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Chair

The Honourable Rob Merrifield

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• (1535)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I'd like to call the meeting to order.

We have our members at the table, we have a witness at the other end, and we see the clock at 3:30.

We have a bit of an abbreviated time period. I believe the bells are going to go at about 5:15. When the bells ring during the second hour, we'll suspend the questions and move into a quick in camera portion of the meeting. I believe Mr. Easter has a motion to bring forward at that time.

We'll start with the witnesses we have in the first hour.

We have with us from the Canadian Meat Council, Mr. Ray Price, president, and from Maple Leaf Foods, Barry Sutton, vice-president for international sales.

Thank you for being here. We look forward to your presentations. We're dealing with the economic partnership agreement with Japan, and we're very much looking forward to your testifying.

Mr. Easter, please be very quick.

Hon. Wayne Easter (Malpeque, Lib.): Yes, I know we're short of time, but I will be moving my motion with respect to having government officials do a briefing before the committee on the Canada-China foreign investment promotion and protection agreement. Did I understand from your words that this would be in camera?

The Chair: Listen, we're not going to argue this point, and I have talked to you before about it. Do you want to raise this right now? Let's just get it out of the way.

Hon. Wayne Easter: Okay.

The Chair: Is it a done deal?

Hon. Wayne Easter: I guess I don't need to read the motion.

Basically, in order to save time, Mr. Chair, I believe we need a briefing. There's a lot of discussion on the Canada-China foreign investment promotion and protection agreement. It would be a briefing by government officials. Canadians need to know what it really means. We need to know what it really means.

Instead of reading the motion, I will move that we do this.

The Chair: We have a quick intervention.

Mr. Davies, go ahead.

Mr. Don Davies (Vancouver Kingsway, NDP): Mr. Chairman, I'm going to speak in support of Mr. Easter's motion.

As you know, the official opposition, the New Democrats, put in a motion two weeks ago to have a study of the Canada-China FIPA. In my office we're getting hundreds of emails and concerns from Canadians across the country about this very major investment agreement, which I understand has taken many years to negotiate and may be passed by this government without any debate.

It's vitally important that we have a briefing. I reiterate my call to the government to put this before a committee so that we can hear from stakeholders across the country, businesses, provinces, investors.

This is a good motion, but it's only a partial motion that merely begins to address the very important issues Canadians want us to deal with.

The Chair: All in favour please signify.

Mr. Don Davies: Could we have a....

The Chair: No. It's going to be unanimous, unless you guys are opposed to it.

(Motion agreed to)

The Chair: It's carried unanimously.

Mr. Sutton, the floor is yours, sir.

Mr. Barry Sutton (Vice-President, International Sales, Maple Leaf Foods Inc.): Thank you, Mr. Chairman.

As mentioned, I'm with Maple Leaf Foods. I'm also a director of Canada Pork International.

Maple Leaf Foods fully supports and strongly encourages the ongoing efforts of the Government of Canada to expand market access for the vitally important Canadian pork industry. An EPA with Japan that enhances our access to this high-value market is welcomed by Maple Leaf Foods.

The Japanese market is extremely important to the Canadian pork industry, with sales of 220,000 tonnes worth about \$893 million in 2011. This represents 20% of all the pork we export from Canada by volume and about 28% by value. Japan is Canada's second largest pork market after the United States. This trade initiative, which will most certainly enhance Canada and Japan's relationship and address challenging commercial issues, is particularly welcome as it could provide Maple Leaf Foods and the Canadian pork industry with a competitive advantage in Japan. For guys like Ray and me, that's very important

Maple Leaf Foods has had a long history in the Japanese market. We have maintained an office in Tokyo since 1980. In 2011, Maple Leaf Foods exported 77,000 tonnes of agri-food products worth \$310 million. My company represents 30% of Canadian pork exports to Japan from Canada, and we hold a 9% market share of all the pork the Japanese import. We operate a dedicated pork plant in Lethbridge, Alberta, and have focused the first shift of our Brandon Manitoba flagship facility on high-value chilled pork for the Japanese market.

As far as the Canadian market is concerned, Japan is extremely important to the industry, as I've mentioned. Canada exports approximately 65% of the pork we produce. Markets like Japan are crucial for us.

Maintaining access to this market is critically important to all stakeholders in the business, from hog farmers whom we work with to packing-house employees across the country. In addition to that, Japan represents the highest dollar value return of any market that Canada ships pork to. As a result of this, it's highly sought after by our foreign competitors. Over the last few years, Chile and Mexico have concluded free trade agreements with Japan, which gives them preferential access on pork products.

Just last week, on October 11, the EU's international trade committee gave the green light to free trade talks between the EU and Japan.

I would like to briefly touch on our experience with our negotiations with Korea.

In 2008, free trade talks with Korea broke down and both governments stepped away from the negotiating table. In the interim, Chile, the EU, and the U.S. successfully concluded trade agreements with Korea. Korea now has trade deals with three of Canada's largest pork competitors. I raise the issue of Korea because Canada cannot repeat this experience with Japan. It would be devastating for the industry.

Prior to implementation of the U.S.-Korea trade agreement in March 2011, Canada was Korea's second largest foreign supplier of pork and Korea was Canada's fourth largest destination for pork products. We exported of 94,000 tonnes, worth \$234 million.

This year, Canadian pork exports to Korea are down about 30%, and as we see the next phase of tariff reductions occur, we'll see another very sharp drop in our exports to that market in 2013.

Maple Leaf Foods strongly encourages the Government of Canada to conclude an agreement with Korea as soon as possible to avoid further erosion of Canadian business in this important market.

Getting back to Japan, it currently applies high tariffs on many agricultural products, including pork and beef. In the case of pork, this includes a complex differential duty system, which disrupts the free flow of pork imports. I would be happy to answer any questions on this as we get into the question segment.

The protection Japan provides its agricultural sector has often been viewed as impeding meaningful trade negotiations. Maple Leaf Foods shares this concern. However, we are encouraged by Japan's basic policy on comprehensive economic partnerships, which it adopted in 2010.

●(1540)

Basically, this policy states that Japan will aggressively pursue bilateral trade agreements in areas such as agriculture. More importantly, they're prepared to deal with the many issues in agriculture and to reform their agricultural segment.

We view these reforms as essential to ensuring a comprehensive agri-food package in the EPA with Japan.

Thank you very much, and I look forward to your questions.

The Chair: Thank you very much.

Mr. Price, the floor is yours.

Mr. Ray Price (President, Canadian Meat Council): Good afternoon. My name is Ray Price. I'm the president of Sunterra Meats, and this year, I'm the president of the Canadian Meat Council.

It's certainly a pleasure to be here today to speak to you on the topic of an economic partnership with Japan. The Canadian Meat Council is a long-standing national industry association that's been representing federally registered meat packers and processors of beef, pork, horse, lamb, and veal since 1919. Canada's meat processing, packing, and rendering industry is the largest food processing sector in Canada, with close to 70,000 employees and gross annual sales of over \$24 billion.

At the outset, let me say that the Canadian Meat Council is a very strong proponent of free and open international trade. We welcome the government's initiative to negotiate an economic partnership with Japan. With trade representing 63.9% of our economy, Canada already has one of the most open, globally competitive economies in the world.

With regard to meat products, Canada already allows free, open access to imports from all countries in the world for pork, lamb, and horse meat, with zero import duties and no quantitative restrictions.

Canada's beef and veal industry is keen to open up access to beef imports from Japan in exchange for free and open access to its market.

Trade is incredibly important to our industry, as we have the ability to produce a lot more food than Canada's 34.9 million citizens can consume. In 2011, we exported over \$1.3 billion of beef and veal and over \$3.2 billion of pork to over 150 countries around the world. Of that amount, \$852 million of pork, \$81 million of beef and veal, and \$16 million of horse meat were destined for Japan.

Japan is the third largest economy in the world after the United States and the People's Republic of China. It has a large affluent population of nearly 128 million. Its imports are estimated to represent 60% of agricultural and food products consumed domestically each year.

The Japanese market imports over \$8 billion of pork and beef products, even with their very punitive tariff and import structure. In 2010, Japan consumed 21% of Canada's meat exports, or 7.5% of Canadian food manufacturing exports. Needless to say, there are definitely untapped opportunities in Japan. An economic partnership with Japan represents an opportunity for our industry to secure and grow our exports of chilled and frozen meat products to that country.

What should we be looking for to enhance market access? There are non-tariff barriers that can distort trade. In 2003, Japan put in place a total prohibition on Canadian beef, lamb, and bison imports in response to the discovery of the first domestic case of BSE in Canada. In December 2005, it partially lifted the prohibition to allow beef only from Canadian cattle 20 months and under. That restriction remains in place today, despite a request by the Government of Canada in 2008 to allow the further expansion of imports.

We acknowledge the support of the Government of Canada in convincing the Japanese authorities to remove these age restrictions. Opening access to beef under 30 months of age would be a good first step, and we understand that this is under consideration in Japan at this time. We also would like to have lamb and bison access reopened, as all imports of these products were caught up in the BSE closure in 2003.

On a go forward basis, the economic partnership agreement with Japan is a positive development for the Canadian meat processing industry. The agreement should set the framework to remove some of the non-tariff barriers that can still limit market access.

With respect to tariffs, Japan's applied tariff on beef is 38.5% on the Canadian side. With the reduction or removal of these trade barriers, we believe that the potential for beef exports to Japan could easily triple to reach \$250 million to \$275 million.

Unlike beef, Japan's pork regime has been operating under a complex differential duty system known as the gate price system. Gate price is a minimum import system set at 524 yen per kilogram of pork cuts, to which a 4.3% duty is levied. The gate price amounts to \$6.55 Canadian per kilo, with another 28¢ of duty, at today's exchange rate. In a simplistic way, if you ask what the impact of that is, well, right now, a pig in Canada is worth about \$130. In Japan, the same pig is worth \$430. From that perspective, it makes a big difference in the protection it affords the Japanese. It's obvious that the gate price has that big an impact.

In addition to what I mentioned, there is also a safeguard system that actually will kick in if imports are triggered more than a certain level over the average of the previous three years. That has disrupted the flow of meat products in the past as well.

With respect to pork products, the objective of the economic partnership agreement should be focused on seeking substantial reductions in pork tariffs and on reform of the gate price and safeguard systems.

By way of illustration of the potential impact of an agreement for both beef and pork, Mexico signed an EPA with Japan in 2005, even though compared to Canada they are really not a competitive place for producing pork and beef. Their pork exports to Japan increased by over 60% in the four years after the agreement came into force. As for beef, there have been dramatic increases as well.

• (1545)

Prior to the EPA, there was very little beef exported to Japan from Mexico. Now Mexico sells more beef to Japan than Canada does.

While all trade deals are complicated, perhaps a simple example can be used to show the impact. If the 4.3% tariff on pork was eliminated for Canada, it would be roughly about \$12 per head of increased revenue. That's significant for Canadian processors and producers. Similarly a 7.7% reduction in the beef tariff, which is what Mexico has for their portion of shipments, could be the equivalent to over \$70 per head in beef.

Of course, there is also a great risk in not doing a deal, as Barry just mentioned, using the Korean example. If we don't do a deal, we would be in a much worse place than where we would be if we could get a deal done.

In closing, allow me to reiterate that the Canadian Meat Council fully supports the government's trade strategy. An economic partnership with Japan is an important component of that strategy. Fundamentally, Canada is a competitive, high-quality producer of meat, with the geographical advantage of having the closest North American ports to Japan. Without a doubt, the economic partnership agreement with Japan will enhance agricultural trade flows to Japan. It also will allow Canadian meat packers, processors, and livestock producers to enhance their viability and diversify their markets through increased trade.

Thank you for the opportunity to share our comments with you. I'll be pleased to answer your questions.

The Chair: Thank you very much for your intervention.

We will now move to questions and answers. I'll remind the committee that we'll close off questions a little early to allow enough time for the second panel, as the bells will ring at 5:15.

Mr. Davies, the floor is yours.

Mr. Don Davies: Thank you, Mr. Chairman, and my thanks to Mr. Price and Mr. Sutton for being with us today.

The official opposition, the New Democrats, are also supportive of having swift and thorough negotiations. We're excited about the prospects of having an economic cooperation agreement signed with Japan. We think that Japan is an ideal partner for Canada in many ways. It's a mature democracy. It has very high standards. We're learning across the board about high-quality standards, high environmental standards, high labour standards, high sanitary and phytosanitary standards. We think there are a lot of complementary areas between our economies, and we'll be pushing the government to move as quickly as they can to get a comprehensive agreement.

You mentioned non-tariff barriers. I'd like to have a brief description from each of you. Please give us one or two examples of concrete non-tariff barriers that you think we need to address to help your industries.

Mr. Barry Sutton: Japan is fairly open as far as non-tariff barriers are concerned. My concerns would lie more on the tariff barriers. Everybody in this room should be very proud of the Canadian industry. We've figured out how to operate in Japan. We do it very well. My concerns would really be on the other side.

Mr. Ray Price: The main non-tariff barriers are related to veal, lamb, and beef. Right now the non-tariff barrier is that instead of having under 30 months, it's 20 months and under. It effectively takes Canada out of the market in Japan for three months of the year. If you know the Japanese market, you have to have supply every week of the year. If you don't, they aren't buyers of your product. Effectively, the biggest non-tariff barriers are on beef, lamb, and bison.

To reiterate, we talk about beef mostly, and it's a very important part of our industry, but the lamb sector and now the growing bison sector are also parts of the industry, and they seem to have been left behind in the whole context here.

• (1550)

Mr. Don Davies: Both of you are very experienced in the food business, in meats in particular. Would you agree that Japan has very high sanitary and phytosanitary standards?

Mr. Barry Sutton: Absolutely. To be successful in that market, you have to work back into your company in Canada and clearly understand the standards in Japan, how they differ, where they differ. You will not be successful in Japan unless you can address those and come into line with the Japanese expectations.

Mr. Don Davies: That would include a very high expectation for food safety?

Mr. Barry Sutton: Very high.

Mr. Don Davies: You already mentioned, I think, the BSE issue and the fact that it strongly affected our beef industry here in Canada. In fact, it affected more than the beef industry. It sounds like the Japanese also extended it to bison and lamb. I know that Taiwan and other Asian countries have done the same thing. To this day, Canada and Canadian beef and meat producers still don't have full access to those markets because of issues with BSE.

Therefore, I can't help but raise the issue currently facing us in this country, the issue of the E. coli outbreak. Would you say that the E. coli outbreak and the concerns for the safety of beef here will not, let us say, be helpful in getting greater access to the Japanese market?

Mr. Ray Price: I think anything that is publicized as widely and as broadly as that won't help the confidence level. Just to reiterate, we're probably the smallest company that exports to Japan and Maple Leaf is probably the largest company. Between the two of us, our plant has 120 people and Maple Leaf has a lot more. From that perspective, you will get a fairly good context from both of us.

From my perspective, the Japanese are very pragmatic about food safety and they understand the controls and systems. The one thing about the Japanese, in my experience, is that they are very impressed with our systems, our systems being the Canadian Food Inspection Agency and our plant system.

Mr. Don Davies: Can I ask you quickly how many cases of BSE were there in Canada at the time?

Mr. Ray Price: At the time?

Mr. Don Davies: Yes. How many head of cattle were actually infected with BSE?

Mr. Ray Price: I believe there was one that they initially stopped. Of course, Japan had their own BSE problems ahead of Canada's.

Mr. Don Davies: Right. But we've had 15 cases of E. coli in this country. It's fair to say we have had a wider problem with E. coli than we did with BSE. Yet, we see with BSE, to this day, that we can't get full access to the Japanese market because they are, quite rightfully, concerned about the safety of beef.

I want to ask you about the CFIA cuts. Our information is that in May of this year, the Minister of Agriculture announced that planned spending in the CFIA is declining by approximately \$46 million and 314 FTEs, from 2012 to 2014-15. In budget 2012 the next three-year outlook for food safety indicates a projected cut of \$56 million. Wouldn't you agree with me that this is going to be a difficult sell to the Japanese, when we have an outbreak of E. coli, when we're cutting food inspection, inspectors, and food inspection money in this country and we want access to a market that is more concerned about food safety than probably any other country?

Mr. Ray Price: I would say no.

Mr. Don Davies: Doesn't that concern you?

Mr. Ray Price: Japan has less meat inspection than Canada currently does, and it would have less meat inspection even if there was a change to the inspection system. From the perspective right now, Canada is a world leader when it comes to meat inspection and is ahead of the Japanese as far as actual government meat inspection is concerned.

Mr. Barry Sutton: I would also add that the Japanese will tend to look at our standards in Canada as a floor. I think they are quite confident with what we do in Canada, as Ray was saying. They tend to focus on individual companies. They will put a lot of time toward understanding exactly what their partners are doing, what their standards are, how they operate, and what the protocols are in their plant. They will scrub that very hard to gain confidence in the individual company.

Mr. Don Davies: Mr. Sutton, if they are confident in Canada's standards, though, why to this day do they have a ban on more than 20-month-old beef?

Mr. Ray Price: I can answer that because it's a beef question more than a pork question. The reason they have this is that the Japanese system went to a 20 month and under situation instead of a 30 month and under. It's something that the Americans are caught up in, and anybody who has had BSE is caught up in, and they're changing. It's a very slow process. In Japan, of course, they have been testing every animal, whereas we have not been thinking that way is a situation that would make sense on BSE, which it doesn't.

• (1555)

Mr. Don Davies: Thank you.

The Chair: Mr. Shipley, the floor is yours.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Price and also Mr. Sutton, for coming.

I'm going to follow up. I'm not sure why we are so interested in putting a fear factor in this trade on two different things. I believe that with BSE there were one or two animals affect. That carries a totally different context to health than E. coli does. E. coli, we know, is everywhere. Actually, there have been 15 people now who have been diagnosed as having E. coli that has come from the beef from XL Foods. Let's be clear that the two are totally different.

I'm glad to hear, Mr. Price, that you were able to clarify the issue around the health standards. I just want to be sure. Did you indicate to us that the Canadian standards on food and meat would be as good or higher than those in Japan? I think you said they do focus. That's one of the things about the Japanese.

They actually pay premiums in many cases. In this case, it is about having a standard that they meet. Is it a fair statement to say we have one of the best standards around the world?

Mr. Ray Price: Barry can also say it. Everywhere I have been, that would be the case.

Certainly in the Japanese market you have to be at a standard to be food safe. I would say our plants are at a better standard than what the Japanese internal plants would be, on average, mostly because we are 15 to 20 days away. We have to be better at what we do. That's an important part, yes.

Mr. Barry Sutton: I would add to that the fact that the Japanese regularly test my product for a range of coliforms. They go through, as I say, a variety of shelf-life testing. Since we have 20 years of experience with them, they have a lot of confidence in what we're providing and confidence in our system.

Mr. Bev Shipley: I think we do understand the significance of the Japanese market, not only because of the population base that's there, but also in terms of the value added or the high value for the product that you talked about. Could you expand on that from both perspectives, please?

Mr. Ray Price: Sure. The Japanese are very interested in quality. Food safety is certainly a part of it, but it's the quality overall, so they're prepared to pay a premium. In our small company, 70% of all of our production goes to Japan. Barry can talk about it, but one plant is dedicated to Japan. That's because they want something specific and they're willing to pay for it, and that's a very high-value proposition.

To bring that back to where the duties and the tariffs are and to how those impact it, if you look back a few years to when Japan opened the border up and went from a 50% to a 38.5% tariff on beef coming in from anywhere, consumption went up by about 70%. It became affordable to have high-quality meat imported, and the market expanded. That's a big reason we feel it's a very critical part of what we need to do.

Mr. Barry Sutton: I would also say that the differential duty system, which creates a minimum floor price for pork in Japan, which is in the range of \$6.50 a kilogram, will pull up pricing. It actually pulls up our margins on the Canadian side, so that's one factor.

The Japanese market is by a considerable premium our best sale anywhere in the world.

Having said that, I've worked in Japan since the late 1980s. I can also say that Japan is one country that really respects value. It really respects quality and will go out of its way to pay for it. Canadian companies that have been successful in Japan have made sure they understand that equation and that they align to deliver it.

Even with the gate price system there are many products that I sell in the pork business, which is a relatively lower cost protein, for which I exceed the gate price by creating value in Canada. We're not just providing a pork loin; we're providing a very specialized cut with very tight specifications, and that's what the Japanese will pay for.

• (1600)

Mr. Bev Shipley: I'm from Ontario, and a number of pork producers right now and beef producers are struggling just a little bit. When we talk about the value of that and then on the other side we have to be competitive, if you're designating lines or plants in some cases specifically to Japan, how does that return to the producer and still be competitive against other countries that have trade agreements?

Mr. Ray Price: The way I have looked at it is to say that if we have a deal that's better, and say our duty goes from 4.3% down to zero, then that's all new revenue to the Canadian operation.

Typically, meat packers and processors take a piece of it and then pass it on to the producer. It's a very competitive industry, so any tariff reduction generates additional revenue, additional value for the livestock. It just flows through. It just happens. That's the way it always does.

If we had a \$12 reduction in our tariff which, say, the United States or other countries didn't have, that \$12 would end up being split heavily towards the livestock sector, but it would be split.

Mr. Bev Shipley: Because this is so important to both your industries in terms of the agriculture that you represent, how do you see yourself involved in the consultations and having input into them?

Mr. Barry Sutton: In the case of Korea, I picked up on the ball a little early.

I have to admit that any time I ask for a meeting or we are given an opportunity, and there are many, to speak up, such as in a process like this, it is excellent. This allows me to get in front of the issue and make sure that we present our position, and it allows you understand where we stand. I think you do an excellent job in that regard.

Mr. Bev Shipley: I want to make sure that we continue to ensure those avenues are open, not just for you but for all, so that we actually have a thorough and investigative discussion on this agreement.

Thank you.

The Chair: Thank you very much.

Mr. Bev Shipley: I think Mr. Price—

The Chair: Go ahead.

Mr. Ray Price: From the standpoint of the Canadian Meat Council, it's critical for us to be involved in these things. We've narrowed down our main priorities for this year from ten to three, and trade is one of those. That's one of the reasons I'm here. We're spending more time on trade, because it is so critical to our industry.

We appreciate the ability to talk with the committee and also to whoever else will listen to us on how important trade is.

The Chair: We think trade is important here too. It's 100% of our time.

Go ahead, Mr. Easter.

Hon. Wayne Easter: Well, not quite 100%.

Welcome to both of you gentlemen. It's good to have you here.

Both of you mentioned Korea and the concerns on where negotiations are. I couldn't help but look at members on the government side when you were raising those concerns. They almost sank in their chairs because we've raised those concerns with them so many times.

I want to put on the record again that we are at risk of losing a \$1 billion market for beef and pork. I would suggest that somebody please talk to Jim Flaherty. I think that's where the opposition is coming from. In any event, it's just to make that point.

On the pork situation mainly, to start, Barry, I have been in the Brandon plant and I will say that if there's anything above world class, that operation is it. It is an unbelievable operation. It's worth people's time to go through.

One thing I don't know is you mentioned the special cuts in Japan, and this is maybe on beef as well. In the Canadian market, when you're looking at beef you're looking at high-end cuts, roasts, T-bones, etc. Do the Japanese, as the Chinese do, use everything in the animal and make it much more valuable to be in that market from the point of view of the sale of the whole animal, versus us in Canada?

Mr. Barry Sutton: In the case of pork they would use some of the cuts that we wouldn't traditionally consume in Canada or North America, but they're more on the higher end, premium cuts. Other markets such as China, Taiwan, the Philippines, would help us balance out.

What's important to the Canadian industry, and I'm sure it's the same in the beef industry, is that access to many markets allows us to get the best value out of a Canadian animal that we can, so we tend to look at the markets that would give us the best return on the entire animal. Some of the higher-end cuts that we would process and prepare are in the form of chilled pork, which is very high value—a 55-day shelf life for table meat in Japan—would be directed toward that market for the best return. Other items like stomachs, lungs, rectums, etc., would go to the Chinese market or the Taiwanese market.

•(1605)

Hon. Wayne Easter: Thank you.

When it comes to moving product to Japan, I know from the canola industry in Prince Edward Island, we don't have a big acreage but certainly Japan is our key market. They are exceptionally fussy.

They come over and inspect fields that are close by to make sure there's not a GMO crop close to the non-GMO ones, etc.

This relates to the food safety question. I do believe the Japanese assure themselves that the plants these products come out of are meeting the very high standards they want an export nation to meet. Is that correct?

Mr. Barry Sutton: Yes. I would say they want to get in front of problems rather than react to problems, so they put a lot of front-end work into making sure that whoever they're buying from can meet the standard before a problem occurs.

Hon. Wayne Easter: Is it the same with beef, Ray?

Mr. Ray Price: Yes, I believe that's the case. The Canadian beef market isn't as developed as the pork market is, but yes, I would say they're very important. The linkage to the individual plant's very important.

Hon. Wayne Easter: I want to come back to the 20-month animal because I do think that's a problem. I know for a fact that the government is trying to negotiate that away.

In layman's language, can you explain why it's a complication for our market in terms of meeting year-end supply as a result of the 20 month, and how important it is to rid ourselves of that obstacle?

Mr. Ray Price: I'm a farmer first, so I know the cattle side of it better than I know the beef side. I do have some exposure on the beef side. Of course, I know Japan fairly well.

What happens in Canada generally is that calves are born in the spring, they're fed, and they go to slaughter between 14 and 20 months of age; that would fit into the bracket. If the same cattle that are born in the spring cannot make it in 10 months, you have January, February, March, which means the cattle are either 9 to 12 months old, which is too young, or 21 to 24 months old, which is too old for the Japanese market, so there's a gap in available cattle. I can't remember the statistics, but it's something like less than 10% of the cattle available at that time would fit the Japanese criteria.

Hon. Wayne Easter: That impacts our ability to supply a grocery store chain 12 months of the year, and therein is the problem. It's not in getting into the Japanese market as much as it is not having the credibility of the same quality and type of supply for year round. That's the bottom line.

Mr. Ray Price: That's right. Our experience in the Japanese market, and I expect it's the same for others who are there, is that it's a very relationship-driven business. You make a deal and it's a 12-month or a long-term deal and they don't go away quickly as in other markets that are just price-driven markets and they'll buy from whoever is the cheapest at the time. In Japan it's a very relationship-driven one.

Hon. Wayne Easter: The other area that's of concern—and I'm not sure if this will be done, Mr. Chair, with the FTA or not—is the safeguard duties on the products. Could you explain why that causes us problems?

I expect I'll run out of time, but on another issue, the committee is travelling to Japan. Do you have any suggestions on what we should seriously look at or relate to the Japanese in terms of our discussions?

There are two points, the safeguard duties and whether you have any advice for us.

Mr. Ray Price: We'd be happy to go with you and show you around; that would be great.

Hon. Wayne Easter: If you're paying for the trip, we'd love it.

Mr. Ray Price: We have to pay for our own trip.

On the safeguard, it's a complication any time market dynamics change. It's a snap-back mechanism that pushes up the tariff to 15% to 20% once it goes above a certain volume. It's a very complicated system, but effectively, it happens on a quarterly basis. It would make it almost impossible for imports to get in for a three-month period. That disrupts the flow of trade internally. The Japanese traders and consumers don't like it because all of a sudden it's shut off. Of course the providers of the product don't like it because it's disruptive.

It has happened a couple of times over the last 10 years or so. The volume of trade has moved up at a level that it hasn't impacted yet, but it's certainly a concern if we had a big volume move into Japan for any reason that they would actually hit.

I believe in the past the Japanese government has suspended the safeguard when it's going to be too disruptive. I'm hoping that discussion point would be to just not do it on this. If you've got it, everybody wants it to happen. Let's just suspend the safeguard.

• (1610)

Mr. Barry Sutton: If I may add to that, it's highly manipulated. It kicks in when you have a three-month average above the previous three-year average for the same quarter. If you ship 119% or higher than you have been shipping, it will kick in, and it drives the gate price up in pork from roughly 524 yen to 653 yen. It will drive the price up and create problems for export.

What the Japanese importers do is quickly recognize the period and they'll work around the period. They'll load up their storage—the Japanese government subsidizes the cost of storage—and all of a sudden there will be a flood of pork hitting the market right after.

Our negotiators have approached the Canadian pork industry and asked for advice on issues such as the gate system and how we should approach it, and on handling the safeguard, and what would we replace it with. We're in the process of preparing our recommendations.

The Chair: Thank you very much.

Mr. Holder.

Mr. Ed Holder (London West, CPC): I'd like to thank our guests for being here today.

Mr. Chair, before I get into some of my comments, Mr. Price provided a lot of statistics. I was getting writer's cramp trying to keep up and then I stopped. It would be useful—because I'm also mindful that with translation, recording, and the like—if that information could be made available to us. I wonder, perhaps as a matter of better habit, if we could ask our guests in future to ensure that this kind of information is prepared in advance, obviously bilingually, and with what is necessary to be done. It would be helpful particularly with

the kind of information that has been provided, which is very valuable, if it could be presented to us.

The Chair: Mr. Price, if you can give it to us, we'll get it distributed.

Mr. Ray Price: Certainly.

Mr. Ed Holder: Thank you for that.

Mr. Sutton, I appreciate your comments. It's not the first time we've heard about the importance of Japan as an export market for Canada and certainly in pork, as you've mentioned.

I have a couple of questions, and maybe this question is for both of you.

I'm sure that the standards you present when you export your products have to be consistent in all countries you would export to, Japan being one of them, but they would be consistently high in terms of the quality of product. I'm trying to understand what makes Japan a stronger, better, more valuable financial market. I heard the reference that in Canada a pig is worth \$130 and it's worth \$430 in Japan. Can you help me understand? That's pretty clear math, but why is Japan such a better market than all the other countries, when the standards are the same?

Mr. Barry Sutton: To talk about the standard, you have to separate specification from sanitary and phytosanitary, which is a floor. Canada ships at a very high standard worldwide, and that would go to all countries when it comes to items like food safety. Where the Japanese differ would be on the tolerance for specifications. They require a very tight shape and size. Their portion control standards would be among the highest anywhere in the world. They would be the highest on a consistent basis. Japan needs those tolerances for a variety of reasons. It's the way their retail business works, their manufacturers work. They understand the cost of labour. If they can remove that cost of labour in Japan by having high-end suppliers produce back in their country of origin, they'll pay a premium to get that done.

Mr. Ed Holder: Mr. Price, you made reference to lamb and bison as being growing or important export markets for us. I'll be honest with you that I had not realized bison would be such a booming business. Can you comment on the size of that business and what the potential is for export to Japan?

• (1615)

Mr. Ray Price: I can broadly. I don't have the details of it, but we can supply some better information on it, but the bison business has been growing in Canada. There's been a greater degree of leaner meat, which the bison tends to be, and it's a different meat from the rest of what they would normally consume. It's a growing thing.

Japan, with 130 million people, quite a lot of whom are affluent, is ready to try different products. Bison was one they were just starting to try before the border was closed. It's not going to be a market in the billions of dollars, but it could be in the tens of millions. From that perspective, it could be one of those things that is a nice market for a group of producers and processors to attack. Our small plant isn't very big in terms of what it does. It's a niche market, absolutely.

Mr. Ed Holder: Fair enough.

It's interesting because one of our colleagues opposite referenced E. coli and BSE. I know those issues have to go on the table, but I sure hope that it doesn't get blown out of proportion as it relates to Japan. What struck me were your comments about our inspection system, that our meat inspection system is at a higher standard than the Japanese one. I think you called it the floor model, or the basis of comparison. I find that those other comments, particularly in this context, aren't very helpful.

When Canada had a BSE problem, we declared it. We do not hide those kinds of issues. I'm told there are other countries where they just say to get a backhoe and fix the problem. Frankly, that's not Canada's way. If there's anything that this E. coli outbreak has shown, it's that when there's an issue, Canada will stand up and deal with it. I give credit to our inspection system and the declarations that need to be done. It ultimately gets done the right way. We don't believe in backhoes to bury our problems. Good on Canada for taking that approach.

Could you help me understand something? Mr. Price, you talked about the 20 months versus the 30 months limitation. Did I hear you say that Canada's not unique in that? In other words, do all countries go through that in dealing with Japan right now?

Mr. Ray Price: The countries that are minimal risk do: the United States, Canada, and Europe.

Mr. Ed Holder: Has that changed with the free trade deal that you've indicated has been in place with Chile and Mexico?

Mr. Ray Price: Chile and Mexico were the ones for Korea, right?

Mr. Ed Holder: I apologize. I thought Chile and Mexico were—

Mr. Ray Price: Mexico has an EPA with Japan, but they aren't restricted under the BSE, because they've never had a case of BSE.

Mr. Ed Holder: I see what you're saying.

Mr. Ray Price: Just the areas that have had BSE or minimal risk

Mr. Ed Holder: Are you aware of any timeframe? How many years have to go by, or do we need to elect a new Pope? When does it get to the point where you believe that the Japanese would say they understand, because of the due diligence of our inspection systems? I'd like to get both of your ideas about the flexibility on that.

Mr. Ray Price: We had a briefing this morning from the government to find out where we were with the 30 month versus the 20 month, and we all think that in three to six months it will be lifted. There has been a lot of work done in both the United States and Canada to try to make that happen, so we're hopeful that it'll happen soon.

Mr. Ed Holder: Thank you.

Could I get Mr. Sutton's comment on that?

The Chair: You can, very quickly.

Mr. Barry Sutton: I really can't add much to that, other than it's an issue where Japan has had BSE outbreaks of their own. They use it, I believe, to restrict trade. It's one of those things where you have to get in and negotiate very hard to remove.

Mr. Ed Holder: Thank you both.

The Chair: Thank you very much.

Mr. Sandhu, five minutes.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you, gentlemen, for being here.

I want to point out also that we've heard over and over how important the Japanese market is to the meat industry—the beef industry and the pork industry. I'm going to echo my colleague's words that, hopefully, our Conservative government won't be sleeping at the wheel, as they did with the Koreans when we were negotiating with them. We would encourage them to get on with it so our meat industry is not hurt by a free trade agreement.

Mr. Sutton, I want to go back to you. I listened and I've read a number of reports. Your response to the 2008 listeriosis crisis was very different from what we have seen in the XL Foods instance. We've heard many, many commentators say, especially after the XL E. coli crisis, that you guys handled the crisis very well. They're comparing both companies: the way Maple Leaf Foods handled it and the way XL Foods handled it. The Minister of Agriculture and Agri-Food basically failed to take tainted beef off the shelves for two weeks after the U.S. had banned it, whereas your case was a little different.

Would you agree that having huge discrepancies in the way you handled the incident and how XL handled it, is damaging to the meat industry itself?

• (1620)

Mr. Barry Sutton: I really can't speak for XL Foods, but I can tell you that in our case, at my company we have very strong values around transparency and doing what's right. We made sure that we confronted the issue head on, that we didn't try to hide it. I met with Japanese customers personally. I had to be on the front line to explain that issue and what had happened. They very much understand the risks in the food industry and they felt very strongly that Canada would quickly get it under control. Again, they focused on the individual company. They visited us—

Mr. Jasbir Sandhu: I only have a short time, so I'm going to ask you a question in a different way.

Does the XL Foods debacle affect your industry also? You're in part of that industry. That's going to affect the entire meat industry, is it not?

Mr. Barry Sutton: It could, but in a way that you may not expect. It will actually help the pork business. The Japanese are confident in the Canadian system.

Mr. Jasbir Sandhu: It certainly will have an impact on the beef industry.

Mr. Barry Sutton: I think it will have an impact on beef sales for a while, yes.

Mr. Jasbir Sandhu: We've seen two different outbreaks, listeriosis and the XL Foods E. coli. They're two different results, how they were handled, and we've had a different way of handling this particular situation.

Do you think the ministry and also the CFIA can play a role in standardizing the response we have to these outbreaks?

Mr. Barry Sutton: I don't know if Ray has an opinion on this. It's incredibly difficult to do. Every issue around food safety is very different. The risk is that you get out initially with the wrong information and you head in the wrong direction. Part of the issue that individual companies, the government, and the CFIA face is getting the facts before they respond. It's very, very important.

Mr. Jasbir Sandhu: The response that we've received from the minister, the Conservative government, and the CFIA I believe is really damaging our industry, because the meat was out on the shelves for a couple of weeks after the E. coli was identified. That is one of my concerns.

I agree we have a very good standard, but I don't think we should be simply staying at that standard. We also should be looking for an opportunity to continuously improve the quality of product we have. That's what the Japanese market expects. We saw from the BSE scare in 2003 that they put a ban on our exports to that country.

Would you agree that the CFIA or the ministry can play a better role in regulating these things?

The Chair: It's the end of your questioning. We'll allow a quick answer from either one.

Mr. Ray Price: I think that each individual plant has responsibility for its food safety, and no one cares more about food safety than the owners and operators of the plants. We do everything. Millions and millions of dollars have been spent on food safety.

Barry said that the shelf life for pork is 55 days. I would say that's probably 15 days longer than anybody thought was possible 10 years ago. I think we've made tremendous improvements on that whole side.

The Chair: Very good.

Go ahead, Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to our witnesses.

I'm going to take a kick at the CFIA can as well, but from a little different angle. My opposition colleagues have a real problem with the system working. When the system works, the system works. That's the reason the outbreak of E. coli was caught. It's unfortunate that it ever got out of the plant, but the system not only worked to detect it to prevent an increase in exports, but also to recall what was put out in Canada.

What I want to make clear is that hundreds of thousands of cuts of beef were not contaminated. They found 10 or 11 incidents of E. coli affecting consumers. Although there's no question that does take a hit on the industry, let's not make that something worse than it is.

I'll give you the comparison. A couple of years ago we started the negotiations with the European Union. We were told in no uncertain terms that we were going to have to come up to the European standards. I've been through slaughterhouses in Europe and endless fish plants. I can tell you that the European standards are good, but they are not any better than our standards. As a matter of fact, in many instances they're not as good as our standards.

I think it needs to be said that we have the best food safety standards in the world. We put out a very good product that can compete with those anywhere in the world. Anything that impugns that hurts industry. You folks have to live with that. There is a lot of peer pressure from individual companies. There's a lot of pressure on government to maintain the CFIA, and we've done that as a government. We've got more inspectors on the ground.

For your individual companies, I appreciate the fact that, in your own words, Mr. Price, we have both ends of the spectrum here. At the end of the day, you can look your Japanese buyers in the eye and say to them that we had a problem in the industry in Canada, the problem was contained, and the system is working as it should.

• (1625)

Mr. Ray Price: From my perspective in the meat industry, we feed probably 34 million people a day in Canada and probably that number outside of Canada. From that perspective, we try to make it so that every level of food safety can be handled, because the only way we can sleep at night is if we believe we've done everything we possibly can. If we don't do that, then that's not where we are. Anything we can be doing to improve that is better.

I agree with you. I've been to facilities all over the planet, and I'm sure Barry has too. I just don't see any better than the ones that are here in Canada. I think it's important for us to do that because we're an exporting nation. We have to be the best in order to export to everywhere. That's what we have to do. If we were just a market that consumed everything, then the standards could effectively be lower. Certainly we see that in other areas of our economy where we'll import things from anywhere in the world without inspection or whatever—I'm not talking about food—because they are less expensive, and we trust them. In our case, we have to prove that the other way to our customers both at home and away.

Mr. Barry Sutton: I would say that, yes, your reputation is everything to you in a market like Japan. So ensuring outside and above the protection that the CFIA gives us, we have to work very, very hard every single day to understand, and deliver, and make sure that we're meeting what the Japanese are expecting.

I sleep well at night knowing that we've worked very hard within my company to put standards in place that would go beyond what the CFIA requires. A lot of that came after 2008.

Mr. Gerald Keddy: Quite frankly, there's a dividend for that. You've got these long-term relationships built up with Japanese customers. You know they want quality. You know they're willing to pay a premium price for that, but they're extremely fussy. With that, there is an opportunity, and that opportunity is in maintaining that sales relationship not just today but into the future.

Mr. Barry Sutton: I would add that Canada has a tremendous reputation in Japan.

The Chair: Thank you very much. We appreciate your being here and contributing to our study.

We will now suspend for a minute or two while we bring our next panellists forward. This will be soap and wine. We've had beef, and now we're going to clean it up and enjoy it. There you go.

• (1630)

_____ (Pause) _____

• (1630)

The Chair: I would ask members to take their seats. We have our witnesses at the end of the table. I'd like to introduce them.

We have from Soak Wash Inc., Jacqueline Sava, director of possibilities and founder. I like that. We have Chris Wilkinson, director of sales and operations. We have from Savia Wine Agency, Pablo Garrido.

Thank you for being here. We look forward to your intervention and we will start with Jacqueline. The floor is yours.

Ms. Jacqueline Sava (Director of Possibilities and Founder, Soak Wash Inc.): We're going to start from the perspective of being a younger company that's gone through the last few years beginning our exporting into the Japanese market. What we've learned primarily is that the standards we meet and often exceed here in the Canadian and U.S. markets don't resonate or meet the standards in the Japanese market. Our perspective comes from educational resources put in place for new exporters who don't have offices in Tokyo since 1980, as an example.

I've outlined some of the challenges we've faced. We are pretty strong in terms of our company and our branding, the quality of our product and our position in the marketplace. Our Japanese distributor, whom we've worked with for three years, has shed light on details of our business that we didn't necessarily know existed. The primary challenge has been our legal requirements when we are asked questions.

We make, as I'm sure you know, a gentle detergent for lingerie and knitwear. We sell in department stores in Canada, the U.S., the U.K., and a little bit in Australia. The standards we meet in our market are very different.

An example is that our product, Soak, is what we call in Canada "readily biodegradable". In the Japanese market, they need to know the percentage of biodegradability, but our raw material suppliers in the North American market aren't required to provide information to us beyond readily biodegradable. I use this as an example because I spent six months doing nothing else but trying to find out the percentage of biodegradability of our product, to something like 10 decimal places per millilitre.

What we're looking for as small businesses, or businesses that are beginning to export, are resources available for helping navigate these channels. There are certainly issues of communication and semantics, and your customer always providing a translator and your not being able to have your own translator. They do come around to where one would go to find out this information. There are other examples.

For example, we refer to our product as skin care for clothing. That's marketing terminology. When that was translated in Japan,

our product was put through a big stack of skin care related tests as to whether the product was safe for the skin, but it's not used on the skin. It's used on clothing, on sweaters or whatever. When we refer to things like skin care for clothing, which is marketing speak in North America, being able to translate that in a way that doesn't result in another six months of testing and studying of our product is challenging.

Being a member of many organizations, we went to the Organization of Women in International Trade, the Canadian Association of Importers and Exporters, Export Development Canada, JETRO, DFAIT to try to find local Japanese organizations. However, their primary focus was on bringing Japanese products into Canada, not helping to export Canadian products. We do have lots of really good connections.

What was a little alarming was the lack of availability of resources of people who had actually made products here, packaged them, put labels on them and sold them into the Japanese market. We do ask all of our distributors to do their own regulatory work, so from that perspective, they were putting secondary labelling on the product. They were incorporating duties and tariffs and such into their pricing structure and creating their own price because they were our Japanese distributor.

There was certainly a list of things that we had to resolve, but we weren't able to ask the questions. If I can't ask my manufacturers what the percentage of biodegradability is, and they can't ask their suppliers of raw materials what their percentage of biodegradability is, then I have to use every secret card and favour that I have to try to get an answer to one question. There are no comparable standards from one product to the next.

Those are the main concerns. Those and making sure that the resources are put in place to help new companies that are just starting out on exporting with Japan, to give them the opportunity.

It was really interesting to listen to the conversation about beef and pork and to learn that a company that has a plant with tens of millions of dollars of manufacturing is experiencing similar problems. For example, our customers here trust us, but our Japanese customers want proof.

• (1635)

How do I prove that there's no residue left? Sears Canada has not asked me to prove there's no residue left. We've displaced a product that was in their store for 25 years, and it sells. We get orders every week.

Those kinds of questions come up, and there's no one out there who can answer them with us. It's nice to see that we have similarities, or that we'll still be answering the same questions 20 years from now.

That's the kind of thing we do. We are reformulating our product and are really hesitant to present our new formula to our Japanese distributor, because we know that we have to amass something like six months' worth of research and data. When we go to suppliers we say to them that if they want to use a certain ingredient, they have to assure us that they'll be able to get certain information from their raw material suppliers. They are not legally required to supply us, and don't want to supply us, with that because it's competitive, and they've probably never had to answer that question, so they don't want to supply the information either, and so on and so forth.

We are looking at going to them with new formulas and new products that we've just developed, but it's a little terrifying, because we know that we're just at the beginning of another full year of this kind of research and planning. As was said previously, our Japanese distributor was our largest distributor worldwide. They took our business very seriously. They took our relationship very seriously. We see the potential as being really strong, if we can maintain it.

Thank you for having us here.

• (1640)

The Chair: Thank you very much.

Mr. Garrido.

Mr. Pablo Garrido (Owner, Savia Wine Agency): Good afternoon, honourable members of Parliament, committee staff, and fellow participants. Let me say how much I appreciate the opportunity to address you this afternoon. The topic of a potential agreement between Canada and Japan touches areas very close to my heart.

My name is Pablo Garrido. I am the owner of Savia Wine Agency, an agency that specializes in importing Japanese wine to Ontario. If you are not familiar with Japanese wine, don't worry; you are not alone. While the more famous Japanese beverages of sake and beer have admirers the world over, Japanese winemakers are working diligently, with ever-evolving passion, to produce wines which I believe will one day come to rival wines produced in better-known regions. For context, I believe that Japanese winemakers stand where Ontario winemakers were approximately 15 years ago, producing wonderful product yet still working hard to convince consumers that the content in the bottle is worth the price.

I started Savia Wine Agency as a means of marrying my passion for wine with my love of Japan and my exceptional good fortune of being Canadian. With a list of contacts and a plane ticket to Tokyo as my starting point, I have learned quite a bit about myself, the adventures of starting a business, and the intriguing world of tariffs and duties as they apply to alcoholic beverages.

My first lesson came early on, during my initial trip to visit my supplier and wineries. I was returning to Canada with eight bottles of Kosu wine that I planned to use as samples. The combination of duties, excise tax, and provincial liquor markup equalled over \$114.00, or 70% over and above the purchase price of the bottles in Japan. While I cannot pretend to be familiar with the duties paid by other industries entering Canada with trade samples, I have to believe that the duties wine agents pay reside somewhere close to the top.

To provide a window into the finances of my business, I charge a commission on a bottle of Kosu wine from Japan of about 10%, or \$4 per bottle, totalling \$24 per case. Given the aforementioned cost of providing samples to my customers, I need to sell more than four cases simply to recover my sample bottle costs. What these figures demonstrate is that my agency is a labour of love, but one that I cannot afford in the long term.

In addition, as a means of ensuring that we maintain a sense of social responsibility in regard to alcoholic beverages, many liquor boards across Canada maintain a floor on prices to ensure that pricing does not encourage the growth of damaging habits. These pricing practices, while laudable, do present challenges. For example, Ontario levies a markup of 39.6% on wine. I believe that a more fluid duty and tariff policy could help minimize the impact of provincial markups, ultimately helping businesses such as mine bring Canadians greater access to wines they have never experienced before.

With this experience in mind, you can imagine how my interest was piqued when earlier this year the House of Commons unanimously passed Bill C-311. This legislation, presented by Conservative MP Dan Albas, meant the removal of restrictions which, until now, had shackled the interprovincial trade of wine in this country. It brings to mind the type of access Canadian winemakers need in every market.

I recall staying up late into the evening to watch the vote, realizing that a House that appears divided will readily unify under the common goal of greater access to wine.

Using the new legislation governing interprovincial trade as the springboard, I believe that Canada has taken a progressive and significant step forward, signalling a new future-focused era in the trading of wine. With Prime Minister Harper demonstrating through words and action that Canada will no longer stand idly by as the wheels of international trade turn, Canadians can show that as a nation and as a valuable trading partner, we are forward thinking when it comes to the application of duties and tariffs on alcohol-based products.

For our federal government, there stands a unique opportunity to show the average Canadian that trade agreements do not just apply to and satisfy the traditional industries of nations. By addressing the trade barriers for less traditional products and services, such as wine and soap, governments can show the electorate that free trade does indeed greatly benefit small- and medium-sized companies alike.

A perfect example of the benefits of progressive trade was brought into focus for me by the honourable Mr. Keddy who, during a presentation to the Toronto chapter of the Japan Society, told the story that when free trade with the United States was announced, Canadian wineries feared that an influx of American wine would eat away at their market share. Over time, that isn't exactly what has happened. In fact, in 2011, BMO Nesbitt Burns published a report showing that the United States is now the largest export market for Canadian wine, taking over 40% of total exports. By comparison, according to an Agriculture Canada report on the Canadian wine industry in 2007, the United States only accounted for 13.6% of all wine imported into Canada.

In the same report, a key passage supports the honourable Mr. Keddy's assertions by stating:

The wine industry responded to the challenge of trade liberalization by focusing on premium wines and introducing new products such as Icewine, for which Canada is recognized as a world leader. At the same time, wineries introduced new high-quality grapes and products that reflect changing consumer taste profiles.

• (1645)

Taking into account the fears that Canadian wine producers had expressed with free trade with the United States, consider this contrast for free trade with Japan. The largest winery I represent produces wine with grapes grown on approximately 14 acres. Henry of Pelham winery in Niagara produces wine from grapes grown on 170 acres. By sheer volume potential, Canadian winemakers can only stand to gain from easier, lower cost access to the world's third largest economy, representing over 127 million consumers, where Canadian wine exports have seen a drop of nearly 17% since 2006, according to an Agriculture Canada report tabled in May of this year. Thus, in Japan I believe Canada has found an exceptional partner and opportunity, the ideal nation to begin building a new legacy of successful international trade in wine.

For Japanese winemakers, such as those I represent, lower market entry costs for their products brings the potential not only for increased sales but for greater exposure, a key goal, especially for Koshu wine, a white wine that is grown using the indigenous Koshu grape of Japan. In fact, this export recognition is so important that in 2009 a group of wineries from the Yamanashi prefecture, Japan's main wine-growing region, created a trade association called Koshu of Japan.

On their website, the wineries state their main goals as overseas promotion, new product development, and publicity. In search of this exposure the group has held annual tasting events in London. One of my personal goals is to convince the trade association to include Canada in their next trade mission. An economic agreement between our two nations, with attention paid to expanding trade in alcoholic beverages would certainly demonstrate in tangible terms Canada's desire to delve into all sectors of trade markets the world over.

Canadian restaurants would also benefit from having access to unique wines at a price point that could more easily win over Canadian consumers. During a fundraising event after the horrendous earthquake and tsunami of March 2011, I recall meeting a senior representative of a major Canadian importer of Japanese goods. During the discussion he mentioned that he had indeed looked into importing Japanese wine into Canada, but the overall

costs were an impediment to both sides producing a desired result. A move toward an economic agreement between Canada and Japan would effectively address current challenges to market expansion.

In addition, I believe that in Japan we are currently seeing a nation where traditional industry powerhouses are facing immense pressures. For example, Sharp Electronics as part of its recent restructuring is considering selling its LCD production facilities in Mexico and Taiwan and cutting 5,000 jobs for the first time in 60 years.

Indeed, I see changing and challenging times for Japan. We could very well be witnessing the redefinition of what Japan will be best known for in the future. A strategic, well-designed economic partnership with Canada could prove to be an exceptional catalyst for both nations in realizing their full future trade potential.

Thank you for your time and attention, and for the invitation to be here today.

The Chair: Thank you very much.

Before we go to questioning, I'll correct one little thing.

You gave Mr. Dan Albas the credit for punching this over the line. That's absolutely accurate. But equally, and perhaps even more, Mr. Ron Cannan, who is a member of the committee, actually brought it down the field.

Voices: Oh, oh!

The Chair: There we go.

With that, we will start our questioning with Monsieur Morin.

Mr. Marc-André Morin (Laurentides—Labelle, NDP): I'm totally in favour of trade with Japan because it's the best possible partner we can have. Both economies are complementary and so is our agriculture. It's a win-win situation in every sense.

Ms. Sava, you deal in a very technical environment. You must know that Japanese people are very cautious and very meticulous about standards. They don't leave stuff out. They probably believe that a good sanitary system doesn't make headlines.

The beef producers will probably find out that it will be hard to sign an agreement with Japan right now because you don't want to be in the media with the stories we've heard about in the last couple of weeks. I don't think it's useful to discuss how it happened, who is responsible, or the timeline of the events. We have to keep in mind that somebody has a responsibility somewhere.

The way our country is managed has an influence on this. It would be very useful to you to be able to get the technical information you need to give to your Japanese partners. We hear the expression “red tape”, but in Japan it's not called “red tape”; it's precautions you need in order to run your country from a responsible perspective. If we cut red tape forever, we'll end up in a dead end because the government has a responsibility. Even though Maple Leaf is doing a very good job at maintaining the best production standards for their plants, they're not supposed to be the people responsible for that. Our government is responsible.

Do you think you have all the support from your government in order to trade with Japan? Do you think that closing consular services without notice in Tokyo is a good idea? Do you think it might help you in your work?

•(1650)

The Chair: There were some questions there. We'll stop there and allow an opportunity for answers.

Ms. Jacqueline Sava: In terms of starting to build the relationship with Japan, we need resources that are closer than a Canadian consulate on the other side of the world. Our suppliers, our manufacturers, our local regulatory people, our Japanese representatives, and our government representatives here don't have enough information on what the standards are there. It's as though it is their responsibility as distributors for the red tape and the standards, except if I want to do business with them and then it becomes my responsibility as the owner of the product and as the representative of Canada around the world as an exporter. Whether it is my responsibility or not, it's my problem and it's my opportunity as well. I think the government resources that I need have to be closer and more easy to access, with extensive regulatory knowledge in the Japanese markets in all sectors that we want to export.

Skin care beauty detergent is a massive global market, so I definitely think that's a place where the resources should be in place. I need someone here who I can call, someone who wants me to be a successful exporter, who will help me find the actual regulatory standards related to my product in the Japanese market.

I had a meeting with the fourth generation president of Olympus Japan, which is one of the largest manufacturers, exporters and importers, in Japan. He very politely told me that I should have been more cognizant of Japanese regulatory standards when I made my product. I could only reply that if I thought three years ago that I would have a distributor in Japan, if it had ever crossed my mind that I would be able to make the proper preparations for exporting to Japan—because I'm smart enough to know that I'm not, that I don't know the answers to those questions—then I would have taken into consideration Japanese regulatory standards.

We have distributors in Australia, the U.K., Portugal, and Germany, all countries that are interested in our products. I don't have access to the information about what the regulatory standards are. I don't have the resources that a really large company has to deploy people to find out the answers to those questions. With all the local government resources that I have, and we're fairly well connected, I can't find the answers that I need.

•(1655)

Mr. Pablo Garrido: For me, the government support has been adequate. In the case of wine and alcoholic beverages, the support comes more in how the product is treated once it's arrived on our shores and the duties, tariffs, and the markups that are applied.

The Chair: Thank you very much.

Mr. Cannan.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you to our witnesses, first of all.

Thank you, Mr. Chair, for your kind words. It's the philosophy I like to promote. It's incredible what can be accomplished if we all work together. It was a good team victory, so everybody worked—

The Chair: How many bottles did you smuggle over?

Hon. Ron Cannan: There you go.

I appreciate the fact that we're working on this joint study for a possible economic partnership agreement.

I'm looking at trade liberalization. There were some pre-studies done which looked at an increase in growth from 0.24% up to 0.57% in Canada's GDP, or an increase of 0.09% in Japan's GDP. I thought it was interesting that 0.08% is an intoxicating number in that respect. I'm looking at \$3.8 billion to \$9 billion in Canada's growth, or \$4.4 billion to \$4.9 billion in Japan. There are great opportunities.

Thank you to both witnesses for your perseverance. Your entrepreneurial spirit and enthusiasm is very exciting and infectious.

My first question would be for you, Pablo.

I just wanted to clarify this. Are you only importing Japanese wine at this time?

Mr. Pablo Garrido: That's correct, yes.

Hon. Ron Cannan: Are you looking at the possibility of exporting as well?

Mr. Pablo Garrido: As a future business plan, yes. There are agents in Japan that are specializing in importing Canadian wine as well. I know that one of the Canadian winemakers that I have spoken to, from Vineland Estates, has an agent in Japan and he travels annually to Osaka to promote his product.

Hon. Ron Cannan: In 2000 I was a city councillor in Kelowna. I had the privilege of leading a delegation to our sister city Kasugai. There was a group of wine consultants and agents as well. It has continued to grow not only in British Columbia but elsewhere in Canada. I think it's a great opportunity to look at exporting as well.

The challenge right now is to look at the two-way flow and expanding to the tens of thousands of Japanese Canadians, getting the market through the distribution channels that are set up in each province. Is that a challenge for you as well?

Mr. Pablo Garrido: Yes. It's a challenge for me in two ways.

First, allow me to apologize for omitting your name. Thank you for assisting. It was a lovely evening to see that bill pass.

One of the challenges we have is that we do need to open up the access. Traditionally Japan is known as a fairly closed market, one that's challenging to enter. With wine and alcoholic beverages I think we have a unique opportunity. For instance, the wine I will bring in will not overtake any Canadian producers. This is a perfect opportunity of an ideal quid pro quo on the negotiation table.

Hon. Ron Cannan: Excellent.

I'm going to share my time with Mr. Hiebert, so I have one more quick question for Ms. Sava and Ms. Wilkinson.

With almost three years of working with a Japanese distributor, obviously you have some stories you could share off the record. You could write a book and go into consulting. You worked with our trade commissioners as well. Have you had some good success and also challenges both in Canada and in Japan?

Ms. Jacqueline Sava: Predominantly in Canada. I haven't gone as far as Japan. When your Canadian counterparts can't help you and can't find someone on the other side of the world who can help you, we tend to go backwards at that point to the chemists and to the raw material suppliers to try to decipher things.

Hon. Ron Cannan: Are you looking for a harmonization of comparable standards?

Ms. Jacqueline Sava: I don't think we're going to find a harmonization of comparable standards. That is a good phrase which I might have to write down for later. I don't think that the major North American corporations that manufacture and distribute in these markets are ever going to feel that the Japanese standard is an acceptable standard to meet. We meet an exceptional standard and we found that we could barely meet the Japanese standard. I don't think you're going to find a comparable standard unless the Japanese lower their standard, which they won't. This is why they're a good export market, because they have a high standard. I think it's access to understanding what their standards are, and experts in place who have the job of helping companies.

I do some consulting. I had a meeting with a maple syrup company last weekend, a high-end maple producer not far from here, which is making a skin care line with maple. Japan is a perfect market because they get Japanese tourists and they love their things. I told them that they didn't know what they were doing in this market yet. We weren't going to discuss Japanese skin care regulations with raw materials and stuff like that because it was so far off on the horizon. They have a potentially premium product which in my opinion is quite suited to the Japanese market. I wouldn't even suggest they try it until there are more resources in place for them to communicate and build the business.

What would happen to them is what happens to us. You find a Japanese distributor. They bring in your product. Everything's fine in the beginning, and then you hit this regulatory storm that blasts you back.

• (1700)

The Chair: You have a minute and a half.

Hon. Ron Cannan: Thank you.

I was going to say ice wine, too, is very important for the Japanese.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Are you suggesting there's a non-tariff barrier in terms of this regulatory storm you're referring to?

Ms. Jacqueline Sava: Yes. We require our distributors to manage the tariffs and import duties related to our products, so I would say it's a non-tariff barrier. Much like what is happening according to my limited knowledge on the markup on pork, they're marking up our product to cover all the tariffs and duties in Japan. It's a regulatory issue that has to do with how we define our raw ingredients and what the standards are in our markets for raw ingredients.

I think I'm meeting and exceeding the Canadian standard for how I label, how I identify my raw ingredients, and how I brand my product. Those answers, which are the most detailed answers I can get from my manufacturers, do not meet the standard for Japan.

A voice: To get through the regulatory—

Mr. Russ Hiebert: Sorry, I have very little time. I just want to ask Mr. Garrido one other question.

You highlighted the 30% tariff on wine in Ontario. What's the tariff on Canadian wine going to Japan? What's the Canadian tariff on Japanese wine coming to Canada? I want to know those two numbers. What difference would the elimination of those tariffs make on your business?

Mr. Pablo Garrido: According to the last document I saw on tariffs on imported wine to Japan, it is 38.5%, I believe. That also accounts for beer. That would explain why now in Japan non-alcoholic beer is starting to become a booming market, because they get better margins.

I'm sorry, what was the follow-up question about both directions?

Mr. Russ Hiebert: I was asking about the tariffs on wine going to Japan, and wine coming to Canada. What impact did the elimination of those have on your business?

Mr. Pablo Garrido: On tariffs, I can specifically speak to the tariff that I would pay as an agent coming into Canada with my samples. The reason my example in my statement was 70% was that I had very kind Canada Customs officers. When I bring in my samples, it is supposed to be 102% of the value of the wine.

Mr. Russ Hiebert: It's 38% going that way.

Mr. Pablo Garrido: It's 38%. I would probably hold it more to my Canadian wine-making friends to answer more specifically about the export market to Japan, but that is the number that I've become familiar with.

The Chair: Okay, very good.

Mr. Easter, go ahead.

Hon. Wayne Easter: Thank you, Mr. Chair. Hopefully, I won't take all seven minutes.

Both of you are to be congratulated for having the gumption to start a business. Starting a business is such fun, and such a headache from time to time. Congratulations to you both.

Ms. Sava, I'm trying to understand the difficulty you have. Is it a detail on labels that match Japanese concern? Is it background documentation on the makeup of the ingredients that go into Soak products?

Ms. Jacqueline Sava: It's background documentation.

Hon. Wayne Easter: What can be done to help your business expand from a government policy perspective? One of the problems I have with governments on trade is that we think signing trade agreements is enough. I think we need another strategy beyond that, and an industrial strategy is not the right word, but how do you take a trade agreement and add value in Canada? How do you assist business in terms of knowing what they've got to know to get into another market? Maple Leaf Foods, the big players, they've got people there.

• (1705)

Ms. Jacqueline Sava: Yes, most people don't have offices there. It's resources. It's experts who are local, experts in the domestic market who have had experience trading in the Japanese market.

Yesterday, I spoke to a colleague who is a skin care consultant in the U.K. and a manufacturer who can point me in the direction of plants and facilities there through my network. It's easier to find someone in the U.K. than it is to find someone in Japan or a Japanese person who has worked here. The people that you are introduced to at a consulate, or when you're travelling, or at trade shows are people who are looking for documents, or who are trying to find references, or trying to lead you to websites. What I need is somebody who is the skin care equivalent of Maple Leaf Foods. I need someone who has been trading in products in Japan and who has found the answers that are hard to find, who's here as a resource appointed by the government, or listed by the government.

Ms. Chris Wilkinson (Director of Sales and Operations, Soak Wash Inc.): We need somebody who can point us in the direction of the tests that need to be run on our product to get it through the Japanese regulatory system. Is that more clear?

Ms. Jacqueline Sava: It needs to be during the development stage. It's one thing if you tell your distributor to just figure it out and do the testing and come back.

Further to that, we need education for businesses that are looking at entering the Japanese market so that people don't hear what is published, which is that they value high quality, good standards, trust, and we have those same values so let's export to Japan. That's the story that gets trickled down to the business world. It's not necessarily startups and it's not medium-size businesses as ours. It's not as easy as that. It's people who have expertise or knowledge, people who can at least list by industry what the parameters are. That's to scare people away from doing it if it's not appropriate or if they don't have the resources. It's actual practical information.

Hon. Wayne Easter: It's a problem for people who invested and then find themselves up against a brick wall.

Ms. Jacqueline Sava: Right, and it's not representing the country, in whole, as business people. It's resources here on the ground in the marketplace.

Hon. Wayne Easter: Okay, I think I understand where you are now.

Pablo, in terms of the wine industry, is there any reason that wine exports to Japan have dropped? You're basically looking at reciprocal trade, I expect, opening up a Japanese wine market here and moving our product to Japan. Why has the volume of product going to Japan dropped? I think you said 13% or 17%; I forget.

Mr. Pablo Garrido: Honestly, I wish I had the answer to that. From the documentation I saw in the reports, there was no one significant reason that leapt out at me.

Hon. Wayne Easter: In terms of importing, the FTA certainly should help. With respect to the motion that went through the House, there still are considerable provincial regulatory hurdles. What impact do these have on your ability? You have the federal government on the one hand and the provincial and territorial governments on the other. What impact is that having? Are you trying to move wine beyond the Ontario market? I didn't even check where you're from.

Mr. Pablo Garrido: I'm from Toronto.

I haven't started moving outside the province. It's my understanding that Bill C-311 was meant, really, to encourage Canadian consumers and Canadian winemakers to connect and be able to purchase wine across provincial borders. It's my general understanding, and I don't pretend to be an economist, that because of international trade rules we can't treat Canadian products preferentially, so that eventually the same rule will apply to wines from all countries that are bottled in Canada.

I could potentially sell it to someone in Alberta. There is movement, and I assume it will be swift movement, afoot by the provincial bodies to ensure that they still can protect their territory as far as the duties and the markups that would be applied in their province are concerned.

• (1710)

Hon. Wayne Easter: Don't forget about Prince Edward Island. Many Japanese visit there in the summertime and they might like Japanese wine.

I'll leave some time, Chair.

The Chair: Not much; you're just about out, but that's fine. Let's go with Mr. Shory.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair, and thank you, witnesses, for being here.

I heard the comment made that free trade agreements benefit small- and medium-sized industries. Of course, this government understands that fully, and that's why we have been opening new markets for small- and medium-sized entrepreneurs.

I was very impressed to hear, and you would have heard this also, the NDP members who spoke today specifically trying to show how strongly they support free trade agreements, whereas the record shows that they have been consistently anti-trade.

The committee will be travelling to Japan next week. What would your message be to the committee members who are travelling to Japan?

Mr. Pablo Garrido: The first one would be to travel to Yamanashi prefecture to visit some of the wineries. It is well worth the train ride from Tokyo. It's about two hours, and it's absolutely brilliant.

My real message would be to see the level of competition we are talking about. Some of the wine makers I represent are husband-and-wife teams who run their business out of the back...they hand-cork the bottles. This is competition that we needn't necessarily fear in a free trade and liberalized market.

Ms. Jacqueline Sava: I would say it would be to learn as much as you can about where you would find the regulatory variations between what's happening domestically and what's happening in the Japanese market, so that you'll know where to send companies, when they want to go into that market. There's a lot of business to be had for companies that don't have offices in Japan already, so it would be finding out where there are experts who are working there whom we can team up with and work with to get the resources we need.

Mr. Devinder Shory: I'm sure both of you would agree that opportunities will increase after the EPA is signed between these two countries. In your view, does time matter? Is it better to sign this agreement in a timely manner, as soon as possible basically, or does it not matter when it is signed?

Ms. Jacqueline Sava: To me what matters is what resources come along with signing the agreement. If the agreement comes with a commitment to support businesses as they build their business abroad, then the sooner the better. If it's an agreement that doesn't come with resources for small businesses or resources for business development or resources for building relationships and for building regulatory resources and research resources, then I'd prefer the resources in the bill. It's whichever one you can get first.

Mr. Pablo Garrido: For me, it would be sooner rather than later. As you heard, my business model involves some interesting math. and so for the long term I cannot afford to be patient about tariffs and duties being lowered.

Mr. Devinder Shory: I'll pass to Mr. Holder.

Mr. Ed Holder: I want to welcome our guests. I really want, as has been said, to applaud your entrepreneurial spirit. It gives me some comfort that younger people are looking at this and showing this kind of enthusiasm, and I salute you.

I must admit, today's meeting feels a little bit like an episode of *Dragons' Den*.

Ms. Chris Wilkinson: We've been there and done that—

A voice: —twice.

Ms. Chris Wilkinson: —and they don't know anything about the Japanese experience either.

Voices: Oh, oh!

Mr. Ed Holder: No, they wouldn't. But I have a little advice, if I might, Ms. Wilkinson.

It is interesting that you said the Canadian trade commissioners didn't give you quite the direction you were looking for. I suspect that if you wrote to the head of the Canadian Trade Commissioner Service, and we know who that is, and said that you were referred by the international trade committee to ask for advice, you might get a

stronger answer. If you'd like that as a lead-in, we'd be happy to give it to you.

I would also suggest speaking to the president of the Canadian Chamber of Commerce and Canadian Manufacturers & Exporters—

• (1715)

Ms. Jacqueline Sava: I've been there.

Mr. Ed Holder: This is a little networking lesson. You go to the head and you refer to this committee.

Ms. Jacqueline Sava: *Dragons' Den* works as a reference as well.

Mr. Ed Holder: Well, fill your boots, then. If it has worked for you, then fine. If not, you can certainly take this advice for what it's worth to you. But in terms of rules and regulations and how to deal with places such as Australia or Portugal, I'd be shocked if they can't give you some advice.

I can't tell you what percentage of stuff goes into your product, and I'm not sure that any of these organizations can. It's your product, and that is proprietary, when it comes to the requirement for you to share it.

Anyway, that's the advice, for what it is worth.

Ms. Jacqueline Sava: It's not about how to relate to the other companies. I can get all the advice I might need by flying to Houston to the International Quilt Market, which happens to be a \$34 billion industry—yes, quilting—so the president of Olympus Japan can come with his entire team for a meeting, because it's closer than getting to Japan, although I also will go next week, if you have space. I can get all the information I need on how to make it successfully through that meeting as a younger Canadian woman entrepreneur with a fourth generation male business owner. What I can't get is what you specifically just said. In Canada, I can't get access to regulatory information that is pertinent for Japan, and so I need government assistance to prove to my suppliers that I'm not just asking for the sake of asking.

It is exactly what you said. There are all kinds of resources for business relationships with Japan, from my MBA all the way through to preparing to go on TV and to these contacts that I have in the government. What I need is some kind of government support so that I can go back to a Canadian manufacturer, a Canadian distributor, a Canadian raw materials supplier, and tell them that while I appreciate that their information is proprietary and they are not required to tell me anything about the ingredients beyond what I'm doing, there is potential for this export market in Japan, that there is a new trade agreement with Japan, that this is currently my largest distributor, and it is testing my product.

I need the clout behind me to push my Canadian manufacturers and suppliers to extract information from within their organizations that they otherwise have no obligation to give me. That's where the finite difference is. We can find everything we need about international business relationships. That's not where the challenge is.

Mr. Ed Holder: Thank you for the chance to ask a question.

The Chair: We have Madame Papillon.

[Translation]

Ms. Annick Papillon (Québec, NDP): Thank you very much.

Thank you to the witnesses for being here.

I found your presentation quite informative, Ms. Sava.

You told us that when attempting to enter the Japanese market, you were faced with different standards, such as identifying chemical ingredients in your products and the level of biodegradability. The biodegradability concern must be unique to Japan, as a country with extremely strict environmental protection standards.

You also mentioned the testing to determine the effects on the skin. I imagine you had to obtain all kinds of certifications and go through multiple steps. You also stressed the lack of experts or people who could explain the procedure to follow in order to gain access to the Japanese market and export your products.

I am sure you had to incur costs associated with other non-tariff barriers that we didn't have time to get into. Could you tell us what those costs were and whether they could have been avoided if you'd had access to certain resources?

[English]

Ms. Jacqueline Sava: Thank you very much.

There were periods of time when I spent months doing nothing but answer questions for my Japanese distributor every day. Now I work late for our Australian distributor. It's easier to just work from seven until midnight than it is to wake up in the morning to 25 more questions. Every time we thought we found a thorough and appropriate set of answers, there would be another level of questions the next day. I spent about six months of all of my resources answering the questions.

[Translation]

Ms. Annick Papillon: If you factor in the scant amount of regulatory information you received and all the work you had to do, how much did you spend? Had there been government standards on labelling, for example, would it have helped? Would it have been easier if our standards were in line with Japan's?

• (1720)

[English]

Ms. Jacqueline Sava: Yes, if there were financial resources, we probably could have put them towards that. We couldn't find anyone who could help us get the more specific detail.

[Translation]

Ms. Annick Papillon: The European Union, for instance, has very strict product labelling rules for ingredients. Had the standards been the same, you probably wouldn't have had as much trouble.

[English]

Ms. Jacqueline Sava: Yes, that would have been helpful. If there were a government resource that had regulatory standards for the Japanese products already in existence that you could find, that would be great, but none of the organizations that we could reach or find had those.

[Translation]

Ms. Annick Papillon: That is a first step Canada could take to help our businesses deal with this issue.

[English]

Ms. Jacqueline Sava: Right. The official paperwork is not as important to me as the resources that are going to come along with it in terms of making sure there is access to that information. Even if you're looking at finding a consultant or someone in the market, you still need someone who's got practical experience exporting in that market so that you're assured of getting credible information and credible resources as well. Then it becomes a question of economics in terms of how much you'll also invest in the regulatory testing for a new market before you go into it at all.

[Translation]

Ms. Annick Papillon: You said you could access other markets, but what opportunities does the Japanese market represent for your company?

[English]

Ms. Jacqueline Sava: It was probably 25% of our business.

Ms. Chris Wilkinson: They were our top customer.

Ms. Jacqueline Sava: They were our top individual customer, and it was about 25% of our business that came essentially out of nowhere. As I said, they were in the testing phase of their market. Then, because we're in the process of reformulating, we're in a holding pattern until we present the new formula, because now they estimate it will take a full year to do the testing on the new formula before it will be approved. When we make a change to our formula here, it's like a marketing splash and off we go, because it meets regulatory standards. For them, it's going to take a year of testing before they'll put the new formula on the market.

That's where we are now. There's a lot of potential, and we're growing as well.

[Translation]

Ms. Annick Papillon: Thank you.

Do I have time for one last question?

[English]

The Chair: No, you've got *quatre secondes*.

We want to thank you very much for coming in. I appreciate that very much.

With that, we will get over to the House. I think we have some votes. The bells were supposed to ring about five minutes ago, so I imagine we're fairly close.

Mr. Don Davies: Mr. Chairman, could I move that we drop two MPs from our trip and bring Mr. Garrido and Ms. Sava to Japan with us?

Voices: Oh, oh!

An hon. member: You're not going?

The Chair: It sounds as though you have created great sentiment around the table.

Thank you very much for coming forward. We appreciate that very much. With that, we'll adjourn.

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