with our food safety program. If you don't meet it, if you're not certified, we will pull your quota, or we will say you don't have your licence to produce, so you can sell your quota, but you're not going to produce any chickens there. We can't take that financial piece away but we can enforce it.

I think the challenge for us is communication. If we have a government third party audited animal care program, a recognition protocol, then it says we've gone through it, and they've met the requirements out there. We're going through this animal care assessment framework, that is being funded by Agriculture Canada, through the National Farm Animal Care Council. There are animal welfare groups on the National Farm Animal Care Council. There will be animal welfare researchers on this assessment framework. There will be farmers and there will be veterinarians and others who will develop it. It has to be developed so it is absolutely credible. Once credible, our farmers have to do the right thing and follow the program. We will make sure they follow the program.

I think it is a sharing of the funding, but the recognition part, the assurance system and the government role in that, I think can speak to Canadians who are concerned about the care of animals but are not those who perhaps have a different agenda in terms of meat consumption. This is where we have to draw the line between the two.

• (1035)

The Chair: Thank you, Mr. Dugate.

[Translation]

Mr. Breton, you have six minutes.

Mr. Pierre Breton: Someone else can use my time.

The Chair: Okay.

Mr. Longfield, you have the floor.

[English]

Mr. Lloyd Longfield: Thank you. I'll share with Frank. He has a few more questions.

My question is for Mr. Warren. We had a presentation at the first part of this meeting about the conflicts between Health Canada and opportunities in agriculture export, the new regulations coming in that are at odds with trying to develop an export market. You had mentioned something along those lines as well. Could you expand on that a little bit, on the situation where we have regulations that aren't working together?

Mr. Ron Davidson: When we were talking about the regulations there, I think we were talking about the divergence between Canadian regulations and foreign regulations. For example, we are having regulations imposed on our industry that are not required in other countries, and yet those countries are allowed to export to us. That is one of the aspects that we addressed in our presentation. I'm not sure if that's the part you're getting at or if you're getting at something different.

Mr. Lloyd Longfield: No, sorry; maybe I picked up on a nuance that wasn't there, that there were conflicting regulations within Canada that would hurt your industry in terms of getting processed product to market.

Mr. Ron Davidson: I think that was Carla when she was talking about some of the regulations that are being imposed on food processors by Health Canada and about the cost of mandating all those regulations. She was getting into labelling regulations, as well: the cost of putting on the label, where you put it, and what you put on the various places on the label. I think that's what Carla was talking about.

Mr. Lloyd Longfield: Right. I thought you were reflecting some similar comments. I'll be following up with her on that.

I'll share my time with Mr. Drouin...or Mr. Peschisolido.

Mr. Joe Peschisolido: I'd like to follow up with Mr. Dungate, if I may.

I have a lot of chicken farmers in my riding of Steveston—Richmond East, which is just south of Vancouver. There are also a lot of chicken farmers in the valley. I visit my guys all the time. I won't say who I visited, but some were very, very good, when it came to animal welfare, on the transitions, to go from one set to another. Some were saying it would take 20 years.

I'm one of the guys who want to have a strong agricultural meat sector. You need to have public trust, because people vote with their feet. They eat other stuff or they just won't eat the stuff. Can you talk a little bit about your code of practice and what we can do—to talk about what you said—to have a strong animal welfare program so that there isn't concern from consumers on that issue?

Mr. Mike Dungate: We see it two ways as well. Our job as well, in doing this, is educating farmers. This is where we think we have right now....

The new code of practice came in and we took that code of practice. We have already decided that there are new elements in there that are not in our animal care program. Next week we will approve that all of these changes will become highly recommended in our program. They will not be "must do's", but they will be highly recommended. Otherwise, we'd have to change our program. What we're doing is the animal care assessment framework. We think that it will actually add on some more compared to the new code we just did in 2016. We don't want to confuse people and go, "We're going to change here, and we're going to change six months later." We're going right through the process.

We're going to go out and educate. Last week we brought in all the auditors across the country in two sessions, east and west. We brought them in on how they're going to audit these "highly recommendeds" and how they're going to educate farmers to bring in

these new practices that reflect... The last code of practice was in 2003, so we're updating it from that point. You may have seen some farmers who are not quite up to what we expect, but we're going to be there and have them there in the next year and a half.

The Chair: The opposition side would like to ask a question.

Mr. Shipley.

Mr. Bev Shipley: Thank you very much.

I have to be honest with you on this whole public trust issue. We take the innovation, and science and research, and we do all of those things that we're going to talk about in the Growing Forward program, but I have to tell you that if we don't have the public trust, all the rest of it sort of becomes less important. It seems to me, and Mr. Drouin said it, that one bad video becomes the standard.

The issue from what I see, or rather what we don't see, is this: what are we doing in terms of that communication? My assessment, and I have talked to groups, is that we talk about science and research and all of that, and people's faces just glaze over.

We need to take from the playbook that those who are opposing agriculture...whether it's in the cropping industry or in the livestock animal rights industry. We need to do that, to start with our little kids. We need to talk about it in a way that they understand when they're going to school, when they get through the grades, and then when they become the teachers or the professors at university. That integration has now become the social licence—whatever that actually means—because it's individually assessed. I really believe that, and I hope that there will be something that will come forward from you folks as an industry. This is not about chicken, and it's not about pork or beef. What can the government do to partner up to develop a communication strategy that will work with our young families and kids and become the norm to offset some of these one incidents that sometimes, quite honestly, get played up on a very short five-second or ten-second clip.

Mike or Troy, do you have any comment to this committee on how you might approach that as an industry?

• (1040)

Mr. Mike Dungate: Chantelle Donahue from Cargill took a real lead in terms of developing this. This came out, from Calgary, on building public trust. It got presented to federal, provincial, and territorial ministers. It is taking a value-chain-centric approach to public trust. Right now, we are trying to fund a hub and a coordinator. Chicken Farmers of Canada just approved its funding for that, going forward.

You get science-based here, on one side. Where we're going to get public trust is where consumer acceptability and science-based meet. That's where we have to get to, and it is our point.

It doesn't matter; we can tell them "science, science, science", but if they don't buy our product.... We can be dead right in terms of the science. At the same time, it is an education on our part, so that we're not downloading costs that are consumer acceptance-based and have no basis in fact.

If that's the case, then you're just adding cost to our industry. The consumer is just adding cost to themselves in terms of what they're going to have to pay for, and we're uncompetitive exporting. That's why we have to have a real conversation here. We think we have this kind of hub convenor model that we're working on with the

agriculture ministers and we hope we'll have it in place later this year, as the start.

The Chair: Thank you.

I think we have the bells ringing now, so we'll have to adjourn.

I want to thank the panel for being here. It has been a very interesting conversation.

[*Translation*]

Thank you, everyone.

[*English*]

We will adjourn the meeting.

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