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# **Standing Committee on Agriculture and Agri- Food**

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**EVIDENCE**

**Tuesday, April 2, 2019**

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**Chair**

**Mr. Pat Finnigan**



## Standing Committee on Agriculture and Agri-Food

Tuesday, April 2, 2019

• (1100)

[*English*]

**The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)):** Welcome, everyone, to our meeting. Pursuant to Standing Order 108(2), we are studying the official notice of non-compliance from China for the export of Canadian canola seed.

Today we have several new participants in our committee—Mr. Hoback, Mr. Dreeshen, Mr. Shipley, Mr. Maguire, Mr. Erin Weir—and I think we're all good on our side.

We also had a request from Mr. Weir, if it's unanimous, that he would be provided some time at the end for questioning. Being from Saskatchewan, he wanted to know if he had some time.

[*Translation*]

Are we in agreement to give the member some time at the end to ask questions?

[*English*]

**Some hon. members:** Agreed.

**The Chair:** Okay, thank you.

With us this morning we have, from the Canadian Canola Growers Association, Mr. Rick White, chief executive officer. Welcome, Mr. White, to our committee.

From the Canola Council of Canada, we have Mr. Jim Everson, president. Mr. Everson, welcome to our committee.

From Richardson International Limited, we have Curt Vossen, president and chief executive officer.

Is he on video? They're not here. Maybe they went to the wrong room.

**Mr. Randy Hoback (Prince Albert, CPC):** Francis and I went to the other room because that's where we thought the meeting was.

**Mr. Lloyd Longfield (Guelph, Lib.):** There's a red notice on the screen.

**The Chair:** Maybe we can send somebody to make sure they're not wandering in the hall. We can start. We'll save them for the end. Hopefully, they'll be back before the end.

With Mr. Curt Vossen, we have Mr. Jean-Marc Ruest, senior vice-president, corporate affairs and general counsel.

From Viterra, by video conference, we have Kyle Jeworski, president and chief executive officer.

Also by video conference, we have Dean McQueen, vice-president, merchandising and transportation.

Good morning and welcome to our committee.

We'll start with opening statements of six minutes.

Mr. White, would you lead the way. Thank you.

**Mr. Rick White (Chief Executive Officer, Canadian Canola Growers Association):** Thank you very much for the invitation to be here today with you to provide a canola farmer's perspective on the market access challenges with canola seed exports to China. China's decision to suspend Richardson International's and Viterra's registration, and its move to stop buying our canola seed has created significant concern and uncertainty throughout the canola value chain and particularly for canola farmers.

CCGA represents 43,000 canola farmers from Ontario west to British Columbia. We are also a member of the Canola Council of Canada and are working with them on a science-based resolution and a resumption of trade as quickly as possible. We welcome the government's announcement yesterday of a working group of farmers, industry and government, and the message by Minister Bibeau and Minister Carr that a resolution is a top priority for Canada. CCGA looks forward to participating in this group.

I cannot overstate the importance of this issue to canola farmers and the uncertainty cast over the 2019 production season. With 90% of our canola exported as seed, oil or meal, canola farmers rely heavily on international trade for their farm's viability. The loss of any market is a concern. The loss of our largest market based on actions that appear to have little in the way of scientific backing is of particular concern. In 2018, China purchased \$2.7 billion of canola seed or roughly half of our seed exports.

Farmers are now weeks away from planting the 2019 crop. Seed and fertilizer are already purchased and crop production plans are set. Farmers plan months in advance and consider a variety of factors such as healthy crop rotations, disease pressures, crops in the bin, price and risk management and marketing strategies. All these factors are limiting their ability to change their plans so close to seeding. For example, in central Saskatchewan, seed, chemical and fertilizer costs alone are roughly \$215 an acre for canola. With 1,500 acres, this means just over \$322,000 to put the crop in the ground and get it growing. That's just one crop for one farmer.

Many farmers choose to grow canola for its stable returns. This year we expect another 23 million acres of canola will be planted. That production will be added to an estimated 10 million tonnes of last year's crop currently remaining in on-farm storage. This will create cash flow challenges for farmers still needing to sell. Delivery and price options will be affected until the market in China reopens or new customers are found. Situations vary by farm, but it is normal practice to sell some grain in the spring to generate cash flow to cover their short-term expenses.

As the government reviews options to assist farmers, cash flow, market diversification and price uncertainty are top of mind for canola farmers. Following are some options to consider.

One is to increase the advance payments program limits. This program provides farmers access to short-term financing at competitive interest rates. An increase in the APP limit beyond the current \$400,000 maximum would provide farmers more flexibility to manage their cash flow and prepare for the upcoming production season. We have been asking for this change for quite a few years now, and now is the time to do it.

Agri-stability and agri-invest could be used to help farmers manage income and margin declines. Consideration should be given to how enrolment in agri-stability can be increased and adjustments to these programs can be made to make them more responsive to the current situation.

Initiatives to diversify the canola market, such as increasing the existing biodiesel mandate of the renewable fuels regulations from 2% to 5%, would allow for more canola to be utilized in Canada. Currently the Canadian fuel market uses about 500,000 tonnes of canola annually. At a 5% blend, it would take about 1.3 million tonnes of canola.

Grain and oilseed farms are family-owned small businesses that depend on trade. They are the backbone of thousands of communities throughout Canada. With little warning, they saw the rules of trade practically change overnight without a solution for the foreseeable future. These businesses are now ready to begin a new production season without certainty of market, delivery or price options. Their experience highlights the importance of stable market access and predictable, science-based rules of trade for all Canadian businesses to succeed around the world regardless of the industry.

●(1105)

The longer this blockage persists, the harder it will be for farmers, the agriculture industry and Canada to manage and absorb the negative impact. Canola farmers are confident in the quality of their canola and they need a science-based solution and resumption of

trade as soon as possible. Government leadership is critical. We look forward to finding a resolution.

Thank you, and I look forward to your questions.

**The Chair:** Thank you, Mr. White.

Now we have Mr. Everson for the Canola Council. You have six minutes.

**Mr. Jim Everson (President, Canola Council of Canada):** Thank you very much, Mr. Chair.

Thank you to the committee for having the Canola Council here today.

The council, for those who don't know, is a value chain organization. It represents the 43,000 canola growers, the seed developers, the processors who turn canola seed into oil for humans and meal for livestock, as well as the exporters who export canola for processing at its destination.

Canola is a Canadian-made crop. The industry supports 250,000 jobs. It's the largest source of farm cash receipts for any commodity in Canada, and it's Canada's number one export to China. Today we're here to discuss a very significant market access issue that the industry and producers face with regard to China.

Market access is critical to our industry, as more than 90% of canola grown in Canada is exported as seed, oil or meal. We are here because two exporters of canola seed have had their licences to export canola seed to China suspended. We're here because all Canadian exporters have indicated that Chinese importers are not currently purchasing canola seed, despite market conditions that would normally lead to a brisk business.

I should point out that while we have the two most historically significant canola seed exporters to China here, there are six or seven other exporters who are members of the Canola Council of Canada who are also, with their employees and the producers that deliver to those companies, similarly affected in the sense that seed isn't moving. They haven't had this regulatory interference from China, but they are not able to market seed either.

The lost market for canola seed to China is a major concern for the canola industry. China is a huge market for canola, taking 40% of the canola we export each year. It's a concern, because Chinese demand has been strong. In fact, our 2018 exports to China set records for seed, oil and meal. For canola seed in particular, it is a very large market, demanding more canola seed than our next three major markets combined.

It's a concern because our industry has been growing and investing to feed strong consumer demand in China. We are very perplexed at why there suddenly are concerns being raised by the Chinese government. We're perplexed about why these concerns have resulted in our seed exports being stopped, injecting significant instability in the industry.

Our top-quality canola consistently meets the requirements of countries around the world. We have quality assurance systems throughout the value chain. For example, our variety registration system ensures that only varieties resistant to blackleg are grown in Canada. Our industry's policy on seed innovation means we grow only biotechnology traits that have been approved in our major markets, including China. Our exporters all have their own stringent quality assurance and testing systems to meet customer requirements. Additionally, the Canadian Food Inspection Agency tests each shipment to verify that it meets phytosanitary requirements of the importing country. Our industry takes quality concerns based on science very seriously, and we have demonstrated this commitment in our actions.

Stable market access is essential for the canola industry as we export more than 90% of the production. We've grown our production to meet demand for high-quality, healthy oil for people and valuable protein for livestock in countries such as the U.S., Japan and Mexico, based on stable market access. Uncertainty hurts both the Canadian industry and our customers.

Stable market access and rules-based trade go hand in hand. It is imperative that we find a science-based solution to the concerns raised by China and that we resume trade as quickly as possible. Technical discussions with China are required to resolve the issues they have raised. Decisions based on other considerations may change from day to day and do not provide the certainty needed for either our industry or our customers. Decisions not supported by science are a major challenge for the canola value chain and for the whole agri-food sector. Unfortunately, they are becoming more common. This underscores the importance of Canada leading international efforts to support rules-based trade.

I'd like to conclude with the following recommendations: The first is that the committee recommend the federal government utilize all means at its disposal to resolve market access issues affecting canola seed to China. This includes sending a high-level delegation to Beijing as soon as possible. The second is to ensure our embassy in Beijing has all of the necessary resources to represent Canada on this issue, including the appointment of an ambassador to China. The third is that the government commit its most senior officials to support the new working group announced by the ministers yesterday, with the objective of resuming trade and ensuring measures are in place to support producers through this uncertainty.

In closing, the Chinese seed market is very important to the Canadian canola industry. Our industry is confident of the quality of canola we provide to markets around the world. We must work quickly to resolve concerns based on science.

Thank you.

● (1110)

**The Chair:** Thank you, Mr. Everson.

Now we'll go to Richardson International Limited. You have six minutes for your presentation.

**Mr. Curt Vossen (President and Chief Executive Officer, Richardson International Limited):** Thank you.

Good morning, Mr. Chair and members of the standing committee.

My name is Curt Vossen, and I'm the president and CEO of Richardson International Limited, which is based in Winnipeg. Accompanying me today is Jean-Marc Ruest, who is our senior vice-president, corporate affairs and general counsel.

I thank you for inviting our company to give our perspective on the current trade disruption of canola seed exports to China.

Richardson International is one of Canada's leading agribusinesses. Our company was founded in 1857 by the Richardson family and continues to be privately held by the fifth, and soon to be the sixth, generation of the Richardson family. We are involved in the sale of crop inputs to producers, in the handling and export of Canadian grains, oilseeds and pulses, the processing of canola and oats on a large-scale basis, and the manufacturing of canola oil into products such as bottled oil for retail, for food service, for industrial purposes, and for shortening and margarines.

We have a very long history with China dating back over 100 years. We were among the very first Canadian companies to export grain to China and have developed a deep and meaningful relationship with our Chinese customers. While our relationship with China has grown over a century, the importance of the Chinese market to the Canadian grains, oilseeds and pulses exports has become particularly evident over the last several years.

In 2018, the grain sector represented just under 30% of all goods sold to China by Canada. Of the top 25 products exported to China, seven grain and oilseed products appear on the list, totalling \$4.8 billion. Canola seed was, of course, the single largest export from Canada to China in 2018 at \$2.72 billion Canadian. Canola products alone represented just over 15% of all of Canada's exports to China. If we look at the top five products sent to China last year, which include canola seed, wood pulp, canola oil, soybeans and lumber, grains and oilseeds accounted for just over 60% of the value of those cumulative exports.

To say that canola is important to Canada's trading relationship with China would be a gross understatement. Canola, and indeed the entire grains and oilseeds complex, is the foundation of Canada's trading relationship with China.

As you are aware, China began raising allegations over the last few months that Canadian canola shipments, including those from Richardson, were non-compliant with Chinese phytosanitary requirements due to the alleged presence of prohibited weed seeds and fungal disease. Our internal testing at the time of loading, testing conducted by the Canadian Food Inspection Agency at the time of loading and subsequent to the complaints being advanced by the Chinese authorities were unable to detect the presence of the alleged weed seeds or disease. In fact, several of the weed seeds alleged to have been in our shipments have not been found in any Canadian shipments over the last decade.

Notwithstanding these results, China chose to abruptly suspend our company's licence to export canola seed on March 1 of this year based on those allegations. You can appreciate that such a course of action was alarming and upsetting, given Richardson's long-standing relationship with China—an unblemished relationship with China—and the importance of the Chinese market for Canadian grain and oilseed exports. We are particularly upset by the fact that Richardson was singled out.

The fact that a single commodity, namely canola, has been targeted and individual Canadian exporters singled out by the Chinese government in response to a claimed industry-wide issue is troubling. These issues need to be addressed by our country—our government—immediately.

While we understand and agree that technical discussions between the regulatory subject-matter experts must be allowed to occur to either address or dispel the quality issues that have been raised, we cannot emphasize enough the importance of expediting this process.

• (1115)

**The Chair:** Mr. Vossen, we have technical difficulties. We will suspend briefly to correct that.

• (1115)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1120)

**The Chair:** We're back. We lost about six minutes. If it's okay with everyone, we might extend the meeting by six minutes at the second hour.

**An hon. member:** How about an hour?

**The Chair:** Well, QP would be in the way.

Mr. Vossen, I'm sorry about that. We can keep going.

Thank you.

**Mr. Curt Vossen:** I'll recommence about a sentence or so back.

While we understand and agree that the technical discussions between regulatory subject-matter experts must be allowed to occur to either address or dispel these quality issues that have been raised, we cannot emphasize enough the importance of expediting this process. The current state of uncertainty is creating significant distress among all industry stakeholders and, in particular, producers who are currently making spring seeding decisions. The decisions they are presently facing are extremely difficult and have a very material effect on their success or failure in 2019 in terms of their crop production and their cash flows.

In the case of exporters like Richardson, if the current disruption continues over the longer term, we will have no choice but to find other markets for Canadian canola seed. However, doing so will be no easy task and can only occur over a longer period of time, given the magnitude of the Chinese market today. This past year, China accounted for over 30% of all Canadian grain and oilseed exports, having grown from just over 20% in prior years. While we are confident that we can eventually find other markets, it will not be a painless exercise.

As it develops its response plan, the Government of Canada should take note that China is not the only country where Canada's grain and oilseed sector has experienced significant market access problems. The closure of the pea and lentil market to India, as well as the durum wheat market to Italy have also been difficult and costly challenges for our industry in the recent past. Possible trade disruptions in several other countries and the spectre of a non-risk-based regulation in the European Union have formed a veritable cocktail of trade disruption for Canada's grains, oilseeds and pulses industry. The Government of Canada must become both involved and more aggressive in defending these sectors' interests from technical barriers to trade in our various export markets. It should, in fact, be the number one concern of our government for the majority of our bilateral trading relationships where grain sectors figure prominently.

In closing, we would like to thank the government and its officials for their stated commitment to finding a solution to the current challenge. Given the significance of this issue and the consequences that will flow to our industry and the entire Canadian economy, we trust that the Government of Canada will commit all available resources and expertise to its resolution. In that respect, Richardson International will at all times be ready, willing and able to lend its assistance if required.

Thank you for this opportunity, and we'll be happy to answer questions at the appropriate time.

● (1125)

**The Chair:** Thank you, Mr. Vossen.

We'll move to Mr. Jeworski from Viterra.

**Mr. Kyle Jeworski (President and Chief Executive Officer, Viterra):** Thank you very much for allowing us to address you today on this matter that is concerning our industry and the Canadian economy as a whole.

By way of background, Viterra is one of Canada's grain industry leaders. Our company has operations across the country, with over 100 locations made up of port facilities, inland country elevators, oilseed processing facilities and special crops processing facilities.

Viterra is owned 50% by Glencore Agriculture, a global market leader in originating, handling, processing and marketing agricultural commodities. The other 50% is owned by two major Canadian pension funds: Canada Pension Plan Investment Board and British Columbia Investment Management Corporation.

We have a long and very proud history of working with Canadian farmers that goes back well over 100 years. We connect their production to markets across the world. In fact, over 90% of Canada's farmers depend on world markets for their livelihoods.

Over the last several years, China has become an increasingly important market for Viterra and the thousands of farmers we serve. We export several different commodities to China annually, including a significant amount of canola. Additional commodities that go into China include malt barley, feed barley, flax, soybeans and wheat, so it is a very important market for our agricultural space.

On March 26, 2019, Viterra received notice suspending our licence to import canola into China. As China is one of our major customers, the decision is having a profound impact on our industry and will continue to have a major ramification the longer it continues.

We have been actively exploring various mitigation strategies and assessing the short- and long-term impacts this will have on the fluidity of the entire pipeline. We are working to manage disruptions with our farmer customers in terms of their deliveries into the system and sales into our facilities. As well, we are working with our railway partners to manage the disruptions.

As a company and as an industry, we've been very clear on our position. All of our exported products are rigorously tested to ensure they meet specific import specifications.

We take very seriously and have high pride in a sound, science-based approach to the testing of our products. This is what gives

Canada its excellent reputation for being a safe and reliable supplier of food ingredients and makes companies such as Viterra a preferred supplier to many destinations around the world.

We appreciate the fact that the federal government has been engaged with our industry from the beginning to gather information and understand the situation. We are committed to continue working closely with you and actively participating throughout the process.

Looking ahead, we need to continue working with a sense of urgency and take concrete actions towards solving this matter. For example, we need to continue to push for a science-based resolution that supports a long-term trading relationship with China, and we need to ensure that our two governments are engaging at the highest levels and openly communicating about how to settle this very important issue.

Market access issues such as this one hurt our company, our farmers and our economy as a whole. We need to work together and act swiftly to restore access to this very important market.

Thank you again for allowing us to present today. We look forward to your questions.

● (1130)

**The Chair:** Thank you, Mr. Jeworski.

I may have jumped over Mr. Sopuck and Monsieur Hébert. I forgot to welcome you, so welcome to our committee.

Now we'll start our question round. Just to make sure, MP Weir had asked to have a question at the end, so if it's all good...

**Some hon. members:** Agreed.

**The Chair:** Okay.

[*Translation*]

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

**Mr. Luc Berthold (Mégantic—L'Érable, CPC):** Thank you, Mr. Chair.

I sincerely thank all of the witnesses for being here today.

For our part, we understand that the situation is urgent and requires a rapid resolution.

In short, Mr. Vossen, you said you received the notice from China on March 1 indicating that exports to that country were closed. On March 5, the official opposition asked that an emergency meeting be held about this. We learned that on March 26 the Viterra company was also affected by the situation. We saw from the beginning that this crisis was going to severely affect the canola producers of Canada and we wanted to take steps as quickly as possible.

I also want to remind members of the committee that we asked that ministers come to testify here. Unfortunately, our Liberal colleagues' response was negative. I again want to remind everyone of the importance of beginning discussions at the highest possible level. The highest possible level for us means that the ministers should come before the Standing Committee on Agriculture and Agri-Food to share the position of the government, of the cabinet, as to how they are going to deal with this affair. Press points alone do not answer members' questions and will not allow the parties to work together to solve this problem. Unfortunately the government seems to want to work alone and wait—too long—to resolve the situation. That is totally unacceptable, in my opinion.

I also want to underscore that for the second time in two days, we asked that an emergency debate be held in the House. Unfortunately, the Liberals used procedural means to prevent me from tabling the request for that emergency debate. It is important to give the floor to canola producers and their MPs so that they can speak to the urgency of this crisis, as you did this morning.

Once again, I thank you for being here with us today. I have two questions.

Mr. Vossen, you have already encountered similar restrictions in other countries, haven't you? Since you have been in this position—and I know it has been some time now—to your knowledge, has the quality of Canadian canola exported to other countries ever been called into question?

• (1135)

[English]

**Mr. Curt Vossen:** No, I can't say that I can recall something specifically as it relates to canola, or rapeseed as it's called in other parts of the world, as an export commodity. I'm sure there are other circumstances with other grains and oilseed export products where these sorts of quality concerns were raised.

Normally, and I think this is the important issue here, there is a protocol, a standard approach to dealing with issues related to concerns about food safety, concerns about product quality that are outside the agreed upon standards and tolerances.

The frustration here, of course, is that there has been limited follow-up by those making their concerns known, i.e., the regulatory agencies in China, to explain their position and to engage in this process.

I know that our regulatory authorities have made a number of connections or reached out in many circumstances to the authorities in China with some limited success. I think that in this circumstance, as a country we have to deal with these claims as best we can in terms of comparing what we know, our science, our protocols and those agreed upon protocols with those of their agency, and lay that issue to rest, which we believe will happen upon further analysis and conversation.

**Mr. Luc Berthold:** Mr. Jeworski, you talked about the urgency of the situation. What could happen to Canadian canola growers if we do not find an urgent solution to this crisis?

**Mr. Kyle Jeworski:** I think if you look at this issue, as we talk about a science-based approach, sometimes there's a reference to the

longer-term solution. I think we have to look at this from a two-pronged approach, the immediate need and the long-term solution.

Immediately, we have farmers who have product sold for cash flow needs, which they cannot deliver into the system because we can no longer export that product out of Canada. That affects the entire pipeline within Canada, from the farmer to the country grain elevators to the rail service provider to the port facilities to the service providers within the ports.

One is the urgency around existing contracts in place that are no longer able to be met because we can no longer export to China. One is the immediate need for those who have product contracted. Also, there are immediate implications in terms of farmer income and contracting options. As a result of such an important export market being lost, the price of canola for the Canadian farmer has dropped substantially. The price signals that the farmers are seeing as they're moving into a critical time, around spring seeding, have been dramatically reduced.

One is the short-term sense of urgency, but there is also the long-term solution in terms of finding a science-based approach. We need a solution, not a memorandum of understanding. We need something that is substantial.

**The Chair:** Thank you, Mr. Jeworski. Unfortunately the time is up.

*Merci, monsieur Berthold.*

Mr. Longfield, go ahead for six minutes. Thank you.

**Mr. Lloyd Longfield:** Thanks, Mr. Chair.

Thanks, everybody, for coming in this morning so we can try to get the agricultural look on this.

I know the trade committee is also studying this. The Minister of International Trade Diversification and the Minister of Agriculture will be working with the trade committee, because there are a lot of trade issues regarding this, but we're looking at the technical issues as well.

When we look at the phytosanitary quality, we've had thousands of certificates issued. Could Richardson and Viterra maybe tell us the results of the certificates for phytosanitary quality? How many times have we had to react to quality issues in the last couple of years?

• (1140)

**Mr. Curt Vossen:** I can't speak for the entire industry but speaking for Richardson, I can say it's rare. I think that's the appropriate description.



Our system is based on taking representative samples at loading, at the end of the loading spout as it goes onto the vessel. It's at the very last point of contact in Canada with the exportable commodity. That is then analyzed. It's third party. It's Canadian Grain Commission certificate final. Then, if a phytosanitary certificate is required, those samples are submitted directly to the CFIA for their expert analysis and a phytosanitary certificate is issued.

I can't remember a situation in canola, in China, or in what one would traditionally consider to be our most quality conscious destinations like Japan, where we've had a problem that wasn't detected at point of load. I can't even remember one we've had at point of load. This is a very unique, unusual circumstance.

**Mr. Lloyd Longfield:** Thank you.

Viterra.

**Mr. Kyle Jeworski:** I would just echo what Curt mentioned. We have never had a phytosanitary issue related to canola that I am aware of.

**Mr. Lloyd Longfield:** Thank you.

**Mr. Kyle Jeworski:** It is a very, very unusual circumstance in terms of what is being suggested by the Chinese.

**Mr. Lloyd Longfield:** Right.

This committee visited the port of Vancouver when we were looking at an export study. We saw both terminals as well as other terminals—huge terminals—going in. We also did a study a year or so ago, when we had some weather issues relating to the rails—getting product to ships—and the loading system itself on wheat. Some technologies were going to be applied and some guards put in place.

Has there been any technical improvement within the port in terms of loading vessels? Is there any risk from an agricultural point of view in terms of the quality of product or getting it into vessels going to China?

**Mr. Curt Vossen:** There have been none that I can think of. As I say, China is one destination amongst many, and this has not been a problem certainly in our experience.

In our understanding of the industry in general, we have not seen a problem with canola going to any other destination. We've not seen material problems in any other commodities, out of the port of Vancouver or out of Canada in particular, in any meaningful way or any sustained way that is being suggested here. You have an entire industry under warning and two companies under restriction.

**Mr. Lloyd Longfield:** Right. Thank you.

**Mr. Kyle Jeworski:** I think one thing to add is that what is being suggested by the Chinese is in reference to what is inherently in the canola. There's been no reference to the loading process itself.

**Mr. Lloyd Longfield:** Very good.

**Mr. Kyle Jeworski:** I've had the luxury of looking at systems all around the world. We have a world-class handling system in Canada that we should all be very proud of.

**Mr. Lloyd Longfield:** Very good. It's good to get that testimony on the record, because we're also very proud as a committee.

Mr. Ruest, you came to us in September when we were looking at expanding our export opportunities, diversifying trade and trying to get us to the \$75 billion. We talked about the technical issues. We talked about the MRLs and other issues in terms of regulatory approvals. I know that the industry continues to work on that.

In the fall economic statement, we had an announcement of \$25 million going into non-tariff barriers. We had more trade commissioners coming online. How has the relationship been developed with the trade commissioners on this issue of technical...? Is there an update since September?

**Mr. Jean-Marc Ruest (Senior Vice-President, Corporate Affairs and General Counsel, Richardson International Limited):** I think what we've seen and what this issue has highlighted is the importance of focusing on the damage that can be created by non-tariff trade barriers. The uncertainty it presents puts a tremendous chill on the industry.

This is a business sector that is fraught with weather-related uncertainty. What we do need is certainty in the markets and in the environment in which we trade. We absolutely need to focus on those issues and make sure non-tariff trade barriers do not become widespread and aren't exerted in other jurisdictions.

**Mr. Lloyd Longfield:** We've seen other products being targeted, such as pulses in India and wheat in Italy. As an association, what's the recourse? Are there appeal processes currently in place that we're following?

• (1145)

**Mr. Jim Everson:** I think that in the case of this kind of circumstance we have to look at all things. We have to look at all measures, including any possible chances we have to make sure that all importers are living up to their obligations under SPS rules and so on. Mr. Vossen referred to the protocols that usually take place in these kinds of circumstances. In order to resolve them, we need China to come to the table.

I would pick up on what you said about the trade commissioner service too. In the world that we had where we had high tariffs, they weren't good, but they were pretty simple; either you had a tariff or you didn't. You could market or you couldn't—

**The Chair:** Thank you, Mr. Everson. I'm sorry to cut you off.

**Mr. Jim Everson:** With SPS, it's much more complicated. I think our trade commissioners have to be really well suited to that kind of market access issue.

**The Chair:** Thank you, Mr. Everson. You will probably have another chance later on.

Mr. MacGregor, you have six minutes.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thank you, Chair, and thank you, everyone, for coming today.

I think the whole country is well aware of just how serious this situation is, and I very much welcome your opening statements. It's a very complicated issue, and I think that it's really all beginning to dawn upon us here. I know that we want to pursue a science-based resolution to what I think is very much a political problem. When you look at China's track record with trade, you see that they may not have the best history of following the rules.

We know that with other countries that have stood up to them.... I'm thinking of South Korea. South Korea signed a free trade agreement with them in 2015, and when they decided to install an anti-missile battery, China responded by restricting tourism to South Korea. They also suddenly found that a whole bunch of South Korean department stores in China had fire code violations. As well, China was instrumental in a boycott against Korean-made cars.

They are willing, then, to throw their weight around, and canola is an obvious target because it's a Canadian success story and because of its sheer value.

Mr. Vossen, I'll start with you with regard to Richardson's proud history and relationship with China.

You and I discussed yesterday how in recent years China's track record has gotten better, but I'm thinking about the fact that our canola is destined for other markets in the same neighbourhood. Can you state for the record if any other countries that accept our canola seed imports have found any kind of problems?

**Mr. Curt Vossen:** No, not that I'm aware of.

**Mr. Alistair MacGregor:** Okay. I know we have it on the record that no phytosanitary concerns have ever been found with our canola, but let's say there were concerns with some kind of agricultural product. If another country that's accepting our imports finds a problem, what's the standard procedure in terms of notifying you as the company?

**Mr. Curt Vossen:** Normally, if there were an issue detected by the regulatory agency at whatever destination or point of destination was involved, that would be communicated to the customer. The customer would certainly, along with that regulatory agency or in advance of that regulatory agency, contact us as the shipper and the seller. They, the buyer and the recipient of that product, would contact us. We would begin a process of analysis of the cargo, the issues at hand—

**Mr. Alistair MacGregor:** Would the technical data be supplied too?

**Mr. Curt Vossen:** —and the technical data, and then conversations could expand to our own regulatory agencies that had issued certificates of validation of the quality of the cargo subsequent to that.

That would be the normal process. We haven't had any of that process evident in this circumstance.

**Mr. Alistair MacGregor:** That hasn't been followed in this one.

**Mr. Curt Vossen:** The fact that we were alerted basically by our own regulatory agencies, with no communication from either the customer or the Chinese regulator, was indeed quite a surprise to us.

**Mr. Alistair MacGregor:** Mr. White, I think we heard mention that there are about 10 million tonnes of canola still in storage right

now. I'm thinking long term, worst-case scenario, with farmers about to start the planting season. If this drags on, what kind of a crunch are we going to see in terms of storage and how long can the current crop last? Can you fill us in on that?

**Mr. Rick White:** I guess the short-term impact is that with the 10 million tonnes that are in the system already, there are existing customers out there. We do have other customers, Canadian domestic, U.S., Japan.

China is not in, and that's about a four and a half million tonne seed concern. Theoretically, if we go forward without China, we can expect to have four and a half million tonnes of seed that we don't have a home for. That will end up sticking to farmers' bins. It will end up in a carry-out at the end of this year.

It will cause prices to depress, as well as an abnormally high carry-out at the end of the year. Couple that with the production number coming in off of 22 million to 23 million acres, and we're probably in for maybe another 20 million to 21 million tonne crop on top of this, as well.

However, the real issue is that without China, we don't necessarily have a home for that four and a half million or 4.8 million tonnes of seed.

• (1150)

**Mr. Alistair MacGregor:** Mr. Everson, this is my final question.

You mentioned in your statement that we need to use all of the means at our disposal, starting with a delegation. However, I note that currently, Canada has, I think, a \$44-billion trade deficit with China.

Are these some of the things that we'll have to start thinking about if this situation is prolonged?

**Mr. Jim Everson:** I think the recommendation was that there are issues of quality that have been raised.

I saw on the weekend that the Chinese embassy here indicated they were open to a communications with Canada about the issue. I take that as an invitation, that this delegation would be accepted in China, so that we could get to the bottom of this issue as quickly as possible. I think that's a positive signal, and the faster we can make that happen, the better. If that doesn't lead to a solution very quickly, I think there needs to be additional action taken by the Government of Canada to help us with this.

**The Chair:** You have 30 seconds.

**Mr. Alistair MacGregor:** Okay, I'll just leave it.

[Translation]

**The Chair:** Mr. Drouin, you have six minutes.

[English]

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Mr. White, I want to touch on a couple of points that you mentioned.

I'm assuming your phone is busy and you're chatting with a lot of farmers. I want to talk about crop rotation and the impact for some farmers. It's canola's time, and they have to plant it whether or not they want to.

Can you update this committee on how many farmers are still planning on doing that and how many tonnes you think there will be?

**Mr. Rick White:** Yes.

Farmers at this time of year are making their seeding plans based on long-term rotations of crops on their farms for sustainability reasons. Farmers are typically running a rotation of about one-third canola and two-thirds other grasses, like wheat and barley, durum and other crops, to make sure their farms are sustainable.

There are agronomic reasons for that and for maintaining that going forward. That's why I mentioned they're kind of locked and loaded for this year. What they're going to grow is what they planned on seeding. They can't adjust very much in the short term.

Given that, they're going to be in it with canola, and the question is how long this is going to last. It needs to be resolved quickly. The longer it lasts, the worse it is for everybody. The immediate need for the farmers is going to be cash flow. Cash flow is going to bite them first because they're not going to be able to move as much canola. Canola is the money-maker in that rotation, and without it, or with depressed prices for it, individual farms are going to be pinched pretty quickly.

That's why we're proposing a cash flow option to help farmers at least buy some time until we get this sorted out and to get them through this rough spot. However, we have some longer-term issues to resolve as well, because we don't know how long this will last.

**Mr. Francis Drouin:** When do farmers get paid when they export canola? Does it vary from company to company?

**Mr. Rick White:** No. They make a contract for delivery. Once they deliver it and they hand it off to a company like Richardson or Viterra, it's purchased in the country. Then the farmer normally gets paid at that time after they have delivered it and dropped it into the elevator system where it goes off to the export markets from there.

It's typically upon delivery of their product. They don't get paid for their product if it's sitting in their bin on the farm.

**Mr. Francis Drouin:** Okay.

With regard to the advance payments, I'm assuming you raised this issue with the minister last week.

**Mr. Rick White:** Yes.

**Mr. Francis Drouin:** Mr. Everson, with regard to product diversification, you're working with the whole supply chain of canola. I know that takes time, but if we anticipate the worst-case scenario in China that this issue wouldn't be resolved in the next few months or years, how quickly can the industry turn around?

I'm assuming, Mr. Vossen, you would like to jump in as well.

Are you working with industry right now to try to add value to the product and find new markets?

**Mr. Jim Everson:** Sure. I think Mr. Jeworski and Mr. Vossen are probably better placed to answer that question, so I will turn it over to them.

At the beginning of my testimony, I indicated that this market, China, is larger than the next three all put together that we have for seed, so it's a very significant market. Diversifying is a bit of a challenge, but I think the CEOs are much better placed to answer that question for you.

• (1155)

**Mr. Curt Vossen:** I think there's opportunity. The market is constantly moving and changing, and tastes and relationships are being formed. Some relationships are being lost over the course of time. That will continue to happen with canola or any other commodity.

Canola has a strong place in the usage of oilseeds on a global basis. The increase in demand has been on a global basis around 3% a year, and it has been very consistent.

China has been a big part of that lately. China was irrelevant to Canadian canola exports 20 years ago. Japan was the player. We've developed markets since that time, 20 to 25 years ago, that include China, but also include Mexico, include the U.A.E., include a long-time buyer and a continuing growth market in the United States, and others yet to be done.

The Indian subcontinent is an interesting opportunity. One of the challenges with the Indian subcontinent is execution risk, credit and issues related to that, but these are the questions and opportunities we're going to have to address. Perhaps we address them jointly—private industry and government—over the next period of time if a need is perceived to be a high priority in terms of diversification of this market away from such a predominant buyer.

**Mr. Francis Drouin:** Thank you.

Do the folks at Viterra want to jump in?

**Mr. Kyle Jeworski:** Yes.

I would just add that when we talk about market diversification, I think it's important to note on canola it requires a significant amount of capital investment in those destination markets. What canola is being used for in those markets is it's going into crush facilities, significant facilities that are converting the seed into two predominant products, which are oil and meal.

When we talk about diversification and why it's something that can't happen overnight it's that it requires that amount of capital to be put into those markets to be able to handle the canola.

Is there some swing capacity in certain markets today? Yes, there is, but overall it requires a lot of foresight planning to be able to actually talk about diversification. That is more of a medium-term and long-term strategy, not an immediate strategy.

**Mr. Francis Drouin:** Thank you. I'm out of time.

**The Chair:** Yes, you're out of time.

[*Translation*]

Thank you, Mr. Drouin.

I now yield the floor to Mr. Breton.

You have six minutes.

**Mr. Pierre Breton (Shefford, Lib.):** If I understood correctly, I have six minutes?

**The Chair:** Yes, you have up to six minutes.

**Mr. Pierre Breton:** Very well.

Is Mr. Weir going to speak?

**The Chair:** He will have two minutes.

**Mr. Pierre Breton:** Very well.

I thank everyone...

[*English*]

**Mr. Randy Hoback:** He has taken it out of your minute.

[*Translation*]

**Mr. Luc Berthold:** Continue, Mr. Breton.

**Mr. Pierre Breton:** Okay.

I thank all of the witnesses for being here today for this important study.

All of you spoke about scientific approaches, among others. I think there was a consensus all around.

Could the people from Richardson International and Viterra explain to us how a scientific approach will allow us to resolve this?

Also, how would that approach work with export processes?

Finally, could you explain how you see the risk with regard to all of this?

The representatives of Viterra could answer first, and then we will hear Mr. Vossen.

[*English*]

**Mr. Kyle Jeworski:** The importance of the science-based approach is that there are clear rules that we are buying against and selling against and measuring against. The issue is that if you don't have sound, backed science, you're potentially dealing with perception and judgment. For us there is much more certainty, predictability and reliability. Our whole system is based on a science-backed approach in terms of how we buy from the Canadian farmer and how we sell to markets all over the world. That's a fundamental cornerstone of the agricultural market in which we operate, and I think it's what makes Canada such a reliable supplier. It's because of our predictability and our consistency in terms of what we deliver.

For us, science is absolutely critical in terms of how we deal with parties such as China. The claims that are coming back from China today are based on quality. For us, it's important to take a scientific approach to understanding and refuting those claims. We believe 100% that we're delivering a very high-quality product and have met all contractual obligations in China.

We believe that any science tests from our experts will confirm that that is in fact true. The Canadian Food Inspection Agency has tested every cargo that has left Canada. They have retested cargos that were in question from the Chinese and reconfirmed that we have, in fact, as an industry and as a company, delivered against that quality, again using scientific methods.

They're proven, reliable, consistent methods, and I think that's absolutely key. It's not that we're creating new tests that aren't backed by sound history and sound science. We have a very rigorous system in Canada. It's a system we should be proud of and a system we should use to defend ourselves when defending is required, such as this circumstance.

• (1200)

[*Translation*]

**Mr. Pierre Breton:** Thank you very much.

Mr. Vossen, did you have something to add?

[*English*]

**Mr. Curt Vossen:** The international trade in agricultural commodities is governed by very clear rules of engagement by both the buyer and the seller. Those are internationally recognized contracts. Quality is part of that, as are other execution terms. Issues related to cargo, freight, time, credit, credit terms and payment terms are all outlined in those contracts. It's what allows this very high-value industry to work as seamlessly as it does on an ongoing basis over time and distance in the international marketplace.

The cargo of a reasonably sized canola vessel—what we'd call a Panamax-sized vessel—going to China has a value of in excess of \$20 million Canadian. The underwriting of the risk is that contractual understanding, that mutual understanding by the buyer and the seller, that these contractual terms will rule and govern the execution of that contract. If that is in any way, shape or form put in disrepute, you have a real problem in the international marketplace in terms of being able to have certainty.

As Kyle said, this issue has been claimed to be about quality. Our strong advice to the government is first to deal with what it isn't. Let's get that issue out of the way and then let's start determining what it might in fact be. We believe it isn't quality. We're very certain, as has been stated by Mr. Jeworski, that our system has been solid. Our willingness to engage on science and on the quality issue is unreserved. We're happy to deal with it. Let's deal with it via the normal protocols for doing so.

**The Chair:** Mr. Weir, you have—

[*Translation*]

**Mr. Luc Berthold:** Mr. Chair, I have a point of order.

I think that given how things are going it would be logical to ask for the unanimous consent of committee members so that we can ask a last question before Mr. Weir asks his. This is a really important issue. We could get the unanimous consent of the committee to add two minutes at the end, as we mentioned, to give Mr. Weir some time.

**The Chair:** We are either going to have to extend the session or cut some time from the next one.

**Mr. Luc Berthold:** Yes.

I must repeat that it would be really important.

**The Chair:** Is there unanimous consent to add another question period?

Fine.

**Mr. Luc Berthold:** Thank you.

[*English*]

**The Chair:** Mr. Weir, we'll just do another round, and then you'll have your chance.

Mr. Dreeshen, you have six minutes.

**Mr. Earl Dreeshen (Red Deer—Mountain View, CPC):** Thank you very much.

I appreciate this opportunity to talk about the canola industry and how significant it is as a canola producer. We've seen so many folks back home who are upset and frustrated by the things that are taking place.

I have one thing that I do want to mention. When we're talking about it being science-based and how the CFIA is taking a look at all of the samples that are going into the ship and that are leaving the ship, people shouldn't forget that they're also being inspected every time a truck drives into one of the facilities. We know that the quality that we have is such, and it's not going up the leg unless it fits that. When people start to talk and say that it should be science-based and so on, that has happened right from the moment that the seed was produced and put into the ground in the farmers' fields. I think that's a critical point that people should recognize.

Again, this is where they have to start making these decisions: the seed, the chemical, the fertilizer, the added costs that are coming in and out. I'll point out that in Saskatchewan we've already had it, but now the carbon tax and all of these other things are added expenses that are really being pushed down onto the farmer.

My question is for Mr. White, and perhaps Mr. Vossen.

What are you hearing from the producers and the farmers, as far as their frustrations are concerned, about what is taking place?

• (1205)

**Mr. Rick White:** That's a great question.

I hear directly from farmers. We actually have the cash advance operations in western Canada, for the most part, through our association. They call me directly. They call our staff directly, and they are very concerned. They're worried. They don't know what's

happening. They don't know what's being done, but they do know that this is a risk that they cannot manage. It's hard enough managing the risks of Mother Nature, prices and everything else, but this is one that caught them off guard. They are very concerned because their livelihoods can be impacted.

You can feel from the tone over the phone that they are very much worried. I can't express how difficult that is for some of these farmers out there, not knowing, trying to run their business, but all of a sudden getting hit with this. They're wondering what to do, and they don't know.

**Mr. Earl Dreeshen:** Thank you.

Mr. Vossen.

**Mr. Curt Vossen:** Canola acres over the last number of years haven't grown to 22 million to 23 million acres for no reason at all. It has probably consistently been the most effective cash-generating crop for western Canadian farmers. The netback per acre—one of the key ingredients as to how a farmer determines his cropping rotation, as well as the agronomic issues and the sustainability issues—has been very favourable to canola.

Canola has been very favourable coming into this spring. It was a good crop to move in the past several years, and it continues to be a very good crop in terms of its overall prospects. However, this has really put a chill on. I think what's going to happen, and the feeling that we get from our people in the country, is that it will inevitably lead to a scaling back. That scaling back could be 5%, 10% or 15%, but I could see a scaling back of the acreage in western Canada this spring in light of these developments.

**Mr. Earl Dreeshen:** Mr. Jeworski, perhaps you could just tell us what you're hearing from your business.

**Mr. Kyle Jeworski:** I think there's a lot of confusion among the western Canadian farmers in terms of what this means.

It's so recent, really—in the past month. In trying to understand the full impact, there is confusion about the length of time that this could take. I think there are a lot who are, maybe, assuming the worst-case scenario and asking what happens if this extends for long periods of time. What does this do? As others have alluded, this has been such an important crop to western Canadian farmers. It's confusion to frustration to deep concern in terms of what this means. What will they do? How will they change their rotations? How will they manage their cash flow? How do they manage where, in some circumstances, there's still a product in fields and areas that need to be dealt with, and how do they deal with the risk associated with that?

There's a lot of concern at the farm level right now. I only see that continuing to grow as this thing continues to prolong.

**Mr. Earl Dreeshen:** On non-tariff trade barriers, we see this, as I mentioned, with the peas and the lentils as well as the durum that we have. These are things that if they can't come up with anything else, they are going to make this their issue. Unfortunately we have groups that will pile on and are sometimes against our agricultural industry to try to make their point. I think the important thing is wherever we've gone we have gone out as team Canada and we've talked about our food security, our food safety. It is the best in the world, but there are other actors that will try and poke holes in that narrative.

That's why I think it's so important to talk about the fact that we are giving the best product out there in the world, but we also have to talk about the fact that this is a political issue and that it has to be dealt with at the highest level.

• (1210)

**The Chair:** Mr. Weir, you have two minutes.

**Mr. Erin Weir (Regina—Lewvan, CCF):** Thanks very much, Mr. Chair. I appreciate the time at this committee.

The closure of China's market to Canadian canola is a huge challenge for Saskatchewan's economy. As an aside, Viterra's head office is on the same block as my constituency office so it's nice to welcome a neighbour to committee.

I think we've heard loud and clear from all witnesses that the top priority needs to be reopening the Chinese market. What I want to ask is, what would be the single best thing the federal government could do to support our canola producers in the meantime? Would it be increasing the loan amounts under the advance payments program? Would it be waiving the interest on those loans, or might it be some other initiative?

**The Chair:** You have about a minute.

**Mr. Rick White:** I guess in the immediate term here there's the uncertainty, the risk of product in the bin. As I said earlier, cash flow is going to be the most immediate concern to farmers. It's not the only answer but it's the thing that we should do, and we should consider addressing that immediately. Increase the limit on the cash advance program, which is currently \$400,000. That should be expanded—and we've asked for it before—to at least \$800,000. The Premier of Saskatchewan suggests \$1 million. Any of those numbers work.

We can talk about interest-free and whether or not the government would be willing to offset the cost because farmers will say that they cannot borrow their way through this. They are right, but at least it will buy them some time. Under the new program, which we just launched yesterday, starting April 1, the 2019 program is an 18-month program and that will buy some farmers some time.

There are other initiatives that we need to start taking. We have to look at other safety nets like agri-stability and agri-invest. Maybe there are things there that could be done. There are existing safety net programs in place.

But the advance payments program provides farmers with cash flow during times of marketing problems; it's what it is designed for. This time it's China. Two years ago it was railway issues. This program is there for them and they are starting to hit it hard at our office. Yesterday we issued 1,236 advances for \$116 million out the

door in day one of this program. This program is on fire and it needs to expand because they are going to hit the lid on it.

**The Chair:** Thank you, Mr. White and Mr. Weir.

That will conclude this portion of the industry representation. I want to thank Mr. White, Mr. Everson, Mr. Vossen, Mr. Ruest, Mr. Jeworski and Mr. McQueen for taking the time today for this very important issue.

We shall break and come back in a couple of minutes with the government officials.

• (1210)

(Pause)

• (1220)

**The Chair:** We'll get under way with our second hour of this committee.

I'd like to welcome, from the Canadian Food Inspection Agency, Mr. Gorrell, assistant deputy minister, international affairs branch, Department of Agriculture and Agri-Food.

Welcome back to our committee.

Also from Agriculture and Agri-Food, we have Ms. Kathleen Donohue, director general, market access secretariat, international affairs branch.

Welcome, Ms. Donohue.

With that, we will start with an opening statement of up to 10 minutes.

**Mr. Fred Gorrell (Assistant Deputy Minister, International Affairs Branch, Department of Agriculture and Agri-Food, Canadian Food Inspection Agency):** Thank you, Chairman and committee.

Good afternoon, everyone.

We appreciate the opportunity to speak to you today about recent events impacting Canadian canola seed exports to China.

The canola sector creates an estimated 250,000 jobs in the country while generating over \$26 billion in economic activity. A significant part of the sector's success relies on exports, and we recognize the importance of resolving impediments to trade as quickly as possible.

[Translation]

Canada has been exporting canola seed to China for oil crushing since 1994. From 2014 to 2018, our exports accounted for about 92% of China's total canola imports. The value of canola seed exported to China reached \$2.7 billion in 2018.

[English]

The high volume and value of exports reflects the quality and safety of our products. Canada has a robust domestic system to ensure the quality and safety of canola seed being exported overseas.

On safety, the Canadian Food Inspection Agency has an internationally respected phytosanitary inspection and certification system that protects Canadians by safeguarding our plant resources. Additionally, the CFIA supports the economy by facilitating safe trade with trading partners. For grain exports, the CFIA is responsible for export certification against foreign phytosanitary import requirements.

With respect to canola to China and other countries, the CFIA inspects canola seed shipments using appropriate procedures and analysis prior to issuing phytosanitary certificates to accompany the exports. These phytosanitary certificates provide Chinese authorities the assurance that, from a Canadian perspective, the canola seed shipments originating from Canada meet China's plant health import requirements.

On quality, the Canadian Grain Commission established and maintains standards of quality for Canadian grain to ensure a dependable commodity for domestic and export markets. We are a safe and reliable global supplier of canola.

[Translation]

However, differences in the technical interpretation of compliance with import requirements can arise periodically. Moreover, it is a top priority for the government to work collaboratively with our regulatory counterparts to resolve these issues on a scientific basis.

[English]

This brings me to today's discussion, the official notices of non-compliance from China for exports of Canadian canola seeds. I would like to take a moment to provide some background information to the committee.

In January of this year, China notified Canada that it had intercepted pests of quarantine concern in a shipment of canola seed from Canada. Canadian companies were placed on a warning list to be under more stringent inspection by China. In response, the CFIA undertook a thorough analysis to address the notices of non-compliance, while each affected company was informed by Agriculture and Agri-Food Canada of the notifications and the warning list.

Regarding actions taken by the Canadian Food Inspection Agency after receipt of the notices of non-compliance, the CFIA verified the pre-certification inspection, sampling and testing and certification procedures to ensure they were conducted as expected. We reanalyzed samples retained from shipments. We reviewed pest export data on previous canola shipments to China as well as overall pest survey data from 2015 to 2018 for canola and other grain export

shipments to all markets to assess the potential pest presence. We reviewed the pest health risk assessment unit's assessment on each pest reported by China as well as other available scientific literature and compiled a list of follow-up questions for China.

Then, on March 1, 2019, as a result of the reported additional interceptions of pests from two Canadian shipments of canola seeds, China suspended the registration of one company, which is required for the company to export seeds to China. Also on March 1, 2019, Canada provided a letter of response to China's notice of non-compliance and requested additional information on their detection of certain pests of quarantine concern so that Canada could follow up. Canada also requested a scientific dialogue between the plant health experts in both countries.

On March 7, 2019, China issued an additional warning notice indicating that all Canadian canola seed shipments to China would be subject to more stringent inspections. At that time of export, the CFIA inspected the canola seed shipments using appropriate science-based procedures and analysis and was confident that the certified shipments met the foreign import requirements.

●(1225)

As I mentioned earlier, differences in the technical interpretation of compliance with import requirements arise periodically.

[Translation]

Canada and China have been able to resolve such impasses in the past through sustained dialogue.

[English]

To assess the validity of China's assertions, the CFIA followed up on March 13 with a letter on the status of the request for further technical information and collaboration from China. This letter also requested a technical meeting as soon as possible.

On March 15, China responded by providing some additional information and indicated their willingness to engage with the CFIA on a technical call. That call took place on March 18. It was a technical discussion between plant health experts from both countries to discuss the findings.

Following the call, on March 20, the CFIA submitted a letter outlining the next steps of technical engagement.

Then, on March 26, as a result of three additional notices of non-compliance, Customs China suspended canola seed shipments from a second company.

CFIA and Customs China plant health experts held a second teleconference call on March 26 to continue the dialogue in support of resolving this issue on a scientific basis

[Translation]

We stand by our robust inspection system, and our ability to continue to be a supplier of high-quality canola to China.

[English]

We rely on science.

The CFIA has requested information on the following: the frequency of pest detection and the number of weed seeds detected in samples; specimen samples of the weed seed and isolates of the bacterial disease pathogen; lab diagnostic procedures; the determination of the distribution of pests within China; and the technical justification for the notifications and measures taken.

The CFIA has reanalyzed our samples, taken at the time of pre-export, and has obtained the same negative results we obtained at the time of pre-export certification.

Agriculture Canada, CFIA, and Global Affairs representatives at the Canadian embassy in Beijing are actively engaging with Chinese authorities to make progress, as well.

That brings us to where we are. In addition to the letters and the two technical calls, the president of the CFIA has written to her Customs China counterpart requesting a technical face-to-face meeting as soon as possible in order to find a science-based solution. Canadian officials are fully engaged with their Chinese counterparts to try to restore access for the suspended companies as quickly as possible and to resume the predictability of trade in canola seed.

As early as today, a CFIA official met his Chinese counterpart on the margins of the International Plant Protection Convention in Rome—these are the two people who had the technical calls—to follow up on the technical discussions. We are in regular, in many cases daily, communication with our industry stakeholders and provincial counterparts, and we continue to keep them informed of any additional information.

Yesterday, on April 1, the Government of Canada announced a working group that will include the Canola Council, the Canola Growers Association, representatives from Agriculture Canada, the Canadian Food Inspection Agency, and Global Affairs, as well as representatives from the governments of Alberta, Manitoba and Saskatchewan.

We strongly support the Canadian canola farmers and want to resolve this issue on a priority basis.

[Translation]

Thank you very much.

• (1230)

[English]

**The Chair:** Thank you, Mr. Gorrell.

Now we'll go to our question round.

[Translation]

Mr. Berthold, you have six minutes.

**Mr. Luc Berthold:** Thank you very much, Mr. Chair.

Thank you very much for being here, Mr. Gorrell and Ms. Donohue.

First, I would like a clarification. You mentioned that the president of the Canadian Food Inspection Agency sent a letter to her counterpart in China to ask for a high-level meeting. Do you know if the Minister of Agriculture and Agri-Food made the same request at the political level?

[English]

**Mr. Fred Gorrell:** There has been a request from the president, and there has been a letter from Minister Bibeau to her counterpart, introducing herself, underscoring the importance of the issue, and supporting the request of the president to arrange a meeting. So both the minister and the president of the Canadian Food Inspection Agency have written their counterparts.

[Translation]

**Mr. Luc Berthold:** You have had differences of interpretation with China in the past. Earlier you said some interpretation issues were resolved through sustained dialogue.

Do you consider that there is currently a sustained dialogue with China?

**Mr. Fred Gorrell:** That is a good question, thank you.

[English]

As I said in my opening comments, sustained efforts with China are always needed. We have been involved with China with canola, and you heard from the speakers this morning about how long we've been trading with them. I think I outlined very clearly our interpretation of our exports to China. They have indicated what they have found. We have had the technical conversations, and I think the only real next step is to be

[Translation]

face to face, in order to have a conversation on the technical aspects.

[English]

**The Chair:** There was no translation of that.

**Mr. Randy Hoback:** I didn't get the last comments.

[Translation]

**Mr. Fred Gorrell:** I'm sorry.

[English]

We need to have a meeting face to face, after everything, in order to really clarify the interpretation. I think you had the question.... Our interpretation I very clearly outlined—

**Mr. Luc Berthold:** Yes. Okay.

I have a last question before I turn it over to my colleagues.

Are you confident, 100% sure, about the result of your own tests on the quality of the canola in Canada?

**Mr. Fred Gorrell:** That's *un autre* good question. Yes is the short answer. The thing is that science is never 100% sure. You know how we can detect things at a million and billion parts per thing. But in everything I've outlined of what we've done, and we've done it again, I have strong confidence in what we're doing. That would be a conversation I would like to have with them face to face.



[*Translation*]

**Mr. Luc Berthold:** Thank you.

Mr. Chair, just before we continue, I would like to table a motion with the committee concerning this study.

The motion is the following:

That the committee continue to hear from witnesses on the study of the official notices of non-compliance from China for exports of Canadian canola seeds; that the next meeting be held as soon as possible; that witnesses at this meeting be farmers and producers directly impacted by the consequences of China's decision to cease buying Canadian canola; and that the committee report its findings to the House.

[*English*]

**The Chair:** We had 15 minutes after the meeting to decide where we were going with this study, if we wanted more or whatever, but we can do your motion now, if you wish.

**Mr. Luc Berthold:** I wish.

[*Translation*]

**The Chair:** Mr. Berthold, do you want to speak about it?

**Mr. Luc Berthold:** Yes, Mr. Chair.

As I mentioned, there was a request to create an emergency committee last week. We asked that the Minister of Agriculture and Agri-Food, the Minister of International Trade Diversification and the Minister of Foreign Affairs appear here before the Standing Committee on Agriculture and Agri-Food.

Unfortunately, this could not happen at today's meeting, during which we normally would have heard from those ministers, given the seriousness of the crisis and the high level of engagement we need. As Mr. Gorrell mentioned, we need these face-to-face encounters, both at the scientific level and the political one.

That is why we are today requesting the presence of these ministers, so that they may speak to this agricultural issue before the Standing Committee on Agriculture and Agri-Food.

I know that my colleague from International Trade will have the opportunity later to hear the Minister of Agriculture and the Minister of International Trade Diversification. We have already had the opportunity to hear them at press conferences. Unfortunately, it seems totally impossible to get these people to appear here before us at the Standing Committee on Agriculture and Agri-Food to discuss an important agricultural issue.

Once again, I deplore this, I denounce it, and I feel that the debate should take place here. We are going to talk about quality and the consequences for farmers. We are going to talk about the consequences for the entire Canadian agricultural sector, and I simply don't understand, Mr. Chair..

I believe we are being called to vote.

● (1235)

**The Chair:** It's the 15-minute bell.

The meeting is adjourned.

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