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Chair: Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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• (1655)

[English]

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

I call this meeting to order. Welcome to meeting number 17 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, 2020, the committee is resuming its study on processing capacity.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021; therefore, members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. Just so that you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

I would like to take this opportunity to remind all participants in this meeting that screenshots and taking photos of your screen are not permitted.

[Translation]

To ensure that the meeting runs smoothly, I'd like to share certain rules with you.

Members and witnesses can speak in the official language of their choice. Interpretation services are available for this meeting. At the bottom of your screen, you have the choice of floor, English or French.

Before taking the floor, wait until I recognize your name. If you're participating by video conference, click on the microphone to turn off mute mode. The microphones of the participants in the room will, as usual, be monitored by the proceedings and verification officer.

I want to remind you that all remarks from members and witnesses must be addressed to the chair.

When you aren't speaking, please mute your microphone.

With regard to the speaking list, the committee clerk and I will do our best to maintain the order of speaking for all members, whether they're participating in the meeting in person or remotely.

[English]

Before welcoming our witnesses, I have some information to share with you.

The second witness panel for today has been moved to the February 25 meeting from 3:30 to 4:30. It will be followed by a committee business meeting from 4:30 to 5:30. This will give us a chance to discuss drafting instructions for the report on processing capacity. We will also have the upcoming study on the environmental impact of agriculture. Recommendations for the processing capacity report are due by February 26 at 5 p.m. eastern and must be sent to the clerk.

For today's meeting, apparently we can do the full hour, if it is the wish of the committee to do the full hour, or we can go to our regular time, which would have been 6:30. If everybody is okay with doing the full hour, we can do that today.

Maybe I should ask those who cannot stay for the full hour to raise their hands. I think, Madam Clerk, we have unanimous support to stay for the full hour.

With that, I will welcome the witnesses we have here today.

From the Canadian Federation of Independent Grocers, we have Mr. Gary Sands, senior vice-president. Welcome, Mr. Sands, to our committee.

From Olymel, we have back again—I think he has the right equipment, and we're ready to hear him once more—Mr. Richard Davies, senior vice-president, sales and marketing.

You have up to seven and a half minutes each for your opening statements.

We'll start with Mr. Sands for seven and a half minutes.

Go ahead, Mr. Sands.

Mr. Gary Sands (Senior Vice-President, Canadian Federation of Independent Grocers): Thank you, Chair.

As you've said, my name is Gary Sands. I'm the senior vice-president of the Canadian Federation of Independent Grocers. On behalf of the CFGI, I want to thank the committee for the invitation for us to participate in your hearings this afternoon.

I'll give you just a quick synopsis of our association. We represent independent grocers across the country. Independent grocers account for about \$13 billion in sales in Canada. There are approximately 6,900 independent grocery stores across the country.

In particular, I want to draw your attention to the fact that our members serve a myriad of communities in this country that are rural and sometimes remote and also supply indigenous communities. As such, independent grocers are a critical linchpin in ensuring food security for much of the country.

Notwithstanding that, independent grocers compete on a landscape that is overly consolidated at the retail level. At the same time, grocery retail operates on overall margins of an average 1.5% for both chains and independents. Yet within that context, you should note that many of the costs absorbed by retail grocers in the case of the large chains are pushed off their books and onto the supplier community.

Of course, the imposition of fees, surcharges, penalties or invoice reductions—whatever the catchphrase of the month is—poses a huge burden on the rest of the food supply chain. Suppliers argue that this also—and I quote from one of their briefs—“stands as a major hurdle to expansion and growth”.

We agree with the suppliers on that point, but I would also point out that this puts the independent retail grocers in all those communities at a decided competitive disadvantage, in that the plethora of costs normally associated with running a grocery store in the case of the independents are borne by them entirely, so it is natural that for many groups in the agri-food sector there has been alignment around conveying to government that we have a problem and we need to find a solution.

Let me also be clear, though, that over the years independents have also encountered a lack of fair dealing on the part of some suppliers. Refusals to provide fair supply or fair pricing were encountered pre-COVID, during COVID and will continue post-COVID unless we begin, together, to find reasonable responses that can provide a course correction for our agri-food industry.

To ensure that we maintain and indeed enhance the stability and strength of our value chain, it is imperative that all governments, federal and provincial, turn their attention to identifying barriers. If what we have all heard over the past year from governments—that we are all in this together—is sincere, then together we need to turn our attention to the imbalances of the industry and the marketplace.

The view of the CFG is that the solution to the goals identified by this committee lies in developing a grocery code of conduct. I want to make a point here of stressing that we are saying a “grocery code”, not a retail code, as some in the supply chain are wont to do.

Have independent grocers encountered problems with suppliers over the years? As I said previously, you bet we have. The principles that many groups in the agri-food industry are espousing as being required as practices that the retail chains should follow should also apply to them. Principles around fair dealing should not be selectively and subjectively written and applied to just one part of the supply chain. I would be fascinated to hear from any organizations representing suppliers as to why that should not be the case.

When our members are told by suppliers that they will not be supplied with products because suppliers have hit their targets with some chains, that is not fair. In turn, lack of fair supply is also, for many communities, an issue of food security. Our members are tired of sometimes paying more for mainstream products that are

sold in chains for less than the independents themselves have to pay as the cost determined by the supplier, and then being told by sales reps many times that they've hit their sales quotas with the chains, so no price negotiation is possible. This is not by any means always due to the chains enjoying a large-scale advantage. Suppliers could refuse to play in that sandbox, and a couple have.

Even in the supply-managed sectors of the agri-food chain, there have been issues around securing fair access. I recall one instance in the early months of the pandemic when we received letters from egg producers, the federal Minister of Agriculture and a couple of provincial ministers—from B.C. and Ontario—asking us to encourage our members not to limit supplies of eggs purchased by customers. Our response was to send back pictures that our members had sent us of empty store shelves where the eggs should be.

I'm not singling out the egg producers. This kind of thing happened in other areas. I'm just using it to illustrate that what the producers are saying to governments and what our members are seeing are two different things.

● (1700)

The positive for us, out of those kinds of examples, is that there has been a heightened awareness and understanding of the challenges our members face by both government and many other sectors in the supply chain.

There is one key point I want this committee to understand about independent grocers: We buy local, support local community initiatives, and we hire local, because we are local. We live in the communities we serve. Independents can also play a role in increasing capacity, because, as they continue to remind producers and processors, they happily will act as incubators to test new products and innovations in-store.

Our association also runs the two largest retail grocery trade shows and conferences in Canada. Working with the Ontario government, through those venues, we have significantly enhanced buying opportunities, interprovincially as well, for Canada's small and medium-sized suppliers and retailers.

In closing, we commend Ottawa, the provinces and the territories for establishing a working group to review issues in this industry and to recommend a course of action. The co-chairs of this FPT working group have been responsive and collaborative, and are genuinely interested in finding solutions.

If we can develop a grocery code of conduct, that will be a positive development and, I would suggest, a generational change for our food industry. However, that code should be a made-in-Canada code—not one, for example, modelled on the U.K. code, but one that is balanced, applies to all, and benefits all: retailers, suppliers, wholesalers, processors and farmers.

It will not mean that government should be running a retail store or any other part of the supply chain, nor has it in other countries with a code of conduct. It also will not, as some suggest, level the playing field. The level of consolidation in Canada already makes that impossible. What our members and the communities they serve want is the right to be able to at least stay on that playing field.

Thank you for your attention. I hope I hit the seven and a half minutes.

• (1705)

The Chair: You still have 17 seconds, but that's close enough. Thank you, Mr. Sands.

We'll move to Olymel, with Mr. Richard Davies.

You have seven and a half minutes. Go ahead, please.

[*Translation*]

Mr. Richard Davies (Senior Vice-President, Sales and Marketing, Olymel L.P.): Thank you, Mr. Chair.

Honourable members of the House of Commons Standing Committee on Agriculture and Agri-Food, thank you for your second invitation.

My name is Richard Davies. I'm the senior vice-president of sales and marketing at Olymel, whose majority shareholder is the Solfio Cooperative Group, formerly known as La Coop fédérée.

Olymel is Canada's leading pork producer and the leading exporter of pork meat. Many countries recognize its meat as being of superior quality. We export our products to over 65 countries.

Olymel has deep roots in Quebec. It's also firmly established in Ontario, Saskatchewan, Alberta and New Brunswick. We provide direct employment to 15,000 Canadians. Our annual sales are around \$4.5 billion. We generate considerable economic benefits for our regions. The entire value chain of our sectors is also very significant.

The goal of the Honourable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food, is to increase Canada's total agri-food exports from approximately \$67 billion in 2020 to \$75 billion by 2025. However, this goal would be easier to achieve if the government, along with the industry, were to pick up the pace in terms of removing barriers that can only hinder the objective.

I'll list some of the issues that our industry is facing, starting with the issue currently described as the mother of all issues: labour.

This issue is critical and essential not only for Olymel, but also for the entire agri-food sector. Even before the current pandemic, we were already facing a serious labour shortage. However, given its growth and major investments in recent years, our company can create thousands of new jobs wherever it operates in Canada.

We provide stable jobs with very competitive conditions in regions that need jobs. For example, we'll need to hire 1,200 people a year over the next few years to deal with the expected turnover rate, the retirement of baby boomers and adverse demographic projections.

We also need to hire an additional 1,200 employees right now to bring our plants up to full capacity and to optimize previous investments. Lastly, we'll need another 1,200 employees to handle opportunities that arise and future projects already in the works. In the coming months, Olymel will need to add the equivalent of 3,000 to 4,000 jobs to the current 15,000 jobs in our regions.

Obviously, the inability to find workers is a major barrier to our development and growth. Without sufficient labour, we'll be forced to abandon certain markets. This will mean fewer jobs and investments. This will also mean that processors from other countries will quickly take our place in foreign markets and here in Canada because of the labour shortage. The entire value chain is affected by the labour shortage. We're already working with local elected officials and regional governments to make new workers even more welcome in regions that want to boost their economies.

In recent years, Olymel has brought in a good contingent of temporary foreign workers. These workers, who come from halfway around the world, are strongly motivated by a search for a better life in Canada. However, the federal government's temporary foreign worker program has a 10% cap per company for this contingent. We've been advocating for years for this cap to be raised to 20%. We also want fewer bureaucratic delays that slow down the program.

Since the start of the pandemic, our employees have done an outstanding job of responding to the call from governments to maintain our processing activities, since these activities are an essential service. We're the natural extension of the livestock farm. Our slaughterhouses are the essential end result of the farmers' activities.

This labour issue is not only crucial, but urgent.

On another note, the current pandemic has prompted us to look ahead at our modernization plans. These plans involve the development of new technology and greater integration of robotics and automation in our operations. Although robotics and automation aren't designed to replace labour, if the industry wants to remain competitive and effective, we must speed up the implementation of these tools, which require major research and investments.

● (1710)

We believe that the Canadian government must assist exporting companies in this area through appropriate and easily accessible support programs that are comparable to the programs provided by the governments of our main competitors.

The barriers to accessing our priority markets constitute another challenge that increasingly limits our export capabilities. For example, our access to the Chinese market has been disrupted for several months. As a result, 70% of Canada's total production is no longer accessible to the world's largest market. There are some technical issues that can easily be resolved. However, the current political relationship certainly isn't helping to resolve the issues and lift the suspensions. Our plant in Red Deer, Alberta has been particularly hard hit since April 28, 2019.

Moreover, right here in Canada, a major issue is developing in the relationship between mass distribution and Canadian processors. The Canadian government could certainly help promote a better balance of power, as requested by most stakeholders in the processing industry. I'm referring here to the attempts by some major retailers to unilaterally impose market conditions on processors that could threaten the processors' viability.

We believe that the establishment of a code of good practice between the mass distribution and processing stakeholders would be beneficial to everyone, including Canadian consumers. When faced with the same issues, several countries have taken action to address the situation.

Lastly, the current pandemic has forced the companies asked to continue their operations to quickly adapt to new conditions, particularly health conditions. We've done everything possible to protect the health of our employees, although we haven't been able to avoid periodic outbreaks. We believe, as the Canadian Meat Council already advocated last December, that food processing employees, particularly in the meat sector, should have priority access to a vaccine, as is already the case in other sectors.

I've provided a broad summary to stay within my allotted speaking time. Of course, Olymel is willing to give you more information on the issues addressed.

Thank you for listening. I'm ready to answer your questions in English or French.

The Chair: Thank you, Mr. Davies.

We'll now move on to the questions.

[English]

To start our first round of questioning, we have Ms. Rood.

Go ahead, Ms. Rood. You have six minutes.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for appearing here today. I really appreciate your taking the time to come back again, Mr. Davies.

I had a hard time hearing some of the translation. I apologize if I am going to repeat something that you said, but I couldn't hear the translation very well.

Today, we learned that your plant in Red Deer, Alberta is going to temporarily be shutting down for an undisclosed or unidentified period of time due to an outbreak of COVID-19. I know you had an outbreak in one of your plants in Quebec earlier in the pandemic, almost a year ago now.

Hog producers in Ontario have been struggling to find capacity. I've talked to a lot of producers in my own riding and areas who have been actually shipping their hogs all the way to Alberta for processing. Having this plant shut down is obviously going to have another recourse...and a backlog for these producers.

Of course, the health and safety of the workers is paramount, and we know that companies have been doing everything they can to ensure the health and safety of the workers. Could you clarify for us, and put on the record, the reason why the plant is shutting down? Are you planning to shut it down to clean and sanitize everything? From what I understand, you're not sure where the outbreak came from. Or is it just that there is a shortage of labour to keep the plant running, even for fewer shifts, because of the number of people who are affected by this outbreak?

Could you comment on that, and what steps you're taking to clean and...? Is the closure a response to political pressure from the media, or is it actually in response to the fact that you don't have the labour, or you can't guarantee the safety of the workers at this time?

● (1715)

Mr. Richard Davies: It's a combination of numerous factors. We were in discussions with Alberta Health Services, obviously, trying to find the proper path and the quickest path to get back to normal. Looking at the current situation at the plant, there was a combination of the health of the workers, the number of the positives that needed to be basically grasped and put under control, so that was one thing. There was also another issue with having the critical amount of labour available to be able to pursue operations.

Obviously, we've had close to a year of experience with that. We had issues in Quebec earlier, at the end of March and April 2020. We have experience with health officials, with health specialists, to try to find the right path, the quickest path, to get the plant back up to speed.

We understand the Ontario producers. We're producers ourselves in Saskatchewan. When one day, two days, three days go by, we know the implications it might have at the farms.

We thought that this would be the best path forward to get back to normal as quickly as possible, hopefully sometime next week. This is why we've chosen to take action immediately.

Ms. Lianne Rood: Great. Thank you for clarifying that.

I'm going to switch gears and switch over to Mr. Sands.

Mr. Sands, you talked a little bit in your opening remarks about a grocery code of conduct versus a retail code of conduct. I was just looking for some clarification and for you to expand on this a little bit. We've been talking about a grocery code of conduct and we know that the provinces are looking at this right now, and also as it relates to the supply issues.

I come from a very rural riding. I have many independent grocery stores that are not one of the big five. During the pandemic we've seen—as you alluded to with eggs—shortages of things, basics, like flour on the shelves. I'm just wondering if you could quickly touch on, in the next two minutes, why we see these supply shortages going to the independent grocery stores and why the companies might want to supply the main retailers ahead of independent grocers for their orders.

Mr. Gary Sands: In Ontario, for example, the two biggest wholesalers are Sobeys and Loblaws. For all those independents that you just mentioned in your riding, that's also their retail competitor. So if you're having shortages or high demand, you'd have to have just fallen off a turnip truck not to realize that the chains are going to be first served. That's just the reality of the consolidation that we have in Canada.

Ms. Lianne Rood: Is that because of the penalties they would face if they didn't supply those big chains?

Mr. Gary Sands: It definitely has an impact, but we've seen cases.... I've been with CFGI 18 years and I can tell you we've seen cases over the years where suppliers are doing things that in terms of pricing and supply.... We don't use the term "equal supply"; we're talking about fair supply. One of the principles that suppliers are fond of espousing is that if you have contractor terms of agreement, then that's what you have. We agree. But we've been on the receiving end of that as well, where suppliers will inform us.... Even during COVID, we got an email sent out—I'd better not say the name of the company—from a national producer of, let's just say, product that was important in the context of COVID—saying that they will not be supplying any independents until April because Walmart and Loblaws have asked for it all. And that was in writing.

To us, that's unacceptable. That's the kind of thing that should be covered in a grocery code. If you have contractual arrangements with other independents, honour those as well.

• (1720)

The Chair: Thank you, Mr. Sands.

Thank you, Ms. Rood.

Ms. Lianne Rood: Thank you.

The Chair: Now we'll go to Mr. Blois, for six minutes.

Go ahead, Mr. Blois.

Mr. Kody Blois (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you to both of our witnesses.

I'm going to start with Mr. Davies.

You mentioned red tape. That's certainly something that speaks to me in terms of measures we can do that don't cost money and can help drive economic growth. Can you give me one specific one

in particular, your top red tape production measure that the Government of Canada could put in place to help support you?

Mr. Richard Davies: The first one is one that we've been after for numerous years, which is to lift the cap on the temporary foreign worker program, for one. The cap is one thing, and also just the way it operates and it works. It's a very extensive, long process to get workers available in the foreign market into the Canadian market. Everybody is willing. We're willing to receive, and they're willing to come. The process needs to be shortened, as I mentioned in my comments.

I would say that would be one good example of where we can get some traction.

Mr. Kody Blois: Beyond labour.... I want to be mindful of time. Is there anything that comes to mind or anything that you might be able to submit to this committee beyond the labour piece, which has been well canvassed?

Mr. Richard Davies: The rest of the things.... Some of the issues we have are in market access. The people at CFIA were working very well. Obviously, the political realm of the challenges that we have, for instance with China, or outside of that.... I would say, moving forward, try to create a better environment when considering trade with our largest trading partners.

Mr. Kody Blois: We had a witness on one of our last panels who talked about this. As it relates to the supply-managed sector—I know that you have poultry production—there needs to be a mechanism within the pricing component for producers that takes into consideration processors' tight margins, i.e., almost a wholesale price on the poultry side that would take into consideration some of the realities of processors. Is that a view that you share in terms of looking at the price that producers are given? Essentially, you as a processor have no other ability to.... You are a price-taker in Canada, where you're required.... Is that something that resonates with you, or something that could be evaluated?

Mr. Richard Davies: Obviously, the biggest tool we have in supply management is the supply side. I would say the supply side is a little more difficult right now, in trying to find, with all the stakeholders, the proper level of supply that will guarantee the proper revenue for the different processors. I think that would be the biggest challenge right now. If there's a specific mechanism on pricing, I think we need to let the market define what the values are out there. I would say it's about the ongoing definition of what is proper supply, moving forward, and having the proper voices heard when the allocations are determined. I'm talking more about the chicken side.

Mr. Kody Blois: You mentioned that government obviously has a role in helping to facilitate the automation and some of the investment in the private sector. We've had other witnesses who have said there's plenty of private capital out there that can help fund this, notwithstanding the fact that the government does invest in other sectors to help support them. In your mind, briefly, what does a government program look like in terms of that? Is it tax credits or is it direct funding?

Mr. Richard Davies: Well, it could be a combination of both. I think my words should be put into context. As a government, when we're trying to establish these aggressive goals for exports, we need to be mindful that we're out there competing. My only point was to make sure that we benchmark and we make sure that, as a government toward the industry, we offer more or less the same level of support so that we level the playing field. That should be put in that context. I don't have specific examples, but over the years I've heard that different countries have been providing different opportunities to some of their industries. My only comment would be to make sure we're out there on a level playing field.

• (1725)

Mr. Kody Blois: I appreciate that.

I don't have enough time to ask you the question, but I would say, Mr. Davies, that if you have any suggestions on comparable jurisdictions where you look at these different programs, that's always helpful to our committee.

I want to go to Mr. Sands next. Certainly, you talked about the role of independent grocers in rural Canada, and Ms. Rood touched on this. I would agree with you. You mentioned incubators. Certainly we have a question as a government about the role government actually plays in that. Is that something where independent grocers and processors or producers can play a role directly? Is there a role for the Government of Canada to be involved in that space at all?

Mr. Gary Sands: I wouldn't get too complicated about it. From the standpoint of the independents, they're looking for ways to buy local; they're looking to connect. One of the things we've been doing.... Actually, the leader in terms of government action has been the Ontario government. I think I mentioned in my remarks that we have the two largest trade shows in Canada for the retail grocery sector. One of the key components of that is that we facilitate connections between all of our members across the country—and chains—and the small and medium-sized food producers and processors.

One thing that government could do—all governments, other provinces and the feds—is replicate what Ontario is doing. Ontario is helping to promote that. They provide some financial support to those producers and processors to help facilitate that connection. It was supposed to be a one-year program, but it is now going on because it yields so many benefits.

The Chair: Thank you, Mr. Sands and thank you, Mr. Blois.

[*Translation*]

Mr. Perron, you now have the floor for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): Thank you, Mr. Chair.

I want to thank the witnesses for joining us, especially Mr. Davies, who agreed to set aside more time for us. We really appreciate it.

Since I had many questions for you, I'm very pleased to see you again. You may recall that, when we spoke the first time before the interpretation issues arose, we were talking about temporary foreign workers. You wanted the cap on the number of foreign workers that plants could hire increased to 20%. I don't know whether I had time to ask you the question, but I'm putting it to you today.

Shouldn't you be asking for 30% instead, as was the case in the past? Will a 20% cap be enough in the long run?

Mr. Richard Davies: In the long run, we may consider this. However, given the need to make progress, we're asking for 20%. Will we need to ask for 30% at some point? It may be necessary over the longer term, perhaps in the next three to five years, depending on the demographic and economic changes in the coming years.

Mr. Yves Perron: Given that your workforce is the first issue that you identified, and it's a key issue, you're probably aware of the pilot project created to speed up applications for permanent residence. The project didn't take place in Quebec, but elsewhere. Last week, I was very pleased to meet with a group of workers from Mauritius who are coming to our area, to Yamachiche.

How can we help you welcome these people? We spoke a great deal about red tape. Could the Canadian government take very concrete steps to make life easier for you in this respect?

Mr. Richard Davies: Human resources matters aren't necessarily my area of expertise. Once we've found workers who want to join our company, there are still some challenges in terms of the integration and welcome process. It's simply a matter of giving them all the support that they need to properly integrate into their new community, finding accommodation for them and welcoming their families afterwards, if necessary. Comprehensive support is required. A number of discussions have already taken place with our human resources teams, who have already established this need.

Mr. Yves Perron: I know about the housing situation as well. Thank you.

I'll now talk to you about the emergency processing fund, which was implemented during the crisis last spring to help processors make emergency changes, as the name implies. We've heard from several companies that were denied funding because the money had run out.

Do you think that this type of program should be reinstated? At the very least, should funding be made available again so that companies whose applications couldn't be processed can now receive money? Do you think that there was an imbalance in this respect and that the major processors, since they were better organized, could submit their applications more quickly, at the expense of smaller processors? I want to hear your thoughts on this.

• (1730)

Mr. Richard Davies: In my opinion, all companies, regardless of their size, should be treated fairly. If some companies were unable to receive the assistance requested, for whatever reason, the situation should be looked at again and efforts should be made to ensure that they get the help needed. For the same reason that I gave earlier regarding access to government support for investment, it's necessary to ensure that everyone is treated fairly.

Mr. Yves Perron: Olymel is quite an important company, a source of local pride even. If I understand you correctly, Mr. Davies, you still think that it would be worthwhile to have small processors round out your offering. The committee is looking at ways to improve regional processing.

Do you think that new small and medium-sized processors or slaughterhouses could round out your network?

Mr. Richard Davies: Some processing activities could nicely round out our primary activities so that we can better serve our Canadian or even foreign customers. This could certainly be done on a regional basis. For example, this could involve more specialized activities that we, as a company, could support.

Mr. Yves Perron: Previous witnesses told us about a traceability issue when the processor is too large. It becomes difficult for a customer to ensure traceability. We understand that difficulties may arise in this respect. I gather that this could round out the offering.

Mr. Richard Davies: Regarding traceability, the CFIA oversees our pork, poultry and further processed product operations. Canada's traceability program is fairly rigorous, regardless of the company's size. It ensures that, when necessary, products that shouldn't be on the market are subject to a targeted recall. Canada is second to none in the world when it comes to traceability systems. It's very rigorous.

The Chair: Thank you, Mr. Davies and Mr. Perron.

[English]

Mr. MacGregor, you have up to six minutes.

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

Mr. Davies, you mentioned the outbreak that has happened at your Red Deer processing facility, and you talked about the issues that your company and many companies are going through in the supply of labour.

With your current workforce, it was reported.... The UFCW did a survey of their current workers at the plant in Red Deer. Approximately 80% of them reported feeling unsafe at work. Can you tell the committee what steps Olymel is taking to try to address those concerns? Eighty per cent is a pretty high number.

Mr. Richard Davies: It's a big number. I'm not privy to that information. Is this in the context of COVID, or generally speaking?

Mr. Alistair MacGregor: It didn't go into that much detail, but it is in relation to the outbreak, I believe.

Mr. Richard Davies: Yes, I would say it would be the outbreak.

There are tremendous measures that were put in place basically in all the facilities. Since March of last year, we've spent close

to \$40 million implementing a whole bunch of equipment that would optimize and secure, in the context of the nature of our operations, the safety of the workers as best as possible. This we have done.

Up until this recent outbreak in Red Deer, over the course of 10 months, I think we only had, from memory, 30 or 37 cases at the Red Deer facility. Now we've had this unfortunate outbreak. I would say the environment, all in all.... Basically, we've implemented the same measures in all the facilities, dealing with the physical aspects of these facilities. We've had a pretty good record in containing and limiting the spread of the virus whenever it occurred. The environment has been in the best of conditions, with the best measures taken to try to optimize and maximize the safety of the workers.

• (1735)

Mr. Alistair MacGregor: With your Red Deer facility, how much of the company's total processing capacity does that one plant represent?

Mr. Richard Davies: It's close to 30%.

Mr. Alistair MacGregor: Is that 30% of your company's total operations in Canada?

Mr. Richard Davies: That's right—on the hog side, on the pork side.

Mr. Alistair MacGregor: Do you know how long this shutdown is expected to last?

Mr. Richard Davies: As I mentioned earlier in my comments, if everything goes well with the workers and the number of infected going down—and we expect it's going to go down very rapidly—we have an opening window of getting back to normal, at least back to operation, sometime in the course of next week. But we're going to have to see how the coming days develop for the infected workers, how this is contained and how we can track this down. A lot of people are involved there.

Mr. Alistair MacGregor: I know Ms. Rood asked a little about this, but what's your anticipation of the domino effect this will have on hog producers?

When COVID struck a lot of our beef-processing capacity over 2020, that created a huge rolling backlog. Will the same happen with our hog producers?

Mr. Richard Davies: As I mentioned, we have important hog operations in Saskatchewan that supply over 50% of the Red Deer facility volume. We're confronted with that. A few days will be tough, but it will be manageable. It's when you start getting into 10 days to two weeks that it starts to become a little more critical, depending on the different sites.

We went through this here. We're still trying to dig ourselves out of the hole here in Quebec and also with our Ontario producer-suppliers and finding solutions for them, obviously sometimes with significant financial loss to be able to support that. We are taking all the proper measures to try to alleviate that as best we can.

That's one of the reasons we're asking to put the workers in the plants on a priority list as far as COVID-19 vaccinations are concerned, so we don't get into this type of situation, knowing that the market can wait for the meat because there are other sources for meat, but from the farm-to-plant perspective, that is critical and that's a huge problem.

Mr. Alistair MacGregor: I have one final question. You have 30% hog-processing capacity going through this one plant. What lessons are you going to learn for the future? If we have this plant shut down again in the future, for an even longer period, what's the answer?

Do we need to somehow decentralize operations? Is that even possible to do in this very competitive market that we have?

Mr. Richard Davies: As you say, it's very competitive.

As I mentioned, we have been handling this and operating, basically, quite free of any disruption since March in Red Deer. We had a couple of close calls, but obviously we've put in all the proper measures within the plant. Obviously, we try to educate our employees as best we can—because they're not living in the plant; they're also out there as members of society—and try to make sure they apply the best practices.

This is under investigation to understand where it came from and to try to learn from that.

The Chair: Thank you, Mr. Davies and Mr. MacGregor.

We'll start our second round.

[*Translation*]

Mr. Lehoux, you have the floor for five minutes.

Mr. Richard Lehoux (Beauce, CPC): Thank you, Mr. Chair. I'll be sharing my time with Mr. Epp.

I want to thank the witnesses for being here.

My first question is for you, Mr. Davies. Thank you for coming back to the committee today.

You said that you need to hire between 3,000 and 4,000 people. You also spoke about modernization and automation.

If you further automated and modernized the company, could you reduce the number of employees needed? If warranted, could the government introduce programs to help companies, yours in particular, with this robotics process?

• (1740)

Mr. Richard Davies: In some cases, automation and robotics will certainly eliminate work stations. However, our industry still involves a great deal of customer-specific and product-specific work. We don't work with equal components. Birds and pigs come in different forms. We shouldn't lose sight of effectiveness and competitiveness either. Sometimes, new technology will make it possible to better meet the requirements of certain customers. The whole picture must be considered. It isn't just a matter of reducing dependence on labour.

Mr. Richard Lehoux: Okay.

Could the federal government introduce a specific program to support equipment modernization? Earlier, one of my colleagues spoke about investment tax credits or measures of that nature. Would these be good measures?

Mr. Richard Davies: Yes, that's right. Whether it's tax credits or any other form of support, it would help us speed up the process. It's not just the equipment that needs to be considered, but also the reconfiguration of production sites. There are major investments involved in moving walls and erecting new ones. Any assistance program would allow us to accelerate this process.

Mr. Richard Lehoux: Thank you, Mr. Davies.

I'm going to yield the floor to my colleague Mr. Epp.

[*English*]

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Monsieur Lehoux.

Through you, Mr. Chair, I'll direct some questions to Mr. Davies.

By the way, I'm having all kinds of Internet issues here in the Confederation Building, so if I'm not coming through, I'll kick it back to Mr. Lehoux.

Mr. Davies, you mentioned the 10% cap on temporary foreign workers relative to your workforce, and certainly labour shortages are found in other industries as well. Have you had to resort, in any of your plants in Canada, to the use of labour contractors to find enough labour to supply yourself so that you can run your operations?

Mr. Richard Davies: Yes, we've obviously... We don't have many operations, for instance, in Montreal directly, but we do have a couple of plants that are within, say, an hour's drive of Montreal. We've used those contractors to support some of our needs for labour.

Mr. Dave Epp: I'm sorry; I only heard a little bit of that, but I can maybe follow up. Have you had, from the use of labour contractors...? Is there any potential that that has become a source of infection?

My question is this: Why do meat-packing plants seem to have more outbreaks? I have some similar issues in the greenhouse sector in my own riding. I'm wondering if the intersection of workforces through labour contractors and into the bunkhouses in our area or perhaps into your working settings could be one of the dynamics leading to an increased number of outbreaks in the meat-packing sector.

Mr. Richard Davies: The sites that we have that rely on these contractors have not been exposed to any surge of infections or anything. They've been relatively under control for the past 10 to 11 months, so I can't relate it to that.

Mr. Dave Epp: Thank you.

If I can have one last question, I'll direct it to Mr. Sands.

In the 2018 Canadian Grocer interview, Kevin Grier describes the grocery sector as being somewhat divided—that was at that time—regarding a grocery code of conduct. Has the recent series of imposed fees and/or supply shortages worked to unite the sector for a cause or a more united front in calling for either a retail or a grocery code of conduct?

The Chair: Unfortunately Mr. Epp, we've run out of time. Perhaps Mr. Sands will have a chance in another question.

We'll go to Mr. Louis for five minutes.

Go ahead.

• (1745)

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Mr. Chair.

Thank you to both of the witnesses for appearing today. I appreciate your time and your advocacy.

Maybe I'll start off the questions with Mr. Davies.

In my riding of Kitchener-Conestoga, we have one of the largest pork processors in Ontario, Conestoga Meats. I've been in contact with them, and I'm familiar with some of the challenges that you're facing. I know that the emergency processing fund was something that we wanted to do because we wanted to make sure that we were keeping workers safe.

Mr. Davies, are you and your companies working with other producers in Canada to share best practices with each other, particularly to keep workers safe? If so, what lessons can you and all processors take away from these measures to keep employees safe, which, of course, would lead to productivity and help us increase our processing?

Mr. Richard Davies: As members of the Canadian Meat Council.... Obviously, there are different committees in place where a lot of common challenges are tabled and where common practices and learning are shared so that we can better ourselves as an industry, whether it's from a hygiene perspective or whether it's safety for our workers. There are a lot of common issues that we're facing. This is ongoing.

I know for a fact that the pork committee, for example, does that, and even on the poultry side there are different initiatives and committees in place that do that on an ongoing basis.

Mr. Tim Louis: Thank you for that.

We're talking short-term now to keep people safe, to keep production and processing moving, but moving forward in the future, can you see practices that are in place now staying to a degree, again, to increase processing by keeping workers themselves safe?

Mr. Richard Davies: Obviously, as I mentioned, as a company we put up about \$40 million of different equipment to improve worker safety, more so in the context of COVID. However, I would suspect that some of these measures that we put in place will become permanent and will be there, and that we put ourselves in a situation where worker safety is enhanced. If it is enhanced and remains enhanced in the future, we'll maintain them.

Mr. Tim Louis: I appreciate it.

You mentioned in your opening statement the automation and innovation methods that are working in other countries. My colleague, Monsieur Lehoux, also talked about whether there would be specific programs.

Can you point out how we can find that balance between labour—which is the human capital—and technology? Are there other countries or programs that are successful, so we can adopt some of those techniques?

Mr. Richard Davies: Being in the industry for over 30 years, I've seen some countries develop a lot more quickly than other countries. When I think of pork, I think of Denmark, which has included and implemented a lot of automation and robotics into their operations at all levels, in the context of efficiency and safety. There are examples around the world where that has been applied a lot more quickly than in others. Often, it was a limited amount of labour and other constraints that forced these countries to move in that direction.

Moving forward, I think we just need to be on top of our game to be able to remain competitive if we are going to remain relevant into the future. This is why we're focusing on that as well.

Mr. Tim Louis: Thank you, sir.

With the remaining time, I'm going to pivot over to Mr. Sands. As far as the support for independent grocers is concerned, I imagine everyone here...most people come from small towns and that's where we have the best conversations. You can't go to a local grocery store.... In my case, it's Pym's in Wellesley. You go there and you'll have better conversations. We all miss that. You have our support.

You mentioned that the code of conduct would put independent grocers in a better position. We want that to happen and we certainly support that, but we're talking about processing capacity on this study right now, how to process.... The bottleneck right now is the processing between production and retail.

With the time I have left here, can you help by explaining what you're proposing and how that would lead to improved outcomes at the processing level?

Mr. Gary Sands: I'm trying to get across here that this is related to increasing capacity. I think we've actually now convinced most of the provinces of this. If you keep the independent grocers on the playing field, that is going to have a downstream impact on the entire chain.

The small and medium-sized producers and processors in this country will tell you what the independent grocer means to their businesses. That's what we're all about. It's in our DNA. I'm not trying to hammer the chains or suppliers. I gave the example of a company that wouldn't supply independents. All we need is a framework that will provide fair dealing. That will increase capacity. We'll have a downstream impact.

• (1750)

The Chair: Thank you, Mr. Sands and Mr. Louis.

Now, we'll move on to Monsieur Perron.

[*Translation*]

Mr. Perron, you have two and a half minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

Mr. Davies, you answered me well earlier. You talked about vaccination priority, and we can understand your concern.

I would like you to tell us more about China. You mentioned it quickly, and we haven't talked about it much.

Do you consider that the government should support an industry in the midst of such a conflict, about which the industry can do nothing, given that that conflict compromises its production?

Mr. Richard Davies: We don't necessarily want...

We expect tangible solutions from the government so that the trade relationship can resume as soon as possible.

In some cases, when conflicts last weeks or months, it becomes very heavy financially, not only for Olymel, but for the rest of the company. So government support is not necessarily what we want. We want solutions instead, which we can include in our business plans.

Mr. Yves Perron: I understand you. Basically, you're talking about a quicker diplomatic solution.

Mr. Richard Davies: Yes.

Mr. Yves Perron: Okay.

You talked earlier about labour, small processors and mechanization, which are interrelated.

You want to see smaller processors, perhaps to complement activities. At the same time, the need for innovation and modernization is often mentioned. Can those two things really be reconciled?

It's difficult to invest in smaller locations. Could a large company like yours have smaller locations in different places?

Mr. Richard Davies: Of course, butchering pigs is quite complex. So the task could be segmented.

In some cases, the notion of specialized locations can make sense. This is neither impossible nor incompatible with the need to robotize or automate production for reasons of efficiency or output.

These two factors may therefore be closely linked, or they may be completely separate, depending on the types of operations involved in some of our activities.

Mr. Yves Perron: Thank you very much for your answers.

The Chair: Thank you, Mr. Perron.

[*English*]

Mr. MacGregor, go ahead for two and a half minutes.

Mr. Alistair MacGregor: Thank you, Chair.

Maybe, Mr. Sands, I'll turn it over to you. I just want to thank you for providing an important viewpoint from independent grocers. When we've been talking about the struggles between suppliers and the retail sector, we've often been talking about just the giant chains—Sobeys, Loblaws and so on. It's great to have your helpful perspective on that.

I don't have much time. Certainly we've gone through a lot of questions already. Maybe I'll just give you the opportunity, if you want, to add anything else for the committee in terms of recommendations we should be making to the federal government. Ultimately, we want to see a comprehensive report come out, with some rock-solid recommendations. Is there anything else you want to add, especially with regard to the unique needs and market position of independent grocers?

Mr. Gary Sands: It is hard to try to provide an overview. Listen, I'm a former political staffer. When I got into this job, I knew next to nothing about the industry. It is hard to explain to people how it works. I can't stress enough how important the independents are to the supply chain.

If we can get a framework, a grocery code of conduct.... Forget about this listening to bashing just the retail chains or bashing the suppliers. We just need a framework similar to the framework the federal government established in the payments industry, where a payments code of conduct was brought in, and I can tell you that has been very successful. We're looking to establish the same kind of framework that will provide fair dealing for everyone.

I wish I had an hour just to give you examples and explain to you the impact that the independents have downstream on increasing capacity. That is key to the independents' ability to survive, to differentiate. How do we differentiate? We buy local. We support local, which we define as provincial. Keep us on the playing field and watch the impact we have.

You should have seen the impact when Ontario opened up beer and wine in the grocery stores. Sales of Ontario beer and wine went through the roof in independent stores. Why? Because that's what we want to do. We don't want to carry the Molsons and the Labatts. We're looking to carry the local stuff. Take that example and apply it right across the chain.

• (1755)

Mr. Alistair MacGregor: That's great. Thank you so much for that.

The Chair: Thank you, Mr. MacGregor.

Thank you, Mr. Sands. That pretty much covers our hour.

I really want to thank our guests, Gary Sands from the Canadian Federation of Independent Grocers, and Richard Davies from Olymel.

I just want to give a shout-out to our former colleague Lloyd Longfield from our past committee, who was able to join us today.

To all of you, have yourself a good evening. We'll see you this Thursday.

The meeting is adjourned.

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