



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 028 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Wednesday, August 3, 2016



Chair

The Honourable Mark Eyking

Standing Committee on International Trade

Wednesday, August 3, 2016

• (1000)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning and welcome, everybody, committee members, and new committee members who are sitting in.

For everybody in the audience, we're here because I got a request from four committee members last week under Standing Order 106 (4). The request was to do an update on diafiltered milk and spent fowl issues. It has to be approved before this meeting can go forward.

I'm sure that all committee members here have a copy of this standing order. Does everybody have one? Then I'll move to the first order of business.

All in favour of proceeding with this standing order, raise your hands.

Some hon. members: Agreed.

The Chair: Good. So we'll move ahead with this.

As a result of this request, I did a of couple things. Many of you had to travel all the way here to attend this meeting. For us to have a bit of a productive meeting, I took it upon myself to ask some officials from the government to be prepared. They came back here, are prepared and are with us today. We'll start our meeting, and if it's all right with everybody, we'll bring forward some officials to explain the situations on both of these issues.

I have booked the room for two hours, to 12 o'clock. It's how the committee wants to roll here, but my suggestion is that for the last 10 to 15 minutes, we go in camera to talk about future business. We have a few topics. I just want to brief you on our Atlantic trip. For anything else we want to go forward with after this meeting, we can talk about it at that time.

Is that okay with the committee, or is there any comment on our agenda today?

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Chair, I think you won't see any problem from our side on what you're proposing. The only thing is that we would probably like to see the ministers come forward on this issue. I'd like to reserve that right to have them called forward, as well as stakeholders. I'm not sure they've been given proper time or notice to actually present here.

If there are some stakeholders here today, I wouldn't mind listening to them if they are prepared to present.

The Chair: Thank you for that comment.

I'll let Mr. Hoback and others know that before the meeting started, I had some discussion with both industry representatives. They are not prepared today, but they said they're willing to come in the fall or whatever, when they're more prepared. If we schedule a meeting, they're more than willing. Today they're not available to give an update. That's where it's at right now, because I only asked the government officials at that time to come here for this briefing.

Mr. Randy Hoback: If we wanted to bring them in tomorrow, would they be willing to come tomorrow, or the day after, or...?

The Chair: It depends how we talk about future business—when or at what meetings we do it, and how we do it. Right now they say they could come in the fall, but it's the decision of the committee.

Mr. Randy Hoback: Yes, but you're talking about an emergency meeting and then you're deferring it to the fall. I'm just trying to look at the logic of that.

The Chair: I'm talking about today's meeting, and I'm suggesting we could do future business, if we want to talk about—

Mr. Randy Hoback: But you're talking about bringing producers in the fall. That's deferring it to the fall.

The Chair: They said they're available, but not today. It's up to our committee if we want them to come sooner or whatever. It's whatever our wish is, I guess is what I'm saying.

Mr. Randy Hoback: Okay.

The Chair: I'd like to get into this and maybe do that in future business. Today we have brought forward witnesses to talk about where the whole situation is at right now. Maybe after that meeting we can discuss where we go from there. Is that okay?

Mr. Randy Hoback: Yes. That's fair.

The Chair: Is that okay with everybody? We'll go in camera for the last 15 minutes.

There's a technical situation here. We will have to suspend for a few minutes.

•(1005) _____ (Pause) _____

•(1005)

The Chair: We have about five witnesses here. There's no set time for presentations; whoever wants to speak can do so. We have three different departments. I'll start off with Finance and then go to the Canada Border Services Agency and then to Agriculture. There's no set time, but if you can keep it to five to 10 minutes, it would be appreciated. The committee will just do our regular line of questioning. We'll follow the way we usually do it. We'll go probably to 11:40 or 11:45, and then we'll go in camera.

Without further ado, I'm going to start with the Department of Finance. Who is speaking for the Department of Finance?

Okay, go ahead.

Mr. Dean Beyea (Director, International Trade Policy Division, Department of Finance): Maybe I could clarify before I begin my introduction. I was asked to come to speak about the duties relief program, not the other two programs you mentioned earlier. If that's still the case, I'm happy to continue in that manner.

The Chair: Does it pertain to these two topics? I think it's pretty specific, what we're talking about here. It states here "as well as other ongoing irritants".

Yes, you go ahead. Tell us what you know.

Voices: Oh, oh!

Mr. Dean Beyea: Thanks very much.

My name is Dean Beyea. I'm the director of the international trade policy division at the Department of Finance. The duties relief program is legislated under the customs tariff, which is the responsibility of the Minister of Finance. My division is responsible for providing analysis and advice to the minister on customs tariff matters, including this program. Day-to-day administration of the customs tariff, however, falls under the purview of the Canada Border Services Agency. The DRP relieves customs duties on imported inputs used in the production of goods that are ultimately exported. This long-standing program is similar in nature to the supply-management focused import for re-export program administered by Global Affairs Canada.

Given the general nature of the DRP, it has certain program features that are more flexible than the import for re-export program; for example, it has longer time frames for re-export. Supply-managed farmers and farm groups have expressed concern that some of these features are negatively impacting the domestic market. On the other hand, certain food processors argue that the DRP features provide them with additional flexibility that improves their competitiveness in export markets.

While DRP imports have grown in recent years, this largely represents a diversion from imports previously under the import for re-export program. Total combined imports across the two programs continue to represent a stable proportion of the domestic market. The government recognizes the importance of effective import controls to the integrity of the supply management system and is committed to their enforcement. In that context, officials are actively reviewing previously announced anti-circumvention measures, including

potential changes to the duties relief program. It's also important to note that U.S. milk producers and members of the U.S. Congress have expressed concern that changes to the duties relief program could undermine negotiated market access under the Trans-Pacific Partnership. As a result of the supply management industry concerns, I understand that the CBSA has recently heightened enforcement activities to ensure that the DRP continues to be used as intended under the law.

I think I can stop there and listen to my colleagues. I am happy to receive any questions.

•(1010)

The Chair: Thank you, sir.

We'll go over to the Canada Border Services Agency. Who do we have? Is it Mr. Lawton?

Go ahead, sir.

[*Translation*]

Mr. Alexander Lawton (Director, Trade Compliance, Canada Border Services Agency): Thank you, Mr. Chair.

My name is Alexander Lawton, and I am the director of trade compliance with the Canada Border Services Agency. I welcome the opportunity to address the committee today.

The Canada Border Services Agency, or CBSA, is responsible for the secure importation of food, plants, animals, and other goods into Canada, and we enforce legislation and regulations on behalf of numerous government departments and agencies to this end.

[*English*]

Since its creation in 1996, the duties relief program, or DRP, and associated drawback program have enabled qualified companies to import goods without paying duties, on the condition that the imported goods are subsequently exported. The products must be subsequently exported within four years.

The CBSA administers these programs on behalf of Finance Canada, primarily for the benefit of our manufacturing sector. The DRP gives Canadian companies the ability to compete internationally by allowing them to purchase and use raw materials for goods subsequently exported at world market prices and without including customs duties in the price of the exported goods.

Since 2012, a portion of the supply-managed agricultural goods industry has transitioned from the import to re-export program or IREP—a similar program managed by Global Affairs Canada—to the duties relief program. However, the DRP was not specifically designed to provide relief for agricultural goods. It was initially designed to support Canada's manufacturing industry. As a result, issues have been identified around the potential diversion or substitution of imported non-duty-paid goods under the program being sold in the Canadian market at prices substantially lower than the prices established by Canada's supply management system. The customs tariff, in conjunction with the duties relief regulations, allows participants to use domestic or imported goods of the same class interchangeably in the processing of goods in Canada. This is often referred to as substitution.

From a DRP perspective, substitution is only permissible according to the legislative definition of “same class” if the goods being used in the production are so similar that they can be used interchangeably in the final product, and that these goods, in the same quantity as the goods originally imported, are exported.

Under the customs tariff, DRP participants must report any goods diverted into the Canadian economy as well as pay all applicable duties within 90 days of the date of diversion. If, during a compliance verification, a participant is found to have diverted goods into the Canadian economy or has failed to comply with any condition of a DRP, the applicable duties are assessed, including any interest and penalties that may apply, and the company's licence to participate in the DRP may be suspended or revoked.

The CBSA maintains a robust post-release verification regime and regularly verifies participants in the DRP to ensure compliance with all program requirements. Since April 2016 alone, a significant number of compliance verifications of DRP participants have been completed, and where non-compliance was found, the applicable duties, interests, and penalties were assessed, and participants suspended from the DRP. The CBSA will continue to ensure program compliance through regular and rigorous post-release compliance verifications. However, Finance Canada is the policy lead and is responsible for any changes to the program. The CBSA is working with government partners to review anti-circumvention measures, including potential changes to the DRP. The Canada Border Services Agency will continue to support the Government of Canada's direction in any border controls initiative and will further engage other government departments as required.

Thank you.

• (1015)

The Chair: Thank you, sir.

We're going to move to the Department of Agriculture and Agri-Food now.

Go ahead, Mr. Seppey.

Mr. Frédéric Seppey (Chief Agriculture Negotiator, Trade Agreements and Negotiations, Market and Industry Services Branch, Department of Agriculture and Agri-Food): Good morning and thank you, Mr. Chair and honourable members of the committee.

My name is Frédéric Seppey. I'm Canada's chief agriculture negotiator and assistant deputy minister for trade negotiations and agreements at Agriculture and Agri-Food Canada. I appreciate the opportunity to be here today in order to speak to you about issues of concern to Canadian dairy and poultry producers. My remarks this morning will focus on issues surrounding the imports of spent fowl and diafiltered milk. My colleagues from Finance Canada and the Canada Border Services Agency have already spoken to the duties deferral program.

Canada's dairy and poultry industries operate under supply management. The goal of supply management is to match production with anticipated Canadian demand. Supply management relies on three key pillars: production control, producer price control, and import control. These pillars are essential to preserving the integrity of the system. Import control and predictability are essential to the effectiveness of supply management, and necessary to accurately determine the national supply requirements and avoid disruptive shortages or surpluses on the Canadian market. The national production quotas set by dairy and poultry marketing boards take into account imports when trying to match the Canadian demand.

Regarding spent fowl, Canadian chicken producers have expressed concerns that import controls for chicken are being circumvented by a number of importers who declare broiler chicken meat as spent fowl in order to avoid import controls and corresponding tariffs. Industry believes this to be a key explanation for the significant increase in spent fowl imports in recent years. Imports of spent fowl increased 55% from 2009 to 2015, while Canadian chicken production increased only by 9% over the same period. In 2015 imports of spent fowl corresponded to approximately 10% of total chicken production in Canada.

Chicken farmers have indicated that import predictability has diminished due to the rapidly increasing imports of spent fowl and the doubts surrounding the validity of these imports. The Canadian chicken industry is concerned that this trend will continue to lead to more broiler chicken meat being imported duty-free and thus displacing Canadian domestic chicken production.

Agriculture and Agri-Food Canada is leading an interdepartmental working group to examine ways to ensure the effectiveness of border controls for poultry products. The working group is considering issues related to the imports of spent fowl and looking at potential options to enhance border controls, such as potentially requiring certification by exporting countries or conducting additional testing, including on DNA of birds. That would ensure that products declared as spent fowl are adequately treated at the border. Government officials from various departments have been working diligently to address this issue, and continue to be in close contact with various stakeholders along the value chain.

[*Translation*]

Now I will turn to the dairy issues.

With respect to diafiltered milk, the government acknowledges that the use of this product beyond what is authorized in cheesemaking under the cheese compositional standards is a source of concern for dairy producers. It is important to distinguish the use of products such as diafiltered milk in cheesemaking from the way these products are treated at the border.

Milk protein substances, such as diafiltered milk, can be imported into Canada duty-free and quota-free from the United States under the North American Free Trade Agreement, as long as they contain 85% or more milk protein on a dry matter basis. In addition to cheesemaking, these products can be used in a variety of manufacturing processes in Canada. Therefore, imports of milk protein substances as defined in the Customs Tariff Schedule are absolutely legitimate.

With respect to the cheese compositional standards, they allow for the use of ingredients other than milk in cheesemaking within specific limits. It has therefore never been the intention to completely prohibit the use of dairy ingredients such as diafiltered milk in cheesemaking.

This issue should also be looked at in a broader context.

• (1020)

The dairy sector faces a number of ongoing challenges, stemming from both domestic and international market pressures. It is in this context that, over the past few months, the Minister of Agriculture and Agri-Food, the Honourable Lawrence MacAulay, and government officials met with the Dairy Farmers of Canada, the Dairy Processors Association of Canada, and provincial dairy associations across the country to discuss ways to address the impacts of new market access negotiated under the Canada–European Union Comprehensive Economic and Trade Agreement, or CETA.

At these meetings, the government heard the thoughts and views of dairy stakeholders from coast to coast on a number of key challenges and opportunities facing the industry. Discussions mainly focused on how to strengthen the sector in the face of domestic and international challenges, including regarding diafiltered milk.

The government will continue to work on addressing stakeholders' interests and concerns on this issue, looking for sustainable solutions for the whole sector. Continued close collaboration between the government and the industry is necessary to help the sector meet its current challenges and seize growth opportunities.

In closing, thank you again for the opportunity to appear before you today, and it will be a pleasure to answer any questions you may have.

[*English*]

The Chair: Thank you, sir.

I'd like to thank all of the departmental officials for their briefs.

Before we start questioning, I would like to welcome two MPs who are sitting in as substitutes.

Ruth Ellen Brosseau, it's good to see you, and Francis Drouin, welcome to our committee. We meet all the time in the summer.

Voices: Oh, oh!

The Chair: I don't know about your committees, but this is what we do.

We'll start with our list, and it begins with the Conservatives.

Mr. Ritz, you have five minutes.

Hon. Gerry Ritz (Battlefords—Lloydminster, CPC): Thank you, Mr. Chair.

Thank you, gentlemen, for your presentations and making yourselves available today.

It's always a concern or problem for processors and producers out there when governments.... This is a multi-jurisdictional oversight and implementation, and it really is problematic. I saw the ball being tossed back and forth a couple of times there in your presentations. These anti-circumvention measures are a real irritant, and have been for quite some time.

Mr. Seppey, you talked about Agriculture heading up a working group. That was structured some years ago. We have been looking at this over that time frame. Again, we're to the point where this is expediting, getting larger. You made that point with spent fowl. We seem to be the recipient of 110% of U.S. production, so there's a lot of chicken sneaking in here that shouldn't be a part of that program at all. It comes down to the job that government is doing or not doing at the border to make sure that these don't grow any further, that they actually start to be pushed back to some extent.

They're stretching guidelines. I won't go so far as to say that people are cheating, but they're certainly stretching the guidelines. The original mandate of the duty deferral program, which I think someone said started in 1996, really didn't pertain to food at all. There is a separate program under dairy and chicken where those come in as processed items and go out again, but that's a stand-alone program. When you look at the changes that have happened, the ability now to have things like diafiltered milk.... It gets around some of the tariffs and duties because it really doesn't fit in all the agreements. It's a brand new product.

There are things that need to be put in place. Whether Finance leads it or CBSA really doesn't lead the program, it's up to somebody to point out the problems. I know that mandate letters have gone out to ministers and so on in this new government. What kind of plan and timeline have you been structured to come up with to address these types of anti-circumvention measures?

Mr. Frédéric Seppey: Thank you, Mr. Ritz.

I'll start with the interdepartmental process on spent fowl and then turn to my colleagues at Finance and CBSA to address the aspect of your question dealing with the DRP.

You're absolutely right that there are a number of issues that were raised by the poultry sector over time, which we have discussed. We have worked over the years very closely with the poultry sector—chicken and turkey—on a number of issues that were of interest to it. Initially, we were discussing a lot the question of the classification of specially defined mixtures—

• (1025)

Hon. Gerry Ritz: Sauce packs.

Mr. Frédéric Seppey: Yes, among other things, that part of it. This was the focus in the early years, but with the evolution of trade, the issue of spent fowl has been growing and growing over time. As you pointed out, given that this is multi-jurisdictional, early on we all worked on good intelligence, or we tried as much as possible. Indeed, we are very coordinated in our efforts despite the fact that various elements of policy fall under different departments. Our interdepartmental efforts have been ongoing over the last few years.

With respect to spent fowl, the issue is quite complex because there's a long-standing trade in spent fowl that is absolutely legitimate to go into processing. I think the Chicken Farmers of Canada made that point clear in its previous testimony before this committee. It accepts that there's a traditional, long-standing trade in spent fowl that is legitimate. The challenge is how we differentiate between the legitimate trade in spent fowl and the risk of circumvention.

The main problem that we face is that, first of all, spent fowl cannot be visually distinguished from broiler meat, so we have to find other ways. Physically, it looks pretty much the same in a pack where you have broiler meat or spent fowl, so this is why we are trying to look at innovative ways of addressing this issue.

We're looking at two main options, and the first is certification. The United States Department of Agriculture has a voluntary program of certification, and we are discussing with the United States to see how we can make use of that program.

The second element, and I made reference to it in my remarks, is whether we can try to see if we can use DNA testing to distinguish between spent fowl and broiler meat in spot checks. You can imagine that, if you use a DNA test, it has to be robust, it has to be thoroughly tested. This is exactly what we're discussing with colleagues at CBSA and Agriculture and Agri-Food Canada, how we can make use of that.

Hon. Gerry Ritz: Okay. You outlined a plan, but—

The Chair: Your time's up, sir.

Hon. Gerry Ritz: —what about the timelines?

The Chair: Okay, thank you, Mr. Ritz.

We're going to move over to Madame Lapointe for five minutes. Go ahead.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you, Mr. Chair.

I'd like to thank the witnesses for joining us on this lovely summer morning.

I'm going to talk mainly about diafiltered milk.

I represent the riding of Rivière-des-Mille-Îles, in the Lower Laurentians. It's not that the chicken issue doesn't affect us, just that the dairy issue affects us a bit more. The fact that some people are trying to circumvent the rules isn't looked upon favourably.

You said earlier how important it was that the government continue to work with industry, both provincially and federally, on the diafiltered milk issue.

Could you comment on what Canada's industry players have done in terms of innovating and modernizing?

Mr. Frédéric Seppey: The Dairy Farmers of Canada and the provincial associations have put some initiatives in place. One major initiative, proAction, seeks to improve on-farm practices, educate farmers on the importance of those practices, and, by extension, the public. It actually starts on the farm and continues throughout the chain of production.

We also have a five-year federal-provincial policy framework for Canada's agricultural and agrifood sector, called Growing Forward, which will continue until 2018. A new five-year policy framework will then be introduced. Through this policy framework, governments have supported initiatives developed by the dairy sector, especially within innovation clusters. Quite a few programs are under way. I don't have the figures with me, but the department would be glad to provide the committee with that information. A number of investments have been made to support sector initiatives focused on innovation.

Further to specific initiatives and his ministerial mandate, the Minister of Agriculture and Agri-Food was tasked with delivering a program to develop value-added agricultural and agrifood products. In terms of facilitating innovation, then, that part of the program will be especially important for both dairy producers and processors. Those are some examples.

• (1030)

Ms. Linda Lapointe: You mentioned the improvement of on-farm practices through the proAction initiative.

Do you view that as one of the solutions in the years to come?

Mr. Frédéric Seppey: Absolutely.

A number of solutions exist, particularly when it comes to sector governance. Earlier, I mentioned the three key pillars of supply management: production control, producer price control, and import control. Given the challenges facing the sector, domestically and internationally, it is looking at mechanisms that would allow for a better pricing structure. The efforts by the industry, from both producers and processors, towards reforming the pricing structure, inputs, and their permitted use in dairy manufacturing are all important pieces of the solution.

Innovation throughout the value chain, from production to processing, is another piece of the solution, one that can strengthen the sector's economic prosperity in the medium and long terms.

Ms. Linda Lapointe: Thank you.

Since the Liberals have been in power, since October, then, what measures has the government taken to support agricultural industries, including dairy producers?

Mr. Frédéric Sepey: Budget 2016 set out a number of initiatives that are under way, including an investment in rural connectivity aimed at improving rural communities' ability to use different tools. I think the government also wanted to take stock of the outcome of the Trans-Pacific Partnership negotiations, as part of its consultation process. The Minister of Agriculture and Agri-Food, the Minister of International Trade, and their parliamentary secretaries criss-crossed the country to gauge where stakeholders stood.

I should mention that, as far as trade agreements and agriculture are concerned, Canada exports more than half of its agricultural products, so the new international market access opportunities are very significant. That was a major element, at least in my area of responsibility, given the government's desire to proceed as quickly as possible with the implementation of the Canada–European Union Comprehensive Economic and Trade Agreement. The idea was to consult the sector on measures that would help those negatively impacted by the agreement—meaning, in this case, cheesemaking and dairy sector stakeholders—adapt to the market access granted under the agreement. Also in mind was the eventual implementation of the Trans-Pacific Partnership agreement, in terms of hearing what stakeholders thought, what the issues were, and how they would be able to benefit.

Ms. Linda Lapointe: Thank you very much.

[English]

The Chair: Thank you, Madame Lapointe.

We're going to move over to the NDP now. Madame Brosseau, go ahead for five minutes.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you, Chair.

I would just like to thank my colleague, Randy Hoback, and the Conservatives for coming forward with this study. I think we all know how important it is and I appreciate the fact that it didn't take us long to agree to go forward with this study.

[Translation]

I don't think diafiltered milk has ever been as hot a topic as during this last session of Parliament. Everyone is aware of this unfortunate problem, which has been going on for years. The spent fowl issue

has also been going on for quite a while now, inflicting significant economic losses on producers.

I am honoured to represent a vibrant rural riding that is home to many supply-managed producers. Many of them have come to me about the challenges they face because of the diafiltered milk and spent fowl issues, saying they are at the end of their rope. Every week, we see farmers who are getting ready to shut down their operations out of desperation.

This week, *La Terre de chez nous* published an article on a 47-year-old dairy farmer in Saint-Augustin who was closing his farm and selling off his cows because of the problems stemming from diafiltered milk, among other things. He may have also had concerns about other trade agreements. What a sad situation.

I think every party has raised the issue. We've debated it in the House. The government promised to look into the issue and take swift action. Protests in support of those producers have been held here, on the Hill. Several thousand people even showed up on the Hill with their cows in tow to demand help from the government.

My question is for the finance department official.

Are you able to put a number on the economic losses the dairy and poultry industries are experiencing? Could you also tell me whether the situation is having an economic impact on Canadian consumers?

• (1035)

[English]

Mr. Dean Beyea: I think it's an interesting question. We haven't done that. We've certainly seen representations that are all over the map, but we are trying to assess the impact. Obviously, we would rely on the expertise of the Department of Agriculture for something like that.

The Chair: Go ahead, Mr. Sepey.

[Translation]

Mr. Frédéric Sepey: I have something I'd like to add, if I may.

As the member mentioned, the state of dairy producers' incomes is an issue the industry is concerned about, as are all government stakeholders.

Falling incomes, however, are not solely the product of the diafiltered milk issue. It's one factor, but others have come into play in recent years. As you know, global dairy prices are at a historic low, so dairy producers all over the world are dealing with the same income-related issues.

The second consideration stems from how our system is structured. I'm referring to the fact that the demand for fats determines production value and is therefore creating a structural surplus of non-fat solids. In order to get rid of their milk, producers have to sell it under a class system that generates lower revenues. So that's another thing that factors into the equation.

The third factor is the drop in the prices set by the Canadian Dairy Commission early last year. In fact, the commission dropped prices in February 2015. An initial increase was introduced in February 2016 and will be followed by another on September 1, 2016. That won't completely fix the income problem, but it will eventually help mitigate the losses. As you can see, then, a number of factors come into play. That's why we are considering the full range of solutions to address the issue at a broader level. Measures can be taken to address the diafiltered milk issue, and steps are being taken by producers and processors to address pricing structure.

Other programs are also in the works. The consultations held in recent months gave government officials and policy-makers ideas on possible programs to help the sector cope in both domestic and international markets.

[English]

The Chair: Welcome to the trade committee. We keep our times tight here.

We're going to move over to the Liberals now.

Madam Ludwig, you have five minutes.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

Thank you all so much for coming in. It's a beautiful, sunny day outside and we'll be back to it this afternoon.

I represent a New Brunswick riding, New Brunswick Southwest. It literally is as geographic as it sounds. It's the southwestern portion of the province, and we also have a fair number of dairy farmers close to Apohaqui, in the Sussex area, and chicken farmers.

My question is for Mr. Lawton first. How have the imported quantities of chicken and dairy changed over the last year?

Mr. Alexander Lawton: I believe when it comes to total quantities of imported chicken and dairy products, my colleague from Agriculture may be better placed to speak.

Ms. Karen Ludwig: Okay, thank you.

The Chair: We could come back to you later, if you want.

Mr. Frédéric Seppéy: Yes, I can come back.

The Chair: Madam Ludwig, if you want to ask another question, we'll make sure there's time for him to respond to your first one.

Ms. Karen Ludwig: Okay. Thank you.

My next question as well is for Mr. Seppéy.

You mentioned an interdepartmental working group, working in close collaboration as necessary, and I agree with that 100%. Are you able to elaborate on any of the discussions that have taken place in terms of the stakeholders in the specific industries, including their opportunities and requests to be more competitive and innovative, and any interests or needs of theirs to make greater use of technology?

• (1040)

Mr. Frédéric Seppéy: If I can seek a clarification, you're talking about both poultry and dairy?

Ms. Karen Ludwig: Yes.

Mr. Frédéric Seppéy: In the recent months our efforts have been focused on dairy because, as per the announcement made on May 2 by Minister Freeland and Minister MacAulay, the primary reason for these consultations was to look at how the government can assist the sector to adapt to the result of the Canada-European Union agreement. I would add that over the years we have had a very close working relationship with the Dairy Farmers of Canada, as well as the provincial dairy farmers organizations, as well as dairy processors. I mention this because, as I pointed out, there are a number of challenges.

Among the ideas that were provided in the context of this program is for them to find a home for their milk. Indeed, it's one of the preoccupations of farmers across the country—and it's true, because we heard this in New Brunswick and the rest of Atlantic Canada. There's a mutual dependency relationship between dairy farmers and dairy processors. Therefore, finding ways to improve the effectiveness of the whole value chain—to improve our processing capacity, and improve the efficiency at the farm so that the production can really respond to the dairy processing industry's ongoing need to develop even more innovative products—is among the ideas that have been floated to us.

On the poultry side, we also have the issue of spent fowl and concerns about the duty relief program, as well as classification of various products. We have ongoing discussions with them, as well as with the egg sector. They are also preoccupied with innovation, but their focus has been more on ensuring the effectiveness of the operation of the import control system.

Ms. Karen Ludwig: I would also like to compliment all of you and your departments for the work you have done. Clearly, this is not a new issue. It's been ongoing for at least the last 10 years, and a lot of work has been done within the last year on it. We know about the other industries. What about the food processors? How will the implementations affect and be balanced with food processors?

Mr. Frédéric Seppéy: You're referring to programs like the duty relief program?

Ms. Karen Ludwig: Right.

Mr. Frédéric Seppey: These programs, as I think my colleagues explained, from a food processing perspective, are very important because we have a capacity to process products in Canada. It's a very important sector. In fact, in terms of jobs, it's one of the main contributors to the labour market in the manufacturing sector. In that regard, having access to competitively priced input in order to be present in the international market is very important. In fact, all countries generally have programs similar to the duty relief program or the import for re-export program, IREP, managed by Global Affairs Canada. The attachment of the food processing sector to these programs is very strong. I think that if they are used within their means, i.e., to import competitively priced input for re-export and not just for use as input in the domestic market, I think you will find the producers to be supportive of these programs. But they are very important, from a food processing sector perspective.

The Chair: Thank you, sir. The time is over here.

We're going to move to the second round. For the Liberals, we have Mr. Fonseca.

Congratulations on the European Cup there, with your favourite team.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Viva Portugal! Golô!

We all want to score a big goal here. It's great to have everybody here. I hope you're enjoying the summer, and got a chance to watch the Euro Cup, and now we're going to watch the Olympics and cheer on Canada. It's great to have you as a team here, because I believe the only way we're going to be successful is with a multi-pronged strategy, a coordinated strategy, amongst the various ministries. I wanted to ask you a little bit about that.

This has been going on, as we've heard, for over a decade. How do you work together on an ongoing basis? Is there an inter-ministerial group or an enforcement group? How do you get together? Is it weekly? Monthly? Quarterly? How do you share results, etc.? Can someone inform the committee on how that all takes place?

• (1045)

Mr. Frédéric Seppey: Yes, and thank you for the question.

I should mention that beyond those who are at the table, we have colleagues at Global Affairs Canada as well who are closely involved. Madame Funtek, who is at the back of the room, is our specialist responsible for import controls at Global Affairs Canada. We have a group that is meeting at different levels: at the working level; at the level of executives, like us; and if necessary, the level of assistant deputy ministers and deputy ministers.

As well, if there's a need for a conversation to take place at the ministerial level, an ad hoc meeting can be held in that regard. But most of the work is taking place at the working level, and there are also certain meetings involving stakeholders or industry representatives, so we can best understand their concerns and they can best understand what the technical challenges are. I would say that we work in good intelligence. On issues like the duties relief program, for example, it's important to consider—and I think Mr. Beyea made that point previously—that we have to look at the interests of the producers; but there are also other users, such as the processing

sector, the further processors that would have a perspective in that regard.

We are maintaining a close engagement with all those who are potentially affected by any potential changes that are considered by the government.

I will end by saying that, for a number of years, we have also had a joint industry-government group called the Border Measures Working Group—dairy, poultry, and egg—that is meeting with representatives of all the departments represented here today and is regularly taking stock of what the issues are at the border and what issues related to trade need to be addressed. We have a very productive dialogue in that regard.

Mr. Peter Fonseca: On that border group that we're hearing about, how do you benchmark yourself or measure your progress? Again, this has been going on for well over a decade. We understand that the revenue loss due to diafiltered milk was about \$100 million in 2015. Is that correct?

Mr. Frédéric Seppey: I can't comment. I'm—

Mr. Peter Fonseca: That's the number I had. I'm not sure if that is correct.

Mr. Frédéric Seppey: Yes, it may be an industry estimate.

Mr. Peter Fonseca: What do you measure? Usually, what gets measured gets done. What are you measuring? How are you measuring your progress? How are you measuring enforcement? How are you measuring that we are making progress in terms of tackling this issue?

Mr. Frédéric Seppey: That's a very good question and a very difficult one to answer, because we are talking about policies here. I think, seen from the industry perspective, the check mark is when the issue gets resolved, and that's why we're keeping our goal in resolving the issue.

That said, as government officials, our duty is to ensure that whatever policy proposal is brought forward to our political masters or to our respective ministers and then to cabinet, it respects our international trade obligations, respects good regulatory practices within regulatory law, serves policy objectives, and is fair vis-à-vis all the sectors of the agriculture and agrifood economy.

We are really keeping our focus on trying to resolve the issue to the maximum extent possible, to the satisfaction of those who are expressing concerns, by taking into account these other considerations.

Mr. Peter Fonseca: Can you tell me what the numbers are for enforcement and for fines over the last number of years? Who has been fined and how do you do enforcement?

The Chair: Please give quick answers.

Mr. Alexander Lawton: If I can just get some clarity, in terms of which program? Are we looking at diafiltered milk, spent fowl?

Mr. Peter Fonseca: Yes, take the diafiltered milk.

Mr. Alexander Lawton: With diafiltered milk, we conduct a series of sampling measures at the border to confirm whether the goods actually are diafiltered milk or not. There have been results, and I really can't get into the actual numbers right now. I don't have them in front of me, unfortunately. That's a measure we primarily look at to confirm whether the goods imported are actually—

Mr. Peter Fonseca: Are producers fined?

The Chair: Okay, maybe we can go back to that, but the time is up.

We're going to move over to the Conservatives, to the other Dutchman whose football team didn't do very well. But anyway, next time....

Go ahead, Mr. Van Kesteren, for five minutes.

• (1050)

Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair.

Thank you for being here. It's been a most informative meeting. I want to follow up with Mr. Fonseca's line of questioning. I'm wondering if you can give us some numbers. We've talked about diafiltered milk. What about the spent fowl? Can you give us some numbers? How often do you check?

There was a comment made that they look the same. I'm not a chicken farmer, but I know the broilers are six weeks and they're little meaty birds, and a two-year old laying hen is.... We have some hens, and they're a whole lot bigger. So, can't you just visually inspect those things?

I want to get some confirmation from border services. How much of this is being investigated, and how often are we successful in putting a dent in what's taking place?

Mr. Brad Loynachan (Director, Trade Policy, Canada Border Services Agency): Good morning. My name is Brad Loynachan. I'm the director of trade policy with the Canada Border Services Agency.

First and foremost, I would just like to emphasize that CBSA recognizes industry concerns and plays a key role at the border in ensuring the proper classification of goods being imported.

First, on spent fowl and the challenges around that, although age certainly sounds like it would be a reasonable kind of—

Mr. Dave Van Kesteren: I'm not saying age, I'm saying size.

Mr. Brad Loynachan: Well, age and size often play a critical role. However, industry clearly has advised us that this is not the case. Otherwise, we would have deployed that intelligence or those tools to our border services officers to help us distinguish.

Mr. Dave Van Kesteren: Can I just interject? I'm wondering what industry you're referring to, because farmers can tell you that. I mean, I'm not a farmer and I know that.

Mr. Brad Loynachan: One of our key stakeholders is the Chicken Farmers of Canada, who have actually been working with us based on that challenge, the limitation to visually distinguish between spent fowl and broiler at points of entry or in the raw state. They've been working with government in terms of developing a DNA test that, as we mentioned earlier, may be deployed to help us

ensure that the classification of chicken being imported is in fact as declared.

Mr. Dave Van Kesteren: Do you have some numbers on how many cases are being identified?

Mr. Brad Loynachan: Certainly.

To give people context, in fiscal year 2015-16 there were 3,340 importations declared as spent fowl. That's a very large number, of course, and as we've noted, it continues to grow. In terms of verification, the CBSA between the years 2012 and 2014 did post-release verifications for 25 separate importers. They were all non-resultant, which means that we did not find evidence, through a books and records verification, of non-compliance. There are currently eight additional ongoing verifications.

The Chair: Mr. Seppey wanted to add a comment.

Mr. Dave Van Kesteren: Well, I'm going to ask him a question, so maybe he can comment then.

I'm curious to know, as a consumer, whether Agriculture Canada is actively or proactively informing the public of the fact that there are different types of chicken. I certainly want to know, and I certainly haven't seen that in any supermarkets. I mean, when you see the chicken on sale, you just assume that it's.... Has there been some action taken to possibly inform the consumer, or force the supermarkets to tell us what we're purchasing?

Then you can answer that other thing you wanted to jump in on.

Mr. Frédéric Seppey: On your first question, on the policy, Canada is a science and evidence-based jurisdiction. When it comes to prescribing information on labels, we're mainly trying to focus on what could constitute a health and safety hazard. You are absolutely right that there's an interest. As a consumer, I'm interested in knowing exactly, in having as much information as possible on labels. There are different ways of getting to that. There are voluntary standards or mandatory standards. In the case of spent fowl, it's very difficult to do that, although if you purchase a can of chicken noodle soup, for example, you'll often see that it refers to "mechanically divided", and so on. That's recognized as being a reference to spent fowl.

To your previous question, where you were saying that from your perspective as a farmer it should be distinguishable, you're thinking of the bird, but it's important to know that in 2015, of the volume and the quantity of spent fowl that was imported, only 17% came in the form of a live bird. The bulk of it came in the form of breasts. You can distinguish; probably, if you see two birds, you may have a sense of what the difference is.

• (1055)

Mr. Dave Van Kesteren: Aren't the spent breasts in a package larger? I've seen the broilers. The spent breasts are huge.

Mr. Frédéric Seppey: But can you say that with certainty and make it very definitive, because that's a requirement of CBSA? CBSA has to be clear that to challenge an interpretation, a declaration.... By default we consider that the traders are honest and that they are declaring what they are importing. Of course, as a risk management agency, CBSA will do spot checks, but you cannot distinguish with precision. When you see a breast, it's very challenging to say for sure whether it's spent fowl or broiler meat.

The Chair: Okay, you're well over time. They were very good questions, though.

We're going to move on to the Liberals and Mr. Drouin.

Go ahead, sir, for five minutes.

[Translation]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

My riding, Glengarry—Prescott—Russell, is home to more than 300 dairy producers. Mr. Chair, I know that you've actually been to the St-Albert cheese factory, which will soon be holding its curd festival, from August 17 to 21. They make the best cheese curds in the country, and they use 100% Canadian milk.

Mr. Seppey, in July, I had an opportunity to speak with a number of dairy producers. Over the past few months, I have heard that producers are complying with cheese compositional standards. In fact, for cheddar, I think they use 83% milk and about 17% milk protein. I was told that too much milk protein reduces the cheese quality. People would no longer like cheddar. With the use of diafiltered milk, however, milk protein content is estimated to be between 10% and 20% greater. The argument that complies with cheese standards isn't a comprehensive solution, as I see it. It represents an 80% to 90% shortfall as far as the standards go.

I've spoken to industry representatives and many producers about modernization, and I know discussions on the subject have taken place. You've talked to many of the players involved. How would modernization affect dairy processors and producers here, in Canada, and what does modernization mean?

Mr. Frédéric Seppey: Modernization means having the capacity to make better use of all milk components produced in Canada in order to make value-added products. We produce excellent cheeses, yogurts, and butter, all of which require huge quantities of fats. Like in many countries, including the U.S., Canada has a surplus of non-fat solids. A way of dealing with that surplus is by subjecting it to a drying process and turning it into skim milk powder. It can, however, be used for animal food. It might be possible to export it, but that would mean subsidized exports, and we'll no longer be allowed to have export subsidies by 2020. So it's a short-term solution. Ultimately, we need to develop new, mostly domestic, markets to make better use of these non-fat solids.

It may be possible to use them the same way that diafiltered milk is used in other products, for example. We hear a lot about diafiltered milk being used in cheesemaking, but it's also used to make yogurt and energy drinks. We could also see these products frequently being used in food processing because they have properties that allow processors to achieve certain objectives.

So modernization of the dairy sector means providing Canadian users with a wider range of products for use in dairy processing and further processing. Both of those sectors make use of all components, not just fats—which are always in demand—but also non-fat solids—which are surplus products.

Mr. Francis Drouin: If I'm not mistaken, I don't think dairy producers really had access to those markets because they didn't have the category to sell diafiltered milk. I think the sale was limited to use in animal food. I think Ontario has pushed ahead on that. According to a news release, Dairy Farmers of Canada seems to be in talks with processors on the matter.

My next question has to do with DNA testing to identify spent fowl. That's one solution that's been discussed. What would stand in the way of implementing such a measure?

• (1100)

[English]

Mr. Brad Loynachan: In terms of DNA testing, the CBSA's role in the interdepartmental working group is primarily to ensure that any solution is feasible at the border. As I pointed out, there are 3,340 importations of goods declared as spent fowl in the average year, which in fact becomes a barrier in and of itself, meaning our capacity to be able to test each and every shipment.

The premise of DNA testing certainly would be that we would spot check. That may or may not be done at points of entry, based on border congestion and contamination issues. We are looking at the possibility of that being done inland in conjunction with partners, but the primary concern really around DNA testing is, again, ensuring that the test is reliable. As most of you would probably know, any trade decision, including a decision regarding classification by the CBSA, would be appealable to external review bodies such as the Canadian International Trade Tribunal or the courts.

Going back to the earlier comments, ensuring that the CBSA does in fact get classification right is critical to our governmental reputation. If in fact the method of classifying or the tools that we deploy or use to classify are not solid or deemed reliable by government.... We are working with industry. Industry actually brought the test forward to us. It would be the government's role to ensure that the test is scientifically proven by government officials or external review bodies who have accreditation, before proceeding with that method.

The Chair: Thank you, sir. Your time is up, and we're going to move over to the Conservatives now, and Mr. Hoback for five minutes.

Mr. Randy Hoback: Thank you, Chair, and good morning, gentlemen. It's great to see you here this morning on this issue.

Now put yourself in a farmer's shoes, especially in the dairy and the chicken sector. You're in a sector that's very highly regulated. Every time you turn around, government is in control of what you do and how you proceed, and it has worked very well for them. But now you see somebody breaking the rules and you see the government sitting there trying to figure out how to define what spent chicken is.

Maybe you should get rid of the spent chicken classification and look at a different way to address the processors' requirements for chicken. Instead of trying to wait for a new DNA testing program and trying to figure out how to identify what's a spent chicken versus a regular chicken, maybe get rid of the category altogether because, obviously, you can't identify it.

Have you looked at that option?

Mr. Dean Beyea: Spent fowl exists as a tariff classification—

Mr. Randy Hoback: But if you've got a classification that can't be defined or can't be properly identified as spent fowl, then you've got a bad classification, do you not?

Mr. Dean Beyea: What happened is that as a result of international trade negotiations at the WTO, Canada made spent fowl part of its schedule to the WTO. So it has formed part of our domestic law. It's there. It exists.

Mr. Randy Hoback: Are you saying that you can't change that? There's no will to change that?

Mr. Dean Beyea: I'm going to come around to a point Minister Ritz will recall, that years ago—

Mr. Randy Hoback: Mr. Ritz.

Voices: Oh, oh!

Mr. Dean Beyea: “Mr. Ritz”, that's correct.

Mr. Randy Hoback: I've got to get your speed up, because I have lots of questions.

Mr. Dean Beyea: That exists in our customs tariff schedule to the WTO, and the way to amend it is to renegotiate it with the WTO. We did that years ago with a product called “milk protein isolate”, on which we raised the tariff from 6% to 265%—

Mr. Randy Hoback: So you've got a formula that you've used in the past that you could use in this scenario. Is that not correct?

Mr. Dean Beyea: —but what happened is that we also had this commitment in our Canada-U.S. FTA, and subsequently the NAFTA. So we couldn't stop imports from the United States. But what it did was that it stopped imports of these products from France, Switzerland, and New Zealand, and shifted production entirely, which continued duty-free. Even the industry has given up on this approach of eliminating this tariff. In fact, I asked them why it exists, why they allowed it to exist at the time of the Uruguay round—

Mr. Randy Hoback: I'm going to stop you right there because I've got to keep going.

Mr. Seppey, you've said that you've has this working group since 2012. What recommendations have you made from this group to the minister to take forward to cabinet to get some sort of decisions made?

•(1105)

Mr. Frédéric Seppey: That concerns advice to ministers, so I don't think I'm in a position to provide answers in that regard.

Mr. Randy Hoback: So you haven't given advice to the minister on this?

Mr. Frédéric Seppey: We provide advice on a regular basis but I think you can appreciate that I cannot...this is cabinet confidence.

Mr. Randy Hoback: Okay, so in the mandate letters of all three of your ministers, where is this issue talked about?

Mr. Frédéric Seppey: The mandate letter to the Minister of Agriculture and Agri-Food talks about the importance of defending the interests of the ag sector in the international trade negotiations, which is exactly what we have been doing over time, and we continue to do, in working with the industry.

Mr. Randy Hoback: Going back to Ms. Lapointe's question about what's been done in the last year, you've offered hi-speed Internet and consultations. What have you done on this specific issue? What recommendations have you made to the ministers? What has gone forward to actually see some action on this file?

Mr. Frédéric Seppey: On this file, we have been working diligently with the industry. For example, on spent fowl, the preference of the industry is the DNA testing, because they understand that we won't be able to do a change—

Mr. Randy Hoback: What's your timeline, then, in regard to DNA testing, so you can say, “Okay, this will work; let's get it implemented”?

Mr. Frédéric Seppey: As my colleagues from CBSA indicated, we need to ensure that...because it's very important for our country, which bases its policies on science-based evidence, and good regulatory policy and meeting our international trade obligations—

Mr. Randy Hoback: Okay, but still you have to have timelines. Again, I'm a farmer sitting here and I'm losing money every day—

Mr. Frédéric Seppey: Yes, and we are working.... For example, on the DNA testing, the first thing would be discussion with the Trent University, the university that developed the test, to ensure that this test is absolutely robust, doesn't expose us in terms of our trade obligations, and then to introduce a pilot project, for example. That's one of the options we are developing to see how it could work.

Mr. Randy Hoback: Who else is using this?

Mr. Frédéric Seppey: Nobody.

Mr. Randy Hoback: Nobody. Okay, you're saying there's no short-term fix for this at all. This is going to take time, moving forward.

Mr. Frédéric Seppey: No. We are working as diligently as possible to find a practical...and the industry is fully involved and aware of the challenges in that regard.

Mr. Randy Hoback: Chair, I was asking some direct questions regarding the ministers', so I definitely do want them to come forward. Therefore, I have a motion I want to read into the record right now, and we can deal with it later, if you so choose. It reads:

That as part of the committee's study of the Canadian Border Services Agency's Duty Deferral Program as well as issues pertaining to the importance of diafiltered milk and spent fowl into Canada; that this study consist of two further meetings; the first meeting to hear from industry stakeholders; and second meetings to hear from the Ministers of Public Safety, Finance, Agriculture, and International Trade; that these meetings be scheduled no later than August 31, 2016; and that the Committee report its findings to the House.

This is an issue that has been going on for a period of time. Consultations seem to be going on and on. Consultations are being used to defer making a decision. They need to show action on this, and I need to know where the ministers are at on this. I want to know whether this an issue where Agriculture is making recommendations to Finance, and Finance won't budge, or Border Services doesn't have the tools to do the job. We need to know exactly what's going on here.

I'm sorry, but they're not willing to answer because of this confidentiality between them and the ministers, so let's bring the ministers—

The Chair: I know you may be frustrated, but your time is up—

Mr. Randy Hoback: I am speaking to a motion, am I not?

The Chair: I don't know. I think that's within your five minutes.

Actually, it's not. Okay, go ahead. Sorry for that, Mr. Hoback.

Mr. Randy Hoback: I think I've said my words, but you can see the frustration. Put yourself in the farmers' shoes. Again, you're in a highly regulated sector and you're relying on the government to enforce those rules. When they're letting you down and it's costing you money and your wallet is getting thinner and thinner—and as Ms. Brosseau said, she has an example of a constituent going out of business—I'm sorry, but we can't wait for new types of ideas. We have to have some action now.

I know there have been ideas in the past that have been brought forward that may need to be further examined. I'd like to see if they've actually examined those. I'd also like to see what the ministers have said to their bureaucrats in dealing with this issue, because I believe it's nothing. Even though they get the questions in the House from Ms. Brosseau and from the Conservatives, they do nothing, and that's not acceptable in this day and age.

The Chair: We're getting into debate on the motion. I think right now it's time to move to the NDP, which has three minutes.

So go ahead, Madame Brosseau.

Ms. Ruth Ellen Brosseau: Thank you.

It's nice seeing you back. We were on the agriculture committee for so long—with Randy as well. We also had Mr. Ritz come to the committee quite often.

The Chair: Agriculture and trade seem to go hand in hand, don't they?

Ms. Ruth Ellen Brosseau: We did talk a lot about it, and you asked some great questions on spent fowl and diafiltered milk, but here we are once again with this issue. It has been going on for quite a few years, but I think everybody around the table recognizes that this has to move fast and that we need timelines. We need to be able to tell our constituents that there is light at the end of the tunnel, that this will be resolved in September, or October, or at least have a better idea of how it's going to be resolved.

I know we've talked about DNA testing, and Trent University has done work on the spent fowl. How long would it take for this to be approved? I guess industry submitted this to you as the best solution to end the problem with spent fowl. How long will it take to have this approved? What kinds of verifications need to be made to ensure that this type of DNA testing for spent fowl is adequate? I know we do DNA testing all the time. We do DNA testing for kids, and we do it for cows. We do it for a ton of stuff. How hard would it be to approve DNA testing for chicken?

If we do decide to go forward with this, are we afraid of retaliation from the States?

Mr. Loynachan.

• (1110)

Mr. Brad Loynachan: To your question around timing, I can tell you that the timeline does not only involve establishing or confirming the science before we would DNA test relating to classification. It's also about the process. Earlier I talked about what the roles and responsibilities would be if in fact the government were to conduct a pilot. I mentioned that there are obstacles. One of the key objectives of the Canada Border Services Agency is to ensure that the borders are fluid, that there is not congestion, knowing that testing at the border could in fact have negative impacts. A big concern, and an industry concern, clearly is contamination. As you might appreciate, there are large shipments of chicken. We would have to open multiple packages or bags, and that could contaminate large quantities of chicken. We're looking at how we could do it governmentally. Would it be done inland, in conjunction with work that another government department may be doing? In terms of a timeline, we're looking at that for the fall.

Ms. Ruth Ellen Brosseau: What about the USDA's voluntary certification? Would that work? Would that help prevent...?

Mr. Brad Loynachan: I'll turn to my colleagues at Agriculture, who are responsible for work with the USDA, the U.S. Department of Agriculture, and their certification process.

Ms. Ruth Ellen Brosseau: Would that be a solution? Is that something chicken farmers have looked at also?

The Chair: The time is up, but I'll let Mr. Seppey finish up his answer.

Mr. Frédéric Seppey: Thank you.

The short answer is yes, we're in discussions with the USDA to see how their fowl voluntary certification program can be used in that regard. It could address a significant portion of the issue. That would be our hope.

I should say also that the imports of spent fowl went down in the past quarter. We think that it has something to do with the enhanced enforcement activities by CBSA. We have a number of measures—the DNA testing, the certification—that can help, but already what CBSA is doing, in terms of enhanced enforcement, is probably playing a role in the reduction of imports that we see.

Ms. Ruth Ellen Brosseau: So that has changed in the last—

The Chair: Your time is well over.

Ms. Ruth Ellen Brosseau: I really wanted to ask this question.

The Chair: I know, but we're going to our last MP, our last committee member.

Mr. Peterson, you have the wrap-up. Go ahead, sir.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you for that, Mr. Chair.

I want to just thank everyone for being here. I know it was on very short notice. I want to commend you for the great work you've done and your great presentations today to shed some light on the situation for the committee here. I think it's been very helpful. Certainly from my standpoint, I can attest to that.

I will follow up on Ms. Brosseau's question.

You were about to elaborate, I think, Mr. Loynachan, on, first of all, how the new enforcement mechanisms have been successful in the last quarter in limiting these imports. Can you elaborate on those? I think you were about to do that when you ran out of time.

Mr. Brad Loynachan: Maybe I'll just open by saying that CBSA is certainly the face of the border and any actions taken, in terms of proper classification or compliance, certainly are recognized by industry. In terms of these two commodities, spent fowl and diafiltered milk, the number of importers is relatively small. Therefore, if the CBSA is conducting post-importation verification measures or doing any sampling at the border, as is being done with diafiltered milk, the word spreads quickly. The CBSA's compliance measures act as a deterrent and are, from the numbers, certainly have results. They have a positive impact on the issue, and the CBSA takes that role very seriously. As I pointed out, there are challenges, but in whatever capacity or measure that we have before us, we're certainly committed to moving that forward.

• (1115)

Mr. Kyle Peterson: Okay, I appreciate that.

What did the expanded enforcement procedure that's being implemented result from? Obviously, someone from the CBSA didn't just wake up one morning and decide to do it. I want to know

if there was some ministerial directive or departmental directive, which would probably show that the ministers and the ministry are doing work in this regard.

Mr. Brad Loynachan: As was pointed out numerous times, we, through working groups, work with industry. We were probably the first government officials to be engaged, through the Border Measures Working Group, by the respective sectors regarding these particular issues. Those concerns, and the work that agencies or departments could work on, commenced years ago, as was pointed out. But certainly industry drives much of this governmental response.

Mr. Kyle Peterson: That's great.

The Chair: The other gentleman wanted to comment.

Mr. Dean Beyea: I just wanted to add to that, because part of what Frédéric had talked about was, for example, a poultry working group, and coming out of that there were a number of complaints about imports of goods that shouldn't qualify under the duties relief program or the import for re-export program.

So we've looked, over time, at how much these impact the domestic market, and they've been roughly 7% to 9% and they continue in that regard. However, what they did is enforcement on the duties relief program, and over the last quarter they decreased, as a result of the enforcement actions, by 32% in Q2, 2016. We're quite pleased with the outcome. I'd ask CBSA to verify this, but it seemed like there were a few actors in that space who weren't doing exactly what we hoped, and we want to make sure that these are held tight.

The overall impact wasn't large, but it's come back significantly from then.

Mr. Kyle Peterson: I just want to take the opportunity to commend you for that progress and the success we've seen in the last few months on this file. Thank you for that and for sharing it with the committee.

I have a brief follow-up question. Mr. Winter, you've been very quiet and I didn't want to put you on the spot, but I think you're the only economist at the table here. I mention this because we are, after all, the trade committee and I think we have to look at everything in the trade context. I wonder if there's been any economic analysis done by your department about what impact this is having on the Canadian economy.

Mr. Scott Winter (Senior Economist, International Trade Policy Division, Department of Finance): In terms of the micro impacts of these issues, as Dean has said, we see a range of estimates from the industry. However, the sector experts are really the officials who work for Frédéric at Agriculture and Agri-Food Canada, and they would be better positioned to speak to those.

From a macro impact in terms of the Canadian economy, I think you would find that the results are quite small.

Mr. Kyle Peterson: Okay.

Does anyone else have any other input they want to share?

The Chair: Okay, that said, everybody has had a chance to ask questions here today. That wraps it up then.

Thank you very much to all the officials for coming in and being quick with your briefs and forthright with your answers.

Right now we're going to go in camera, so we'll ask everyone to leave who needs to leave. We're going to suspend for five minutes.

Mr. Randy Hoback: On a point of order, I just want to ensure that we'll be dealing with my motion.

The Chair: Yes, we'll talk about it. No problem.

[Proceedings continue in camera]

Published under the authority of the Speaker of
the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité
du Président de la Chambre des communes

PERMISSION DU PRÉSIDENT

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>