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Chair: Mr. Pat Finnigan



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• (1635)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): I call the meeting to order. Welcome, everyone.

As you all know, we had to cut our meeting in half for very important votes in the House, so I'll be very quick and stick to the time.

Welcome to the 10th meeting of the House of Commons Standing Committee on Agriculture and Agri-Food. Pursuant to Standing Order 108(2) and the motion adopted by the committee on October 24, the committee is resuming its study on processing capacity.

The number of witness panels has been reduced to one today due to the votes. Bonduelle Americas and Northern Natural Processing LP will be rescheduled for another meeting.

[Translation]

Today's meeting is in hybrid format, pursuant to the motion adopted by the House on September 23, 2020. The proceedings will be available on the House of Commons website. As a reminder, the webcast will always show the person speaking, rather than the entirety of the committee.

To ensure an orderly meeting, I would like to outline a few rules to follow. Members and witnesses may speak in the official language of their choice. You have the choice, at the bottom of your screen, of either floor, English or French. Before speaking, please wait until I recognize you by name. A reminder that all comments by members and witnesses should be addressed through the chair. Make sure your mic is on mute when you are not speaking.

[English]

With that, we are ready to begin.

I welcome our witnesses for this panel.

From Canola Council of Canada, we have Jim Everson, president. Mr. Chris Vervet, from the Canadian Oilseed Processors Association, is also appearing in support of the Canola Council's testimony.

[Translation]

We also have Sylvie Cloutier, chief executive officer, and Dimitri Fraeys, vice-president, both of the Conseil de la transformation alimentaire du Québec.

[English]

We'll start with an opening statement from the Canola Council of Canada.

You have seven and a half minutes. Go ahead.

Mr. Jim Everson (President, Canola Council of Canada): Mr. Chairman and committee, good afternoon, and thank you very much for having us today.

We're very interested in talking about Canada's value-added canola sector and about increasing processing capacity for our exports of seed, meal and oil, as well as the domestic market through biofuels.

First, as a bit of background about the Canola Council, we represent the whole canola value chain in Canada. That's 43,000 canola growers, seed developers, the processors who crush canola seed into oil for humans and meal for livestock feed, and exporters of raw canola seed.

I hope I'm not speaking too quickly and the translation is keeping up okay.

The Chair: I believe everything is good.

Mr. Jim Everson: I am here today with Chris Vervet, as you mentioned, from the Canadian Oilseed Processors Association. Our two associations work very closely.

Competitiveness in the global export market is critical for the canola industry. We export 90% of what we produce in Canada, so we need to be competitive globally.

There's also a real opportunity for value-added processing in the canola sector. Canola can be exported in raw form as seed to be processed elsewhere, or it can be processed into canola oil and canola meal at Canadian facilities, creating jobs across the country and increasing the value of our product.

Value-added canola processing has been a real engine of growth for Canada's economy in recent years, and we can achieve a lot more. Our world-class canola processing industry has more than doubled in the last decade. More than \$1.5 billion has been invested in new and upgraded facilities during this time, and the output from this additional capacity has been for global markets. The question is how to continue that success and continue to increase value-added processing here in Canada.

Our industry has a strategic plan to increase demand for canola oil, meal and seed and to meet that demand with sustainable production and yield improvement. As part of the plan, our industry has set an objective to increase the amount we process here in Canada by 40% from current levels, reaching 14 million tonnes.

Our plan also includes bold sustainability goals to protect more than 2,000 beneficial insects that live in and around canola fields, to reduce our fuel consumption per bushel of production and to reduce greenhouse gas emissions. It's an ambitious but achievable plan, and it will contribute significantly to the government's target of \$75 billion in agricultural support through sustainable growth.

Reaching this target for increased value-added processing means that we must compete globally. The committee has asked how we can achieve more value-added processing and what the role of the federal government is. We have four recommendations for the committee to consider.

The first is that we need to create a stable and open trade by investing more resources, particularly in Asia, to prevent and deal with market access issues.

Let me just take a second to explain. We're seeing significant demand for our products in the fast-growing Asian markets, but we're also seeing an increased challenge from trade barriers that limit our access to those markets and make the trade unpredictable. For example, over the last five years our oil exports—our value-added product—to Asia grew by 80%, and our meal exports increased more than tenfold. Over the next five years, we see another 25% in potential growth.

The challenge we're having there is the risk created by unclear and misaligned food and feed safety regulations, fluctuating tariffs and misaligned regulations for crop protection products and seed innovation. These are real barriers to predictable trade.

We recommend that more government resources be assigned to market access issues, particularly in Asia—working in the region, in Asia. We need more regional resources to operate in a strategic and coordinated manner to maintain and build market access for Canada's agricultural products. This means more regulatory experts who can deal with the kinds of science-based issues that become technical barriers to our trade.

Our second issue is about efforts to prevent trade barriers related to seed innovation. We need the federal government to show leadership and create a science-based regulatory environment that encourages new seed innovation here in Canada. It's a very topical debate in this period of time, particularly with the framework for new plant-breeding innovation, such as gene-editing technology, which is critical to the future of our industry and really critical to advancing sustainable agriculture as well.

Third, we recommend the federal government continue to take leadership in maintaining reliable rail transportation. About 90% of canola is exported, and the rail system is critically important to the supply chain in accessing continental and offshore markets.

Competitive and efficient rail logistics are paramount to getting products to market in a timely fashion. We recommend that federal policies and regulations in this area continue to evolve to improve the competitive environment for rail services.

The government also has an important role to play in supporting and investing in key infrastructure access to help ensure reliable supply chains.

Finally, the fourth point and perhaps the one most immediately important to the committee in terms of its timeliness, is that we recommend that the government enable a market in Canada for biofuels that reduce greenhouse gas emissions and support more value-added processing here at home.

● (1640)

Canola-based biofuels already help Canada significantly reduce greenhouse gas emissions by up to 90% compared with conventional petroleum diesel. With a proper regulatory design and recognition of canola's low-carbon advantages, the proposed federal clean fuel standard can spur more demand for canola oil and drive the expansion of a value-added sector. Even a modest level of 5% renewable content in diesel fuel would translate into a domestic market for more than 1.3 million tonnes of canola.

Biofuels are a good example of how canola delivers solutions for our economy and the environment. Canola plants—I don't mean manufacturing plants, but the plant itself—take carbon from the atmosphere and use it to make the world's healthiest oil, and biofuels and protein to feed animals, while at the same time sequestering carbon in the soil. It's a unique product in that way.

On behalf of our industry and the quarter million Canadians whose jobs depend on canola, we thank you for looking at the opportunities to increase processing capacity and competitiveness, and to sustainably increase canola's market access potential both through exports and through biofuels here in Canada.

Chris and I are looking forward to answering your questions, Mr. Chair. Thank you.

• (1645)

The Chair: Thank you, Mr. Everson. You're right on time.

[Translation]

We'll now go to the Conseil de la transformation alimentaire du Québec.

Ms. Cloutier, you have seven and a half minutes for your opening remarks.

Ms. Sylvie Cloutier (Chief Executive Officer, Conseil de la transformation alimentaire du Québec): Mr. Chair, members of the committee, thank you for the invitation to appear.

[English]

Today I will make my presentation in French.

[Translation]

The Conseil de la transformation alimentaire du Québec, or CTAQ, is the principal body of companies in the food processing sector in Quebec. Its mission is to support entrepreneurs in reaching their full potential to ensure the sustainability of the food industry in Quebec and Canada. CTAQ is a federation of 14 sector associations. It brings together more than 550 member companies that account for 80% of the business volume of a \$33 billion industry in Quebec alone.

The food processing sector is facing a number of challenges, including labour shortages, low margins and lack of capital, as well as lagging productivity and innovation, to name a few.

As far as the workforce is concerned, the pandemic has aggravated an already difficult situation. Workers who have tested positive or have symptoms must self-isolate for 14 days. Many employees are no longer available or must stay home to protect their children or parents. The generous CERB program, replaced by employment insurance since September, has encouraged many workers to stay home. It is estimated that 8% to 10% of positions are vacant, or 6,000 to 7,000 positions in Quebec alone.

This crisis has brought to the forefront the issues related to the productivity of food companies. Indeed, automation and digitization are preferred tools to increase productivity and fill labour shortages. Since 2013, food manufacturers' margins have decreased. In 2018, they stood at 7.9% in Canada and 5.7% in Quebec. The ability to invest in productivity and innovation is therefore more difficult. The pandemic has accelerated the deterioration of margins.

Also, in the process of making the shift to industry 4.0, the food processing industry is at 2.7. SMEs must quickly adopt management software packages in order to be able to support the shift towards industry 4.0, the Internet of Things, the connection between

equipment and data accumulation, in addition to developing business intelligence and marketing their products online. We must help agri-food SMEs accelerate this shift.

Businesses need programs and financial support for economic recovery. The emergency processing fund, or EPF, has made it possible to reimburse equipment expenses, but has not made it possible to reimburse salaries or additional expenses caused by health regulations, whether it be increased absenteeism, hourly wage premiums or the addition of shifts to respect more physical distance.

Businesses are asking the federal government to increase its offer of quasi-equity financial products or unsecured loans to avoid an increase in the debt ratios associated with their projects. In this recovery period, liquidity remains the crux of the matter. Risk appetite and access to conventional financing will be a challenge for businesses in the coming months. The food industry is asking for a component to be set aside for it in the \$70 billion to \$100 billion economic stimulus package for 2021. The Barton report positioned the agri-food industry as one of the five pillars of the Canadian economy and society, and a player in creating prosperity for all Canadians.

With respect to temporary foreign workers, businesses have begun to apply for those expected to arrive in April 2021. The industry wants to make sure that all measures are in place to facilitate the arrival of temporary foreign workers, who are essential to maintain supply chains. To facilitate access to foreign labour, the industry is asking that the 10% threshold be raised to 20% in terms of the number of workers per business.

Lastly, as you know, the food retail market in Canada is highly concentrated. In fact, five major banners control over 80% of the grocery market. The major players are consolidating their businesses by acquiring various banners and diversifying their services. These distributors need to renew themselves to attract and keep customers. Each strategy developed by one of them leads its competitor to develop a more persuasive one, creating a spiral that translates into increasingly restrictive, demanding and costly measures for suppliers.

• (1650)

According to a recent report by the Centre for Interuniversity Research and Analysis on Organizations, or CIRANO, in Quebec, market consolidation, asymmetric bargaining power and pressure on margins, combined with the pandemic context, will have a significant impact on food producers and suppliers.

Also, with gross profit margins estimated at 5.7% in Quebec and 7.9% in Canada, it is clear that an increase in the fees charged by certain distributors-retailers is undermining access to the mass distribution market. It will also have a negative impact on the competitiveness of suppliers, who must continually innovate to adapt to changes in food behaviours as well as new environmental and technological standards.

However, supermarkets and other grocery stores show the opposite trend. Despite a slight decline in gross margins in 2012 and 2014, they have been rising steadily since 2014. In the period up to 2018, gross margins for distributors-retailers increased 2.5 percentage points in Quebec and 2.9 percentage points in Canada. As for mass distribution, the CIRANO study stresses the need to ensure that a healthy relationship is maintained in the supply chains between the players in mass distribution, namely, distributors-retailers, and their suppliers, to mitigate the negative effects of asymmetric power that continues to grow in favour of distributors-retailers.

In this sense, a code of good conduct is becoming more and more important. Such a code, which several processor associations and Sobeys, in particular, are calling for, would help to rebalance competitive forces. It would ensure that Canada's share of product purchases, both in-store and online, is maintained.

It also recommends the adoption and development of alternative modes of distribution that would include short channels and emerging online sales platforms. In our view, concerted action towards establishing such mechanisms is required to ensure the sustainability of the agri-food sector in Canada.

Thank you for your attention.

The Chair: Thank you, Ms. Cloutier. You finished your presentation just in time.

Without further ado, we'll move on to questions.

[*English*]

To lead us off, we have Mr. Warren Steinley for six minutes.

Go ahead, Mr. Steinley.

Mr. Warren Steinley (Regina—Lewvan, CPC): Thank you very much.

Colleagues, I'm wearing my yellow tie. It's not just for Saskatchewan; it's also for the canola growers of our province. I come from canola country, and I have a few questions when it comes to some of the recommendations they have made.

The first one I really want to touch on is—and I know these details intimately—is your first recommendation about the opportunities and risks with misaligned food and feed safety regulations in some of our trading partners in Asia.

Can you give a couple of examples to the other members on the committee of where some of our trading partners have found what they thought were some safety irregularities in some products, and have put tariffs on our products that probably shouldn't have been there? Could you share some examples with canola and other products we've exported?

• (1655)

Mr. Jim Everson: Maybe I can start, and Chris can add a comment too.

What we find, for example, is that there are maximum residue limits on seed and products that are exported from Canada and other markets, which are there to protect animal health and safety in various countries. Canada has a list of its own, so it regulates the chemical residues from crop products that are allowed on seed and other products coming into Canada.

The challenge with it is that every country has a separate list, though we like to think that the science that applies to these products is the same anywhere in the world. It really ought to be, so it's very difficult, because you have different maximum residue levels and, in some cases, some countries don't have residue levels at all. That makes it difficult to know as an exporter whether you can export to that country or whether you're taking a great risk exporting to that country or contracting with importers in those countries.

Our goal is to try to harmonize those regulations internationally based on science.

Mr. Warren Steinley: Exactly. That was what I was talking about, that sometimes it can be a subjective measurement of the maximum residue, and that's where we get into some trouble in some of the markets that we're trying to access.

You mentioned rail, and I think that some people, whenever they see a train going to the west coast, assume it is petroleum in there, but lots of times there's canola in those cars.

What recommendations could you give on other ways we could transport petroleum that would give us more capacity in transporting canola and canola oil to the west coast? What recommendations could we suggest to make rail transportation more secure for producers of other commodities?

Mr. Jim Everson: I don't know that I can speak to rail transportation for other commodities. I'll stick to what I know and what Chris knows, which is the grain side of things.

The Canola Council of Canada does market development and relationship work with our major customers around the world. When we have a transportation issue in Canada, we hear about it immediately from our customers. It's absolutely critical to our reputation internationally with large customers like the Japanese and even in the U.S.

To go to the processing sector you're studying, oil is a just-in-time delivery system for canola in North American markets. The companies that use canola oil in their manufacturing process—particularly in the United States, for example—get a car just in time to keep their plant moving. If there's any kind of disruption of rail transportation of canola oil or seed, we hear about it from customers immediately.

What we need to do is be sure we maintain a reputation and keep trains moving in the cold of winter and through the various challenges that come up.

Mr. Chris Vervaeet (Executive Director, Canadian Oilseed Processors Association): I think you're touching on all the key points there, Jim. I'll just add that fluidity is absolutely critical, but so is competition. We need to make sure we operate as shippers in a competitive rail environment.

This past year, the railways have done a very good job in terms of moving grain and our processed products, as well. However, we want to make sure there is always a competitive environment for the shipping community.

In order to do that—as we said in one of our recommendations—the policies and regulations that do maintain that competitiveness between the two major class 1 railways in Canada will continue to be a critical component of making sure we're competitive as well.

Mr. Warren Steinley: I really appreciate that.

I have time for one last question.

I wanted to touch on the clean fuel standard you mentioned in your fourth recommendation. I would ask both of you this. If there is this clean fuel standard put in place, what is stopping a refinery from bringing up cheaper, subsidized fuel stock from the States? I want to have as many markets as possible for our canola growers, and I'm sure you've heard this from some of your people. How can we ensure that these refineries are using Canadian canola oil and feedstock fuel from Canada and not bringing up cheaper subsidized stuff from the States?

Mr. Jim Everson: Chris, why don't you go ahead with that one?

Mr. Chris Vervaeet: Sure. Just principally speaking, as a canola industry, we're obviously very supportive of open borders in trade. The trade relationship in biofuels, especially with the U.S., certainly does go both ways.

However, to your specific question with regard to one recommendation we could make to ensure that canola does feature prominently in terms of any possible biofuel investments here in Canada in using canola as the feedstock, it really comes down to the regulation recognizing our low-carbon advantage. If we are deemed to be a very low-carbon footprint commodity—

• (1700)

The Chair: Thank you.

I'm sorry. I let it go a little bit. We're very tight on time.

Thank you, Mr. Steinley.

[Translation]

Mr. Drouin, you have six minutes.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you very much, Mr. Chair.

[English]

It's great to see Jim and Chris in front of this committee. Certainly we've had some conversations over the last few months.

Jim you've mentioned that the goal of the canola processing is to increase that processing capacity by 40% in Canada. When you say “increasing processing capacity by 40%”, are you looking at biofuel as being one potential avenue, or are you mostly looking at crushing more seeds in Canada for oil or for whichever other products that may be available for market?

Mr. Jim Everson: Thank you for the very good question.

Both, really, is the answer to that. We are currently processing close to 10 million tonnes—or maybe just a little bit over 10 million tonnes of canola—in Canada. Almost half of the crop is now processed in Canada. A few years ago, it would have been a lot less than that, so we have done a lot of value-added expansion in Canada.

In the future, we see more demand for canola oil for human consumption internationally, but we also see a strong demand for biofuels. Potentially, it can make a real difference in Canada, as well.

Chris, do you want to add to that quickly?

Mr. Chris Vervaeet: I think you covered it well, Jim.

We do see the opportunities with the clean fuel standard as a way to grow a market right in our backyard. We really feel that does mitigate some of the risks we do sometimes see on the global marketplace.

Mr. Francis Drouin: Yes. Obviously the policy has to be right for canola producers to be able to take advantage of that. In terms of where we were in June and where we should be soon, I hope we'll be in a good place where we can develop that market and make it even stronger in Canada.

You mentioned transportation as being an important factor in even being able to process more capacity so you can export it if you want. What other barriers do you see within Canada where either the ministry or the Department of Agriculture could be helpful or where we could incentivize even more investments in processing capacity in Canada?

Mr. Jim Everson: There are two things I would point to. They're both regulatory programs. It is to provide the predictability and the confidence for processors to invest in the Canadian marketplace to grow our processing side.

The first would be, as I mentioned in the brief, regulations around plant-breeding innovation, particularly gene editing. There's new innovation in plant breeding that can unlock so much potential in the crop. It could lead to better environmental outcomes or better health profiles for the product itself. It's all in the seed and the development of the seed that you provide to the farmer to grow. You can make a big difference, and we have, historically, done some amazing things. Canola is all about innovation and science innovation, so making sure there is clarity to the regulatory practices in Canada to facilitate innovation in seed development is number one.

The second would be similarly with the Pest Management Regulatory Agency and making sure that we make science-based decisions there—not decisions based on people's concerns about possible safety but on the real science profiles. Our farmers need to have access to really good products in order to do weed control and manage their crop in a competitive way. We need to absolutely make sure that we have science-based decisions with respect to our crop protection products.

Mr. Francis Drouin: Thank you.

[Translation]

Ms. Cloutier, thank you for being here today.

Having a robust system for foreign workers is indeed important. Something I often ask food processors in my region is whether the system is sustainable in the long term.

What can we do to help food processors implement automation technologies and new processes to offset the labour shortage being felt not just in Canada, but also in the United States and other northern countries?

How can the Government of Canada incentivize agri-food processors to adopt more automation?

• (1705)

Ms. Sylvie Cloutier: I will go first, and then, I'll let my colleague Mr. Fraeys finish.

To begin with, businesses need capitalization support; they need programs that will help them access automation, robotics and digitization technologies and expertise. Obviously, the current shortage has been compounded by the pandemic. The labour shortage being even more acute, processors have been forced to offer fewer products and SKUs, and to look for foreign workers in other sectors.

It is paramount that the government help the sector by establishing clearly defined funding and capital support programs to help businesses weather this difficult period.

I'll now turn the floor over to Mr. Fraeys, who may have something to add.

The Chair: Unfortunately, Mr. Drouin's time is up.

Thank you, Mr. Drouin.

Mr. Perron, it is your turn for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): I'd like to give Mr. Fraeys the opportunity to say what he was going to say. It's important that the committee hear his views.

Mr. Dimitri Fraeys (Vice-President, Conseil de la transformation alimentaire du Québec): Thank you for the opportunity, Mr. Perron.

The key to helping processors is to provide subsidies and financial tools that lead to better cash flow. As Ms. Cloutier said earlier, processors' margins have dropped, so they need mechanisms that enable them to spread out investments over time.

In the case of fruit and vegetable production, for instance, the equipment amortization period is very short. Consider peas, beans and corn, which have a harvest of 45 to 60 days a year. Equipment costs have to be amortized over a very short period of the year, not 12 months. The sector needs financial tools that take those unique aspects of production into account. Meat processing is a type of production that spans 12 months. If, however, the government wants to improve food self-sufficiency when it comes to vegetable production, better tools and equipment are needed to speed up the process, reduce the labour required and, above all, support long-term capitalization.

I hope I answered your question properly.

Mr. Yves Perron: Yes, very well.

Since we are very short on time, I encourage you to send any specific recommendations you have to the committee in writing. Our job is to provide the government with recommendations, so we could draw heavily on your extensive knowledge. That is very important.

In particular, we were looking for insight relating to the lack of capital. The technology shift was also covered.

Ms. Cloutier, in reference to the recovery plan earlier, you said the sector needed between \$70 billion and \$100 billion. Is that money to help the sector upgrade and innovate or did you have something else in mind?

Ms. Sylvie Cloutier: Innovation is an important piece since the labour shortage continues to be the biggest challenge faced by the manufacturing sector.

We also need access to skilled employees in food processing. Transportation and logistics need improving and businesses need upgrading. Robotics aside, we need to upgrade equipment, facilities and everything else.

I will let Mr. Fraeys comment further.

Mr. Dimitri Fraeys: The labour shortage is very apparent across the sector, with a tremendous number of jobs available. Conversely, employees in other sectors of Canada's economy have been particularly hard hit.

We recommend broadening the sector's appeal through programs that promote occupations within the sector to attract workers who have lost their jobs and are looking to start new careers. We would do well to educate them on the advantages of working in the industry given its ability to withstand crises, albeit slightly the worse for wear. The pandemic has shown that.

Clearly, the thought of working in our sector has not occurred to many people, and yet we have good jobs to offer. Some 7,000 jobs are available in Quebec and 28,000 in Canada. The opportunities are really quite attractive.

• (1710)

Mr. Yves Perron: One option might be a program to incentivize or educate people. If you have any specific recommendations, we would be keen to hear them.

You mentioned the need to raise the cap on the proportion of temporary foreign workers that can be hired from 10% to 20%, if only temporarily.

Is that something that is urgently needed? Would you make it a formal recommendation?

Mr. Dimitri Fraeys: Yes, it's urgently needed. It has become clear how much we need those workers. On top of that, the industry is facing a labour shortage.

I'll give you a bit of the history. About a decade ago, the temporary foreign workers program set the cap at 30%. It was reduced to 20% and, then, 10%. We would like to go back to when the cap was at 20%. Businesses could continue to operate thanks to a rotation of staff.

Some businesses have told me that, despite actually investing in robotics and digitization, the equipment is in use only half the time because they don't have the staff to keep it going over two or three shifts.

All that to say, yes, it is urgently needed.

Mr. Yves Perron: You need help on both fronts.

What do you think of the three-year pilot program the government introduced to provide a pathway to permanent residence? Is that a good thing to do?

Mr. Dimitri Fraeys: The pilot project you're referring to is a federal program. It's not available in Quebec.

A pilot project is being discussed in Quebec; it is supposed to start on January 1. Owing to the federal-provincial agreement on labour, Quebec should be launching its pilot project on January 1. The program would run for five years and target 550 workers. That's something unique to Quebec, as compared with the rest of Canada.

Mr. Yves Perron: In your view, it's a good idea.

Mr. Dimitri Fraeys: Yes, absolutely. We've worked a lot with the people at the ministry of immigration, precisely to point them in the right direction so the program does what we need it to.

Mr. Yves Perron: Before I wrap up, I want to thank you for being here. I didn't mention it at the beginning.

I understand that a code of conduct is essential to your industry, given your margins. Many of the little guys have low margins.

What can we do to help the little guys?

Ms. Sylvie Cloutier: Provide support to help them market their products. Access to short or alternative channels of distribution is a good start. Of course—

The Chair: Sorry, Ms. Cloutier, but we have to move on.

Thank you, Mr. Perron.

[English]

Now we have Mr. MacGregor, for six minutes.

Go ahead, Mr. MacGregor.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you very much, Mr. Chair.

Thank you to our witnesses for providing our committee with your testimony today.

Going back to what Mr. Steinley said earlier, with his obvious pride in the canola in his hometown, I can remember visiting Alberta last year, driving east of Calgary in August, and seeing those fields of canola. It's quite the sight.

Mr. Everson, maybe I'll start with you. I've read that canola is a superior biofuel feedstock because of its low saturated fat content, which allows it, as a biodiesel in particular, to operate at lower temperatures. In response to Mr. Drouin, you were talking about the development of new seed varieties and so on.

Can you go into a little bit more detail on that? Are you talking about specific seed varieties that will help as a specific stock that might be better as a stock for biofuel, with better yields and so on? If you could put that into the context of how that will help us with our processing capacity, I think that would be helpful for our committee.

Mr. Jim Everson: It's a regulatory issue that would be helpful for the whole industry, the whole value chain. It provides new opportunity, new innovation, that will help the processing sector and help others. Essentially, it comes down to a number of those things. Gene editing particularly, as a new and innovative technology in plant breeding, can unlock a toolbox of innovation that seed developers can use. It can lead to better nutritional values for the seed that comes from the process that farmers grow. It can lead to different biofuel profiles, for that matter, that are particularly good for biofuel use. It's a long-term kind of process.

The challenge we find now is that Canada seems to be kind of falling behind other jurisdictions that have created clarity in their regulatory plan for this new plant-breeding innovation to come along. That clarity lets those big biotech companies that are investing in seed development to invest in other countries and create the product in other countries. In canola, we badly need to maintain our competitive advantage by making it an innovative, friendly environment, obviously while maintaining the safety and efficacy of the products.

• (1715)

Mr. Alistair MacGregor: It's nice to see the ambitious targets you have with respect to biofuels. My wife and I recently had to buy a bigger diesel pickup truck for our farm, but we wanted to get a model that could operate with biodiesel capacity. When we were looking at the different diesel engines, some handled biodiesels better than others. The older models can run on B100, while newer models are only really rated for B20 or B10.

What have your conversations been like with diesel engine manufacturers on whether their new engine lines can be compatible with the goals you're trying to achieve in increasing biodiesel capacity?

Mr. Jim Everson: I'll ask Chris to address that. He would be more familiar with it.

Mr. Chris Vervae: Sure.

When we talk to the manufacturers of the engines, most of them, if not all, are now approved up to a 5% blend of biodiesel or renewable content, and 80% of the engines, especially the heavy-duty engines, are now being approved up to 20% inclusion. We're definitely seeing the engine manufacturers keep pace with the higher inclusion rates of biofuels.

I'll take the opportunity to mention that there are also increasing amounts of renewable diesel coming online for production. This is a product that is renewable in content but it is equivalent, in terms of chemical composition, to conventional diesel fuel. There is no blend rate. You can use it with complete, 100% fungibility between renewable diesel and conventional diesel.

Mr. Alistair MacGregor: That's nice to hear.

If you look at the fuel demand in Canada as it currently is and maybe what our projected demands are, do you have a sense of how much of the market share you might be able to take on? What's the capacity of Canadian farmers to meet domestic demand of biofuels if they start increasing five, 10 or 15 years from now?

Mr. Chris Vervae: At the moment, some of the answers to those questions are unclear. We hope to get some better clarity on what the potential is when we see the regulations for the CFS—released before Christmas, we think, or we hope. Certainly, as a canola industry, we are more than prepared to meet the demand, whether it's 5% or 10% or higher. As Jim mentioned, we have a target as a canola industry to increase our production here in Canada. We are prepared to meet any increased demand for canola in biofuels in Canada.

Mr. Alistair MacGregor: Thank you so much.

Chair, I'll leave it there.

The Chair: Thank you, Mr. MacGregor.

Now we'll start our second round.

[*Translation*]

Mr. Lehoux, you may go ahead. You have five minutes.

Mr. Richard Lehoux (Beauce, CPC): Mr. Chair, it's Mr. Epp's turn.

[*English*]

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you to my colleague, and Mr. Chair.

I'd like to thank all of the witnesses for your expert testimony, and also acknowledge the excellent translation I'm getting in my ear, which is very clear and very quick. Thank you very much.

I'd like to begin with Ms. Cloutier and one of the last challenges that you raised, namely with the retailer concentration.

We've had several witnesses testify that retailers seem to follow each other very, very closely when instituting new fees and new fines and often won't even accept—so we've heard—price increases from suppliers unless they have assurance that their competitors are facing the same impact. Do you feel that this is consistent with the federal Competition Act? Are your members seeing the same thing?

[*Translation*]

Ms. Sylvie Cloutier: Yes, that's the case with each of the big distributors and retailers. The competition in Canada is fierce. Four or five companies control all the distribution. Obviously, they follow each other very closely. In Canada, they always try to get the lowest price, but processors and suppliers are the ones on the hook for those price cuts.

We would like to see a code of conduct or a code of practice introduced to alleviate those requirements, which, in many cases, are not included in the contracts the company enters into with its suppliers. It actually happens all over Canada.

• (1720)

[*English*]

Mr. Dave Epp: Thank you very much.

You've also raised labour issues and there are two components. One is access to people for labour, but also I've heard for years that Canada lags the U.S. when it comes to labour productivity. I hear the words of Dr. Larry Martin in my ears from the George Morris Centre that it's not a function of the laziness or anything like that of our Canadian labour, but much more a function of the investment. You touched on that with automation.

What does that need? You mentioned the capital, but is that also related to Canada's taxation policies, to our depreciation rates and things like that? Can you make a comment there on exactly what could be best used to spur more automation in our processing sectors?

Ms. Sylvie Cloutier: I will leave it to my colleague, Dimitri, to answer this question.

[Translation]

Mr. Dimitri Fraeys: Yes. It's tough to compare companies in Canadian provinces with one another or with those in the United States. A few years back, a study showed that 80% of businesses in Quebec were small and medium-sized enterprises with fewer than 50 employees, whereas in Ontario, 50% of businesses were divisions of larger companies. Businesses like those have significantly greater investment capacity.

The market in the United States is 10 times the size of Canada's, so businesses in the U.S. can spread their costs over a larger number of products, something businesses in Quebec can't do. Small and medium-size businesses in Quebec aren't able to be as competitive. What's more, since they have lower margins, it is much harder for them to invest and catch up productivity-wise. That partly explains the productivity gap between businesses in Quebec and those in Ontario or those in the United States.

[English]

Mr. Dave Epp: Thank you.

I'll move on to Canada's regulatory environment. It's been often described as a two-edged sword. Our regulators are held as the gold standard, and then Canada has a first-rate international reputation when it comes to food safety, which can be used in our marketing efforts.

I'll direct this both to the processing sector as well as the canola sector.

There is, of course, a cost of complying with that. Can you each comment fairly briefly on the balance between those two aspects?

Mr. Jim Everson: I would say that you're quite right. We have an excellent regulatory organization and regulatory policy.

What we find is that there is a lot of international negotiation that takes place that involves regulators, and it's increasingly an important part of our market access challenges. Therefore, in our first recommendation, we've talked about the need for more resources, particularly in Asia. Those resources are really very much those same regulatory and science kinds of resources.

The market access challenges that our processors run into these days internationally are around what's called sanitary and phytosanitary measures. They're around crop protection measures and regulatory issues and so on. It really takes real science and technical experts to help us with those, not policy developers, and that's why there's that recommendation.

The Chair: Thank you, Mr. Everson.

Now we'll go to Mr. Ellis for five minutes.

Mr. Neil Ellis (Bay of Quinte, Lib.): I'd like to thank everybody for being here today and taking time out of their busy schedules.

I just want to touch on the labour shortage. I know that in my riding we have a big food processing sector and they've partnered with the college to actually teach a course on food processing. It's about a two-month course. It's full capacity and everybody ends up being employed through the course.

I just wonder if the sector itself has thought of any programs like this or what it is doing to address the shortage if it's not getting any better. There are issues, and I guess we can fill jobs with temporary foreign workers but are there any programs that the actual industry has thought about?

• (1725)

[Translation]

Ms. Sylvie Cloutier: Mr. Fraeys, would you mind answering that?

Mr. Dimitri Fraeys: Yes, programs do exist, but as I said earlier, young people, students and unemployed workers need to know about them. People aren't aware of the occupations in the sector. If the processing sector in your riding is fully staffed, good for you. It means you're doing a good job communicating with people and educating them. Unfortunately, that is not the case everywhere.

That is why I mentioned the importance of raising awareness, in Quebec and all of Canada, regarding the quality jobs the processing sector and the food sector overall have to offer. I think a campaign like that would attract people. It's also worth noting that certain harvesting and processing jobs aren't exactly sought after by Canadians, so we have to turn to foreign workers to fill the void.

I hope I adequately answered your question.

[English]

Mr. Neil Ellis: Yes, you have.

We spoke about margins declining, and somebody said that margins had declined by around 7%, I believe. I just wonder why, and whether those margins have fallen over the last few years or there has been a process over the last 10?

Ms. Sylvie Cloutier: It's been a process over many years. They have declined more and more since 2014.

[Translation]

The reasons are many including the lack of capital, the labour shortage, the needed investments in innovation, including R and D, the cost of getting products on store shelves and the rise in input costs. All those things have led to the significant drop in food processing margins.

[English]

Mr. Neil Ellis: Thank you.

My last question is what do you think are the investment trends right now in the Canadian food processing industry? Are more investments being made in machinery as opposed to labour? What are your investments?

Ms. Sylvie Cloutier: I can start.

[Translation]

Clearly, we need to invest in automation, in productivity, so that businesses can be a lot more competitive. Investing in innovation is also important. Globalization and the opening of markets mean that we are competing with major players worldwide. Access to programs that support investments in innovation and help businesses remain competitive is paramount to the food processing sector.

As mentioned, promoting the agri-food sector is important in order to attract Canadian workers.

I will let my colleagues comment further.

Mr. Dimitri Fraeys: I have one thing to add, and it's quite important as well. When a small or medium-sized business wants to automate its operations, it needs support. It needs guidance. Adopting that new way of doing things is not easy. Things that come to mind are coaching and engineering support, and all the services that help businesses adopt this new type of equipment. Take management software packages, for example. Very few are developed for the food processing sector. That expertise would be worth developing.

At this point, there are businesses that are fully automated, but they are few and far between. We need to follow their lead. Small and medium-sized businesses really need the coaching and consulting support to help them make the shift.

The Chair: Thank you, Mr. Fraeys.

It is now over to Mr. Perron for two and a half minutes.

Mr. Yves Perron: Thank you.

If I understand correctly, massive investment is needed to help the sector upgrade and innovate. I want to turn to R and D.

Do you think enough R and D is being done in the country, in universities?

Say a program was launched tomorrow to give businesses access to capital, would they be able to move quickly to upgrade their facilities?

Mr. Dimitri Fraeys: if I may, I'd like to clarify something. Investing in universities and investing in businesses are not the same thing. It's important to distinguish between the two. The crucial thing to remember when you invest in universities is the time it takes for the knowledge to be transferred from the academic realm to the business realm. It doesn't happen all that quickly, so that is often where the challenge lies. Universities have a tremendous body of knowledge, but intermediary organizations need to step in to take that knowledge and convert it into methods and technologies that businesses can adopt.

The focus, in my view, has to be the transfer of knowledge.

• (1730)

Mr. Yves Perron: I gather, then, that there is a deficiency in that respect.

Mr. Dimitri Fraeys: Yes, that is where the deficiency is. It's really about speeding up the transfer of knowledge. I mentioned consulting and coaching services, and that is precisely what I'm talking about. Businesses need access to advice and support. They need to know what tools are available to them and they need to make the right choices. Once they have chosen the tool, they have to be able to implement it quickly and then use it. I would say that's really where the investment is needed.

Mr. Yves Perron: I see.

The sector is in need of workers, so let's say a public awareness campaign were conducted and all kinds of people applied for jobs. Would you have the resources to train them all, even for positions that require more technological know-how?

Mr. Dimitri Fraeys: I can speak to the situation in Quebec, but not so much for the situation in the rest of Canada. Quebec is fortunate in that it has a number of institutions, not just universities, but also agri-food technology institutes. In other provinces, they're called colleges.

Yes, the capacity is there, but it's becoming clear that, in terms of education, the audience we need to target is high school students, at the secondary II and III levels. When they are choosing what to study at CEGEP or university, the processing sector has to be one of the options on their radar. That isn't usually the case. The sector is often called a little-known gem. We need to make young people aware of the occupations we have to offer.

The Chair: Thank you. You are out of time, Mr. Perron.

[English]

Now we have Mr. MacGregor for two and a half minutes.

Go ahead, Mr. MacGregor.

Mr. Alistair MacGregor: Thank you, Chair.

I suppose we're at the point now where most of the questions have been asked.

Maybe Madame Cloutier, if there's really anything else you want to add for our committee's consideration, anything that you haven't yet covered or anything you want to emphasize a little bit more, I'll give you this opportunity to do so.

[*Translation*]

Ms. Sylvie Cloutier: I would actually like to add that food processing is Canada's and Quebec's main manufacturing sector, but it is often treated as though it is unimportant. The pandemic has shown, however, how essential the food processing sector is. It has also brought the deficiencies to light. The pandemic has provided an opportunity to really expose the deficiencies that hinder our industry.

Obviously, we could make a slew of recommendations. I could talk about the need to boost productivity, increase innovation, expand R and D, and raise the sector's visibility. Canada's food processing industry is essential to the country and our communities.

[*English*]

Mr. Alistair MacGregor: Monsieur Fraeys, is there anything you'd like to add to that?

[*Translation*]

Mr. Dimitri Fraeys: Yes. I would add to that the importance of fostering stability in the supply chain. That became clear during the pandemic. Bear in mind that Canada went through the CN rail strike and the rail blockades, followed by the strike at the Port of Montreal. Ensuring the stability throughout the supply chain is crucial, from farmers right through to consumers. That is something we haven't really talked about today. Digitizing the supply chain is

also necessary, the idea being to speed up processes and automate transactions that occur at various stages of the chain.

The bottom line is the need to invest in the supply chain in the years ahead.

[*English*]

Mr. Alistair MacGregor: Okay, thank you.

The Chair: Thank you, Mr. MacGregor.

This concludes our session with this panel and our meeting. I want to thank Mr. Jim Everson, president of the Canola Council of Canada, and Mr. Chris Vervaeet, executive director of the Canadian Oilseed Processors Association.

[*Translation*]

I would also like to thank Sylvie Cloutier and Dimitri Fraeys, of the Conseil de la transformation alimentaire du Québec.

Your input today is appreciated.

• (1735)

[*English*]

To everyone, that concludes our meeting. I wish you a good end of the week and weekend.

The meeting is adjourned.

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