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Chair

Mr. Merv Tweed

Standing Committee on Agriculture and Agri-Food

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• (1100)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Thank you, and good morning, everyone. Welcome to the Standing Committee on Agriculture and Agri-Food. This is meeting number 64.

As per our orders of the day, pursuant to Standing Order 108(2), we have the study of the agricultural and agrifood products supply chain, specifically grains and oilseeds.

Joining us here today are Kenneth A. Rosaasen, professor at the University of Saskatchewan, and, by video conference right now from Swift Current, Saskatchewan, Stewart Wells. Ian Robson will be joining us shortly, hopefully, from Brandon.

As you've been instructed, there will be opening comments. I'll ask Mr. Rosaasen to start. We'll then move to Mr. Wells and then to the committee for questions.

Please begin.

Professor Kenneth A. Rosaasen (Professor, University of Saskatchewan, As an Individual): Thank you very much, Mr. Chairman.

Good morning. Thank you for the opportunity to provide input on the Canadian grain and oilseed supply chain.

Our grains and oilseeds sector is an important contributor to the Canadian economy in terms of jobs, exports, and a safe and reliable food supply for Canadian and global citizens.

Innovation is important along all sectors in the supply chain. Whether it is a plant breeder delivering a higher-yielding, more disease-resistant variety, a farmer adopting new technology, such as zero tillage or GPS guidance, or a processor who develops a new product or a lower-cost method of production for their current products, all of these contribute to gains within the supply chain.

Research has been an important component in achieving gains in the supply chain. Whether it was Charlie Saunders with Marquis wheat, Keith Downey with canola, or Al Slinkard with lentils, all of these gains have been important to the prairies and to the Canadian economy.

More important than just the gains is how the gains are distributed among the participants in the supply chain. Recent innovations are to be commended, with gains with GM and hybrid canola resulting in yield improvement, better weed control, and more canola acreage planted each year.

However, the control of the seed and the chemicals that link these traits to canola is in the hands of a few companies, which results in much higher seed costs as the companies seek to maximize profits. Years ago, canola was 30¢ to 40¢ a pound. Now it's \$7 to \$10 per pound.

The policy environment has created major profit centres for these firms. Yes, profits are needed to fund research, but these firms spend only a small portion of the revenue they gain each year in returning it to research. This can endanger the future of the Canadian supply chain. Large gains accrue when public research is done, yet despite these large gains, research in the public sphere is being cut back. Basic agronomic research has been cut across the prairies, and private companies typically do not invest in public research, as it just brings along free riders and they do not achieve benefits.

Another concern with less public research in the plant-breeding area is the sharing of genetic material. Adding one gene to the existing pool of good genetic material created these specialty canolas. In the long term, the ability to share or unwillingness to share may inhibit the rate of development. One cannot imagine that this could happen in something like the machinery market. If someone added a rake-up pickup to a combine and then said they owned the entire patent rights for the combine, we would be shocked.

Specific rights had evolved in the machinery industry, but not so with genetic innovation. With decades or centuries of historical plant breeding, the gains were captured when a new gene was added. This area, in my view, needs revisiting, as the innovations are largely resulting in returns to the companies rather than necessarily the farm community.

Another input along the supply chain is farmland itself. Settlers were attracted to the Canadian prairies when the Government of Canada offered free homesteads. How many of our forefathers would have come if the signs had said "Land for Rent" rather than "Land for Sale"? Indeed, land ownership by a farmer who farms it has been a relatively strongly held tradition of many farmers on the Canadian prairies. Recently, however, other investors have taken a strong interest in the ownership of farmland. High commodity prices, low interest rates, a disappointing stock market, and global financial uncertainty have been factors.

There's another factor that I consider extremely important: the current rules that allow investors to use RRSPs in purchasing farmland. Indeed, Agcapita seeks investors who will place money into an RRSP to purchase farmland. As a farmer, I am only allowed to purchase farmland with after-tax income. This creates an uneven playing field. If I am in a 50% tax bracket, federal and provincial taxes combined, then it costs me twice as much to buy land.

•(1105)

Farmland is important for farmers, as it has been a key source of security with their lenders.

The history with absentee landlords and tenants has not always been pretty. These policies may have evolved with RRSP eligibility from the lobby efforts of investors rather than as a specific policy for agriculture. I think it should be assessed closely from your perspective of interest in the agricultural and rural communities.

It is important that all links in the supply chain be able to achieve profits and to operate efficiently. The farm enterprise has been where the instabilities of world and local weather, trade disruptions, currency swings, pest and disease outbreaks have generated income problems and sometimes farm failures.

Indeed, the boom and bust of Canadian prairie agriculture is in the memory of many of the senior citizens who are still farming. Governments have recognized the cost of disruptions and adjustments and have sought policies to cushion the blow on families and communities. Historically, programs largely from the federal government were LIFT, western grain stabilization, crop insurance, the special Canada grains program, ADA, CFIP, CAIS, and more recently AgriStability and the other Agri programs. These have arisen from the recognition of the inherent instability within the export sector.

The recent reductions, however, in support of AgriStability may leave the sector with minimal support. The reference margin's decline to 70% and only covering eligible costs means that it does not cover total variable costs for a farmer, as all costs are not included. This puts the support level below what economists call the shutdown point. Our current program mix will not handle a major downturn in the farm economy.

Crop insurance is one of the programs that does share risks with producers and is an important component in our Canadian supply chain. Premiums adjust, as do coverage levels, based on historical individual performance.

However, the practices of some producers of growing canola on canola, or, as some say, canola snow canola, may be increasing the risks not only for themselves but for their neighbours and the industry. If the agronomics indicate that canola produced on the same field will yield say 15% less, then perhaps coverage levels should be adjusted on those individual bases. Undesirable agronomic practices can implicitly be encouraged if programs do not make the appropriate adjustments. Costs accrue to all participants in the canola system if no adjustments are made.

Another concern of the farm community is the competitiveness of other entities along the supply chain. We are seeing increased concentration of input suppliers and output handlers. Fertilizer companies are large and important players. The U.S. recently sued

our potash firms in Canada for price fixing, and a settlement was paid. It was done out of court. Our nitrogen fertilizer, which is a major input, is very high, and the cost of natural gas, the major input, is very low. It appears the price of fertilizer follows the price of corn, wheat, and canola, and the farmer's ability to pay rather than cost. This is exactly what you would predict with few firms that exercise their market power.

Monitoring farm input prices is one mechanism that could foster improved competition. Another mechanism is to strengthen competition policy in Canada as competitive markets improve the welfare of the society.

Sometimes similar criticisms are offered for fuel, chemical, and other suppliers where farmers allege that market power is being used and excess profits are being achieved.

The recent termination of the Canadian Wheat Board single desk may create a need for regulation for the sharing of terminal space at port, as has happened in Australia.

Published prices and export sales reports may also be needed. Canada has gone from one of the most regulated grain export environments to one of the least monitored. What happens if we don't monitor them is we can have almost a great grain robbery, similar to what the U.S. experienced relative to the U.S.S.R.

•(1110)

I could talk a little bit more about rail, profit centres, the importance of futures markets, and the ability to hedge because risk is high. Right now, only the ICE canola futures have sufficient volume for trade to be an effective risk-handling mechanism. I could also talk about the importance of the grain commission as an efficient dispute settlement mechanism, and a number of other issues.

What I would say is there needs to be public research into positive outcomes for the entire sector. I would say any chain is as strong as its weakest link. Legislative changes over the last number of decades have often moved the profit centres to people or enterprises on both sides of the farm. Therefore, it has made the farm the weakest link in the chain. I think the farm component is extremely important and it needs your full attention.

Thank you very much.

The Chair: Thank you very much.

Mr. Wells.

Mr. Stewart Wells (Farmer, As an Individual): Good morning.

I'd like to start by thanking the committee for the opportunity to be here this morning. I know that Ken is a farmer as well, so a lot of the things I'm going to speak about, Ken has already touched on. But I think that's a good thing.

Our farm is located in southwestern Saskatchewan, not far from Swift Current. My grandparents homesteaded here just over 100 years ago. Right now my partner, Terry Toews, and I currently own and operate the farm.

Until the mid-eighties it was a mixed cattle and grain farm, and since that time we've been strictly in grain production. I've been working on or co-managing the farm for 41 consecutive years. During that time I've seen many ups and downs in the farm economy, and I've had the time to think about how federal farm policy has affected our farm and how it has affected our neighbours across the country.

In terms of successful value chains from the farmer point of view, I'd like to bring forward three topics for the consideration of the committee: risk management, market power, and vertical integration. Risk management and market power are key considerations if there is to be long-term value at the farmer link of the value chain. Vertical integration is a term currently being used by the Minister of Agriculture in relation to the plight of Canadian hog farmers.

Risk management includes plans like AgriStability, AgriInvest, the PFRA, plant research and seed development, the community pasture program, the agroforestry program, crop insurance, the single-desk selling of hogs and grain, supply management, and regulated rail freight rates.

In almost all of the risk management areas, the government is moving to weaken or altogether end these programs. For instance, without any consultation, the government recently enacted changes to the AgriStability program that will seriously weaken our farm. In the event of a complete crop failure, our AgriStability coverage used to amount to about three times our allowable expenses under the program. In other words, our AgriStability coverage would probably have paid for about two years' worth of our farming expenses. From what I can find out so far, in the future we'll be covered for less than one year's worth of farming expenses. This will have a serious negative impact on our farm, and I'm awaiting an analysis from Meyers Norris Penny as to whether or not we should even participate in AgriStability going forward, as we have paid a lot of attention to the cost structure on our farm; we've been trying to be efficient and keep our expenses as low as possible.

Let's talk about plant research for a moment. Farm production relies on climate, and our climate is changing and becoming much more volatile and erratic. And now, at the very time that atmospheric CO₂ levels are much higher than at any time over the past 800,000 years—and that's nine complete ice ages—the government is seriously weakening public plant research and giving private companies much more control over our seed and production

systems. More restrictive plant breeders' rights, like UPOV 91 and other seed control systems are counterproductive and weaken the farmer link of the value chain.

Let's turn to market power. A hundred years ago farmers needed to maximize their returns from the marketplace. There were no risk management programs like crop insurance or AgriStability. If farmers could not get enough money from the marketplace, they literally starved and were forced off the land.

These farmers quickly understood that they needed to build institutions like the Canadian Grain Commission, the Wheat Board, single-desk selling of hogs, and supply management—farmer-friendly institutions that could exert market power and increase returns to farmers from the marketplace. Institutions like these both limited risk and exerted market power at the same time.

Lastly, the committee should dedicate substantial time to the statement made by the Minister of Agriculture that vertical integration is the answer to the hog farmers' problems. The minister is saying that the solution is for hog processors and/or retailers to own the whole production chain, including the actual raising of the hogs. With this statement the minister marginalizes the contributions of individual farmers over the years. When you think about that more deeply, you realize the minister is blaming the victims, in fact, the hog farmers themselves. The minister is saying that hog farmers are the problem, not the solution, and we should just remove them from the chain. If this position is not reconsidered, there is nothing to stop this mentality from spreading to all sectors of agricultural production.

• (1115)

Compared to post-single-desk selling of hogs, hog production that included single-desk selling was a very stable enterprise. It was the processors that convinced governments to destroy single-desk selling of hogs, which in turn greatly increased the risk and decreased the market power of hog farmers, which has now led the minister to say that industry-centred vertical integration is the answer. As odd as it may seem on the surface, I'm going to agree with the minister that vertical integration can be the answer for better values down on the farm. But that can only happen when the elements of the vertical integration are controlled by the farmers or are mandated to put the farmers' interests first.

This brings us back to supply management, the single-desk selling of hogs, the Canadian Grain Commission, the Canadian Wheat Board, the public research system, and regulated rail freight rates. All of these institutions were, in one way or the other, elements of farmer-centred vertical integration. All of these institutions gave the farmers more market power and risk management, and they integrated the farm production system in a way that was directly beneficial to the farmers.

The Canadian Grain Commission and the Canadian Wheat Board were textbook examples of how to integrate plant breeding, production by farmers, grain trade mechanics, and consumers. Fragmenting the system, taking control and information out of the hands of farmers and farmer-friendly institutions, will weaken the farmer link of the value chain. In the worst case scenario it will lead other political leaders to say that industry-led vertical integration is the answer.

That's where I'm going to stop on the written remarks.

Thank you very much.

• (1120)

The Chair: Thank you.

We've heard our first two witnesses, so I'll ask you to make your opening comments and then we'll move to questions.

Please begin, Mr. Robson.

Mr. Ian Robson (Farmer, As an Individual): Thank you.

First I want to thank the committee for inviting me to talk about the grains and oilseeds supply chain and how it affects farmers.

My name is Ian Robson. I farm 900 acres in Deleau, Manitoba. I grow oilseeds and grains, and I run some cattle. I am a medium-sized farmer who believes strongly in government policies that support a sustainable and biodiverse farming sector.

As I read through the previous transcripts from the committee sessions, there was little mention of farmers except in passing. When we are mentioned, it is because we are beneficiaries of money, efficiencies, markets. The question for me is, what will those benefits cost my neighbours and me?

Farmers talk about the land. We mean its wholeness, the air, water, insects, birds and other animals that share a particular location, the plants, microbes, soil, and topography. A first nations person would speak of the earth and an environmentalist the environment. The land is whole to us, a living whole. We farmers are part of that living wholeness, and so are the communities we live and work in.

The current model of industrial agriculture is something akin to bottom trawling. This fishing system rakes bare the bottom of the ocean and destroys the habitats for countless fish, corals, and invertebrates. A similar thing happens when a 60-foot air seeder or 120-foot sprayer roars through miles of open fields. The land looks all the same. It is treated largely the same. It is a resource that, with a GPS system guiding precision application of fertilizer and chemical treatments, will yield the highest return.

There is surprisingly little reference to farmers' quality of life in the submissions that I read. The assumption seems to be that if your

farm makes money, your life will be of the highest quality. For some, perhaps it will be. For many of us, though, the price we pay for making that money is our neighbours, our communities, access to health care, diversity both in the biosphere and in our neighbourhoods. We spend hours driving somewhere for something in a landscape increasingly bare of people. It's not my idea of quality of life.

I'd like to read a quote from the 1969 report of the Federal Task Force on Agriculture entitled "Canadian Agriculture in the Seventies", which advised that it was:

...desirable to end farming by the individual farmer and to shift to capitalist farming.... In sketching out this kind of model for agriculture circa 1990, we are of course rejecting the 'Public utility' or socialized concept of agriculture.

The task force also emphasized the realignment of the Canadian agricultural economy to that of our primary trading partner, the United States.

We seem to be well on the way in that direction. Canada's economy continues to align with that of the U.S., and we are moving to harmonize regulation environments. Free trade has increased exports and farmers are producing more. We have signed numerous free trade agreements, and more are coming, although negotiated in total secrecy without broad-based public consultation. Our supply chain is efficient and provides economic benefit. Everyone wins, except we farmers don't, not really. Let me offer some proof.

Figure 1...I have submitted this paper for your perusal later. It shows farm income, debt, imports, and exports from 1970 to 2011. Exports have risen from \$5 billion in 1970 to just short of \$70 billion in 2011. However, realized net farm income has been and remains stagnant since 1970, never rising above \$5 billion. On the other hand, farm debt has increased by 1,400%, from \$5 billion in 1970 to \$66 billion in 2011.

Between 1970 and 2011, \$65 billion was generated by export. Where did that money go? It went into the pockets of seed and chemical companies, machinery companies, investors. Those gains were generated on the backs of farmers, and our backs are breaking.

For more proof of corporate profit-taking, look at the seed costs per acre. The costs of commercial seed per acre among four crops—wheat, barley, conventional canola, and GM canola—are almost equal until about 2000, when the price of canola seed began to rise faster than the price of wheat and barley seed. Conventional and herbicide-tolerant genetically modified canola seed prices rose pretty much in tandem until 2007, when the cost for that herbicide-tolerant canola seed took off and rose quickly.

•(1125)

Canadian farmers' total cost of purchased seed has risen from about 2.5% of expenses in 1970 to a high of just over 4.6% in 2011.

We've landed here because government policies have converged on a single vision of how economies should be organized. Legislative and regulatory environments increasingly favour economic activities conducted on a global scale. National sovereignty is trumped by corporate interests looking for and getting rights to sue government for activities that reduce their profitability.

There are fewer corporations in the supply chain: Bayer, Syngenta, PepsiCo, Nestlé, Glencore, Monsanto, DuPont, etc. The list goes on but is shorter each year as consolidations continue. Corporate concentration and big business may favour competitiveness, but in the process, true competition is greatly reduced.

Omnibus budget bills contain the seeds of destruction, de-funding, reorganizing, and changing mandates. Farmer-friendly agencies like the former CWB and the Canadian Grain Commission are being systematically dismantled after being developed decades ago to give farmers some parity with and protection from large exploitive grain companies.

The Canadian Wheat Board, a single-desk seller of wheat and barley, collected and returned to farmers every cent, less cost, that could be captured along the supply chain.

We see grain prices vary significantly among elevators now. Grain that is bought low at the elevator sells high at port. That benefit used to accrue to farmers, but now it goes to the grain companies. In a "back to the future" scenario, the situation has regressed.

A vision of Canadian farmers and food systems that balances the interests of farmers and corporations would give rise to much different policies, regulations, and legislation, a few of which I will offer. Nothing I say will be new to you; it's all been said before. But I will continue to advocate for a more fairly balanced food and farm supply chain because I believe that in the end Canadians will continue to care for and about each other.

First, be transparent about international trade and industry-regulated agreements throughout negotiation. Seek broad-based public discussion of opportunities and challenges afforded by each agreement.

Two, do not allow international agreements, trade or otherwise, to trump the rights of a democratically elected government to protect the interests of its citizens. Corporations should not be allowed to sue national governments acting in the best interests of their citizens.

Three, legislation, regulations, and policy directions must effectively balance the rights of players with vastly different resources and power. The Canadian Grain Commission and the former Canadian Wheat Board are excellent examples of how this might work.

Four, the public interest, whether in health, wheat, rivers, or oil, must be protected. Invest in fundamental research to protect the public interest. To ensure that present and future public interests are protected from harm, citizens and their governments, not corporations, must control genetic engineering.

Five, investigate and quantify potential effects of policies, regulations, and legislation, whether social, economic, or environmental. The balance should always tip in favour of citizens' needs rather than corporate needs.

Six, regulate genetically modified technologies so that organic and non-GMO production systems are not threatened by potential GM contamination. Neither co-existence nor tolerance of low-level presence should be permitted.

Seven, productive resources—for example, land, seed, and machinery—should be owned and controlled by the primary producer. Land grabbing, whether by foreign or domestic corporations, should be prevented. UPOV 91 should be avoided, as it will give global corporations rights that even governments do not have.

Eight, enact processes to ensure that farmers receive a fair share of the consumer food dollar.

Nine, implement legislation, regulation, and policies to support the development and operation of local food systems.

My Canada protects the rights and benefits that have come to define Canada. Give us the policies and the funding to enable healthy people and healthy communities.

•(1130)

Thank you for the opportunity to speak with you. I would be very happy to answer any questions you might have.

The Chair: Mr. Storseth, you have a point of order.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you. It's maybe just a point of clarification.

Mr. Robson gave a very detailed list. Could we perhaps get that tabled for the committee?

The Chair: Yes. We've sent it for translation, and because there are some diagrams, we need to do the full translation.

Go ahead, Ms. Brosseau.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): I'd like to thank you all for making your presentations and sharing your experience with us at the committee. I think it's really important to talk with people who have different points of views, and it's nice to talk with you.

It seems to be a common thread. It was mentioned a few times that the farm is getting to be a weak link in the chain. I know when I've met with farmers and hung out in their kitchens, they talked about the changes to AgriStability and how they were worried that there was no consultation. It's something I hear a lot in my riding and when I visit farmers elsewhere too. It's something we hear more and more often. It's something that kind of makes me nervous.

We're here, and in a few years, 40 years, we're going to have a massive population to feed, and we have to be very responsible in how we do it. I think this conversation is very pertinent.

I have a question. Transport is something we're studying and debating now in the House. I was wondering if you can comment on Bill C-52. Do you have any comments or suggestions on that, Mr. Rosaasen?

Prof. Kenneth A. Rosaasen: Rail transportation is a vital link for the prairie economy. We've seen the system centralized. We've seen major cost savings. Branch lines were abandoned. But there was always talk about sharing the gains from these transitions.

There is a service review in place, but the rail costing review badly needs to be done.

Let's take a look at how the railways strategically abandoned lines. For a while when the federal government was paying the full cost, after closing a small section they would route grain backwards going east for maybe 80 miles before they dropped south and went west. Why? Because governments would pay the bill.

Railways have a lot of market power. There was always talk about sharing those gains. There was talk about a limit on the charge railways could put in as a percent of the value of grain, trying to put in a regulatory framework. They are such effective lobbyists that those things get forgotten.

There was talk about spending more money on investment. Those likewise didn't meet the inflation expectations they had.

So I would say there is great need for a full costing review. I think the amount farmers pay to move their grain to port is very large, and we do need rail capacity, no question. There's more potash and more oil now moving by train. We may hit capacity constraints as well, but it's a vital link to the grains and oilseeds supply chain.

• (1135)

Ms. Ruth Ellen Brosseau: Mr. Wells, do you have any comments on C-52?

Mr. Stewart Wells: I think the point was really made by a study that was commissioned by farm organizations and the Canadian Wheat Board a couple of years ago. A fellow named John Edsforth did a very comprehensive report. That report was released in late 2010, I believe, and showed that the railways are currently overcharging farmers by at least \$200 million per year.

There was some agitation to have a full costing review at that time. That costing review is long overdue, and it needs to be done as soon as possible.

Ms. Ruth Ellen Brosseau: Mr. Robson, can you speak on transport of grains?

Mr. Ian Robson: I would agree with what Mr. Wells just said. We need a costing review. We're paying quite a bit for our rail service. Railways have been pulling up their rail lines and abandoning producer car loading sites, and that's making it more difficult for farmers to access producer cars, which is their right. It was a big battle for farmers to win that right, but if the railways unilaterally pull out sidings and reduce the rail service, a right becomes less usable in that event. It's important that we have a good management system to deliver grains to ports.

In some of the previous hearings, people were calling for recording systems on grain sales, and we're missing out on any kind

of a system that can track what's going on in grain marketing through the rail system and through the sale system.

The Chair: Thank you.

Mr. Zimmer.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you.

Thanks for coming today, Kenneth—and thanks to the others for showing up through video conferencing.

I have a few questions, but first I'll introduce myself. I'm Bob Zimmer, and Prince George—Peace River is my riding. We have the prairies in British Columbia, the only section; we carry on the Alberta prairies up by my neck of the woods. We have a lot of grain and canola and those sorts of crops, and a lot of cattle as well.

I've heard a few comments, but first I have a question for Ken.

You mentioned something about being the least regulated as being a negative. Now, from a governmental perspective, usually less regulation is better.

Perhaps you could just qualify what you said.

Prof. Kenneth A. Rosaasen: We like regulations to be efficient, but not necessarily no regulations. Let's face it, if you run a futures market, there are regulations about how prices are reported. There are regulations that you have to have a margin deposit, both buyer and seller. Regulations are needed to make an efficient market operate.

The Canadian Grain Commission has had a very effective mechanism for dispute resolution in the past. When I've visited the U.S., I've seen them get into protracted legal suits when there's a disagreement amongst grades, because they don't have the efficiency of an arbitrator who settles it.

So regulations can be cumbersome, but they can also make markets work very effectively. It's sort of like an ounce of prevention is worth a pound of cure: if you have a nice legal framework, it can really foster efficiency.

Mr. Bob Zimmer: Okay. Thank you.

Since this is a grains and oilseeds study, I have a question with regard to the Canadian Wheat Board. On August 1, 2012, we saw a dramatic change where marketing freedom came to western Canadian farmers. Certainly in my riding I've heard lots of positives. Farmers have had a good year. But I want to ask some of you about this as well, because you're farmers too.

First, Stewart and Ian, I would ask if you were pro open-market or dual-desk prior to August 1; and second, I would ask what your experience has been as of August 1 and beyond.

We'll start with Ian, if we could.

• (1140)

Mr. Ian Robson: Thank you.

Since August 1 we've had major market confusion as opposed to market freedom.

Mr. Bob Zimmer: Can you state what position you had before? Were you pro Canadian Wheat Board single-desk or dual-desk?

Mr. Ian Robson: Well, I stand with the majority of my neighbours, who supported the Canadian Wheat Board. It was directed by farmers, and we now have a Canadian Wheat Board that's.... We don't know who it's directed by. We don't know if the current version of the Canadian Wheat Board is directed in farmers' interests.

When I go to the elevator, it's very difficult to find on a day-to-day basis what the price is. I have to subtract a basis, and the basis can vary from one day to the next. The price can vary from one day to the next. I have to go to five elevators to find out what the value of my grain is on a particular day. Then I have to decide what day I should decide to sell my grain on.

As you can see, you've introduced massive confusion onto the backs of farmers. We had a Wheat Board that was accessing markets—for me—in 70 countries around the world each day of the year. It was maximizing the value added on my farm. First I'm interested in value added as the price of my product leaves my farm, and the agency of my farmer-directed Canadian Wheat Board was able to maximize that by in the neighbourhood of \$10 to \$20 an acre.

So the actions of your government have removed \$10 to \$20 an acre from every farmer's fields.

Mr. Bob Zimmer: Okay. Thanks for that.

How about you, Stewart?

Mr. Stewart Wells: Thanks.

I was—

Mr. Bob Zimmer: Again, can you state—I think you were going to do this, but I just wanted to remind you—whether you were a single-desk or dual-desk proponent, and then state what your position is now in terms of your experience?

Mr. Stewart Wells: Yes, thank you.

I was a supporter of the Canadian Wheat Board marketing system, single-desk selling, before the change was made last year. In fact, I did run and was elected by farmers in southern Alberta and southwestern Saskatchewan in the 2010 Canadian Wheat Board elections. I actually sat on the board of directors of the Wheat Board; my platform was clear, and I was elected as a single-desk supporter. It's interesting to note that in that same election in 2010, the single-desk supporters came within 31 votes of a sweep in that election. I think it was really the district that you partly represent that was the only holdout there, and again that was a matter of 31 votes.

I should also say that just over 20 years ago we started conversion to organic production on our farm. The Canadian Wheat Board was marketing our organic production over the last several years. Our experience has been a drastic reduction in the price that we're able to sell our organic grain for. Markets change from day to day, so it's hard to make a blanket statement that all of our gains in our organic sales were made for us by the Canadian Wheat Board. But on the surface, if you look at the snapshot of the evidence, the Canadian Wheat Board returned much more money to us for our organic grain sales. When I'm looking at the—

The Chair: I'm sorry, Mr. Wells, I have to interrupt you there for time purposes.

Mr. Valeriote.

Mr. Frank Valeriote (Guelph, Lib.): Thank you, Mr. Chair.

Thank you gentlemen, for appearing before us, either by video conferencing or personally.

You talked about the price of land, Kenneth, and I'm curious. I'd like to know more about the impact of RRSP funds on the price of land. You mentioned low interest rates and high returns right now and the volatility in the world keeping our land prices high. I'd like to know more about that.

Interestingly, I've been through an order paper question trying to determine the extent to which our farmland is owned by foreign interests, and it's almost impossible to tell, largely because it's provincially regulated, and even the provinces don't know. It could be corporately owned or not, or individually owned. Could you talk about the price of land—I'd like to know more about the RRSP funds buying it up—and whether you have any concerns about foreign ownership of our farmland?

• (1145)

Prof. Kenneth A. Rosaasen: In terms of farmland prices, some of them have been escalating very rapidly. You can hear of prices in some regions exceeding \$2,500 per acre, which is up sharply. I heard of one, which I didn't personally go out and validate, where an offer was given of \$3,000 an acre for good land near Balcarres, north of Regina, but I heard the seller declined. In terms of how much they currently own—the foreign investors—as you say, it's really hard to know. There have been some questions put to the group that used to be called the Farm Ownership Board. There was legislation in Saskatchewan that used to limit how much could be there. But it's really hard to trace the flows of money.

The other thing is this Agcapita, which I talked about. I haven't had much time to investigate it, but they have had a couple of funds; they've been buying land, and they've closed them as they've purchased enough land. I think you all know the implications. If someone can buy it out of an RRSP and I have to buy it out of money that I've paid taxes on...I'm a non-competitor. It's going to change the profile as more of them get set up.

I have children, and of course I asked, should we put some of our money into an RRSP and use that to buy some land? We couldn't figure out a way to do it, because of the requirements of being large and being traded on exchanges and other things, which seems to be the rule.

I raise it because I have a concern. I hear concerns from neighbours about how land is managed or treated. I think there's a long history about outside land ownership, and in terms of whether you're talking Ireland and potato famines or other things, they're not always great stories. I think it's something that this committee should be addressing, and that's the reason I raised it. It's the talk out there in the country.

Mr. Frank Valeriote: Okay, thank you.

Stewart, I want to ask you as well about the ultimate variability of the price of grains up and down. I know it has been a reasonably good year, and everyone will take credit for it, I'm sure.

How are prices increasing land values, and what does that mean to you? What happens if suddenly the price of grain should drop?

Mr. Stewart Wells: It's a mixed blessing when commodity prices go up. On the surface, everybody wants commodity prices to be higher than they are, but what they're really saying is that they want that margin to increase; they want their own take-home margin at the farm gate to increase.

One of the negative things that happens when commodity prices go up is that the whole enterprise gets riskier, because all the input suppliers and handlers and all the other people the farmers have to deal with in this value chain all extract extra money as soon as commodity prices go up. I suppose an analogy can be made to a poker game: if you keep upping the ante every year or upping the ante in every round of cards, the enterprise gets riskier.

When that's combined with what Ken was just talking about—in a sense, you could call it unfair competition or competition coming in for farm land from offshore or other sources of money—it really starts to make the enterprise look unsustainable. We settled this country in the west on the basis of individual farmers and farm families that were doing their best to produce good quality food; you end up right away in this situation of absentee landlords and farming not being a right for Canadian citizens but rather a privilege.

The Chair: I have to stop you there for time, I'm sorry.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and thank you, witnesses, for being here today.

I know Stewart, Ian, and Kenneth; we've talked many times in the past, and while we'll agree to disagree on probably just about everything that's been said here today, there are some things I'd like to pry into with Mr. Rosaasen, looking forward, because this is a study about the production and supply chain, how we look forward, and how we're going to meet our needs going forward in, let's say, 2020, 2030, 2040.

Ms. Brosseau brought up a good topic, and that is that we do have growing consumption, we do have a world that's getting bigger and bigger. In your work, Mr. Rosaasen, what do you think we need to do to ensure that we can produce enough food to feed all these people that are coming?

• (1150)

Prof. Kenneth A. Rosaasen: One is public research to make sure you improve your yields and your varieties and those kinds of things. The other thing is that you need to keep a healthy farm sector to make sure it can withstand some of vagaries that do occur with the weather and world markets.

Mr. Randy Hoback: Let's just explore that, then, on the public research side.

Prof. Kenneth A. Rosaasen: Sorry, could you speak a little louder, because I have one hearing aid.

Mr. Randy Hoback: Can you not hear me? I'm the same way; I'm having a hard time hearing you.

Prof. Kenneth A. Rosaasen: Okay, I'll speak louder.

The Chair: Both of you have earpieces if you need them.

Mr. Randy Hoback: Chair, I hope you're not counting my time here.

The Chair: I'm not counting your time.

Mr. Randy Hoback: I appreciate that.

I think public research is important. I don't think anybody around this table would disagree with public research, but I think you also have to recognize the importance of private research and research that's been directed based on economics.

You made some comments in your testimony about the price of canola seed. It's been a little misleading, because when I look at the yields that we're getting from the new varieties, the GMO varieties, even though the seed costs more, the net return per acre is substantially more. That's what the farmer puts in his back pocket, and that's the equation he does when he looks at the cost of all his inputs before he puts them in the ground.

As we move forward we have limited resources. We have a limited amount of land, a limited amount of water. Would you not agree with me that it's very important that we look at all aspects of the production cycle to ensure we're maximizing to fulfill the global requirements?

Prof. Kenneth A. Rosaasen: Right. We want to be productive. We want to be innovative. We want to adapt. We may want to do it across all components of the supply chain, including plant breeding. But I think it's wrong to neglect that there are and have been major gains in plant breeding from the public sector and they are shared significantly differently. We make choices about how we should share those benefits. Many of those choices are legislative choices.

Mr. Randy Hoback: legislative choices are one option for sure, but legislative choices can create unintended consequences. I look at the testimony of Dr. Brian Fowler. When we had legislative processes in place when it came to winter wheat breeding, for example, his great varieties were all being grown everywhere else but Canada. There were reasons why, and that was because of the types of regulations and legislation we had in place. When you talk to him now, with the changes that are in place and the future changes that will come forward...a lot of this new technology that we've been ignoring for reasons other than market conditions will now be allowed to hit the market. It's going to give farmers more choice. That choice is going to drive even more research. Would you not agree?

Prof. Kenneth A. Rosaasen: I agree that having a greater selection of varieties is important. If you go back and look, you'll find that I was one of the people who was arguing that things like HY320 as a new variety should be introduced to give farmers more choice.

Mr. Randy Hoback: I remember that.

Prof. Kenneth A. Rosaasen: So I haven't been opposed to technological change or those types of developments.

Brian Fowler is a colleague of mine, and we have discussed how specific milling requirements and other things may have limited the gains for some things. Sometimes it's important to adjust regulations. All regulations aren't perfect.

Mr. Randy Hoback: That's right. They have to adjust as times change—exactly—just as any other organization has to adjust as times change. Is that correct?

Prof. Kenneth A. Rosaasen: Yes.

Mr. Randy Hoback: Both Mr. Wells and Mr. Robson are very strong single desk supporters. I understand that. That's something that's inbred in them and it's something they strongly believe. I respect that, and I really respect their passion. But I disagree with it because the market conditions right now are showing something totally different from what they're saying.

I'll use the example, the testimony we had earlier, of talking to... sorry, it escapes me. Basically the movement of grain this fall has been 40% higher, and more efficient, since the removal of single desk. When you look at the price of grain off the combine...I have testimony from numerous farmers who have never had such high prices paid in cash, off the combine, in their pocket, in the bank account, all within two or three days. That was never there before.

So you have to look at that and ask where was the supposed market power. The reality is the board was not big enough or efficient enough to extract market power. It could threaten, but it could never extract. The reality is that the market now is reacting to a variety of things. It's sending signals based on where and when the grain should be delivered; the market is driving that, which is what the market does. This is no different from canola.

I know Mr. Robson says he finds it confusing, but you know what? I don't find options confusing. Options are what the farmer needs to make the best decisions for managing his operation. My operation would be different from Brian's operation and different from Blake's. That's something the single desk could never do.

One thing I do find interesting is that the single desk now, the new CWB, is handling canola. I understand that's moving very well. Colleagues at the CWB said the first example of moving canola through the Canadian Wheat Board, which was supposedly not possible to do, went very well.

• (1155)

The Chair: I have to stop you there, Mr. Hoback.

I'll go to Mr. Atamanenko.

Prof. Kenneth A. Rosaasen: Do I get any opportunity to respond?

The Chair: Unfortunately, you don't.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thanks to all of you for being here.

I'd like to give Stewart and Ian a couple of minutes to maybe comment on some things that Randy said.

Before I do that, I want to say that I have some alarming statistics in front of me. They basically say that since 2007 we've lost over 22,000 medium-sized farms, that they've declined by 13.6%. The fact is, medium-sized farms are facing dramatic decreases. The

number of farms with revenues between \$100,000 and \$250,000 fell by approximately 5,400. I find this alarming as we're moving through the study of the supply chain. I'm wondering if you have any comments on that.

Next, if we have time, if we can have some comments from all of you, I know, Ian, you mentioned the Canada-European Union trade agreement. I've done some research, and I understand it could be detrimental to local procurement, limit the powers of local governments, and increase drug costs. But I've never really heard an analysis from the point of view of the farmer. Can this be a good thing? Is it going to open up more markets? We're dealing with a very protectionist bloc of countries. Are there any advantages for us to go into free trade with Europe from the point of view of the family farm?

Let's start with that, because I want to make sure I get that out of the way, and then I'll give you a chance to respond to Randy.

Mr. Ian Robson: Thank you.

The European free trade deal, as far as we know, has been negotiated behind closed doors. It's very difficult for the public to get any sense of what is going on. Draft copies have been made available through some method or other.

When we read through the draft copies, it appears to us that the lock, the faith-based lock on economic benefit that Randy Hoback has described, is being pushed through these trade agreements. Increased power over plant breeders' rights and plant patents is going to cost every farmer greatly.

In fact, it's already costing farmers, especially in canola. The seed price increases every year. We're looking now at it reaching \$50 an acre for canola seed, whereas not too many years ago the seed price would have been in the neighbourhood of \$15 to \$20 an acre. The amount of extra yield that Randy Hoback wants to point to...his yield comes from—

Mr. Alex Atamanenko: Ian, I'm going to cut in. I'm sorry—

Mr. Ian Robson: —fertilizer—

Mr. Alex Atamanenko: Can you hear me, Ian? I don't have too much time.

In a protectionist European market, what are the advantages? Have farmers been assured that there will be more markets open in regard to exporting what we produce? I haven't really heard. I'm just wondering if you folks on the ground have heard that.

Stewart or Kenneth, maybe you could take that up.

• (1200)

Mr. Stewart Wells: Thanks, Alex.

First, on the numbers of farmers leaving the farms, all of the indicators right now are that this is going to accelerate. Farmers leaving their farms will accelerate because of all the things we've been talking about here today and with the decrease in market power they're seeing.

On the international trade side, we always need to be talking with international partners and with customers, but the international trade agreements that we see at the moment through the WTO, this, and the bilateral agreements are all being driven by the corporate sector and the need to simply increase imports into and exports out of each country in order to enhance their own bottom line.

What we see happening is that we have a trade policy that people want to try to portray as an agriculture policy. As for the trade policy, they just want to increase exports and imports regardless of the effect on farmers. That's what I think we're seeing with these agreements. It's a misreading of these agreements to think that they're designed to try to help Canadian farmers.

Mr. Alex Atamanenko: Kenneth.

Prof. Kenneth A. Rosaasen: I don't have a lot to add because I think he handled it very well, but I will comment on what Randy said with respect to prices. Prices are positive because of the U.S. drought, because of their ethanol program, and because of other things. It's independent of what happened.

If he wants to know about other people who have received good prices under the Wheat Board fixed price contract, some people I know got over \$15 and approaching \$20 a bushel under the Wheat Board system when they used a basis contract and followed futures. Some of the people who criticized the Wheat Board didn't even know those opportunities existed. Our farm personally contracted it at the ports at \$12 a bushel for No. 1 CWRS, less a basis. It was available. Many people didn't know about or understand it.

The Chair: Thank you.

Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thank you, Mr. Chair.

I have some quick questions.

First, Mr. Wells, you used to be the president of the National Farmers Union, correct?

Mr. Stewart Wells: Yes, that's right.

Mr. Blake Richards: Would you be listed now as the past president of that organization?

Mr. Stewart Wells: There is no actual category. There's nothing in the constitution that recognizes a past president. I'm still a member.

Mr. Blake Richards: Okay. Are you currently the chair of the Friends of the Canadian Wheat Board?

Mr. Stewart Wells: Yes, that's correct.

Mr. Blake Richards: Okay. Thank you.

Mr. Stewart Wells: We have launched previous court actions against the government, starting in 2007—

Mr. Blake Richards: Thank you. I have to stop you because I only have a limited amount of time and I have other questions I want to ask.

I see today that you're listed as being here as an individual. Is that correct, or should you have been listed as a representative of the Friends of the Canadian Wheat Board or as a representative of the National Farmers Union? I'm just curious as to whether that's correct.

Mr. Stewart Wells: I'm not aware of how the clerk of your committee determines the name on the invitation. I accepted the invitation as it was given.

Mr. Blake Richards: Okay. Are you here representing yourself as an individual or either of these organizations here today?

Mr. Stewart Wells: The invitation was extended as an individual. That's why I talked about our farm, my grandparents, and our farm history here close to Swift Current.

Mr. Blake Richards: Okay. I just wanted to clarify that.

When you were at the 40th convention of the National Farmers Union, in your outgoing speech as president you made a comment in regard to competition. The quote I have from that speech indicated that you believe it "leads inevitably to domination, indifference and contempt".

That's referring to competition. Is that accurate? I just need a quick yes or no on that.

Mr. Stewart Wells: I don't think it's accurate to pull something out of context and try to read something into it.

Mr. Blake Richards: Thank you. Are you saying you didn't make that comment?

Mr. Stewart Wells: I'd be much more comfortable with taking time to have the entire speech read into the record.

Mr. Blake Richards: I only have a limited amount of time. Sorry to interrupt. Are you saying that comment is inaccurate, then, and that you did not make that comment?

Mr. Stewart Wells: I'm not saying it was inaccurate. I'm saying that it may be taken out of context because I don't know where you are going with—

Mr. Blake Richards: No problem. That was the comment that I understood you made. I certainly would hope it's not correct, because it's unfortunate you would feel that way about the opportunity for people to market freely.

Mr. Robson, you are currently a director of the National Farmers Union. Is that correct? Yes or no.

● (1205)

Mr. Ian Robson: If you were looking on the National Farmers Union website, you would see that. Your next question is if am I here as a farmer. Yes—

Mr. Blake Richards: Are you a director of the National Farmers Union, Mr. Robson? Is that correct? Yes or no.

Mr. Ian Robson: Yes, it is. I said I'm here as a farmer.

Mr. Blake Richards: So you are not representing the National Farmers Union here today. You are representing yourself as an individual?

Mr. Ian Robson: That is correct.

Mr. Blake Richards: Why did you choose to represent yourself as an individual rather than the organization that you are a director of?

Mr. Ian Robson: When the clerk contacted me, I was asked to speak as an individual. This is what I am doing. I assume that you want to know about the farm conditions, and I do—

Mr. Blake Richards: Sorry, sir, I only have a very limited amount of time. I have to stop you there.

I have one more question I would like to ask you. Last February, in a publication called *The Militant*, which identifies itself as “a socialist newspaper”, you were discussing our legislation to create marketing freedom for western Canadian grain farmers. You referred to that legislation as “jackboot” legislation. Is that an accurate comment? Yes or no, please.

Mr. Ian Robson: That word was suggested to me by the writer, and I did not disagree with the writer's assessment. You could say by inference that—

Mr. Blake Richards: Thank you, sir. I think we have made it very clear where you are coming from. I appreciate that.

The Chair: I'm just going to call for order here for a minute.

For our witnesses, everybody has a very limited time. They all have a lot to say, so I apologize if I interrupt from time to time. Please continue, and let's have one person speak at a time.

Mr. Blake Richards: Thank you, Mr. Chair.

I only have a limited amount of time, so I hate to interrupt.

Mr. Ian Robson: On a point of order—

Mr. Blake Richards: I'll have to move on, Mr. Robson.

Mr. Ian Robson: I'd like to answer some questions about the farm supply chain.

Mr. Blake Richards: Mr. Chair, can I ask for some order here?

The Chair: I had asked for individuals to speak one at a time. I have recognized Mr. Richards.

Mr. Blake Richards: Thank you, Mr. Chair.

I have some questions for you as well, Mr. Rosaasen. I'd like to talk to you a little bit about interprovincial trade barriers. I'm assuming that you, as a professor and as an agricultural economist, have probably done some work studying the impact of interprovincial trade barriers. Would that be true?

Prof. Kenneth A. Rosaasen: It hasn't been a focus of what I do.

Mr. Blake Richards: Would you be able to offer me some opinion and knowledge that you may have in that area? I'm just wondering if you would know of any way that we would be able to take a look and quantify or qualify the kind of damage that those interprovincial trade barriers would do to the industry. Would there be any way we would be able to do that? Would you have any knowledge of that?

Prof. Kenneth A. Rosaasen: As economists, we do talk about gains from trade and how, if you can move products efficiently and do what you're best at, there are gains. We have a host of historical movements of products, including in supply managed products and other things. Sometimes there are bits of inhibitors. It can be regulatory and it can also be market power issues. It is good if we can trade between provinces. There are net gains to be made. Watch the specific products you are looking at.

Mr. Blake Richards: Thank you.

The Chair: Mr. Allen.

Mr. Malcolm Allen (Welland, NDP): Thank you, Chair.

Thank you to all.

Perhaps I'll take a different tack than did my friend across the way, whose sense of democracy is that if folks don't agree, it's a bad thing. I guess it depends on who you agree with.

Rather than trying to pigeonhole folks into giving yes or no answers to “When was the last time you had breakfast, yes or no?”, Mr. Wells, why don't you articulate the context of your words, and I'll allow Mr. Robson to do the same thing. Since my colleague across the way was pretty adamant about “just give me a yes or no”... and to be honest, if this is a fact-finding piece, I don't think you find out too many facts when it becomes “yes or no”.

The Chair: Mr. Richards, on a point of order.

Mr. Blake Richards: Thank you.

Mr. Chair, I find it troubling. Mr. Allen is well aware, as a member who's been here for some amount of time now, that as members we have the prerogative to do what we want with our time. I had a very limited amount of time. As you can see, I didn't have a chance to get to all the questions I had as it was.

I'm just wondering if you can rule on that, Mr. Chair. Is it not correct that we have the right as members to do as we want with our time? I think it's unfortunate that he would choose to comment on that.

• (1210)

The Chair: I won't rule on it as a point of order. I will just ask everyone to make their questions relevant. I know everybody has comments they'd like to include. Regrettably, you're limited to five minutes, so I would ask that you use your time well.

Mr. Malcolm Allen: As Mr. Richards has clearly pointed out, it's my time, and I get to choose to use it as I want, as he did. I guess if that's my choice, Mr. Richards has decided that his decision on how we use it should be his way rather than my choice. If it's an open choice, then it's up to me to decide how to use it, Chair, within the confines, of course, of the chair's discretion and direction.

Based on that, I would go back to Mr. Wells and ask him the same question again. But rather than repeating it and using up the time, I'll allow Mr. Wells to talk to us.

Mr. Stewart Wells: Thank you, Mr. Allen.

I share the disappointment that Mr. Richards has used important committee time, in my view, to try to smear witnesses. I have had in the intervening couple of minutes the opportunity to think about my outgoing speech at the NFU convention. In fact, that quote Mr. Richards was using comes from a book, a very well-written and important book, by a Canadian professor by the name of Chris Lind, who in the 1980s wrote a book called *Something's Wrong Somewhere*. I would invite anyone who's interested in value chains and Canadian family farmers to give that book a very close read.

Mr. Malcolm Allen: Mr. Robson, I think you wanted to clarify the comments that were made about something you had said at some point in time.

Mr. Ian Robson: Thank you very much.

I consider Mr. Hoback and Mr. Richards and the rest of the committee around this table to be friends of mine and to be very interested in the topic at hand: the supply chain.

He talked about an article in which I was interviewed and the word “jackboot” was used. I'd recommend that the public read that article, because I think that article aptly describes what happened when this particular Canadian government jackboot killed the Canadian Wheat Board, which the majority of farmers defended and tried to support. But this government went behind closed committee doors, cut off committee time, and did exactly what Mr. Richards has just done—tried to waste valuable committee time. If he was honest in his questions to me, Mr. Richards would ask me what my community involvement is.

Mr. Malcolm Allen: Let me go back to the value chain. My colleague talked earlier about rail. Can anybody talk to me about seeing any impacts on the short line? One of the things I heard when I was on the prairies last year was about the potential impact. Have we seen any impact yet on the short-line system and those who are actually running it?

I'll start with Kenneth and then move back to Stewart and Ian.

Prof. Kenneth A. Rosaasen: Short lines are being used. Some of the farmers have gotten together, and they are using their short line and they are using the Wheat Board and shipping grain out directly. I haven't followed each short line very closely. I know some of them are still being used.

I'll pass it over to Stewart to round it out.

Mr. Stewart Wells: Thanks.

The latest statistics that I have are from about a week ago. The use of producer cars is down by 20% to 25% so far. Whether it will continue to drop or whether it will pick up is hard to tell. I've also heard that, at least in some localities, the price of the farmers' grain loaded into these producer cars is actually less than what's being offered at the local elevators, which would mean that between the railways and the system and marketing in general, the value of producer cars may already be being extracted out of farmers' pockets and allocated somewhere else.

Mr. Malcolm Allen: Ian.

Mr. Ian Robson: Thank you.

Quickly, I would say that in Manitoba there have been a couple of investigations by producer groups into buying short-line railways. CP had indicated that they were going to give up some rail lines. I know that one of the rail lines is in Mr. Tweeds' constituency.

I'll ask Mr. Tweed right now if he's aware of what the status of that farmer effort towards buying a CP rail is.

Mr. Tweed.

•(1215)

The Chair: Well, I thank you for the question, but today my role is not to answer questions, it's to direct them, so I'll go to Mr. Storseth.

Mr. Brian Storseth: Thank you very much, Mr. Chairman.

I have a couple of quick questions.

Mr. Wells, you were elected as a director of the Canadian Wheat Board, as you stated earlier. I just had a quick question, because you talked somewhat about organic farming and the problems with that. When you were a Wheat Board director, how many farmers in your constituency were organic compared to non-organic?

Mr. Stewart Wells: The only number I would have at hand...and not all of these farmers were in my Wheat Board district, but in my particular chapter of my certifying agency, there were about 100 to 125. I don't know how many organic farmers there are in southern Alberta. A rough guess would be a couple of hundred.

Mr. Brian Storseth: How does that compare to non-organic?

Mr. Stewart Wells: Non-organic would be several thousand.

Mr. Brian Storseth: Mr. Robson, I do want to congratulate you, if nothing else, for having elected a very competent member of Parliament and chairman of the agriculture committee. Obviously, your area has a lot of agriculture in it, and feels very strongly that.... Actually, I find it interesting that every single Manitoba rural member of Parliament outside of Churchill is a Conservative.

So I find it interesting when you claim to speak on behalf of farmers, but overwhelmingly, across the prairies, Conservatives represent the rural ridings. Could you explain this to me?

Mr. Ian Robson: I'm just as puzzled as you are.

Voices: Oh, oh!

Mr. Brian Storseth: Thank you, Mr. Robson.

Maybe I could enlighten you as to the reasons why so many agriculture producers support Conservatives. According to the farm financial reports, the total net income for farms rose \$3.3 billion in 2011. The average net worth increased to \$1.7 million in 2011. Capital investment increased by 23% since 2009, and farm cash receipts are up almost 12% over last year. I have to tell you, in my riding, which is predominantly, as Mr. Wells' riding was, non-organic farmers, the times have never been better. Guys are very optimistic. Now, we do have some problems when we talk about the amount of cashflow it takes to put your crop in every year, the amount of risk you have to take, but farmers in my area, even with the rising price of land, are still continuing to buy more and more of it, with more younger farmers getting involved because they see a future in farming.

So this is a very different story from what I heard pre-2006, and I think that could be the reason why Conservatives continue to get re-elected time after time.

Mr. Rosaasen, I'd like to ask you, you talked about research and development—

Mr. Ian Robson: Can I take a minute to comment?

Mr. Brian Storseth: Actually, I was commenting there, thank you.

The Chair: We'll get back to you, Ian.

Mr. Brian Storseth: Could I ask you to comment on research and development dollars and how you see the future moving forward with that? Will the private companies put as much R and D money in as the Wheat Board did? I'm asking you to speculate, and if you don't feel comfortable, that's fine.

Secondly, we talked about organic farming and needing to do more with organic, yet I read a report recently that said the population of the world is going to come to nine billion people, so how do we move further towards organic and still feed the world?

I'll just ask you those questions to close out.

Prof. Kenneth A. Rosaasen: With respect to R and D, yes, it's important to spend money there. We talked about research into plant breeding and other kinds of things. If the government is saving money in terms of their risk management programs and the BRM reduction, if they're really interested in agriculture, much more should have been put back into public research, because some things just won't get done in the private sector.

In terms of—

•(1220)

Mr. Brian Storseth: You're talking kind of blue-sky stuff there, or...?

Prof. Kenneth A. Rosaasen: I'm not a plant breeder. I guess I would say that the rules you have around research and who's going to benefit might change the direction of what you look for. For example, if you're working for a chemical company and they say "Fight wild oats", what do you want? You want to be able to spray it when it's this big to this big: you want a wider window. You want it mixable. You want it "rainfast" right away.

If you turned it over to a public researcher, they might look at a totally different direction—i.e., what could I do biologically to make it grow so that once you do that it's not hard to control? It's the dormancy that you have to break.

So the whole field of what you look for can change in public versus private research. In private research you must get dollars, because we expect a return on investment.

There are these big returns to public investment. All the research documentation about it, by Julian Alston and other people who study it, says that there are big benefits, yet governments choose to cut back.

In terms of organic, I haven't tried to take a look at it, but let's recognize places like China, where they do things quite intensively. For years they didn't even have any chemicals, and they managed to feed a lot of people in a relatively sustainable manner.

Does our farm rely on chemicals? Absolutely, because right now those are the recipes you use. Do other people, like Stewart Wells and others, learn how to get around it and produce effectively? Absolutely. I don't think it's an either/or situation.

I think you should recognize what consumers want. Some want organic products. Some want non-GMO products.

When I was talking with some of the people in the GM industry, I said, you know, if you look at history, it's always been the hog producer or the cattle producer with the poorest quality who never wanted the grading system so that their product was identified.

So with GM and not labelling, based on history, they're on the wrong side of history. They have the quality that consumers like least.

I think this issue will be coming back in the Canadian economy.

The Chair: Thank you.

Ms. Raynault.

[*Translation*]

Ms. Francine Raynault (Joliette, NDP): Thank you, Mr. Chair.

Mr. Rosaasen, you spoke about a number of things, and there were many questions.

Among other things, you said that lands could be bought and have been bought by foreigners. Do you think that this could put our food security at risk in the long run?

[*English*]

Prof. Kenneth A. Rosaasen: That's a bit of a tough question.

You can read in some of the media about Chinese investors who go into Africa or Brazil, buy the land, and set up the entire infrastructure to move the product that's produced right out to the ports and back home to China.

Now, the amount being bought I don't think threatens it like that right now, but let's face it, some people would argue, "Hey, it's my land. I produce my product. There are no rules. I can do what I like."

I'm not sure there's legislation currently that would say you can't do that in Canada.

[*Translation*]

Ms. Francine Raynault: So it risks becoming a long-term problem.

You also spoke about the high price of wheat following the elimination of the Canadian Wheat Board. Do you think this situation guarantees financial security for farmers?

[*English*]

Prof. Kenneth A. Rosaasen: No, I don't believe ending the Canadian Wheat Board guarantees the financial security for farmers. I think world markets will still go up and down in prices. Governments may still change policy. Even the ethanol mandate in the U.S. was up for debate. If they quit subsidizing or using ethanol, it would have an impact on world grain markets. So no, I don't think the change has added security to the farm sector.

Some of my colleagues actually looked at the books of the Wheat Board, and instead of using anecdotes about prices, they used analysis. They found that there were significant price premiums achieved by the Wheat Board over decades. This was Daryl Kraft, Hartley Furtan, and Ed Tyrchniewicz, heads of agricultural economics departments. One was the dean of the University of Alberta out in Edmonton. They looked at the books, they saw what they did, and they said what the gains were.

I take analysis over anecdotes.

• (1225)

[*Translation*]

Ms. Francine Raynault: Thank you.

Mr. Wells, do you think supply management should be discussed when trade agreements are signed, and why?

[*English*]

Mr. Stewart Wells: It's something that should be discussed internally. It's a domestic discussion for the people of Canada. In that sense, it's very relevant in terms of the domestic discussion about trade agreements.

If I could, I would just take a second to go back to your previous question about grain pricing. Some people have been saying that prices are higher now than they ever have been since the Wheat Board was killed a year ago, and that's just not correct. If we look back historically into the mid-seventies and in other years and we adjust those prices for inflation, they were much higher than they are now.

The Chair: I'm sorry, Stewart.

Mr. Storseth, on a point of order.

Mr. Brian Storseth: Thank you, Mr. Chair.

I would like to clarify that the Canadian Wheat Board was not killed a year ago.

The Chair: Thank you. It's not a point of order, but it's a good point.

Further questions?

Francine.

[*Translation*]

Ms. Francine Raynault: I have a question for all three witnesses.

What do you think about the actions this government is taking with respect to agriculture?

[*English*]

Mr. Stewart Wells: I think I started to address that in my opening remarks, but really what we're seeing right now in the grains industry is a move away from Canada as being a high-quality, reliable supporter of grains, especially wheat, to a low-cost production model. That low-cost production model has not served other Canadian farmers, like hog farmers, well. We're giving away the advantages we have built up over the past century, and we're really moving into a period where.... It's just not productive to be giving away the advantages that you've built up over the years. With these prices that we're getting right now, we're living off the equity of all

the work that's been done by previous governments and previous farmers.

The Chair: Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you, Mr. Chair.

I just want to follow up. As I was listening to Mr. Richards' questions and the responses being given by our witnesses regarding their organizational affiliations, it just brought to mind a concern I have when we as a committee invite people, or witnesses, in front of committee as individuals. I think Mr. Richards identified some interesting information, in that Mr. Wells is chair of the Friends of the Canadian Wheat Board and former president of the National Farmers Union. He's the immediate past president, although I understand there's not a formal position for that.

Mr. Robson is currently a director for the National Farmers Union. I understand they've presented their own opinions, but really these are top-level executive positions in agricultural organizations, and two out of three of our witnesses today held these, or hold these, top-level executive positions in the National Farmers Union. It's hard to understand how their personal view as farmers could be that much different from the National Farmers Union's views when they have both held such senior-level positions in the National Farmers Union.

Mr. Alex Atamanenko: I have a point of order.

The Chair: Mr. Atamanenko, on a point of order.

Mr. Alex Atamanenko: We've had people from different organizations here. A lot of farmers belong to associations, whether it's the Wheat Growers or the Farmers Union. They're coming as individuals, just as we've had other farmers who happen to belong to the Western Canadian Wheat Growers Association. We listen to them. They're not mouthpieces for some organization. These people are speaking sincerely from their heart, as others have, and I think it's up to us just to listen to them as individuals. This is not a delegation from some kind of organization. It just happens today that there are two members of the National Farmers Union. Other days we've had members from other organizations, and we've listened to them politely and attentively, as we have today.

• (1230)

The Chair: On the same point of order, Mr. Storseth.

Mr. Brian Storseth: My concern in regard to committee business would be that it has been the NDP's policy to try to constantly get the same witnesses to show up. What they're doing today is trying to deceive the committee by putting forward witnesses who actually represented these organizations, and then they would bring the witnesses of the organizations forward in the future. It's counter-intuitive to this study, and it's actually trying to stack the deck.

What we'd like to see when we're trying to bring in individual farmers is not activists who are already well-known on the national stage, as Mr. Wells is. We'd like to see mom and pop organizations, real farmers. It's not that they're not real farmers, but they're well-spoken activists.

The Chair: Mr. Allen, on the same point of order.

Mr. Malcolm Allen: It behooves me to ask the chair to do some work. It's not my nature to ask him to take on stuff, but, Chair, what I'd ask you to do is go back to the beginning of this session in the fall and pull the witness list to this committee, and let's see which organizations and who belongs to whom....

I've been at this committee since last September and beyond, and I'll guarantee to this committee that the vast majority of witnesses belong to organizations that would be more favourable to the government's position. Now, they are entitled to have more. There are more of them. They are the majority. But I would tend to think you are going to find that indeed they may be greater.

If what the government is suggesting is that we, as the opposition, no longer should call witnesses from certain organizations—because they are either affiliated with them or not, or may have been in the past—let them put the organizations on the table. We'll put on the table the ones we won't want to talk to either. Then we can figure out who eventually we do want to talk to.

Either we do actually want to have an open session that talks to all kinds of folks who we don't agree with on any particular thing or we don't. And I'll make this abundantly clear as the lead from the official opposition: there is no attempt from our perspective to put witnesses on the list and try to hide their affiliation. If I wanted to do that, we wouldn't have asked Mr. Wells or Mr. Robson, with Mr. Storseth, Mr. Richards, Mr. Payne, Mr. Lemieux—and Mr. Hoback, who was here—and the chair, who actually know them all personally. We would have asked Mr. Smith and Mrs. Smith, who maybe you didn't know, if we were trying to hide their affiliations.

Clearly we didn't try to hide anybody. The inference that somehow we are doing something along those lines is patently false.

The other side has its time, as you have said, Mr. Chair. The members are entitled to use it as they find appropriate in whatever way they do. I guess I would look at the committee and say I don't challenge their witnesses as to which organizations...but again, that's my choice. The other side has its choice too.

The Chair: I have two more people I'm going to ask to comment. One will be Mr. Richards, and then I'll go to Mr. Valeriotte, and then I'll make a comment.

Mr. Blake Richards: Thank you, Mr. Chair.

On this same point of order, Mr. Atamanenko mentioned some other organizations. To my recollection, I don't ever recall an executive member or a director of those organizations appearing here without being listed as a member of those organizations.

To the same thing Mr. Allen was commenting about, by no means is anyone on the government side suggesting we wouldn't want members of organizations, the NFU or otherwise. We just want to see, when individuals who are directors or executive members of organizations are here, that they are listed as being executives or directors of the organizations they are appearing from, as other organizations have done in the past.

The Chair: Go ahead, Mr. Valeriotte.

Mr. Frank Valeriotte: Mr. Chair, I think we are all on very thin ice when we fail to focus on attacking problems, investigating policy and platform, and instead attack people. I think we have to move

away from attacking people and focus on problems, policy, and platforms.

Thank you.

The Chair: Thank you.

I appreciate all the advice around the table. When people were invited to attend, I asked for all sides to present individuals, regardless of who Mr. Wells or Mr. Robson or anybody represents. It probably should be on the agenda, but all the same, they were invited as individuals to present their positions, and I think it's important we ask them that and get some information.

We are studying grains and oilseeds and how they impact our producers, so I'm going to continue the questions. I think Mr. Lemieux had the floor.

You have about three and a half minutes.

• (1235)

Mr. Pierre Lemieux: Thanks again, Chair.

Let me conclude my thought, because I think a few of the comments are missing the point. It's not attacking people. It's just that if people hold executive positions, that should simply be listed on the agenda for the day. They should not just be listed as individuals.

I think the reason is that, yes, we might know this, Chair, but there's a much wider audience than just who is sitting in this committee room. This goes over the Internet. People can listen in. Canadians can follow what's going on, and they don't necessarily know who is who.

You actually have a policy, Chair, of not inviting individuals, and I support you in that policy. I would encourage us to continue with your policy.

Now to a particular question. I would like to ask a very supply-chain-related question, because I know our conversation has gone off the supply chain in some instances. That has to do with low-level presence.

I ask about low-level presence because it's a policy we're advocating as Canada. We find zero-tolerance contamination, if you want to call it that, is very expensive. It has an impact on the supply chain because you can have entire shipments turned around for very low levels of contamination.

I want to ask Mr. Wells what his personal opinion is on the issue of low-level presence in terms of policy.

Mr. Stewart Wells: Thanks for the question.

It's a very difficult topic area. I personally believe there should be zero tolerance. But in practical terms, the promoters of genetically modified technology tried to insist at the outset that it wouldn't happen, that there just wouldn't be contamination, that there wouldn't be gene flow, and that there wouldn't be pollen flow. That's turned out, of course, to be absolutely wrong. So it's a very difficult question.

I have a lot of sympathy for the importers and the consumers who want to follow a zero-tolerance policy.

Mr. Pierre Lemieux: Let me just say as well that I'm not convinced it's just a GM issue. For example, when I think of organics, organics would suffer from a zero-tolerance policy as well, because you could have an organic shipment, of course, that's moved through a common rail car that hasn't been properly cleaned or completely cleaned, or through trucking facilities or whatever mechanisms move that organic product. If there is low-level or very low-level contamination, an organic farmer would suffer, and that's not GM-related. So what about the organic farmer?

Mr. Stewart Wells: You're correct in that there are all sorts of other problems. There are low-level contaminants from pesticides, for instance, that turn up from time to time in organic production, and the organic farmers and the organic consumers have to work their way through that and try to pinpoint the source of that contamination. That is a good question.

Mr. Pierre Lemieux: Would you support a low-level presence policy for organic farmers? I'm thinking of this from a supply chain point of view.

Mr. Stewart Wells: No, I still wouldn't, because first and foremost, we have to put the consumers at the top. The consumers are telling us, in terms of genetic modification, that either they have a zero-tolerance policy or they want mandatory labelling. We have to put the consumers first or none of us will be in business.

Mr. Pierre Lemieux: But what would you say to the organic farmer who has very low-level contamination for reasons that are not his fault? Would you say, "Well, sorry about that completely lost shipment, sorry you're not going to earn any revenue at your farm gate, sorry for all of the overhead you've incurred to be organic"? It's very low-level presence. We're not talking about high-level presence; we're talking about low-level presence. In other words, it's a very low threshold, but it's not zero tolerance.

Mr. Stewart Wells: Yes, I agree it's a very significant problem, and not one that's easy to deal with.

You can imagine, bringing it right back to the farm level, how surprised I was to find out 15 years ago, when the first semi trailer came onto our farm to pick up organic production, that the semi trailer had cleaned itself out by leaving the slide gates open at the bottom of the trailers, driving to my farm and hoping that any seeds in that trailer would drop out onto the road before they got to my farm.

• (1240)

Mr. Pierre Lemieux: That's my point.

Mr. Stewart Wells: It's a tough problem.

The Chair: Thank you.

Mr. Payne.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair.

I welcome the witnesses to a cold day in Ottawa and a hot day at the agriculture committee.

First of all, we have been talking a bit about the Wheat Board and obviously the grains and oilseeds, and I know some of my colleagues have talked about the sales.

I just wonder, Mr. Wells and Mr. Robson, during this last period, since August 1, you were able to sell any of your grains if you used independents or you used the Wheat Board.

Mr. Ian Robson: I used independent marketing.

I understand you think there's a Wheat Board left there. It's a lumpen and lame excuse for the farmer-directed Wheat Board that we had before, which gave us a \$10- or \$20-per-acre advantage in the marketplace.

Mr. LaVar Payne: Mr. Wells.

Mr. Stewart Wells: In my case, since the Wheat Board was killed

Mr. LaVar Payne: It wasn't killed.

Mr. Stewart Wells: —and the assets were confiscated without compensation, one of the first things the Wheat Board did was to end its organic marketing program, so I've been forced to try to market through a system of independent brokers.

Mr. LaVar Payne: My understanding, of course, is that the Wheat Board still exists.

I want to relate a bit of a story.

Before the changes in the Wheat Board, I met with several individuals in my office in Medicine Hat who were very pro-Wheat Board. It was an interesting conversation because we had a lot of talk about the ownership of the grain and so on and so forth. I said the Wheat Board would change, but that there would be a Wheat Board, and we know that is true. Given that they were pro-Wheat Board and that it would still be there, my question to them was whether they would sell their grain through it. The individuals were quite expressive in saying they would not. When I asked why they wouldn't, the individuals said they could get a higher price from the independents. I thought that was an interesting insight.

Anyway, I'd like to talk to Mr. Rosaasen, in terms of some research.

You talk about public research and private research. In today's world we see virtually every country struggling with budgets.

You talk about a lot of government money there. Is it your view that it should be unlimited, or should we be looking at making some modifications so we'll be able to live within our means?

Prof. Kenneth A. Rosaasen: I think government should be making expenditures where they'll create the best long-run return, and I think some of those are in public research.

The research done by Julian Alston and others shows positive returns annually of 20% or more—often way more. Those are where the expenditures should be made. The problem is that research takes a long time, and governments, unfortunately, are elected based on immediate returns and short-run initiatives. It's really difficult to decide to say, "Hey, we're going to make those long-run investments."

Mr. LaVar Payne: So should we be living within our means?

Prof. Kenneth A. Rosaasen: And also live within your means.

Producers are contributing. There are check-off funds being set up. Years ago, I was appointed by Grant Devine, when he was premier, to be on the Natural Products Marketing Council. It went around with producers and explained to them how they set up a check-off, which now forms the basis of SaskCanola, Sask Pulse. Those check-off funds are being used to improve research. Farmers had a vote on it, and they said, "This is important to us and we want to invest in this industry."

I think the governments should be spending more on it, because there's a lot of public good there, and there's a significant return.

Mr. LaVar Payne: I understand that. I think there has to be some sort of balance. At the same time, we have to live within our means. That's an important aspect.

We've talked about talking with individuals. I know the minister has done all kinds of round tables, right across the country. He came to my riding, in Brooks, and we had a number of farmers. A lot of discussion went on there in terms of the opportunities, the issues, and how we can work together. I know the minister has had ongoing discussions with the federal ministers, obviously, and the provincial

and territorial ministers on this. I believe they have come to some agreement, and certainly for Growing Forward 2, that's really positive information.

Mr. Chair, am I done?

• (1245)

The Chair: Yes, you are.

Mr. LaVar Payne: Thank you very much, Chair.

The Chair: With that, I'll thank our guests for being here today. We appreciate your input. Although maybe we went off the track a couple of times, I still think there was valuable information.

Thank you to our guests.

Committee members, I'll just advise you to keep an eye on the notice for the next meeting on the issues we're going to deal with.

Mr. Ian Robson: A point of order.

The Chair: I'm sorry, we're out of time.

The meeting is adjourned.

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