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• (1100)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone, to the 20th meeting of our House of Commons Standing Committee on Agriculture and Agri-Food. We're continuing our study on business risk management programs.

First of all, I will thank my colleague John Barlow for taking the chair at the last meeting. I heard it went quite well, so thank you, John, for doing that.

In calling the meeting to order, I will quickly go over some of the rules to follow.

Interpretation in this video conference will work very much as in a regular committee meeting. At the bottom of your screen, you have the choice of floor, English or French. When you intervene, please make sure that your language channel is set to the language you intend to speak, not floor language. This is very important, as it will reduce the number of times we need to stop because the interpretation is inaudible for our participants, and it will maximize the time we spend exchanging with each other.

We have a few witnesses here. Can I get a nod that you've understood those guidelines? Is everything good? Thank you.

Also, before speaking, please wait until I recognize you by name. When you are ready to speak, you can click on the microphone icon to activate your mike.

[Translation]

Also, make sure your microphone is off when you are not talking.

We are now ready to begin.

I want to welcome our witnesses to today's meeting.

In the first hour, we have the following witnesses: Mr. Mario Rodrigue, acting director general, and Mr. René Roy, administrator, from Les Éleveurs de porcs du Québec; from MNP, Mr. Stuart Person, senior vice president of agriculture, and Mr. Steve Funk, director of agricultural risk management resources; and Mr. Jake Ayre, farmer, from Southern Seed Ltd.

We will begin with opening remarks of seven minutes each.

I will ask the representatives of Les Éleveurs de porcs du Québec to begin. Mr. Rodrigue or Mr. Roy, you have seven minutes in total. Please go ahead.

Mr. René Roy (Administrator, Les Éleveurs de porcs du Québec): Thank you, Mr. Chair.

I will provide the opening remarks.

On behalf of Les Éleveurs de porcs du Québec, I thank you for this opportunity to share our concerns and our expectations regarding risk management programs. My name is René Roy and I am a pig farmer in the Chaudière-Appalaches region. I am also an administrator with Les Éleveurs de porcs du Québec. I am accompanied by Mr. Mario Rodrigue, our director general.

Les Éleveurs de porcs du Québec brings together more than 2,700 producers who own pig farms. They are the foundation of an industry that generates more than 31,000 jobs in Quebec and exports 70% of what it produces. The entire Canadian agriculture and agri-food sector wants to contribute to the recovery of the Canadian economy, and the pig sector is particularly well positioned to increase its already considerable contribution. However, producers must have the tools and resources they need to ensure that their businesses are sustainable and to harness its development potential. It is important that the toolbox include risk management programs properly tailored to the realities and issues facing the businesses for which the programs have been created. From this perspective, improvements must be made to the risk management programs offered by Agriculture and Agri-Food Canada.

We fully support the Canadian Pork Council's position that it is important to review the parameters of the AgriStability program to restore the trigger level to 85% and remove the factor that limits the reference margin. In its current form, this program is not fulfilling its role. The result is increased pressure on business liquidity and on the risk management tools developed and provided by some provinces, including Quebec. When deprived of the cash flow they need, producers must postpone investments that are necessary to stay competitive and meet societal requirements in terms of animal welfare.

Improvements are also needed to the AgriRecovery framework to ensure it has the flexibility to adapt to the specific realities of sectors facing extraordinary costs following a catastrophe. For example, although they have had to cope with costs directly related to COVID-19, producers will not likely be able to receive their share of the \$125-million envelope announced on May 5. This is because only expenses resulting directly or indirectly from the obligation to euthanize pigs are eligible.

The \$3.7 billion generated by Canada's pork exports is a key asset for the Canadian economy. However, this strong presence in export markets exposes producers and the industry to risks over which they have little control. It is important to remember that the prices paid to producers by U.S. packing plants serve as a reference for determining the selling price of pigs in Quebec. The trade war involving the United States and China in 2018 led to a significant drop in the selling price of pigs in the United States, which directly affected the price received by Quebec pork producers.

More recently, the pandemic has caused major disruptions. Within a few weeks, the forecast average price of pigs sold in Quebec for 2020 dropped by nearly \$20 per 100 kilograms, below the cost of production. This represents a \$150-million shortfall for Quebec producers.

Like the other Canadian provinces, the Quebec government offers risk management solutions for farm businesses. Pork producers in Quebec have access to the Farm Income Stabilization Insurance program, or FISI. However, producers must assume one third of the compensation paid under FISI. It is important that Agriculture and Agri-Food Canada provide producers with risk management programs that are complementary to those provided in the provinces.

The drop in the selling price of pigs due to external shocks, such as the trade war or COVID-19, has increased FISI payouts. As a result, the premiums paid by producers increase at the same rate and prevent them from reaching their cost of production. For this reason, steps must be taken to limit the frequency and dollar amount of FISI payouts.

● (1105)

In addition, FISI parameters do not make it possible to record and take into account costs that are not in line with the realities observed during the investigations commissioned by La Financière agricole au Québec. COVID-19 had the effect of temporarily reducing slaughter capacity, thereby forcing producers to postpone the delivery of pigs. The consequences of this delay on the various technical efficiency coefficients, such as the decrease in average daily gain or the increase in mortality rate, are not covered by FISI.

Several studies show that volatility in agricultural markets has increased since the early 2000s due to new factors over which individual businesses have no control and which they cannot predict, prevent or adjust to. From this perspective, it is imperative to establish an income safety net that provides sufficient, predictable and competitive support. To continue to operate, adapt to change, innovate and compete, farm businesses need a stable base on which to build. They must have access to effective and reliable business risk management programs. These financial tools represent a strategic investment by governments in the economy.

Thank you.

The Chair: We will now go to Mr. Stuart Person and Mr. Steve Funk, from MNP.

Gentlemen, you have seven minutes.

[English]

Mr. Stuart Person (Senior Vice-President, Agriculture, MNP LLP): Good morning, and thank you for the opportunity to present to you.

In April, MNP provided this committee with a number of recommendations for improvements that can be made to the existing suite of business risk management programs to support Canadian farmers. Our goal then, as it is today, was to suggest to this committee how simple changes to the AgriStability program could support Canadian farmers through COVID-19 and beyond. We are pleased that a number of our initial recommendations have been adopted already by various BRM administrations across the country. Our hope is that many of these constructive changes remain in place and become permanent features of the program.

There is a broad discussion happening across the country related to business risk management programs, with diverse opinions as to the right way forward. This discussion is crucial as we work to improve BRM programs to safeguard both our food supply and the economic contribution of Canadian agriculture.

Today we are going to focus on what we feel are two specific improvements that can be made to ensure that AgriStability meets its stated goals of equitability across all sectors, and to make the program simpler and more predictable, bankable, transparent, responsive, timely and decision- and market-neutral. Our presentation today is not exhaustive, nor does it address all the potential improvements to AgriStability. Rather, today we will focus on issues of fairness and equitability in the program.

Our first recommendation is to temporarily remove the \$3-million cap on payments and consider whether a cap is even necessary moving forward. Farm sizes have grown tremendously since the inception of AgriStability. In our experience, a \$3-million cap is not reflective of the reality facing contemporary agriculture operations, and it unjustly exposes those operations to additional risk based on an arbitrary threshold.

While unfair to any large producer, the cap is a particular problem for certain grain operations, nurseries and feedlots. While the government may feel that a cap is warranted to address the total cost associated with the program, our preference would be that the program be applied equitably and fairly, regardless of whether someone farms 4,000 acres or 40,000 acres. That risk per acre is the same.

Our second key point is to remove the reference margin limit. To explain the nuance of this, I will ask Steve Funk, MNP's national leader for farm income programs, to provide his insight.

• (1110)

Mr. Steve Funk (Director, Ag Risk Management Resources, MNP LLP): From the late 1990s to date, some form of margin-based government program such as AgriStability has been in place. At all times and throughout the various five-year frameworks that have existed, the key principles of simplicity, predictability, bankability, transparency, responsiveness, timeliness, and decision and market neutrality have been the guideposts through which the original design and subsequent changes have been steered.

Since 2013 and the beginning of Growing Forward 2, however, the inclusion of the reference margin limit, or RML, within program parameters has been counter to those principles, and the program has never been more complex. Consequently, we are recommending that the RML be abolished immediately.

RML applies to individual producers and/or sectors where AgriStability allowable expenses are low in relation to AgriStability allowable income. In theory, it's where producers have a low-cost structure. If the allowable expenses on average are less than 50% of the allowable income, a producer will be limited and have an automatic and arbitrary reduction to their reference margin or support level under AgriStability.

Unfortunately, the RML has negatively impacted the effectiveness of AgriStability and the equity of the program across many agricultural sectors, including cow-calf, organic crops, dairies, apiaries, bee pollinators, maple syrup producers and cranberry producers, to name a few.

For sectors impacted by the RML, the margin drop required to trigger benefits varies between 30% and 51%, compared to a standard 30% for sectors not impacted by the RML. This concept is illustrated in our submission, which includes case study examples.

That leads producers to face one of three potential scenarios. First, producers who are not limited will only require the 30% trigger point before the AgriStability benefit is activated. Second, fully limited producers will need to experience a 51% trigger point before an AgriStability benefit is activated. Third, producers who are partially limited will require a drop of between 30% and 51% in reference margin, depending on the degree to which they are limited.

These RML rules have resulted in a program that is less responsive and fundamentally unfair for many types of farms, even among farms in the same sector.

The CAP agreement, effective for the 2018 program year, put into effect a marginally positive change that increased, but did not re-

store, many limited reference margins. The examples I just mentioned are inclusive of this change, meaning that prior to 2018 some producers required a drop of even more than 51%.

Given that this change was layered upon the ill-understood complexities of the RML, it, too, is not well understood. Furthermore, the CAP changes to the RML failed to address the issue of the distortion of payment trigger points for certain sectors of agriculture. In the end, the systemic inequities and negativity towards the program remain, and national participation in AgriStability has yet to significantly recover. These are precisely the undesirable side effects of the RML that require its immediate removal from the AgriStability program parameters.

In the end, there are many opportunities to address the shortcomings and bolster the strength of AgriStability to simply and quickly support Canadian ag producers. MNP's recommendations in our written submission have been focused on fixing the timeliness, inequalities and complexity of the program. In our opinion, removing the payment cap and removing the RML would make for two significant strides towards this goal.

Thank you.

• (1115)

The Chair: Thank you, Mr. Funk.

Now we'll go to Mr. Jake Ayre.

Welcome, Mr. Ayre. You have up to seven minutes for your opening statement. Go ahead.

Mr. Jake Ayre (Farmer, Southern Seed Ltd.): Thank you.

My name is Jake Ayre, and I'm a young farmer from Minto, Manitoba. Like many Canadians, my family and I immigrated to Canada in 2002 for a chance at a better life. I'm proud to come from a long lineage of farmers that dates back to the 1400s and traverses two continents. The Ayres have always been farmers, and agriculture has been the central tenet of our family's culture, heritage and way of life. Today, we continue the tradition of multi-generational farming with my mother, father and sister on our 1,900-acre farm and farm retail business.

On our farm, we produce and process pedigreed seed crops such as wheat, barley, oats and soybeans, as well as growing corn, canola and soybeans as cash crops. We also operate a farm retail business, Southern Seed Ltd., which sells pedigreed crops, inoculants and biologicals fertilizer, and cleans seeds with the option of optical sortation. I also crop 140 acres in my own name and am actively working on acquiring more land to grow our operation and business.

We are currently in the midst of succession planning. Both my father and I have taken an active interest in farm policy and have held various leadership roles, in addition to serving on boards and producer committees across our province.

Today I am speaking as an individual, and the opinions and thoughts expressed are my own.

I thank the standing committee for the opportunity to present today. I am pleased to see they're studying business risk management programs and have invited me to present. Now more than ever, the issue of business risk management is one that is very pertinent to agriculture and agri-food.

[*Translation*]

Mr. Yves Perron (Berthier—Maskinongé, BQ): Mr. Chair, I apologize for interrupting the witness. Could he hold the microphone closer to his mouth? The interpreter cannot hear everything he is saying.

[*English*]

Mr. Jake Ayre: Is this better?

The Chair: It looks good. Give it a try.

Mr. Jake Ayre: Okay, my apologies.

My understanding is that we have five main business risk management programs offered in our country. In the interest of time, I will quickly touch on each.

AgriInsurance is the program that I believe has the highest uptake amongst all producers. It's structured slightly differently province to province. This program is one that has evolved and continues to evolve to react to our ever-changing agricultural environment. There has been an abundance of consultations and changes implemented as a result of active engagements in Manitoba with the body that delivers the program. I do feel that there is room for improvement, and updates in addition to alternative models such as field-by-field coverage or a gross revenue-based coverage need to be explored.

• (1120)

The Chair: Sorry, Mr. Ayre, can you pause for a second? I don't seem to get the French interpretation.

Monsieur Perron, does it work on your end?

[*Translation*]

Mr. Yves Perron: No, we were not getting the interpretation; I don't think there was any at all.

The Chair: I noticed there was none.

Can we suspend the committee to make sure the interpretation is working, Mr. Clerk?

The Clerk of the Committee (Mr. Marc-Olivier Girard): All right, we will do that.

[*English*]

The Chair: Okay. We'll suspend and work with Mr. Ayre to make sure we have good sound.

• (1120)

(Pause)

• (1125)

The Chair: Mr. Ayre, you have approximately four minutes left. I'm sorry about the interruption.

You can continue.

Mr. Jake Ayre: Thank you.

With AgriInvest, in the past, groups have called for an increase in matchable deposits to 3% and to allow up to 2% additional non-matchable, tax-deductible contributions. I believe this could be a positive change that would benefit a variety of producers, if implemented.

The AgriRisk Initiatives program isn't directly applicable to my farm, but after researching the program, I am pleased to learn that the initiative has been taken to invest in and explore the development of new risk management tools.

After 2019, I feel AgriRecovery and AgriStability need some serious updates or a redesign.

I wanted to take the time today to talk about the 2019 harvest, and how it helped shape my views on AgriRecovery and AgriStability.

The 2019 growing season on our farm was fantastic, up until September. Torrential downpours followed by cool, wet weather delayed and dragged out our harvest. On our farm, we typically are finished with all our cereals by mid-September or the end of September, and with our canola shortly thereafter. This was not the case in 2019.

Historically, we harvest together with a neighbouring farm of the same size and share resources such as labour, equipment and storage. This is done to increase efficiency in both of our operations and ensure that the harvest is finished as quickly and effectively as possible.

Even with additional labour and resources, we were extremely behind schedule come the weekend of October 11. What happened that weekend was felt by many farmers in Manitoba and across the Canadian prairies. A severe winter storm hit, bringing freezing rain, sleet and upwards of two feet of snow across the prairies and on my family's farm. After this storm, a state of emergency was declared in the province of Manitoba to help with the cleanup and restoration of power. Before this storm hit, my family and many other farm families in my area were struggling with an abundance of crop left out in the fields. Receiving upwards of two feet of snow, sleet and freezing rain made the harvest from hell that much harder.

Farmers are known for their resilience and willingness to get the job done. In the end, we did just that; however, it was not without unplanned costs or consequences. Bushels of crop were left on the ground or out in the fields. Due to wet weather, soybeans shelled out and we were unable to harvest the pods lowest to the ground over our whole farm. Subsequently, we purchased additional aeration fans, rented and installed tracks on our combine, utilized a natural gas dryer to dry tough grain, spent many extra hours fixing and troubleshooting problems on our machines, used heaters and propane torches to dry out and thaw our equipment, and also rented an additional combine to help finish.

Preliminary estimates by my father and me have approximated this cost at \$30 per acre, or close to \$90,000. These costs will continue to be felt as we are seeing the events of 2019 carry on into 2020. Extra tillage was needed this spring to fill in ruts left by last year's harvest, as well as to work crop left in the field. Acres of land were rendered unseedable and became incapable of being travelled on. Extra turning and overlap of seed, fertilizer and crop protection will see these costs carry over into 2020.

With the kindness and help of neighbours, we were able to harvest most of our crop; however, this was not the case for many.

In my opinion, moving forward, our BRM programs need to speak to and account for all types of farming operations, and not paint us all with the same brush. This can be achieved by having genuine and transparent conversations and consultations with producer groups Canada-wide.

BRM programming is something that needs to be easily communicated. I myself struggle to wrap my head around the program some of the time, and I see that as a major issue. How do we expect farmers and the next generation such as me to enrol in these programs if they don't understand them?

Minister Bibeau's mandate letter states that she must "[h]elp producers manage environmental and business risks by providing faster and better-adapted support." I cannot stress enough the importance and the timeliness of this. We will survive 2019, but real and proactive changes need to be implemented.

Agriculture is my passion, and I love what I do. It is my dream to farm and continue to provide safe, nutritious food for Canada and the world alike. Food security is something that I wish our country continues to have, now and into the future. Agriculture's potential to contribute and grow our economy is exponential and excites me.

I worry that if we do not act and implement changes to our business risk management suite, agriculture will not reach its potential, and the next generation such as me—

• (1130)

The Chair: Thank you very much for your statement, Mr. Ayre.

Now we'll go to our questions, and we'll start with Mr. Barlow for up to six minutes.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair. I will be sharing my time with my colleague Mr. Lehoux.

Thank you very much to all the witnesses for appearing here today.

I want to comment on Jake's presentation specifically.

Mr. Ayre, you made the interesting statement that one of the issues with the business risk management is that we're trying to do a one-size-fits-all type of program. You were quite clear, and we'll hear from the cattlemen later on today, that these business risk management programs do not work for all types of farms. I think the pressure is on us to come up with some programs that are flexible for various different commodities. I found your comment quite interesting.

Turning to MNP, I apologize, but I can't remember if it was you, Stuart, or Mr. Funk who mentioned an "arbitrary threshold", which I found interesting. Many producers and associations have been proposing that the trigger point be raised from 70% to 85% or beyond. However, neither one of you mentioned that in your presentation. I'm just wondering why.

What are your thoughts on the discussion around moving that trigger from 70% to 85%? You mentioned an arbitrary threshold, and those are the only two numbers that people have discussed. I wanted your thoughts on that.

Mr. Steve Funk: In our opinion, an increase in the trigger point would help all farmers and increase the effectiveness of the program, but we can appreciate that it's a significant funding decision. We would recommend that producers and government discuss and agree on the trigger point together, but to be cautious. If the RML, the reference margin limit, is not removed, the desired impact will not be fully achieved. There will still be inequities between various agricultural sectors.

Mr. John Barlow: Thank you.

Again to MNP, you didn't touch a lot on AgriInvest. We had a lot of commodity groups over the last few meetings talk about the benefits of AgriInvest as a much more useful program than AgriStability, as something that's a bit more dependable. Do you have any opinion on AgriInvest as maybe a better option for us to strengthen or expand, as compared with AgriStability?

Mr. Stuart Person: I'll take that one, Steve.

Thanks, John, for the question. AgriInvest does put money into producers' hands on a regular basis, and more quickly. It could be used as a savings account for when situations like this happen. In order to make it more effective, though, you would need to raise the amounts paid. At 1% it takes a long time to build up a sizable account that's going to have any sort of significant impact on the operation. I would recommend that you take a look at raising those amounts if you want it to be more effective for producers.

Mr. John Barlow: Stuart, is that reversing the changes from 2018, when they were reduced, or is that going further? That 5% number has been tossed around.

Mr. Stuart Person: You would have to go back a number of years to get back to 5%. More recently, we've been moved down to 1%. At 1% it takes a long time to build up an account, even in the matching, whereby you get 2% a year, right?

If we're looking at AgriInvest to cover the shortfalls of what AgriStability is not covering, we need to get up to, right now, 30% of the shortfall. It would take many, many years to get to that level for a producer, at this point, if they were just starting out or if they didn't have any money in that account.

• (1135)

Mr. John Barlow: Thank you. I'll pass the rest of my time over to Mr. Lehoux.

[*Translation*]

Thank you very much.

Mr. Richard Lehoux (Beauce, CPC): Thank you, Mr. Barlow.

Thank you very much to all the witnesses for their contributions this morning.

My question is for Mr. Roy of Les Éleveurs de porcs du Québec. In your presentation, you quickly mentioned the lack of flexibility in AgriRecovery. Could you tell me a little more about that?

What would you like to see changed in the AgriRecovery program?

Mr. René Roy: I will let Mr. Rodrigue tell us what parts of the program could be improved.

Mr. Richard Lehoux: Thank you.

Mr. Mario Rodrigue (Acting Director General, Les Éleveurs de porcs du Québec): Good morning, everyone.

Here is the problem with the AgriRecovery program. Under the framework announced earlier this spring, the costs of euthanizing pigs are not eligible under the program, as Mr. Roy mentioned. Eventually, the pig flow issue was resolved, but not without leaving producers in trouble.

The flow of pigs was delayed and this affected certain technical parameters or efficiency coefficients of businesses. The requirement to keep pigs longer can cause a deterioration in feed conversion and average daily gain. It also has the effect of increasing the mortality rate. In some cases, farmers have had to put mature pigs and piglets in the same barn, which is really not a recommended biosecurity measure. This is becoming a major issue.

The Chair: Thank you, Mr. Rodrigue.

Mr. Richard Lehoux: Mr. Chair, am I to understand that my time is up?

The Chair: Yes, Mr. Lehoux, that is correct.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Is it my turn, Mr. Chair?

The Chair: Yes, Mr. Drouin.

Mr. Richard Lehoux: I can take Mr. Drouin's time if he does not need it!

Mr. Francis Drouin: Thank you very much.

I am going to direct my first question to Mr. Roy or Mr. Rodrigue.

You mentioned that, in the way the AgriRecovery program currently operates, only costs related to euthanasia are allowable. Is that correct?

Mr. René Roy: Yes, that is the information we have.

Mr. Francis Drouin: Mr. Rodrigue said the problem has been resolved in Quebec and producers will not need to euthanize their animals. Is that correct?

Mr. René Roy: Yes, we have managed to reduce the number of pigs to be euthanized. However, the issue has not been resolved in all parts of Canada. You are familiar with Mr. Rick Bergmann. He said he will have to euthanize animals this week. That is the situation in Canada.

Mr. Francis Drouin: Mr. Ayre mentioned the regional issues observed in Canada. Obviously, the federal government shares this responsibility with the provinces. If I may, I would say that the provinces are in the best position to determine regional needs, because they know what is happening on the ground.

How can the problem be addressed through our risk management programs? When enough pressure is applied, the AgriRecovery program kicks in, but it is not necessarily the one that applies to you. In Quebec, you no longer have a euthanasia problem, but it is still an issue in other parts of Canada. What should be done to resolve this issue? Should more allowable expenses be recognized?

• (1140)

Mr. René Roy: As was presented earlier, the big problem is that many costs incurred by producers can be attributed to the fact that they have to keep their pigs longer. Rather than focusing on euthanasia and having the money to buy a shovel to bury meat that could be used, producers should be helped through the crisis so they are still there when it is over.

Not only should we invest in euthanasia, but we should also support the extraordinary costs that are not usually covered by provincial programs like the farm income stabilization insurance program.

[English]

Mr. Francis Drouin: Mr. Person, you mentioned eliminating the \$3-million CAP, the Canadian Agricultural Partnership, and bringing back the reference margin to 85%. I read your submission that you provided to this committee a few months ago. You talked about the RML and you talked about the CAP, but in that same document you also mentioned that it was your understanding that the rationale of the government for changing the AgriStability program was because of potential pressures. I think you quoted an OECD report about whether those programs were trade compliant and whether they were subsidizing profitability as opposed to potential loss.

If we were to eliminate the \$3-million CAP and bring the reference margin back to 85%, in your experience and with your consultations, do you know whether that would be trade compliant, or would there be the potential of other countries bringing Canada to the WTO or some other body?

Mr. Stuart Person: To clarify, we do want to remove the CAP and we want to remove the reference margin limit. We haven't made a comment on going to 85% on the trigger, but we're not against that. If that's what industry and government decide, that's great for producers.

The concern—and this is not clear to us, since we've heard conflicting reports from government and industry—is what the rules are around trade and whether, if you hit certain funding levels in your programs, you are violating WTO rules. That's one thing that needs to be worked out between producers and governments when they're thinking about the trigger point moving from 70% to 85%. Are we in violation of any world trade rules, and what would the ramifications be, both to agriculture and other industries, if we are in violation?

Again, we're not experts in that field. You would need to speak to a law firm or to your own government representatives to properly answer that question. It should be addressed.

Mr. Francis Drouin: Okay.

One of the issues I've heard often with farmers is the complexity of applying to AgriStability. Do you have any advice on trying to simplify that program?

I'm assuming one would be the admissibility of costs, in that certain costs are admissible and other costs are not admissible. Do you have any comments on that?

Mr. Stuart Person: The administrations over the past number of years have made changes to make it easier for producers to apply. They are requesting less information than they did historically, when the program was first brought out. It was beneficial in some cases for producers to have to provide less information, but maybe it also contributed to more of the confusion around the program.

The Chair: Thank you, Mr. Person. Unfortunately, that's all the time we have.

[Translation]

Mr. Perron, you have six minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

I will continue with Mr. Person, following the lead of my colleague Mr. Drouin.

Mr. Person, I would like to let you complete your AgriStability proposals, since you said in your presentation that there are several things you did not address today.

• (1145)

[English]

Mr. Stuart Person: Yes, correct. What would your question be, and are you looking for a list of those things?

[Translation]

Mr. Yves Perron: Yes, I am interested to hear what you are proposing. The witnesses we have heard from agree on the 85% threshold and on eliminating the reference margin. It is almost unanimous. We could talk about it again, but I believe that point has been made. However, you seemed to say you had other proposals to make. I am very interested in hearing them, and I feel it would be of great benefit to all committee members.

[English]

Mr. Stuart Person: Sure. There are a number of points noted in the submission that was provided back in April. I think there are about 15 items in total that were noted in it. Those are the items that we feel would be extremely beneficial, if all of them were looked into and followed through. Some of them are administrative and some of them are related to the program.

Again, as we mentioned, we don't feel that we can weigh in on where the trigger point should be, so we're not going to address that one. We will let producers deal with government on that and find a reasonable position.

Beyond that, one of the key things I would point out that is not in our submission is that we have some issues when we have prolonged weather disasters or prolonged negative impacts on farms, let's say for three to four or maybe even five years in a row. With the existing AgriStability framework, that becomes problematic. Reference margins become depleted, and therefore insurance coverage is depleted significantly and is insufficient. That would be one area that needs to be reviewed in the long run when looking at AgriStability.

[Translation]

Mr. Yves Perron: Thank you very much.

I would like now to turn to the pork producers, Mr. Rodrigue and Mr. Roy.

You spoke of the need for a complementary risk management program in addition to the 85% AgriStability rate and the elimination of reference margins.

What additional program would you like to see implemented? Would creating an emergency fund, as requested by the Canadian Federation of Agriculture, be appropriate to assist you on an ad-hoc basis?

Mr. René Roy: Our program is certainly not designed to provide protection against external shocks, such as trade wars, for example. We have to see what the best tool is, but we need to successfully help producers in the event of trade shocks outside the market. Of course, it would be appropriate support.

Mr. Rodrigue, is there anything else you would like to add?

Mr. Mario Rodrigue: No, that is okay.

Mr. Yves Perron: All right, thank you. That answers my question nicely.

Let us talk about the support being given to U.S. pork producers versus what is given to Canadian producers. How does that hinder you in terms of the future?

I do not know which one of you wants to answer the question.

Mr. René Roy: I will start by making a comment.

The issue is often raised in connection with the World Trade Organization—

The Chair: Mr. Roy, can you place your microphone a little closer to your mouth when you talk? The interpreters are having a little trouble hearing.

Mr. René Roy: Okay. I hope this will be better.

The Chair: Let us try it.

Mr. René Roy: I was saying that, in terms of what is happening commercially, we are wondering whether 85% will be enough. The U.S. producers, our main competitors, are getting money directly. In our view, it creates unfair competition. We participate in the same markets as the Americans. It puts us at a disadvantage and weakens our global competitiveness.

Mr. Yves Perron: What could resolve this? Should we fight fire with fire and give you money too? Is there anything else we can do?

Mr. René Roy: There are different tools. It does not replace the government, but when the government makes certain decisions, we can step in, as we did for country of origin labelling. We stepped in to prevent that from happening again. That is one option. I am not saying that it should be used, but it is one option. Otherwise, we have to find ways to maintain the same competitive capabilities as our closest competitors.

• (1150)

Mr. Yves Perron: We are currently reviewing the risk management programs. For risks such as swine fever or other diseases, do current programs protect you from potential contamination?

Mr. René Roy: Mr. Rodrigue, can you answer the question?

Mr. Mario Rodrigue: Actually, one function of the AgriStability program and one of the benefits of increasing the margin to 85% is indeed—

[English]

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Mr. Chair, the interpreter is having trouble hearing. Perhaps the witness could speak a little closer to the microphone.

[Translation]

Mr. Mario Rodrigue: Okay. Is that better?

The Chair: Yes. Please answer very quickly, Mr. Rodrigue, because we are almost running out of time.

Mr. Mario Rodrigue: From a health standpoint in Quebec, we are talking about the problem that African swine fever, ASF, could pose. However, for several years now, Quebec and other provinces have been dealing with another disease called porcine reproductive and respiratory syndrome, or PRRS. Despite repeated efforts, certain farms are hit with PRRS from time to time.

The Chair: Thank you, Mr. Rodrigue. We have to move on to the next member.

Mr. MacGregor, you have six minutes.

[English]

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you very much, Chair, and thank you to all of our witnesses for contributing to our study today.

Mr. Roy, I will continue with you and AgriRecovery. We have had a lot of discussion during this study and also in our COVID-19 study on how the business risk management programs have performed during this pandemic.

If you could look at AgriRecovery and the \$125 million that was funnelled through that program and think about when the next pandemic hits or a disease breaks out in Canada's swine herds, I want to know what specific areas of this program we can improve.

When you look at how AgriRecovery performed during this pandemic and the money you received to stabilize herds, sometimes to euthanize, how much of a loss were you getting per pig? Those kinds of figures would be really helpful, because I don't think the costs associated with raising the pig, such as the amount of feed you had to give.... Can you maybe drill down on some of those finer details for the committee?

[Translation]

Mr. René Roy: I need a clarification. Do you want to know how much the loss is right now?

[English]

Mr. Alistair MacGregor: I'd like to know how AgriRecovery performed during this pandemic. You received money to help stabilize your herds, and in some cases to euthanize, but how much money were you also losing that the program did not address? AgriRecovery has the word "recovery" in it; it should help you recover from the disaster.

[*Translation*]

Mr. René Roy: To tell you the truth, I feel the program should be called something else, because it is not about a recovery. It is more about preventing one. Right now, support is focused on euthanasia. But what producer will be able to continue for long if they do not receive revenue for their production and are compensated only for burying what they produce? Unfortunately, that cannot work.

For the program to work, it would have to help producers deal with extraordinary expenses related to production, not only disposal. It is a bit like saying that we are going to bury the grain that we cannot export this year: it is absurd. We have to find a way to help producers get through the crisis so that they can put their operations back on track rather than close up shop.

[*English*]

Mr. Alistair MacGregor: Thank you very much.

For my next question, I'll turn to Meyers Norris Penny.

We've heard a lot over the last number of years about how farm debt has significantly increased over the last 20 years. You might look at gross sales by farms in general in Canada and see that they're doing quite well and increasing, but farmers also have a lot of costs, and the amount they're left with at the end of the year can fluctuate wildly.

If we do not improve these BRM programs significantly and look at all the risk that's apparent in the agricultural market, are we going to see a link between not improving BRM programs and an increase in farm debt, with more and more farms going under? It would be helpful to hear your thoughts.

• (1155)

Mr. Stuart Person: Yes, I would suggest that would be a fair statement. We're seeing debt levels rise to unprecedented levels. We're also seeing the cost of production in various sectors increase and in some cases outpace the rising revenues. We're seeing a shrinking margin that increases the risks significantly, which makes programs like AgriStability and other business risk management programs more critical than they've ever been.

Yes, we will see producers go out of business if these safeguards are not in place. Some sectors have other options, such as private insurance, but many sectors do not, so we need to look at protecting those sectors by any means possible.

Mr. Alistair MacGregor: Thank you for that contribution.

Mr. Ayre, I'll turn to you for my last question. I think it would be helpful, in the time I have remaining, if you could detail your personal circumstances and maybe go into a bit more detail on how... After that harvest from hell, what was your personal experience like with AgriRecovery and AgriStability?

I think these specific examples will help us when we produce our report and issue our recommendations.

Mr. Jake Ayre: Thank you for your question, Mr. MacGregor.

In my personal experience with AgriStability and AgriRecovery after 2019, we met with our accountant to go over our year-end sit-

uation. After looking at both programs, we were not in a claim position.

In my submission, I tried to emphasize that if these two programs did not get triggered after all these unexpected accrued costs, there need to be some serious revisions to the programs. That's what I was trying to emphasize: that after the harvest from hell and all these accrued costs, if the programs did not account for that situation, then there definitely needs to be some work done there.

Mr. Alistair MacGregor: I wanted to give you the opportunity to underline those two key points. Thank you for repeating that.

The Chair: Thank you, Mr. MacGregor. Thank you, Mr. Ayre.

I want to thank all our witnesses. This is all the time we have for our first hour of panels.

Go ahead, Mr. Barlow.

Mr. John Barlow: We didn't have time for a second round, so I'm just wondering if I could ask MNP to submit their assessment of the online calculator for AgriStability, which was put forward to help explain the AgriStability program.

I'm just curious about MNP's assessment of how the online calculator works and if they could submit that assessment.

The Chair: Is that possible, Mr. Person? Can you submit that?

Mr. Stuart Person: We will get in touch and try to submit it, yes.

The Chair: Okay. We will distribute it to our committee members.

Thank you, Mr. Barlow and Mr. Person.

[*Translation*]

I would like to thank the representatives of Les Éleveurs de porcs du Québec, Mr. Rodrigue and Mr. Roy.

[*English*]

Thank you to Stuart Person and Mr. Funk from MNP, and thank you to Mr. Ayre from Southern Seed Ltd. We apologize for the sound, but thanks for being here.

We'll suspend the meeting for five minutes to get the next panel on.

• (1159)

(Pause)

• (1210)

The Chair: We shall continue our meeting.

For our second hour, I'd like to welcome, from the Canadian Cattlemen's Association, Mr. Brady Stadnicki, manager of policy and programs; and Mr. Charlie Christie, chair of the Domestic Agriculture Policy and Regulations Committee.

From the Quebec Produce Growers Association, we have Mr. Sylvain Terrault, president; and Mr. Jocelyn St-Denis, director general.

As an individual, we have Mr. Justin Jenner, beef and grain producer.

Welcome, all, to our committee. We'll start with opening statements, seven minutes max.

The Canadian Cattlemen's Association, you have seven minutes between the two representatives.

Go ahead.

Mr. Charlie Christie (Co-Chair, Domestic Agriculture Policy and Regulations Committee, Canadian Cattlemen's Association): Thank you for the invitation to speak with you today. My name is Charlie Christie. My family and I run a cow-calf and feed-lot operation near Trochu, Alberta. I am currently a director with CCA and co-chair of the domestic ag committee. I'm here with Brady Stadnicki, who is CCA staff based out of Calgary.

A robust suite of business risk management programs is key for the economic sustainability and competitiveness of the Canadian beef sector. CCA believes there is a need for sufficiently funded national agriculture risk management programs that are delivered consistently across all jurisdictions without creating an imbalance between agriculture sectors or regions. Programs should minimize the risk of adverse impacts on trade, distortion of market signals and influence on business decisions.

CCA also supports some flexibility in government supporting regional or provincial livestock insurance programs, such as the RMP and ASRA programs, assuming the overall level of support is even across the country and the programs are market-neutral.

Since 2018, federal, provincial and territorial governments have been conducting a BRM review. One key area of focus under the review is program equity among sectors and regions. CCA believes that aspects of BRM programs, ranging from program spending to design and availability, provide inequitable coverage among agriculture sectors and regions at this time. We are keen to work with governments to quickly address these equity challenges by implementing the following program-specific recommendations.

CCA strongly recommends a number of changes to AgriStability to improve program equitability and effectiveness to the beef cattle sector. This includes removing the reference margin limit and payment caps, and enhancing the trigger to 85% of the reference margin.

I would like to place additional emphasis on the reference margin limit. Operations that have reference margin limiting applied require an extensive, if not devastating, drop in their program year revenue in order to trigger benefits. This significantly decreases the value of AgriStability to many producers, especially those with low-cost structures, such as cow-calf producers, who typically produce their own feed and have minimal eligible labour expenses. The removal of the reference margin limit would make the program predictable, bankable and ultimately more equitable for Canadian cattle producers, especially the cow-calf sector.

Another program we'd like to focus on is the western—

The Chair: Mr. Christie, could you just move your paper a little bit?

Mr. Charlie Christie: Oh, I'm sorry. I didn't realize—

The Chair: We want to be able to see you.

Go ahead.

Mr. Charlie Christie: Another program we would like to focus on is the western livestock price insurance program, WLPIP. This is a forward market-based insurance-style program that allows producers to manage risk within their own operation. CCA's position is that the tool should become a permanent risk management tool, not dependent on renewal under each agricultural policy framework. We know that youth in the cattle industry benefit greatly from the utilization of this program. The ability to ensure a floor price on cattle has supported young producers to secure financing for their beef operators. Furthermore, they are typically highly leveraged and don't have equity to fall back on in a downturn in the market. This underscores the importance of managed price risk with a timely and bankable program, which livestock price insurance provides.

Currently in maritime Canada, they still operate without a program that manages price risk in a timely fashion. The Maritime Beef Council, covering New Brunswick, Nova Scotia and Prince Edward Island, has a strategy to expand cattle inventories and beef production. Having access to an insurance program is key to achieving their objectives. Canadian and maritime beef producers are eager to see the creation of an eastern settlement index pilot under WLPIP, which would contribute to national price insurance coverage across Canada. CCA believes the eastern settlement index should receive federal backstopping and administrative cost support as provided under the WLPIP.

Improved hay and forage insurance across the country is also needed. Forage insurance products are often distinct from annual crops, in that coverage and settlements are based on areas rather than on the actual production on an individual farm. The lack of individual farm insurance coverage for forages may act as a deterrent to participation and represents a source of inequity between perennial and annual crops. Pasture and forage insurance programs should also be equipped with a mechanism that helps producers account for increased feed prices during these times.

Last, I'd like to talk about improving the livestock tax deferral provision. Extreme weather challenges such as drought, flooding and fires can all impact producers' ability to maintain or sustain their herds. These events often force producers to sell animals such as calves or breeding stock earlier than anticipated, resulting in more than one sale per fiscal year. While the livestock tax deferral tool is available to producers, uptake is low and significant herd reduction must take place before the program provides benefit. Delays or regions deemed ineligible by Finance Canada in determining when income deferral can be applied to drought situations have made that mechanism not always useful for management decisions. CCA believes that amendments to the deferral are needed to make the tool more functional, including the option to self-elect when the tool can be utilized, and ensuring that all classes of cattle are eligible under the deferral.

With significant volatility in the world markets due to COVID, along with typical risks from weather and production, access to well-designed and sufficiently funded business risk management tools has never been more critical for the cattle producers. With these tools in place, the Canadian beef industry is well positioned to keep growing the economy and support strong rural communities and conservation outcomes from the agricultural landscape.

We look forward to answering your questions.

• (1215)

The Chair: Thank you, Mr. Christie.

Now we will hear from the Quebec Produce Growers Association.

[*Translation*]

We will now move on to Mr. Terrault or Mr. St-Denis.

You have the floor for seven minutes.

Mr. Sylvain Terrault (President, Quebec Produce Growers Association): Good afternoon.

The Quebec Produce Growers Association is a voluntary association of Quebec's main produce growers and horticultural producers. The association is a significant force, since nearly 80% of Quebec's produce comes from its members.

Fruit and vegetable production in Quebec generated just over \$1 billion in farm gate receipts in 2018. From 2008 to 2017, growth in Quebec's edible horticultural production was nearly 1.4 times higher than for agriculture as a whole. The economic contribution of the entire sector is not negligible: its contribution to Quebec's gross domestic product is \$4.1 billion. Overall, the sector generates some 62,000 jobs.

Our sector has different characteristics from those of other agricultural sectors. We use labour intensively and we have a limited capacity for short-term mechanization. Crop fragility, coupled with high value per hectare, increases the financial risks in the event of damage. Also, production is very diversified in terms of the number and variety of products. We have businesses of all sizes, mostly small, and members across Quebec. Fruit and vegetable producers provide an essential service to the public.

Our businesses are faced with many production risks beyond their control that make financial stability difficult, such as the risks associated with unstable and unpredictable weather, risks from pests, which are increasing due to climate change, and a workforce that comes from outside.

The business environment also brings its share of risks. We face fierce competition from imports, which very often come from countries that do not have the same rules as we do, whether it is in terms of labour, regulations or other factors. Canada's increasingly burdensome regulatory environment meets Canadians' expectations, but it imposes an additional cost that consumers are not prepared to pay. Some countries also have non-tariff barriers to imports, which are found in negotiated trade agreements as well. Finally, a tense political climate can upset the market from one day to the next.

To deal with these many production and business risks, producers need a suite of risk management programs that is up to the task. Currently, businesspeople are being asked to seed and plant to feed Canadians and to take on a large part of the risk.

This year, with the pandemic, fruit and vegetable growers have repeatedly asked the government for clear support and the announcement of revised risk management programs so that they can launch their season with confidence, despite all the uncertainties. To date, nothing has happened. We are on our own. They have told us to use existing programs and enrol in AgriStability, while acknowledging that the program is not adequate or up to par. Produce growers who have decided to answer the call to feed Canada have put the financial security of their businesses and their family assets at risk. This is simply not acceptable.

The main program, AgriStability, no longer meets our needs since the major cuts in 2013. This is evidenced by the fact that only 31% of producers have enrolled in AgriStability, despite the fact that the need for risk management mechanisms has never been greater. Although all stakeholders, both government and producers, agree on this point, nothing is being done to improve it. In the meantime, producers are bearing the brunt of the risk. In Quebec we do have the Agri-Québec Plus program, but it is very limited in terms of insurable amounts and does not make up for the weaknesses in AgriStability.

• (1220)

The AgriInsurance program is not available for all crops. In addition, it is not the same across Canada, as it is administered by each province. For example, in Quebec, we have the concept of "normal loss," which the other provinces don't have and which penalizes producers.

Let me give you another example. On May 12, Ottawa asked the provinces to include labour shortages as an eligible risk for the horticultural industry. To date, no province has responded, preferring to rely on AgriStability.

We are being told to use the money from the AgriInvest accounts, which is part of the equity of the company. The money is used for investments for growth, new equipment and adaptation to various regulations. It's a kind of nest egg for our producers.

“One-size-fits-all” programs do not adequately address all sectors of agriculture. It is essential that the needs of each production be taken into account when designing programs, regardless of the size or type of business.

Fruit and vegetable production is essential to feeding Canadians. Producers must keep their selling prices at levels that allow Canadian consumers to eat fresh fruit and vegetables while also assuming ever-increasing production costs. Furthermore, all this is happening at a time when the financial risks are not adequately covered.

I'm going to ask Mr. St-Denis to take over.

• (1225)

Mr. Jocelyn St-Denis (Director General, Quebec Produce Growers Association): So here are a few recommendations.

Potential changes to AgriStability would have the most significant impact on the situation of fruit and vegetable producers. Like many other partners, we are asking that the program parameters be restored to the levels before the 2013 cuts, meaning 85% coverage of the reference margin and payment of the loss of margin covered at 85%. We also recommend the elimination of the margin caps and the amounts paid so that larger companies have the same coverage as smaller ones.

For AgriInvest, we recommend an increase in the government share and an increase in the amount of eligible net sales.

The Chair: Thank you, Mr. St-Denis. Unfortunately, your time is up. You can come back to those points later, when you answer questions.

[*English*]

Now we go to Mr. Justin Jenner, for seven minutes.

Mr. Justin Jenner (Beef and Grain Producer, As an Individual): Hello, and thank you for inviting me to participate in the committee meeting today.

My name is Justin Jenner, and I am a third-generation farmer in western Manitoba, located north of the city of Brandon. I have been farming since I graduated from university in 2002, and I will call myself a young farmer today, as I won't have many more opportunities to do so.

I have been involved in farm policy for many years, mostly with Keystone Agricultural Producers, the main farm lobby organization in Manitoba. I am the former vice-president and chair of the young farmers committee, and currently sit on the board of and chair the business risk management committee. In my time serving with KAP, I have seen many instances where current BRM programming is not adequate or not serving its intended purpose.

My parents are still involved in the farm, and I've learned many valuable lessons from them, the most important of which is to pay close attention to the economics of the farm and find ways to reduce risk.

We have an integrated farm with cash crops, forages and beef cattle. We have felt that by having multiple enterprises on the farm, we would be better able to mitigate the risk of disasters on the farm. I have seen, through the years, that when one commodity is not profitable, then another will be and the farm can continue. We were able to weather the storm during BSE and continue operating in the face of severe weather and depressed prices in crops. Growing our own feed for our cattle, for instance, has stabilized our feed costs and ensured our feed supply.

We are strong believers in risk mitigation, and we feel that the AgriInsurance program is the best tool we have to control risk in the crops we grow. Insurance is a large cost on our farm, but it is important. The program, as it is administered in Manitoba, is not perfect, but is willing to change and adapt to new systems. It is sometimes more difficult to get producers to subscribe to new and different programs.

However, our farm's integrated approach has led to a problem with other BRM programs, particularly AgriStability. We would be far better off buying all of our feed from a third party, even at high prices, in order to increase the line item for expenses. This is where the reference margin limit is discouraging farms like ours from making investments in self-risk mitigation. Ignoring the risk mitigation that we have undertaken leads us to being at a competitive disadvantage to operations that specialize and have wild swings in income and costs, which are more likely to trigger payment in bad years and have very high profits in good years.

AgriInvest has also been—

[*Translation*]

Mr. Yves Perron: Mr. Chair, I apologize for interrupting the witness, but the interpreter cannot hear him.

[*English*]

The Chair: Okay. Can you bring your mike closer?

Mr. Justin Jenner: I apologize. Is that better?

The Chair: Give it a try. Go ahead.

Mr. Justin Jenner: Okay.

AgriInvest has also been a popular program, and we have used it. It is appreciated, due to its simplicity and transparency. However, in talks with government, I have often heard that farmers don't need more BRM programming, due to a large amount of money sitting in AgriInvest accounts. This is akin to making arguments for cutting social programs due to Canadians' having money in RRSP accounts. Just because some people have money in an account, that doesn't mean it's in the hands of those who need it. Saving money for bad times should not be discouraged, and it will be used when it is needed.

It is also common in government decision-making that when budgeted money is not used, it is redirected somewhere else in the future. A "use it or lose it" type of budgeting does not work for disaster assistance programs. Reducing coverage in good times leads to inadequate coverage when it is needed.

Risk management programs should be used to mitigate the risks in the agricultural industry that are out of the control of the industry itself. Weather is a big driver of profitability on the farm, but trade disputes have also proven to be major influences on profitability in recent years. Some of the current programs do not adequately address that, particularly trade disputes.

Thank you for your time and interest in this today.

• (1230)

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

Now we'll go to the question portion of our panel.

Mr. Soroka, you have up to six minutes. Go ahead.

Mr. Gerald Soroka (Yellowhead, CPC): Thank you, Mr. Chair. I will be splitting my time with Ms. Rood.

Thank you to the presenters today.

Mr. Christie, seeing as how you're a cow-calf and feedlot operator, has AgriRecovery actually helped much in mitigating any losses, or has it just been a small token of assistance?

Mr. Charlie Christie: It's definitely going to be of assistance, I would say. Brady can elaborate a little bit.

The only AgriRecovery that we've seen has been on the set-aside programs. We're working very closely with government to try to stretch those as far as they will go. In my opinion, they will be a drop in the bucket of a pretty big problem for the backed-up cattle we have.

Brady, do you want to add anything?

Mr. Brady Stadnicki (Manager, Policy and Programs, Canadian Cattlemen's Association): Yes. Thanks, Charlie. I can add to that.

To provide some context, we're still at about 130,000 head of backed-up cattle as of the week ending June 13. Feedlots have incurred additional costs of around \$3.6 million to that week, ranging anywhere from \$605-per-head losses earlier in the pandemic.... That has been lowered a little bit as we've progressed, to just over \$200 per head.

Certainly, with the AgriRecovery funding and the set-aside that's looking to be in place in Alberta, Saskatchewan and Ontario, there will be some really good usefulness for it as we get into larger supplies coming in ready for market in that July-to-September time frame. Using that program will provide some help with being able to manage the supply with the demand of cattle.

Mr. Gerald Soroka: Okay.

Mr. Christie, you also said that you would bring forward changes to AgriStability. Would this make it more equitable based on the farm size and the structure as well? Would this help in that regard?

Mr. Charlie Christie: Yes, that's actually specifically where it will help certain farm structures. To do the accounting and the application to AgriStability, the cost is onerous, plus the job itself is onerous. A lot of the smaller farms, specifically cow-calf operations, don't apply for it because they don't see the benefit down the road. This would make the triggers happen much sooner. There would be different parameters around it, so it would definitely be more equitable for those types of farms.

Mr. Gerald Soroka: I'm glad to see that you also want to do the livestock price insurance right across Canada. That's going to be a big assistance for a lot of producers, that's for sure.

Do you see any problems, though, in how it's based on the market value of the fluctuations? Sometimes you're only paying \$7 and then it can go up to \$50 per calf. Is that going to be an issue? How do we address that?

Mr. Charlie Christie: I'm a firm believer in the WLPPI myself. I use it every year, whether it's a good year or a bad year. Right now the premiums are indeed high, and that's based on the volatility. I don't know how you can get around that. Perhaps you could mitigate that volatility somehow with a little more backstop from the government, to take some of the risk out of it for the underwriters. I understand that the volatility equation needs to be in the system, just to cover the program so that the program itself can continue running.

Mr. Gerald Soroka: Thank you, Mr. Christie.

I'll pass it on to Ms. Rood.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you.

Mr. Terrault, you mentioned that in vegetable production in Quebec there are a lot of small family farms with diverse crops and that some of these programs are not one-size-fits-all, especially in this sector. You also mentioned that we're going to have strong import competition.

Our food production is an essential service, and we've talked a lot about food security here. In your province, with this pandemic and with labour shortages and with these programs not working this year, do you foresee a lot of bankruptcies or a likelihood of family businesses losing their farms? If so, how is this going to impact our food security here in Canada, not just for now but in years to come, and even in having to rely on imports?

• (1235)

[Translation]

Mr. Sylvain Terrault: Since I spoke at length earlier, I will let my director general answer the question. There are actually a number of questions, but I think he fully understood.

Mr. Jocelyn St-Denis: Thank you for your question, Ms. Rood.

Yes, this is a very difficult and demanding season for family businesses, small businesses and even large companies. Many of the programs that have been designed provide more assistance to small businesses and small farms. However, we seem to forget that large businesses produce a higher percentage of what is being consumed and that they are the driving force behind the current economy. We have to think of all businesses, small and large.

In terms of whether there will be a lot of bankruptcies, I would say that many producers have taken the risk of going ahead this year. As Mr. Terrault was saying earlier, we asked the Quebec and federal governments to tell us in advance that the programs would be adapted, that we could go ahead and that they would compensate for the losses related to COVID-19.

We all know that the current sector has labour issues. In Quebec, we still need more than 3,000 foreign workers for the harvest. Over the next few weeks—

The Chair: Thank you, Mr. St-Denis. Unfortunately, we are out of time. You may have the opportunity to continue later.

[English]

Thank you, Ms. Rood.

[Translation]

Mrs. Bessette, you have the floor for six minutes.

Mrs. Lyne Bessette (Brome—Missisquoi, Lib.): Thank you, Mr. Chair. I will be sharing my time with my friend Mr. Blois.

Mr. Gervais, the president of the Sollio cooperative group, spoke recently about the many possibilities offered by technology. Our committee is currently studying business risk management programs.

I'm going to direct my questions to the Quebec Produce Growers Association. I would like to know how technology contributes to risk management in produce businesses.

Are these technologies effective in preventing losses?

Mr. Jocelyn St-Denis: There are large farms and small farms. As we were saying, there are many small farms. Information technologies are significantly less accessible to small producers and small farms than to larger companies. In terms of risk management, the means are in place. For example, to manage pests, scouts go out and survey the fields. Technology can help with that. We can also

use drones in the fields. However, companies must be of a certain minimum size, first, to be able to afford the technological equipment and, second, to have trained personnel who can use it.

In terms of our dependence on labour, technology can replace repetitive work done by an employee on the farm. If we want to be less dependent on labour, we can automate repetitive tasks, such as weeding, irrigation or harvesting. Research will be needed to see what methods are available and adapt them to the growing conditions of different products.

There are 120 different fruit and vegetable products in Canada. The machines are not designed for all products. Our crops are very diverse, compared to monocultures. This is a challenge, and in the coming years, we will need to make investments and set up research programs in automation so that we are less dependent on labour and more up to date in terms of risk management.

• (1240)

Mrs. Lyne Bessette: Thank you, Mr. St-Denis. You also answered my second question.

My next question is about the AgriInvest program. Certainly, a lot has been said about it, but what aspects of AgriInvest are currently working for producers and which ones should be improved?

Mr. Jocelyn St-Denis: The AgriInvest program is currently capped at 1% of eligible net sales, and these sales are capped at \$1 million.

The government contribution is a maximum of \$10,000 for a farm. One of the improvements is to remove the cap or increase the eligible net margins to a more appropriate level based on farm size, so that farms can receive the funds they need.

AgriInvest is designed to help deal with the small hurdles that may arise, but also to help develop the business and invest in equipment.

A government contribution of up to \$10,000 a year is not how this program will move forward. Producers will use programs and add their own contributions. It's still the equity of the business, not government equity.

Quebec created an Agri-Québec to offset the cuts in 2013. For Quebec businesses, this allows them to have an investment with no limit on eligible net sales. So the amounts are more substantial and they can be used by businesses for the investments and research they need to move their business forward.

Mrs. Lyne Bessette: Perfect. Thank you very much, Mr. St-Denis.

[English]

Mr. Blois, it's your turn.

Mr. Kody Blois (Kings—Hants, Lib.): Thank you, Ms. Besette. Thank you, Mr. Chair.

My questions are to the Canadian Cattlemen's Association.

You mentioned the western price index, and you've made it clear that you want to extend this program into the Maritimes. We know that would be beneficial for many beef farmers. You were proposing a pilot to start. Do you have an idea of what the cost would be to able to extend this coverage?

Mr. Charlie Christie: Brady, I'll let you take that one.

Mr. Brady Stadnicki: Yes, sounds good.

Certainly, that is our objective, to get a pilot established in maritime Canada, using a unique index that's reflective of eastern Canadian pricing. We're working on an industry-funded project right now that's going to develop that specific index. That work is going on with price collection data and looking at the cost of upgrading certain databases for a particular administrator. We're working on some of that information right now, to establish what the overall cost would be.

We've done some estimating around what potential liabilities would be for provincial governments and the federal government with deficit financing and backstopping a runoff if maritime producers were to go off the current western index right now. That was a very rough estimate of about \$5 million of potential liability for different participation levels from producers in maritime Canada.

A number of these agreements that are in place between the federal government and the western provinces that participate in the program right now do have all of that information, and we're looking to work with them.

The Chair: Thank you, Mr. Blois.

[Translation]

We will now turn to Mr. Perron.

Mr. Perron, you have six minutes.

Mr. Yves Perron: Thank you, Mr. Chair. I will be sharing my time with Mrs. Desbiens.

I will start with the Quebec Produce Growers Association.

Mr. St-Denis, earlier, you started to list a number of recommendations in your presentation. You talked about AgriStability. Our witnesses have been unanimous: amend the AgriInvest program, increase government funding, and remove the cap on the government's contribution.

Do you have any other recommendations that you may not have had time to mention earlier?

Mr. Jocelyn St-Denis: Mr. Perron, thank you for opening the door so that I can continue to present our requests.

We also have some for AgriRecovery in terms of consistency in processing applications. We need to simplify the steps and speed up the processing of applications. We know that AgriRecovery—

The Chair: Excuse me, Mr. St-Denis. Could you move closer to your microphone, please?

Thank you.

Mr. Jocelyn St-Denis: In terms of the AgriRecovery initiatives, the programs must first be launched by the provinces before they are sent to the federal government for approval. So it is an arduous and lengthy process. Interpretations and results differ, depending on where the application comes from.

The AgriInsurance program raises a concern about crop insurance, for which some fruit and vegetable producers, particularly in the greenhouse sector, are not eligible. They are producing fruit and vegetables without crop insurance, yet they too face risks. Furthermore, Mr. Terrault mentioned earlier the concept of normal loss that we have in Quebec and that does not exist anywhere else in Canada. In fact, Quebec's participation rate in the crop insurance program is the lowest of all the other Canadian provinces. That is why harmonization among the provinces would be desirable.

Risk management programs should be improved for producers who invest and implement loss limits. For example, some people produce under a cover or a net, have better crop rotation or distribute their production geographically. Some producers invest to reduce their risk but do not benefit from the protection they get, whether it is crop insurance or insurance under AgriStability.

Therefore, with the current climate change, if we wanted to encourage people to protect themselves or get insurance, this would be a good way to do it.

• (1245)

Mr. Yves Perron: In that respect, do you think it would be more appropriate to consider support upstream rather than downstream, without waiting for losses to occur? Should we support this type of initiative and, in particular, should we encourage land use or shoreline protection by compensating producers without always having to wait for losses at the outset?

Mr. Jocelyn St-Denis: We are currently working on an action plan with the provincial government. When we talk about investments in research, technology watch in innovation or adaptation to climate change, all those factors most affect fruit and vegetable production in the agricultural sector in Canada.

We were talking about large-scale programs that do not help all productions equally. Fruit and vegetable production raises climate change concerns that other crops do not have. So, hearing about upstream investment programs or incentive programs does our hearts good.

Mr. Yves Perron: Thank you very much.

Mrs. Desbiens, the floor is yours.

Mrs. Caroline Desbiens (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, BQ): Thank you, Mr. Chair.

My thanks to all our witnesses. Their remarks are very interesting.

I'm going to stick with the topic of agriculture. In my riding, there are many small farmers. Could the programs not provide provisions that are better suited to small and medium-sized farms, compared to large farms?

Mr. Jocelyn St-Denis: You are absolutely right.

Often, the programs that are created are intended to apply equally to everyone. However, when we take a look at the minimum investment parameters of funding programs, we realize that small farmers cannot have access to these programs because the investment threshold is higher than they can afford or they need. Let me use the example of an apple grower who wants to invest in a particular technology, who has a small orchard, but who does not qualify for any program because of its small size.

Therefore, it is very important that programs be adapted to make sure that small businesses are eligible. We also need to set aside funds for these small businesses because they do not always have the staff to examine the programs and prepare the applications, unlike large, structured operations.

If a program is launched at this time of year, producers are on their farms growing their crops. So they will only look at the program in the winter.

• (1250)

Mrs. Caroline Desbiens: With environmental protection in mind, I think we have to insist that small producers be able to be efficient locally, so that a lot of food is not transported unnecessarily.

Mr. Jocelyn St-Denis: Absolutely.

Mrs. Caroline Desbiens: It's very relevant. We absolutely agree.

Thank you very much.

The Chair: Thank you, Mrs. Desbiens and Mr. St-Denis.

Mrs. Desbiens, I think the strawberries are out on the Île d'Orléans.

Mrs. Caroline Desbiens: They are better than anywhere else in the world.

The Chair: Yes, I know.

[English]

Mr. MacGregor, go ahead for up to six minutes.

Mr. Alistair MacGregor: Thank you, Chair, and thank you to our witnesses.

I'd like to start with the Canadian Cattlemen's Association for my first question.

You've detailed the troubles that COVID-19 has brought about for your sector, the rolling backlog of livestock that exists because our meat-processing plants were shut down and are now operating at a reduced capacity. There is that backup in our feedlots, and of

course it's going to crash into the cow-calf season coming up later this year.

I wanted to drill down specifically on AgriRecovery, because that's the program that has funnelled some money through to help you deal with the pandemic.

I think the phrase "a drop in the bucket" was mentioned in connection with whether this program is going to be able to help you over the long term. How much more is going to be needed, and is AgriRecovery over the next year going to live up to its name and actually help producers recover from this massive shock to the system?

Mr. Charlie Christie: I won't comment on the technical part, the actual numbers. I'll let Brady do that.

When you consider the backlog and the losses being taken at feedlots right now, "a drop in the bucket" probably isn't the most professional term to use. As was mentioned earlier today, AgriRecovery has the word "recovery" in it, and it is going to help. Don't get me wrong—it will be a welcome assistance, but as for making producers whole, I'm not sure it can come close.

Brady, if you want to throw some numbers at this, it would probably help out.

Mr. Brady Stadnicki: Charlie, thanks for the question.

I will talk a little about some of the other BRM recovery programs that we've highlighted for the two sectors you've mentioned.

Coming back to our recommendations and some of the losses that we've seen in the feeding industry due to all of this, the recommendation around payment caps and the need for them to better reflect the size of the industry is quite important, with \$3 million being a number that was used and set in place many iterations of the program ago. I think that increasing that cap needs to be looked at going forward, especially for larger feeders in the range of 20,000 to 25,000 head and above, and then, as you say, filtering down to the cow-calf sector and AgriStability.

This is really where the reference margin limit plays a huge role in putting those producers at a disadvantage under the program. They need a devastating drop in revenue before that program is really going to provide benefit for them, just because of their cost structure. I know MNP talked about that a little bit earlier in their presentation.

As we look forward, along with the 85% reference margin trigger, I think these are all things that need to be looked at very seriously within the AgriStability program.

Mr. Alistair MacGregor: Okay, great, Thank you for that.

I'd like to turn to the Quebec Produce Growers Association.

My sound cut out a little bit, so I'm not sure if you already answered this question with my Liberal colleague Madame Bessette, but you mentioned that the federal government was working with the provinces and territories to include labour shortages as an eligible risk for your sector under AgriInsurance. Access to labour is of course a big risk for your sector, as we've definitely seen this year, but it is definitely a recurring problem for individual producers to secure the labour pool that they need in order to get the produce harvested and get it to market.

Could you talk a little about how such a program would work and the basic mechanics of it?

• (1255)

Mr. Jocelyn St-Denis: Ms. Bibeau made a clear call to the provinces that she would recommend that be AgriInsurance programs, for the lack of manpower due to the COVID-19 situation. However, no provinces as of now have answered to that and adjusted the program for that. We have situations where a shortage of labour will happen. We saw in asparagus season, for instance, in a lot of areas where the fields were completely lost because of a lack of manpower for harvesting. We see that in strawberries right now, where, with the hot temperature, the fruits are ready very fast and we don't have the manpower to harvest them all, so there are losses there. This will happen throughout the season.

If there were adjustments to the AgriInsurance program covering the lack of manpower or taking care of the crops or harvesting the crops, that would be a very good thing.

However, according to discussions with our province's agriculture minister, they rely on the AgriStability program because they say that the labour is not an insurable risk right now through the crop insurance program. They don't want to touch the crop insurance program but would like to see solutions through AgriStability. This is right because, if there's a lack, AgriStability will catch it. If there's no lack, AgriStability won't need to pay. On the other hand, for a season like this year, I think it's a very good idea to have labour as an insurable risk.

The Chair: Thank you, Mr. St-Denis and Mr. MacGregor.

Unfortunately, that's all the time we have for this panel. I want to thank the Canadian Cattlemen's Association, Mr. Stadnicki and Mr. Christie; the Quebec Produce Growers Association, Mr. Terrault and Mr. St-Denis; and as an individual, Mr. Justin Jenner, beef and grain producer.

Members, please stay on so we can look at our draft letter, version three, and make sure it's ready to go. You've all received a copy of it from our analyst, made some corrections and modifications. Are there any further comments or is that the final version we want to send Minister Bibeau?

Go ahead, Mr. Perron.

[*Translation*]

Mr. Yves Perron: Yes, we all received the letter.

Mr. Barlow told us that we had to submit the proposed amendments by the morning of the day before yesterday, if we had any.

Personally, the most recent version is just fine with me. I guess that's true for everyone.

The Chair: Thank you, Mr. Perron.

[*English*]

Mr. Barlow, you had your hand up.

Mr. John Barlow: Thank you very much, Mr. Chair.

I have no other additions to the letter. I just want to make sure, to the clerk, that the letter is going to be up on the committee's website as part of the process of being sent to the minister .

The Chair: Mr. Clerk, is that the case? Analysts? Whoever wants to answer that.

The Clerk: Yes, absolutely. If this is the will of the committee, we will post the letter on the committee's website shortly after it's sent to the Minister of Agriculture.

The Chair: Mr. MacGregor, go ahead.

Mr. Alistair MacGregor: Yes, I just wanted to signal that it's fine with me as well.

The Chair: Thank you, Mr. MacGregor.

Mr. Drouin.

[*Translation*]

Mr. Francis Drouin: I just wanted to say that the letter is very good.

I would also like to wish a happy Saint-Jean to my French Canadian and Quebec friends, and a happy Canada Day, because we will not see each other again until after the holiday.

• (1300)

[*English*]

The Chair: Thank you, Mr. Drouin.

That gives an okay to the letter.

[*Translation*]

Mr. Richard Lehoux: Mr. Chair, I also agree with the letter. It is very good, but it does not have a date. I would like to know how long it will take to send it to the minister.

The Chair: Mr. Clerk, on which date do you intend to send the letter?

The Clerk: I have an answer for Mr. Lehoux and for the whole committee: I intend to send the letter on Thursday, June 25. Is that okay with you?

Mr. Richard Lehoux: That's very good, thank you. Will a copy be sent at the same time to the various provincial ministers?

The Clerk: Yes, absolutely.

Mr. Richard Lehoux: That's fine. Thank you very much.

The Chair: Thank you, everyone.

[*English*]

I really want to thank the committee. I think we've done some great work. We've had some great questions and great witnesses. We've worked very well together. I really appreciate it. You are a great team, and I think we moved this issue to the forefront. I really appreciate all your hard work.

[*Translation*]

Like Mr. Drouin, I wish our Quebec friends a happy Saint-Jean-Baptiste Day.

[*English*]

We shall see you on July 8.

Take care. Enjoy some of the summer. Take care of yourself also.

Thank you, everyone.

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