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**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Tuesday, September 20, 2016

• (1100)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** Good morning and welcome, everyone, back to the fall session. Of course, many of you know we met a couple of times in the summer. I hope everybody had a relaxing last few weeks.

This morning we have a few things on our agenda. We have the Minister of Agriculture here to give us a briefing, and he'll be with us for the first hour. In the second hour we're going to have the Canadian Poultry and Egg Processors Council, the Chicken Farmers of Canada, and the Dairy Farmers of Canada. I'll leave the last 15 minutes of this morning's meeting to go in camera to discuss future business.

Without further ado, we're going to start off with Mr. MacAulay.

Welcome, Minister. You were very busy this summer getting around and I hope you had some time to enjoy your beautiful island of P.E.I. Thank you for coming and bringing your officials. Sir, you have the floor.

[Translation]

**Hon. Lawrence MacAulay (Minister of Agriculture and Agri-Food):** Thank you, Mr. Chair.

Hello everyone.

[English]

I'm honoured to be here today, and I know your committee has been doing a lot of important work.

I am joined by assistant deputy minister Fred Gorrell and executive director Doug Forsyth, both of Agriculture and Agri-Food Canada. Officials from the Canada Border Services Agency, Global Affairs Canada, and Finance Canada are also at the table should their technical expertise be needed.

I appreciate the opportunity to be here today to speak to you about issues of concern to Canadian dairy and poultry producers. I want the committee members to know that our government supports trade because it creates good jobs for Canadians and helps grow the middle class, which builds economic prosperity across the country.

Canadian farmers depend on trade to sell about half of their production. That is why our government is working hard to open up new markets for Canadian export producers. We are also equally proud to support Canadian dairy and poultry industries, which are essential to a strong and prosperous Canadian economy. All told, the

dairy and poultry industries create almost 300,000 jobs in this country while creating economic activity of \$32 billion. Both industries operate under the supply management system, which I and our government fully support. The goal of supply management is to match production with anticipated Canadian demand. The federal government supports the Canadian supply management system and we recognize the importance of effective import controls. The Canada Border Services Agency plays a central role in this regard. It administers the border controls that apply to dairy and poultry products in accordance with Canadian international trade obligations.

Let me briefly review the three issues mentioned in your study: duties relief program, spent fowl, and diafiltered milk. The duties relief program relieves customs duties on imported inputs used in the production of goods that are ultimately exported. Supply management producers worry that the program is being used inappropriately. They have expressed their concerns that some features of the program, specifically supply-managed products, are negatively impacting the domestic market, and they are concerned about potential diversion or substitution in the domestic market of supply-managed goods that are imported duty-free. Such imports could allow imported dairy and poultry products to displace domestically produced products, and that's not fair.

Government officials are actively reviewing this, and the Canada Border Services Agency has heightened enforcement activities to ensure that the program continues to be used as intended under the law. As a result of recent CBSA enforcement efforts, imports of supply-managed goods under the duties relief program have dropped since the start of 2016.

The second issue in your study concerns spent fowl. Canadian chicken producers have been concerned that some importers may be getting around the supply system by declaring that some broiler chickens are spent fowl. Spent fowl can be imported without tariffs from the United States.

There is a long-standing track record of legitimate imports of spent fowl to be used in the manufacturing of soups and chicken nuggets. Chicken producers believe the significant increase in spent fowl imports in recent years has been caused by the misdeclaration of broiler chicken meat as spent fowl. They are concerned that this trend will continue to lead to more broiler chicken meat being imported outside of import controls. As broiler chicken meat and spent fowl meat look basically the same, it is difficult to implement practical and effective means to ensure the legitimacy of spent fowl imports.

I can assure the committee that my department and others here today are examining ways to ensure the effectiveness of border control of poultry products. In fact, there's a working group looking at the potential options to ensure that products declared as spent fowl are appropriately treated at the border through measures such as enhancing compliance verification; requiring exporting countries to provide certification, similar to the United States Department of Agriculture's fowl meat verification program; and testing the DNA of products declared as spent fowl.

• (1105)

This goal is to ensure that the products declared as spent fowl are adequately treated at the border. In the meantime, we're in regular contact with producers and stakeholders all along the value chain.

Our government is equally committed to the support of a strong future for the Canadian dairy industry. It is one of the largest agriculture and food sectors in the country generating farm gate sales of \$6 billion, processing sales of nearly \$17 billion, and well over 100,000 jobs. This success is the result of our hard-working farmers and their commitment to excellence and to listening to consumers.

Being a farmer myself, I certainly am aware of the hard work and dedication that go into running a dairy operation and the concerns that face dairy farmers. In that regard, I want to acknowledge the efforts of the industry to work together.

At the same time, our government is aware of the industry's concerns regarding the use of diafiltered milk in the making of cheese. Over the past several months, my parliamentary secretary and I have had the opportunity to meet with many groups representing the entire industry from coast to coast. That includes the Dairy Farmers of Canada, the many processors and national organizations, young dairy producers, and provincial dairy producer organizations from across the country. We heard their thoughts on a number of key challenges facing the industry. Our discussions focused on transition assistance for the new market access for cheese under CETA and how to strengthen the sector in the face of domestic and international challenges, including the use of diafiltered milk in the making of cheese.

These discussions will certainly inform the development of a long-term sustainable approach for the Canadian dairy industry. Together, we are working to find solutions that work for the whole Canadian dairy sector. While we work to address these challenges being discussed today, our government is moving forward with a number of investments and innovations that will help dairy and poultry farmers succeed.

First and foremost are the dairy and poultry research clusters. These bring together industry and Canada's world-class agricultural scientists at Agriculture and Agri-Food Canada. These two clusters represent nearly \$18 million in federal investment. The overall goal is to help farmers and processors strengthen their competitiveness and sustainability.

Under the poultry research cluster, scientists are looking at ways to combat bacterial diseases and avian influenza, as well as looking at innovative production technologies and practices. Recent investments in the dairy research cluster are supporting deliveries in two key areas: increasing the energy of Canadian forages to help increase milk production and researching the potential role played by dairy fat products, including their impact for a healthy diet.

We have also invested \$1.3 million for the Dairy Farmers of Canada proAction program, as well as the traceability initiatives. As well, our government has invested \$3 million to support a dairy research and innovation centre at the University of Guelph. The centre supports world-class research and outreach activities to stakeholders and the public.

To sum up, Mr. Chair, the bottom line is that Canada's dairy and poultry farmers provide growth, job creation, and innovation across the country. We will continue to work with the sectors to address these issues of concern, and I will continue to invest in innovation to foster growth in the agriculture and food sector.

We all want to see a Canadian agricultural sector that is safer, strong, and more innovative, and that is certainly my goal and the goal of our government.

Once again, I thank you very much for this opportunity to be here. I would be pleased to respond to your questions.

• (1110)

**The Chair:** Thank you for your briefing, Minister MacAulay.

We're going to move to questions, starting with the Conservatives for five minutes.

Mr. Hoback.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Minister, for being here. I haven't had a chance to formally congratulate you in the past year on your job as the Minister of Agriculture. I have worked with you before, and I will enjoy working with you in the future.

In regard to the topic at hand here today, there are some very serious things going on, of course. One of the questions the industry would be asking is on timelines. What are your timelines for resolution in a lot of these areas? Can you give us an expected date to see resolution so that they actually know there's some bankability, and that you have this under control and this will actually be dealt with?

**Hon. Lawrence MacAulay:** Thank you very much. I appreciate your question, and of course, appreciate your concern. You're sitting with a man who fully understands these issues, and I think everybody around the table understands these issues.

I think you would also realize and understand that it's difficult to put a timeline on the resolution of these products. We are working on them. We're working at the border on spent fowl and are making sure—starting to make sure, let's say—that all efforts.... I'm sure that Chicken Farmers of Canada want more taking place at the border, but it's something we have to ramp up to make sure it's done. To put a date on it would be inappropriate, and I'm sure you understand that.

What I want to do and what the government wants to do is to make sure that we resolve these issues in a meaningful way and make sure that we have a strong supply management system and a strong dairy industry. This is vital to the country.

**Mr. Randy Hoback:** You talked about DNA testing. I'm curious. If you're going to go down that route, you must have a timeline in that scenario and have a ballpark of what it's going to cost.

Actually the question I have is with broilers versus spent chicken. How is DNA testing actually going to be accurate to tell the difference?

**Hon. Lawrence MacAulay:** As you know, there are a number of suggestions. The Chicken Farmers of Canada have put forward a suggestion. We do not actually have a mechanism in place that will be efficient and fast. When you deal with these chickens at the border, you can't send something to a lab and take six months before you get the results.

**Mr. Randy Hoback:** Six months?

**Hon. Lawrence MacAulay:** What we have to be able to do is put a mechanism in place that will be fast.

As you know, there are many other issues. We're dealing with the United States on this issue too. Possibly, with the countries working together, we can make sure it stops. What we want to make sure basically is that spent fowl is spent fowl. I can assure you that the people who are shipping the spent fowl from the United States into Canada also want to make sure that it's spent fowl.

We're working on a number of issues, but to put a timeline in place.... I think efficiency and making sure that we have a solution in place that works for the chicken farmers is vital.

I appreciate your question.

•(1115)

**Mr. Randy Hoback:** Concerning the definition of diafiltered milk and milk going into cheese, why would we have a different definition at the border from that for the actual product that's going into the cheese block? Why wouldn't you have a consistent definition?

**Hon. Lawrence MacAulay:** There are a number of problems in this area. Again I appreciate your question and your concern.

The issue of diafiltered milk is one that has gone on for seven or eight years. What we're trying to do is make sure, with all of the other problems involved in the supply management system, that we put a long-term, sustainable solution in place. We're working with

the Dairy Farmers of Canada, the industry people involved in production in the dairy industry, the people who create the products, create the cheese. What we want to do is make sure we get a system in place that works in the long term. It's not the place now, on its own.

**Mr. Randy Hoback:** Again, it looks inconsistent when you have two different definitions of what milk actually is.

Minister, I only have a minute left. The question I have is from an article in today's *The Globe and Mail*. Who will be taking the lead on the file in defending the Canadian supply management sector against this ongoing or potential lawsuit coming out? Will it be the trade minister or will it be the agriculture minister? Who will have the lead on that file?

**Hon. Lawrence MacAulay:** As you're fully aware, we deal with issues potential or hypothetical as they come forward. My concern is more to make sure that we—

**Mr. Randy Hoback:** Hypothetically, then, who would be the lead on that file?

**Some hon. members:** Oh, oh!

**Hon. Lawrence MacAulay:** I appreciate that you want me to lead it, but we have enough issues before us that are difficult and that we want to resolve that we're not going to pick up potential issues at the moment. But that's a good concern.

**Mr. Randy Hoback:** Canadians want to know that somebody is going to take the lead, that somebody's going to take charge and say, "I'm going to be here to have your back." There hasn't been a lot of confidence, when I look at what's happening with the border at the U.S., whether on spent fowl or diafiltered milk. You haven't had their back, so—

**The Chair:** We're going to have to move on.

**Mr. Randy Hoback:** —I'm curious who's going to take the lead.

**The Chair:** It will have to be a quick response, Mr. MacAulay.

**Hon. Lawrence MacAulay:** I appreciate the question, but it's fair to say that my honourable colleague the former minister was there for about eight years, and I've been there for about eight months.

**The Chair:** We'll have to move on from there.

**Hon. Lawrence MacAulay:** If you give me eight years, I'll make sure the supply management system is strong in this country.

**The Chair:** We're going to move on to the Liberals.

Mr. Dhaliwal, you're up for five minutes.

**Mr. Sukh Dhaliwal (Surrey—Newton, Lib.):** Welcome to the committee, Minister. It's always a pleasure to work with you. You have been a veteran of politics, and nobody knows files better than you.

You mentioned that the department is taking some steps to put procedures in place for the import of spent fowl chicken. Would you be able to tell us and Canadians that the measures you and your department are planning, whether it's from the DNA, whether it's from the certifying of the agriculture department in the U.S., would be enough to deal with this situation? This problem has been going on for many years.

**Hon. Lawrence MacAulay:** Sukh, you're absolutely right. We're looking into a number of options.

You mentioned a few of them, including the DNA testing and verification program and others. Of course, this is a problem which affects several government departments. My colleagues and I have had many discussions, and we have a working group with government officials from several departments to look into this.

You know, it can involve Americans with the spent fowl. Putting up certification that it is spent fowl and they come from a spent fowl production area is one of the options. DNA is another option that could possibly be used.

If any of my officials would like to expand on it, they can.

**Mr. Fred Gorrell (Assistant Deputy Minister, Market and Industry Services Branch, Department of Agriculture and Agri-Food):** That is a good question, and thank you for it.

On the spent fowl, as the minister has clearly identified, there are concerns of fraudulent practices. We are working right now with Trent University and looking at the opportunities of having a protocol on the DNA, distinguishing between broiler meat and spent fowl, and you can appreciate that's a very complex issue that's going to take some time.

We're also consulting with the United States Department of Agriculture. They have a spent fowl verification program. We're looking at what they can do. Right now it's a volunteer program.

It's very clear that we need to be looking at all options to ensure that the product coming north is the product that is being described, and that will be continuing.

I think those issues are complex, because doing a DNA testing of poultry itself will not be that simple. In working with the Chicken Farmers of Canada, I think there is an opportunity to be looking at that as one of the options that the government will be considering.

• (1120)

**Hon. Lawrence MacAulay:** I think it's fair to say that the people who are producing the spent fowl in the U.S. want this situation rectified too, as we do.

**Mr. Sukh Dhaliwal:** Thank you.

Minister, you mentioned about the search clusters during your opening remarks, and you have mentioned some of the initiatives that your department and the government are considering. Could you expand on how they will help the poultry and dairy industries?

**Hon. Lawrence MacAulay:** The clusters have been place for a number of years, and governments have supported them. I think it's very important that you have the brain trust of universities, the manufacturing sector, and the dairy industry, our poultry industry, whatever is involved. Whatever cluster it is, sit down and have a

chance to... You have to have the brains and the research and then the agricultural sector to put the stuff in place.

The end result is that the university and the scientist create, for example, canola. That's a prime example of what can happen when everybody works together. China alone brings in \$2 billion a year of new money for the farmers in this country. That's the kind of thing we want to develop.

There was \$70 million allocated in our budget for this type of thing and to make sure that we enhance the research in this country. We want to make sure, hopefully in the next budget, that we continue on this process. We want to make sure that the researchers, number one, talk to each other, and number two, talk to people around the world.

The announcement I made in Swift Current a few days ago of \$35 million was to make sure that people understand that this government is fully committed to research and agriculture. Science-based research is vital for the agricultural sector.

**The Chair:** Thank you, Mr. MacAulay. Thank you, Sukh.

We're going to move on to the NDP.

Madam Ramsey, go ahead, five minutes.

**Ms. Tracey Ramsey (Essex, NDP):** Thank you. I'll be sharing my time with MP Brosseau.

Minister, thank you for appearing before us today.

I think it's also fair to say that Canadians are not happy with our supply-managed sector being opened up further in CETA and in the TPP, in particular for dairy. We've heard many people sit at this committee and certainly individuals present to this committee who have stated that exactly to us. In my riding I've heard from people that they're unhappy about that.

This government accepted the Conservative-negotiated deal under the trans-Pacific partnership. There was a commitment from the previous government of \$4.3 billion in compensation to the supply-managed sectors.

My question is on whether you are going to provide the \$4.3 billion in compensation to the supply-managed sectors under CETA and TPP.

**Hon. Lawrence MacAulay:** Thank you very much for your question; I appreciate it.

As you know, this country is a trading nation. Statements were made before the election. We have to sit down with the different agricultural sectors, as we have been doing, and make sure we understand the importance of compensation for CETA. I've indicated that a number of times.

**Ms. Tracey Ramsey:** In June after the rally here on the Hill, you said you'd meet to discuss compensation within 30 days. Did those meetings take place within 30 days?

**Hon. Lawrence MacAulay:** I certainly did meet, and I appreciate your input and direction.

**Ms. Tracey Ramsey:** It's a limited time.

**Hon. Lawrence MacAulay:** It's always limited time and it always seems to be limited money. That's business.

The truth is I have met many groups. I think the dairy sector and the poultry sector in this country understand that we're involved in these trade deals and they understand fully that the government realizes that to have an orderly transition, some compensation has to be involved. That is why we met with these groups just to find out from them. Being a farmer myself, I always felt it was much fairer if you started from the ground up to the minister, not from the minister down to the farmer. That's what we are trying to do.

• (1125)

**Ms. Tracey Ramsey:** I come from a rural riding, too.

**Hon. Lawrence MacAulay:** Excuse me, I did want to answer your question.

**Ms. Tracey Ramsey:** I know, but I have limited time and next I have to go to my colleague for her participation, so I thank you for that answer.

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** Thank you, Tracey. Timelines once again.

I know that you've consulted on diafiltered milk. When we had meetings about diafiltered milk and other issues at committee, we had experts and stakeholders tell us they had met with the government and government officials about seven times talking about diafiltered milk and spent fowl.

Farmers and Canadians are tired, and with reason. They're very concerned. They're losing hundreds of millions of dollars because of diafiltered milk and other trade issues...spent fowl. Is there a timeline for the compensation and for diafiltered milk? A promise was made during the election that we would take care of diafiltered milk. I know once in government, it takes a while to get settled and it is a complicated issue, but this is a problem when CBSA considers diafiltered milk a protein and CFIA considers it milk. Everybody has been on the same page for what needs to be done. When will the government apply the rules?

**Hon. Lawrence MacAulay:** Thank you very much, Ms. Brosseau. I appreciate your question and I appreciate your concern over the months I've been minister.

You're fully aware that some of these issues have been ongoing for quite a period of time. On the CETA issue, you're fully aware that it has not been ratified yet. TPP is fully in a different area. We have made statements as to—

**Ms. Ruth Ellen Brosseau:** You've made promises to farmers too that you would resolve the diafiltered milk issue. You've been in power for a year. The diafiltered milk issue is completely unacceptable. You keep talking of a long-term solution. What is the solution? You've consulted enough. What do you say to farmers who don't have revenue because of diafiltered milk, who are losing money? Do you tell them to wait, that you have a solution, but wait? What is the solution? What are you going to do?

**Hon. Lawrence MacAulay:** Thank you very much. I appreciate it, and I know you are concerned.

As I've said a number of times, what we're going to do with this issue, with the problems in supply management issues overall, what we have done.... I've been here about eight or nine months. It's hard to change things that have been in place for.... You can't change everything all at once.

Please let me finish. We have consulted with the people involved. We now have the issues—

**Ms. Ruth Ellen Brosseau:** I'm sorry, Minister. Industry has been consulted enough. They will say that.

**The Chair:** Sorry, I know you guys are right into it, but time is up and we're going to have to move on.

**Hon. Lawrence MacAulay:** Mr. Chair, she's a lovely lady with good questions and great concern. I'd like to respond, but that's okay.

**Ms. Ruth Ellen Brosseau:** Can you give us more time?

**The Chair:** Your time is up. You're always welcome at our committee, but we have to move on.

Madam Lapointe, you have five minutes. Go ahead.

[*Translation*]

**Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.):** Thank you, Mr. Chair

Hello and welcome, Mr. Minister. We are pleased to have you here as part of our work.

Earlier you mentioned that spent fowl producers in the United States simply wanted to resolve the situation with ...

Is there a technical problem, Mr. Chair?

[*English*]

**Hon. Lawrence MacAulay:** We need the translation.

**The Chair:** All right, we'll try that again, Madam Lapointe.

[*Translation*]

**Ms. Linda Lapointe:** Hello.

Welcome, Mr. Minister.

Earlier you mentioned that the Government of Canada and spent fowl producers in the United States would like to resolve the situation. Could you tell me what you are working on right now? Is it certification and labelling of products going through customs?

• (1130)

[*English*]

**Hon. Lawrence MacAulay:** Thank you very much. Again, I very much appreciate your question.

Yes, you're absolutely correct. The United States wants to rectify the situation. The people involved in spent fowl want to reconcile the situation. We have also made some move at the border with enforcement, but the problem is to get a proper enforcement mechanism in place that would take place just as the product is coming through. That's what we're working on, and that's what we will do, but we want to make sure it's efficient and to make sure it's only spent fowl that comes through.

What would be helpful, and we're working on it too, is the certification program from the United States that would come right from the manufacturer of the spent fowl that comes to this country. This is the process we're working on. We're making slow progress, not enough for sure, but we are making some progress. We want to make sure that, again, whatever mechanisms are put in place are efficient and are reasonably, as you would understand, fast at the border. That's what we have to try to do, and that's what we will do.

[*Translation*]

**Ms. Linda Lapointe:** Thank you.

Mr. Minister, what have you done internationally to increase trade and market access for Canadian agricultural products, and thereby increase revenues for farmers and their families?

[*English*]

**Hon. Lawrence MacAulay:** It's been an interesting time. We had a lot of different issues to deal with in trade. We got access to pork in India. We got access to beef in Taiwan. We got access to beef in Korea, and we're about to get access in Mexico for beef over 30 months of age. This is all worth millions of dollars for the agricultural sector, not to mention.... I'm well aware there was a lot of work done on the COOL, country of origin labelling, situation by my friends here, but I think that making sure the omnibus bill that went to the Senate included the repeal of COOL was vitally important to our farmers and ranchers across this country. That again was another major asset for the agricultural sector in this country.

[*Translation*]

**Ms. Linda Lapointe:** Thank you.

Earlier you also spoke at length about innovation and research. Can you elaborate to give us an idea how that could help families—

[*English*]

**Hon. Lawrence MacAulay:** Sorry, do you want to help me?

**A voice:** She asked if there was anything further in innovation.

[*Translation*]

**Ms. Linda Lapointe:** Yes.

[*English*]

**Hon. Lawrence MacAulay:** Thank you very much.

Innovation, of course. I always use this as an example. As a farmer, I picked potatoes by hand. I was a seed potato producer. I picked potatoes off the ground when I was a young boy one time many years ago, and the last seed potatoes that I grew didn't touch a human hand, and that's about 25 years ago. Basically if you're going to be in the business, innovation is a vital part of making sure that our agricultural sector.... Whether in the supply management sector or any other sector in the country, it is very important that you keep up with innovation. You never get there. It keeps going, and we have to make sure that farmers are on the cutting edge. That's what every other country in the world is doing, and that's what we have to do. We have the farmers and ranchers who want to do it and are doing it. An example that is mostly in the west is Canada beef, how they handle the situation, how they handle carcasses, how they butcher and sell the meat worldwide, how they make sure the farmers in the end get the best dollar for their product.

It's a great example, but nobody understands better than the people involved in Canada beef how vitally important it is that we continue to be innovative, that we continue to stay on the cutting edge, and that's what we're going to do.

[*Translation*]

**Ms. Linda Lapointe:** Thank you very much.

[*English*]

**The Chair:** Thank you. That wraps up your time, Madam Lapointe.

We're going into the second round now and we're going to start off with the Liberals.

Madam Ludwig, go ahead.

• (1135)

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you.

Good morning, Mr. Minister. First, I would like to say that we missed you this summer at the Queens County Fair in the village of Gagetown. I represented the government without you.

**Hon. Lawrence MacAulay:** I'm sorry.

**Ms. Karen Ludwig:** You were duly missed.

As you're aware, in New Brunswick Southwest we have a dairy industry and certainly a strong cheese industry. I have heard different concerns from the constituents in my riding and I just wanted to follow up on some of those.

One is looking at the opportunity for succession planning, so it is a little bit different. When we look at our farming industry, especially in rural Atlantic Canada, we see we have an aging population. Is there any plan within our government or within your department to work with the farmers to help them with succession planning in addition to innovation?

**Hon. Lawrence MacAulay:** Your question is a good one to which there's not a great answer. Quite simply, it is a problem. A farming operation today is worth an enormous amount of money and we're working on it to see if there's any way that we can address the problem. We're aware of the problem, which is at least a start in trying to deal with it.

However, in order to make sure that the farms stay in a competitive range—that's why I mentioned innovation—they have to stay productive. That's not totally answering your question, because we cannot provide dollars just to buy farms. That is not in the game, but there could be other ways, and we're looking at them. We want to make sure the operations you're talking about remain fully competitive. That's where the research dollars come in and are so vitally important, whether you're in the dairy industry, growing potatoes, canola, or whatever it is. We have to make sure that the farmers, if they're growing grains, have a seed that can produce more and use less moisture. We have to make sure that the fertilizers that are put on the land are used totally by the crop, and find other ways to grow crops with a lot less fertilizer.



This is what's going on in the science and research area in this country. I've had the privilege as a minister to travel across the country and meet some of these people. It's amazing what these scientists do, and it's amazing what results they have. The end result just puts more money in the farmer's pocket and I'm certainly big on that.

**Ms. Karen Ludwig:** I want to continue on with that. I'm not aware of any farmers in my riding who are looking to purchase a farm or land, so I'm sure that we're on the same page with that.

The other area that I wanted to follow up on was Madam Lapointe's area on export readiness. Certainly New Brunswick is a province that is heavily dependent on trade. How are we working with the farming and the dairy community in Atlantic Canada, especially on export readiness and sustainability in the export market?

**Hon. Lawrence MacAulay:** I just want to indicate, too, on your first question that I'm meeting with a group of youth in Guelph in a day or two at the University of Guelph and that's also important.

**Ms. Karen Ludwig:** I really appreciate that.

**Hon. Lawrence MacAulay:** That will give an indication of where they're coming from. It's so interesting.

Number one, we've opened markets for cherries in China and this type of thing. We have to make sure no matter what it is, number one.... You have to have the product. We have the farmers in this country who can produce the best products in the world; there's no question about it. We have the best regulatory system in the world. People who eat Canadian food worldwide feel it's safe to eat, but we have to make sure that we provide the product the way that the customer wants it. If you're going to China or India or other places, you have to make sure that they know about our product, but the product also must be produced and presented to them in the way they want it, not in the way you and I would eat it. We want it different from what people in other countries want. If we're going to get into those markets, that is the way that we have to do it.

I'm leading a trade group to China in a few weeks. I've been there on trade shows previously. It's certainly where it's at; there's no question. I was in Shanghai and I think there are about 26 million people, 10 million fewer than the population of Canada, and just looking at how the products were displayed there is amazing. What you have to do, and it was done there, is to make sure that you provide the product the way they want it, but you also have to be present. There are people at this table who are fully aware of this. You have to be there and wave the colours. That's what we're trying to do.

• (1140)

**Ms. Karen Ludwig:** Thank you very much.

**The Chair:** Thank you, Minister MacAulay.

We'll move over to our former minister of agriculture, Gerry Ritz.

You have five minutes. Go ahead, sir.

**Hon. Gerry Ritz (Battlefords—Lloydminster, CPC):** Thank you, Mr. Chair.

Thank you, Minister and officials, for being here today.

These are issues that, as you rightly point out, sir, have been ongoing. I am buoyed by the fact that you're talking about maintaining trade corridors, you're talking about funding the clusters, and you're talking about agricultural innovation, all good things that need to be carried on. It's very flattering that you're taking that on and continuing on with the work we began a number of years ago. I'm hopeful then that we'll actually see something about agriculture in budget 2017 that will feed into that, as that funding becomes renewed.

There's one other point that I think needs to be made when we talk about issues like this that are very difficult to get around, especially when there are four different departments involved. That's the maintenance and continuation of the value chain round tables. The officials with you today, Mr. Gorrell and Mr. Forsyth, will tell you how important those are in getting everyone from the farm gate to the kitchen plate at the table talking about issues like spent fowl and diafiltered milk. Those are where the solutions will be found. They won't be found here; they'll be found from those people who have a grounded sense of what's needed.

You also talked about the certification program in the U.S. on spent fowl, which I'm aware of. The point I would make is that there is an easy fix, then, because we no longer do meat verification at the border. We did away with that—off-loading, freezer testing, held up—and moved on. We went to a system that everyone agrees with, where the product is done at the point of processing, in the U.S. in this case, and the label for spent fowl is put on it at that point. Why does that then not follow through on those exports coming into Canada? Why are we dropping the ball when that's the new reality of how these things are done?

**Hon. Lawrence MacAulay:** Thank you very much, Mr. Minister...or, I'm sorry, Mr. Ritz. I'm used to calling you minister.

**Voices:** Oh, oh!

**Hon. Gerry Ritz:** Me too.

**Hon. Lawrence MacAulay:** I might add that you were somewhat generous to me when you were there, and I appreciate it.

To respond to a few of the things you had to say, I think you would agree that research is vitally important. You mentioned research. We had \$70 million in the last budget that was...and things come on fairly quickly, which indicates that it's so vitally important that we have the finances in place. I'm sure you dealt with it too. There's never enough money. What we want to do is make sure that the researchers have as much of the money and equipment they vitally need in order to create—

**Hon. Gerry Ritz:** That's where the clusters are so effective, because you have all these other partners that have money as well. It's not just yours.

**Hon. Lawrence MacAulay:** Excuse me, Mr. Ritz?

**Hon. Gerry Ritz:** I said that's why the clusters are so very important, because everyone, not just you, will bring their dollars to the table. You end up with a 7:1 or so leverage, which is very important to make use of.

**Hon. Lawrence MacAulay:** You are somewhat helpful, Mr. Ritz. I appreciate it.

**Voices:** Oh, oh!

**Hon. Lawrence MacAulay:** That's why I indicate that it's so vitally important that we listen to everybody, including you. That's what we will do as a government. We listen to everybody, and we want to make sure we have all that before we jump to a conclusion.

You mentioned the spent fowl and the certification program. Quite honestly, you were there, and I think you have an idea as to how quickly these things can be done. As we have indicated, we will make sure that we put a complete supply management system in place that's long term. I can tell you too....

You want a response, but I know you have another question.

**Hon. Gerry Ritz:** On the spent fowl issue and diafiltered milk, you're not starting at zero. A tremendous amount of work was done over the last couple of years leading up to the election call and the TPP final negotiations, which put everything on hold. If you check with departments that are around there, they're not starting at zero either.

You're 70 yards down a 100-yard dash, so I would expect that it would not be difficult to put a timeline in place saying where you expect to be by next spring.

**Hon. Lawrence MacAulay:** Thank you very much, Mr. Ritz. I think you would agree that for me to put a timeline on any of this stuff, and then you have to get there because of the timeline, would be completely wrong. I think you understand...I know you understand full well the situation that the supply management system is in today. They are in great difficulty and have been for a number of years.

What we want to do, as I've indicated many times, is not jump to some conclusion right away. We want to make sure we put a system in place that is long term and sustainable. I can assure you that we will. We will deal with the United States, and we will deal with the farmers, and we will deal with the manufacturers and make sure we have a proper system in place. I think in the end you'll be very pleased to see a long-term, sustainable supply management system in this country, which I know you support.

•(1145)

**The Chair:** Thank you, Mr. MacAulay and Mr. Ritz.

We are going to move over to the Liberals now. Mr. Fonseca, you have five minutes. Go ahead, sir.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Minister, thank you for your role as a minister, but also as a farmer. I always say, if you ate today, thank a farmer. We have great value in the food system in our country and the supply chain of food. It is something that is wanted all over the world. I think we have a tremendous opportunity in terms of diversifying our markets and growing the sector, because people understand that Canada has

healthy and safe food. My question will speak a little to keeping the integrity of our system.

When I look at the spent fowl, I see that in 2016 we imported 109% of the U.S.'s entire spent fowl. This comes from Chicken Farmers of Canada. Can you tell me whether this has been increasing over the past decade, to the point where it has reached 109%? Have we always measured it?

**Hon. Lawrence MacAulay:** Thank you very much for your question.

You are right; it has been a problem. Over the last number of years, it has increased dramatically, but this year, to this point in this year, it has been decreasing. We have worked with CBSA to make sure the issue is addressed. I think the people involved understand that something is going to happen. The chicken farmers in Canada understand that something is taking place and will expand. There are a number of things that have to happen in order to put the supply management system in place. The border is one of them, and that is one we are dealing with.

If somebody from Canada Border Services would like to expand, I would be more than appreciative.

**Mr. Alexander Lawton (Director, Trade Compliance, Canada Border Services Agency):** Between 2012 and 2014, a series of 25 compliance verifications were conducted on importers of spent fowl. Concurrently with that, in this period, imports of spent fowl fell by approximately 22%, which speaks to the deterrent role of compliance verifications. Even though none of those were resultant, we did see a decrease in imports. More recently, a series of eight compliance verifications were initiated earlier this year and are still in progress. Based on the results of those, potential national verification priority will be created, with broad verifications of other importers across the country.

**Mr. Peter Fonseca:** Can you tell me what the goal would be? If we weeded out the fraudulent actors in this, what percentage of spent fowl from the U.S. would be coming across our border?

**Hon. Lawrence MacAulay:** There is no question that there have been some results at the border. There have been a number of people charged at the border, but again, I will let my colleague answer that.

**Mr. Peter Fonseca:** What is the penalty if someone is caught?

**Mr. Alexander Lawton:** It really depends on the nature of the non-compliance. In general, it is a tariff classification issue, and there is no evidence that it was wilful. Duties are assessed, and interest and penalties are issued. This is with spent fowl specifically. With the duties relief program there are obviously other remedies as well.

**Mr. Peter Fonseca:** Do you feel that those penalties would be enough to curtail this and stop it from happening?

**Hon. Lawrence MacAulay:** No, we have to do more. We have started. The fact is, working with the chicken farmers and other people across the country, there is more to do, and we understand there is more to do, but we had to make a small start. If you wish to expand, go ahead. I just want to indicate that this is a start. It is certainly not a finish. The Chicken Farmers of Canada wouldn't.... Everybody understands we have more to do, including the government.

• (1150)

**Mr. Peter Fonseca:** It sounds like a multipronged approach: the certification, the inspection, the enforcement, and looking at the DNA. I guess everybody is waiting to see whether this DNA test will work, what the cost is, and how quickly it could be administered. Is that what we are working on right now?

**Hon. Lawrence MacAulay:** It is fair to say that we have to have a mechanism at the border that can track and see whether it is or it isn't, whichever way. That is one of the possibilities. Certification is another possibility. We have to make sure we put the proper system in place, because spent fowl is allowed into this country. It is used in nuggets, soups, and that type of thing. It has to be allowed, but the problem that you are concerned about, that I am concerned about, and of course that the chicken farmers of Canada are fully concerned about is fowl that is not spent fowl coming into this country and taking away their market. That is not fair, and we have to stop it.

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

Sorry, Mr. Fonseca, your time is up.

We probably have time for one more question from an MP, with three minutes left. We have the Conservatives up.

Go ahead, Dave.

**Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC):** Well, thank you, Chair. You say three minutes, so we have to get moving fast.

Welcome, Minister. Regardless of our party lines, I think we all agree you're a wonderful chap, and it's always good to have you here.

Mr. Fonseca, that line "If you ate, you can thank a farmer", we know that, but I think we can extend that. I have a little farm, and I see some of the machinery we have. It's getting pretty amazing as well. We had better thank a manufacturer, but that manufacturer knows that tractor wouldn't run without the oil, so we had better thank the people in the oil industry, too.

Here's what I want to talk to you about: I want to talk to you about pipelines. Of all things, why would we talk about them? We talk about them because in this country we have an oil industry that's going down the tubes. I suggest to you, sir, that if that happens, it is going to affect the farm gate in an incredibly negative manner.

I want to know, and I want to get a commitment from you as the Minister of Agriculture, with the important and the powerful portfolio that you hold, that you will take the government to task and say that we need to get these pipelines built. I'll finish with one final point. The fact that we have low oil prices today is a curse because there isn't the investment being made. Once the glut is gone, we will see the oil price spike like we did in 2008.

Would you care to comment on that and make a commitment to this committee and to these MPs that you will fight for pipelines?

**Hon. Lawrence MacAulay:** Dave, I thought we were friends.

I don't believe I'll be making a commitment on pipelines. You know the process we've put in place in order to make sure that we have a consensus from the public in general, but that's out of my portfolio to indicate the environmental impact and this type of thing. I do understand that any industry like that is vitally important. I use lots of oil. I farmed, grew potatoes, and milked cows all my life before I met you, and I understand the importance of this industry, too. Most likely it will revive again, like many other industries. Being a farmer, I'm fully aware of the ups and downs in industry. If you're waiting for me to make a commitment that I'm going to take the government to task, then I would question that. I appreciate your concern, and I fully understand that the oil industry plays a major role in this country. We're a big exporter of oil, and we have to make sure that the oil gets to port in order that we can export it. It's a valuable commodity—

**Mr. Dave Van Kesteren:** I thank you for that.

**Hon. Lawrence MacAulay:** —and I understand that—

**Mr. Dave Van Kesteren:** I thank you for that.

**Hon. Lawrence MacAulay:** —and I'm sure you do, too.

**Mr. Dave Van Kesteren:** I know we haven't got a commitment, but just knowing you're at the table reminding the government...

The other thing I want you to remind them about is the detrimental effect that a carbon tax is going to have on farmers. If we're going to compete on the world scene, we have to compete on a level playing field, and the carbon tax is going to put us out of that competition mode. Would you remind the government of that and possibly be an advocate for us to be sure that isn't something that is going to drag down the farm gate as well?

**Hon. Lawrence MacAulay:** Thank you very much. I think you realize that we campaigned on that, and it was quite a referendum. On this very issue, we're consulting full time, as on many other issues, with our provincial colleagues across the country to make sure that your genuine concern that farmers are not heard, that they're not heard.... My responsibility, and I'm pleased to have it, is to make sure that the farming community in this and their concerns are forefront, and I can promise you that.

• (1155)

**Mr. Dave Van Kesteren:** Great.

Farmers are concerned in the province of Ontario with the lack of interest at the provincial level. We saw what great friends your leader was with the premier dancing around the stage at election time. Just knowing that you have that strong relationship, would you possibly use that influence to remind the Province of Ontario of the importance of farming—my colleague, Tracey, can testify to that as well in Essex—and that we get the attention that we need from the Province of Ontario that you're committing to here at the federal level as well?

**Hon. Lawrence MacAulay:** I'm pleased you understand that you have such a great premier in Ontario.

**Mr. Dave Van Kesteren:** You said it.

**Hon. Lawrence MacAulay:** I am pleased with that. I understand that fact, too. I do have a good rapport with the Premier of Ontario and all the other premiers across the country. I had a great opportunity to spend some time with Brad Wall, who is not one of our counterparts, but is a distinguished Canadian and a popular premier. I think it's my responsibility to deal with all provinces and territories, and to make sure that everybody is involved in decisions. That I can commit to. Thank you very much.

**The Chair:** Thank you, Minister.

We're going to go to one more questioner. I would just like to remind our members that I think it's very important we stick somewhat to the topic that we bring a minister in for.

We have a couple of minutes left, and the NDP has the last three minutes.

Go ahead.

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

I miss working with you on ag, but it's nice to see you today.

I'm just going to ask you a few more questions about diafiltered milk, because what we're supposed to be concentrating on is a study on the Canada Border Services Agency duties deferral program and other issues, diafiltered milk, and spent fowl.

This is an issue that has been going on for the last number of years. Diafiltered milk is something that was made in the States to ship off to Canada. They found a loophole. Supply management is based on three pillars: production management, pricing, and control at the border, control of imports.

With diafiltered milk, we see the loophole; we see the problem. It has a dual identity. When will this be dealt with?

I know you've consulted a lot, and I know your government likes to consult Canadians, but I think enough consultation has happened. I think a lot of the major players are on the same page as to what needs to be done.

What happened in those consultations, Mr. Minister? Are we on the same page?

I think it's just missing government action. The government needs to control what's happening with the importation of diafiltered milk.

**Hon. Lawrence MacAulay:** Thank you very much, Ms. Brosseau. I appreciate your concern, and I've heard it a number of times.

**Ms. Ruth Ellen Brosseau:** Could I just have some answers?

I'm sorry. Every time I question you—I thank you, minister—you say that you understand my concern. We'd like an answer, and I think farmers deserve an answer. It's been almost a year.

**Hon. Lawrence MacAulay:** It's one of the concerns for sure in the supply management sector, as is the low price of skim milk powder and that type of thing. It has all contributed to a problem in the dairy industry. I think you would agree that in the few months I've been here I've taken this on fully, and I fully intend to address it. What we want to do is make sure that we address it in an appropriate manner.

What did I hear when I consulted with people? Many, many things. You would even hear some things at the table here today. When we're dealing with young dairy farmers in your province and across this country, they're concerned about the longevity, the long-term sustainability of the dairy industry. That's what they're concerned with.

What you have to be careful of in this business—and I know you want to ask something else—is that you don't just have a knee-jerk solution. What you need is a long-term, sustainable solution for the whole package.

I know you want me to tell you that a week from Friday I'm going to do something. That is not the case. We cannot set a date. We cannot set a timeline.

**Ms. Ruth Ellen Brosseau:** Why not?

**Hon. Lawrence MacAulay:** But we can tell you one thing that we're going to do. We're going to make it official—

**Ms. Ruth Ellen Brosseau:** I'm sorry, Minister, to interrupt you. I don't have much time. I need to know—

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

**Hon. Lawrence MacAulay:** Give her one more, Mr. Chair.

**The Chair:** Well, no. If I give her a minute, I have to give everyone a minute.

**Hon. Lawrence MacAulay:** I am on her side.

**The Chair:** I know you guys are having a lot of fun down in that corner—

**Ms. Ruth Ellen Brosseau:** You're on my side?

● (1200)

**The Chair:** —but we want to hear from other stakeholders and our time is up.

Before I let you go, Minister, I'd like to recognize everybody in the room who came here today, the media, and especially our old friend, Mr. Barry Wilson, from *The Western Producer*. It's good to have you here, sir, keeping an eye on us as usual.

Thank you, Minister, for coming and dealing with all the questions that were thrown at you today.

We're going to suspend now and we're going to hear from the producers in a few minutes.

•(1200) \_\_\_\_\_ (Pause) \_\_\_\_\_

•(1205)

**The Chair:** We have just under 40 minutes here, and I think this is a good segue.

We had the minister come in, and now we have the stakeholders dealing with this topic coming in. Today we have with us the Canadian Poultry and Egg Processors Council, the Chicken Farmers of Canada, and the Dairy Farmers of Canada.

I'm going to start off with the poultry. If you can keep your time as tight as you can so we can get some questions in, I would appreciate it.

Robin, welcome, sir. You have the floor.

**Mr. Robin Horel (President and Chief Executive Officer, Canadian Poultry and Egg Processors Council):** Good morning. Thank you.

My name is Robin Horel and I am the president and CEO of the Canadian Poultry and Egg Processors Council. I thank you for the invitation to provide to the committee and other interested parties our perspectives on the Canada Border Services Agency's duties deferral program as well as the border circumvention issues with spent fowl.

Our organization, CPEPC, is the national trade organization for Canadian chicken and turkey processors, hatcheries, egg graders, and egg processors. Now in its 66th year, our council has member companies in every province of Canada. In addition to representing the interests of more than 170 Canadian poultry processors, egg graders, and processors and hatcheries, we have over 50 national and international industry partners who have joined us as associate members. To put it simply, my members buy live chickens, live turkeys, table eggs, and broiler hatching eggs from supply-managed farmers.

CPEPC member companies work within the supply-managed system for chicken, turkey, eggs, and broiler hatching eggs. Our members support the system, and we are committed to building the long-term competitiveness of the Canadian poultry industry. A foremost priority is to modernize the supply management system to ensure continued broad consumer support and mitigate processor risk and to better respond to market pressures and the competitive environment. The goal of the system for Canadian consumers is to ensure that they receive safe, local, high-quality poultry products while farmers receive a fair return for their efforts, all without government subsidies. The goal for my members, who purchase live chicken, turkey, eggs, and broiler hatching eggs from supply-managed farmers, is to have a fairly priced, dependable supply of the right product at the right time.

As the members of your committee know, supply management depends on three pillars: producer pricing, production planning, and import control. It is our belief that the import control pillar is being circumvented. We are on record with government as supporting efforts to intensify ongoing anti-circumvention measures that will enhance our border controls. For our industry these measures include preventing importers from circumventing import quotas by adding sauce packets to chicken products, eliminating imports of broiler

chicken labelled as spent fowl, and excluding supply-managed products from the Government of Canada's duties deferral program.

This committee is concerned with two of these three measures: CBSA's duty deferral program as well as the issue of imports of broiler chicken labelled as spent fowl. The spent fowl issue is one that affects the chicken sector only. The duty deferral program can apply to all supply-managed poultry commodities but currently affects the chicken sector more than the other supply-managed poultry sectors.

I'll first refer briefly to the duty deferral program. CPEPC and our members support programs that contribute to the creation of jobs and innovation in the Canadian poultry industry. That includes programs that allow Canadian manufacturers to purchase raw chicken at internationally competitive prices, add value in Canada, and re-export that product. CBSA's duty deferral program is designed to do that, but so is Global Affairs Canada's import for re-export program managed by the trade controls policy department. The import for re-export program, IREP, is especially designed for products subject to tariff rate quotas and in our opinion is the correct vehicle for this type of activity for our industry. Therefore, CPEPC favours exclusion of supply-managed poultry products from the CBSA's duty deferral program.

That being said, it should be noted that industry requires an import for re-export program that is user-friendly for Canadian companies in the poultry sector in order to encourage economic activity in Canada while protecting our industries from potential TRQ circumvention. Therefore, the timing of elimination of poultry products from the duty deferral program must allow for any necessary changes to IREP. Companies currently using duty deferral will need adequate notice in order to allow for a smooth change to IREP. Our goal must be to ensure there is no impact on legitimate business.

I now turn to spent fowl. In the chicken industry, spent fowl is the term used for laying hens, either table egg-laying hens or hatching egg layers, that have reached the end of their productive life and are slaughtered, with the meat being used for many further processed chicken products. The properties of the meat make this product preferred for many processed products. In addition, this product is usually a much less expensive raw material for processed products.

Spent fowl is not part of the supply-managed chicken sector in Canada, which means that spent fowl can be imported into Canada tariff-free. I need to be clear about this. CPEPC and our members support the import of spent hens and spent hen meat because it contributes to the creation of jobs and innovation in the Canadian poultry industry. Canadian companies are among world leaders in producing many of these products for Canadian consumers and for consumers worldwide.

●(1210)

Our concern is with the broiler product that is labelled as “spent hen” and imported into Canada, thereby circumventing border controls. This fraudulent activity results in illegal meat on the Canadian market. The result is depression of the Canadian market, loss of opportunity for Canadian farmers to grow additional broilers, and for Canadian processors to process that product. We applaud what we understand is a current concentrated effort to address specific incidents of fraudulent imports of these products. However, on an ongoing basis we believe we need mandatory certification of the spent hen product for import into Canada as well as use of DNA testing.

In conclusion, our members operate within the supply-managed value chains. These systems have benefits and our members support them. We are, however, concerned with fraudulent import activity, and we support intensifying anti-circumvention measures that will enhance border controls. For our industry, these measures include certification and DNA testing to eliminate imports of broiler chicken labelled as “spent fowl” and excluding supply-managed products from the Government of Canada's duties relief program and putting them into IREP where they belong.

I'm looking forward to answering questions from the committee members on these two issues.

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

We're going to move over to the Chicken Farmers of Canada.

Mr. Ruel, go ahead, sir.

[*Translation*]

**Mr. Yves Ruel (Manager of Trade and Policy, Chicken Farmers of Canada):** Thank you, Mr. Chair and members of the committee.

I am Yves Ruel and I am the manager of trade and policy for the Chicken Farmers of Canada.

I would like first of all to thank you for inviting us to debate the important issue of import circumvention, in particular the case of spent fowl and the duties relief program.

To begin, we will provide a brief overview of our industry and our organization.

We represent 2,700 Canadian chicken farmers in every province. Our industry, which includes both farmers and processors, helps sustain 78,000 jobs. Every year, we pay \$2 billion in taxes to the various orders of government.

Canadian chicken farmers are proud of their ongoing contribution to the country. We want to continue contributing to its growth. To maintain our success in recent years, however, an essential pillar of supply management must be strengthened, namely, import control, which is the reason for your hearings today on spent fowl and the duties relief program. These are very important topics.

I will now talk about spent fowl.

●(1215)

[*English*]

On spent fowl, we've seen over the years an increasing volume of chicken broiler meat being illegally imported into Canada as spent fowl. It was in 2012 that we saw for the first time pretty strong evidence of that, when the volume of imports from the U.S. represented 101% of the U.S. slaughter volume. As you can understand, this is not possible. First, they consume some fowl meat in the U.S., and they export to other countries than Canada, so it's impossible that we imported 101% of their entire supply. The problem kept going after 2012. You have the graph that was circulated that shows the annual imports. The data suggests that the problem is increasing in 2016.

From the beginning of the year, so for the first seven months that we have official data, the imports represent 114% of the U.S. fowl production. If we were to continue at that pace, this year we would import 118 million kilograms from the U.S. This is 32% more than last year. That's based on the first seven months of data.

We have some preliminary numbers for August, and those numbers show a decline for the first time in years. You've heard from other committee members that there's been increased enforcement by various agencies, and that probably explains the decline that we've seen in August. If the decline in August imports is the result of the increased surveillance, this again provides further evidence that mislabelled chicken is being imported to Canada.

These illegal imports not only undermine our economic contribution to the Canadian economy, but they are also a threat to food safety. In the event that there was a product recall, it would be impossible for CFIA to properly advise Canadian consumers. When they claim that they ship spent fowl to Canada, if chicken is the real product in the shipment container, they would never know in the event of a product recall what was really in the box. They are all labelled as spent fowl.

Chicken farmers are not opposed to the legal importation of spent fowl, but we want an end to the fraudulent imports that we've seen. Based on our conservative estimates, we believe that about 37 million kilograms were imported illegally last year; we figure that about 40% of the imports are illegal imports. That represents 3.4% for domestic production. If we were to produce this in Canada, that would mean the creation of close to 2,800 jobs, and all the other economic benefits for the Canadian economy.

As mentioned by previous witnesses at your committee in August, there are no means to visually distinguish broiler meat and spent fowl. That's why we've worked with Trent University to develop a DNA test. Trent specializes in non-human DNA, and they have expertise that they were able to develop for the poultry industry. They can clearly distinguish between broiler meat and spent fowl meat. We know that currently the government is in discussion with Trent to find out more information about this test.

On the spent fowl file, the Chicken Farmers of Canada recommend, first, that mandatory certification for all spent fowl imports be put in place. That would complement the U.S. voluntary program. Also, we recommend that the DNA tests be incorporated as a means of verification for the efforts by CBSA and CFIA. As was mentioned by the minister earlier, the Canadian and American processors are both supportive of the efforts to resolve this matter.

On the second point of your study today, the duties relief and duty drawback program, I think it's important to mention, as my colleague Robin mentioned, that this program was not designed for perishable agricultural goods such as chicken. First, the program has a four-year timeline, which obviously exceeds the shelf life of even frozen chicken products. Second, the program allows for product substitution. This would imply that high-value chicken products can be imported and low-value are re-exported, or that even spent fowl could be re-exported.

Also, the duty relief program allows marinated products. The reason we saw the increase in the use of the DRP... It started in 2012-13 when Global Affairs Canada, under the import to re-export program, decided to ban marinated products. All the users of marinated products moved to the DRP, and that's why DRP had such a sudden increase.

• (1220)

**The Chair:** Sorry, Mr. Ruel, but you're going to have to wrap up. We're way over time. If you could wrap up your comments, I'd appreciate it.

**Mr. Yves Ruel:** Thank you.

As a result of that, when we combine both programs, IREP and DRP, there's an increase of 35% since 2001, and that's an impact on our industry. Last year the imports under DRP reached 96 million kilograms, which is 9% of our production. As you've heard, CBSA also increased its enforcement activities, which probably explains a small decline in the first months of 2016. Once again, it shows that when there's increased enforcement, there's a decline in the use of those programs, which provides further evidence that the program is creating disruptions in the Canadian chicken market.

We recommend that chicken be made ineligible under the DRP. There's already a program administered by Global Affairs Canada called import for re-export. It's designed specifically for goods subject to import control. It's well crafted for agriculture, so users could use the import to re-export program. This would eliminate all program duplication and reduce government cost. We think it's the best way for the industry to go.

In conclusion, we think that by closing those loopholes on spent fowl in DRP, this would generate more than 4,000 jobs, \$315 million in contributions to GDP, and \$105 million in new taxes every year.

Thank you.

**The Chair:** Thank you, sir.

We're going to move over to the Dairy Farmers of Canada for five minutes.

Caroline, you're first.

**Ms. Caroline Emond (Executive Director, Dairy Farmers of Canada):** Thank you very much, Mr. Chairman. I will read my text in French, and I will take questions in both languages.

[Translation]

First of all, on behalf of the the Dairy Farmers of Canada (DFC), I am pleased to be with you here this morning. Thank you for your interest in our concerns. I am accompanied by Yves Leduc, the director of our policy and international trade team. He is here to provide additional information to your questions if necessary.

I will give you a short version of our presentation. The complete version is available to you. You may refer to it if you wish.

I would like to draw your attention to the updated figures on the impact of Canada's dairy industry. Our new figures are provided in the complete version. The industry contributes \$19.9 billion to the GDP and sustains 221,000 jobs across the country, up from 215,000 jobs. This indicates significant growth in the dairy industry in Canada. That is something worth noting.

Let me be clear upfront, DFC has never opposed Canada's trade strategy. Our position is simple: the dairy sector should not have to pay the price for our nation's trade agreements. Contrary to what some may believe, Canada is not closed to dairy imports. In 2014 and 2015, we imported approximately 900 million dollars annually in dairy products. Total imports are estimated at over 10% of our market.

The minister referred earlier to the long-term situation. Farmers are perhaps indeed concerned that part of our market might slip away. The future of the industry depends on a strong market. This 10% is more than the U.S. and New Zealand, and does not include the 2% under CETA, or the additional 4% of access that will be granted as a result of the TPP.

Preventing tariff circumvention is very important for preventing imports. We would like to remind you that worldwide, with the exception of a few countries that continue to overproduce and flood the market, the production of the dairy sector remains focused on serving domestic needs. Only 9% of the total world milk production is traded on the world markets. The government's role is to ensure that the third pillar of supply management, border controls, is effective. In order to adjust national production, we need to know the level of imports.

I would like to say a few words about the duties relief program. It was designed, as my colleagues have said, for manufacturing sectors, not agriculture. It allows up to four years for re-export, which of course does not apply to fresh products. This directly impacts our production planning, which disrupts the management of our system. There is a glaring lack of transparency in this system, as compared to the import for re-export program, or IRP, which was created for supply-managed products.

The exclusion of dairy, poultry, and egg products from the duties relief program is the simplest solution. This has been under review for years, and a decision was announced on October 5, 2015. Unfortunately, this was never implemented due to the change of government. We understand that the proposed solution is supported by the current administration and is simply awaiting approval.

When it comes to the issue of diafiltered milk, at this point, I'm truly at a loss for words. Between 2011 and the election in 2015, Dairy Farmers of Canada had 59 communications with the previous government on diafiltered milk. After the election, we re-started the process with the current government. Over the past year, we have had numerous and ongoing meetings with the staff of various ministers' offices, as well as consultations and meetings with partners and MPs.

On February 2, 2016, we had a lobby day where we discussed diafiltered milk and various other topics with over 150 MPs. On March 9, 2016, we presented and answered questions on diafiltered milk for two hours before the Standing Committee on Agriculture and Agri-Food.

On April 21, there was a full opposition day in the House of Commons, devoted entirely to diafiltered milk. We consulted with the government both before and after 3,000 farmers came to a rally on the Hill on June 2.

We have heard numerous questions and answers about diafiltered milk from all parties during question period in the last session. I don't know what more I can tell you about this at this point. We will answer your questions if you have any.

●(1225)

In conclusion, I can tell you that we have seen numerous examples of creative tariff circumventions such as the pizza kits, butter, oil and sugar blend, salt or sugar added to cream to avoid tariffs, and food preparation allegations.

These illegal actions have cost our farmers millions of dollars in losses, and it took years to get a resolution on these files from the government. All government departments and agencies must play a proactive role to ensure proper classification, proper inspection, and proper and transparent advance rulings.

In putting pressure on our Canadian government recently, all our international trading partners are seeking is complete access to our Canadian market. Some people, like me, still believe in the right of a country to food sovereignty, and to enforce its own domestic regulations.

In Canada, we have a sustainable dairy sector, without government subsidies. Other countries are envious of the stability

of our system, particularly at a time when the global dairy market is hurting worse than it has in years.

We can't blame other countries for being scared of a thriving Canadian dairy sector, but they cannot blame our government for wanting to protect Canada's food sovereignty. All we are asking is for the government to play its role, while respecting our existing international trade commitments.

As you heard earlier, the government can also support the dairy industry through investments in innovation and research. What was not mentioned is investment in infrastructure in order to improve processing and drying capacity, thereby strengthening our dairy industry.

The government can play a role and our sector will continue producing the high-quality milk that Canadians prefer. Canada and Canadians benefit from a strong dairy industry.

Thank you, Mr. Chair.

●(1230)

[English]

**The Chair:** Thank you very much, Ms. Emond.

We are under a bit of a time constraint. We have enough time for one four-minute slot for each party. We're going to go with the Conservatives to start off.

Mr. Ritz.

**Hon. Gerry Ritz:** These discussions have been going on for a number of years. As you pointed out, Caroline, we've identified the problem and we've identified the solutions. Now it's time to pull the trigger and actually put them in play.

When I was the minister in my past life, there were a lot of discussions going on. We had charged the four different departments that were involved, and you had meetings with all four of them as well, on what the solution should be. We were well on our way to making that happen. Are the discussions you're having now starting back at zero, or are you starting where we left off at about three-quarters of the way to completion?

**Ms. Caroline Emond:** You're putting me in a very difficult position, Mr. Ritz.

The thing is that sometimes we do feel that we're starting over again. That's what I mentioned in my presentation. Everybody knows the issue now. Everybody knows potential solutions. Now is the time for action. I agree with the minister that we all want a sustainable dairy industry, but a sustainable dairy industry means acting now. Right now farmers are affected. We're losing money. It's important to understand, as I said in my presentation, that a healthy dairy industry is healthy for this country because this industry is at the heart of our rural communities. Although we don't talk a lot about agriculture, agriculture is the backbone of our economy.

**Hon. Gerry Ritz:** Absolutely.

**Mr. Randy Hoback:** In the last hour, I asked the minister about timelines, and he emphasized how important it is to see some resolution. In your meetings with the minister, was there any mention of timelines or goals with respect to when they're going to have this completed?



**Ms. Caroline Emond:** I wish we had, but no. I mentioned the lobby day that we had in February. We've been asking for investment in processing capacity as well. We've raised five issues and now we're looking for solutions. The producers want to go back to producing milk. They don't want to be on the Hill all the time.

**Mr. Randy Hoback:** On spent fowl, are there timelines or commitments on timelines to get this resolved?

**Mr. Yves Ruel:** No, unfortunately we are not aware of any specific timelines. We heard recently that there was some discussion with Trent University on the DNA test. We've seen a decline in the imports number, and we've heard of some increased verification on the imports of spent fowl, but I am not aware of any progress on import certification or DNA.

**Mr. Randy Hoback:** Robin.

**Mr. Robin Horel:** To add to that, the increased enforcement is obvious. It's obvious because my members are talking to me about what's happening. It's obvious because the numbers on spent fowl, for example, are going way down. By the end of June, we were operating at somewhere around a 50% increase from last year on boneless breast meat, which is the biggest issue for us. In July, one month versus one month, we were only plus 19%. In August, we were minus 50%.

Something is happening. That's great. Every meeting I have with any officials I tell them how happy we are with the enforcement, but with respect, we've had some increased enforcement in the past, maybe not to this extent, and when it goes away, things come back. We need something in the longer term.

**Mr. Randy Hoback:** Let me ask you one question. Is that because of avian influenza in the U.S. and that it's down, or is it because the government's actually doing something about it?

**Mr. Robin Horel:** No, it's the latter. It has nothing to do with avian influenza.

**Mr. Randy Hoback:** Are you sure about that?

**Mr. Robin Horel:** Absolutely.

**The Chair:** We're going to move over to the Liberals for four minutes.

Go ahead, Mr. Peterson.

**Mr. Kyle Peterson (Newmarket—Aurora, Lib.):** Thank you, everyone, for being here today. It's a very fulsome presentation, and we appreciate it. I understand that you've been making these presentations to different players in the government for quite some time, so we appreciate your patience in doing it one more time.

I have a question, first of all, for our chicken friend, Monsieur Ruel, and perhaps he can pipe in. We were doing TPP consultations as a committee and we had a brief submitted to us by Concord Premium Meats Ltd. In that brief they claimed that Canadian chicken farmers are unable to or are uninterested in supplying them with chicken for exports that will keep them competitive in the marketplace. The only cost-effective program they can use to export is the duty deferral program.

I'm wondering if you can comment on that. I'll give you a chance to address that because this is something that we've received from one of the stakeholders.

**Mr. Yves Ruel:** First, I would say that chicken farmers would like to produce as much chicken as they can, so if Concord Meats needs chicken, they can contact us, and Robin's members, and I'm sure they'll be pleased to offer it.

In terms of the specific programs, Global Affairs Canada's import for re-export program is specifically designed for agricultural products. It still exists, so Concord and any other company can use it. Some still use it. Some went to DRP, because DRP is so flexible, and completely inadequate for our products, because, as I mentioned, four years to re-export, product substitution, this undermines our industry. This undermines the Canadian marketplace for farmers, for processors. That's why this program should never have allowed chicken products and other agrifood products. It was designed for manufacturing; it's not designed for agrifood.

• (1235)

**Mr. Kyle Peterson:** Mr. Horel.

**Mr. Robin Horel:** To be fair, the cost of Canadian chicken, raw material for further processing, broiler chicken, is higher than the world cost, or the cost from the United States. It's part of our system. It's part of fair pricing to producers. It's okay; I've already said we support the system, but Yves's point is right. Concord Meats is not a member of mine, but any other company that wants to further process products has an avenue through the import to re-export program that allows them to import meat at a world price, add whatever value they need to add, and re-export it. As long as they re-export it, it works fine. So that's the avenue.

I said it in my brief. We're not against.... In fact we are for innovation, jobs, that kind of thing. IREP will allow all that.

**Mr. Kyle Peterson:** Okay, thank you for addressing that.

I know I'm pressed for time.

Ms. Emond, you mentioned near your conclusion about how it would be great if the government would make investments into industry to ensure its long-term viability. I'm going to give you a chance to elaborate on what kind of investments you see as priorities, and what investments we can make as a government to ensure the long-term viability of your industry.

**Ms. Caroline Emond:** Thank you very much for the opportunity.

Yes, we have mentioned research and development. I think that's key to innovation. We're all about innovation and there are opportunities. The minister mentioned our proAction initiative, which is a sustainable policy. It's one of the most advanced around the world. It's an amazing program to ensure food safety, environmental stability. They are all very important elements that our consumers want to know about. The government is even including that in the policy development. But now we are entering the implementation phase. We're talking about \$200 million that the producers will have to pay. That's a good example.

On processing facilities, farmers have been investing in their farms to grow, to have innovation, to be more efficient. The processing sector needs some help and encouragement, so we're asking the government to give them those incentives. We're doing our part of the job; now it's time for the government to step in as well.

**Mr. Kyle Peterson:** Okay, thank you.

**The Chair:** That's pretty well time.

Thank you, Mr. Peterson.

We're going to move to the last slot with the NDP. Go ahead, Madam Ramsay.

**Ms. Tracey Ramsey:** I'm so frustrated. I'm sitting here shaking my head. I'm a new MP. I also have been at this job for 10 months. I represent a rural riding in southwestern Ontario. The Liberals brought in supply management, and I want to know where the outrage is over not standing up for import controls for our supply management sector in our community, because I don't hear it. I don't hear questions coming from their bench. We made an attempt, the New Democrats, to put forward an opposition day; it was turned down.

I want to know where the responsibility is to supply management from this government. I hope that the members of this committee will hold their own government to account, because as we hear, you represent ridings that are rural as well. It's time to stand up against this. Ten months is more than enough time. The information has been provided by those in the sector themselves. They've given the solutions. They've done it thoughtfully. They've partnered with universities and they've partnered with people to create solutions that have not been adopted.

Shame on this government for not standing up for farmers.

**The Chair:** Madam Ramsey, we have witnesses here. We don't want to get into a cross-dialogue.

I'm just going to hold the time for a second. I'm not taking up your time.

**Ms. Tracey Ramsey:** All right.

**The Chair:** We'd like to focus on the witnesses.

**Ms. Ruth Ellen Brosseau:** She can say what she wants.

**The Chair:** We don't want to get into a kerfuffle back and forth, so steer your questions toward a witness. I don't mind opening statements, but I think they're here to answer your questions.

**Ms. Tracey Ramsey:** I don't want a kerfuffle. I want to impress upon the government the importance—

**The Chair:** Okay.

**Ms. Tracey Ramsey:** Our witnesses have said to us it's incredibly important that the government listen, and they've been at that table. This consultation process has been going on and on, but at some point you have to move from consulting to governing, and that's what we're looking to see. We're looking for that leadership from our government, from the minister.

Again, if I had to grade the government on where we're sitting, it's a complete F to supply management in agriculture in general. Every trade agreement we're entering into is eroding our supply management.

What would you like to see in a trade agreement, what would improve the situation for supply management, and for goodness' sake, what can we possibly do to advocate on your behalf?

• (1240)

**Ms. Caroline Emond:** Thank you for the question.

What's important at this point is we can't change the past. We have to live with it. We need to look into the future. That's the first thing.

The second thing is compensation. I said at the beginning we're not opposed to a trade agreement. We understand that other commodities might need it and our economy shouldn't pay for it because a strong dairy sector is important for this country. We need to make sure it was a decision by this country to move forward with that agreement and that farmers need to be compensated. We need to make sure we maintain that strong dairy industry. That's the first thing: to continue to advocate for compensation will definitely be a key, and as well, for investment. We've been a very self-sufficient industry, but we need to pick the good horse and the dairy industry is a good industry in Canada. We need to be able to continue doing that. A commitment to supply management is part of it. We mentioned a third pillar. Government, producer, processor, everybody has a role to play. We're doing our part. We've been working very strongly with our processors in making sure that we all work together for the future of this industry. We're hoping that we can count you as a partner in that relationship.

**Mr. Robin Horel:** In our case, if I can—

**Mr. Yves Ruel:** Go ahead.

**Mr. Robin Horel:** First comes the chicken and then comes the processor.

**Mr. Yves Ruel:** What's important for us in the trade agreement is to make sure that the three pillars of supply management are maintained. What's key in this case we're discussing today is import controls are fully maintained. We already provide lots of access, as was mentioned in the dairy presentation. We are a significant importer and contrary to the perception, we're not a closed market. Last year 240 million kilograms of chicken were imported into Canada, so that's a huge volume. We're the 17th largest importer in the world, with 35 million people. We are a significant importer, but we want to make sure we maintain what we have to supply the domestic market so we don't get erosion of our production and our market. It's important that import controls be fully maintained so we don't lose what we have.

**The Chair:** Thank you. That wraps up our time.

Thank you, folks. You represent so many farmers, and not only farmers, big industries. It's a very important industry and we thank you for coming and thank you for all the questions here.

*[Proceedings continue in camera]*

We're going to suspend for one minute, and then we're going to get right into our future business.

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