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Chair

Mr. Pat Finnigan

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•(0845)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone, as we pursue our APF study. I would like to welcome Mr. Lukiwski and Ms. Christine Moore as replacements this morning. As you all know, we might be cut a little short this morning with the vote in the House. I think I have consent that we can go maybe 10 minutes beyond the bell, if everyone is okay with that. It looks like we have unanimous consent for that.

I want to welcome our guests this morning. We have Kurt Siemens from the Canadian Egg Farmers and also Alison Evans. Welcome to you both.

We also have Fiona Cook from the Grain Growers of Canada. Welcome.

Of course, we have the well-known Ron Bonnett, who I think has crossed the country more times than most of us as politicians. He's well-known across the country, Welcome, Ron, to our meeting this morning.

We'll start by giving each of the witnesses 10 minutes.

Mr. Siemens, the floor is yours.

Mr. Kurt Siemens (Director, Egg Farmers of Canada): Thank you very much and good morning. Thank you for inviting us to be part of your study on the next agricultural policy framework.

My name is Kurt Siemens. I'm a third-generation egg farmer from Manitoba. I began running the farm that I grew up on in 1993. I now farm with my oldest son, Harley, who recently graduated from the University of Manitoba with an agricultural diploma. In addition to farming, I'm actively involved with the Egg Farmers of Canada. I've been a director since 2009. EFC represents about 1,000 regulated egg farmers in all provinces and the Northwest Territories.

A uniquely Canadian system of supply management gives Canadians fresh, local, high-quality eggs and sustains vibrant rural communities. The egg industry is in its 10th consecutive year of retail sales growth. Our industry also supports more than 1,700 jobs, delivers \$428 million in tax revenues, and contributes \$1.2 billion to Canada's GDP.

We believe that operating under supply management is a privilege and a great responsibility, and have been deeply committed to honouring our social licence and strengthening public trust for years. We believe that business success and giving are linked, and this is embedded in our strategic plan known simply as "the EFC way".

That is why we operate a national young farmers' program to nurture the next generation, and why we invest in the long-term programs of four renowned researchers and their teams. It underpins our decades of donations to partners like Food Banks Canada, Canadian Food for Children, and more recently, the Breakfast Club of Canada.

It's why we participate in global initiatives like the International Egg Foundation through which Heart for Africa Canada has received close to \$1 million and our on-the-ground expertise in establishing a layer of operation.

Now, countless orphans and people adversely affected by HIV/AIDS, extreme poverty, and malnutrition are benefiting from the humble egg. That's why we are playing a central role in the development of a public trust network. It's an accumulation of government and industry collaboration that started in October of 2015 in Winnipeg, when a small group imagined a national dialogue on these critical topics. It's also why we are here today.

Quite simply, we believe that agriculture represents one of Canada's biggest global economic opportunities and that it is time that the progress and potential of this sector is fully recognized and leveraged. The world's population is estimated to grow to 9.6 billion by 2050. This will require a 70% increase in global food production. Canada is well positioned to play a vital role in feeding Canadians and the world with its safe, high-quality products.

In order to do so, policy and budget decisions must recognize agriculture as a strategic growth sector and a significant contributor to rural and urban economies. An exemplary design and delivery of the next agricultural policy framework is essential, as agriculture needs support in preventing and treating certain diseases and controlling pests, producing more food with fewer resources, responding to growing consumer interests and expectations regarding food production, being responsible stewards of the land and providers of environmental public goods, and maintaining a sustainable lifestyle for farmers and future generations.

With growing forward 2 ending in 2018, it is imperative that the government develop and fully fund the next policy framework to support innovation. A critical input to this process is Agriculture and Agri-Food Canada's ongoing consultations and the resultant "Calgary Statement".

We are active participants in this process and are reassured by the commitment to transparency and the mechanisms that aim to keep information and input flowing between industry, stakeholders, and all levels of government. We also want to acknowledge the significant work that the CFIA has undertaken in developing a suite of policy and program recommendations for the next agricultural policy framework.

• (0850)

Of the many constructive ideas we've heard along the way, today we'd like to emphasize our support for the following: investments that facilitate more integrated partnerships in agrifood value chains; funding of broadband technology adoption; and ecosystem/environmental programs that are incentive-based, community-delivered, and voluntary. We also support a joint approach to addressing heightened concerns about food production and government assistance in addressing the significant trust gap between science-based innovation and consumer acceptability, and the understanding of that innovation. We support streamlining of the processes and more mid-project/program flexibility that recognizes change and natural cycles within agriculture. We support significant investment to renew and reinvigorate agriculture and agrifood research to a more meaningful level. Investments should focus on priority areas, developing expertise, infrastructure and on mobilizing knowledge for primary producers and the rest of the value chain. We support greater transparency and education on funding opportunities, and on successful initiatives, and their outcomes.

In the spirit of that last comment, I'd like to conclude with a success story. Alberta's Brant Colony has become the Canadian egg industry's first net-zero layer barn, a story that has garnered significant attention and praise. It received \$250,000 from growing forward 2 for a feasibility assessment, capital equipment, monitoring, and extension. The project has been an inspiration for EFC's new research chair in sustainability, Nathan Pelletier, who recently showed that over the last 50 years egg farming has doubled production while cutting its environmental footprint in half. He is presently developing a research program that we hope will spur more of our farms to pursue excellence across the pillars of sustainability, where environment, animal welfare, worker health and safety, food safety and quality, and affordability are all considered. To us, the net-zero barn is what timely, effective, multi-stakeholder collaboration looks like, and it is the epitome of what a well-constructed and well-delivered agricultural policy framework should yield in droves.

We want to see the Canadian agriculture and agrifood sector realize immense growth, fuelled by the next agricultural policy framework, and are eager to continue to collaborate with the government in this regard.

I thank you for your time, and I look forward to your questions.

The Chair: Thank you, Mr. Siemens.

Ms. Cook, for 10 minutes.

Thank you.

Ms. Fiona Cook (Executive Director, Grain Growers of Canada): Thank you, Mr. Chairman, and good morning.

Thank you to all members of the committee for the opportunity to appear today and comment on the next agricultural policy framework.

The Grain Growers of Canada acts as a national voice for more than 50,000 farmers across the country who actively grow and care for a variety of crops, including wheat, durum, barley, canola, oats, corn, soybeans, and peas and lentils.

GGC is led by dedicated farmer directors who work with government and stakeholders to achieve our goals. Our primary areas of focus include transportation, sustainability, trade and marketing, research, and safety nets.

Our organization has participated and continues to actively participate in the ongoing consultations for the next iteration of the national agricultural policy framework. We believe there is now a unique alignment of timing and interests in which the current suite of programs, initiatives, and platforms can be better aligned with challenges and opportunities to support business success and economic growth. Specifically, we are working with other groups to examine options for the reform of business risk management programming to support the vision of creating the most modern, sustainable, and prosperous agricultural sector in the world.

My remarks this morning will be quite focused. They will concentrate on BRM, because that is where we feel there is a need for improvement. I would like to emphasize that we consider other priority areas such as research and market development to be as vital for the success of the sector and we encourage continued funding for those programs. These will be particularly important in helping the sector strengthen its competitive advantage through science and innovation capacity, respond to growing concerns around public trust, and adapt to carbon pricing initiatives.

The BRM suite of programs is highly valued by Canadian grain and oilseed farmers. However, there is concern that programs, in particular AgriStability, are not working as well as they used to. Participation rates in AgriStability have seen a steady decline from 60% in 2007 down to 36% in 2013, and they are continuing to decline. Reduced participation combined with unpredictable coverage has rendered it an unreliable program, which offers little stabilizing security in the event of a market shock. Farmers don't know when and how much they will be paid. This leads to risk aversion, less desire to innovate, and in particular does not help young farmers who face the greatest risks and financial exposure in the early part of their farming careers. The overlying issue is that farmers do not have faith in the program, and as participation rates fall as a result, that becomes a self-fulfilling prophecy.

This should be a big concern to government at all levels, because in the event of a major market shock we can expect the agricultural sector's exposure to be greater and far deeper than in the last 10 years. Despite and perhaps because of strong market conditions, farmers are currently carrying record levels of debt as they invest in their operations. Grain operations are currently being bolstered by the weak Canadian dollar and low oil prices. If this situation should change, farmers will be even more vulnerable in the event of a disruption.

Governments have indicated that they have no desire to return to the days of ad hoc programs, but the call for these is a certainty, should a major market shock happen.

For AgriStability, given that the drop-off in participation rates has occurred steadily in the last 10 years we believe that a simple return to the 85% coverage rate and margins included in GF1 may not be the optimal solution. We're suggesting a deeper dive to figure out where the issues are and propose workable solutions.

It is hard for one program to meet the needs and risk profiles of every farm in today's environment. For example, it would be useful to have an AgriStability program that encourages rather than discourages diversification of operations, because many growers, as you know, are involved in several elements of agriculture, but the AgriStability program as it currently stands is organized in such a way that diversified operations often do not meet the threshold for compensation when one element of their operation fails.

For example, a farmer may have a hog and a grain operation. If the grain crops fail, the income from the hog operation might keep the farm over the threshold, while they still need the support of BRM programs, which have been already paid for, to overcome losses.

Participation rates in programs such as AgriInvest and AgriInsurance—these are the remaining pillars in the suite—are solid, even though those programs require considerable investment in dollars by farmers.

● (0855)

That is perhaps because they are predictable and bankable. They provide peace of mind to farmers and seem to be working well, although there is a desire to see a return to previous levels of funding for AgriInvest, and a reconsideration of the cap that was lowered in GF2.

Given the importance of BRM programming, we feel there needs to be a separate consultation-discussion mechanism for the next policy framework. We have recommended the formation of an advisory committee made up of national commodity association representatives, including relevant provincial associations to address any regional gaps.

This group would work to assess the effectiveness of the current suite of programs and make recommendations to the minister and government. We have already begun outreach and informal discussions with other groups to consider options for increasing flexibility within the AgriStability program. We look forward to bringing those proposals to government once they are developed.

In conclusion, I would like to reiterate that support from the provinces and the federal government for adequate safety net programs has always been appreciated by grain farmers across Canada, but we feel the time is right to review, and modernize the existing suite of programs to address the needs and risks of today's farmer, and achieve broader public interest outcomes.

Thank you, and I look forward to your questions.

● (0900)

The Chair: Thank you, Ms. Cook.

Mr. Bonnett, for 10 minutes.

Mr. Ron Bonnett (President, Canadian Federation of Agriculture): Thank you, Mr. Chairman, and committee members for the opportunity to appear before you, and present the Canadian Federation of Agriculture's perspectives on the next agriculture policy framework.

As you're aware, the Canadian Federation of Agriculture represents producer groups and a number of commodity groups across the country.

For the past two years, the CFA has engaged members and other producer groups in this discussion. Producers and staff from across Canada support this discussion by undertaking the technical analyses needed to inform a clear vision for the next policy framework.

To start with, I'll touch on some of the overarching administrative issues our members have raised, and what we believe will ensure these issues are addressed moving forward.

Our members' concerns fell into three key areas. The first area dealt with the transparency and reporting of cost-shared growing forward 2 dollars. Producer groups often have little insight into how growing forward 2 dollars are spent at the provincial level. The second area was that inconsistency in funding applications and program requirements continued to cause major challenges for industry. Finally, the timeliness for many programs remained a major concern, with funding delays resulting in lost opportunities and inefficient project rollout in many instances.

To address these issues, CFA has developed a number of targeted proposals. I'll touch on a couple of those now, but can provide more detail if you have further questions.

The first is that provincial governments should be providing detailed annual accounts to industry and other stakeholders on where APF funding was directed, the rationale, and associated objectives, providing assurances that funded initiatives are supporting the needs of industry.

Second, programs need to maintain consistency in their application documents and requirements for in-kind and cash contributions throughout the entire application process and the life of the program.

Finally, programs must be ready and in place to launch at the outset of the APF, without lengthy delays, and program approvals need to be completed in a much timelier fashion.

Next, I'll speak to some of the key concerns and challenges our members have identified with regard to business risk management programs under growing forward 2. I'll touch briefly on each issue, and what we believe is needed to address it.

First and foremost, as mentioned earlier, we've seen a significant decline in AgriStability participation, which increased as a result of the cuts to AgriStability under growing forward 2.

In our discussions with producers across Canada, the primary driver behind this is that producers no longer see the program as credible and able to provide meaningful support. CFA members continue to identify AgriStability as the backbone of the business risk management suite, but we need to ensure this program provides the support producers need to manage significant risks beyond their control.

To re-establish credibility and participation, the program needs to provide support capable of keeping farms viable following income declines. To achieve this, we believe it is essential the coverage rate be returned to 85% of the historical reference margin.

The support available through AgriStability was also reduced with the introduction of a reference margin limit under growing forward 2. This was intended to prevent AgriStability from paying farmers in profitable situations, but has limited support for many producers who needed support. It increases complexity and reduces support for producers who have managed to improve their efficiency by reducing their inputs and expenses. We strongly advocate for the removal of the reference margin limit.

For AgrilInvest, we continue to hear concerns with the adequacy of support. Under growing forward 2, governments only match 1% of eligible net sales.

We believe AgrilInvest has great potential as a source of proactive investment in risk mitigation and income generation, but this requires enhancing the matching contributions back to 1.5%, and also providing producers with flexibility to access their own contributions for priority investments.

Program rules and tax planning combine to prevent many producers from accessing nearly \$1 billion in producer contributions currently sitting in accounts. Meanwhile, producers continue to support AgrilInsurance as a straightforward and predictable program,

although we continue to recommend expanding this program's access for livestock and other products.

One of the other key challenges that our producers identified was the frequency of disaster events due to climate change, and the need to ensure our programs, particularly AgrilInsurance and AgriRecovery, are responsive. Both programs need to be more flexible to accommodate and provide support for the often multi-year impacts of disaster events.

● (0905)

Finally, one common issue we heard across Canada is the need to ensure business risk management programs are meeting the risk management needs of beginning farmers. We need to be sure that all programs are available to them at minimal cost so that farmers entering the industry can immediately receive support and engage with the programs from day one. This will help address participation issues, but more importantly, it will ensure the next generation of agriculture has the tools they need to remain viable.

I'll take a few moments to talk about the strategic investments side of growing forward 2. The strategic investments are mostly cost-shared funding between the federal government and provincial/territorial governments, and there is a lot of flexibility in how provinces can use that money to respond to regional priorities.

It is our belief that all strategic investments through the next policy framework should, first, support agricultural producers in continuous improvement to long-term economic, social, and environmental sustainability; second, create the necessary conditions for us to access the latest and best technologies, research, inputs, and market opportunities to support improvements to Canada's agricultural leadership in global competitiveness and innovation; third, build support and recognition for public goods and services provided by agricultural landscapes; and finally, continually engage Canadian agricultural producers in the development, implementation, monitoring, and evaluation of agricultural policy frameworks.

As you are no doubt aware, farming is facing a demographic crisis as the average age of farmers continues to increase. We're calling upon the next policy framework to better address this challenge through encouraging a breadth of programming related to access to capital for young producers and new entrants that addresses both transitional funding for intergenerational farm transfers and seed capital requirements for establishment of new operations. Provincial flexibility to build upon access to preferential financing arrangements and grants for young farmers and new entrants is needed at a scale that enables commercially viable operations to move forward. Starting a commercially scaled farm is very expensive and we've seen a shrinking number of medium-sized farms. This should be supported with regular and detailed information-sharing between provinces in best practices, a recommendation that applies to all strategic investment funding.

On the environmental sustainability side of GF2 programming, the sector would greatly benefit from increased funding for best management practices overall, and a priority focus on those that contribute to climate change mitigation and adaptation. Agriculture policy framework funding must also continue to support regional ecological goods and services concepts, and the federal government must recognize the role that these programs play in building resiliency, supporting producers, and water infrastructure that impacts many downstream users.

Environmental farm plans have been tremendously successful programs and now is the time to invest in a renewal to develop a national baseline for the environmental farm plans and to launch an enhanced, strengthened program. Work for this is already under way. The national environmental farm plan must remain industry led and government supported. It must improve environmental outcomes through being science-based and it must be sufficiently resourced.

Public trust has been an emerging issue over the last year and a process to address it has been led by industry working together. Yet there are elements that the next policy framework must clearly play in supporting industry, through providing a public trust lens on policy, programs, and funding, and also in enabling two-way communication between producers and the public, both nationally and provincially, by funding communications activity.

We're calling on government to reduce the cost-shared funding requirement from 50-50 to 25-75 for the fostering business development program funding so these critical organizations can focus their resources on projects that benefit producers rather than fundraising. We see youth engagement, farm safety, and business development as priorities within this stream. Farm safety can be promoted and improved through supporting regional organizations in conducting localized work that leverages their direct contact with producers. Furthermore, farm business management programming must be improved across provincial governments in an integrated fashion that promotes co-operation and that creates basic requirements for all jurisdictions to meet.

CFA has a long list of recommendations regarding research funding that is provided, but to sum it up succinctly, they boil down to making research funding more pertinent to producers' needs, faster to approve, streamlined to administer, and consistent from one policy framework to the next.

● (0910)

The next policy framework must bring a greater focus on knowledge translation and dissemination to encourage uptake within the industry.

I would also like to offer support for the cluster model, which is used in funding, although there are barriers. Many smaller commodities do not have the funding or administrative capacity in order to support a cluster, yet would greatly benefit from having one. Therefore, we would recommend for these a second-tier funding match formula and coordinated or pooled administrative support.

We've heard from the department that investments in the processing sector will feature more prominently in the next policy framework. Any additional investment in processing must illustrate a clear benefit to Canadian agricultural producers. In other words, processors would demonstrate that the investment would be for instances where Canadian agricultural products are sourced and would demonstrate the expected impact. On-farm processing should also be a priority.

The types of strategic investments that are needed will change in response to markets and other factors and should be flexible to respond to emerging priorities.

In conclusion, these comments reflect a very high-level overview of CFA's recommendations. I would recommend that everyone review our report—and I believe copies have been provided to you—entitled “The Next Agriculture Policy Framework: Positioning Canadian Agriculture for Continued Success.”

Again, thank you for your time. I look forward to your questions.

The Chair: Thank you, Mr. Bonnett.

We will start our questioning with Mr. Anderson for six minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): First of all, I want to thank you all for coming today.

The first question I would like to ask is, is increasing debt a concern to your organization? I've talked to bankers, and they're not concerned about it. They don't mind the debt going up. Some farm organizations don't seem to be that concerned. Are you concerned about the increasing debt in agriculture?

Mr. Ron Bonnett: I'll take a stab at it.

I'd be more concerned if there were a drastic shift in interest rates. I'm from the generation that dealt with interest rates in the early 1980s. The debt itself, with the interest rates that are there, is definitely repayable. I think the risk is if there's a shift in those interest rates.

What we're recommending, and it's part of our proposal on the business planning side, is farmers should be doing some type of an evaluation and making sure that they hedge their bets on that interest, and get it done long term so that they don't get caught with that rapid shift.

Mr. David Anderson: Do you see any role for government in that?

Mr. Ron Bonnett: I think the role for government would be helping with the farm business management planning and making sure that farmers have the tools to do the type of evaluation that's necessary according to their own particular situation.

Mr. David Anderson: I think that leads into what you talked about on public trust. Mr. Siemens talked about a significant trust gap that we need to address, or whatever. I also think that education for farmers is part of that.

Do you want to talk a little about how you're addressing those social licence public trust issues? How do you think the APF should deal with that? Should there be a larger scale education program?

I remember travelling across the country with the agriculture committee. I think it was in 2001 or 2002, and we talked about trying to get the educational programs in the schools—I don't know that we've been very successful at that—in order to educate people about agriculture.

Do you have any thoughts on that?

Mr. Kurt Siemens: I could probably speak to that in regards to what we are doing as public trust. There are lot of different ways and lots of different angles to attack that situation. With programs we have at Egg Farmers of Canada, we're addressing some of those. Agriculture as a whole has to work on that. A group got together in October of last year in Winnipeg and talked about public trust. That came from the federal-provincial-territorial agriculture ministers meeting that happened in Charlottetown and then subsequently in Winnipeg in October. That developed into—

• (0915)

Mr. David Anderson: Can you frame that in APF? There are bigger issues outside, but in terms of APF, what should the government's responsibility or the taxpayers' responsibility be to bring that about?

Mr. Kurt Siemens: I think there's an opportunity for funding to make sure that education happens. Agriculture in the Classroom is a program that would be great for that, getting some of that education or some of that consultation happening in the schools starting at younger ages. I think that's a good start. There are lot of opportunities, but I don't want to go on too much with that.

Mr. Ron Bonnett: Just on that, as Kurt started talking about, there is an initiative where industry is trying to build a consensus on how we approach public trust issues, using the existing value chains for that. Under the APF, if that could be identified as one of the types of project funding that would be prioritized, that would be important.

With industry coming together, they're going to put some coin in. If government puts some coin in, then I think we could start working on that.

There is one specific suggestion I did hear about. You mentioned Agriculture in the Classroom, but that's just part of it. We have to go back from that and look at the teachers who are being educated. I think teachers' colleges have to understand what's going on agriculture as well. I've heard some horror stories over what teachers are saying to some of their students, and it's because they don't understand. They're picking up their information from the Internet. I think those are the types of things we have to look at.

Mr. David Anderson: Okay. Our time goes by quickly. I would like to talk a little bit about what you see as important for transition programs. I believe Egg Farmers has a program dealing with that. Maybe you could talk about that first, and then the others might address it a bit.

Mr. Kurt Siemens: We do have a young farmers program at Egg Farmers of Canada. Basically the way the program works is that we look to the provinces, and they would sponsor one or two farmers from each province. Then EFC would take them through the whole progression of what is supply management; how does it work; and what are the tools that these young farmers could use, or potentially could use, to help them to be better farmers. That leads all the way from being more productive to also being leaders in provincial organizations, such as the Young Farmers' Forum, provincial boards, and all those types of things. That is one way.

Also, in Manitoba, as I can speak to personally, we have a new entrant program where over the last nine years we have had, I think, just over 14 new producers in the Manitoba egg industry. In at least six other provinces across Canada, their provincial organizations do the same thing: they encourage and help out by offering free quota or offering financing or business planning to be able to have those new entrants. So there are ways of transitioning.

Mr. David Anderson: How should the APF address that?

Mr. Kurt Siemens: There's an opportunity to set up an educational component to continue to help these young farmers to be able to become better farmers, and also, as Ron stated in some of his comments, that transition funding, having some funding there for them to better be able to afford to buy those farms. As you talked about, it's a higher debt load for some of these young farmers. It's not impossible, but it is difficult, so to be able to have those opportunities would be great.

The Chair: Thank you, Mr. Siemens and Mr. Anderson.

Ms. Lockhart, for six minutes, please.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): Thank you.

Mr. Bonnett, I know when you presented to the finance committee, one of the things you talked about was tax policies that would be developed to encourage sustainable growth for family farms and create new entrants into farming. Today, all of you have outlined many ways that the agricultural policy framework could also assist that.

Do you have any data on the changes in growing forward 2 from growing forward 1? Have there been any significant differences? I'm looking for some data on how many new entrants we have, succession planning, or anything like that.

Mr. Ron Bonnett: That's one of the problems we talked about in the presentation: reporting on the impact of the programming. I think that's one of the things that should be looked at in growing forward 3, if you can call it that. How do we measure what we're doing, really clearly identify what the objectives are and how we measure?

On some of the types of programming, we likely have some good information, such as on the environmental farm plan side, the types of projects that were funded and the amount, the number of dollars. On the business development side, I guess measuring the number of courses that were offered online might be one of the measurements. However, the stark reality is, with business risk management, as a number of people have mentioned, there has been a decrease in AgriStability participation. I think that's directly related to the drop from 85% to 70%, the changes in the reference margin. Those are the types of programs on which there's fairly good information.

There's just one thing I want to comment on. You mentioned tax policy, and we've talked about that before the finance committee. One of the other things we might want to look at in transition in farming is for farmers who are holding back a mortgage, for instance, to a young farmer taking over their farm, looking at a way to see if the interest paid to those farmers could be tax exempt. That would encourage the farmers to lend at a lower interest rate yet still have the income that would give them the retirement pension they need. I think we have to be a little creative in how we look at the types of tools that are there to ensure that this transition takes place.

• (0920)

Mrs. Alaina Lockhart: Did anybody else want to comment? Okay.

Because of demographics, how many farms are we going to need to see change hands?

Ms. Fiona Cook: I'm sure we could get that data for you.

Mrs. Alaina Lockhart: The reason I bring it up is I know in my area, New Brunswick, that's one of the things I hear an awful lot from farmers. They have viable businesses, but limited opportunity to transition those. I just want to make sure. If there's a mechanism in the agricultural policy framework that would facilitate that, then we would look at that, too.

Mr. Ron Bonnett: The one thing in the agricultural policy framework, I think, that's critical with the transitioning in the farming is getting outside advice from accountants and lawyers to really make sure that you have a plan in place that ensures it's viable for the young person taking over and, at the same time, ensures that there's that retirement income for the person selling the farm.

We've heard horror stories where people didn't do proper planning ahead of time and, all of a sudden, they find they have a huge tax liability. Making sure that the business planning is really part of the next APF, particularly with respect to succession planning is critical.

Mrs. Alaina Lockhart: Very good. Because we are talking about the transition of large businesses, for the most part.

Are there regional considerations? I gave you the example of being from New Brunswick, but is there anything happening differently, regionally, across Canada?

Mr. Ron Bonnett: I'll fill in, and the rest can answer as well. If you look across the country, it's a common issue regardless of where you are. There might be some scale differences. If you get into some of the farms in western Canada, they're very large, land-based farms. In eastern Canada, in some of the supply-managed farms, there's a lot of capital investment in those farms that has to be transferred. I wouldn't say there's a difference in the issue. There just might be a difference in the scale and the types of things that might have to be addressed.

Ms. Fiona Cook: I would also just like to point out that contrary to popular belief, most farms in Canada are still family-owned. If you look at the tax rules, you'll see it's often more advantageous to sell your farm to an outside interest than to pass it on to a family member because of capital gains treatment, etc. That's something that perhaps needs to be looked at in the future.

Mrs. Alaina Lockhart: Thank you.

I think that's pretty close to my time,

The Chair: Thank you, Ms. Lockhart and Ms. Cook.

Madam Moore, you have six minutes.

[*Translation*]

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Thank you, Mr. Chair.

My question has to do with funding programs like AgriStability. Growing Forward 2 was also mentioned.

How could we adapt these programs to small crops and somewhat atypical products, in other words, unusual products?

How could we meet the needs of these people?

Mr. Bonnett, perhaps you could respond first.

• (0925)

[English]

Mr. Ron Bonnett: I think we have to start looking at doing some analysis, first, of how the programs respond to different-sized farms. I know our staff have been engaged in discussions with Agriculture and Agri-Food Canada to see if there are ways that we can tweak the programming so that it responds to the needs of different farmers, because it may be very different if you have a very large farm versus a very small farm. There have been some discussions taking place, but it does get into some detailed discussion...“If we shift it here, what is the impact going to be?” But I think that has to be part of the discussion with the next agricultural policy framework, to ensure that the programs respond, and to realize that there are some differences in the size of farms.

Fiona.

Ms. Fiona Cook: I will definitely agree with what Ron has just said. That's why we'd like to see the AgriStability program have some flexible options in there. That would take into consideration different sizes of farms, different types of farms, maybe even where they're located. If you look at the 35% participation right now, you'll see, I believe, that the AAFC data shows that this covers 60% of farms, which at first sounds good, but that pretty well means it's probably the really large farms that are covered there. So the smaller, newer entrants, perhaps, are not using those programs because they're not flexible enough, and they're also quite complicated to administer and to apply for.

[Translation]

Ms. Christine Moore: This may be more common in remote regions, but we are now seeing the emergence of agriculture on a human scale. These are often people who produce a little more than for their own needs and want to be able to sell their surplus locally.

However, they often face a range of administrative problems. Take, for instance, a person who has fifteen or so hens and who, obviously, can't eat 15 eggs a day. If that person sells them to a few neighbours, this may work for a while, but since it isn't allowed, the person ends up getting a slap on the wrist.

Do you think there are aspects of the strategic framework that would be important to consider so that it would be possible to maintain agriculture on a human or local scale?

[English]

Mr. Kurt Siemens: I could maybe speak to the small farms that produce probably in excess of what they can personally use. They can sell those products. I can speak mostly for Manitoba because I know the rules and regulations in Manitoba. I'm not sure about all of Canada.

They can sell that product. It's just that if they sell it to a public market, or for resale, where somebody else is going to use it in baking, the product hasn't been inspected, and that causes an issue with the CFIA. Those are some of the rules that they would have to work under.

As far as regulated producers, we have regulated producers in Manitoba who have less than 3,000 birds, and they are considered small farmers. They will do other farming with it. If they're a regulated producer, they would follow our same standards and they

can sell those eggs to a grading station. Small farmers who are not regulated can also sell to a grading station, but the difficulty is the standards that those eggs were raised under.

As a comment to your first question of how to make it simpler for some of these small farmers or more remote farmers, if the agriculture policy framework, the application process, the ability to understand, were better, and if it were more transparent for them to fill out the application and get the application through simply, that would be much easier for them. The big farms will potentially have a person who is in charge of filling out all of this paperwork, whereas the small farmers might not have that. It's making that simpler for them to do that.

I don't know if that relies on the federal or provincial, but somehow or another that has to be worked out, to make it possible for them to do that.

Ms. Christine Moore: I have a short question.

On some farms, farmers do not have access to Internet. Often you have to apply for programs on the Internet and you do not have access. In fact, you know well how a tractor works, but a computer is another thing.

Do you think we should keep applications available in ways other than the Internet?

• (0930)

Mr. Kurt Siemens: Absolutely.

I did apply for some growing forward 2 funding this last time. Because I have an Apple computer, it took me an extra...at least six or eight hours, and I had to really work through it to try to make that work. The ability to even fax in the application is not a bad thing. I mean electronic is great, but there have to be some options out there.

Mr. Ron Bonnett: I would support the whole paper concept, but I think you've raised a broader issue, which is that we need Internet access in rural Canada and we need it bad. Everything we go to do now is based on Internet capability. It's a matter of not only having the bandwidth but the costs.

I tell this story. We use an Internet system that uses a Bell stick. It was fine and dandy until our grandkids came to visit for five days and they hooked on with their iPads. The bill went from \$50 to \$650.

The Chair: Thank you, Mr. Bonnett.

[Translation]

Thank you, Ms. Moore.

Mr. Drouin, you have the floor for six minutes.

[English]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): I want to say that I hear you loud and clear in terms of access to broadband. All you have to do is drive half an hour in a circle around Canada's capital and you won't have access to broadband, which I think is a shame.

Kurt and Alison, in your statement you mentioned that over the past 50 years, egg farmers were able to increase their production by 50%, meanwhile reducing their environmental footprint by 50%. As you know, the “Calgary Statement” makes mention of one of the pillars, which is environment and climate change.

How do you see the APF supporting farmers in reducing that environmental footprint? How do you think the APF could help?

Mr. Kurt Siemens: I think there are programs. As I mentioned, the net-zero farm that we talked about in Alberta is a great example of how APF can help us in the egg industry to become more environmentally friendly. Most of the provinces, if not all, are actually working on environmental policies as part of their egg farmers policy programs, to find ways of having fewer emissions.

In Manitoba, they're working on an ammonia reduction system that gets installed in barns. It's very simple and farmers can operate it. The simpler you make it, the better it works. If you make it too complicated, it tends to have downfalls. So if the APF can be part of helping with some of the funding, as they do now—on my farm, if I want to apply they'll pay for 65% and I pay for the other 35%.

I think those are great opportunities for farmers to hook into those things, because some of these new technologies do cost some extra money and if the farmer isn't ready for that, if there's that little bit of help from the APF that's a great way of being able to attain some of those environmental goals that we're setting for ourselves and setting for our industry.

Mr. Francis Drouin: With regard to the application, I know back home I've heard about timing of the application. It used to be a once-a-year model, now they've moved to a quarterly model in Ontario. I'm not sure if it's like that in other provinces. Do you find there should be more flexibility in terms of timing of application?

Mr. Kurt Siemens: I can speak to that. I know with my last application there wasn't a huge window for me to apply. It's open, now it's closed. You're not allowed to start anything until you've been approved. Why wouldn't you sometimes let the producer go through the process and put his own money out, and later on apply for the funding after the fact? If you would get 50% or 60%, that would be helpful at times, because of construction periods. Suppose I'm approved in October. Well, I can't build anything until next year, so sorry, you're into next year, you're not approved. Some of those are difficult.

Mr. Francis Drouin: I assume there would be an understanding on the producer's side that he or she may not be able to qualify.

Mr. Kurt Siemens: Exactly. If he knows that going in, that's part of the business plan he has to develop.

Mr. Francis Drouin: Ron, you and Mr. Anderson have talked about farm debt and some of the tools that may be available. I know in Ontario they have the Agri-food Management Institute that gives courses on business practices and whatnot. Have you heard from your members that this is working well?

● (0935)

Mr. Ron Bonnett: Yes, it's working well. One of the things we're running into is a lot of the farm management courses are being put on the Internet now, so it brings us back to the Internet question. Each province has taken the going forward money and used it differently with respect to farm management. I know the Agri-food

Management Institute in Ontario—I believe it's called CRAAQ in Quebec—does some work. I think from the APF side, looking at business planning, it could be identified as a priority area of investment. The other thing is the cost-sharing, which shifted to 50:50 and left some organizations struggling to actually raise the amount of money to move forward with projects. I think taking a look at that funding model and moving back more to 70:30 would likely be a goal, still having industry putting in some and groups putting in some. I think that would be an important way to go.

Referring to your previous question, you were talking about the whole aspect of environmental sustainability. The environmental farm plan...I think we're looking at seeing if we can use this as a model now for dealing with a number of sustainability indexes, whether it be animal care, water, pesticide, herbicide use. We're finding more and more the public is asking the question, how are you doing in meeting these benchmarks? I think moving forward with an enhanced environmental farm plan would be one way to deal with that.

The Chair: Thank you, Mr. Bonnett.

[*Translation*]

Thank you, Mr. Drouin.

Now we'll move on to Mr. Breton for six minutes.

Mr. Pierre Breton (Shefford, Lib.): Thank you, Mr. Chair.

Welcome to the witnesses. It's a pleasure to have you here today. Your testimonies are extremely important for the preparation of our next strategic framework.

I often come back to this next point when I am in the presence of experts like you. I believe that the efficiency and productivity of our farms in Canada are crucial. In the Shefford riding, which I represent, 80% of the land is agricultural. Yet the farmers often tell me that they want to be more productive every day. They need help. It's clear, in fact, that they can't do it all on their own. They also know very well that there will be more and more people to feed, which requires investments.

Could you please talk about investment vehicles that, based on what you've seen, would improve the productivity of our farms and everything related to innovation. I think that's an important aspect.

I would also like to know what the expectations are of the federal government when it comes to the next strategic framework.

Ms. Cook or Mr. Bonnett could answer first. We could then go to Mr. Siemens.

From my perspective, I note that productivity, efficiency and investment in innovation are issues that come up very often. You might first say whether you agree with this and then answer the other questions.

[English]

Ms. Fiona Cook: Our farms have become extremely efficient, and more and more sustainable, because often better economics leads to better environmental outcomes as well. As we look out, having funding, good research, and innovation programs is going to be critical to getting productivity increases for the sake of productivity increases, but also critical to responding to new pressures, such as a carbon pricing mechanism, because it's going to be very hard for farmers to get any more efficiency improvements in the short term. There aren't many substitutes available. They are already maximizing their cost-effective use of inputs such as fertilizer and pesticides, and reducing water use. As we try to respond to these environmental challenges, we are going to have to have programs there to support farmers and to help them innovate even more to get more and more efficient.

Mr. Ron Bonnett: One of the other areas is taking a look at the research on the innovation side and trying to get more income from the same crops. Agriculture waste presents some opportunity for generating energy, whether it be in livestock farms or grain farms. I think we have to start looking at how we can pull more dollars out of that same acre or hectare of land. That's going to be based on having good research ahead of time and doing pilot projects to see how we can maximize the return in agriculture. One of the things we are starting to see is a number of livestock farms putting in methane digesters and things like that, which have the benefit of not only dealing with the climate change issue, but also increasing the revenue of that farm, so the overall profitability goes up.

I still think ongoing research is going to be needed on the productivity side as well. Some of the gains that we've seen in crop yields over the last number of years are the result of research that was done 20 or 30 years ago. I think that type of research has to continue. The cluster model, as I mentioned in the presentation, seems to be working.

● (0940)

Mr. Kurt Siemens: I would agree with what Ron stated, as far as the research side is concerned. Having proper research, and the proper researchers in agricultural universities and colleges across Canada, is important for us, so grassroots farmers can take that research and be more productive. We have to keep reminding ourselves that it's okay to be a commercial family farm; there is nothing wrong with that. I think there you get that public trust or social licence dichotomy happening again. There is nothing wrong with my having a big farm and my family running it and producing lots of good-quality, local, fresh eggs for consumers in Manitoba and the rest of Canada. I think there are lots of positives there for us already.

[Translation]

Mr. Pierre Breton: Thank you.

Earlier, you addressed another aspect that my constituents are concerned about. It's something we don't talk about often. It has to do with the next generation in agriculture and the transfer of farms to family members rather than strangers. There are significant costs associated with transferring property to family members.

Could you talk about that? I think a lot of families would like to keep their farms but, for financial reasons, they will often make other choices.

Would you like the next strategic framework to contain a provision on this?

Actually, I think, Mr. Bonnett, you spoke about it earlier, as you did when you appeared before the Standing Committee on Finance.

Could you tell me more about this important aspect?

[English]

The Chair: Mr. Bonnett, please be brief.

[Translation]

Mr. Pierre Breton: Thank you, Mr. Chair.

[English]

Mr. Ron Bonnett: I would reiterate the importance of business planning for succession from farming. I think you have to take a look at how you transfer that asset, taking advantage of all the tax rules in place and really making sure you do it right. If you don't do the planning ahead, you're likely headed for a disaster.

The Chair: Thank you.

Mr. Ron Bonnett: Is that tight enough?

The Chair: Yes, you might be able to pick it up later on.

[Translation]

Mr. Gourde, you have six minutes.

Mr. Jacques Gourde (Lévis—Lotbinière, CPC): Thank you very much, Mr. Chair.

I would also like to thank the witnesses for being here this morning.

The excellent quality of your testimonies will no doubt help us to draft our report.

Currently, in Canada, less than 2% of the Canadian population has agricultural assets. Unfortunately, the trend in my region is such that, among people my age, two out of three producers aged 55 to 65 are not going to transfer their farms. They will undoubtedly be sold to larger businesses because there isn't anyone to take over, which means that in 20 years, all the agricultural assets will be owned by less than 1% or thereabouts of the Canadian population. This includes new technologies, all the land and new buildings that cost about 10 times more to build than they did 35 years ago.

What might the impact be for the 99% of Canada's population that will not own assets, or who have little interest in owning them? Will the fact that there is only 1% of Canadians who own all the agricultural assets weigh heavily on the future of Canadian agriculture?

• (0945)

[English]

Mr. Ron Bonnett: This is almost a philosophical question. I think what you're describing, the fact that farms are getting bigger, is very real. We initially had a dairy farm. When we started milking cows, there were 75 producers in our area and now there are 13. I think it's just part of farmers adopting new technology. You also have the greater scale.

What I see happening is that we're getting growth in two areas. We are seeing a growth in the number of large farms, the size of the farms, but at the same time we're seeing some niche markets developing for the small farms. I think we're going to see that continue. The real question you are getting at, though, is that with 1% of the population involved in farming, it's going to be increasingly a challenge to deal with public trust issues. I think that's why it's important to start with this agriculture policy framework and make some investments so that we can do a better job of ensuring that consumers who are completely disconnected from the farm have a better understanding of what it is we do, why we do it, and how we do it.

[Translation]

Mr. Jacques Gourde: In the future, we will no doubt see these large companies acquire all of Canada's agricultural assets. One day, sooner or later, these owners will want to do the same thing: they will retire and will sell the farms. It will become more and more complicated to transfer businesses worth \$10, \$15, \$40 or \$50 million, compared to businesses worth \$1 or \$2 million, on average, today, maybe a little less.

Our agricultural programs extend only over the next five years, but the trend is really real. This has been the situation for 30 years, and it risks repeating itself over the next 30. How can we prevent the agricultural sector from becoming too limiting for the next generation? These days, to get into agriculture at 25 years of age, you need \$4 to \$5 million in capital. Any 25-year-old who can find \$4 to \$5 million, or managed to win \$4 to \$5 million, might not be advised to get into agriculture. It would probably be better that the person continue to work in the same sector.

Agricultural work isn't necessarily well paid. Farmers rely only on product sales. This week, for instance, the price of pork is the same as it was 40 years ago, about \$0.64 a pound.

What can we do so that agricultural assets are held by more people? If we go lower than 1%, I am really concerned about the ownership of these farms. Will they be bought by large American companies, or by companies from other countries? There will be practically nothing left in the country that is Canadian-owned.

[English]

Mr. Ron Bonnett: I don't necessarily agree that we're going to see large corporate interests taking over the farm. I think it was mentioned earlier that something like 98% of the farms are still family-owned operations, but these family operations are a lot different than they were 20, 30, 40, or 50 years ago. Many people are bringing their sons, their daughters, nieces, and nephews into the operation, and they're creating a business that is a little more sustainable, I think, in the long run. If I look back to some of the

older small farms that were in business, some of those farms did not have high productivity, and the people who were working on them were working every day of the year themselves. They didn't have anybody to share that labour.

I think what you've seen is a shift taking place on the commercial farms, and I don't think there's anything wrong with calling them commercial farms. The people working those farms want to have a scale that allows them to make a decent living, and they also want to enjoy the same benefits the rest of society have. If they want to go on a holiday, they'd like to go on a holiday. If they want to take their kids to a sporting event, they take their kids to a sporting event.

The real issue is not about the size of the farm. It's about making sure that there's profitability there. In some cases, the farm that cost \$5 million, because of its productivity, may have more profitability than the farm that cost a million dollars. It's all about making sure that the proper tools are there for business planning, so that the people buying a farm have the opportunity to find out what they're getting into. If you put in some of those tools, like tax policy, that allow the farmer who's exiting to decide to hold the mortgage and have the income coming in on a tax-free basis, this may give the farmer the opportunity to move that farm over to the next generation.

• (0950)

The Chair: Thank you, Mr. Bonnett.

[Translation]

Thank you, Mr. Gourde. Mr. Longfield, you have the floor.

[English]

You have six minutes.

Mr. Lloyd Longfield (Guelph, Lib.): Thanks, Mr. Chair, and my thanks to everyone for the great presentations.

Last Friday I was at the Ontario Agri-Food Technologies semi-annual meeting. Each of your organizations from Ontario was presenting, and there were some very consistent messages coming through.

We talked a lot about the "Calgary Statement", and in particular the public trust piece of it. We also talked about the science research and innovation. Something coming out of the "Calgary Statement" that's new is the part on value-added and agri-food processing. I wanted to dwell on that just a little bit. There's a massive business opportunity for Canada here. We know the planet is growing in population, and we know we can supply food if we can get our innovation funding together properly.

Could you comment, each of you, on innovation funding? For me, as a newcomer to politics, I'm trying to sort out Community Futures, where funding goes up to \$250,000. We have the federal regional development agencies, and we have the AgriInvest programs. How does a farmer figure this out? Is it better to get this centralized, to go to the federal development agency that can get you to CF, or could get you to innovation funding in other ways? How does a farmer figure out innovation?

Mr. Kurt Siemens: Not easily.

Mr. Lloyd Longfield: I guess so. It's not just me.

Mr. Kurt Siemens: Yes, it's not just you.

The innovation sectors, we see it on the eggs side. We have CPRC, which is an organization that helps distribute some of the funding to researchers for all different aspects. As Egg Farmers of Canada, the research we look into is medical to food safety, to animal welfare, to environment, all sorts of different areas.

I think helping some of these agencies that distribute that funding especially helps us as egg farmers, at least, and all of agriculture, because I need Ron and Fiona on the grain side to produce the product I have. I want nothing more than for them to do really well, so that I can do well, and all of agriculture can do well, and feed you guys.

Mr. Lloyd Longfield: Before I go on to Fiona and Ron, I want to dwell on the Egg Farmers.

An example they gave us was McGill partnering with the Egg Farmers of Ontario. They developed a new light technology for determining day-of-lay characteristics of the egg. Reducing waste, reducing.... Is that something that then gets spread to the rest of Canada?

Mr. Kurt Siemens: Absolutely. We're all just waiting for them to release it. They've got it to I think about 85% accuracy. Once they get to 90% to 95% they're going to spread it across Canada. Canada isn't the only place. Other countries are working on the same kind of technology. I think McGill and the Egg Farmers of Ontario are in the lead in this. This is amazing stuff to be able to do, to sex the egg before it's even gone into the incubator.

Mr. Lloyd Longfield: Sorry to dwell on this, but we don't have a lot of time. I've got in my mind as a major opportunity the financial and technical sharing across Canada, and how we could do that through the new policy framework.

Mr. Kurt Siemens: I would agree with you, yes. There are different ways of doing that. We would be willing to chat with you a lot more after this if you would like to.

Mr. Lloyd Longfield: I'd love to. Great. Thank you.

And Fiona.

Ms. Fiona Cook: I don't have any comment on that.

Mr. Lloyd Longfield: Seed technology is very important. In terms of public trust, a lot of organizations don't think we should be touching seed technology. Let's try to put it nicely.

But seed technology has been very important in productivity on the farms and developing seeds that will grow under drought conditions, increase yields, and improve quality.

How do we fund that through the federal government? Is it all through the agricultural policy framework or do we do it any other way that I might not know about?

Ms. Fiona Cook: Obviously, there are public-private partnerships as well.

Mr. Lloyd Longfield: Are those healthy?

Ms. Fiona Cook: As far as I know they are.

I think when you talk about Canadians and their mistrust around developing new seed technologies, we forget we have an enormous bank of heritage seeds. We've haven't lost that either.

We can still go back to that.

• (0955)

Mr. Lloyd Longfield: Yes.

Thank you.

Ron, you have a minute.

Mr. Ron Bonnett: I'll comment on the innovation side very quickly.

I mentioned in my presentation about making sure that the application process is very transparent. I think one of the complaints we heard over and over was you put in an application and then the criteria for the application seemed to change. The timelines would change. It was like trying to get your hand around a bowl of jelly. Particularly for organizations that are applying for funding, set the criteria. Set the in-kind standards in place, and have a process that's clearly defined as to how you do the application.

On the farmers' side for innovation, I think you need to rely on local delivery agents in the Ontario Soil and Crop Association. You almost have to have feet on the ground to make sure that those programs are delivered and keep them moving and streamlined.

One of the things you mentioned at the start of your question was investing in processing. I think one of the things that we need to look at though, if we're going to invest in processing, is that we solve some of the issues around labour as well. If we don't solve some of those labour issues, we're not going to make those investments in the processing sector to capitalize on them.

The Chair: Thank you, Mr. Bonnett.

Thank you, Mr. Longfield.

Mr. Anderson, you have five minutes.

Mr. David Anderson: We've been talking a little bit about research. I'd like to follow up on that.

Ms. Cook, this may be most directed to you. We've been paying a one dollar a tonne check-off in western Canada for the last few years, and 50 cents or 52 cents of that has gone to local commissions in the provinces, while 30 cents has gone to the Western Grains Research Foundation, and then three cents to CIGI.

It has accumulated to \$100 million now, so we have a significant amount of money in western Canada to go into ag research. What do you see as the future of that fund? Is it being spent effectively? Right now it seems that it's being allowed to accumulate without a lot of money going directly into research, but there is some transitioning happening over the next year with that fund as well, back to the provincial commissions.

Do you have any thoughts on how that might be best spent by way of research for western Canadian grain farmers?

Ms. Fiona Cook: It would be hard for me to comment on that, given that we're national and our provincial members have views on this question. I would just suggest that as we're again looking at a potential new carbon tax and at requirements over the next five years to increase this levy, farmers, as I mentioned earlier, are going to need help to find any more efficiency improvements that they can make to reduce emissions. Because of low till technology, there isn't a lot more to be done in terms of sequestration, and as you know, farmers are reliant on nitrogen fertilizer, which comes via natural gas, so the potential to get any further efficiencies in carbon emissions is going to be very difficult, and the industry is going to need help with it.

But again, this is not an official position. I'm just suggesting that those funds may be used for that type of research.

Mr. David Anderson: I think the intent was that it would hopefully be going into seed research and those kinds of things, but I guess this is a broader application of that.

Mr. Bonnett, maybe you can talk a little bit about that partnership, farmers are paying a checkoff, and government is putting money into research stations and those kinds of things—that kind of research. What do you think the balance is there? I think farmers are willing to assume their responsibility.

Mr. Ron Bonnett: You talk about the balance. It depends on the type of commodity. Those producing a fairly large-base commodity have a lot more ability to put money into investments in research and innovation than those producing a smaller commodity.

I think what was mentioned was taking a look at a funding model in which possibly the larger organizations would have a lower level of support. In some cases some of the smaller institutions might have to have up to 90% funding to move ahead with their research projects, just because of the size of the organization. An organization such as the Canadian Honey Council doesn't have a lot of money, but the work they do has a huge impact on all of agriculture. Taking a look at that partnership....

Again, I go back to making sure that the application processes are transparent and that timelines are followed. I think that's critical to making sure that organizations access those funds.

• (1000)

Mr. David Anderson: More priority areas have been thrown into this new APF planning, so do you expect that there is going to be more total money, or will it be less per section?

My political comment would be, do you expect that farmers are going to receive more money now that we're running these massive deficits so that the government has more to spend on Canadians? Do you think agriculture is actually going to get more money, or are you going to have less money in each of those pillars to try to sort out?

Mr. Ron Bonnett: I would argue that agriculture should be viewed as a strategic investment. We heard Dominic Barton make a speech last week or the week before saying that agriculture is one of the few areas in which there is a possibility of economic growth.

As a businessman, if I see some area that has potential for growth and I see other areas that have less potential, I'm going to funnel some money over to that area that has potential. Let's not look at this as just a whittle-down exercise; let's take a look at it. If we make

these strategic investments in agriculture and do some measurement, maybe we're going to actually grow the tax base for the federal and the provincial governments as we go ahead. I think that's the way we have to approach it.

Mr. David Anderson: In our area, such things as pulses and canola are two examples of things that have arisen from virtually nothing.

But actually, going back to the research funding, pulses have really made their success on check-offs that farmers have paid to do the research. Then they're able to keep those seeds in the public domain. That has always been a concern. If public money is being spent on seed, perhaps we should take a look at keeping it in the public domain, then, so that it's available.

Mr. Ron Bonnett: Yes, we would support that.

The Chair: At this point we're a little bit stretched for time.

Ms. Moore, you have three minutes.

[Translation]

Ms. Christine Moore: Thank you, Mr. Chair.

We were speaking earlier about the importance of Internet access at home, but we often tend to forget about access to cellular communications. Many farmers have told me how much this had changed their activities. For example, if a farmer's tractor breaks down when he is in the middle of a field, he would be stuck there. Farmers who still don't have a cellular connection would have to walk across the whole field to return home and get another vehicle to find an employee. If they had a cellular connection, they could solve some problems in two or three minutes by getting an employee to come to them. It's the same thing when they need another person to help when animals are calving.

Do you think enough is being done to resolve the problem of access to a cellular connection in rural regions? How might cellular connectivity help farmers and producers?

[English]

Mr. Ron Bonnett: I think the whole infrastructure investment in rural Canada has to be looked at: roads, bridges, Internet access, and cellphone access.

We've become a society now that is depending on these new technologies, but there's an inequity between urban communities and rural communities. I think it has to be a priority, although I wouldn't suggest that all of the investment for improving infrastructure such as Internet and cellphones should be coming out of the egg budget. I think there are other budgets within government departments that should be kicking in because that could be seen again as a tool for economic growth in rural Canada.

Mr. Kurt Siemens: I'll speak to that too. I would agree with you 100%. Cell coverage is great. I can look on my phone right now. I have cameras in my barn, and it was growing forward 2 money that helped me get those. I also have my whole ventilation system, water, and everything on my phone so I can be at places like this while my son is at home taking care of the farm, and we can work together to make things work. So I think cell coverage is very important. If you have good cell coverage, you will have good data and Internet that comes with that to become more productive and also safer.

Regarding farmer safety, you talked about if we carry cellphones, and if I fall down or hurt myself in the back of the barn, and I'm working on my own as family farmers do, it's nice to have that cellphone to have that coverage. I know in the back of my barn I have no coverage. I have to go to the front to be able to phone anywhere. Those things do happen, and I can only yell so loud.

Ms. Fiona Cook: I would also add that the use of social media by farmers is quite impressive, and it's very valuable. It's not just to chat, but they often exchange a lot of information—weather, events, whatever—on Twitter. They call it their coffee shop, so that's also a very important form of communication as well.

• (1005)

The Chair: Thank you, Ms. Cook.

I see some nervous people here. Do I have consent to adjourn at this stage? Are you good with one question for Liberals and one for Conservatives?

Ms. Christine Moore: Maybe just one more from each.

The Chair: Joe, you can ask one question.

Mr. Joe Peschisolido (Steveston—Richmond East, Lib.): Welcome, everyone. It was very informative, and thank you for this.

Mr. Bonnett, on the family farm I think you hit it right on talking about tax policy and succession planning. Can you outline some of the specific changes in tax policy that would help succession planning? It's not our bailiwick, but we can transfer it over to Finance.

Mr. Ron Bonnett: We've made some specific recommendations as to how tax policy applies to the transfer specifically to family farms that are taxing the next generation. Rather than getting into detail, there's some twist to the way the tax policy is worded that sometimes causes siblings to be treated differently depending on whether it's a corporate structure the farm has or it's a sole proprietorship.

We have staff behind us who could give you all the details on that. We've been asking for that budget for a couple of years now. In addition, you could be taking a look at how interest income from people who are holding the mortgage on a farm that's in a transitional situation would be treated.

Those would be two I would look at very quickly.

Mr. Joe Peschisolido: Following up on a question that Mr. Gourde asked, on a philosophical question, the cranberry industry, as you know, is a co-operative model and in my neck of the woods, in east Richmond, Ocean Spray is huge, and not only here in Canada but also in the United States. Is this a model that can be transferred to other sectors of agriculture outside of cranberries, and also outside of crops and into animal husbandry as well?

Mr. Ron Bonnett: I think it's one of the models that could be used, but I also know that there are a number of other initiatives that are taking place. I know in some of the eastern provinces local federations of agriculture have actually gone into the ownership of machinery, and renting that machinery out to farmers. By doing that, they can buy more sophisticated equipment that one farmer couldn't buy, so you get the advantage of scale yet reduce the cost for those farmers. There are a number of different models and tools that can be

used. It may be a co-op machinery ownership. It may be co-op marketing. There are a whole number of models that can be used to address that issue of capital costs.

The Chair: Thank you, Mr. Peschisolido.

[*Translation*]

Mr. Gourde, do you have a question?

Mr. Jacques Gourde: Mr. Chair, I would like to point out that, in my riding, there are currently large second-generation farms. They're worth \$25 million or more. They are for sale in American magazines. This is happening now. Not 20 years from now. It's already happening. Philosophically, it would be worth addressing it.

There's a duality to the risk management program, now and for the future. There is the area of supply management, which is relatively stable, economically speaking, and there are the other sectors that must be competitive internationally when it comes to food prices.

The program isn't perfect in either respect, but it encompasses all production. Could changes be made to adapt it for both?

[*English*]

Mr. Ron Bonnett: I'm not sure if I'm specifically answering your question, but with the business risk management program—as mentioned in the presentation—I think with the changes to AgriStability farmers basically backed away. They didn't see value in the program. On AgriInsurance, where your crop insurance programs are in place, those have worked I think very well. They cover that risk. I think by looking at reinvesting in AgriStability, that helps address some of the income declines that take place from time to time in the industry.

One of the other things I think that is always a bit of a difficult thing when we're designing programming is making sure that it isn't countervailable from a trade perspective. That's always been an issue. I think we've managed to design programs that have not been challenged. I think it's something that still has to be kept in mind because we are a trading nation.

The answer to your question, are these programs being effective, and what needs to be done to design...? I wouldn't tinker with something that's working like the insurance programs. For the AgriInvest, I think having an increase in the government contribution to that would give farmers more to make some strategic investments, but as well I think we should be looking at the AgriStability and getting it redesigned to work better.

• (1010)

Ms. Fiona Cook: I would just echo what Ron said, particularly the AgriInvest, AgriInsurance, those seem to be working well, but AgriStability.... To your point about farms being different depending on what you're producing, the size, how diversified you are, we'd like to drill down a little bit more into AgriStability. We don't have the proposals right now, we're still working with groups on it, but we'd like to see more flexibility introduced in that program itself. Restore the 85%, but then try to design it to be more flexible so that different types of farms have choices.

Thank you.

[Translation]

Mr. Jacques Gourde: I'd like to hear what Mr. Siemens has to say about supply management.

[English]

Mr. Kurt Siemens: On the supply management side, if I'm answering your question correctly, I think we would use more of the agricultural policy framework funding for the research side and innovation and those types of things, more so than AgriStability.

The other one, AgriRecovery, that's maybe one that some of supply management might use for a major incident like flooding and those types of things. Other than that, I think in terms of supply management, because of the ability that we have, we've been able to run some of our programs and do some of our policies just from our own funding and working in that way.

The Chair: Thank you, Mr. Siemens.

[Translation]

Ms. Moore, you have a question?

Ms. Christine Moore: Thank you, Mr. Chair.

How can we make sure that family farms are maintained and ensure that what we already have locally remains in place? What can we do to stem the flow in the communities? There have already been losses, and it will be difficult to reverse the situation. However, what action can we take locally to counter the trend that is emerging?

[English]

Mr. Ron Bonnett: One of the things that has to be recognized is that farming is a business. If we're not making a profit, no farm is going to stay in business.

If it's small farms that people want to protect, they're going to have to find a niche market that gives them high enough margins that they can stay in place. For those farmers who are more commercial, larger based, they're going to have to use innovation, technology, every tool they have to reduce their cost structure, so that they can be competitive on a world scale.

The Chair: Sorry, the bells are starting.

Are we content to adjourn at this point?

Mr. David Anderson: I thought we had agreed to do an extra five or 10 minutes to hear the answers to the questions. As we agreed before, we were not going to panic and we could stay for 10 minutes. I don't know why we're out of here.

The Chair: There is no consent to continue sitting, so we will adjourn.

I want to thank all of our—

Mr. David Anderson: We came and asked you guys before. Why would you say no?

The Chair: Thank you for coming and presenting. I'm sorry that we have to cut it short, but thanks. It was valuable for our study.

Thanks, everyone.

The meeting is adjourned.

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