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Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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• (1100)

[*Translation*]

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

[*English*]

Welcome to meeting number 46 of the Standing Committee on Agriculture and Agri-Food. The study that we are now doing is on the non-tariff barriers to the sale of agricultural products in relation to free trade agreements.

I want to welcome Ms. Jenny Kwan from the NDP, who is replacing Madame Brosseau. I think on our side we're all good, so far. There's one seat empty, but it will soon fill up.

Today we have with us the Canola Council of Canada. We've seen them before on different studies that we've done, and we welcome them again. We have Mr. Brian Innes, vice-president of government relations.

From the Canadian Canola Growers Association, we have Mr. Brett Halstead, president, and Ms. Catherine Scovil, director of government relations, who is also from my beautiful province of New Brunswick, I think.

Welcome to all of you. We will begin with your 10-minute opening statements.

I think, Mr. Halstead, that you would like to start, so I'll give you 10 minutes. Thank you.

Mr. Brett Halstead (President, Canadian Canola Growers Association): Good morning, and thank you for the invitation to be here again. It's a pleasure.

My name is Brett Halstead. As you said, I currently serve as president of the Canadian Canola Growers Association. I farm near Nokomis, Saskatchewan, growing a variety of grains and oilseeds, and raising a beef cattle herd.

With me here today is Catherine Scovil. She's our government relations director here in Ottawa. CCGA is the national organization representing canola farmers. We have a membership of 43,000 farmers, and we represent those farmers on national and international issues, policies, and programs that affect their farms' success. We also are members of the Canola Council that is here with us today.

In my tenure as president of CCGA and my time spent on various agriculture boards, free trade has remained a central interest to grain farmers. Canada is blessed with great land and agriculture production, but we need an international customer base for our

farms to be successful. This is particularly important for canola because we export 90% of what we produce in either seed, oil, or meal. That was valued at \$10.2 billion last year in Canada.

It used to be that the focus of trade and trade agreements was on tariffs, but now we are finding that non-tariff trade barriers need to be front and centre. In addition to addressing tariffs, farmers are increasingly having to manage the impact of existing and new non-tariff trade barriers. These can take many forms, including non-scientific sanitary and phytosanitary requirements, delays in approvals for new crops from biotechnology or crop inputs, or additional business requirements asked of our Canadian exporters.

Each of these barriers creates uncertainty in our operations, impacting demand for our crops, the price we receive, and what crop inputs we can use. The added uncertainty of these risks impacts our entire business, from deciding what crops we will grow, where we ask questions like "Will China buy our canola seed this year?", to determining what seed or crop inputs we purchase, "Has the U.S. approved a certain chemical for use on the products they import?", and how we market our crops, "Will prices decline, if markets are closed?"

Increasingly farmers are asked to manage competing market requirements and adjust their operations accordingly.

The situation with China this last summer highlights that point. China signalled that its solution to the blackleg situation was to lower dockage levels. Whereas blackleg is a fungal disease found in canola fields, dockage refers to the material in the canola seed that is not the plant, including weeds or straw or other foreign matter. Canadian standards allow for 2.5% dockage. While many companies negotiate and set those levels in contracts, China was asking for 1%.

Based on the available research and science that was proposed, the Chinese rule was counter to the finding that showed that the threat of spread of blackleg through dockage was nearly non-existent. China, however, continued to push for reduced dockage levels.

Through the summer of 2016, the industry worried about the potential loss of our second-largest export market, valued at \$2.7 billion, and our largest market for our raw seed. Prices fluctuated during the summer as there was uncertainty in the markets. For me and other farmers, this meant having to keep canola on the farm longer than anticipated or having to sell at a reduced price. For those forced to sell for cash flow, it also meant taking a lower price.

The industry was thankful that a solution was found and wants to recognize the work of Ministers Freeland, MacAulay, and Prime Minister Trudeau on finding that resolution. But the solution required the involvement of every level of government, and sometimes that is what's required. If Canada is truly going to capitalize on the benefits of trade, we need to have continued and ongoing commitment to resolve barriers. Relationships with trading partners must be managed, and addressing barriers must be a priority across government departments and at all levels of government.

Tariffs can be addressed through trade agreements, and increasingly there are opportunities to address non-tariff trade barriers through those agreements as well. CETA and TPP offered examples of this. CCG is supportive of CETA with the European Union and looks forward to its implementation. With CETA, the tariff on crude and refined canola oil will be eliminated immediately, creating new opportunities for canola. But to truly capitalize on CETA, tariff elimination needs to be completed with a timely and predictable EU regulatory system for biotechnology varieties and crop input products.

Under CETA, Canada and the EU agree to strengthen co-operation on biotechnology and have signed parallel letters committing the EU to an efficient and timely process for biotechnology trades. Different from past Canadian bilateral agreements, CETA expands past tariffs and looks at other factors influencing trade. If successful, it provides an example whereby non-tariff issues can be incorporated in such agreements.

The Canadian government must continue to pressure the EU to live up to this commitment, not just on paper but in real time. This is an ongoing project.

The TPP also aimed to establish better rules for trade. The agreement set new rules to address biotechnology-related barriers committing TPP members to increase co-operation, to exchange information, and to rely on a more transparent process. In addressing the challenges that may emerge, we look forward to working with the government to find ways to pursue the gains that have been negotiated under the TPP and to maintain access to the Asia-Pacific markets.

As Canada looks to a potential agreement with China, both tariff and non-tariff trade barriers must be part of this dialogue. Beyond specific agreements, solutions to manage such broader issues as maximum residue limits, also known as MRLs, or the low-level presence of biotechnology, known as LLP, are required, either through bilateral or multilateral trade agreements and/or recognition of global standard-setting bodies such as Codex. Canada is and should continue to take a lead in addressing issues such as missing or misaligned MRLs and promoting that LLP policy.

●(1105)

As producers, we do our part to facilitate trade. We wait to use new technologies and new crop inputs until they are recognized in our key export markets. Often this means not adapting to the newest and best technologies on our farms. These technologies may have been deemed safe and effective by our Canadian regulatory bodies, which we feel are amongst the best in the world, but we do this in order to protect our export markets.

As we do our part, we also need our Canadian government to maintain a strong and dedicated commitment to pursuing trade agreements and addressing and resolving non-tariff trade barriers across all departments and at all levels of government on an ongoing basis. We need our governments to be competitive in addressing the barriers to trade.

Our focus is on transparent and science-based trade. Through free trade agreements, ongoing work to address trade barriers, and Canada's leadership internationally, we have a platform to be competitive and to expand our exports.

Thank you for this opportunity, and I look forward to your questions.

●(1110)

The Chair: Thank you, Mr. Halstead.

Now we have Mr. Innes, for 10 minutes.

[*Translation*]

Mr. Brian Innes (Vice-President, Government Relations, Canola Council of Canada): Thank you, Mr. Chair.

[*English*]

Thank you very much for the invitation to be here this morning.

First, I'd like to explain a little bit about the Canola Council and our industry. The Canola Council is a value-chain organization representing the entire canola industry, including the 43,000 canola growers, the developers who develop the seeds, the processors who turn canola seeds into canola oil for human consumption and meal for livestock consumption, and the exporters who send canola seed for processing at its destination.

Our industry has a plan to meet the world's growing appetite for healthy oils and protein. "Keep it Coming 2025" is our plan to meet this increased demand through sustainable production and yield improvement, achieving 26 million tonnes of production by 2025.

Allow me to put that 26 million tonnes into perspective. Our industry has doubled production over the last 10 years and now produces about 18 million tonnes of canola a year. We're driven by international demand, and we will keep it coming, but we will only be able to do so if we are able to have stable and open trade with the markets that value our products the most. This is why stable and open trade is a key pillar of our strategy for growth, along with sustainable production and differentiated value.

More than 90% of what we produce in Canada is exported as seed, oil, or meal. This was worth more than \$10 billion last year in export revenue for Canada, which is roughly three times the value of a decade ago. Our exports are bringing value from international markets to drive growth here in Canada. Access to a variety of markets free of tariff and non-tariff barriers is essential for our industry to earn the most value for our exports.

We've had success in improving market access for canola by working with government, and we have a plan for market access for the future. The Canola Council has prioritized the key market-access challenges facing our industry. We have a long-term plan to improve market access. In our plan we focus on tariffs; biotechnology and innovation; sanitary and phytosanitary measures, or SPS; and sustainability.

For innovation and biotechnology, it's about ensuring that these technologies are regulated based on science, including innovations. For sanitary and phytosanitary measures, it's ensuring that measures designed to protect plant, animal, and human health are predictable and based on science. For sustainability, it's about ensuring that the practices our industry uses are recognized as sustainable.

Co-operative efforts by industry and government have been successful, and they must continue. For example, the support of market access by the Government of Canada has been instrumental in achieving stable access to China for our canola seed until 2020. Our success with China is a testament to the government's commitment to science-based regulations and science-based rules of trade.

Former trade minister Chrystia Freeland, agriculture minister Lawrence MacAulay, and Prime Minister Trudeau all had a hand in achieving that success, and support must continue to be able to resolve these market access issues in the future.

Through all of this effort, we have seen first-hand that market access is truly a team effort. We've had success because we've worked together, both within industry and across industry and government. For example, by working with the market access secretariat at Agriculture and Agri-Food Canada on non-tariff barriers, we've maintained markets worth \$2.7 billion in 2016. These were addressing non-tariff barriers, like canola seed going into China and our access to biofuel markets in the European Union and the United States. By eliminating those non-tariff barriers, just in 2016, we've maintained access to markets worth \$2.7 billion.

The market access secretariat brings together resources from across the Canadian government, including the Canadian Food Inspection Agency, the Health Canada pest management regulatory agency, Agriculture Canada, as well as Global Affairs, the provinces, and officials at our embassies abroad.

●(1115)

Similarly, our industry has demonstrated that we can come together and work with government co-operatively to address these issues, but there is more to be done. Non-tariff barriers are preventing our industry from growing, and trade agreements can help.

I'd like to focus my specific comments on two areas. The first is an example of what has worked in the past, and the second is what should be included in future trade agreements.

As an example, we've had success in advancing policies to prevent trade risk caused by low-level presence. Low-level presence refers to the presence of a biotech crop approved in an exporting country but not yet approved in an importing country.

We've seen this success through several initiatives. Consider the trans-Pacific partnership and the Canada-Europe comprehensive economic and trade agreement. Both included low-level presence in the text of those agreements. There's also a global low-level presence initiative led by Canada that is advancing policy solutions with 15 like-minded countries, and Canada has released a model policy on how countries can support stable trade while respecting their regulatory obligations.

How did we achieve this success? We've seen success on LLP because there has been a whole-of-government approach and we have had clear direction from parliamentarians and ministers. Industry has also worked closely with government throughout this process. All three of these are required for success: a whole-of-government approach, a clear direction from parliamentarians, and industry engagement in the process.

Now, looking forward to potential free trade negotiations with China, we note that China is a very important market for canola but more broadly for agriculture and certainly for grains and oilseeds. There are clear opportunities for a free trade agreement to prevent non-tariff barriers that are hampering our industry. You've heard two of them mentioned. I'll expand on that slightly.

Key examples are related to biotechnology and crop protection products. As Brett outlined, before Canadian growers can use these new biotech seeds or use these new products to protect their crops, these products must meet Chinese requirements. As approvals are much slower and less predictable in China, this means that Canadian farmers are denied access to these new innovations.

There is an opportunity through free trade agreements to get solutions for these non-tariff barriers. For example, there are opportunities for Canada and China to further define what both countries have already agreed to through the WTO—making SPS measures that are based on science and that are the least trade-restrictive measures possible.

In the case of crop protection products, this could mean that if a residue limit for a crop protection product does not exist in one country, the other country's standard—or an international standard—could apply on an interim basis while the importing country completes its domestic process.

That's just one example, but it's important to realize that getting rid of these non-tariff barriers will have benefits for the entire value chain. For seed developers and life science companies, it creates a more predictable investment environment, and that encourages more innovation. For growers, it means more options to control pests such as insects and weeds, and it means better access to new seed varieties. For exporters and processors, it means more predictability, and that means less risk and more value back to Canada.

In closing, canola has grown because we are a competitive exporter with access to world markets. It contributes more than \$19 billion to our economy every year and supports a quarter of a million stable jobs. Maintaining and growing this prosperity will depend on successfully overcoming future market access challenges and non-tariff barriers.

I look forward to your questions.

[*Translation*]

Thank you.

• (1120)

[*English*]

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

We will move to our question portion.

We'll start with Mr. Anderson, please, for six minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

I want to thank our guests for being here this morning. I wish we had more time to talk about this than we do.

Mr. Innes, you talked a bit about China in these last few minutes and about some of their concerns on crop input products and biotech. In your news release last week, I think you supported CETA, but you also mentioned that those same sticking points are in place there. What are your reservations around those non-tariff barriers for grains and oilseeds in CETA?

Mr. Brian Innes: The CETA is very positive in that it gets rid of tariffs, and certainly with the world environment we are in, being able to get rid of tariffs and conclude free trade agreements is very positive.

Where we have reservations is around our ability to continue to have stable access to that market, because of their regulatory systems and how they implement them for biotechnology and crop protection products. For example, during the negotiations of the CETA, there

was a letter from the European minister to the Canadian minister saying that they will approve biotech traits of interest to Canada as fast as possible through their system. We saw in 2016 that this did not happen. In fact, there was an example involving a soybean trait, and Canadian growers lost out on an entire growing season because of political delays in the system. That had to do not with the science-based assessment process but with the implementation of that system through the political process.

What impact would that have on the canola sector going forward? That same thing could happen to us despite the commitment that was made in the context of the agreement. As we talked about, that means that when we grow a biotech trait, it will be present in the Canadian system, even if we decide to segregate a certain crop to go to Europe. Europe does not have a low-level presence policy, meaning that any presence of a trait that is not approved in the European Union would not be in compliance with their system.

As an industry, we would face a choice. Do we not commercialize that product? Do we not grow it, as happened with soybeans last year in Ontario? Do we not ship at all to Europe, or do we try to segregate and ship knowing that there's a real risk that we won't be in compliance with European regulations? That's where our concern comes from.

Mr. David Anderson: Is that basically the application of the precautionary principle that they're applying to trade?

Mr. Brian Innes: Certainly their system functions on a political decision process as opposed to a science-based process, and because there are political concerns, the process does not function efficiently.

Mr. David Anderson: What do you think is the most threatening area then? Is it government restrictions? Is it a refusal to accept new biotechnology? Maybe Brett could answer this too. It might be different for growers than it is for the value chain. Where's the biggest threat to you in the next few years?

Mr. Brian Innes: I'll let Brett follow this from a grower perspective.

The threat to industry is that in Canada we are competitive because we are an innovative sector. We adopt new innovations, and that means that whether it's new breeding techniques or new crop protection products or new varieties, that is how we maintain competitiveness. As we move away from science-based systems in places like the European Union, it is more difficult for us to adopt those innovations.

Mr. David Anderson: You mentioned not being able to use new technology.

Mr. Brett Halstead: Right. Many of the new innovations help us control weeds or disease species that are harder to control, and that's where the innovation and the development of new products is attempting to work for producers. The sooner I can get those new innovations, the more competitive I can be. We compete globally with other products, both oilseeds and soybean-type products, so it's very important to maintain my competitiveness.

• (1125)

Mr. David Anderson: This might sound like a bit of a strange diversion here, but can you tell us a bit about your lobbying structure and strategy? Can you give us an inside look at how you deal with these issues? Do you focus primarily domestically trying to get the Government of Canada to go and do your work for you? Do you expend a lot of energy, say in Europe, on these issues as well? How does the Canola Council address these kinds of issues?

Mr. Brian Innes: Collectively as a value chain, along with our grower partners, we do have links internationally, so we do work with our industry counterparts. When it comes to regulations in the European Union, the Government of Canada is the direct voice to the government of Europe, whether it's European Commission or otherwise. While we work with our industry partners, we have common interests with our Australian and North American counterparts and in many cases with European importers, but the government-to-government voice and the political voice are those of the Government of Canada.

Mr. David Anderson: What are the best of the government initiatives on this side, in our country here? The government obviously has a big focus on trade, trying to deal with these barriers, both the trade barriers and non-trade barriers. But what are the best initiatives that you see coming out of the government? Is the market access secretariat useful at all? Do you have any suggestions for us? We're going to do a report, I assume, so what should we be recommending?

Mr. Brian Innes: Certainly the market access secretariat has been a key way to bring government together from across departments. There's been clear direction from parliamentarians that market access is important and that resolving non-tariff barriers across government departments is incredibly important. Agriculture obviously has technical expertise but they can't do it themselves. That's where the message from parliamentarians for government to co-operate at all levels is important.

Mr. David Anderson: I think I'm probably running out of time.

The Chair: Thank you, Mr. Anderson and Mr. Innes. Now we'll go to Pierre Breton.

[Translation]

Mr. Breton, you have the floor for six minutes.

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

I also want to thank the witnesses for joining us.

We will continue the discussion on the Market Access Secretariat Mr. Anderson started.

The secretariat was created to help industry resolve issues related to market barriers. You were going to provide details on your experience, current or past, with that secretariat. Given that this organization plays an important role in reducing barriers, could you elaborate on the subject?

Mr. Innes and Ms. Scovil, I will let each of you answer.

Mr. Brian Innes: I will begin.

Thank you for the question.

[English]

The market access secretariat is incredibly important because it brings people together from across governments, across government agencies and departments. That alignment is incredibly important. On issues that we're looking at for non-tariff barriers, for example, it's really important to have the regulator at the table, because it's the regulator from CFIA or the PMRA who has the direct interface with their counterpart in other countries.

The market access secretariat works because they're able to bring together policy people from within agriculture, the regulatory experience from CFIA and PMRA, as well as the folks from Global Affairs who have a mandate on behalf of Canada to be the main interlocutor with other governments around the world.

Do you want to add to that?

Ms. Catherine Scovil (Director of Government Relations, Canadian Canola Growers Association): To further that, I think we've seen a tremendous commitment from the market access secretariat to address trade barriers. I know on Tuesday of this week, you heard testimony from government officials. You talked about the number of trade barriers that are in that big matrix for the market access secretariat.

We do think, as industry, that all trade barriers need to be addressed to the greatest extent possible, and that the resources required to address those really need to be in place. That's really where parliamentarians have a critical role to recognize that this is part of our being successful in export markets, by addressing tariff and non-tariff trade barriers.

It is not just the work of Agriculture Canada and CFIA. There are other really critical departments that may not have trade as their top priority, like PMRA, but they need to have direction as well so that resources are available from those experts when they're needed to help the market access secretariat resolve problems.

As Brett said in his comments, it's really about having a mechanism to address trade barriers across departments as a priority and within all levels of government, right up to elected officials.

• (1130)

[Translation]

Mr. Pierre Breton: In a similar vein, Ms. Scovil, how satisfied are you with the way barriers are addressed, be they seen as priorities or not? By the way, we heard from department representatives earlier this week, and they referred to a list of about 290 barriers—a significant number. We know that the secretariat provides resources on various markets, both here, in Ottawa, and around the world.

Can you tell us about how satisfied you are with the way barriers addressed on a priority basis are identified?

I would also like to hear from each witness on this issue.

Mr. Brian Innes: Thank you for the question.

I will begin.

[English]

Certainly there are hundreds of issues on the list to be addressed. Some of them are canola issues. Sometimes issues take time to resolve, so it's not realistic to think that the list is going to be zero, because issues take time to resolve.

I would say from our experience that more resources would help resolve issues quicker. When there are priority issues, as what we had with China, we had sufficient resources to deal with that from government, including the market access secretariat. When there are pressing issues, there are resources.

But smaller issues that still could be solved with attention take a back seat when there are not resources. That's part of why we see so many issues on that list of issues to be addressed. There are non-tariff issues on that list—for canola, for example—as there are some tariff issues.

Ms. Catherine Scovil: Further to that, I sometimes think of our health care system that we tend to be ranked very well in terms of handling acute crisis situations, but not so much on those low-level issues. That's what we see, certainly, with the market access secretariat, in its ability to address things.

When issues become very acute and huge export markets are at risk, the resources are there but they are at the expense of other things that don't get addressed. Sometimes they're in canola, but sometimes they're in other sectors.

As Brian said, that list will never be at zero. As soon as one trade barrier is addressed, something else is going to come up. That's why, really, a continuous resourcing is required to address these issues on an ongoing basis.

[Translation]

Mr. Pierre Breton: I'm finished, Mr. Chair.

Thank you.

[English]

The Chair: Thank you, Mr. Breton.

Now, we'll go to Ms. Jenny Kwan, for six minutes.

Ms. Jenny Kwan (Vancouver East, NDP): Thank you very much, Mr. Chair, and welcome to the delegation.

On the question of low-level issues, if you were to prioritize three things for the non-tariff trade barriers that we need to focus on to help the growth and the future of the industry, what would those top three things be?

Related to that, CETA is on the horizon. It will be coming to Parliament for debate at some point soon. Within the context of CETA, what are the three things in that particular agreement that you think need to be addressed?

• (1135)

Mr. Brian Innes: I'll start. Thank you for the question.

You mentioned three things in the context of CETA, as well as three things, globally, in the context of our priorities. We've spent a bit of time talking about two of them, science-based regulatory systems for both biotechnology, new breeding techniques, and plant

breeding innovation; as well as science-based rules for crop protection products.

I would add a third, which is around food and feed safety regulation. When I talked about sanitary and phytosanitary measures that protect plant, animal, and human health, what we're seeing is that governments around the world are developing more intricate food and feed safety systems, which means that when we export our canola oil and canola meal from Canada, it needs to meet the requirements of multiple countries' food safety systems.

These are not necessarily intended to be trade barriers, but they become so when you have to meet multiple requirements, and it takes energy to be able to do that.

Those are three main areas where we're facing global challenges that would be global priorities.

Ms. Catherine Scovil: We would agree with those. It's really about making sure that trade is based on science and evidence, whether it's in the field of biotech or crop inputs. It really helps growers right through the value chain to have a predictable and transparent approach to trade if they know that the products we're using have gone through a regulatory process based on science, and that other countries with which we trade have that same basis.

Once it becomes political or other elements come into the fray, that predictability and transparency is gone.

Mr. Brian Innes: If I may, I'll add a brief response to your question on CETA.

There is a grains and oilseeds working group set up to ensure that the implementation of CETA delivers on the promise of the agreement and the commitments that were made during those negotiations. Therefore, in terms of CETA, it really is about making sure the working group has the ability to ensure that our grains and oilseeds sector can use the access that was negotiated.

Ms. Jenny Kwan: When you say, “making sure the working group has the ability”, can you define “ability”?

Mr. Brian Innes: Yes. Certainly, these issues are complex. Some of them are not unique to Canada or to a specific commodity. However, what we've seen, as we described, is that the working group needs to be able to draw on the right resources within the Government of Canada and to connect with an official at the right level at the appropriate time.

As Catherine described, this would be both across government and at multiple levels within government, at the appropriate times.

Ms. Jenny Kwan: What are your thoughts about the membership of that committee? Obviously whoever is on that committee is going to be key to connecting but also knowing what the issues are and making sure that those items are on the table for resolution.

Mr. Brian Innes: To date, there's been very positive involvement. We have had the chief negotiator for the Canada–Europe agreement be part of that grains and oilseeds working group. That level of engagement is very helpful and if that continues that will enable our ability to ensure that we're both getting across government and within the right level of government at the right time.

Ms. Jenny Kwan: You've mentioned the top three priorities. By way of specific recommendations for this committee because that's what we do—we'll make recommendations to the minister—what would your specific recommendations be for action that needs to be taken to enhance and support the growth of your industry and to address some of these challenges?

Mr. Brian Innes: The most important is that we continue to promote a science-based regulatory system through all our interventions—whether it's bilaterally, multilaterally, or through trade agreements—and the ability to further define that in areas where we see opportunity for a lot more risk in the future, the areas we've talked about today. A recommendation from the committee to be able to articulate that as a priority would be very helpful.

• (1140)

Ms. Jenny Kwan: Do you have anything to add?

Ms. Catherine Scovil: Canada has an important role to play, certainly in promoting science-based rules to trade but also in its participation in some of the international organizations where some of the international standards are set. I know the government committed some extra funding to these international organizations like around—

The Chair: Ms. Scovil, thank you. We're going to have to cut it off there.

Ms. Catherine Scovil: Okay.

The Chair: Thank you, Ms. Kwan.

[*Translation*]

Mr. Drouin, the floor is now yours for six minutes.

[*English*]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Could I just ask you to finish your comment?

Ms. Catherine Scovil: Yes, thank you.

I was saying that Canada does have a leadership role to play in promoting these science-based, evidence-based rules at these international standards organizations, and we're certainly very happy with the extra funding that was committed to them. But I think in this era that we're now in of increasingly seeing trade protection across the world—not just in trade deals—there's a risk of people pulling out of these organizations as well, or not using them for their intended purpose of being a go-to standard for countries to look at.

I think this committee could look at how we can encourage the sustainability of those organizations and how we can encourage countries to defer to those standards to facilitate trade.

Mr. Francis Drouin: Thank you.

I want to go back to what Monsieur Breton and Mr. Anderson touched on, and that's process in lobbying. What we heard from the market access secretariat last week is that they do an analysis of the economic impact of their 300 priority list, then they'll allocate the resources that need to be available to ensure they tick off that particular priority. But on the issues of the low-hanging fruit, how are your organizations helping your members to advocate to get those off the table? Do you work with the Canadian embassies abroad? I just want to understand that process.

Mr. Brian Innes: Certainly I can start, and then hopefully have some support as well.

Issues of market access of importance to the canola industry are addressed collectively by the industry, and we engage with our members to be able to maximize our efforts when doing so. We come to government with a clear articulation of the most important issues that need to be addressed for our industry to be profitable, and we do that on a regular basis. For example, for the last six years we've had an annual meeting with the market access secretariat in the canola sector and we talk about our plans for the year and our priorities to address market access issues, including non-tariff barriers. We have an open dialogue, a regular dialogue, that helps that.

How we execute that internationally is also through our collective organizations in the grain sector, for example the Canada Grains Council. The Canola Council and the Canola Growers are both members of the Canada Grains Council and they engage internationally with an organization called the International Grain Trade Coalition, where we look at issues from around the world that are affecting the trade of grains and oilseeds and we can work collectively with our industry partners to be able to address them.

Mr. Francis Drouin: Does the secretariat provide regular updates? Do they say, okay, here's what we've done so far, here's who we've met, but we need some help on that side so can you engage your stakeholders to help us on that side? Do they do that, or is it just that it goes into a dark room and then once the issue is solved, it's voila?

Mr. Brian Innes: The collaboration has been quite good. We have a very strong working relationship with the market access secretariat. It's working very well that way.

Mr. Francis Drouin: Okay.

Mr. Halstead, do you want to add to that?

Mr. Brett Halstead: Yes, I'd just like to add one thing, more on a lower level for me because these are the experts here in Ottawa that deal with that type of thing.

I, or CCGA, as well as the Canola Council, have been part of an ongoing dialogue with our Japanese customers that flags any potential problems. We just discuss how we trade and keep an open dialogue. We have had relatively no trouble with Japanese trade, for example. It has been a communication process with the Japanese, and the trade has worked really well there.

Mr. Francis Drouin: Just speaking on that, you know beforehand that this issue might be a problem for us, so you want to start working—

• (1145)

Mr. Brett Halstead: It's just open dialogue where there's a continuous communication and a relationship built up with them over many decades. That's not to say it's perfect, but I think the communication has helped there. They really want the product, and we really want to sell it to them.

Mr. Brian Innes: One example of that would be where we talked about how the supply and demand situation is evolving. Also, we talk about how regulatory requirements are changing, whether it's in Japan or Canada.

In the past, for example, Japan has flagged where they see in our transparent regulatory system that we have a new crop protection product approved in Canada for canola, but they notice that they don't have a tolerance established in Japan, so they ask us about that.

That type of ongoing conversation is very helpful to be able to identify concerns beforehand.

Mr. Francis Drouin: The experience with Japan has been that they're focused on evidence-based policy. Has it been a good experience with Japan?

Mr. Brian Innes: Yes. Japan is very transparent and has a very similar regulatory system to what we have.

Mr. Francis Drouin: Just quickly, is there an impact analysis of those non-trade barriers, where you say, for instance, Europe banned GMO products a long time ago, not based on science. How realistic is it for us to come and say, well, you should start accepting this and you should look at the science behind it? Do you guys do an impact analysis of that, to see what our chances are, or do you just say, well, let's try, because if we don't try, we'll never get it?

Mr. Brian Innes: I'd just reflect that, when we do our prioritization, we look at both what's important and what's possible. I think we, like the government, are looking at using our efforts in the best way possible to get results.

In the case of Europe, for example, they do approve biotech varieties. We have concerns about their system, but they do import a lot of biotech crops into Europe. It's really about improving the transparency and functioning of the system for things that are important to us.

Mr. Francis Drouin: Thank you.

The Chair: Now we have Mr. Longfield for six minutes.

Mr. Lloyd Longfield (Guelph, Lib.): It's a great discussion. Thanks for coming here. It's really helpful to get these details.

There are two areas that I want to explore. One is with the provinces or territories and whether there's some work that needs to be done. I'm thinking of land use policy or things that get in the way of introducing new crops.

We had a discussion in Guelph not too long ago where that was brought up by the soy people, that getting permits for new products was an issue. In my head, I think what applies to soy might apply to canola. Do you have any comments on that? Is that too far out in left field?

Mr. Brett Halstead: As a producer, I'm always a little concerned about any regulations that might be placed on me. I take great pride in improving the productivity and the longevity of my soil, because it needs to be there for many generations to come.

I don't typically want to do something that's going to damage it, but at the same time, I don't like being told I can or can't do certain things, or have to do something a certain way.

Mr. Lloyd Longfield: So there may be some work that the federal government could do with the provinces, or is that something that we should just leave in the provincial realm?

Mr. Brett Halstead: I don't have a good answer to that.

Mr. Lloyd Longfield: Okay. Maybe that wasn't a fair question.

I'm wondering about the non-tariff barriers as they might relate to Mexico and the United States. We've talked about overseas. We had a Mexican delegation here earlier this year, and they were talking about the opportunities around canola and the barriers that might exist between Canada and Mexico. I'll just put that out there. Also, with the change in regime in the States, there may be something that we should be aware of as we're doing this study.

Mr. Brian Innes: Certainly they're not necessarily the right sorts of things to address in a trade agreement or a renegotiation of a trade agreement, but there are barriers and impediments when it comes to trade with the United States, even though we have no tariffs and we're very similar in our economies. I'll give you an example that I mentioned earlier.

Both Canada and the U.S. are modernizing their food and feed safety frameworks. Both governments are going along, but they don't always come up with the same answers or the same requirements. What that means practically is that when we're producing in Canada, our processing plants need to meet the requirements of Canadian regulators, but then they also need to meet the requirements of U.S. regulators and they need to be inspected by U.S. regulators. Right now, for example, there is a project through the Regulatory Cooperation Council that's looking at harmonizing our food safety systems.

Those types of efforts are really important. I don't think any of us would go for a meal in the United States and feel that we were not eating safe food in the same way that we're eating safe food perhaps later today, so a regulator-to-regulator dialogue is important so that our regulators are in conversation with other countries.

• (1150)

Mr. Lloyd Longfield: Are they asynchronous approvals?

Mr. Brian Innes: When it comes to our regulatory systems for crop protection products and biotechnology, those are quite coordinated. Where we see more risk in North America is on the food and feed safety elements.

Mr. Lloyd Longfield: Thank you.

If I can flip back over to Europe and CETA, at our last meeting we just touched on the differences with public trust issues in Europe, how public trust is a new requirement that we would have under CETA, and that we can get science-based approval, but then you have to go an additional step. What has your experience been with that? Where are we at, and do we need to consider something here in terms of our study?

Mr. Brian Innes: Certainly, this is a broad concern with the way the European regulatory system is moving. From the context of your study, I think, from our industry's point of view, it's really important that the Government of Canada remain engaged with European regulators and other countries that have similar concerns in Europe because movement of that system toward something that's less science-based and more political would disadvantage our ability to continue to export there.

Mr. Lloyd Longfield: In terms of organics and organic trade, there are a lot of public trust issues that come around that. Maybe we don't have enough time in the last minute or so, but is that—

The Chair: In the last 45 seconds.

Mr. Lloyd Longfield: Yes, in 45 seconds, could you maybe touch on that? I think we'll be having a presentation from the Organic Trade Association in a little while, but maybe before that, you could weigh in on it.

Mr. Brett Halstead: Yes, I can comment there.

I don't want to bash what somebody else does. Everybody makes their own decisions based on their way of marketing things, but I feel what I've done with my farm, by going to reduced tillage, burning less fuel, and increasing my production, producing more on the same acres, is very environmentally sustainable. I want to get out there and tell that story. Farm groups are talking more about telling that story to our consumers, both in Canada and abroad.

Mr. Lloyd Longfield: Thank you.

Thank you, Mr. Chair.

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

Thank you, Mr. Longfield.

Now we have Mr. Shipley for six minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much, Chair.

Thank you, witnesses. You need to be given a lot of credit. I think I heard that you've doubled your production in canola in 10 years. There will be a lot of things that will be a part of that success story, but when we get to the scientific evidence, it doesn't matter who's in government and it doesn't matter what country we're talking about, we always talk about requiring science and that it needs to be evidence-based, yet we get to the quandary where, I think, sometimes it's a science of convenience and interpretation.

I remember CETA discussions in Europe, at a time of GMOs. At that time, there absolutely was no science—as we all know, and as Francis has mentioned—against anything that was GMO or that it did not meet the safety of all those requirements. The comment was that it was public opinion that drove the governments to not accept that science and technology.

I want to just touch, then, on China and the blackleg. If I understood you right, the requirement was 1%. They've now altered the standard. I'm assuming that's an international standard, which would be 2.5% for not only Canada but other countries that ship in. Is that now established, whatever that number is? Maybe you could clarify that. Is that established now for the next shipments continuing on, or was that a one-time resolution?

• (1155)

Mr. Brian Innes: We have stable access for our canola seed to 2020. This means that dockage requirements are as they were in the past, which is a commercial negotiation between buyer and seller. There is a Canadian standard at 2.5%, and that is a general guideline. Our current trade with China is now stable until 2020.

Mr. Bev Shipley: That's great.

When we talk about biotechnology and innovation, sometimes we are ahead of other countries in terms of that biotechnology, whether it's in phytosanitary or sanitary, seed, the biotechnology part of it. How do we deal with other countries? We often are criticized in Canada because our regulatory process takes longer for our products to get approved on the market than some other countries, like the United States. They've lost that market, then, because if we're being held back by that technology, we're likely behind the eight ball in sometimes having that approved anyway. How does that work?

Mr. Brian Innes: I'll start. I would reflect that one thing that's really helpful is when regulators talk to each other. It's certainly the industry's wish that things are entirely synchronized across our 50 markets, but in reality, that's never going to be the case.

What is helpful is when there is a clear message that regulators should work with their international counterparts and that alignment is actually in the best interests of both an exporting country and an importing country. I think the committee heard Canada is the fifth-largest exporter and the fifth-largest importer in the world. The message is, yes, the regulator's mandate and domestic health and safety are important, but you can also accomplish that by working with your international counterparts.

Mr. Bev Shipley: Just to clarify the point, if it becomes a non-trade tariff barrier or measure, which is sometimes referred to, for Canada, is it the same measure or barrier for the next country that is also shipping in at the same time? Is there any sort of preference that happens or is it because this is the way it is, it's the same for every country? Do we know that through the market access secretariat, for example?

Mr. Brian Innes: I'll use biotechnology in China, for example. In some instances, we've had canola traits approved in Canada since 2012 that are still not commercialized and won't be commercialized until 2019. Once we get those, hopefully, approved in China, that means that anybody can grow those canola traits in the world. The challenge is, who else grows canola and exports canola in the world? Most of it comes from Canada. Sometimes these non-tariff measures have a disproportionate impact on Canada, and the situation I described on our canola varieties in China is exactly one of those situations.

When it comes to things like food and feed safety, that's very country-specific. For example, for us to be able to export our canola meal to China, each of our individual facilities in our system needs to be recognized by the Chinese food safety authority. In that case, it's very country-specific.

Mr. Bev Shipley: Okay. I was reading in an article regarding India and the requirement of a fumigant to be put on canola products going into India. Is that something that we know is also required of our competitor countries around us?

The Chair: Give a quick answer, please.

Mr. Brian Innes: For India, we don't send canola seed to India and we're not subject to that currently, but those measures often apply to all countries. It really depends on the specific issue.

•(1200)

Mr. Bev Shipley: Thank you, Mr. Chair.

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

Thank you Mr. Innes.

With this, we will conclude our first hour of the panel. I want to thank everyone on the panel for being here today. I think we could have used another hour or two, because it's very interesting and it's a very important market for us, for sure. Thank you again.

We shall break to change the panel and also for you to grab a plate, if you want, and we'll get back in our seats and get it going again.

Thank you.

•(1200)

(Pause)

•(1210)

The Chair: Can I ask everyone to get back to their seats—we can eat on the go, I guess—and we'll get our second hour under way.

I'd like to welcome our panel. From the Canada Organic Trade Association, we have Tia Loftsgard, executive director. From the Canadian Cattlemen's Association, we have Dennis Laycraft, executive vice-president. Finally, from Pro-Cert Organic, we have Wallace Hamm, general manager.

Welcome to all of you.

I don't know if there was any order of who wanted to present first. Let's start with Ms. Loftsgard, for 10 minutes. Thank you.

Ms. Tia Loftsgard (Executive Director, Canada Organic Trade Association): Good afternoon, Mr. Chair and the honourable members of the committee. Thank you for inviting me to speak today on the topic of non-tariff trade barriers. My name is Tia Loftsgard. I'm the executive director of the Canada Organic Trade Association.

I'm joined today by my colleague, Wallace Hamm, general manager of Pro-Cert, which is one of the largest Canadian organic certification bodies. Following my presentation, he will present on areas where immediate action is needed to address some self-imposed barriers to trade that we are experiencing as an organic industry.

The Canada Organic Trade Association is a national membership-based organization. COTA is the voice of organic trade in Canada. We work on market access issues via international trade missions, and we have been involved with the federal government on the assessment of foreign organic standards and organic equivalency agreements.

Our membership represents the entire organic value chain, including farmers, manufacturers, importers, exporters, distributors, and provincial organizations. We also lead on industry and consumer awareness initiatives, as well as organic data collection for the organic value chain round table and the organic sector.

Currently our organic industry is worth \$80 billion U.S. worldwide, and it is estimated to grow between 16% and 25% by 2020. Canada is the fifth-largest organic market in the world, with

\$4.7 billion in sales, and we are well regarded as a global export leader in several organic commodities around the world.

Organic is a unique subsector of our Canadian agriculture and trade, as it's limited to traceable organic supply chains and is subject to regulations, standards, third-party inspections, and maximum residue level inspections beyond its conventional counterpart. We are the most heavily regulated sector in Canadian agriculture, and likely as a result, the most trusted.

With more than 22 million Canadians buying organic food weekly, and with 5% of global food sales being organic, Canada's organic sector should position itself to continue to meet these global demands and position itself as a world leader in agriculture. However, the sector on its own cannot achieve this stature when it is continually having to fund its own standards, inspections, and certifications, and to assume all the business risks on its own.

In its current state, the new safe food for Canadians regulations have many threats to our sector, which we will feed into the ongoing consultation process. There is no level playing field for crop insurance coverage, there are no incentives to transition to organic—as many of our trading partners offer—and maintaining the Canadian organic standards review process is going to cost our sector over a million dollars by 2020. This is a cost that the industry has to bear in Canada, yet it is funded entirely by governments in the United States and in the EU.

Organic trade is subject to many business risks related to trade due to our limited supply options, the unknown risks of any changes to NAFTA—as these are two of our largest organic trading partners—and additional testing required on maximum residue levels on Canadian organic products entering foreign markets, particularly because there is no tolerance within the organic sector.

These non-tariff trade barriers are holding back the growth of our sector and the ability to capitalize on the opportunities that exist. At a minimum, the Canadian organic sector should be able to keep pace with its major trading partners and eliminate the non-tariff regulatory barriers that exist.

Secondly, the government collects a vast amount of information and data on agricultural production and import and export trade flows, but it rarely segments out data effectively on the organic sector. The lack of sound data limits the ability to assess market opportunity or the loss of market opportunity for Canadian producers, manufacturers, and businesses. As harmonized sales codes are used to negotiate trade agreements, maintain trade statistics, and identify goods and shipments that pose a risk to the health, safety, and security of Canada, the organic sector is very limited in its ability to track trends, evaluate trade flows, and have concrete data.

We believe a lack of organic data is a risk for the government and for the sector, and it prevents both parties from making informed business decisions, trade agreements, and program-related decisions regarding this sector, which lives within the agricultural envelope. It's noteworthy to mention that 2011 was the last year that census data was collected on the organic sector expansively.

Trade agreements such as NAFTA and CETA are very important trade agreements for the entire agricultural sector. The organic sector is subject to additional trade agreements, such as organic equivalency acts.

- (1215)

Canada has negotiated organic equivalency agreements with 90% of our major trading partners. This includes the United States, the European Union, Switzerland, Costa Rica, and Japan. Agreements with Mexico and South Korea are currently being negotiated. The organic industry's success relies on the Canadian government making sound decisions in relation to these organic equivalency trade agreements and understanding the ramifications of these on Canadian organic trade.

We recommend the following: create a targeted list of 100 new import and export HS codes in order to better understand trade flows in the country; improve the level of detail in the questions about organics in the census of agriculture and other national annual agricultural surveys; improve consultation with the organic industry on the ramifications of foreign organic equivalency agreements; and develop, in partnership with the organic industry, a national organic data-collection strategy that includes production, organic yield, sales, and pricing data for key organic commodities.

Now I'd like to hand over the presentation to my colleague, who will provide additional details and examples of how the non-tariff trade barriers are affecting our sector.

Mr. Wallace Hamm (General Manager, Pro-Cert Organic):
Thank you, Tia.

My name is J. Wallace Hamm, and I am the founder of Pro-Cert Organic Systems, a pan-Canadian organic certifier in its 27th year. I'm also a grain farmer in Saskatchewan, though it's not in the script.

Canada's organic industry is flourishing despite the fact that its eight-year-old Canada organic regime, or COR, is in need of a major overhaul. Much of that overhaul involves the removal of self-imposed, non-tariff trade barriers from the COR. This panel is therefore a serendipitous opportunity for the Canadian organic industry to ask for change. Yes, I said, "self-imposed, non-tariff trade barriers".

In the next few minutes, I will outline several of these trade barriers gleaned from a draft document, a white paper, entitled—and it's a long title—"COR Enhancements Needed to Ensure Organic Integrity, Increase Consumer Confidence in the Canada Organic Logo and Reinforce our Equivalency Arrangements".

This is a work-in-progress document, and it is capturing the main organic industry needs for a more competitive and less cumbersome regulatory future as the organic products regulations or OPR, moves from the Canada Agricultural Products Act, CAP Act, to the Safe Food for Canadians Act, and becomes part 14 of the latter, of the regulation. It will be distributed to all and sundry in the very near future, but before the April 21, 2017 deadline for comments on that recently gazetted regulation.

Here are some examples of self-imposed equivalency trade barriers. First is the U.S.- Canada equivalency arrangement, 2009. Certification to the USDA NOP, national organic program, in Canada is no longer allowed at the Canada organic office's request. There was ongoing negative impact on Canadian organic exports to countries that recognize the NOP but not the COR. NOP certification is required for out-of-COR-scope products such as health food products and pet food. There is no practical rationale for this self-imposed trade-restricting rule.

Second is the Canada-European Union organic equivalency arrangement, 2011. Certification to EU standard is also not allowed, at the request of the Canada organic office. There is similar negative impact on Canadian exports to the EU and other countries that want to see the EU logo. Again, there is no practical rationale for an arbitrary trade restrictive rule.

Actions needed include immediate elimination of the COR prohibitions against certification to the U.S., the EU, and other national organic standards, as well as increased consultation with and involvement of organic industry experts before and during equivalency negotiations.

Another example of a self-imposed trade barrier is the lack of sanctions for fraudulent organic claims. The organic products regulation, OPR, does not specify any penalties or fines for organic fraud. Likewise, the proposed part 14 of the safe food for Canadians regulation, SFCR, does not specifically impose penalties and fines for contraventions. It is unclear whether section 39(1) of the Safe Food for Canadians Act applies to part 14 of the regulation. Neither the OPR nor the proposed SFCR specify a cancellation period before fraudulent organic operators can reapply for certification.

• (1220)

The Chair: I'm sorry, Mr. Hamm. I believe you had 10 minutes between the two of you, so if I could ask you to quickly conclude....

Mr. Wallace Hamm: I can summarize it, if you want, in one minute.

The Chair: If you would.

Mr. Wallace Hamm: That's another example. The U.S. NOP has robust penalties and fines, and it has a five-year revocation period. The biggest concern, I think—and I'm ad libbing—is the demise of the Canada organic office, which is now under way. The COO, although underfunded and staffed, was a highly effective and internationally recognized administrative body that was equivalent to the USDA national organic program office. The unheralded and unrationalized demise of the Canada organic office and the dispersion of the COO staff throughout the CFIA, coupled with the erasing of all organic titles from correspondence and legal documents, will send—and is sending—negative shockwaves throughout the domestic and international organic community. The net message is one of lost emphasis and interest in the organic sector by the Government of Canada.

I thank you for my time.

The Chair: Thank you, Mr. Hamm. You may have time, if you want to cover some things, when the questions are posed.

Now we have Mr. Dennis Laycraft with the Canadian Cattlemen's Association.

You have 10 minutes, please.

Mr. Dennis Laycraft (Executive Vice-President, Canadian Cattlemen's Association): Thank you, Mr. Chairman, and thank you to the committee for addressing such an important issue. In our industry, it's one that we spend almost every waking hour addressing.

On behalf of Canada's 68,500 beef cattle producers, we want to share with you the challenges we face in exporting our products around the world.

Canada's beef cattle industry generates about \$10 billion in farm cash receipts. About half of that is the result of our export sales. The U.S.A. is our largest export customer, followed by Mexico, Japan, China, and Korea, but we export to somewhere between 80 to 100 countries depending on what's happening in market dynamics every year.

Export sales increase the value of every fed animal, and we feed animals so that they can grade as AA, AAA, or prime, as high-quality animals. Export sales will increase the value by about \$450 an animal and that, of course, increases the volume of beef we can

produce, which allows our industry to flourish in virtually every province in Canada.

This extra value is the result of selling a range of products that are not preferred in Canada but are delicacies in other markets around the world. Examples are short plates, short ribs, tongues, skirt meat, flank meat, long cut feet, lips, and livers. I could go on with a list of about 300 products that we can pull out of every animal we produce. In order to generate the most value, we need to find the best market for every product that is produced.

There is a growing demand for high-quality cuts as well, as middle-income populations increase in developing countries. Global beef imports are forecast to increase by 26% by 2024. Specifically, imports to the Asia-Pacific region are projected to increase by 44%. The opportunities in the Asia-Pacific region are a huge reason why we remain strong supporters of the trans-Pacific partnership agreement and the efforts to try to salvage it.

I'm here today to outline some of the barriers and impediments that stand in the way of Canada realizing even greater potential in these markets. Beef and beef products are generally considered "sensitive products" in many countries, meaning that they're more heavily protected by other tariffs or non-tariff trade barriers.

While we are seeing progress in lowering tariffs, non-tariff trade barriers are frequently waiting, or newly created ones are set in place to be the next wave of protectionism that we deal with. Generally, there is some effort to try to cloak these efforts under some scientific precautionary excuse, when in reality political science and protectionism are really the root cause of much of this.

I'll give you a few examples that we're looking at. We went through seven years of a WTO case on mandatory country-of-origin labelling in the U.S., which was targeted to discriminate against the imports of live cattle and hogs. Fortunately, we were able to win that, but there's a good possibility that it could raise its ugly head again. We just came back from Washington. We've maintained the legal rights and now have the right to retaliate should they put in place a measure like that again, and we would need to be able to stand prepared to do that.

The border reinspection procedure is outdated and costly. This was actually supposed to be phased out. It wasn't, and we've introduced some of the most sophisticated HACCP systems in the world since that time.

With regard to Europe—I'm going through the free trade countries we're dealing with—their ban on growth hormones dates back to the 1980s when they had a huge surplus of beef. Canada and the U.S. won the WTO case on this, but the European Union refused to comply.

Also, during the negotiations, they excluded meat hygiene from the equivalency agreement, which prevents getting systems approval. We have one of the best systems. In most other countries, they don't go plant by plant and approve it—I'll mention that China does as well—but rather they approve our entire system, which is what we would prefer to have.... It makes more sense. There's a very lengthy process to approve individual food safety interventions. Once you go through all of the scientific work, then it has to go through the parliament for each application, which becomes a highly politicized process over there. To produce animals to qualify for that program, we have costly and detailed certification programs that producers have to go through.

• (1225)

As for China—and this is true with many other countries—today they're not meeting the OIE guidelines for BSE. There's still no access for beef over 30 months or for offal. China is not honouring the international agreed-upon Codex standards for MRLs. We mentioned earlier the need for.... There are such sensitive tests out there, parts per billion, that you can pick up.... If you're not following the proper MRLs...in their case it's ractopamine. Essentially, you have to have fully dedicated equipment so that there is no risk of any sort of even coincidental exposure to it.

They have treated chilled beef as frozen beef, so we can't access the fresh market. We have to send it over frozen, and frozen is more frozen than frozen. It has to be frozen to a colder temperature and more quickly. You get into these sort of unusual techniques.

Again, we go back to individual facilities having to be approved, rather than systems approval. It can take very long, 11 or 12 months, every time you get on the list before you can get approval. We are overcoming those things over time, but as we move into these agreements, systems approval addresses that.

We have a free trade agreement with South Korea. Unfortunately, we are at a tariff disadvantage, but I won't go into that. Again, they're not meeting the OIE guidelines for BSE either. They're restricted under 30 months, when they should be allowing beef from all ages. They have a very long review for future cases. When we found a case in February, it took until the end of December. With other countries, we're open in a matter of two to three weeks, in most cases, but there are a few countries that took 10 or 11 months to go through the procedure to reopen.

They're also interfering.... There's a nuance with the United States, which is importing fed cattle from Canada—if you're from Ontario, you might have seen a much wider price discount. That's because a number of the U.S. plants are not bidding on Ontario cattle because of the certification requirements to go to Korea, even though the agreement says those animals are eligible and...shouldn't be. I won't go into that, other than to say that it's an issue.

There are Japan, Taiwan, and others where we are still not meeting the OIE guidelines related to BSE. I'll end with a couple of other examples. In the last number of years, the facilities.... China and these other countries wanted to go to every single plant. It's a very costly process, and right now a lot of that cost has been downloaded to industry. We'll pay a certain amount, but there is a point where we can't afford to pay for every inspection out there. In those cases,

they're simply not getting inspected and not getting approved, so it's standing in the way of some plants that are eligible to export.

One of the self-imposed ones, as we heard earlier, is labour. If you go to Europe—as we prepare for CETA—most of these countries expect a more denuded, trimmed product. It's a more labour-intensive and value-added product to go in there. If we're short on employees, we have to either reduce the number of animals we're processing to put on that line, or continue and not go to Europe. We need to address the labour issue. I'll just leave it at that.

I want to end with what I think are some of the solutions. I'm hopeful, after seeing the Barton report, that we're starting to see a culture shift about agriculture in Canada and the tremendous opportunity it presents in the future. We think that, with that, we can be an important economic driver for our country. We're one of the most trusted suppliers of food in the world as well.

We'd like to see that we maintain and increase the profile, influence, and funding of the market access secretariat. Earlier, I heard everyone stressing how important it is.

Another one is to maintain and expand the role of the Canadian Food Inspection Agency veterinarians and food safety experts posted abroad. They establish important trust in relationships, which helps prevent issues. That's always your best outcome—to stop something from happening or to resolve it quickly.

Within the agency itself, we'd like to see a culture more like Australia's. With their structure under AQIS, they're set up so that they have the president and then quarantine on this side and exports on that side. In our Food Inspection Agency, you have to get quite a ways down and pass the term “import” in senior positions before you get to a term with “exports”. If we're going to be creating that culture.... I mean, imports are part of your quarantine system, your biosecurity, and the things you're doing. We'd like to see that.

We heard this earlier, and I'll reiterate: continue to take a leading role in the international standards bodies such as the OIE, the World Organisation for Animal Health; Codex Alimentarius; and JECFA, the Joint FAO/WHO Expert Committee on Food Additives.

• (1230)

When necessary, pursue remedies through the World Trade Organization—I mentioned MCOOL—and continue to champion the benefits of a science-based, evidence-based global trading system. I think Canada is ideally positioned.

The Chair: Thank you, Mr. Laycraft. I'll have to ask you to conclude.

We'll now go to our questions.

[Translation]

Mr. Gourde, go ahead for six minutes.

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

My question is for Dennis Laycraft.

With regard to beef production, you are optimistically talking about a potential increase of 26% in Canada. Is that a percentage of production, exportation or both?

[English]

Mr. Dennis Laycraft: The 26% will be imports into those countries, so it will be exports from countries like Canada that can benefit from them.

I saw an interesting analysis of what happens in middle-income growth. They were looking primarily at Asia, but this was equally applying to Africa and other parts. As income increases to \$5,000 a year, that's kind of a tipping point at which they start to spend more money on high-quality food. At between \$5,000 and \$20,000 there's the greatest increase in their food spending. Once you get above that, then you start to go after other luxury items.

As this growth occurs, one of the things you'll see expand the fastest over there will be the quality of food that they start to purchase. They do tend to purchase more protein. That's where you'll see pork, beef, and poultry growth occur.

• (1235)

[Translation]

Mr. Jacques Gourde: How large should the potential increase be for Canadian beef producers to be able to benefit from that increased global consumption? Would the required increase represent 5%, 10%, 15% or 20% of Canadian production?

[English]

Mr. Dennis Laycraft: We have exported as high as about 70% of our production. We're at about 50% right now.

We have a strategy to look at how we grow our herd across Canada. We could easily achieve 20% to 30%. It will come back to the economics and to the confidence to grow the number of cattle that we're producing. We're quite optimistic. We take a look at Europe, and Europe works well with China, with the standards that are there. When we have the full capability—that is, the full amount of the quotas available to us that phase in over time—we estimate that it could take up to 600,000 animals, or the parts from 600,000 animals, to satisfy the demand in Europe. Other parts of those animals will go to China.

Realistically, what we're talking about with market expansion is probably in the range of a million head of cattle that we could do. We have about four million head of beef cattle, so that's your 20% right there.

[Translation]

Mr. Jacques Gourde: Do we have the required slaughter capacity in Canada to meet this challenge over the next 10 years?

[English]

Mr. Dennis Laycraft: We have the capacity. Actually, this week there's a new plant opening in Alberta. It was Rancher's Beef and it's now Harmony Beef. They will focus on Europe.

We're single-shifting in some of our plants because of labour issues. In some it's because of the supply of cattle available. They're operating at about 60% capacity right now, and ideally you want to be operating at 90% plus. We have capacity ready to go, but they've told us that they will need to bring in, and are looking for, some investments on the further processing in their operation.

Each market will look for things. We want to command a premium in every market. We're not there to compete on the commodity market. We believe that our position, as one of the trusted suppliers in the world, is to go after that loyal customer who will want to be featuring Canadian beef regularly.

[Translation]

Mr. Jacques Gourde: My question is about our exports and about the interim agreement negotiated with the European Union.

France will hold its election this spring, and some parties would like to withdraw from the agreement because Canadian beef production is too competitive relative to France's beef production.

Is that a source of concern for you?

[English]

Mr. Dennis Laycraft: The way it has been described is that there's always an election somewhere, every year with these agreements. That's something we're looking at, and we're going to focus quite a bit of effort on advocacy in Europe. France is typically one of the more difficult countries to deal with. We're going to be travelling over there and meeting with both industry and regulators, trying to build a tighter relationship with them. Once CETA goes into place, there isn't a specific timetable as to when every country has to ratify it. It is structured...and they recognize there are going to be challenges country by country.

We fully anticipate that other European countries are going to bring some effort to persuading France that the total package is very important. I also think right now for Europe, for their own credibility after Brexit, that CETA is a very important deal. They're able to demonstrate that they can function as a European unit and that they can still make an agreement that is very substantial.

• (1240)

The Chair: Thank you, Mr. Laycraft.

[Translation]

Thank you, Mr. Gourde.

[English]

Mr. Peschisolido, go ahead for six minutes.

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

I too would like to thank you guys for coming out. It was very informative.

I would like to begin with a general question, and then get into specifics.

Last Tuesday we had government officials here, and I got the sense that whether you call it a non-tariff barrier or a non-tariff measure, there's a certain amount of resignation that there are always going to be these issues, because it's not just about science-based or technical negotiations; it's about culture. It's how people live.

That being said, and just following up on Mr. Gourde's question about what's happening in France, the EU, and perhaps all over the world, generally speaking, we heard from the government officials about things they're looking at in order to deal with a reality that perhaps exists. What kinds of things can we do...? Let's assume for a second that you're always going to have some type of non-tariff measure or non-tariff barrier. What can you guys do to allow us to help you to make sure there are fewer and fewer of these things?

Ms. Tia Loftsgard: I think I'll go back to the equivalency arrangements we have with 90% of our trading partners on the organic marketplace. There has been a positive move. We've formed a technical advisory committee that will consist of industry informing the CFIA with regard to equivalency agreements before they are finalized so that you can get formal industry feedback.

In the past we've kind of moved ahead with things and then have found out that there have been ramifications so that where we thought we had improved a deal, we had actually created a bigger problem. Now we have to go back to the drawing table, and all of that takes time, money, and energy away from all of our efforts. I think that's a positive move, as long as we can work in consistency and understanding timelines, but it's a positive move.

As well, our sector consists of 5,000 certified operators but we have three national associations. COTA is the only one that works on equivalency agreements. It makes it quite challenging when we're a small organization but we are covering multiple sectors, multiple markets, etc. The more that we—

Mr. Joe Peschisolido: Ms. Loftsgard, can I interrupt?

Tell me a little bit about this organic office being shut down.

Ms. Tia Loftsgard: Sure.

We had a presentation at the organic value chain round table by CFIA saying that essentially the Canadian organic office, which used to have about four employees, would now be integrated into two separate structures.

Mr. Joe Peschisolido: Who was overseeing it and who shut it down?

Ms. Tia Loftsgard: It continues to be CFIA, but essentially it is integrated into two separate departments. There's no longer something called the Canadian organic office. The lead auditor is still there, but she's also covering the Safe Food for Canadians Act, etc. She's not dedicated specifically to organic.

Mr. Joe Peschisolido: Okay.

Talk a little bit more about organic fraud, because perhaps there is no other sector... If you guys want to grow, and I assume you do, public trust is even that much more important, because it's something that is completely different. Organic just means natural. When I go

shopping with my partner, we see stuff and it's organic all over the place, but it's not certified.

Can you elaborate a little bit on how we, as a government, can be helpful to you on this organic fraud part? This is something that I think is key.

Ms. Tia Loftsgard: I'm going to let Wally, as a certifier, speak to that in particular.

Our comments so far on the safe food for Canadians regulations are that the government, in past regulations, said no to allowing the term "certified organic", whereas all of our trading partners allow the term "certified organic". One of our big asks, now that we're open for discussion, is to allow the term "certified organic" in Canada. It's a very easy ask.

If we want to move on to the fraud question, as a certifier, I think Wally has a lot to contribute on that topic.

Mr. Wallace Hamm: Basically, what can happen in Canada now under the OPR and under the proposed safe food for Canadians regulations is that if, in fact, your certification is cancelled by a certifying body, and that does happen, you can immediately move to another certifier and reapply within days, or you can do it during the process of cancellation. You can reapply, and within days and weeks, you will be back in business. Whether or not the non-compliances have been affected is questionable. That's what's happening now.

The safe food for Canadians regulations don't change any of that. There's no proposed enhancement of enforcement in this new regulation. Again, our trading partner to the south, which takes 60% or 80% of our exports in organic from Canada, they have—

• (1245)

Mr. Joe Peschisolido: That's total. For every organic, the States take 60% to 80%.

Mr. Wallace Hamm: Yes. We export a lot of organic food. They have a very robust penalty and fine system, plus they have a five-year hiatus from the time you lose your ticket to getting a new one. If you're out of business for five years in organic industry, that means you're out of the organic industry. In Canada, you're back in. The regulations, both old and proposed, don't really deal with this critical issue.

Mr. Joe Peschisolido: Professor Hamm, thank you. I'd like to move over to Mr. Laycraft. I apologize, our six minutes moves very quickly.

You mentioned the TPP, and that's important because in my neck of the woods Japan, China, and Korea are important. Assuming that the TPP will not go ahead as structured, what can we do bilaterally to help you guys sell as much beef as you can into Japan, and hopefully China and Korea?

Mr. Dennis Laycraft: Certainly with Japan, the tariff was the big advantage. We were going to drop from 38.5% down to 9%. Right now, Australia has a bilateral and their tariff rate is about 27%. We're paying 38.5% on ours, so there's a big disadvantage there. We have a fairly active partnership negotiation. It has more or less been suspended here for a while as TPP was being negotiated, but we'd like that to move forward if we're not able to achieve that. One of the things you get in a multilateral agreement like the TPP is the ability to address some of the non-tariff technical issues.

The Chair: I'm afraid I'm going to have to cut it off there, Mr. Peschisolido and Mr. Laycraft.

Madam Kwan, you have six minutes.

Ms. Jenny Kwan: Thank you very much, Mr. Chair.

Thank you to the delegation for your presentations. There's a lot of ground to cover in six minutes, so let me give it a shot.

On the organic side of things, we heard from a previous delegation that, in fact, there is the market access secretariat that's set up specifically for them, and there's a committee as well. In terms of really having a voice, being heard, and having a dialogue, what would your suggestions be in terms of action that the government can take to ensure that this dialogue takes place and the issues are back up on the table?

Ms. Tia Loftsgard: We do a lot of correspondence with the market access secretariat as well as trade commissioners around the world, particularly to resolve issues as we see them coming or in advance, particularly when it comes to bilateral meetings. We were just at the Canada-Mexico meeting because they are looking at forming their own organic standards and they want to get the perspectives of their trading partners in advance. I think that being invited and continuing to have the dialogue, especially with new countries that we're looking at empowering our trading relationships with from the forefront, is critical.

Ms. Jenny Kwan: Would you suggest or recommend any specific action that needs to be taken, or should the current system then just continue and you're satisfied with that?

Ms. Tia Loftsgard: I think I'm learning how we can work together, so it's hard to come up with some concrete suggestions until we see how other sectors outside of organic have been able to work with the market access secretariat.

One of the areas where we certainly see a fall down between our government departments is that the market access secretariat can't even access information CFIA has with regard to who are certified operators. I think having dialogues between the two departments and Global Affairs Canada will help tremendously. The national organic program is set up that way in the United States, but not here.

Ms. Jenny Kwan: You mentioned that you had an office. It's now been divided into two areas, and the name has disappeared. When did that happen?

Mr. Wallace Hamm: It happened so suddenly that no one noticed it until recently. We got a document in Pro-Cert that would give us accreditation to certify in Korea, for instance, to the COR. The bottom was signed by no one with an organic title. Then the rumours got out that this thing had just been suddenly done without any kind

of consultation. I would say it's in the last six months, to answer your question—just quietly.

Ms. Tia Loftsgard: In the last four months.

• (1250)

Mr. Wallace Hamm: Yes, four months.

Ms. Jenny Kwan: Is it safe to assume that reinstating the function of this office to its former self is something that you would be interested in pursuing?

Mr. Wallace Hamm: We need to reinstate it and we need to reinforce it. As I mentioned in my talk, we need to put it into the regulation that this office exists. The organic sector is unique in Canada. To have that office and pull it away from an international context is a very retrogressive step. I would say we need to enshrine it so that it can't be done again.

We don't know what the forces were behind this decision, but it was a decision. It happened and it could happen again. We need to enshrine the Canada organic office as a unique entity in the system.

Ms. Jenny Kwan: Thank you very much.

You mentioned that the economy in the sector is \$8 billion worldwide, and of that, \$4.7 billion for Canada. That's a substantive amount. More than half of that industry comes from Canada.

I had the opportunity of inviting a delegation, in my previous life, from China to look at aquaculture products and aquacultural know-how in British Columbia. It was a huge event in the sense that they had no idea of the amount of organics that we grew. Their interest in the area.... I think there's going to be a huge uptake with respect to that as people learn more about environmental impacts and food safety. In any event, I just wanted to acknowledge that.

With only six minutes, I'm going to move on. I'm going to get into beef very quickly.

The big question is about the United States and the change in administration. What might be coming down the pipe, what are your biggest concerns, and what actions we should be taking as a precaution?

Mr. Dennis Laycraft: We've been there three times already this year. That will give you an idea how important that is to us. Obviously making sure they don't bring back something like country-of-origin labelling. There's talk they could try to do that through the farm bill.

When we get into negotiations with NAFTA, we are putting together a list of things that we think would be wins for both countries. I was impressed with the meetings that took place last week with our Prime Minister and the President. I heard very positive comments about that. It is being proactive down there. It is demonstrating that we have huge benefits in both directions. If we can do that, I think we can maintain the benefits of that agreement and probably address some older issues. The fear is always that you become collateral to other issues.

Continue the very strong focus and the dedicated focus that's going into that market, because 70% of our exports go to the United States.

Ms. Jenny Kwan: Yes. It's a big sector.

The Chair: Thank you.

We'll move to Mrs. Lockhart for six minutes.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): Thank you, Mr. Chair. Thank you all for being here today.

I had some questions surrounding beef.

I had the opportunity to visit Taiwan in the fall of last year. Being from Atlantic Canada, I was pretty focused on seafood as a possibility for trade and expanded trade. Of course, with the timing, the big story then was talking about how that market opened up again for Canadian beef. I didn't realize that it was such a large market. In fact, they represent the seventh-largest export market for beef in Canada. It's \$12 million annually.

From your perspective, what steps happened? First of all, is that an example of a trade barrier, the scenario that happened there? Secondly, what went well so that was resolved?

Mr. Dennis Laycraft: Typically, when markets open after they've been closed for a while.... It should have opened a lot sooner, I'll be the first to say, and it should have opened much wider than it did. We're getting boneless, under 30-month beef into there. We should have a much broader group of products going there, but the market access secretariat continues to work relentlessly on that market.

Taiwan is somewhat unique, because there are diplomatic complications when you're working with Taiwan. Whereas you can bring in ministerial and even more senior assistance—you could get up through the Prime Minister travelling to countries—generally both countries want something positive to be done while that's occurring. Quite often, as we saw with China when we got the bone-in, under 30-month beef accepted, it coincides with the minister's trip over there. When you can combine it with the imperative politically, you break through some of these things that should have been done sooner and you do a lot of technical work.

I mentioned veterinarians abroad. For many years we had Dr. Gary Little over there. He probably did more work in China and Japan to help open markets than he'll ever get credit for. Again, he developed a trust level with all the regulators. Trust is important in every market around the world.

• (1255)

Mrs. Alaina Lockhart: If I'm hearing you correctly, it's evidence-based data and relationship building that are key.

You mentioned also that you see further growth opportunity there. I'm just choosing that one market, but what other products did you say...? What are the limitations now, and what is the potential?

Mr. Dennis Laycraft: Taking a look at the products, there are soups and a variety of things. There is offal and other products, and there are a number of bone-in products that, as you get into these different markets and some of their traditional products, we could move into more.

Each country has somewhat varying nuances, but I think you could lump the Chinese together, with pretty similar demands. We could be moving considerably more product into mainland China—we move a lot into Hong Kong and Macau—once we get over some of these.

Take the fresh category. No other country in the world treats chilled as frozen. If you're a high-quality producer, they want to buy unfrozen beef; that's the reality. There are things such as this concerning which we just have to continue to be patient and to work through.

We're very excited about the delegation over there this week. Coming back, it may be the start of negotiations with China. We would be very supportive of that.

Mrs. Alaina Lockhart: Going back to this idea of relationship building and evidence-based data, I had the opportunity to meet with young farmers recently at both a national and a provincial level in New Brunswick. Both of them have talked about the relations and delegations that they take to the U.S.

Do you think such delegations are helpful in the relationship building as we go back and forth?

Mr. Dennis Laycraft: This is a fantastic story. One trip I took to the U.S. was down to Denver. We have a cattlemen's young leaders program that we work with. We actually have had a number of former ministers mentor some of our young leaders, and a former minister of trade.

We have an international beef alliance that moves around the world each year. We take two young leaders to it. We had a group of young leaders in Denver, and they are building lifelong relationships. In these other countries, we're a little behind, but they're bringing young leaders and they're establishing a network that's going to benefit us for decades to come.

We also had the first young leader become president of one of our provincial associations this past year, so we're already seeing them move up into the organizations. It's exciting to watch.

Mrs. Alaina Lockhart: Thank you. I think I'm pretty limited in time.

The Chair: You have 40 seconds.

Mrs. Alaina Lockhart: I'm sorry, organics.

The Chair: I think that pretty much wraps it up. We are very close to the time, so I want to thank the panel for coming to talk about those trade barriers. Hopefully we can move them forward and resolve some of them.

[Translation]

Thank you, everyone.

[English]

We shall see you next week.

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