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Chair: Mr. Pat Finnigan



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• (1535)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome to meeting number 13 of the House of Commons Standing Committee on Agriculture and Agri-Food. Pursuant to Standing Order 108(2) and the motion adopted by the committee on October 24, 2020, the committee is resuming its study on processing capacity.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021. Therefore, members are attending in person in the room and remotely using the Zoom application.

The proceedings will be made available via the House of Commons website. So you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

Today's meeting is also taking place in the new webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses. Members may have noticed that the entry to the meeting was much quicker and that they immediately entered as an active participant. All functionality for active participants remains the same. Staff will be non-active participants only and therefore only view the meeting in gallery view.

I'd like to take this opportunity to remind all participants in this meeting that screen shots or taking photos of your screen is not permitted.

[Translation]

To ensure that the meeting runs smoothly, I'd like to share certain rules with you.

Members and witnesses can speak in the official language of their choice. Interpretation services are available for this meeting. At the bottom of your screen, you have the choice of floor, English or French. With the latest version of Zoom, you can now speak in the language of your choice without having to select the corresponding language channel.

You'll also notice that the platform's "raise hand" function is now more easily accessible on the main toolbar if you wish to speak or get the chair's attention. If this option doesn't work, I suggest that the members and witnesses who wish to speak turn on their cameras and physically raise their hands. The clerk of the committee will keep a list of members and witnesses who wish to speak.

The committee members participating in person must proceed as they would normally do when the entire committee meets in person

in a committee room. Keep in mind the Board of Internal Economy's guidelines for mask wearing and the health protocols.

Before taking the floor, wait until I recognize your name. If you're participating in the meeting by video conference, click on the microphone to turn off mute mode. The microphones of the participants in the room will, as usual, be monitored by the proceedings and verification officer.

I want to remind you that all remarks from members and witnesses must be addressed to the chair.

When you aren't speaking, please mute your microphone.

[English]

I believe we're all online. There's nobody in the actual meeting room, so I think we have everybody on the screen.

With that, I would like to welcome our first panel. From Olymel L.P. we have Richard Davies, senior vice-president, sales and marketing. From Scotian Cattle Company, we have Anthony Eikelenboom, drover.

We'll start with Mr. Davies, for seven and a half minutes, to do his opening statement.

Go ahead, Mr. Davies.

[Translation]

Mr. Richard Davies (Senior Vice-President, Sales and Marketing, Olymel L.P.): Good afternoon, everyone.

Mr. Chair and honourable members of the House of Commons Standing Committee on Agriculture and Agri-Food, thank you for your invitation.

My name is Richard Davies. I'm the senior vice-president of sales and marketing at Olymel, whose main shareholder is the Sollio Cooperative Group, formerly known as La Coop fédérée.

Olymel is Canada's leading pork producer and the leading exporter of pork meat. Many countries recognize its meat as being of superior quality. We export our products to over 65 countries.

Olymel has deep roots in Quebec. It has also expanded into Ontario, Saskatchewan, Alberta and New Brunswick. We provide direct employment to 15,000 Canadians. Our annual sales are around \$4.5 billion. We generate considerable economic benefits for our regions. The entire value chain of our sectors is also very significant.

The goal of the Honourable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food, is to increase Canada's total agri-food exports from approximately \$67 billion in 2020 to \$75 billion by 2025. However, this goal would be easier to achieve if the government, along with the industry, were to pick up the pace in terms of removing barriers that can only hinder the objective.

I'll list some of the issues that our industry is facing, starting with the issue currently described as the mother of all issues: labour. This issue is critical and essential not only for Olymel, but also for the entire agri-food sector. Even before the current pandemic, we were already facing a serious labour shortage. However, given its growth and major investments in recent years, our company can create thousands of new jobs wherever it operates in Canada.

We provide stable jobs with very competitive conditions in regions that need jobs. For example, we'll need to hire 1,200 people a year over the next few years to deal with the expected turnover rate, the retirement of baby boomers and adverse demographic projections.

We also need to hire an additional 1,200 employees right now to bring our plants up to full capacity and to optimize previous investments. Lastly, we'll need another 1,200 employees to handle opportunities that arise and future projects already in the works. In short, along with the 15,000 current jobs, Olymel will need the equivalent of 3,000 to 4,000 additional jobs in our regions over the coming months.

Obviously, the inability to find workers is a major barrier to our development and growth. Without sufficient labour, we'll be forced to abandon certain markets. This will mean fewer jobs and investments. This will also mean that processors from other countries will quickly take our place in foreign markets and here in Canada because of the labour shortage. The entire value chain is affected by the labour shortage.

We're already working with local elected officials and regional governments to make new workers even more welcome in regions that want to boost their economies.

In recent years, Olymel has brought in a good contingent of temporary foreign workers. These workers, who come from halfway around the world, are strongly motivated by a search for a better life in Canada. However, the federal government's temporary foreign worker program has a 10% cap per company. We've been advocating for years for this cap to be raised to 20%. We also want fewer bureaucratic delays that slow down the program.

Since the start of the pandemic, our employees have done an outstanding job of responding to the call from governments to maintain our processing activities as an essential service. We're the essential extension of the livestock farm. Our slaughterhouses are the essential end result of the farmers' activities.

Not only is the labour issue critical, but it urgently needs to be addressed.

On another note, the current pandemic has prompted us to look ahead at our modernization plans. These plans involve the development of new technology and greater integration of robotics and automation in our operations. Although robotics and automation aren't

designed to replace labour, if the industry wants to remain competitive and effective, we must speed up the implementation of these tools, which require research and major investments.

• (1540)

We believe that the Canadian government must assist exporting companies in this area through appropriate and easily accessible support programs that are comparable to the same programs provided by the governments of our main competitors.

The barriers to accessing our priority markets constitute another challenge that increasingly limits our export capabilities. For example, our access to the Chinese market has been disrupted for several months. As a result, 70% of Canada's total production no longer has access to the world's largest market. There are some technical issues that can easily be resolved. However, the current political relationship certainly isn't helping to resolve the issues and lift the suspensions. Our plant in Red Deer, Alberta has been particularly hard hit since April 28, 2019.

Moreover, right here in Canada, a major issue is developing in the relationship between mass distribution and Canadian processors. The Canadian government could certainly help promote a better balance of power, as requested by most stakeholders in the processing industry. I'm referring here to the attempts by some retailers to unilaterally impose market conditions on processors that could threaten the processors' viability. We believe that the establishment of a code of good practice between the mass distribution and processing stakeholders would be beneficial to everyone, including Canadian consumers. When faced with the same issue, several countries have taken action to address the situation.

Lastly, in more immediate news, the current pandemic has forced the companies asked to continue their operations to quickly adapt to new conditions, particularly health conditions. We've done everything possible to protect the health of our employees, although we haven't been able to avoid periodic outbreaks. We believe, as the Canadian Meat Council already advocated last December, that food processing employees, particularly in the meat sector, should have priority access to a vaccine. This approach is in line with other sectors where the solution has already been implemented.

In closing, I've provided a broad summary to stay within my allotted speaking time. Olymel is, of course, willing to give you more information on these issues.

Thank you.

• (1545)

The Chair: Thank you, Mr. Davies.

[English]

Now, we have Mr. Anthony Eikelenboom for seven and a half minutes.

Go ahead.

Mr. Anthony Eikelenboom (Drover, Scotian Cattle Company): Good afternoon, and thank you for inviting me to this committee.

My speech is going to be more of an overlook of what we do here in Nova Scotia, and then I'll take some questions regarding what I've said.

My name is Anthony Eikelenboom and I'm from Shubenacadie, Nova Scotia. I own and operate Scotian Cattle, which has been in operation for approximately 10 years. We are a buyer throughout Nova Scotia. I'm also a partner in Cowtown Cattle Company, which has been in operation for four years and is a buyer Maritimes-wide. Cowtown also accepts animals from other buyers within the maritime provinces, and some in Quebec and Ontario.

For Scotian, we travel around the province twice weekly doing business with roughly 160 of the 200 dairy farms in Nova Scotia. When I started Scotian Cattle Company, we were only buying replacement heifers. Over the past 10 years, we've grown and now we buy a large percentage of the cull cows and bob calves here in Nova Scotia.

Historically, there were markets for Holstein bull calves and replacement heifers. However, now with the markets drying up for those replacement heifers, and with the new transport regulations, it is presently near impossible—and starting in February 2022 it will be absolutely impossible—to ship Holstein calves into the veal market in Quebec.

New regulations have been put into effect where the maximum amount of time a calf can be on a truck is 12 hours. Calves must then be offloaded, fed and rested. We all know where Nova Scotia stands logistically. What this means is that we are no longer able to ship those Holstein calves to Quebec into that veal market.

What we're doing to fix that problem here is encouraging the farmers to breed their cows to beef bulls. The result is a cross-bred calf that is 50% Holstein and 50% beef. This specific type of calf gives the farmer and us the opportunity to sell the calves to local feedlots.

In order for dairy farmers to operate, it's necessary for the cows to be bred and calved yearly. Because we are unable to ship the Holstein calves, we're encouraging farmers to breed the top one-third of their herd to the female sexed semen to ensure heifer replacements for the farm, and then we are promoting that with the bottom two-thirds of their herd they breed those animals to the sexed male beef semen, and that will hopefully ensure that we can sell their calves.

By doing all that, folks, this will hopefully fix the transportation issue in regard to transporting the baby calves. However, once those cross-bred calves have matured to an ideal market weight, we're not going to be able to process them here in Nova Scotia.

Therefore, we will need to sell them out of province at increased costs and, as you all know, trucking is very high nowadays.

In addition to these calves, because of the new transport regulations we're also now limited in the number of cull cows that we're able to ship on trucks, and also in the different classes of cows. We have to pay more attention to the age and condition of the animals. This leads us to processing more cows in the province, and the provincial plants are also running at near full capacity. Most of them are at full capacity.

I think all this goes back to why we're here today, processing capacity and capability. If we were able to have a federally inspected plant here in the province, which we do not at the present time, it would drastically change the entire picture. Farmers will then have the luxury of selling their animals to the federal plant, which will in turn give them more money for their animals as the federal plant can sell outside of the province. It allows us cattle dealers to sell more animals and put more money into the farmers' pockets. It also lowers my costs of transportation.

In closing, a federal processing plant in the province is necessary. To do it through the private sector would be difficult, given the economics and the scale and the small margins. However, with government funding, we should be able to change the current state and make it a viable business for all parties involved, from the farmer to the table.

• (1550)

There's no doubt that the provincial governments need to play a leadership role. However, the federal government could be a conveyor or provide support through ACOA or through the Canadian agricultural partnership.

I guess that's it for my speech. Thank you very much for listening. I can take questions whenever questions are allowed.

The Chair: Thank you, Mr. Eikelenboom.

Now we will start our question round.

[Translation]

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

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

I want to thank our witnesses for joining us today and wish a happy new year to all the committee members and witnesses here this morning.

Mr. Davies, you're talking about a significant labour shortage that existed long before the arrival of COVID-19. Is the 10% cap on the number of foreign workers still a major issue for you?

Mr. Richard Davies: Yes. It's a major issue in all our regions. Obviously, the situation is more critical in some regions. Steps have been taken for over 15 years. It started in Alberta. Over the past few years, the issue has spread here to Quebec and to parts of Ontario.

Mr. Richard Lehoux: Is the Minister of Agriculture aware of the situation?

Mr. Richard Davies: Yes. The minister and the ministers who preceded her have been informed of the situation and have been regularly asked about the issue for quite some time.

Mr. Richard Lehoux: Do you know whether there have been any discussions between the Minister of Agriculture and successive immigration ministers?

I think that people will need to talk to each other.

Mr. Richard Davies: I'm not personally keeping track of this matter. Our vice-president would be in a better position to answer you. It's a human resources issue, but we hear about it regularly. It's an ongoing priority.

Mr. Richard Lehoux: You spoke about modernization, robotics and so on.

What major issues are you encountering when you try to go a step further with modernization in terms of robotics?

Mr. Richard Davies: First, there's the availability of technology. If we want to speed things up, there will certainly be challenges related to capital. In addition, there would certainly be challenges related to site development. The existing facilities and walls probably wouldn't be suitable. These are the two biggest impediments.

I'd say that the issue is the availability of capital and the completion of the work.

Mr. Richard Lehoux: I want to build on the point that you made during your presentation. I imagine that some programs would be needed to support companies on the heels of this modernization.

Do you have any ideas?

Mr. Richard Davies: I don't have anything specific in mind. I wanted to emphasize—

• (1555)

The Chair: Sorry, Mr. Davies. Could you speak a little slower? Mr. Lehoux, could you slow down as well? The interpreters are having trouble keeping up with you.

Mr. Richard Lehoux: Okay.

Please continue, Mr. Davies.

Mr. Richard Davies: I lost my train of thought.

Mr. Richard Lehoux: I was asking you about the modernization and robotics programs.

Mr. Richard Davies: Obviously, we're competing with several countries around the world. At Olymel, we're always looking for fair ways to fight and to attract business—

The Chair: Mr. Davies, unfortunately, I must interrupt you. We're having technical difficulties.

Can the clerk check whether there's a sound issue?

The Clerk of the Committee (Mr. Marc-Olivier Girard): Yes. Our technicians will check whether the sound quality can be improved on Mr. Davies' end.

In the meantime, perhaps you could ask the other witness some questions.

Mr. Richard Davies: Is this better?

The Chair: Mr. Lehoux, do you have any questions for the other witness while we wait?

Mr. Richard Lehoux: I had other questions for Mr. Davies, but I can ask Mr. Eikelenboom a question.

Mr. Eikelenboom, I understood from your remarks that a major constraint, starting in 2022, will make it difficult to ship animals. Is that right?

[English]

Mr. Anthony Eikelenboom: Yes, there's a soft implementation right now with how we're shipping these animals, and then, come February 2022, we will no longer be able to ship those calves to Quebec.

I can maybe elaborate a little bit more. It comes with the trucking regulations. It takes about 14 or 15 hours—16 maybe with a coffee break—for the truckers to get to Quebec, and that's too long, so we won't be able to ship those calves to Quebec and put them in the market there.

That's why we need to do what we're doing here right now and create more markets here in Nova Scotia and so forth.

[Translation]

Mr. Richard Lehoux: How could this issue be resolved?

[English]

Mr. Anthony Eikelenboom: I think we're doing a good job here in Nova Scotia right now in solving the issue by promoting these beef calves, which are better finished in the feedlots. The one problem that we have here in the east, and especially in Nova Scotia, is that we do not have any federal plants here, so we can't market our product. With just provincial plants here, we're very limited in where we can sell our product. If we had that federal plant, we could go Canada-wide and beyond.

The Chair: Thank you, Mr. Eikelenboom.

[Translation]

We can come back to this later. Unfortunately, given Mr. Davies' sound issues, we can't continue.

[English]

Now we'll go to Mr. Blois for six minutes.

Go ahead, Mr. Blois.

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

For my questions, I'll start with Mr. Eikelenboom.

Anthony, it's great to see you. You're just down the road from me here in Nova Scotia, and you brought a different perspective to this committee as someone who actually transports animals. A lot of our focus of course is on processors.

I just want to go back to the transport regulations. You and I have had conversations outside of this committee about the good intention of the legislation. Although the current transportation of bob calves is to Quebec, these regulations actually present an opportunity for us to do more processing in the Maritimes if we can move forward on that. Is that a fair statement?

Mr. Anthony Eikelenboom: Yes, very fair.

Mr. Kody Blois: So right now, if a dairy farmer is cross—

[Translation]

Mr. Yves Perron (Berthier—Maskinongé, BQ): Sorry to interrupt you, Mr. Blois.

Mr. Chair, there's no longer any interpretation.

• (1600)

The Chair: Can we check the interpretation, Mr. Clerk?

The Clerk: Could you start again, please? I believe that the issue has been resolved.

[English]

The Chair: Can you try again to see if it works? Go ahead.

Mr. Kody Blois: Sure. Mr. Chair, I have about 40 seconds, but I'm 40 seconds in just from my timing. Is translation going for Mr. Perron?

[Translation]

Mr. Yves Perron: Yes, it's fine.

Mr. Kody Blois: Okay.

[English]

Anthony, we were talking about the cross-breeds for the bob calves. Where would those actually end up right now? If a dairy farmer is cross-breeding, are they ending up in P.E.I.? Are they going to Atlantic Beef?

Can you explain a little bit about that?

Mr. Anthony Eikelenboom: Right now, we sell a few of the calves in our home province here in Nova Scotia. I'd say a good 90% to 95% of those calves do go to Prince Edward Island. They're fed over there. I think Atlantic Beef has a contract going right now with a few of the feedlots over there. Again, Atlantic Beef is a federal plant, so they have the ability to make connections with the farmers there, and yes, that's what happens with those beef calves right now. It would be nice to move those calves here to Nova Scotia and give our farmers here in Nova Scotia a fairer playing field.

Mr. Kody Blois: You mentioned provincial processing, because of course in Nova Scotia we do have some level of processing capability; they're only provincially licensed. The only federal inspection plant is in Prince Edward Island. Why is it that if the processing facilities in Nova Scotia are at nearly 100% capacity, there hasn't been a private sector solution to be able to move this forward? Is it just that the economies of scale aren't there? Is this not a sexy investment that people want to put their money into? If we're

at 100%, why hasn't some entrepreneur moved this forward and created a new facility?

Mr. Anthony Eikelenboom: I think it goes back to profitability, if you know what I mean. As you say, where Nova Scotia sits logistically is not the best place, a “sexy” market as you called it, and if we had some federal money or if we had that federal plant, that would probably create a better picture for the private sector to come on board. Maybe if we had the government's help, that will show the private sector there is a viable business, and I think it would take off tremendously there. We just need some processing capacity here in Nova Scotia.

Mr. Kody Blois: You mentioned in your speech about the provinces taking the lead. I know, from speaking to Minister Thompson in Prince Edward Island, that they recognize this is an issue; they're working to incentivize their dairy farmers, particularly on the dairy issue around bob calves. Writ large, you see this as starting at the provincial level, and maybe the federal government support is through one of the regional development agencies or through the Canadian agricultural partnership, where funding channels already exist to help support that. Is it fair to say that the provinces have to take the lead, and then the federal government perhaps can try to supplement any efforts in that regard?

Mr. Anthony Eikelenboom: For sure, 100%. I have some ideas that I would like Nova Scotia to do to help the farmer with the cost of the actual semen, because if we're promoting breed beef to the bottom two-thirds, and breed the sexed semen to the top third, when you get into the sexed semen and stuff, it's more money, so maybe the provincial government can help out there and go from there.

Mr. Kody Blois: Just so we get this on the record, in terms of—

[Translation]

Mr. Yves Perron: I beg your pardon, Mr. Blois. I'm sorry, but the interpretation has disappeared again.

[English]

Mr. Kody Blois: Your English is good though, Yves.

Mr. Yves Perron: I know.

[Translation]

You know that it's important, all the same.

[English]

Mr. Kody Blois: Mr. Chair, I'm at about four and a half minutes, just for your timing so we stay on the same page. I'd like to finish if I have 90 seconds once we get translation figured out.

The Chair: Kody, you have a minute and 24 seconds left on my watch.

Mr. Kody Blois: Okay, great.

The Chair: How does it look, Mr. Clerk? Can we resolve the issue with the sound?

• (1605)

[*Translation*]

The Clerk: I think that the issue has been resolved, Mr. Chair. I can hear the French channel very well right now.

Please try again and accept our apologies.

[*English*]

The Chair: Give it a try again, Kody, to see how it works.

Mr. Kody Blois: I'm going to speak, and I'm hoping that Mr. Perron can hear me in French. Okay, excellent.

The Chair: We got a thumbs-up.

Mr. Kody Blois: Anthony, I have a minute and 24 seconds left. My final question is around the logistics. You're in Shubenacadie in central Nova Scotia. You work with many dairy farmers and beef farmers. What does the transportation look like in the Maritimes, given the fact that you have to travel these long distances? We've seen a deindustrialization of some of these facilities. When you pick up a calf, what does that look like? Can you explain that to the members of this committee?

Mr. Anthony Eikelenboom: When we go on the road at 2:30, three, four o'clock in the morning, that's when we start our day in the east. We pick up our calves, and they come back to the assembly yard here at Scotian at my facility. We have the tractor-trailers here in the yard. Once the calves are fed, they are loaded onto the trucks and then they head west to wherever they're going. We pick up calves in Prince Edward Island or in New Brunswick, and then they head to Quebec to Saint-Hyacinthe.

[*Translation*]

Mr. Kody Blois: I want to ask Mr. Davies a very brief question.

You explained that Sunnymel, or Olymel, has a processing plant in New Brunswick. Is it only a poultry plant or is it also a pork plant?

[*English*]

The Chair: Unfortunately, that's all the time we have, Mr. Blois. Perhaps Mr. Davies will be able to answer it later.

[*Translation*]

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

Mr. Yves Perron: I'll let Mr. Davies answer this question quickly.

Mr. Richard Davies: Yes. The Clair plant is only a poultry and chicken plant.

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

You said that the percentage of foreign workers was a major issue. You want this percentage increased to 20%. However, we know that the percentage used to be 30%. If this percentage were implemented over a long period, would 20% be enough? Should we consider increasing the percentage even more?

Mr. Richard Davies: Certainly, increasing the percentage to 30% would, in my opinion, enable us to better prepare for the

longer term. Of course, if the percentage were set at 20%, we would be ready to address the issues in terms of welcoming the workers, accommodation and everything else. An increase in the percentage would provide more options for both companies and the broader manufacturing sector.

The Chair: Mr. Davies, I'm sorry, but the interpreters can't hear you very well.

Mr. Richard Davies: Am I speaking too fast?

The Chair: No. I think that the sound quality is the issue.

Mr. Yves Perron: Mr. Davies, you should try changing the position of your microphone.

Your official request is to increase this percentage to 20%. Is that right?

Mr. Richard Davies: Exactly. That's what was established.

Mr. Yves Perron: Okay. Thank you.

In terms of labour, I imagine that you've tried everything. For example, when it comes to working conditions, do you have any room to increase wages or benefits?

Could you tell me about this aspect?

Mr. Richard Davies: Recently, with the vice-president of human resources, we set a benchmark for compensation in our industry. Olymel is above average in this area.

The Chair: Mr. Davies, I'm sorry, but some of my colleagues are telling me that the interpretation isn't working. We don't have a choice. We need interpretation for everyone.

Mr. Richard Davies: If there are more anglophones on the committee, I could respond in English.

The Chair: We don't like having to work that way.

That said, it's up to you, Mr. Perron.

Mr. Yves Perron: You know that I can't accept that.

Would it be possible to submit our questions to Mr. Davies and have him respond to us in writing? I actually have a couple of questions. Would the committee allow this?

The Chair: Witnesses can always send us their views in writing. I have no objection to that.

It's always up to the witness to choose the language in which they wish to speak. I wouldn't want them to feel obliged to speak in a given language simply because we're unable to provide interpretation.

• (1610)

Mr. Yves Perron: Okay.

My next question is for Mr. Eikelenboom.

You spoke extensively about the new regulations for animal transportation. Do you think that these regulations were introduced quickly?

I don't know whether you know this, but the UPA in Quebec had asked for a postponement. Studies are still being conducted on the topic.

Would it be possible to relax the rules or to establish a stopping point that would enable you to deliver to the places in Quebec where you used to deliver?

[English]

Mr. Anthony Eikelenboom: We can get to Quebec from the Maritimes, but we can't get to where we have to go, like the assembly yard for those bob calves. In order for those calves to get to the right farm to be comfortable—to be handled the correct way and everything—that's where they have to go. We could get inside the border, but then we run across not having the proper establishment to make sure that these calves are handled the correct way with proper bedding, with milk replacer on hand and all that stuff. I guess that's why we have to get to Saint-Hyacinthe.

[Translation]

Mr. Yves Perron: Okay, thank you.

So there's a real need to decentralize processing to ensure that it happens in Nova Scotia.

You said that there are processing plants in Nova Scotia, but that they have only provincial approval.

Would a loosening of interprovincial trade standards help you?

[English]

Mr. Anthony Eikelenboom: What do you mean by changing the interprovincial rules?

[Translation]

Mr. Yves Perron: The goal would be to ensure easier movement. If the meat processed in Nova Scotia meets Nova Scotia standards, perhaps the meat is of good enough quality to be sold, for example, in Ontario. A few witnesses have told us about the need for more flexibility in interprovincial trade standards.

Do you think that this could help you?

[English]

Mr. Anthony Eikelenboom: I guess that would be a great option, maybe a stepping stone or another avenue that should be explored, yes.

[Translation]

Mr. Yves Perron: If there were plans to set up a federal slaughterhouse near your farms, it would be ideal, since there would be less transportation. I gather that there's a profitability issue.

Do you think that more government support is needed?

[English]

Mr. Anthony Eikelenboom: Yes. We will need support from the federal government, and that will expand where we can go.

The Chair: Thank you, Mr. Eikelenboom.

Mr. MacGregor, you have six minutes. Go ahead.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Mr. Chair, if we have questions for Mr. Davies, are we ver-

bally communicating them now or do we submit them to him in writing? I'm not sure. Are all my questions going to be to Mr. Eikelenboom at this time?

The Chair: As you know, the sound doesn't work. If the committee so wishes, we can certainly ask those questions and ask Mr. Davies to submit them in writing and that will be part of our committee, if everybody is okay with that. Are there any issues with that?

If you want to pose a question—one or two or whatever—and then, Mr. Davies, if you want to take note and respond in writing.... If that's okay with everyone, we'll go with that. Unfortunately, we need to have translation.

[Translation]

Mr. Yves Perron: Mr. Chair, I have a point of order.

• (1615)

The Chair: Go ahead, Mr. Perron.

Mr. Yves Perron: I also had many questions for Mr. Davies. Should I submit them to him in writing or should I ask them verbally after Mr. MacGregor's remarks?

The Chair: If you have Mr. Davies' contact information, you can submit them to him in writing since we're running out of time.

Mr. Richard Davies: I'd be pleased to answer all your questions in writing.

[English]

The Chair: Okay.

Mr. MacGregor, the floor is yours for six minutes.

Mr. Alistair MacGregor: Mr. Davies, maybe I'll follow up in a little more detail, just so you're prepared. Some of the questions I was going to ask you concerned the fact that in their recent meeting in November 2020 the federal and provincial governments formed a working group to address the imbalance between the retail sector and the processing sector that you referred to.

I wanted to dive a little more deeply into Olymel's reaction to that—whether you feel that the action so far is moving at the correct pace and whether you think it's going to be adequate. Can you illustrate a little more on that particular issue? It's certainly one that has come up from previous witnesses. It would be great to have a more fulsome answer from you in that respect.

Mr. Eikelenboom, I think a lot of regions in Canada are under similar circumstances as where you're from. Certainly the way COVID-19 has impacted our processing sector, particularly in meat processing, has led many regions to rethink our dependency on the old status quo supply network.

Maybe you can fill us in with a little more detail on the efforts thus far to try to secure federal funding for a federally regulated plant, because I think other regions in Canada would love to learn from your efforts so they could take a shortcut and not have to start from square one. Can you fill us in a little bit more on the efforts thus far?

Mr. Anthony Eikelenboom: All right. I'm not sure how to answer your question because I like to buy and sell cows. I was asked to come here and give my input and stuff like that. I am a drover, but I am going to come to you from a producer's perspective here in Nova Scotia.

I find that in Nova Scotia we're behind the eight ball. Our input costs, our trucking and the price we receive for stuff here in the Maritimes always seems to be less than when you get into central Canada. I know there are other parts of Canada that are probably in our predicament too, but I find that where Nova Scotia lies, we don't have that big of a population here, so I think the reason why farmers here in Nova Scotia would like something more secure is so that we can get back to a level playing field, so that it can become an economical business, if you know what I mean.

For those reasons—our input costs, our trucking costs—we receive less money when we sell our product, because it has to go up the road. It has to do this; it has to do that. That's why I support having a federal plant here in Nova Scotia.

I will be honest; there's more work to be done, but hopefully these are the beginning stages. Maybe we can get a few more industry players here and some more government talks so that the ball starts rolling forward.

Mr. Alistair MacGregor: You're essentially held captive by forces beyond your control.

Mr. Anthony Eikelenboom: Yes.

Mr. Alistair MacGregor: You mentioned that the current provincially regulated plants are operating near capacity, so finding a way to grant them a federal licence is not really a solution because they are already dealing with domestic capacity issues. You actually need a separate federally licensed facility so that you can take some of that excess.

• (1620)

Mr. Anthony Eikelenboom: Yes. I would say that the average plant here in Nova Scotia has a capability of processing—we're going to talk beef here because I know that best—at the most 15 head per day. With Scotian Cattle Company, we're starting to buy 150 to 200 head per week.

With the new transportation rules coming in, we have to start looking at the classes of cows. Is the cow older? Then the new rules state that she should be processed more local to home, in your own province or whatever. Right now, we're having to put those cows on hold until I get a hole at one of the provincial abattoirs. I guess that's where I'm coming from. We cannot get these animals processed when they should be processed, especially the compromised animals here.

Mr. Alistair MacGregor: I know the capital expenditures are huge, and that's where the federal government can play a role. Once that facility gets off the ground with that capital investment, is there

interest in operating it in a co-operative model where everyone would have a buy-in, a stake in the operation of the plant?

The Chair: We're very tight on time, so I'm going to have to cut it off here. You might have a chance to answer it later with somebody else.

Go ahead, Mr. Epp, for five minutes.

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

Happy New Year to everyone, and thank you to the witnesses for appearing.

I'm going to begin with Mr. Davies. I will make a comment and then pose a question. We'll try it, and then we'll move on.

In preparing for this, I did speak with a pork producer in my riding, down in the most southern part of Canada here, who ships to you in Quebec. He just expressed gratitude for the special arrangements you have made through this difficult time, for capacity and making arrangements to have that slaughtered in the States.

I will pass that along. We're somewhat aware of the challenges with labour that you talked about.

The question I have, if we can get this by translation, is what percentage of your business is export-focused and what percentage is domestic.

Mr. Richard Davies: I will try to answer.

Mr. Dave Epp: Go ahead.

The Chair: Sorry, I think we've agreed that we'll have to submit the answer in writing.

Mr. Dave Epp: Okay.

The Chair: You can ask the question and we'll certainly—

Mr. Dave Epp: Okay, I would ask for a response to the following question. I assume that the bulk of your business, and I could be wrong here, is export. When you're dealing into that retail trade and export business, compare that to the environment that you're selling into in Canada. We've heard lots of calls for a code of conduct, or something along those lines, so I'm looking for a comparison to the markets that you're selling into with the balance of power across that retail trade. That's what I'm looking for.

I'll move to Mr. Eikelenboom. I spoke with a local cattle drover, again from southern Ontario. He shared with me a graph that was presented by Dr. Sarah Lloyd at the Big Ag conference on January 16 in the U.S. There's a 10-year profile of U.S. pricing that shows prices per hundredweight paid to the producer and cents per pound to the retail trade. It begins in January 2010, and up until about mid-summer 2014, they track it. Obviously, there's the processing differential, but there's a marked divergence starting from about mid-summer 2014 to the present time, and the chart goes to November 2020.

Can you comment on that? You've talked about some of your regional challenges. This is an American pricing, but I'm told by my Ontario drover that he's experiencing a similar divergence here. Can you comment on that and what might be some of the drivers of that?

Mr. Anthony Eikelenboom: Come again? I don't really understand your question.

Mr. Dave Epp: Sure. Basically, the trend was for rising cattle prices at the retail level. There was a rising trend to the producer. That trend held until about mid-August 2014. I wish I could just flip my other screen and have you see it. Then there's a marked difference from about summer 2014 to the present where that spread is widening markedly with what the producer receives.

Mr. Anthony Eikelenboom: Okay. I don't know if I can really answer that question. I'm not familiar with that stuff that's happening in the States, but I can speak to maybe some of the markets here in Nova Scotia. I find when we can pay more for our product, I don't find the spread in the stores goes up or goes down. I find that follows the live animal, or maybe that the live animal price follows the meat price in the store. I wouldn't say there's any sense of big gouging going on amongst the retailers to the producers. I think it's relatively a fair price here in Nova Scotia.

• (1625)

Mr. Dave Epp: Okay, thank you. The allegation to me was that because of a lack of processing capacity and because the line space is at a premium, those margins are widening. I didn't know if that same dynamic was presenting itself in Atlantic Canada.

As I understand, Canada's status regarding BSE is changing. We're going to be a controlled-risk country. Would you suspect there might be advantages for some of the BSE regulations in Canada to be relaxed, or is that not worth the risk moving forward?

Mr. Anthony Eikelenboom: I guess personally I like the rules that are in effect right now in Canada. I find they divide the country nicely. I think we're divided into three to four areas, so if one part of the country does show a case of the mad cow, or whatever, then that part of the country is going to be closed off and the rest of the country can operate, whereas back in whatever year it was—it was a long time ago, I was just a little guy then—the whole country had to shut down.

I would say I like it the way it is, versus maybe changing the rules.

The Chair: Thank you, Mr. Eikelenboom.

[*Translation*]

Ms. Bessette, I believe that you'll be sharing your time with Mr. Blois. You have the floor for five minutes.

Mrs. Lyne Bessette (Brome—Missisquoi, Lib.): Thank you, Mr. Chair.

I want to thank the witnesses for being here today.

My questions are for you, Mr. Davies. I took note of your remarks. You said that, with its 30 years of experience, Olymel has a successful business model based on a large workforce that requires foreign workers. We know that labour is a major issue for food-processing plants.

Can you explain why hiring temporary foreign workers is necessary and beneficial for your business?

Second, I want to know what other measures should be taken to support the hiring of workers in processing plants, particularly in the regions.

Third, in your opinion, what limits growth in the processing sector?

These were my questions. I'll give Mr. Blois the rest of my time.

[*English*]

Mr. Kody Blois: Thank you, Lyne.

Anthony, I have probably two minutes left and I just want to finish on a couple of different questions. First, we've talked a lot about federal versus provincially licensed. I know you're not a producer yourself, but you deal with producers, whether it's in beef...and of course the agriculture community is quite small in the maritime provinces. What is the advantage to having a federally inspected slaughterhouse? Certainly what I've heard on the ground is that having that in place, allowing the animals to be produced through the federal mechanism, would allow more producers to sell into the retail stores like Sobeys, Loblaws and Walmart. Am I correct in saying that?

Mr. Anthony Eikelenboom: Yes, you're very correct in saying that, Kody. Again, it goes back to what I said there a little while ago. I think having a federal plant here in Nova Scotia will get our producers on a level playing ground. It's so hard to get our merchandise here from the provincial plants. I tell all my farmers that every time I buy an animal it always has to go up the road. I think a good goal for the farmers here, the agriculture community here in Nova Scotia, is to be able to keep it at home, and then I think it would better help everybody in the agriculture industry here in the Maritimes.

Mr. Kody Blois: Anthony, when you say “up the road” you don't just mean from Shubenacadie to Truro; you mean up the road from Nova Scotia to Saint-Hyacinthe, Quebec, or some other region outside of Atlantic Canada. I had the chance to bring you on here to bring this perspective. We've talked a lot about Nova Scotia, but surely when we talk about economies of scale it's not just about provincial boundaries; it's about looking at the maritime region as a whole, perhaps even Atlantic Canada if we include Newfoundland, and looking at ways to create those economies of scale.

Mr. MacGregor talked to you about co-operatives and different models to make that work. Is it fair to say that it's not just about Nova Scotia, but about creating a regional approach to tackle some of these issues and opportunities in the days ahead?

● (1630)

Mr. Anthony Eikelenboom: For sure, it would work great. I'll just go back and tell you a little bit about Scotian here. When I said “up the road” there, we have to sell our animals down to Pennsylvania. We have to sell our animals into Guelph. We have to put our calves into Saint-Hyacinthe. There are even some cows that go to a few sales in Ontario and other auctions in Quebec. With what your saying about the co-operatives and everything, it would definitely help the agriculture industry here in Nova Scotia. It would be nice to be able to just pick up your animals and go down the road five minutes instead of picking up your animals, bringing them to my place, and then they have to go up the road for 20 hours or whatever the time frame may be.

Mr. Kody Blois: Mr. Chair, these are all the questions I have.

I see it's about 4:30, so I would like to thank the witnesses.

The Chair: Thank you, Mr. Blois, and thank you for that extra time.

I would suggest that anyone who was on this panel—

[*Translation*]

Mr. Yves Perron: Sorry, Mr. Chair.

The Chair: Go ahead.

Mr. Yves Perron: I don't want to press the issue. However, I do want to raise an important point of order regarding the technical side of interpretation.

We were the ones who asked to hear from the Olymel representatives, and I have many questions for them. I know that we'll receive their responses eventually. However, I'd like to ask for something for the next meeting.

This isn't the first sound issue in the committee. I know that there was an irregularity in the shipping of the headset. That isn't the problem here. It's a technical issue. The issue should be identified before the next meeting.

Would it be possible to reschedule the witnesses to appear, if feasible, at another meeting? That way, the witnesses who have already prepared their presentations and who have important things to contribute to the committee can do so properly and, above all, in their own language. This is a very important point.

This doesn't just concern the Bloc members. There are also members from other political parties who don't speak much English. The issue must be resolved for everyone.

The Chair: I completely agree with you, Mr. Perron. We must be able to speak. Unfortunately, today, there was no other way to do so. If the committee wants to hear from the witness again at another meeting, that's entirely possible.

Mr. Yves Perron: This is primarily for future meetings, Mr. Chair. The tests could be done earlier. There may be an alternative.

The Chair: For today's meeting, the members can submit a few questions to Mr. Davies, who will send his responses to the committee. We'll make sure that the responses are included in our study. We can decide whether we want to hold a meeting to discuss our work and put the topic back on the agenda, if you wish, Mr. Perron.

[*English*]

I want to thank our two witnesses today. Mr. Davies, everybody wanted to hear what you had to say, but unfortunately it didn't work out. Thanks for being here. Maybe we'll have a chance to bring you in on the next panel.

Also, Mr. Eikelenboom, thanks again for being here.

We'll suspend and be back with the next panel.

● (1630)

(Pause)

● (1640)

The Chair: I call the meeting back to order, and I'd like to make a few comments for the benefit of the new witnesses.

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. I remind you that all comments should be addressed through the chair. Interpretation in this video conference will work very much like in a regular committee meeting. You have the choice, at the bottom of your screen, of floor, English or French audio.

We'll start our second panel.

[*Translation*]

We're joined by Ian Blenkharn, who will be speaking as an individual.

[*English*]

Welcome to our committee, Mr. Blenkharn.

[*Translation*]

We're also joined by Kathleen Sullivan, chief executive officer of Food and Beverage Canada.

Welcome, Ms. Sullivan.

We'll now begin. The witnesses will have seven and a half minutes each. Mr. Blenkharn will go first.

[English]

Go ahead, Mr. Blenkharn. You have seven and a half minutes. The floor is yours.

Mr. Ian Blenkharn (Retired Business Executive and Farmer, As an Individual): Thank you for the invitation and opportunity to appear before this committee.

Briefly, my background, and the context for my comments today, is the result of 34-plus years working in the agricultural industry. I hold a Bachelor of Science degree in agricultural economics. I spent the first 13 years of my career as an agricultural banker for various lending institutions in five provinces across Canada, and the next five years as an agricultural finance consultant working closely with farmers. I have spent the last 16-plus years as a partner in a large broiler chicken, hatching egg and mink farm, as well as a business executive managing various poultry companies in Nova Scotia and Newfoundland and Labrador.

Based on my experiences over the years, I have the following observations, opinions and recommendations to present to this committee today.

The Canadian supply management system has been, and continues to be, a very positive marketing tool for the agricultural commodities fortunate enough to have this system in place. The ability to control imports and establish domestic production levels, along with the ability to set the producer price at a level that covers all costs and a return to investment, is the envy of many other farmers in Canada and around the world.

The poultry meat processing sector in Canada is generally supportive of supply management. However, there is a need for modernization of the system, as the strategy of supply management is only at the primary producer level. Once the primary production is sold to a processor, there is no supply management at that point and beyond. It is solely free market, driven by supply and demand. This fact has been creating increasing pressure on the stability of supply management over the years and is reaching a tipping point at this juncture. The current COVID-19 pandemic has brought the problem to a new level of importance. Given that producers ultimately control the amount of chicken grown in Canada per year, and processors are ultimately obligated to purchase this volume at a regulated price that guarantees the producer a profitable return regardless of what the consuming marketplace may demand or be willing to pay, it is a serious problem that is getting worse by the day in these COVID times.

As market demand has dropped over the past year, with restaurants being closed due to COVID-19, and the supply has continued to either rise or be maintained by producers, the supply of chicken now well exceeds demand, and the market price received by processors and further processors is at or below cost of production. This market distortion and lack of willingness by producers to react and understand that they are one segment in a much bigger industry is very problematic and troubling. It is extremely difficult for processors to consider existing reinvestment strategies, let alone con-

sider expanding capacity for export under the current circumstances.

In my opinion, and that of many in the processing sector, the powers of the Farm Products Council of Canada need to be enhanced so that they can drive change and modernization of the supply management system.

One quick change that could be made in the case of the chicken sector would be to require the live price paid to producers to include a wholesale price component in the pricing formula. Thus, if the producers realized the negative consequences of oversupply through a reduction in their live price as a result of the low wholesale price, I expect they would be more responsive to establishing the appropriate domestic supply levels.

Another significant problem for processors in certain parts of the country is the fact that producers are free to ship their product to whichever processor they want and there is no system in place to backfill the losing processor with equivalent volume. In some cases, live birds are being transported for 10 to 12 hours to a competing processor instead of being processed at a processor that is minutes away from the farm. This is both a potential animal welfare issue and a major supply risk to the affected processor. How does a processor in this situation view future investment?

Recently, the issue of food security was seriously challenged in the Nova Scotia chicken sector. The only federally inspected poultry processor was shut down for two weeks by the provincial health department due to COVID-19. This put serious pressure on the supply of fresh local chicken. The problem was amplified by the fact that processors in the neighbouring province had limited ability to assist the Nova Scotia plant as their catching and transport systems were not compatible between plants. Fortunately, solutions were found and no birds were euthanized. However, it has highlighted the need for more uniformity between regional plants so that they can help each other in times of need to protect food security and animal welfare. This uniformity will have significant costs associated with it and require co-operation amongst competing processors.

Access to a reliable and reasonably priced labour pool is another limitation of many processors, as well as transportation regulations that are becoming increasingly restrictive on the movement of livestock to regional processors. Compensation for trade deals and assurance that TRQ will remain predominantly in the hands of processors are other factors that will affect processors' willingness and ability to reinvest in their industry or expand for export potential.

• (1645)

Until the supply management system is modernized and many other concerns I have raised are addressed by industry and government, I find it difficult to see major poultry processor investment for export markets. However, if the investment is to be considered, then export markets need to be expanded. The federal government needs to endeavour to increase market access for Canadian agricultural products, and expanded access to the Chinese market would be a good place to start.

You'll note from my comments that I never talked about the need for direct financial investment in industry by government. In my opinion, financial investment with public funds is not the key to increasing processing capacity in Canada. The key is providing the appropriate business-friendly landscape for private investment to occur. There's more than enough private money in the world looking for low- to medium-risk profitable businesses to invest in. However, that same money will also run from high-risk, unprofitable investments just as quickly.

In my opinion, government needs to focus on creating the appropriate environment for business to operate at low risk with stability and predictability. With this environment, entrepreneurs will surface, invest and achieve the goals that the Barton report aspires to.

Examples of changes in the landscape that I believe need to be addressed include easier and more reliable access to year-round foreign labour; more reasonable union laws that are conducive to business while not jeopardizing employee rights; changes to employment insurance guidelines so that employees are encouraged to find full-time year-round employment and to work when work is available, instead of claiming on an open claim; health and safety regulations that are more rational and put the onus on the employee to work safely; more reasonable environmental regulations that still protect the environment while allowing business to operate efficiently and profitably; and a simplified Income Tax Act with more access to investment tax credits to reward investment after it is made and is successful.

With respect to the farming community, I believe many farmers still need to improve their financial acumen. It has improved over the years. However, in my opinion there is more work to be done. Both federal and provincial governments can assist with this initiative. New farmers should be required to prove their understanding of financial statements and business planning principles before having access to credit. Just because a new farmer is the son or daughter of an existing farmer and has lived and worked on the family farm, that does not mean they have the financial skills to manage a for-profit business. I appreciate that farming for many is a lifestyle choice. However, it is also a for-profit business and needs to be operated and managed as such. The financial education should go beyond simply understanding financial statements and business planning. It should include topics such as production economics and supply and demand principles.

• (1650)

The Chair: Thank you, Mr. Blenkharn. Unfortunately, we're out of time. We'll have a chance to ask questions later on.

Now we have Ms. Kathleen Sullivan, for seven and a half minutes. Go ahead.

Ms. Kathleen Sullivan (Chief Executive Officer, Food and Beverage Canada): Good afternoon, and thank you for the invitation to appear today.

Food and Beverage Canada is a national association whose members include provincial food and beverage associations, as well as leading Canadian food and beverage processing companies.

Food and beverage manufacturers are at the centre of Canada's food supply. There are few Canadian agriculture products that make it to Canada's grocery store shelves without first being transformed by one of our almost 8,000 companies.

Food and Beverage is the largest manufacturing employer in the country. We employ almost 300,000 people, generate \$120 billion in annual sales and supply much of the food that Canadians eat.

A strong and vibrant processing sector is critical to ensure Canada's food sovereignty, to support our primary agriculture sector and to continue contributing to the country's economic recovery and well-being.

Entering 2020, our sector was focused on the goals set by the federal agri-food economic strategy table—increasing domestic food sales and exports by 30% by 2025.

Canada has tremendous potential when it comes to agriculture and food. This is a sentiment we hear often, and one we often repeat, but we need much more than words to support Canada's agriculture and food-processing sectors. We need to put action behind those words.

Today I will focus on three priorities for ensuring recovery and growth for food and beverage processing: labour, worker health and retail concentration.

First off, on labour, entering 2020 our industry was already flagging labour as a crisis. Today we estimate the sector is short 30,000 workers, 10% of our workforce. By 2025, we expect that number to more than double. Why? It's due to increased retirements, a shortage of skilled workers, the seasonal nature of certain subsectors and the regionality of some of our businesses. COVID-19 has also led to additional absenteeism and challenges finding replacement workers.

This cannot continue. Without healthy, skilled workers, we cannot produce the food Canadians need and we cannot add value to the agriculture products Canada wants to export.

Over the last two years, we have repeatedly raised the alarm regarding the industry's labour issues, largely and very sadly to no avail. We understand labour is complex, but there are some simple things we can do to start.

First off, we need a simple assessment of current and future labour requirements for this industry—and I will say for primary agriculture as well—matched up against expected domestic labour supply. If there is a shortage—and industry says there is—then we need to address that.

Last year, we at FBC held a labour strategy session where we included government and identified three priority areas: addressing the shortage of skilled trades, ensuring we have access to qualified foreign workers, and supporting automation. We continue to invite the federal government to work with industry on these.

Second, I'd like to talk about worker health. With the outbreak of COVID-19, food and beverage processors took on the incredible challenge of managing worker health while meeting the imperative, as an essential service, of maintaining Canada's food supply.

Food plants are, first and foremost, manufacturing sites. They are designed for efficiency, for food safety and for occupational health and safety. They were never originally designed to manage a public health crisis. With COVID-19, manufacturers, literally overnight, had to implement new policies and protocols to protect workers from the virus—things like enhanced PPE, health screening tools, structural modifications and enhanced cleaning. We estimate that the industry has invested close to \$1 billion so far to protect workers. Despite these measures, food plants are congregate settings. As well, no matter what we do inside our plants, we cannot protect our workers outside our walls.

Front-line food workers have made sacrifices so our food system can operate. We need to protect them by ensuring they have access, if they want it, to a vaccine. The national advisory committee on immunization recommended that essential workers, including from our sector, be prioritized for vaccine access, but these are only recommendations. I will point out that even last week the Province of British Columbia announced its vaccine rollout plan, and that plan fails to prioritize food and other essential workers, other than health care workers, over the general population. We encourage the federal government to utilize whatever levers it has to ensure that provinces follow the recommendations of the NACI.

• (1655)

Finally, I want to talk about retail concentration, a topic you've heard a lot about. As you know, the Canadian retail food sector is highly concentrated, with just five companies controlling 80% of the market. This leaves the food and beverage manufacturers with limited negotiating power. Please remember that there are almost 8,000 food processors in Canada, and 7,000 of them, 90%, are small and mid-sized businesses, companies with fewer than 100 employees.

Food retailers regularly impose arbitrary transaction costs, fees, and penalties on their suppliers, often without notice or retroactively. In addition, they regularly extend payment terms for months, often delaying payments and impacting the liquidity of their suppliers. This is absolutely no longer tolerable.

We are very pleased that at their November meeting the federal, provincial and territorial agricultural ministers committed to strike a working group to look at the issue. We continue to encourage them to prioritize this and to play a leadership role in ensuring that a grocery code of conduct is in place by the end of this year.

As a final note, I would like to touch on the cost impacts of COVID-19. Unlike many businesses, food and beverage processors were able to operate through the pandemic, which is, of course, what every business wanted to do. The cost of this, however, has been quite significant. As I said, it was close to \$1 billion. We have asked the Department of Finance to consider a refundable tax credit for COVID-19 costs incurred by our sector and other essential services sectors, businesses that continue to operate through the pandemic and that have seen significant cost increases related to ongoing critical operations and to ensuring workers' safety.

I would like to thank you again, and I look forward to answering any of your questions.

The Chair: Thank you very much, Ms. Sullivan.

Now we'll go to our question round. We'll start with Ms. Rood for six minutes.

Go ahead, Ms. Rood.

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

Thank you to the presenters today for their great presentations.

Thank you, Ms. Sullivan. I want to underscore your telling us that food processors employ some 300,000 Canadians and that there's a shortfall of 30,000 workers in the industry. I think that was a really important figure that we heard here today.

When you spoke of labour shortages, you mentioned the skilled trades in particular. Could you speak more to where the shortages are in the skilled trades and where they lie in your industry?

Ms. Kathleen Sullivan: Sure. If you think about skilled trades, that is, professions such as electricians and millwrights, there is an incredible shortage of skilled trades, not just for our sector but for manufacturing across the country. We are literally unable to fill all the positions we have. You can imagine that these positions are incredibly important in terms of actually keeping a plant operating and keeping equipment running, and we have a shortfall there.

As you may know, when it comes to skilled trades, these are largely mandatory skilled trades, so there is an apprenticeship period and a training period and it can take a long time to train somebody for the skilled trades. When we have an immediate shortfall, waiting five to six years for a new cohort of skilled trades to come through is an untenable solution to the problem.

Ms. Lianne Rood: Right.

Again, on the labour shortages, you also mentioned the need for access to qualified foreign workers. Could you tell us about some of the barriers to access and your thoughts on overcoming the barriers for this?

Ms. Kathleen Sullivan: When we use foreign workers in the food-processing sector—and primary agriculture would be very much the same—sometimes we use temporary foreign workers because the jobs are seasonal. If you think about canning tomatoes, for example, that's a seasonal job. Other times, we're bringing in foreign workers because there is simply a structural shortage of workers here in Canada.

The TFW system, as my colleague from Olymel pointed out, is a very cumbersome system. There are limits on the percentage of TFWs you can have in a company. The application for TFWs is very long, even though you're often bringing in TFWs, the same persons, year after year, and you're having to book six months out for the workers you need. There's absolutely a need to go in and look at the TFW system, modernize it and simplify it.

On the other side, we have permanent jobs and we're looking for economic immigrants to come to Canada to take on permanent, full-time, respectable jobs with us. There are many people who want those jobs. The way our immigration system works, though, is quite complicated. It's a point system and there are various streams. Very few of those streams, if any, as they award points, actually favour what we may think of as the blue-collar workers or the technicians who are coming to work in food plants.

We're dead before we start, if you will. We really have very few opportunities to bring in the workers we need, because the system has been designed not to favour the workers we require.

• (1700)

Ms. Lianne Rood: Another thing I heard you speak about was the challenges for food processing because of the pandemic. How have the measures to address food plants as congregate settings, such as social distancing, affected food-processing capacity and the reliability of the Canadian food supply?

Ms. Kathleen Sullivan: I think we've been very lucky here in Canada. We obviously saw shortages on the grocery store shelves early on last March. I think we saw some more in the fall, certainly where I live, with the second wave of the pandemic. I think Canadi-

an companies have done an incredible job of keeping that food supply going, but it has been a Herculean effort.

As I said, food processing is a manufacturing business. You think of the equipment, the quintessential assembly line. When you have people who stand near each other on that assembly line, to accommodate social distancing you can put fewer people there, which means you have to slow down production. We have seen companies overcome this by adding other shifts. They're less productive on any given shift and have had to try to find new workers to work different shifts, adding an overnight shift, for example.

We also saw companies do things such as streamline their product line. If you were a chicken processor who perhaps previously offered 40 different products, you may have had to streamline that down to 20 to increase the efficiency of what was going through.

At the end of the day, it has added to worker bonuses, changes to the actual configuration of the plants, additional PPE and cleaning. As I said, last year we estimated it was \$800 million. I'm guessing we're getting close to \$1 billion just in the cost of trying to keep our workers safe while they're at work.

Ms. Lianne Rood: Thank you for that. That's a big cost.

You also mentioned the need for vaccines for workers in the plants. Could you tell us about the food-processing plants that should be prioritized?

Ms. Kathleen Sullivan: I'm sure many of you have been to a food plant, but a lot of people watching this haven't. When you drive down the highway and you see a big building that looks like a warehouse, there's a good chance it is some sort of manufacturing plant, including possibly a food plant. It's a closed building.

In Canada, there are almost 8,000 plants, and they range in size. There are certainly plants that can have a thousand people in the building for a particular shift.

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

Thanks, Ms. Rood.

Ms. Lianne Rood: Thank you.

The Chair: Now we have Mr. Blois for seven and a half minutes.

Mr. Kody Blois: Mr. Chair, my questions are going to be for Mr. Blenkarn.

The Chair: Sorry, you have six minutes.

Mr. Kody Blois: Yes.

I think we put him on mute, and I don't know if he knows how to get off mute.

There you are, Mr. Blenkarn.

Mr. Ian Blenkarn: I think I'm there now.

Mr. Kody Blois: You're there.

I really enjoyed your remarks here in this committee.

First, you talked about supply management. We all know the importance of that program. I know that on the dairy side there's co-operation through the Natural Products Marketing Council with processors and producers, setting the stage on the retail level, as well. Can you explain a bit about how producers working in concert with processors can lead to better outcomes, including more investment on the processing side?

• (1705)

Mr. Ian Blenkarn: As I said in my comments, there needs to be an understanding from producers that they're one cog in the wheel and that they have to manage their supply to meet the demand so the whole industry stays viable, not just the producers.

Supply management is only at the producer level. Once the producer sells to the processor, the processor has to buy that product at the price the producer demands for covering its costs. Then that processor takes the risk as to whether the marketplace will buy at a profitable level. In the current COVID times, as I said, I've seen cases where a product that should be selling at three or four dollars a kilogram is selling for 50¢ a kilogram because there's just way too much product around. Some processors—

Mr. Kody Blois: In a nutshell—I have only six minutes—it is essentially greater co-operation in terms of cost of production studies between producers and being realistic about the costs being passed off to processors.

Mr. Ian Blenkarn: And making sure the supply is the right supply....

Right now, the way the system is in chicken, the more the producers produce, the more they make. They have no consequence to the reality of whether or not the processor can sell it.

Mr. Kody Blois: You said you do think there's plenty of private capital that is willing to invest in this sector if the landscape is right. That is a remarkably rare quote, from what we hear from individuals who join this committee. There is often some request to government.

Why do you think it's important that it come from the private sector? Is there a time and a place where government should be involved, or is that very rare?

Mr. Ian Blenkarn: I think it's very rare. As I said in my comments, government needs to focus on creating the right landscape and then let business do business.

There are lots of entrepreneurs and lots of money out there. If there is profit to be made, they will find it, but they need to know they're welcome in the country. They need to know the country wants them to be in business. We can't keep putting up roadblocks. Every time we strengthen our environmental regulations, occupational health and safety regulations or unemployment regulations, we're promoting more and more socialist lifestyles and less entrepreneurial business. It's getting to the point where it's extremely frustrating to do business in Canada as an entrepreneurial business.

Mr. Kody Blois: I want to go to the point you made about supply management. A lot of your comments, of course, were through

the lens of the poultry industry in terms of transportation to other provinces and other facilities. We have Eden Valley in my neck of the woods, in the Annapolis Valley.

Can you speak a little about how that plays out and some of the impacts it creates?

Mr. Ian Blenkarn: Can you just rephrase your question?

Mr. Kody Blois: You mentioned that sometimes the chickens are travelling a long distance to their facility, 10 or 12 hours, as opposed to going to one that might be local because there's no requirement for those animals to be processed within their provincial boundary, so to speak.

Can you lay out how that creates an impact for processors in terms of potential reinvestment?

Mr. Ian Blenkarn: Take Eden Valley Poultry, a plant that cost \$50 million. It doesn't have any government money in it. The producers put in \$10 million; a major processor in Canada put in \$10 million, and the bank put in \$30 million. There's no government money. It's been a very successful plant, but in order to get enough volume, it had to go to P.E.I.

A third of the Nova Scotia producers refused to ship there because they could get a few pennies more by shipping all the way to northern New Brunswick. So there are birds that are driven right past the processing plant in the valley of Nova Scotia and go all the way to northern New Brunswick to be processed just for a few extra pennies.

The cost of production and live price the producers are paid already covers their costs and a reasonable profit margin, but there are greedy producers who want an extra few pennies, and there's a processor who wants to pay a few extra pennies because they want the chickens in order to expand or to make their plant more viable. It really jeopardizes.... It took us a long time to get that Eden Valley plant built because we had to get enough volume, and we had to struggle to get the volume.

• (1710)

Mr. Kody Blois: I want to go to Ms. Sullivan quickly. The question was around vaccines, and obviously health is in the provincial domain. How are those conversations going with the provincial governments in terms of prioritizing vaccinations that are being received from the federal government at the provincial level?

Ms. Kathleen Sullivan: All provinces right now are on phase one of their vaccine rollouts, so they're just starting to think about what phase two will look like.

I'm very pleased to say that from Ontario east, all the provinces have indicated that essential workers, including our workers, would be included in phase two. Unfortunately—

The Chair: Thank you.

I'm sorry, Ms. Sullivan. I keep cutting you off.

Mr. Kody Blois: I'm sorry, Ms. Sullivan.

Thank you.

The Chair: Thank you, Mr. Blois.

[*Translation*]

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

Mr. Yves Perron: Good afternoon, everyone. I want to thank the witnesses for joining us today.

Ms. Sullivan, can you finish what you were saying?

[*English*]

Ms. Kathleen Sullivan: Manitoba, Saskatchewan and Alberta have not indicated what their phase two will look like, so we don't know.

As I said, unfortunately B.C. has not included or singled out essential workers as a specific category for vaccine prioritization. Once they're finished with residents of long-term care homes and medical people—understandably—it just goes to the general public.

[*Translation*]

Mr. Yves Perron: Have you been in touch with the provincial governments, particularly the Quebec government?

[*English*]

Ms. Kathleen Sullivan: Yes, it's our understanding that.... First of all, the Quebec government has indicated—and it's on the website so it's visible—that essential workers and food processors will be included in vaccine prioritization, so we're clearly very pleased about that. Quebec is a very large province when it comes to food processing, and I have to say one that is generally very good about responding to the needs of the sector.

[*Translation*]

Mr. Yves Perron: Thank you.

You spoke about the importance of local processing for food sovereignty. I think that everyone agrees on this matter.

I asked a stakeholder earlier about labour. He told me that the cap on foreign workers should be increased from 10% to 20%.

Do you think that this would be enough? Should the cap be set at around 30%, so that we don't need to adjust it in the future? After all, the percentage used to be set at that level.

[*English*]

Ms. Kathleen Sullivan: I think we absolutely need to adjust it to 20%, and I think we need to consider whether it should just be open-ended. There are other safeguards in the program, which require, for example, that employers look to local markets first to make sure they are, as a first effort, trying to identify domestic people here in Canada who are available for the jobs. There are also safeguards embedded in the program to ensure that temporary foreign workers are not paid less than domestic or Canadian workers. So I do think there are sufficient safeguards built into the program to ensure that there isn't overuse and a neglect of the domestic labour markets, but the truth is that what we have found over many years is that there isn't a sufficient domestic market to fill the jobs.

I was quite disappointed last fall when I requested of the federal government whether there had been any analysis of what in fact the needs of industry are. Rather than talk about the TFW program

specifically, what is industry's need for labour, and has the government actually matched that up against what structurally we have from the labour market?

Canada's demographics.... As we all know, we're not producing children the way we would have generations before. We're not going to be able to domestically ensure that we have a future supply of labour in this country unless we look to foreign workers. There are lots of other things we can do domestically as well to enhance the pool of labour that we might have here, but foreign workers are essential.

[*Translation*]

Mr. Yves Perron: Thank you.

Automation could help address the labour shortage. However, it's difficult, since this requires private investment. There's currently under-investment.

What do processors need to do to attract more investment? You spoke about the power to influence the government. What are your recommendations in this area?

• (1715)

[*English*]

Ms. Kathleen Sullivan: The federal government does offer programs to help industries and businesses in adopting automation and robotics, but to a large extent those programs are not applicable to our sector. I think it would be helpful for the federal government to re-examine the programs they have and understand what is specific about our industry.

Remember, a lot of the businesses in food and beverage manufacturing are small to mid-size, so when it comes to automation, you're looking at adding capital, getting over that growth spurt that you need.

Ian pointed out that Eden Valley Poultry is a \$50-million poultry plant. You need \$50 million to build even a small to mid-size processing plant in this country. Any business is going to require some sort of support, so I would strongly encourage the federal government to take a look at their suite of programs offered through ISED and understand whether they are really appropriate and accessible to companies in our sector.

[*Translation*]

Mr. Yves Perron: Programs such as the emergency processing fund haven't been sufficient. A number of companies and processors need these programs. Do you think that this program should be renewed and given more funding?

[*English*]

Ms. Kathleen Sullivan: The processor fund was \$77.5 million. We estimate the cost of adjusting to COVID-19 to be close to a billion dollars, so obviously the fund was not sufficient. We certainly recognize that many sectors, and every individual in Canada, have been affected by the pandemic, which is why, rather than top up that fund, we are suggesting that the government look at a refundable tax credit for essential businesses.

The Chair: Thank you, Ms. Sullivan.

We have Mr. MacGregor for six minutes.

Mr. Alistair MacGregor: Thank you so much, Mr. Chair.

Ms. Sullivan, a lot of the comments that you've given to us today certainly echo what we also heard from the Food Processors of Canada. It's great to see multiple witnesses confirming the same kinds of issues.

When it comes to the arbitrary fees that are being levied by retailers, there is that concentration that we've seen in the marketplace. Through Canada's marketplace, we see a few retailers that have a huge amount of power. You indicated that you're pleased with the steps the federal government has been taking with the provinces, and that you hope to see that code of conduct in place by 2021.

I'm curious, though. Has your association, and maybe the Food Processors of Canada, used the combined weight of your membership to try to force any action with the retailers? Can you inform the committee about your efforts on that front?

Ms. Kathleen Sullivan: In the fall, about 33 different associations and producer groups co-signed a policy document asking for a code of conduct, so there's quite a family or suite of associations and producer groups involved in this. In that collective, I would say that different groups have reached out to the retail sector in different ways, sometimes to individual companies, sometimes to their association, the Retail Council.

There are five large retailers. We saw Sobeys in the fall make some comments that were quite, I think, heartening for others in the food supply chain, saying that they agreed that some of the practices that were going on were "repugnant"—I think that was the word—and that a code of conduct would be beneficial. We have not heard that level of support from other retailers.

It is absolutely my hope that as the working group set up by the ministers proceeds, the retailers will come to the table. I think any kind of product we produce—a code of conduct, for example—is always enhanced if all of the parties create it together. I would certainly want the retailers at the table, and I do think that sentiment is shared by other associations that I've been working closely with.

Mr. Alistair MacGregor: Yes, absolutely. If we're going to encourage those entrepreneurs that Mr. Blenkharn was talking about, the new, hopeful start-ups, we want them to have an equal playing field about where their products are going to be listed on store shelves and so on.

• (1720)

Ms. Kathleen Sullivan: We are definitely working very closely with the Canadian Federation of Independent Grocers, so all of the other grocers who aren't in the big five, if you will, are quite active. In fact, I have a meeting with them tomorrow, so we're working quite closely with them.

Mr. Alistair MacGregor: There's labour, of course. I've been on this committee for a few years now, and that is a perennial issue that seems to come up quite frequently. I know the struggles that the industry was having even before COVID hit. When you talk about those labour shortages, are there some regions in Canada where those are more acute than in others? Are some provinces,

through their provincial nomination streams, trying to identify that issue in your specific sector?

Ms. Kathleen Sullivan: The labour shortage is something that we hear about from every single province in the country. It may look different or manifest itself differently in different regions, but it is wholesale pretty much across the board. I think where I'm frustrated is that, like you, I've already acknowledged that we've been talking about this for years.

It's very difficult for industry to read the economic strategy table report, to read the Industry Strategy Council report that came out just before Christmas, and to hear these very enthusiastic cheers for agriculture and food processing and all the potential that it has, and yet when the industry comes forward and says there are some really basic fundamentals they need to get right here, it seems like that all falls on a deaf ear.

Not all the work we do is sexy or is going to include buzzwords. I know that people like to talk about robotics a lot now, but robotics isn't going to address all of industry's production issues, processing capacity issues. Sometimes you just have to roll up your sleeves to deal with the basics and figure out what's going wrong to fix the problem, and I think that's what we have unfortunately failed to do. There is a real, growing frustration on the part of industry.

To the extent that we had problems going into COVID, this sector is going to be incredibly critical for economic recovery. First of all, you need this food supply chain for food sovereignty, but there's also massive potential to leverage what the agri-food sector is doing to actually grow economically, both domestically and also from a trade standpoint. As somebody else pointed out, Canadians will keep eating. If we don't feed them the food we make, someone's going to bring their product in from overseas and people will eat that.

Mr. Alistair MacGregor: Yes, absolutely. Everybody eats. That's one guarantee your industry has.

I'm getting close to the end of my time, so I'll leave it at that, Mr. Chair.

Thank you, Ms. Sullivan, for your comments and testimony.

The Chair: Thank you, Mr. MacGregor and Ms. Sullivan.

Now it's Mr. Steinley, for five minutes.

Go ahead, Mr. Steinley.

Mr. Warren Steinley (Regina—Lewvan, CPC): Thank you very much, Mr. Chair.

I'll ask both witnesses some questions. The first one—and Mr. MacGregor went down this path—is about the impacts of the grocery code of conduct on independent grocery stores. I come from Saskatchewan, where we have a lot of co-ops and independent stores. I know the code of conduct is geared toward the five big grocery conglomerates. What would be the impact on those smaller, local stores?

Ms. Kathleen Sullivan: I'll start, if I may. If you look at codes of conduct in other countries.... The U.K., for example, has had a grocery code of conduct for a number of years. That code of conduct is exclusively focused on the large retailers.

We don't have to do that in Canada. We can create a solution that works for us. We do have very important independent retailers that are a critical part of the landscape when it comes to our food system.

My view is that any code of conduct we develop needs to include the perspective of the independent grocers. In fact, I am involved in a conversation with the independent grocers now over drafting some principles that would meet the needs of food processing and also ensure that the needs of the independent grocers are reflected as well.

At the end of the day, I think whatever code we have should be strengthening their position and everyone else's as well.

Mr. Warren Steinley: Thank you very much.

Mr. Blenkarn, what a breath of fresh air for this committee. I think you have been down a path where we should have a conversation about some of the irritants and some of the biggest impediments to the growth of our processing and capacity sector. You said that government sometimes needs to just get out of the way—I'm paraphrasing—and allow private investment to come in and do the job.

What would be three of the biggest irritants causing us not to attract that private investment into our agriculture in the processing and capacity sector?

• (1725)

Mr. Ian Blenkarn: You can take any three of the ones I listed in my presentation earlier. If I wanted to focus, foreign labour is a big problem. The way the temporary foreign labour rules work today is absolutely atrocious. I gave an example earlier about the Nova Scotia plant being shut down due to COVID-19. We have catchers who catch the birds in the barn. It's not a very glamorous job or a really high-paying job, and for the most part, today in Canada, a lot of that is done by foreign workers.

Mr. Warren Steinley: Could I ask a more direct question? We've heard a couple of people talk in this committee about some of the issues around internal trade, non-tariff trade barriers and the fact that meat can be inspected in Nova Scotia and then that meat can't be sold anywhere else. There are issues with reducing red tape and allowing for the market to decide where and when a product should be sold.

Are these some of those issues that you ran into, hampering our ability to allow producers to basically create an atmosphere where they can be successful?

Mr. Ian Blenkarn: One area where I've seen some great discrepancy is CFIA. They are all supposedly reading the same handbook, but there seem to be various versions of it. What one plant can do...a neighbouring plant may have nowhere near the restrictions. That is extremely problematic, when you're trying to compete and the playing field is not level. That would be one of the exam-

ples that I struggled with when I was running processing plants. The rules were not consistent within our own CFIA.

Mr. Warren Steinley: There's one last thing.

When it comes to taxation, I also know that private investment will go to where it is able to make the biggest impact, and where it is able to be successful. Are some of the new taxes that are brought in—I'm referencing the carbon tax and a few other taxes and fees that we have seen increase and that will continue to increase over the years—part of the reason we may not have some of that foreign investment and private investment that you were talking about?

Mr. Ian Blenkarn: That is correct. The money will go where it's being attracted, so the money is going to go where the risk...and the stability is there, and where there is little fear of government reprisals or government taxes trying to claw back any profit you are trying to make. Yes, the more restrictions we put in place, the more we restrict our ability to attract capital, which is the reason I talked about investment tax credits. To me, investment tax credits are a fantastic way to reward those who invest and those who are successful.

The Chair: Thank you, Mr. Blenkarn.

We'll go to Mr. Louis for five minutes.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Mr. Chair.

Thank you to both witnesses for being here. I appreciate that very much.

Ms. Sullivan, something we haven't talked about when we talk about a shortage of skilled trades is students and young people entering the market. The reason I mention it is that I have a post-secondary school, Conestoga College, that has an institute of food-processing technology right here in Waterloo region. It provides education, training, research and technical experience in the food-processing industry.

Have you looked into programs to try to bring in a new workforce? This generation is looking for work, has ideas and is very forward-thinking. Have you looked at ways or are there programs that could help get young people into the workforce and address some of these shortages of skilled labour that we have?

Ms. Kathleen Sullivan: You are 100% right. I think students are a huge potential workforce for us. A program in Ontario, for example, was developed a few years ago, Taste Your Future, that was social media-based and very much focused on raising awareness of our industry as a potential job or career opportunity and also of the range of jobs we offer.

Yes, we should absolutely be working with the colleges and universities and looking at apprentice programs, internships and co-op programs because that has a huge potential. What companies say is that when they do have a co-op student, it's really important for them to continue that relationship, because that individual, at the individual level, becomes a potential lifetime worker for them and contributor to the company. From a domestic standpoint, youth are important, 100%.

I think we also have to think through the potential to look at under-represented groups, groups that may be challenged to get into the work force and how we can help them overcome those challenges. That's really hard to do at a company level. That is absolutely where we really need governments to help us. This can be about new Canadians or refugees and having to work through resettlement services or working with first nations communities to understand the transportation requirements and the ability to get people to the plant. I think there is a potential workforce there as well, but I think it is probably unrealistic to think that individual companies are going to be able to figure out how to overcome those barriers.

• (1730)

Mr. Tim Louis: Thank you very much.

You mentioned co-op, which I did not mention, which is great. New Canadians and first nations are also great. You're saying that it could help to have governments, whether provincial or federal, share best practices. If there are any other best practices you could share for the record here, it would help us possibly put some sort of program together. If you know of any others now, I would love to hear about them.

Ms. Kathleen Sullivan: Sure. Having the local colleges focus on programs that are geared toward food processing, like Conestoga College, absolutely.... I think, as well, this is often at the provincial level, but there's a leadership role for the federal government in taking a look at how we certify skilled trades. Are there possibilities for more flexible approaches to certification? Micro-certification, for example, to certify a skilled tradesperson for a micro skill set is important for our particular sector, rather than taking five or six years for full certification before people can do a job. That's really critical.

In fact, we put in an application for funding to look at that project last fall. Unfortunately, it wasn't accepted, but I think, 100%, the federal government needs to take a leadership role in seeing what skilled trades look like across the country, because we have a massive shortage, not just in this industry, but also in manufacturing. I think manufacturing sometimes gets overlooked as being old-fashioned. It's not. It's a massive employer in this country. We are the largest manufacturing sector, so we are the largest among manufacturers, and this is a sector that needs attention.

Mr. Tim Louis: To add to that, the work stays here. The work stays in our communities, 100%.

With the rest of my time, I want to acknowledge the sacrifices that the front-line food processors have made; they need to be recognized.

Another thing we haven't talked about is the potential to learn how we protect our workers through this pandemic and what kinds of measures might stay as we extend past this pandemic to help further productivity. There are lessons to be learned in how we can help protect our workers.

Ms. Kathleen Sullivan: There are, 100%. Bear in mind that when the pandemic first—

The Chair: I'm sorry, Ms. Sullivan, but I have to cut you off here.

Thanks, Ms. Sullivan. Thanks, Mr. Louis.

We're a little bit over time, but we'll go with Monsieur Perron, very tight.

[Translation]

Mr. Perron, you have the floor for two and a half minutes.

Mr. Yves Perron: Thank you, Mr. Chair. I'm very pleased to have speaking time. I didn't think that I had any.

Mr. Blenkharn, you started your presentation by saying that supply management was a good system that should be maintained. You then said that producers were only one component and that the system needed to be modernized.

What do you think should be changed?

[English]

Mr. Ian Blenkharn: I don't seem to have the translation.

[Translation]

The Chair: Are there issues with the interpretation?

[English]

Mr. Ian Blenkharn: I'm not....

[Translation]

The Chair: Can you hear it now?

[English]

Mr. Ian Blenkharn: Yes, I hear you now.

[Translation]

The Chair: Go ahead, Mr. Perron.

Mr. Yves Perron: Mr. Blenkharn, you started your presentation by saying that supply management was a good system that should be maintained. I was happy to hear this. At the same time, you also said that the system needed to be modernized and that producers were only one component.

I'd like you to elaborate on this idea in 30 seconds.

[English]

Mr. Ian Blenkharn: As I said, they're one cog in the wheel. They supply the raw product, but then the processor has to take that raw product and turn it into something that the consumer wants.

The problem with chicken supply management—and it's not the same in all supply management, but in chicken supply management—is that the way the system is set up, the producer controls the supply. They're guaranteed a price. The more they produce, the more they make, so there's no appetite for them to produce less and keep the supply equal to the demand in the country. COVID-19 has been really—

• (1735)

[Translation]

Mr. Yves Perron: Sorry to interrupt you, but time is limited.

Isn't there a supply adjustment according to the market? Isn't that the system?

[English]

Mr. Ian Blenkarn: No, there is still way too much chicken being produced in this country. The producers will not cut back their supply because when they cut back the supply they make less money. The processors are bleeding, as I said earlier. Something they should sell at three or four dollars, they were selling just before Christmas at 50¢ or 60¢ a kilogram.

[Translation]

Mr. Yves Perron: The current situation gives us the impression that we're short on processing everywhere. I'm trying to grasp what you're saying.

Are you saying that there's too much processing in the chicken sector?

[English]

The Chair: Please answer quickly, Mr. Blenkarn.

Mr. Ian Blenkarn: That's the reason why I say that supply management, especially in the poultry sector, needs to modernize.

The Chair: Thank you.

Mr. Ian Blenkarn: There needs to be some consequence.

The Chair: Thank you, Mr. Blenkarn.

We have Mr. MacGregor for two and a half minutes.

[Translation]

Thank you, Mr. Perron.

[English]

Mr. Alistair MacGregor: Thank you, Chair.

Ms. Sullivan, in your earlier exchange with Ms. Rood, you were talking about the enormous costs that have been borne by the industry in dealing with COVID-19, particularly how the floor plan has had to change in many food-processing centres to deal with physical distancing and so on.

As you look forward into the future—and hopefully by the end of 2021 we're well on our way to having most of the population vaccinated and we really have those numbers down—how is the industry going to adjust? Are there plans to go back to the way the floor plans were set up before COVID struck? What lessons have you taken from the pandemic, should another one strike us in a

decade's time? I'm curious as to what kind of planning is going on for how those floors are organized as we head towards recovery.

Ms. Kathleen Sullivan: Right now we're still in the middle of the pandemic. We're obviously in the middle of the second wave, and things are probably worse, or recently have been worse, than they have ever been, so no, companies aren't, at this point, anywhere near thinking of planning to roll things back.

If anything, I think we're not going to see many changes, or even planning, until we see a critical mass of the population vaccinated and we start to hear from the experts about what the risk level is of the virus transmitting. Even at that point, I think we are going to see some changes in plants that are permanent.

For example, plants have put in walkways and barriers so that people can't pass each other. It's similar to what you see in grocery stores where you can only go one way. I think it will be a long time before you see that change. I think it will be a long time before you see the enhanced cleaning, or any of the changes that we've had to make, be reversed.

Some of those costs have been incurred and they won't be incurred again, and some are ongoing, like PPE, additional cleaning, health screening.

Even if you have an employee who is diagnosed with COVID, as an employer you do the contact tracing within the plant; public health doesn't come in and do that. The employer does all the contact tracing within the plant and watches security cameras to see what employee may have contacted another employee. There are massive costs that are involved in that, and I think those will be around for quite a while.

Mr. Alistair MacGregor: I think I'm getting close to the end of my time.

Thank you.

The Chair: Thank you, Mr. MacGregor.

This is the end of our session. I'd like to thank Mr. Blenkarn and Ms. Sullivan for their really insightful statements.

Thanks, everyone. We'll see you on Thursday. Take care.

The meeting is adjourned.

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