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Chair

Mr. Bev Shipley

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• (1525)

[English]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): I'd like to call the meeting to order. We have quorum.

We've had some interruptions today with votes. Under no illusion that we're done with voting yet, if everyone agrees and we have quorum, we will just start into the meeting. Pursuant to Standing Order 81(4), we're considering the main estimates for 2015-16, votes 1, 5, and 10 under Agriculture and Agri-Food, vote 1 under Canadian Dairy Commission, and vote 1 under the Canadian Grain Commission, referred to the committee on February 24, 2015.

Colleagues, we have with us today and we welcome the Honourable Gerry Ritz, the Minister of Agriculture and Agri-Food.

Thank you, Minister, for being with us today.

What I want to do without any further ado is give the minister the opportunity for his opening comments. Then we will see what happens in terms of when the bells will ring.

Minister, your opening statement, please.

The Honourable Gerry Ritz (Minister of Agriculture and Agri-Food): Thank you, Mr. Chair.

Today I have with me deputy minister Andrea Lyon; assistant deputy ministers Greg Meredith and Pierre Corriveau; and of course Paul Mayers with the CFIA.

It's been a busy time in Canadian agriculture since we last met. We've had the Canada-Korea Free Trade Agreement come into force on January 1 of this year, the passage of the Agricultural Growth Act, and a very successful trade mission with Canadian industry to Southeast Asia in March.

Just two weeks ago we announced that the CWB had reached a strategic partnership to secure the resources they need to become an independent, strong, and global competitor in the grains sector. This agreement with G3 Global Grain Group is expected to increase Canada's grain export capacity, adding hundreds of jobs and hundreds of millions of dollars of economic growth across the Prairies. The stronger CWB unit will continue to offer farmers an opportunity to build equity in this new company, simply by continuing to deliver their grain.

With this agreement our government has fully delivered on our commitment to marketing freedom by increasing marketing choice for western Canadian grain farmers, as well as keeping the CWB as a strong, viable option for farmers. As I said in Winnipeg, this

announcement is a win for Canada's producers and a win for Canada's economy.

Agriculture continues to drive the Canadian economy. Of course, the main estimates are always about looking ahead. When we do so, we see a bright future for this great, dynamic sector.

Demand is growing around the world for the high-quality food that our Canadian farmers and food processors continue to deliver. To allow them to capture that demand, we've sharpened the focus on strategic investments that promote innovation, competitiveness, and market development initiatives, while continuing to proactively manage their risk.

The estimates you have before you reflect this transformational change. Powered by a \$3-billion funding envelope over five years, Growing Forward 2 is really moving the goalposts, driving our economy and the sustainability of the sector overall.

A great example of this is the agri-risk initiative, or ARI. This is a new tool introduced under Growing Forward 2. Rather than taking action after the fact, the idea is to get out front and centre, and support bankable, predictable insurance tools that producers can use to proactively manage their risk.

A number of initiatives are already in place, including livestock price insurance, implemented in the western provinces of Saskatchewan, Alberta, and British Columbia, who bought on. At last count, cattle producers there have insured close to one million head, valued at \$1.7 billion.

Last week our government introduced the budget, which commits a further \$30 million over two years to grow Canada's marketing presence around the globe. This new support will help expand the activities of the market access secretariat and those of the CFIA to jointly support this agricultural sector in continuing to maintain as well as expand and diversify into new markets, while capitalizing on opportunities created by the trade agreements we're signing. This will also include new agricultural trade commissioners, and a more proactive role in setting international, science-based standards. The funding will also help expand our successful agri-marketing program to help farmers to further enhance marketing capacity at home and abroad.

To help our new generation of farmers take our industry into the future, the budget also increases the lifetime capital gains exemption from \$800,000 to \$1 million. On average, a farmer will save some \$27,000 when selling a property valued at that \$1 million-plus mark. This measure will ease the tax burden as our aging producers considering retirement pass the farm to the next generation.

A strong farm gate is fundamental to helping producers capture the incredible opportunities that are opening up here and abroad. That's why our government continues to push hard on the trade file, to get our foot in those doors before our competitors do. Our collaborative efforts are promoting decisions that are science-based, helping Canadian producers to export more product and grow the economy overall. Last year Canada's agriculture and food exports hit a new record of \$56.4 billion.

We continue to deliver on our government's aggressive trade agreement strategy. Since 2006 this government has successfully concluded negotiations on free trade agreements with 38 countries, while having ongoing negotiations with another 32. To date Canada has concluded trade agreements with countries representing close to half of the world's agriculture and agrifood marketplace. Our historic trade agreements with Korea and the European Union will open the doors to vitally important markets on two different continents. On January 1 the Canada-Korea trade agreement came into place. This agreement will level the playing field for exporters in this key market by eliminating tariffs on our canola, beef, pork, and grains.

Upon implementation of the agreement with the EU, Canada will be one of the only developed countries in the world to have preferential access to the world's two largest economies—the EU, and of course the United States. Industry has estimated that this agreement will increase Canadian agriculture and agrifood exports to the EU by some \$1.5 billion a year.

● (1530)

We are also working hard to create a new trade opportunity through our ongoing participation in negotiations for the Trans-Pacific Partnership.

Of course, when it comes to enhancing our trade routes, we must practise what we preach here at home as well, and I certainly applaud the work this committee is doing on interprovincial trade barriers and ask that the report, the recommendations you table, be strong.

Transport is a key pillar of our government's strategy to build a modern grain industry that's equipped to compete in the global marketplace. We continue to build a modern grain industry with ongoing reform of the Canadian Grain Commission.

We introduced Bill C-48, the modernization of Canada's grain industry act, building on changes we passed in 2012 to streamline and modernize the operations of the CGC and reduce the regulatory burden for grain producers. Bill C-48 will enhance producer protection, grain quality, and safety assurance, while further streamlining the operations overall of the CGC. While parliamentary games from the NDP are stopping this bill from reaching committee, the government remains committed to advancing this important legislation.

As well as trade and transportation, farmers need research and innovation to compete in the global marketplace. In today's

environment, collaboration is key. That's why we're building on our very successful research cluster model. We almost doubled our investments in these clusters under GF2 as well as adding four new ones. Those investments of \$127 million have leveraged \$60 million in industry investments. GF2 is also driving innovation through industry-led R and D, agri-science projects, and funds to help get great ideas off the drawing board and into the marketplace. There are also the cost-shared innovation projects with the provinces and territories, and of course our world-class scientists who continue to deliver new ideas and tools to advance the sector.

A key catalyst for innovation is the Agricultural Growth Act, which received royal assent about two months ago. Bill C-18 will drive innovation by strengthening intellectual property rights for plant breeders so Canadian producers can and will have the best possible varieties available. At the same time, farmers retain the right to save, clean, and store seed for their own operation. Bill C-18 will level the playing field for our producers and will encourage foreign breeders to release their varieties into Canada much sooner. We've already seen the results with Bayer CropScience announcing a \$10 million investment in Canadian cereal crop breeding. Bill C-18 also brings innovation to our delivery of the advance payments program, giving farmers a more flexible tool to manage their cashflows while cutting red tape and improving efficiencies.

As well, to speed up the innovation pipeline, we are modernizing the variety registration system to help seed companies get farmers the tools they need to compete faster and more efficiently.

I'm confident these reforms will take down barriers to innovation while continuing to support our high-quality Canadian brand in the world markets.

Mr. Chair, all of this is great news for Canada's agriculture and food sector and for Canada's economy. The future is bright for this dynamic industry. The department's economic outlook points to a strong future for the agricultural sector with Canadian farmers' incomes and balance sheets at record levels. Agriculture has become more global in focus, more outward-looking, and much more confident. The credit for that goes to a new generation of farmers, processors, and other business people who have stepped up to the challenges of feeding a hungry world.

Our job as government, Mr. Chair, and mine as minister, has been to clear the road for that to happen. We've come a long way, but there's always work to be done. We're now starting to look at what the next-generation agricultural framework will look like. Powered by an aggressive trade and innovation agenda, we will continue to drive transformational change throughout this core economic sector to reap a bumper harvest for Canada's economy.

Thank you, Mr. Chair. I look forward to any questions or comments the panel may have.

• (1535)

The Chair: Thank you very much, Minister.

As always, you were pretty precise and straightforward. All of us appreciate that.

I want to introduce to everyone on the committee the witnesses who are here to support.

We have Andrea Lyon, Deputy Minister. Welcome to the panel.

We have Mr. Greg Meredith, assistant deputy minister, strategic policy branch, and Pierre Corriveau, assistant deputy minister, corporate management branch. We also have, from CFIA, Paul Mayers, vice-president, policy and programs.

Welcome to each of you.

Now we'll start the rounds of five minutes.

We'll start with Mr. Allen from the NDP for five minutes, please.

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

It's always nice to see you, Minister, and of course the rest of your department who are here with you today.

Minister, you mentioned the CWB in your remarks. Perhaps we could explore some of that.

The understanding, at least...and it's hard to understand it, because we're on the outside and we don't necessarily have enough information, it seems. Did we sell the CWB or did we just transfer the assets to G3?

Hon. Gerry Ritz: Neither: they've taken on a partnership called G3. The assets of the CWB are still there, working for farmers under the new entity. It's a partnership. G3 is a Canadian-registered company made up of Bunge and SALIC, which owns 50.1%, and 49.9% will be owned by the farmers trust under the CWB.

Mr. Malcolm Allen: When you say "neither", does that mean the government still has the controlling interest in the CWB at present?

Hon. Gerry Ritz: No—

Mr. Malcolm Allen: You do now.

Hon. Gerry Ritz: No, not at all. It's now a private sector entity and taxpayers no longer backstop or guarantee the workings of the CWB as they did during the single-desk era.

Mr. Malcolm Allen: Would you not agree, then, that you've actually done something like maybe moving it to someone else away from your control?

Hon. Gerry Ritz: Absolutely. They now will answer to farmers much more directly than they ever would as an arm's-length to the government....

Mr. Malcolm Allen: Can you tell us what role the directors who were appointed by you would have played in the decision about choosing G3, or who played a role in the decision?

Hon. Gerry Ritz: The directors of the CWB themselves were in charge of the endgame. They hired the audit firm Deloitte, as well as a legal team, to ascertain which was the right partner moving forward.

They had some 52 different entities put forward ideas, including the Farmers of North America. The unfortunate part with the FNA proposal was that it didn't come with any dollars or any kind of plan attached. What they were shopping for in the outline they put forward was someone who had the ability to capitalize and the logistics capacity and the ability to expand the footprint of the CWB across Canada, not just in western Canada anymore, as well as the ability to build port capacity on both the east and the west coasts.

Mr. Malcolm Allen: If memory serves me correctly, did we not, as Canadian taxpayers, put up \$300 million as a backstop at some point when the CWB was changed with the legislation? Is that correct?

Hon. Gerry Ritz: Yes. In order to keep the CWB viable, they needed a foundation of taxpayers' money to pay down the pension demands that were there and to pay off the bills that were against the building and the rail cars, and there was a small down payment made on two boats that had to be paid out. A number of things were needed in order to keep CWB whole so they could move forward—

Mr. Malcolm Allen: I understand it, Mr. Minister, but the chair is going to cut me off, so obviously the last question on this particular aspect would be, did the Canadian taxpayer get any money back from this transaction?

Hon. Gerry Ritz: Well, they will with the economic driver that the CWB will become.

Mr. Malcolm Allen: No, I'm not asking—

Hon. Gerry Ritz: Indirectly—

Mr. Malcolm Allen: No, I'm not looking down the road.

Hon. Gerry Ritz: Indirectly, there are different ways—

Mr. Malcolm Allen: Did they actually get any money from G3?

Hon. Gerry Ritz: There are different ways to collect tax and so on, Mr. Allen. Certainly, over time, they will see that money returned in the economic driver that Canada will become.

Mr. Malcolm Allen: Well, that's like me buying a house from Mr. Dreeshen and then saying I'm going to pay his property taxes. If I buy a property, I actually pay for it. If I say, "Well, you'll get your money back at some point in time because I'll continue to pay the property taxes...."

What I'm asking is, did G3 write a cheque to the Canadian government and say, "Here's some of your money back"? It was \$300 million.

Hon. Gerry Ritz: Well, that was never a part of it, Mr. Allen. I guess it would be like the money your party owes the Canadian taxpayer for these offices you put together and so on. When will we see that back? Over time? Probably.

• (1540)

Mr. Malcolm Allen: I didn't realize that was part of the agriculture committee, but I guess that's part of your report.

Hon. Gerry Ritz: Well, you used an analogy, and so did I.

Mr. Malcolm Allen: At the end of the day, I guess the question still remains: did they pay any money back to the Canadian taxpayer, yes or no? That's kind of simple.

Hon. Gerry Ritz: No, not directly. Indirectly, they will, yes.

Mr. Malcolm Allen: Thank you. I appreciate the candour, Minister.

Can you update us on what kind of remuneration would have gone to either the board of directors or those who were left running the CWB and who, indications are, will be there for only a short period of time before they move on?

Hon. Gerry Ritz: The transition should be complete in early July, which is I think the number that G3 and the CWB are looking at. I haven't been privy to that. At the end of the day, then, the directors who are there now aren't eligible to move on to be part of the new entity. They actually stop.

Mr. Malcolm Allen: Will they receive some form of severance or reward for their role in any of this? You've said that they've made the decision, so is there remuneration for them for doing what they've just done, which is to basically hand over the CWB?

Hon. Gerry Ritz: Not from my department and not from Canadian taxpayers, no.

Mr. Malcolm Allen: Is there any from the other entity called G3?

Hon. Gerry Ritz: I have no idea what the other entity will do. They're a private sector entity. I don't know what agreements they have. I don't.

Mr. Malcolm Allen: Except that the folks who are there now are part of a crown corporation.

Hon. Gerry Ritz: Sorry?

Mr. Malcolm Allen: The folks who are there right now are part of a crown corporation. Right now, at the moment, they're part of a crown.

Hon. Gerry Ritz: Well, it's not even a crown. It's an arm's-length holding of government, but it's not even considered a crown. It's an anomaly.

Mr. Malcolm Allen: But they report to you.

The Chair: Thank you very much—

Hon. Gerry Ritz: They did, but they don't anymore.

The Chair: Thank you very much, Mr. Allen. Our time is up.

Now we'll go to Mr. Dreeshen of the Conservatives, please.

You have five minutes.

Mr. Earl Dreeshen (Red Deer, CPC): Thank you very much, Mr. Chair.

To the minister and all of your folks from the department, I certainly thank you for being here.

As a grain farmer, I had no prouder moment than when we delivered the first loads of freedom wheat to our local elevator. That was made possible, of course, by our government's marketing freedom for western grain farmers act. With support for this from a majority of grain farmers, the government made it a priority to make marketing freedom for farmers as it went through the dismantling of the Canadian Wheat Board's single-desk monopoly. Also, as anticipated, we finally saw this commercialization of the Canadian Wheat Board earlier this month.

In the main estimates, there is \$24 million allocated especially to the Canadian Wheat Board transition program. Can you go over that in some detail and tell us just what this actually means to farmers?

Hon. Gerry Ritz: It's a tremendous opportunity for farmers to continue to market. They've shown us expertise in marketing their canola and special crops, everything outside of the old single desk, over the years. In fact, the intransigence of the board over the years actually gave rise to a growing and dynamic canola sector and the special crops sector, which probably wouldn't have had as big a footprint today as they do simply because the Wheat Board wouldn't allow changes to be made on the wheat, durum, and barley front.

Having said that, everyone I talk to now says we're actually starting to see more wheat grown. We had actually lost close to some 5 million acres of production in the last few years of the single desk, as farmers moved away to other rotational crops. That's one reason we're spending a tremendous amount of money and energy on wheat varieties now, because there's a growing demand to get back into something that's more saleable to the world out there.

The Wheat Board always held up Warburtons mills in Great Britain as their poster child for how everything worked well under the single desk. One of the first calls I got when we went public with the change we were going to make to the single desk was from Warburtons, saying, thank God you're doing that, because we were about to move all of our buys to Australia. The Wheat Board would not sell them what they wanted. They kept selling them what they had, and weren't looking at them as a customer and selling them what they were requiring. Warburtons contracted last year thousands of acres of cropland across western Canada to grow the varieties they want and need. So there are tremendous success stories out there with those changes.

Farmers have embraced it. There are still a few; there were a couple wandering around here yesterday, saying how terrible this is for their enterprises. They're talking in terms of losing tens of thousands. If they are, agri-stability will kick in. But I haven't seen that. I think they're blowing a little smoke.

Mr. Earl Dreeshen: Thanks.

Another aspect, of course, is that we've heard about farmers getting older, retiring.

Hon. Gerry Ritz: Just look at you and me.

Mr. Earl Dreeshen: Yes, I know.

It's a case of having your life savings in your farm. As far as pension plans and all of those other types of things are concerned, that's where your retirement is. Of course, when we talk about the expanded lifetime capital gains exemption for farmers, it goes a long way in helping succession planning, looking at children and grandchildren being able to take over the farm.

I know we've talked about that. As you mentioned in your comments earlier, this is in budget 2015. I was just wondering if you could, perhaps a little bit more specifically, provide the details regarding the lifetime capital gains exemption for farmers, how it's going to be implemented, and how it's going to work out for them.

• (1545)

Hon. Gerry Ritz: When we first took government in 2006 the capital gains exemption stood at \$500,000. Of course, over that last nine years now we've seen a tremendous growth in the value of farmland as well as the farm entity itself. There's going to be some capital gain recaptured.

We first changed it to \$750,000. Then we indexed it, so it's sitting around \$813,000 and change, I think, if I remember the number correctly. Now we've moved it to the \$1 million mark, which is reflective of the increases we've seen on farms.

Most of the farms out in our country are well north of that \$1 million value. I've seen several that were sold for \$20-plus million. It does make a significant difference on the bottom line when farmers decide to sell out. It certainly helps pave the way so that the next generation can pay a little less from dad, if at all possible, and dad and mom still have enough to retire on in the lifestyle of their choice.

It's just one of those things that government can and should do, just every once in a while, to bring things up to current status. That's why our programs at Ag Canada evolve. Farming has changed drastically in the last 5, 10, 20 years. It's only right that our programming change as well, including our tax program.

The Chair: Thank you very much, Mr. Dreeshen.

Now I want to welcome Mr. McKay from the Liberal Party, who's joining our committee.

Mr. McKay, five minutes, please.

Hon. John McKay (Scarborough—Guildwood, Lib.): I may be joining you today, but it won't be permanent.

Mr. Eyking has been talking to quite a number of farmers over the last few months. One issue that keeps coming up is the business risk management program, which many farmers are describing as complicated, unpredictable, and inadequate. When I look at the Library of Parliament's breakdown of your various programs, I take note that in 2009-10 it was \$1.5 billion, and now it's down to \$1.280 billion, about a 15% cut.

Hon. Gerry Ritz: I'm scratching my head, John; these are demand-drive programs, so there's no cut. If the demand is there, the programs balloon. They could go north of \$2 billion if it were

required. There's a line item that has agri-stability, and as the demand increases so does the dollar. If the demand isn't there, as it hasn't been in the last couple of years with the markets delivering, then, of course, the payments go down.

Hon. John McKay: It's a curious juxtaposition, then. You started at \$1.5 billion, you're down to \$1.28 billion, and you're saying the market's in effect taking care of the risk—

Hon. Gerry Ritz: Right.

Hon. John McKay: —which can only be to the good.

Hon. Gerry Ritz: Right.

Hon. John McKay: Having said that, why would Mr. Eyking be hearing about a program that is complicated, unpredictable, and inadequate? Those two thoughts don't live in the same universe.

Hon. Gerry Ritz: Most of the provinces deliver the programming themselves, so the administration is theirs. As a department, we deliver Manitoba and Atlantic Canada. Every other province delivers their own and they all have little tweaks and twists. At the end of the day there's more work being done, as I said, on agri-insurance because it's more bankable and predictable than agri-stability or agri-recovery, which is the disaster component.

The problem that we always heard from farm groups on agri-stability was, as you rightly point out, the twists and turns, and how to make it work. It's not a bankable and predictable as insurance is. That's why, as a government, we've been working with the provinces—it's shared jurisdiction—to move more and more programming to an insurance risk base. That way it's bankable and predictable. At the end of the day, we're now seeing that happening in the livestock sector, which is much better. We're also seeing our crop insurance programming starting to cover things like unseeded acres and other issues that weren't covered before that agri-stability had to pick up. We're trying to make this as predictable as we possibly can for farmers so they know what they're up against every year.

Hon. John McKay: If you're moving it to an insurance-based model, as a farmer who wishes to draw, how will that be different than what business risk management looks like? What would be the difference in the program form?

Hon. Gerry Ritz: I would start out by saying that a farmer doesn't wish to draw catastrophe, but certainly if something like that happens, whether it's market driven or weather driven, they want to know that they have coverage. They want to know what the parameters are of that coverage so they can fill it into their business line to get lines of credit at the bank and so on. We're doing that. We're trying to keep things as bankable as we possibly can so that the lending institutions understand that this farmer has coverage to this level and the line of credit can be applied to it.

The most significant change that was made to agri-stability was farmers coming to us and saying they are using this global average where the high and the low year are left out of the five year and then the middle term is the average. The folks that need this year after year have hailstorms two years in a row and are losing out. What we did we made the adjustment to draw down the overall coverage of agri-stability from 85% coverage to 70% and at the same time bring up the negative margin coverage into that same vein. The people that needed it more got coverage and those that weren't claiming it didn't lose anything, because whether they got 70% or 85% of a non-claim didn't really matter.

• (1550)

Hon. John McKay: No.

For the interest of members who are going to be asked to vote shortly, where is the...? I was going to say it's a replacement program. It's not really a replacement program, it's a—

Hon. Gerry Ritz: It's a companion program.

There are several fronts in the business risk management, or BRM, suite of programming. Agri-invest, where farmers put in 1% of their net and we match it—they can put in any amount they want, but we only match the first 1%—gives them money for a rainy day to take out the small bumps and hurdles as they move forward. Most farmers look at that as a retirement program as opposed to levelling out the small bumps. The trick with that is we've changed the trigger. It's much more user friendly than it used be. Then you have agri-stability, which is one of the major programs. It's driven by market interruptions or weather-related issues that aren't covered by crop insurance. Crop insurance is the mainstay for most people. There never was an insured-based product for livestock, but now we have one under the agri-insurance envelope. Saskatchewan, Alberta, and British Columbia have endorsed, as I said, about a million head covered to a value of about \$1.7 billion. Manitoba is looking at one for hogs, based more on a hedging guarantee, and we're looking at how we implement that as well. So everybody's—

Hon. John McKay: The disadvantage—

The Chair: Thank you very much, Mr. McKay. We're well over time.

I'll go to Mr. Maguire, please, for five minutes.

Mr. Larry Maguire (Brandon—Souris, CPC): Thank you very much, Mr. Chair.

I want to be the second one on this side to congratulate the minister on the changes that he just was talking about in regard to the Wheat Board. The changes will lead to more marketing options and choices for farmers across the Prairies, at least, anyway. With that, there are growing market opportunities. That's more important than ever. There are some main items in the estimates here such as \$194 million that I see under the lines of market access, negotiations, sector competitiveness, and assurance systems.

A portion of that funding is going to open up new markets in the world. We've signed 38 new trade agreements, more than any government in history. I wanted to ask you how these agreements are going to benefit the multiple industries, particularly in agriculture, that will be affected by it and can you inform our committee how the

access to these new markets will impact our Canadian agriculture sectors?

Hon. Gerry Ritz: Trade is the mainstay of Canada. We have a large ability to produce and a small population to consume, so we export between 50% and 90% of commodities, depending on what they are. For pork 50% goes out, and for canola, 85% to 90% goes out, and that varies.

At the same time we export that volume, we also import 50% of what we consume. There are different numbers and different values, but at the end of the day we're a trading nation by design, and the whole point of a trading nation is having markets we can ship those goods to. You need more than one bidder on your product in order to keep your major trading partners. The U.S. has always been a major trading partner and it probably always will be, but at the end of the day, having the ability to ship livestock now into Japan, Korea, China, and India, and to ship different things like grains and oilseeds to more than just the American market certainly has brought the value up. We've all seen that with the price of beef as it has climbed given the growing need or demand for protein around the world.

We need to facilitate that and it takes boots on the ground for the market access secretariat, which is being added to in this budget. We need trade commissioners to work with all of the provinces now that are getting on that trade bandwagon. Ontario just got back from a trip to China. Good things are happening over there. It's all good, but you need coordination to make all of that work. We don't just need people storming the beaches in China. We actually need them doing it in an orderly way so that we don't have gaps and overlaps. That's what these trade commissioners do.

We also have the ability now to have dedicated agriculture people embedded in the embassies in the markets that are most important to us, along with a lot of Paul's colleagues at the CFIA. We found that extremely helpful with the latest BSE case. Our lead, our eminent veterinarian on BSE, is a guy named Dr. Gary Little, who is actually stationed in Tokyo. This time around we didn't have any interruption at all in the market in Japan. In fact, Japan accepted some 28 containers that were on the water headed to Korea. They said they wanted time to assess those. They were swung and purchased in Japan.

These men and women do tremendous work for us on the ground in that regard, which is why you see that reflected in the budget.

• (1555)

Mr. Larry Maguire: Thank you very much.

One of the other impacts that come from these changes that I have lobbied for all my life, as have you, is the opportunity for more processing right here in western Canada to change the value of the product and change the type of product. Doing that requires a lot of heavy investment from many companies, farm organizations, or smaller groups that may not be able to just jump up and put out the cash to do it all.

The \$70 million in the main estimates for the growing industry capacity in Canada will give them an opportunity to do that. I wonder if you can just explain how that funding is going to affect the processing industry here in western Canada, and it's not just in the west. This impact is going to be felt across all of Canada. I'm just wondering if you can also expand on how the accelerated capital cost program we have in the budget will affect this as well.

Hon. Gerry Ritz: Sure. They all dovetail together. Everybody has different requirements. The biggest thing we found in travelling last year was that we need to begin to assess these markets and sell them what they want, not what we have. We enjoy a nice 10-ounce or 12-ounce sirloin or a 16-ounce T-bone. That feeds a village in Japan. But how do you cut that up properly so you're not wasting what we have and still address that marketplace? This allows processing facilities to retool to specifically address those market requests, and that's exactly what's needed. We're just starting to reinforce "sell them what they want, not what we have", which means processing jobs here and the ability to recapture some other goods. When you crush canola here, the meal stays in our livestock sector rather than what happens when we just ship the seed and so on.

There is a tremendous amount of work being done to coordinate all of that so that we end up with the biggest benefit, whether we send over raw materials to be processed there or we can process here right through to finished goods, or we Cryovac two-inch cuts for that market in Japan.

The Chair: Thank you very much, Mr. Maguire.

Now we'll go to Madame Raynault for five minutes, please.

[Translation]

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

Mr. Minister, in my discussions with the farmers in my region and those in Quebec, I have noticed that, for the industries where supply management is a factor, it is critical that it remain in place. As you know, the system provides the stability and predictability that allows producers to invest back into their farms and to stimulate innovation. Compared to other systems, supply management helps big and small producers alike.

As a consequence, Mr. Minister, in a constituency like mine, or like my neighbour's, Ruth Ellen Brosseau, supply management fosters economic prosperity and job creation. In Quebec, almost 9,000 farms, more than 62,000 jobs, and 37% of farm income as a minimum are affected by supply management. Supply management works, and it is vital to the well-being of agriculture in Quebec and in Canada. It also allows all Quebecers and all Canadians to have high-quality products on their shelves while costing the public purse nothing.

In that context, Mr. Minister, can you reaffirm your unwavering support for supply management today and keep the promise made in the Speech from the Throne?

[English]

Hon. Gerry Ritz: Absolutely. As a government, we have proven the value and validity of supply management as we continue to exercise free trade agreements around the world. We've done that.

I consider Marcel Groleau, the head of the UPA in Quebec, a good friend. We chat from time to time on issues such as this. We made a pledge that should there be any negativity through the producer level in any of these free trade agreements, such as the European Union free trade agreement, they will be compensated and kept whole. We continue to reinforce that.

The discussions around the TPP are heating up. Until it actually nails down on a point, there's a lot of concern, I will say, throughout the SM sector as to what will happen at the end of the day. But they all know that as a government, we have their best interests at heart. All of us agree, all political stripes agree, on the value of the SM sector to Canada.

• (1600)

[Translation]

Ms. Francine Raynault: According to the 2015-2016 Report on Plans and Priorities, some sub-programs are entirely funded by Growing Forward 2 while others come from departmental resources in addition to the resources from Growing Forward 2.

Could one of you tell us how much will be spent in total in 2015-2016 for Growing Forward 2?

Can that amount be broken down by sub-program?

[English]

Hon. Gerry Ritz: We can quantify some of that. We may have to get back to you on that number.

Growing Forward 2 is a five-year program. To identify one year, we'd have to work with the provinces of record, because some of the money is directed by them and some of it is directed by us. Some years there are overlaps, say, into Quebec, whereas other years aren't quite the same. It all depends on the year they access the funds.

We could seek to do that for you. You said 2015-16. We haven't done 2016 yet, and 2015 isn't finished yet. Which year would you want qualified?

[Translation]

Ms. Francine Raynault: I am talking about 2015-2016.

Can you tell us how much Growing Forward 2 will cost and can you break it down by sub-program?

[English]

Hon. Gerry Ritz: What it's going to cost? It will be delivered in the value of the envelope that's there.

As to the particular breakdown, Pierre, can you quantify some of those numbers?

[Translation]

Mr. Pierre Corriveau (Assistant Deputy Minister, Corporate Management Branch, Department of Agriculture and Agri-Food): Yes. In the main estimates, the total before you, which has to be voted on, is about \$943 million. Of that amount, the envelope for Growing Forward 2 is about \$450 million, or about 48% of the budget that has to be voted on here. You can see some parts of it in more detail on page II-48 of the main estimates.

For example, in innovation, we anticipate an expenditure of about \$100.1 million for Growing Forward 2. That gives you an overall idea. It is a significant part of the department's budget.

Ms. Francine Raynault: Okay.

Do I have any time left?

[English]

The Chair: Thank you very much, Madame Raynault.

Hon. Gerry Ritz: Mr. Chair, before we move on, does that answer the question?

[Translation]

Ms. Francine Raynault: Yes.

[English]

Hon. Gerry Ritz: Thank you.

The Chair: Mr. Zimmer, five minutes, please.

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

Thank you, Minister, for coming today to committee.

As you know, vote 1 in the main estimates is operating expenses for the department at \$548 million. I would suggest that's a lot of money for all of us in this room, but it's toward a good cause, I would suggest, in your ministry to back up Canadian farmers, to back up our egg and food supply for Canada. As part of that, it's in support of the advance payments program, as you know. I'll ask a question about that following this.

I also wanted to talk about the fact we've passed various pieces of legislation that have affected the agriculture sector. As you know, Bill C-18 has been a positive effect, just recently receiving royal assent—again, another step, I think, from our government that we support the agriculture industry and farmers in Canada.

I have two questions, Minister. Can you please inform the committee how this legislation will assist farmers by reducing administrative burden and cost to producers and provide greater flexibility in repayment options, and simplify the delivery and ease of access to the advance payments program?

Hon. Gerry Ritz: The whole thing comes down to red tape and regulation. For all of us having run businesses and farms, the last thing you want to do is come in at 10 o'clock at night and start doing paperwork that's going to take you a couple of hours, when you've already put in your 12- or 14-hour day.

We've done an assessment of all of that. We don't deliver the actual program. It's done through third parties that do that. We are now instructing them to now offer other ways of repayment. Let's say I take a cash advance on my canola and I decide I'm not selling that. It used to be that you had to sell that in order to make your repayment. Now you can actually sell another commodity. You might see the price going up on canola. You can actually hold it now and sell your wheat, your barley, or something else, which you never could do before. Multiple years in one application; on the farm everybody is working on rotations now of three to five years so that, barring weather-related problems, you know exactly what you're going to need as you move out there. Livestock is now going to be covered, and things like that, which was never done before.

We're trying to make it as user friendly and as operationally easy as we possibly can. You can go to one administrator now for everything, as opposed to picking and choosing who you are going to apply through.

Did I miss anything there, guys?

Greg, are there any other points?

• (1605)

Mr. Greg Meredith (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food): No. I think you've covered it off, Minister.

Mr. Bob Zimmer: We met with 4-H in the other room, just before this meeting. We can see the future of what our farmers are going to be for Canada, and it's nice to have programs that are actually going to help those future farmers do their job and do it more effectively.

Hon. Gerry Ritz: Sure. There was some talk as we consulted—we broadly consult with industry before we come forward with these programs, as well as our provincial partners—about doubling the program. One group, the canola growers, basically, wanted it. They're the administrators, so of course they would like to have more money to administer, and so would I. At the end of the day, 98% of farmers are still well served within the \$100,000 interest-free and the \$400,000 cap. To double it would have really only reflected about 2%, so it wasn't worth making those changes at this point. But it's something we'll continue to consider.

Mr. Bob Zimmer: Yes, certainly. Thank you, Minister, for all your efforts.

You've been talking about the Wheat Board. We're seeing it in its last transition to being self-sustaining and part of a broader group of the world market, as we call it, and giving access to Canadian farmers. I've heard positive comments from the B.C. piece, where I'm from. I want to commend the ministry for making that happen and seeing that our farmers are well handled.

Hon. Gerry Ritz: We just followed through on exactly what our campaign said: we would have market freedom for western Canadian farmers as well as a strong, viable Wheat Board. We see that happening now with their commercialization, privatization, partnership—whatever you want to call it—with G3.

Mr. Bob Zimmer: Right. Thank you, Minister.

The Chair: Thank you very much.

Welcome back, Mr. Atamanenko. I'll turn it over to you for five minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, Chair. It's nice to be back at ag committee. It has been a little while.

Before I start, Minister, I would like to say this is probably my last time here. I know that you and I have enjoyed a respectful working relationship over the years, and I'd like to thank you for that.

My questions probably won't be any surprise to you. We do differ on certain issues—

Hon. Gerry Ritz: Just a second: I have the answers on page 3.

Voices: Oh, oh!

Mr. Alex Atamanenko: I'd like to pursue what Francine was talking about in regard to supply management. Your government has committed to protecting supply management. I thank you for that.

We have seen, however, roughly 17,000 tonnes of concessions to European cheese coming into Canada. You're saying there will be compensation, but we know that now our farmers will be competing with subsidized farmers in Europe.

The TPP is coming up. There's tremendous pressure, as we all know, from New Zealand and other countries, the United States, to not do away with supply management but maybe for more concessions. My understanding is that there would be more compensation, but I'd like to get a commitment from you that we won't be doing this, we won't be offering any more concessions, that you're committed to protecting supply management as is, that it's not costing the taxpayer anything, that we don't need to make concessions to New Zealand or other countries. They're all interested in protecting their own interests, so I'd simply like a commitment from you to do that.

The second topic is also obviously no surprise to you. We have the Arctic Apple, we have alfalfa, which have basically been approved but have not yet been released into the environment. There is concern from farmers that this could damage them economically. We know that Argentina has certain rules that look at the economic impact before introducing new GMO varieties.

Would you be willing to have, for example, a moratorium on these two commodities prior to allowing their release? We've seen concern that there could be export markets for our alfalfa pellets touched, the organic industry. We've seen some contamination already across the border, and we know that the B.C. fruit growers are very concerned, as are organic producers, about the apple.

I'd like to get your comments and some commitment from you to ensure that our farmers are protected as we move into this new GMO area.

Hon. Gerry Ritz: Sure. Those are both good questions.

We've been unequivocal, all parties. We've passed unanimous motions and so on to make sure that our supply management sector continues to exist in Canada and is vibrant and healthy. As a government we take that very seriously in negotiations.

I've had the good fortune to be involved at those tables with the European Union, and to a certain extent the TPP as well, and I can tell you that this government is unequivocal in our support for SM.

At the end of the day we have to look at trade values that are balanced. Of course, we have huge trade-reliant sectors in this country as well. We look at it in a holistic way, but at the same time with the eye on supply management to keep it as workable as we absolutely can.

We've proven that with the European Union. The 17,000 tonnes of cheese you're talking about represents some 3% to 3.5% of domestic consumption. In the year or so since we've had that announcement we've seen domestic consumption starting to rise. By the time that's

fully implemented, of course, domestic consumption will be replacing the cheese that's coming in.

The unknown, and what cheese producers are concerned about, is what the breakdown will be. If it's all high-end cheese, it's different. If it all comes in at Christmas, it's different. There are ways to mitigate the impact of it coming all at once. There are variations of what qualities and quantities of cheeses come at different times. Those will be worked out as the importers and exporters move forward on that.

• (1610)

Mr. Alex Atamanenko: Sorry, Minister, could I interrupt you for a second?

Would it not be possible to say, that's it, we're not doing anything? Why work on all these different statistics and figure out compensation and all that? Just say no. That's it. Supply management exists. It has served our people well. It doesn't cost the taxpayers a cent. Look, we have lots of aces in the hole when we are negotiating. We have all sorts of commodities. We have strength. Just say, that's it, no more concessions. We are not going to do this in TPP.

Could we not do that as a government?

Hon. Gerry Ritz: I think you can do anything you want as a government. At the end of the day, are you shooting yourself in the foot? You would have to analyze that over the coming years.

There is a growing sector within supply management that also recognized they built themselves a glass ceiling when it comes to expansion. Certainly the federal government is not in charge of the quota, quota value, quota allocations, and all those things. This is done at the provincial level, so there is a partnership in that regard.

The federal government is in place to make sure there are tariff walls that can't be breached. Right now, with the dollar where it is, of course, it is easier to make sure those tariff walls are strong enough that when the dollar is at par it does make it more difficult, and we've done that quite successfully. We've had some of the importers and exporters look for gaps and exploit them, and we as a government have put our finger in the dike as we see those types of things happening. We will continue to do that because they are basically cheating the system, gaming the system a little bit.

At the end of the day, even a growing sector within the SM system itself is saying "For me to get larger and to have the economies of scale I need, I need to be able to trade interprovincially, and I need to look at some export market as well."

I had this discussion with Tim Groser, New Zealand's trade minister. Our SM system is not a zero-sum game or a closed shop. New Zealand has over \$100 million a year, on average, of dairy access to Canada. We do this further processing, and so on, to keep our processing sector whole.

There is a whole new game plan under way, a whole new way of looking at things between the producers themselves and the processors. We saw that when the producers identified that to address the pizza kit issue, they needed to have a world-price mozzarella—and they have done that, working with processors and so forth to deliver that good.

It's like all of agriculture. There is evolution and things moving forward. To say that we are just going to close the door would actually be doing a disservice. Everybody needs to look at all the options that are out there. We continue to do that, keeping in mind that our SM system is special and is working well.

Every country has defensive and offensive positions. That is what makes trade negotiations interesting.

The Chair: Thank you very much, Minister.

I hate to cut you off, but the bells are going.

We have two more rounds of five minutes to go. I would ask the committee that we finish those and then we break. We are close to the House. Does that meet everybody's agreement?

Great. Thank you.

Mr. Payne, you have five minutes, please.

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

Thank you, Minister, for coming, along with your officials.

I think back to the days when we talked about the Canadian Wheat Board and I had a few farmers come into my office who were highly upset. Today I don't have any farmers coming in who are upset. They have smiles on their faces. They can sell whatever they want. They are pretty happy folks because they are getting way more money than they used to get.

Minister, you talked about the international trade agreements that we have put in place. I have ranchers and pork producers all very happy with those agreements, so I just wanted to pass that on.

Certainly, I do hear from the supply management folks. They are encouraged that we are continuing to make sure this is within our scope, and we want to keep that as part of it.

Minister, you are probably aware that we are just wrapping up a report and study over the last couple of months on international trade barriers. We have heard from quite a number of witnesses about some of the difficulties with the impact of trade barriers between provinces. It was interesting because some of the organizations didn't want to point fingers at one group or another, one province or another, so that makes it much more difficult to try to get that.

I know your ministry certainly wants to grow our Canadian agricultural industry. I am wondering if you have any thoughts on what we might be doing to help move product between provinces and get rid of some of these barriers. That would certainly be helpful.

• (1615)

Hon. Gerry Ritz: Industry Canada leads the work on the interprovincial trade barriers. I know you guys have just completed a study, and I welcome that. I think the more we shine the light on lost opportunities interprovincially, the more people realize that this is huge money. I know at one point we looked at a robust WTO agreement during the Uruguay Round as being a benefit of some \$6 billion to Canada, and at the same time we're losing roughly that same amount with the trade barriers and walls that we see interprovincially in this country. If I want to buy a bottle of B.C. wine, I can bring it home from California, but I can't bring it home from British Columbia, which makes no sense to me at all, or you.

That's why we, as a government, made sure that we've rescinded the one piece of legislation from the twenties that was still under Agriculture Canada's purview. Now there's really no reason for the provinces not to be able to move that product. They were hiding behind that. Some have embraced it, and some have not, in the way that they think we would have them do that.

It doesn't make a whole lot of sense to me to do a deal with the European Union, where we're going to have French, Italian, and German wine coming in, and yet in Ontario I still can't go and buy a bottle of British Columbia wine. It's beyond reason. There's certainly a tremendous amount of work to be done here. I guess any forward-thinking province recognizes that trade within Canada is an ideal way to go. There are certain parts of the country that are better at certain things than others, and we need to be able to move the product in a much more free and open way than we do. So I welcome your report and look forward to the recommendations you're making.

Mr. LaVar Payne: Certainly, I totally agree with you.

Actually, I want to share my time, Mr. Chair, with Mr. Maguire.

The Chair: Have you finished?

Mr. LaVar Payne: I have finished. Thank you.

The Chair: Go ahead, Mr. Maguire.

Mr. Larry Maguire: Thank you to my colleague from Medicine Hat.

There's just one last thing, Mr. Minister, in regard to the Wheat Board. I know G3 is a registered company in Canada. It's keeping its head office in Winnipeg. One of the benefits, I guess I would say, of the whole process, which I learned the day of the announcement, is that Karl Gerrand is the CEO of that company. I just have to put a plug in for a local Virden, Manitoba, man who now is the CEO of the Canadian Wheat Board, with G3 involved in that partnership.

Hon. Gerry Ritz: Yes.

Mr. Larry Maguire: I know the family. I lived in Virden a number of years myself, and there's still a pretty tremendous understanding of agriculture in that family and in our local area.

Hon. Gerry Ritz: Right now the major players—they call them VCR—are Viterra, Cargill, and Richardson. This adds another major player with that kind of capacity and that kind of scope. When the Wheat Board was looking for a partner to commercialize and privatize with, of course the criteria were that it have the expertise internationally, which Bunge, does, and the ability to continue to expand the footprint. The Wheat Board, under the transitional phase, had bought Mission Terminal in Thunder Bay. They own that, along with at Trois-Rivières, I think, a subsidiary. They've continued to make payments on the lakers. One is delivered and has made the first run-up. It got sideswiped by some ice on the run-up, but it's there, it's loaded, and it's making its first voyage back.

At the same time, there are four new elevators under construction—two in Saskatchewan, two in Manitoba—and they continue to increase that footprint. They've purchased two other facilities in Saskatchewan that are also attached to short-line rail. I know the farmers along that are buoyed by the fact that they now have an international marketer that is a co-owner of those enterprises. They're also committed to building another number of elevators as they assess the gaps throughout predominantly western Canada.

But Bunge itself has a large footprint and a crush capacity in the rest of Canada as well. It's well known and well respected around the world, and it'll get us into markets in which right now we're not a major player. We look forward to that. An expanded presence at the west coast is always good. It has that ability.

The Chair: Thank you very much, Mr. Maguire.

Minister, on behalf of the committee and all members, I want to take the opportunity to thank you for coming out.

With that, we are going to move to votes on the main estimates. I want to thank the department heads for coming and being the support that is sometimes needed. I think with the thoroughness of the minister, obviously we see he's very much in tune with the issues around his portfolio, and we thank him for that.

We will release the witnesses, the department heads, because we do have votes. That will mean that you won't have to come back.

Thank you again, Minister.

With that, we will have the votes on the main estimates.

AGRICULTURE AND AGRI-FOOD

Vote 1—Operating expenditures.....\$548,177,880

Vote 5—Capital expenditures.....\$27,872,294

Vote 10—The grants listed in the Estimates and contributions.....\$367,238,619

(Votes 1, 5, and 10 agreed to on division)

CANADIAN DAIRY COMMISSION

Vote 1—Program expenditures.....\$3,605,377

(Vote 1 agreed to on division)

CANADIAN GRAIN COMMISSION

Vote 1—Program expenditures.....\$4,883,698

(Vote 1 agreed to on division)

● (1620)

The Chair: Shall I report the main estimates to the House?

Some hon. members: Agreed.

Mr. Malcolm Allen: If you like.

The Chair: For your information, we will try to have that happen at the first of the week.

Thank you, colleagues.

The meeting is adjourned.

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