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Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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• (1105)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone, to our study on non-tariff trade barriers to the sale of agricultural products in relation to free trade agreements, for our first hour. With us today, we have Ron and Ron. We were just saying that we might find both of you a permanent seat, because you are certainly guests who we appreciate having here every time. We appreciate your input.

We'll open this up with Mr. Lemaire from the Canadian Produce Marketing Association.

You have up to 10 minutes for a statement. Thank you.

Mr. Ron Lemaire (President, Canadian Produce Marketing Association): Thank you, Mr. Chair.

Members of the House committee on agriculture and agrifood, thank you for the opportunity to speak with you today.

As you know, the Canadian Produce Marketing Association represents over 840 companies across the fruit and vegetable supply chain, from farm gate to dinner plate. Our members do business with over 100 countries around the world, and we navigate through various trade issues while doing business with foreign countries.

I'd like to start by taking the opportunity to thank the Senate committee on agriculture and forestry for their recent market access report, which addresses many of the non-tariff trade barriers faced by our industry. The recommendations stemming from the report are relevant and fully supported by the CPMA.

In that spirit, we are pleased to see this committee study non-tariff trade barriers. I would like to highlight a few of these that should be considered when negotiating FTAs.

As you're aware, the Barton report suggests that the agrifood sector has immense potential domestically and globally, and this growth can be supported through the reduction of non-tariff trade barriers that stand in the way of sector prosperity. Trade barriers come in many forms, and the perishability and small margins associated with the fresh produce sector require the tools associated with free trade agreements to enhance profitability.

For example, something as simple as labelling rules can create challenging trade situations. Domestic procurement strategies and rules such as country-of-origin labelling can be thinly disguised trade

barriers intended to increase importer costs and to foster a perception that imports may be inherently less safe or of lesser quality.

Regulatory alignment with other countries and trading rules based on sound science are also key to improving market access. Too often, we hear of companies that are looking for export opportunities but are met with roadblocks on issues such as plant protection, including the lack of alignment on maximum residue levels, or industry's continuing challenge to access production tools registered for use by Canada's key trading partners. A process to jointly register plant protection products with trading partners and alignment on MRLs would support competitiveness on an international level.

The border can also be a challenge for exporters. Even discrepancies in understanding or recognizing grades at the border is an issue.

When developing FTAs, we would encourage the government to work towards harmonized solutions to these issues, which can pose significant barriers to growth and expansion in existing and emerging markets.

On the topic of harmonization, there are long-standing issues around nomenclature and the differences between countries for identifying products for customs clearance. Ambiguity around the identification of an item can slow down the automated clearing process and pre-clearing process and can lead to misidentification of items. Also, it could lead to delays in the arrival of the product and the misreporting by customs. Where possible, we would encourage the government to work with foreign authorities to find ways to use a common identification system at a level that provides the necessary information to identify products and avoid confusion at the border.

Expanding on customs clearance, FTA negotiations should examine foreign customs programs, trading systems, and the infrastructure required to facilitate trade. This would ideally include inspection services, phytosanitary measures, and food safety systems that are mutually recognized and respected by all countries involved in the agreement.

One final issue for the industry, and one that many of you are familiar with, is ensuring that the countries we are entering into these agreements with have fully developed dispute resolution mechanisms in the event our exporters find themselves in a slow-pay, no-pay, or bankruptcy situation. We are thankful for the incredible work done here in Canada by the dispute resolution corporation on slow pay and no pay and believe this structure can be a model for the world in terms of financial risk mitigation for the industry.

In closing, I'd like to thank the committee for inviting me here today to discuss these important issues. The CPMA remains actively engaged in government consultation on trade negotiations with new and existing markets and looks forward to seeing the recommendations stemming from this study. As always, we're happy to work with all members of the committee and the government to grow the industry both domestically and abroad.

I'd be happy to answer any questions.

[Translation]

Thank you very much.

The Chair: Thank you, Mr. Lemaire.

[English]

Now we have Mr. Bonnett for 10 minutes.

Mr. Ron Bonnett (President, Canadian Federation of Agriculture): Thank you again for the opportunity to talk about non-tariff barriers. It does seem that the agriculture committee is very busy now, especially with the focus on agriculture from Barton and the export targets set by the government. I think it's important to make sure we deal with issues such as non-tariff barriers to capture the opportunity for Canadian agriculture.

As you know, Canada has a strong and growing agriculture industry. Despite all the challenges of disease, drought, and frequent below-cost production prices, it has risen above all that and remains one of Canada's most important industries, contributing about 6.7% to Canada's GDP and one in eight jobs.

Canada relies on export trade for 60% of its agricultural output. Clearly, international trade is the undisputed backbone of Canadian agriculture. Canada has consistently ranked as the world's fifth largest exporter of agriculture and agrifood products. There is almost unlimited potential to improve our standing in that category, especially with a projected population growth by 2050.

Our market in Canada is limited, so agreements such as the recently ratified CETA are very important, including but not limited to the increase in profitable market access for pork, canola, and beef.

We are also looking forward to increased access to Japan through the TPP. It seemed for a while that it had no chance of survival, and we support any efforts to revive it. If that fails, Canada should focus on renewing bilateral negotiations with Japan. CETA unfortunately didn't come without hurt to the dairy industry, so commitment from the government to mitigate the damages through compensation needs dedicated focus.

Canadian food exports have grown 77% over the last 10 years, 20% from 2013 to 2015 alone, to \$56 billion annually. The United States alone accounts for \$29 billion. We rank as the number one

supplier of agriculture and agrifood products to the U.S., which is the world's second largest importer of agrifood and seafood products, with Canada's share proudly sitting at 19.2%. Mexico accounts for close to \$2 billion.

However, we will never make the mistake of focusing only on the reduction or elimination of tariffs as being the only impediment to our trade and to our competitiveness in foreign markets. We have to ensure that resources are dedicated to the elimination of non-tariff barriers in current trade agreements, that proactive work is done during negotiations to eliminate the potential of these barriers. All too often, lofty access commitments are made, only to have countries then manage to slow the import of products through non-tariff barriers.

The recent Senate ag committee considered it a priority by naming non-tariff trade barriers in their first recommendation:

The committee recommends that the Government of Canada consider establishing a national committee with a mandate to monitor non-tariff barriers faced by the Canadian agriculture and agri-food sector in the international market. This monitoring would facilitate negotiations toward the elimination of non-tariff barriers.

Health, safety, and environmental concerns must be assessed and evaluated using a sound, science-based approach. The bottom line is that farmers increasingly have to manage the impact of existing or new non-tariff barriers.

With regard to removing barriers to competitiveness, non-tariff barriers, such as technical barriers to trade and sanitary and phytosanitary barriers to trade often create major obstacles, even when tariffs have been reduced and eliminated. When countries belly up to trade negotiations, they should always include regulatory harmonization discussions as well. It's one thing to open borders to free trade but quite another to make sure that differences in regulation don't create an unlevel playing field.

The Senate report also specifically mentioned the importance of developing maximum residue limits for pesticides, joint registrations, and a more robust skilled worker immigration program.

Non-tariff barriers can take several forms. A destination country may have a different regulation that prevents Canadian products from entering. Differences may range from sanitary, as was mentioned before, to maximum residue limits, acceptance, or a recognition of biotechnology.

Competitiveness is also affected when you go through regulations, and some of these are self-inflicted. One is the example of the difference in pesticide registration between Canada and the U.S. Canada is still one of the most difficult countries in the world in which to register a lower-cost generic crop protection product, increasing the cost of production for Canadian grain producers and lowering their competitiveness in international markets.

• (1110)

Newly introduced carbon taxes in Canada take on special interest when related to the situation in the United States, which looks as though it is not going to move ahead.

The impact is always greater when a country with the proximity of the U.S. has lower costs of production or when it provides far more domestic support, making it difficult for Canadian farmers to compete against U.S. farmers.

Onerous special risk removal coming out of the BSE incident with beef is an example of disposal rules that are more costly than those implemented in the U.S., which have created a competitive disadvantage.

These are some market-access examples:

China is trying to manage its blackleg fungal disease in canola through lowering allowable dockage to 1%, while Canada's dockage standard is 2.5%. Available research and science indicate that the spread of blackleg through dockage is virtually non-existent.

As mentioned, maximum residue levels regarding crop protection products are a barrier. For example, there has been a great deal of uncertainty about whether certain important export customers will accept canola treated with Quinclorac. It leaves detectable residues, but there is no established maximum residue limit.

We understand that at least one protectionist group in the United States is advising the Trump administration that the renegotiation of NAFTA is the ideal forum in which to reinstate country-of-origin labelling for beef and pork, driving extra costs into Canadian products.

On reinspection of meat at the Canada-U.S. border, since Canada and the U.S. deem each other's meat inspection system to be equivalent, inspections at point of production should be significant.

Canadian cattle are required to bear permanent identification in the United States, while there is no such requirement for U.S. cattle.

Food safety interventions approved and used in Canada and the U.S. take years to gain approval in the EU. By the time they are approved, we may have well moved on to something newer and better here and have to start from square one on the EU approval process.

Another example is that Canada can sell only frozen beef to China because its definitions of frozen and fresh are different based on the temperatures it uses.

India insists that pulse cargoes be fumigated with methyl bromide in Canada before leaving. However, in Canada's climate, that process is ineffective most of the year.

We have a number of different examples. Ractopamine is licensed for sale in Canada, but in other countries it is not.

Several trading partners maintain freezing or testing requirements for *Trichinella* that are different from those in a number of different countries.

I think this brings up the fact that there needs to be consistency in approaches and regulations across the board. Dealing with the elimination of non-tariff barriers is more important now than ever. Canada needs to focus on existing trade agreements in which these barriers have prevented the maximization of benefits. As you're fully aware, the dynamics regarding NAFTA and the discussion around negotiations will bring this forward.

U.S. farm leaders we have met with to date have supported the notion that more important than renegotiating every aspect of NAFTA is the need to look at regulatory harmonization as one of the key issues.

We also need to continue to emulate CETA in which non-tariff issues, including regulatory changes and a dispute process to deal with non-tariff barriers, were addressed to an extent.

We do celebrate the successes of CETA. We are concerned about the failure of TPP. We vigorously defend NAFTA, and we pursue additional bilateral trade agreements. We must not forget that trade negotiations and agreements need a multi-faceted approach, a combination of access through lower tariff rates, a harmonization of various regulatory regimes, and our own due diligence with regard to production, transportation, and marketing costs as these factors may also severely hinder our competitiveness.

Thank you.

I look forward to your questions.

• (1115)

The Chair: Thank you, Mr. Bonnett.

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

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

I want to thank you gentlemen for being here today.

I also just want to note that there are western Canadian beef farmers here in the audience today. We're always glad to see western Canadians making the trip down here. It sometimes gets lonely around the table being the only one from western Canada.

I want to ask the Produce Marketing Commission something.

We hear more and more about international retailers that are basically applying phytosanitary standards to both producers and to marketers, or whatever. I'm just wondering whether you see that as a non-tariff trade barrier. How is your industry beginning to deal with that issue?

Mr. Ron Lemaire: That's a very valid question.

When we're looking at phytosanitary, and at trying to position plant health as a competitive advantage in terms of the negatives in the market, there's also food safety. We're also seeing the food safety movement, where the buying community may be looking at different requirements from what the market is requiring. As organizations, we're working with our partners not only here in Canada but on an international level to ensure that the baseline, the benchmark, is set. GFSI benchmark programs, such as CanadaGAP on the food safety side, are essential in that we can rely on the fact that if a buyer or a retailer in a foreign country is requesting a food safety standard, everyone is growing to that standard. They're not required to maintain multiple audits. They're not required to have additional costs and potentially cost themselves out of the market if they're not able to meet the special phytosanitary requirements and/or food safety requirements.

Mr. David Anderson: In the discussions we had here on our animal transport regulations, it was pretty clear that regulatory frameworks that get set up sometimes have nothing to do with science. For example, the EU has a certain framework tied to labour standards for people. It has nothing to do with animal transport. Sound science doesn't always require the same regulatory framework. How does your industry deal with those varying industry requirements? Or does your first answer cover that?

•(1120)

Mr. Ron Lemaire: It's an ongoing effort by industry to work to ensure alignment. I'll be honest, it's very difficult to have perfect alignment across various corporate entities on a global level. That's where it's essential on a regulatory framework and in the baseline that's set. You set the baseline in a manner that recognizes that the public trust elements are in play. The market realizes that there's a detriment to leveraging phytosanitary and food safety messaging in consumer and competitive messages, or else you create doubt in the market. That's a learning process that goes through a supply chain approach with the buying community, domestically and internationally, to recognize that no one will win on that side.

Mr. David Anderson: Do you have any recommendations that you could make to us that we might consider for our report? Testimony is fine, but we also encourage people to make recommendations. Maybe it's like asking you to quickly pull this out of a hat, but do you have any thoughts you could give us on the direction?

Mr. Ron Lemaire: We can definitely follow up with a more fulsome recommendation, but it does start with the baseline or the benchmark tools. The regulatory model has to be in play. As Mr. Bonnett noted, if that alignment with the regulatory systems is not in place, then the other elements that industry can then support and drive will not be manageable.

Mr. David Anderson: Could you tell us a little bit more about the dispute resolution model that's been put in place? Grains, for example, and specialty crops have tried for years to find a model that guarantees delivery and payment, and have struggled on that. You seem to be proud of the model we have. Can you just lay it out a bit? Do you have any recommendations for us around that?

Mr. Ron Lemaire: Very quickly, it is supported by regulation in Canada. It is structured in a similar manner to the Perishable Agricultural Commodities Act in the U.S. on the slow pay and no pay model. In short, the dispute resolution corporation was created

with a membership-based framework. To sell or market in Canada you are required, at this point, to either have a CFIA licence to sell interprovincially or import product or have a DRC membership. The DRC membership bylaws require that you practise fair and ethical trading rules. The rules of engagement that may be decided on a dispute, whether it's slow pay or no pay, are bound in courts on an international level and domestic level. That gives the power so that in many cases it never actually gets to a full dispute. It can be in many cases arbitrated prior to moving through the dispute resolution mechanism.

That tool is there to implement, if necessary. It is buyer to buyer, and supporting that you need a government-run destination inspection program that is validated by all parties. You need destination inspection and you need a regulatory model to support the infrastructure. The membership base works, because it is a member or business-to-business relationship that is being dealt with.

Mr. David Anderson: Who pays the cost of that?

Mr. Ron Lemaire: It's a membership-driven cost. There's no cost to the government. We were very fortunate in that the previous government, back in 1998-99, invested \$1 million in the research and the initial seed money to determine if this was even possible. Those funds from the government set the stage, but the program is fully funded by industry. There's no cost to the taxpayer and no cost to the Government of Canada.

The Chair: Thank you.

Mr. Drouin.

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

I want to thank both witnesses for being here. You're always welcome here, as somebody said.

Last week, some of us got to be in Washington to talk about NAFTA and one of the issues was how agriculture is so integrated with both of our countries. But there is a potential non-trade barrier issue that will be coming up in the next two years and that's the issue of labelling and GMOs. My approach is I support a science-based approach but because our economies are so integrated together, I'm afraid that if the U.S. moves towards a labelling issue we.... And I'm looking for your opinion on that.

Do you believe that Canada won't have a choice and will have to move towards that because we're so integrated together? I'd love your opinion on that.

•(1125)

Mr. Ron Bonnett: I think the whole issue of coordinated labelling is going to be critical. It's true not only on the U.S. side moving ahead with GMO labelling but there's also an issue arising in Canada with Health Canada looking at front-of-package labelling, which is creating some concerns for Canada processors.

I think it becomes one of those things, when you're moving ahead with labelling, that you have to really take a look at what's being accepted in the international markets you're trading into but at the same time ensure that it doesn't become a non-tariff barrier. I think in Canada and many countries labelling has always been done to identify a potential food health issue as opposed to a perception issue.

I was recently in the United States and met with a number of farm groups there, and they're basically in the same place we are. They want the labelling to be evidence and science-based. That is why I think it's really important in trade agreements to make sure that those types of issues are addressed. It's not just about tariffs anymore. It's about a number of these different issues and a change in one jurisdiction could really drive extra cost into the system and create a competitive disadvantage for Canadians.

Mr. Francis Drouin: Ron.

Mr. Ron Lemaire: I totally agree with what Ron is saying. We see this often in that we have companies that do not export because of the cost of creating secondary packaging into another country. It is a significant burden on the grower-shipper. The GMO labelling discussion is one that is sensitive. We have to try to move away from socially driven regulation towards a science-driven framework.

When we look at how we're currently structured in Canada, we deal effectively with biotech and genetically modified tools to enable us to feed the world in an effective manner in that if the use of the technologies creates an allergen or changes the product, it needs to be identified ensuring that we're clearly labelling and notifying the public.

We have GMO labelling now technically. We don't need to separate it out. No one is asking us to say you must label conventional and say this is how you grow. If we're looking at a science that has been regulated by Health Canada and effectively delivered for many years now, how do we take that sound science forward and look at alignment with our trading partners to ensure that two pieces don't happen and we end up having multiple packaging to ship? We need to look at how we reduce that hard core cost, and that's very difficult because front-of-packaging labelling is one piece, nutrition labelling is another. The U.S. and Canada have two totally different nutrition labelling models.

If you want to ship to the U.S. and you're packaging your apples and you want to make a claim, you must put a U.S. nutrition panel different from Canada and vice versa coming into Canada from the U.S. Right off the top, it's not as simple as just saying what are the commonalities. There are many differences that we're looking at right now. It's a complex issue.

Mr. Francis Drouin: What we're being told is the food industry approached the U.S. government because it was becoming a patchwork of systems and it would have been a nightmare for them to try to adapt to the different packaging requirement in every state.

Mr. Ron Lemaire: We could spend the next hour talking about it, but afterwards we should follow up because this is a concern.

Mr. Francis Drouin: They are going to be spending the next two years developing regulations and that's something that I'll be monitoring closely.

I wanted your opinion on the Regulatory Cooperation Council, and if you find that's a good avenue to harmonize both of our countries' regulations, and if you have personally worked with them to try to advocate for better regulation or harmonization across both of our countries.

Mr. Ron Bonnett: First of all, we were involved fairly early with them when they started out. I think there was a lot of hope about addressing a number of common issues that we have to deal with. I think they did a good job initially. They seem to have lost a bit of steam. Possibly that's because there hasn't been a really good effort to clearly identify specifically some of the regulatory barriers that we have. That almost comes into taking a look at the Senate report and one of their recommendations about putting a committee together to identify specifically what non-tariff barriers are being faced. Unless you can clearly articulate what the barriers are, then you're in a very difficult situation to negotiate and influence change. It's very easy for people to go into general comments saying, "Oh, yes, it's all about regulations." Well, we need to start boring down to the specific types of regulations that are a difficulty and ensure that groups like the Regulatory Cooperation Council have that ammunition when they go to talk with their American counterparts.

• (1130)

The Chair: Thank you, Mr. Bonnett.

Mr. Ron Bonnett: I think the other thing, too, that is affecting some of the discussion right now—

The Chair: Mr. Bonnett, I'm going to have to move on.

Madam Brosseau, you have six minutes.

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

I'd like to thank the witnesses for their participation on this important study. As was mentioned earlier, we did have some members of the committee go to Washington. We had some very interesting discussions. We met with people from different parties. We talked a lot about, obviously, supply management. We explained the situation here in Canada that the federal government did nothing to limit diafiltered milk coming into Canada. It was a negotiation that was done among processors.

I was wondering, Mr. Bonnett, if you can talk about your experience in Washington and what the feeling was because we are going to go into a renegotiation of NAFTA. A lot of people whom we met with, especially the farm groups, did not want many changes, just harmonization. I think our emphasis should be on dealing with non-trade tariff barriers, and maybe on the importance of moving forward when we negotiate trade deals. We would deal with the importance of eliminating and reducing trade barriers at the beginning instead of having to, after the fact, have a trade deal; and then spending countless hours in time and money on trying to resolve these issues that really hold up trade.

Mr. Ron Bonnett: Yes. We have travelled to Washington and to California, Iowa, Kansas, and Wisconsin. Across the board, we heard that the trade deal that is in place has been working extremely well. The back-and-forth trade between Canada and the United States in total is almost balanced. There is a huge benefit to producers on both sides of the border on dealing with trade. It was also interesting to note that there wasn't the anti-Mexican message coming out of agriculture discussions because they have the same type of relationship back and forth. Even on the milk issue, they realize that this was a bit of a side issue with diafiltered milk. The real issue is a surplus of milk production in the United States and figuring out how they deal with that.

The farm groups we met with were worried about things like country-of-origin labelling being put in place. They would like further harmonization. Some of the issues of inspection at border points, again, were raised by them. I think there's a lot of common ground.

I think the key, when we go into NAFTA negotiations, is both government and industry talking to our respective partners in the United States and really reinforcing what has worked well and where there needs to be some tweaking. There does have to be some tweaking. Electronic certification and all those types of thing didn't exist when NAFTA was signed. There can be discussions around that, but the idea of just interfering with the trade routes that have really developed and worked well for both us, I think, is unrealistic.

Ms. Ruth Ellen Brosseau: Mr. Lemaire, do you have any comments?

Mr. Ron Lemaire: I concur fully with Mr. Bonnett, and Mr. Drouin noted, I think, the integration between our North American markets, not just Canada and the U.S., but Mexico included.

Similar to CFA, the CPMA is directly engaged with the United States, with the key states within the fresh fruit and veg industry. We know that, at the state level, there is concern that the administration may take this in a direction that could impact the fresh fruit and veg sector, and they are willing to work to find solutions that keep us aligned with that opportunity of tweaking. The question is, what does "tweak" mean? We'll see when intent comes out from the U.S. government, but I'm confident that we have allies in the U.S., and I know the activity at the federal level and within the association market is aligned, and we'll continue to try to make sure we find the solution at the end.

• (1135)

Mr. Ron Bonnett: I should mention that one of the other issues that came up in our discussions was this whole concept of a border adjustment tax that's proposed. I think there was a lot of concern there that, if that was implemented by the U.S., immediately everybody else would respond, and you'd have a full-blown trade war going on.

One of the things I think it does signify is how easy it is to focus in on trade and using some type of attacks or a tariff to solve problems, when the real problems may mean regulatory harmonization and ensuring that the border can flow as smoothly as possible. It's very popular to jump on the tariff issue and the barrier and think that will solve the problem, but when you walk through the discussion, which we did with some of our American counterparts,

they realized that in many cases they would be hurt worse than we were by a border adjustment tax, especially if there was an immediate response.

Ms. Ruth Ellen Brosseau: Mr. Lemaire, I know PACA was mentioned earlier by my colleague Mr. Anderson. I've been on the committee since 2012. We were the official opposition back then. We had a Liberal member, Mark Eyking, who was very vocal on the issue of PACA and the importance of the government at the time, the Conservative government, acting on it, and I've had discussions with other members on the importance of implementing PACA. As you said, it would take some investment for research at first, but finally there would be no cost, really, to government, and without PACA being in place, it has significant impacts on Canadian producers.

I talked to the minister when he was in committee for a budget matter a little while ago, and he said he couldn't comment because it was going to be shared with Minister Bains.

Do you have any idea when this would come about and why is it so hard?

The Chair: Sorry, I'm going to have to.... Maybe you will be able to answer it with another question, but time is up.

Ms. Lockhart, you have six minutes.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): I'll give up a minute of my time, Mr. Chair.

Mr. Ron Lemaire: Very quickly, we have the slow pay, no pay in place, but the bankruptcy component still eludes us. The Minister of Agriculture must champion this with cabinet to move this file forward. It is not the responsibility of Minister Bains at this point, and that is my understanding. There has been thorough research done, a clear understanding of the ease...and also a recognition that this committee and all three parties fully support this. We're all shaking our heads, and we're looking to the minister for leadership to move this forward.

Mrs. Alaina Lockhart: Thank you.

We've been talking a lot about the Canada-U.S. trade relationship, obviously. It's a very important one for us. As we look to diversify in other markets as well, are there any specific trade barriers you see that are going to be an issue coming up that we should really be focused on?

Mr. Ron Lemaire: We know China and the work towards creating an agreement with China. There's business currently happening with China. Being paid in China is a challenge. We have member companies that are buying Chinese companies because of their secured customer list. Industry is finding a way to move around the mechanism. This is why the dispute resolution model is so important in foreign countries. If you ship a boatload of cherries into China, and you're not getting paid, it's a significant loss to the domestic industry, potentially bankrupting. That opportunity of ensuring that we have the appropriate models in place in China to deal with disputes is key. Industry is being creative right now, but that won't last forever, as an example. Of course, we have phytosanitary and other components that come into play with China, as we all are aware.

Mr. Ron Bonnett: The only thing I'd add is that China and India in particular have a tendency, when they need your product, to have one set of rules, and when they don't need your product, there's another set of rules. That's why it's important that if trade deals are going ahead, it is clearly identified what types of things are acceptable for domestic interest, while for other things, such as some of these non-tariff barriers we're talking about, we need to adopt international and science-based standards. Otherwise, you run the risk of building up a market, building up the whole infrastructure to supply that market, and then all of a sudden—boom—it's gone, and everybody's in a bit of a hole. It hurts not only the exporter, but it's not good for the importers in India or in China either.

If there was one message for the negotiators it would be that we have to go beyond a trade deal that just says we have free trade. Well, free trade isn't free trade. It has to be a trade deal that really spells out the conditions of trade.

● (1140)

Mrs. Alaina Lockhart: Do you see CETA as an agreement we can model on? Does it do a good job of addressing some of those issues?

Mr. Ron Bonnett: It's something we can model on, although I must say there were some regulatory issues that were sort of punted off, with a process defined as to how to deal with them.

I'm a cattle producer. The hormone use in cattle was an issue. Some of the processing regulations are different in the two countries, and it's taken some negotiation to get through some of those. I think it's a model, likely the first step in trying to tackle these issues. The trans-Pacific partnership also looked at those types of issues. I think we just have to continue to build on it. It's like anything else. I would say the first one that started to tackle some of these issues was CETA. It likely sets a model, but it can be built on, because there's some work that can be done to improve on it.

Mrs. Alaina Lockhart: It sounds to me that relationship building among these countries is key as well.

Mr. Ron Bonnett: It's key.

Mrs. Alaina Lockhart: We've talked about labelling a little bit, and I want to come back to that. One of the things we talked about is the number of initiatives going on within government right now on labelling. Are you hearing any concerns from your members about competitiveness in regard to changing labels, and the process?

Mr. Ron Lemaire: In the labelling modernization work that's currently under way, there are actually a few wins for the fresh produce sector. We're very happy with some of those components on a domestic level. I know there's no intent on creating a non-tariff trade barrier with the regulations. The challenge that comes into play is how to recognize the science for that label. I always look at the EU. I can walk into a shop in France and then walk into a shop in Germany. I see product flow in packaging from multiple countries. I understand the package and I can generate the right information out of it, but they're not the same labels. It's a regulatory model, an acceptance of equivalency that enables the flow of product. That is an ideal scenario for us.

How do we create that acceptance of equivalency so that we can ship...? Is it legible? Is it in a common language or tongue? Those elements are fundamental. I'm being very general. Of course, there's

more complexity and science behind that, but how do we get there? The challenge is that our current model is extremely complex to bring it back.

Mrs. Alaina Lockhart: Okay.

Mr. Ron Bonnett: I attended the beef processing round table late last week. This was one of the issues that was brought up. Health Canada and CFIA both made presentations. They're moving forward with a front-of-package labelling initiative that from the food processing perspective could really put Canadian processors at a disadvantage. I hope the conversation that took place at that table gets followed up on, with Health Canada wanting to work with the sector a little more clearly. They've moved ahead with developing some of the labels without really engaging with the people who have to implement them. When the government is moving ahead with initiatives such as the healthy food initiative, make sure you get the people who are producing and processing that food at the table to understand some of the ramifications of the decisions.

This is likely what you've been hearing at the local level. There's a lot of concern.

The Chair: Thank you.

Mr. Longfield.

Mr. Ron Lemaire: Sorry, Mr. Chair, may I make one quick comment to that? It will be very fast.

The Chair: Yes.

Mr. Ron Lemaire: Smart labelling is in place. Smart labelling and access to information through the Internet or other means is there. Our regulatory model for labelling is a little bit antiquated in that we're not looking forward to access to information. I leave it at that.

Mr. Lloyd Longfield (Guelph, Lib.): We share time freely around this table and even across parties. We are focused on our sector and I think that's what makes this committee work really well.

I was at Cargill last week. I spent a couple of hours on site and we talked about what their barriers are. Here you have a company on both sides of the border, in Canada and the United States. They're processing 415,000 head of cattle in a year in Guelph. It's a significant business, and running one shift there is still opportunity. Their biggest barrier at the very top of their list is something that you mentioned, and that's labour.

It wasn't mentioned in the Senate report as a non-tariff trade barrier. Could you pull that out just a little bit more for us?

● (1145)

Mr. Ron Bonnett: It gets into a broad issue when we're talking about labour. I think there are a number of components.

Part of it is making sure that there is skills development for Canadian workers. I think there's the whole issue of creating a better image for the jobs in agriculture and agriculture processing that are there. I think the other thing is moving ahead and looking at how immigration policy, temporary foreign workers, and a number of other issues are dealt with in a proper manner.

If you look at the relationship in terms of competitiveness between Canada and the United States, which may change, the United States always had access to a number of undocumented workers, who were paid well below prevailing rates. Now, that might be changing. I think there was nervousness in the farm organizations about the immigration policy in the United States.

We can't influence that, but what we can influence is making sure that we have an adequate pool of people to work, particularly in processing, meat-packing, which I know is one that's critical. That's a combination of image, training, and making sure that we bring in immigrants who want to work in that industry and really try to fast-track them through and make sure that the skill set that is needed in a packing plant is identified as a priority skill set in the immigration policy.

Mr. Lloyd Longfield: When we look at the market access Senate report—and we have a market access secretariat that was set up in 2009—is what you're talking about as a committee separate from the secretariat, or is it expanding that secretariat?

Mr. Ron Bonnett: From their report—and it's their report not our report—I would suspect they were looking at a clear focus on looking at the regulatory and non-tariff barriers and to try to identify.... This is about talking to the Cargills of the world, talking to the processors, talking to the different sectors, because sector by sector, it will be different. Whether in your horticulture, grains, or beef, or pork, there are going to be different barriers. I think their clear focus at the start was very narrowly focused to really be clear and identify what the barriers are, rather than talking in generalities. I think that's what their goal was.

The next step would be working through the market access secretariat and through the negotiators when they're looking at trade agreements to make sure that they really have a good understanding of the types of barriers they're being faced with.

Mr. Lloyd Longfield: We have a limited amount of time left, unless we're still sharing.

They also talked about their value chain and the investment in the value chain, including feedlots, including right down through to genetics. Do you have any comments on value chain analysis for the beef industry, or for non-tariff trade barriers around that technology in the feedlot industry?

Mr. Ron Bonnett: I'm a beef farmer. There's a bunch behind me, so I'm sure I'll get corrected if I'm wrong.

Mr. Lloyd Longfield: They're right in my line of vision.

Mr. Ron Bonnett: As a beef producer, I think I can say this. We have to do a lot better job of aligning the sector right from the genetics we're using to the person who is buying the steak at the end of the day, taking a look at the qualities that are being looked at. How do we align our packers, our feedlots, and our cow/calf producers to ensure that these are working together?

I think it's going to be more important as we move forward, because with some of the technology on genomics we'll get a better understanding of the types of sires that are going to produce offspring, and I think we can share information across the chain a lot better than we do now.

Mr. Lloyd Longfield: That's terrific, thank you.

I'll share any seconds I have left with the other side.

•(1150)

The Chair: Mr. Shipley, you have six minutes and change.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much.

I want to follow up on the dispute resolution. That always seems to come to the top when we're talking about trade.

Is there a dispute resolution process that could be used so the model could be transferable, whether it's fruit and vegetables, or whether it's livestock? Can a process be put forward to the organizations that would help in the international buy-in of a process that we would be presenting to them?

Mr. Ron Lemaire: I can start and say yes, there is. Part of that is ensuring a few pieces. One is a mechanism on an international level that the importer is required under a regulatory model to hold the specific licence so they can be captured. That's the first piece on the imports. From there the structure that needs to be created has to be enabled by the regulatory model on the sale and the transfer of product within that country, whether it's at a state level.... That's how it operates in Canada and the U.S.

An entity has to be created. The responsibility within the entity, and it can be a third party with the support of government regulation, is to manage the disputes. Those disputes, as they are managed, follow international law. When a decision is made, that decision is bound by Canadian courts as well as an international court if there is a concern, and the parties are able to go down that route.

Mr. Bev Shipley: That's in place now?

Mr. Ron Lemaire: In Canada and the U.S., and for fresh produce only—

Mr. Bev Shipley: But not Mexico.

Mr. Ron Lemaire: —but not Mexico. We could look at creating that model globally, but it needs government investment to get there.

Mr. Bev Shipley: Can you provide us with a recommendation at the end of this for some of those going forward, as part of a report we would have?

Mr. Ron Lemaire: Yes.

Mr. Bev Shipley: I want to go back.

When we were in the States it was interesting because the Secretary of Agriculture, Sonny Perdue, had just been appointed. On numerous occasions it was explained to us that the map he took to the President carried significant weight.

My point is that the map showed the significance of trade in the agriculture sector between our two countries. I think, as it was in COOL—and I see the beef guys here—it took an incredible amount of co-operation between government and the producer organizations, beef and pork particularly, to finally bring it to a resolution; it took forever. That is part of the issue of sleeping with a giant, I guess.

I think the more we can get some co-operative regulations, the more we can get security of understanding and trust between us, the better it will always be.

Should the Regulatory Cooperation Council still exist? Can it be an effective tool?

Mr. Ron Lemaire: We were involved with the RCC at the very beginning. Some very strong work around inspection modernization came out of that.

As Mr. Bonnett noted earlier, it comes down to the issues that are put into the mix. You can create the infrastructure, but the issues are key on what the expected outcomes are and of course the top-down approach that everyone is aware of. The Prime Minister and the President are looking for answers to find an alignment and synergy on how our countries operate.

If you have those elements and you have the right issues, it's successful. The challenge is putting the right issues in play.

Mr. Ron Bonnett: I would agree with that. I think identifying that mandate is critical.

I have a couple of points I want to make on your other comments. The day the President announced he was pulling out of NAFTA, I was in Iowa with some of our staff. Some 100 letters went from farm organizations in the States right into the White House that day, so I think that reinforces the importance of that appointment.

The other thing goes back to the dispute resolution regulation. I think two levels of dispute resolution are needed in these agreements: company to company, and importer to exporter. We also have those broader issues, whether it be COOL or softwood lumber, that fall under the WTO dispute resolution process, which should take a look at how we streamline that process. It's effective, but it's cumbersome. Those two levels have to be dealt with.

• (1155)

Mr. Bev Shipley: This next question could be my final one, Mr. Bonnett. You did mention how expensive it is to get the registration of generic inputs. In the Agricultural Growth Act, we tried to deal with the registration of chemicals and inputs, whether that was for livestock, herbicides, or veterinary drugs directorate products, but that was on the original ones, on getting the original patents for registration.

Can you give us some recommendations as to how we might help? It continually comes up. How could we get more effective and competitively priced generic products for our farmers in Canada? If both of you have some thoughts and recommendations for what you would put in, that would be very helpful.

The Chair: Please give a quick response, because we're a bit over the time.

Mr. Ron Bonnett: I'll be very quick.

We can provide you with that information. Bob Friesen is sitting behind me, and I know that he's been working on that file extensively.

On both the registration of the primary products and the registration of generics, I think we have to take a look at how we harmonize between Canada and Mexico and the United States to

make sure we follow the same processes and recognize the information provided in each of the countries for the background research.

The Chair: Thank you, Mr. Bonnett.

Monsieur Breton, we're probably going to do five minutes because we're squeezed. I'm sorry about that.

[*Translation*]

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

Thank you for being here, gentleman.

My riding is in one of the largest apple growing regions of Quebec. We also have a major processing plant, Industries Lassonde, which is probably one of the largest producers of juice in Canada.

A number of farmers in my region have told me that non-tariff measures often pose more significant barriers than customs and tariffs themselves at this time.

I would like to hear your thoughts on this. Have you heard about this in your industry, Mr. Lemaire?

[*English*]

Mr. Ron Lemaire: For the apple industry there are some key barriers, depending on the size of production and the operation you're working with, on ministerial exemptions, and on the movement of product in bulk. I know that some growers are in favour. There are others who are looking at how they can expand and develop their market with the removal of the standard container rules. It's a very controversial topic. The other components that do come into play link back into the discussion we had earlier on maximum residue limits and access to technology.

The alignment and the joint registration of products is key, so when the horticulture sector is looking to access a new technology and the input companies are not willing to register due to the extreme high cost in Canada and the size of our market, it's a concern. How do we allow and enable improved access to these technologies through an improved and innovative registration system, domestically and at an international level, so that they can access new technologies in a more expedient manner?

On MRLs, when we look at the Codex process, we can see that it is extremely slow and cumbersome. You're looking at maybe two a year that move through the system. As well, the backlog that's in place is extremely long. How do we move that forward? How do we take an innovative approach to try to, again, drive joint registration?

Mr. Ron Bonnett: Very briefly, on your question about the cost of non-tariff barriers, some studies have been done that suggest they may be even more costly than tariff barriers. There are examples of re-inspection of product going across the border. You have to account for the delays and the time, and sometimes you might even have lost product because the product is perishable and it gets held up at the border.

I think it's recognized that it has a significant cost, and I think some studies have indicated that it may be as high as, or even higher than, some of the tariff barriers that are in place. That would suggest that it is extremely important to have it dealt with as we move forward.

• (1200)

[*Translation*]

Mr. Pierre Breton: The market access secretariat has created a list of 300 problems to be addressed, including those related to non-tariff barriers. I would like to know how satisfied you are with the priority ranking of the items on this list. Also, do you have any suggestions for us in this regard?

[*English*]

Mr. Ron Bonnett: I think that one of the things that gave the market access secretariat weight when it started was the strong support behind it by a minister and the prime minister at the time. It needs that same type of support behind it. At the same time, with the increased export targets that have been set in the budget, this is just one of the tools that have to be addressed. We were talking earlier today about how the fact that agriculture has this profile now is both an opportunity and a challenge. We've been targeted with increasing these exports, but if we don't deal with non-tariff barriers and some of the barriers that we actually have internally in our own systems, we're not going to meet those targets.

I think the market access secretariat is a component and the Regulatory Cooperation Council is a component, but we have to stop

using flowery language about the types of issues that are addressed and really get into the specifics.

Mr. Ron Lemaire: Very quickly, the challenge is also the volume they are dealing with and how they are rating and identifying priorities. It's very difficult for the market access secretariat. The volume of people who are trying to influence where the priorities are put is a challenge. They are doing the best they can with the rating system they have in place, and trying to identify what is number one versus number 300.

Mr. Ron Bonnett: There are 300 priorities. I have that on my farm.

Mr. Ron Lemaire: Exactly.

The Chair: Thank you.

This concludes this portion of the meeting today.

I just want to add that, as many have said, we have travelled south of the border, and one thing that I noticed, for our cattle producers out west, is the importance of relationships, constantly. We met with the National Cattlemen's Beef Association and the North American Meat Institute, and they know our industry. They want to have a seamless border and they have a tremendous relationship with the Canadian side of it. That's what I noticed, and it is very important that the message is getting through. They will stand up for that, so it's great to keep that relationship going.

Thank you, Mr. Bonnett, from the Canadian Federation of Agriculture, and also Mr. Lemaire with the Canadian Produce Marketing Association.

This will conclude this segment of the meeting, and we will suspend.

[*Proceedings continue in camera*]

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