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# Standing Committee on Agriculture and Agri-Food

EVIDENCE

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Chair: Mr. Pat Finnigan



## Standing Committee on Agriculture and Agri-Food

Tuesday, February 2, 2021

• (1530)

[English]

**The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)):** I'll call this meeting to order.

Welcome to meeting number 15 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.

[Translation]

To ensure the smooth running of the meeting, I would like to share some rules with you.

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

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

I would ask committee members participating in person to proceed as usual. I do not think I need to provide further explanations, as there is no one in the room.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on your microphone icon to unmute yourself. For those in the room, your microphone will be controlled as it normally is by the proceedings and verification officer.

I remind you that all comments by members or witnesses should be addressed through the chair.

When you are not speaking, your mike should be on mute.

[English]

Now I would like welcome our witnesses for today for the first panel.

We have from Agri-Food Economic Systems, Dr. Al Mussell, research lead.

Welcome, Dr. Mussell.

From the Agri-Food Innovation Council, we have Monsieur Serge Buy, chief executive officer.

Welcome, Mr. Buy.

With that, we'll start with opening statements.

We'll start with Agri-Food Economic Systems. Dr. Mussell, you have the floor for up to seven and a half minutes.

**Dr. Al Mussell (Research Lead, Agri-Food Economic Systems, As an Individual):** Thank you.

Mr. Chair and honourable members, I am pleased to appear before you this afternoon and to provide the insights I have to offer as an independent researcher focused on Canadian agriculture and food.

As a country we take great pride in our agri-food system and its performance. Our point of departure is a position of strength, and the flip side of the challenges that I will raise are opportunities for Canada. I would like to begin my remarks with this important acknowledgement.

I will touch briefly on a number of immediate and tangible challenges to food processing in Canada. These are the challenges of today, impacting the ability of food processing just to be retained in its current state. There are also forthcoming challenges only just beginning to be conceived. Increasingly, the full range of issues that we face in relation to food processing in Canada will not entail a stable solution in which we fix a problem, and the solution endures over time. The environment is more unstable, and maintaining solutions for food processing will require broader, ongoing effort.

Much of the data published by Statistics Canada dealing with capital stocks in food manufacturing was terminated in 2013. Increasingly, we are left to public announcements made by firms investing in new plants for information. That doesn't provide a consistent or satisfactory source of information on processing investment, infrastructure and capacity.

Scale in food processing in Canada faces a number of constraints. From the perspective of product brands and food marketing, Canada is a small market, yet from a geographic and product distribution standpoint, Canada is a very large area to serve and the need for product freshness and distribution can require multiple plants operating throughout the country at a relatively small scale.

The Canadian market is also fragmented provincially through provincial regulation in farm products marketing, under the interpretation of section 121 of the Constitution Act. In effect, the platform through which many processors purchase farm products for processing is provincial in structure, while their primary customers, grocery retail chains and food service distributors, operate at the national level.

The challenges of obtaining and retaining human resources for the needs of the agri-food sector are no doubt well known by the committee. This certainly extends into food processing. Where economics would have dictated that food processing plants be located in rural areas near supplies of farm products for processing, increasingly plants are locating closer to large urban centres as accessing the necessary workforce becomes the key consideration.

For some years now the trends and forecasts documented by Employment and Social Development Canada have pointed to trends in education and training oriented towards professional careers. This risks leaving our sector with a gap.

A recent and troubling development is the erosion of our global trading institutions and a shift toward bilateralism on behalf of large economies with the economic weight to use trade as leverage. Agri-food products are frequently drawn in as an instrument of retaliation in trade disputes, and the resulting injury drives the demand for agricultural support.

For example, the United States has had repeated and highly significant ad hoc farm subsidies in place dating from 2018. These support U.S. production, advantaging U.S. food processors. In addition, support also applies to food processing plant development. For example, in a recent announcement, municipal supports exceeding \$1 million U.S. were given for development of a poultry processing plant located in Alabama.

There are also increasing technical challenges to exporting food. The pandemic has elevated these. For example, exports to China have recently become subject to inspections of packaging in food shipments for the COVID-19 virus. This has resulted in suspensions by China of exporters in a number of countries, including Canada. China has also invited countries to self-delist plants in which there have been cases of COVID-19 among employees; however, the process to get re-listed as an exporter to China is not clear. Delisting by China, under either mechanism, could be an overwhelming blow for a food processor leveraged into exports.

In the domestic market, food processors face a customer base of retailers and food service distributors that is highly concentrated. This, by itself, is a concern as the loss of a single retail account could be disastrous. Moreover, the supply chain relations between suppliers and grocery retailers is increasingly seen as fraught in Canada, with concerns regarding involuntary and arbitrary fees levied by retailers and processors, and requirements placed on processors that generally increase uncertainty and inefficiency in the supply chain. This topic occupied considerable discussion at the most recent federal-provincial agricultural ministers conference.

The process of constantly raising the bar on all aspects of food quality and safety and on facilitating innovation is in the interest of all. However, the public process and nature of regulation can under-

mine this if it is excessively cautious, onerous or creates uncertainty. Regulations need appropriate analysis, consultation and resources behind them, and excessive fees for regulatory approval can form a barrier to new product introductions.

• (1535)

Carbon taxes are recognized as the most efficient instrument for greenhouse gas mitigation; however, the financial magnitude of these costs on the food system are sobering. Without some rationalization about how these costs will be shared, the concern exists that they will end up being allocated by bargaining leverage in supply chains, with the costs rolling back to the food processing and primary production segments.

We are struggling to come to grips with how the economic adversity in Canada fragments itself across the segments of our society, but the effects appear worst in the prairie provinces whose economies are most closely tied to energy. There is a need to replace employment lost and restore economic growth in these provinces. One avenue for doing so is through agriculture and food, with food processing investment as a linchpin. My hope is that new economic development in Canadian food processing can proceed on the basis of competitiveness and efficiency, but this environment is ripe for dangerous provincial economic rivalry.

I have some recommendations.

Evidence-based policy development requires quality data. Improved collection of public statistics that deal with the capital stock for food processing in Canada, with the resources to analyze the data and interpret the results, is necessary.

Many of the challenges that I have identified boil down to inefficiencies in food supply chains. Understanding the causes, the costs of inefficiencies and who is affected can help bring about their resolution and relax barriers to investment in food processing.

Through investments in technology research and development, Canada can redouble its efforts to facilitate improvements in efficiency at smaller scales and address some of the issues with workforce in food processing.

Ongoing work is required on Canada's approaches to regulation of the food system and the provision of public resources to support regulation that is effective for all.

Export market access, and also access to imports, is fundamentally in the interest of food processors. Canada needs to continue its pressure to restore and expand the rules-based trading system. Equally, Canada should explore approaches to trade in processed foods that addresses broad priorities, notably climate change and the facilitation of processed foods featuring a reduced carbon footprint, with protective border measures based on the carbon footprint of the imports. Indeed, missing this point could lead Canada to falling behind.

Investments in food processing can be an important generator of regional economic development and form a portion of the solution for economic recovery. The federal government has a role to play in facilitating recovery through food processing investment, but in a coordinated manner that avoids the pitfalls of provincial rivalry.

Recognizing and addressing our constraints in food processing are critical in advancing the goals in the Barton report, and more fundamentally, having Canadian agri-food play the role that it can in economic development, enhancing food security, and being a resilient food supplier to the world.

● (1540)

**The Chair:** Thank you, Dr. Mussell. Unfortunately, we have to cut you off, but there will be a chance to answer some questions.

We'll move to the Agri-food Innovation Council, Mr. Serge Buy, chief executive officer.

Go ahead for up to seven and a half minutes.

**Mr. Serge Buy (Chief Executive Officer, Agri-Food Innovation Council):** Thank you, Mr. Finnigan.

Good afternoon, and thank you for giving the Agri-Food Innovation Council a chance to provide recommendations as you study processing capacity in Canada.

The Agri-Food Innovation Council has been in existence since 1920. It is a unifying voice for research and innovation in our country. Our members include research centres, university faculties, producer groups, government entities, and large, medium and small business, all involved in research and innovation on agri-food.

Some of our members are located in your ridings, such as in Mr. Steinley's riding of Regina—Lewvan, with Protein Industries Canada and the Farm Credit Corporation, while others have various connections through agri-food research and innovation, such as the Agriculture and Agri-Food Canada research centres located in the ridings of Madam Bessette and Mr. Blois.

The COVID-19 pandemic has resulted in Canadians being concerned about food safety and security. For some people this was the first time in their lives that they went to the grocery store and couldn't find the products they are used to buying. The problems we are experiencing with processing capacity won't end when the pandemic ends. We require thoughtful action now.

The Agri-Food Innovation Council would like to offer tangible recommendations which, in our opinion, are realistic solutions for some of the ongoing problems. We consulted our membership when preparing this presentation and making our recommendations, and we certainly want to thank them for their input.

I also want to take the time to thank the farmers, the workers in food and beverage manufacturing and processing plants, distributors, retailers and those in food services who enabled Canadians to continue to feed their families even when it meant taking a risk for themselves.

Let me move forward with our recommendations.

The first recommendation is to ask that the government create a funding program to facilitate the adoption of automation technology for food and beverage manufacturers as well as processing plants.

As noted by Food and Beverage Canada and le Conseil de la transformation alimentaire du Québec in previous submissions to this committee, automation in food and beverage manufacturing would help reduce risks for our food systems. Dr. Andrea Brocklebank of the Beef Cattle Research Council, one of our members, also suggested further adoption of automation for repetitive tasks in processing plants. Along with increased efficiencies, this would also reduce risks of worker injury and facilitate the transition of labour to value-added jobs.

We see the lack of capital as one of the key barriers to the adoption of new technologies for food and beverage manufacturing. The government has a role to play. Let's take today's news. The government has announced that it has secured a deal to manufacture vaccines in Canada. It is providing funding for new facilities. That is fantastic. It shows that the government sees a role in making us more independent for the supply of vaccines.

We need to be able to replicate that type of support for food and beverage manufacturing and processing plants. This will strengthen our food security. The development of a funding program to facilitate the adoption of technology for food manufacturers and processing plants would go a long way to support companies with the large capital investments required. Rightfully so, Canadians view food security as a crucial issue. Increased adoption of automation in food and beverage manufacturing as well as in processing plants would help.

Canada is a nation of innovation. However, we have seen an increasing gap between research and commercialization. Incubators and accelerators in agri-food, such as Creative Destruction Lab, Bioenterprise, and the Saskatchewan Food Industry Development Centre, can provide early-stage companies with guidance, cross-sectoral connections, mentorship and access to capital and funding. This leads me to my next point: incubators.

Our second recommendation is that the federal government should incentivize the expansion of incubators and accelerators to stimulate entrepreneurship in agri-food.

Incubators play an important role in bringing together agriculture research with other key sectors, as Dr. Paul Hoekstra of Grain Farmers of Ontario noted to AIC. This is why they're important and the government should play a role in supporting them.

In November and December, AIC held a series of video conferences on the climate for investment in agri-food research and innovation. We had a number of presentations from Canadian organizations, companies, funders and even international organizations, which helped provide comparatives for Canada.

The agri-food research and innovation sector is underserved in terms of private investment.

● (1545)

As Mr. Dave Smardon from Bioenterprise said during our video conference, trying to help agri-food companies find capital for activities such as piloting demonstrations was currently a significant challenge. This is partially an issue of perception and limited knowledge of available opportunities.

Ms. Kelley Fitzpatrick from NutriScience Solutions in Manitoba said that while government funding is generally effective at funding research, more could be done to support agri-food ventures looking to market innovative products and processes.

My final two recommendations further my previous comments. First is that the government collaborate with industry to actively attract private investments in agri-food research and innovation by promoting opportunities, success stories and incentives for investments. Next is for the government to expand NRC's IRAP offering to SMEs looking to commercialize their innovation by making capital costs eligible.

In the not-too-distant past, December 2017, in a report on Canada's economic growth, Dominic Barton highlighted agriculture as a key growth sector. He was right.

There is no question that this pandemic has had a deep impact on all of our society. Stemming from that are new challenges for our economy.

We don't need to see solutions to challenges as being out of reach. Yes, we need to move quicker and smarter. Yes, we need to work better together. Our recommendations don't necessarily mean big programs. They can be implemented and will benefit our country. The government, to its credit, has made more regulatory changes and more developed new programs in the past 10 months than in the past number of years. When there is a crisis, our society rises to the challenge.

In this presentation and in the brief that you should have received, I highlighted four recommendations that either require some investments but would support economic growth for the recovery or have little cost for the government.

We would be pleased to see this committee adopt all or even some of our recommendations as its own and would also want to work with the government on their implementation.

Thank you.

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

Now we'll go to our question round for six minutes.

We'll start with Mr. Epp for six minutes.

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

Let me begin by saying thank you for excellent testimony from both of the witnesses.

I'm going to begin by directing some questions to Dr. Mussell.

Al, it's good to see you again. Your words that we've often shared in conversations, "Dave, the market is always right, even when you think it's wrong," ring in my head. Here we are trying to enhance the market for processing capacity in Canada. You've given us a lot to unpack.

I had a question prepared around the location specifically of meat slaughtering capacity and the trade-off between economies of scale and nearness to supply or nearness to market. I'm going to expand that because you touched on exactly that but introduced another factor, which was access to labour.

How does access to temporary foreign workers feed into that matrix of economies of scale, access to market or to supply and access to labour? Can you comment further on that?

**Dr. Al Mussell:** It's a bit of a complicated topic, Dave, but thank you for the question.

Based on pure economics and looking at sort of our mid-term history, it's expensive to transport livestock. You tend to want to locate livestock processing facilities in areas where you have production of livestock as opposed to in big cities.

Over time, that reality is still there, but if you're going to have a plant that might employ 1,000 or 1,200 people, employers have to think increasingly where exactly those people are going to come from. Some of the food processing facilities that I'm familiar with, mostly in Ontario, get very innovative. They'll coordinate transportation for employees to get to the plants from urban locations. Increasingly, they are locating right in urban locations. In other words, they'll take on the diseconomies of transporting the livestock in this case, or the farm product more generally, to the plant to take advantage of the economies of having the workforce there.

● (1550)

**Mr. Dave Epp:** Thank you. I have lots I want to get to.

You talked about the need for more independent third party data so that we could make good decisions. You referenced StatsCan. What would be a mechanism to get that data? Are you talking about compelling disclosure? How do we find that balance?

**Dr. Al Mussell:** Maybe what I can say about it is this, Dave. This information was collected previously. Back in 2013 or in around that period, there were quite a number of datasets being collected that were agricultural statistics. That data collection from Statistics Canada ended.

To be fair, I would want to leave it to Statistics Canada to ask them how they collected the data previously. One would hope that they continue to do that again.

**Mr. Dave Epp:** You've mentioned the carbon tax and its cascading effect or tendency to be borne by the lower ends of the value chain.

Do you have any mechanisms in mind? Are we talking about just straight exemptions at the lower end to drive that or share that cost? What would be some policy mechanisms?

**Dr. Al Mussell:** In order to be fair, Dave, I think we need to learn a little more about it.

There's some worry that, with carbon taxes coming, you have food packaging, you have the production of the farm product itself, and you have all the transportation and the transformation processes in between. That could be a large burden.

However, if we look at, as I made reference to, the bargaining relations in our food supply chains, the retail segment has been pretty successful in basically pushing that back to the processing and farm level. To some extent, we have regulated marketing in farm products to deal with issues like that.

I worry that the allocation of the carbon tax could follow that same pattern. It could end up residing with the farmer and the processor and not be distributed equitably.

**Mr. Dave Epp:** You touched on the retailer concentration or the retailer power. From your independent viewpoint, can you make a quick comment on the code of conduct as a policy mechanism to address that?

**Dr. Al Mussell:** It's a real concern. Other countries have taken it on as well.

Perhaps the best way to look at it is as an issue of inefficiencies, what types of inefficiencies create some of the demands on behalf of retailers, and what are some of the demands on behalf of the retail segment from processors that create inefficiencies themselves. Perhaps that should be our best lens in terms of how to attack it.

**Mr. Dave Epp:** If China is not willing to go down a rules-based world trading order, where should Canada focus? So many of our sectors are export focused.

**Dr. Al Mussell:** I think we've already started the process of working with allies to take on, actually, issues specifically like the COVID-19 swabs on food packaging. My understanding is that Canada has had discussions with Australia, New Zealand, the U.S., probably the EU, and maybe some others, to have a united front on this. This is disguised protection and we can't tolerate it.

**Mr. Dave Epp:** Thanks.

Let me go to regulation for a bit. You talk about regulatory reform. Other witnesses have talked about the two-edged sword, where particularly in regard to our food safety, the regulations give

us a positive international brand, yet there's a cost to regulation borne by industry.

When you look at regulations, what's the yardstick or the external standard you bring in to bring some values around that?

**Dr. Al Mussell:** It's a tough question to tackle, because you're really trying to hit a knife edge with regulation. It's not in anybody's interest to have no regulation. That's part of the credibility of the Canadian product—

**The Chair:** Thank you, Dr. Mussell. I'm sorry, but we're out of time.

We'll move to our next questioner.

[*Translation*]

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

[*English*]

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you, Mr. Chair, and thank you to Mr. Mussell, and to my esteemed constituent Monsieur Buy, if he still lives out in North Glengarry.

Monsieur Buy, it's great to see you. I will get to you. I know you have some members in Mr. Steinley's and Madam Bessette's ridings, but I have the best CEO up here, so there you go.

Mr. Mussell, in terms of the data, you've mentioned the fact that Statistics Canada is no longer keeping track. How are you finding that particular data now? Are you relying on industry surveys, essentially?

**Dr. Al Mussell:** The short answer is that the data doesn't exist. We go back to the survey of manufacturing and logging, which gives us information on the earnings of food processing companies and things like their GDP contribution and some of their major expense items. However, in terms of the capital side, the capital stock that we have and depreciation, and how we relate productivity back to investment in food processing, we don't have that information anymore.

• (1555)

**Mr. Francis Drouin:** You've mentioned access to working capital or to HR. I think it's great that you're mentioning that. I'd be curious to know whether you have found through your studies in other countries that they have filled that gap through automation. Then I will ask Monsieur Buy that same question.

Have you found that automation can fulfill an HR gap in some areas for food processing?

**Dr. Al Mussell:** Maybe I'll say it this way: In my limited study, one example you can look at is Denmark. Denmark has done a very effective job of this. Really, part of that is some of their own technical capability.

Also, the job here is to take individual positions in a plant that historically have been relatively low-level labour jobs and to increase the value of those positions through automation. If we're going to have more of a professional workforce in Canada, which our trends suggest we will, we want to be able to attract those people into food processing.

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

[Translation]

Mr. Buy, thank you for being with us today.

I noted that one of your recommendations was to create a program to facilitate the use of automation technologies. In this regard, did you feel that Innovation, Science and Economic Development Canada was putting up barriers? We are often asked how many jobs will be created before being given access to such a program. Have you noticed this in the field or heard it from your members?

**Mr. Serge Buy:** Thank you for your question.

Indeed, we heard from our members that there was a problem. Often, access to funding programs requires job creation. But when we talk about automation, we are not really talking about job creation initially, but probably about new training and changes in duties. It is obvious that automation will make some jobs disappear, which will create a barrier to capital access through financing programs. So this is a problem. In addition, many federal government programs, such as the NRC's Industrial Research Assistance Program, limit access to capital [Editor's Note: *Technical Difficulty*].

**Mr. Francis Drouin:** In another of your recommendations, you call on the government to work with the private sector to create marketing opportunities and investment incentives. We often hear that there are more venture capitalists in the U.S. than in Canada and that it's easier to raise capital in the U.S., regardless of the sector.

Do you believe that Canada would be better positioned strategically if it were in a position to seek such investments?

In terms of incentives, I know that we have increased the capital cost allowance to promote more investments in equipment.

What other incentives could we present to stimulate these private investments?

**Mr. Serge Buy:** It is obvious that our neighbour to the south poses a problem for us when it comes to investments. We could give you many examples where fantastic research and innovations have been done in Canada, but commercialized in the United States, because that's where the money is.

It is therefore obvious that we need to do better. It is taxation and investment promotion policies that will enable us to do better. To this end, the government could also put in place targeted policies. At conferences with our members, we heard many examples of programs that could be put in place by the government to attract investments on this side.

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

I think I only have 10 seconds left, so I'll stop here.

**The Chair:** Thank you, Mr. Drouin and Mr. Buy.

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

• (1600)

**Mr. Yves Perron (Berthier—Maskinongé, BQ):** Thank you very much, Mr. Chair.

Thank you to the witnesses for being with us today.

Mr. Buy, I thought you were on an interesting track when you mentioned that you had heard relevant examples of potential programs. Could you give us some examples?

**Mr. Serge Buy:** Indeed, the government could certainly put in place certain measures. For example, the issue of taxation is important. We have heard several comments in this regard. Tax rebates and investments for research should also be easier to obtain than at present. Canada's Scientific Research and Experimental Development Program should be reviewed and redefined. There should also be more openings for venture capital funds, as we have lost a lot of these types of investment funds. In Canada, they have been replaced by angel investors. We would like the government to pay more attention to that, by promoting those kinds of investments and the industry as well.

Our neighbours to the south have understood that the agro-food sector is a promising sector for the future. We seem to have picked up on that a little bit on the Canadian side in 2018, after the Barton Report of 2017, but we still have a long way to go.

**Mr. Yves Perron:** You mention that our neighbours to the south have understood the advantage of this sector, but we obviously don't have the same financial means, among others when it comes to direct subsidies.

How could we compensate for this missing contribution? I am thinking of the agri-food industry, but also of our agricultural producers.

**Mr. Serge Buy:** We don't have the same means as the United States, but we still have means proportional to the size of our country. We can't always look on the other side and tell ourselves that we can't do anything like them because they are much bigger than we are. We can do things. We can be proud of our future and put in place programs [Editor's Note: *Technical Difficulty*] that would make it easier for us to invest on this side.

So I think there are things we can do. I have listed some of them. In the report that we sent to you before this presentation, we mention some things that would not cost a lot of money and would already have some appeal.

When investors look at Canada, they look at natural resources. They don't look at agriculture and agri-food. Maybe the Canadian government should do more promotion on this side. These are ideas that we have listed and that don't cost much.



**Mr. Yves Perron:** So there is an idea of promotion. You have some nice answers, Mr. Buy. I like them.

You mentioned research and development. On more than one occasion, people from universities who testified before the committee have mentioned that the facilities are often outdated.

Wouldn't there be a massive investment to be made on this side as well?

**Mr. Serge Buy:** Obviously, there are investments to be made in infrastructure. This is sort of what we are proposing when we talk about broadening the financing with regard to capital investment. This must be done on the side of universities, but it must also be done a great deal on the side of small and medium-sized enterprises and development centres. So it must involve not only the university sector, but several other sectors as well.

**Mr. Yves Perron:** That's why you propose the idea of tax credits for innovative companies, isn't it?

**Mr. Serge Buy:** Yes, the only thing I want to mention is that Canada often tends to give tax credits, but we also need direct funding. Many of these companies are going to have a hard time putting money on the table for construction. The government needs to find partnerships with them.

I gave the example of what has just been announced today for vaccines. It is obvious that this is being done in other sectors, for example in the field of transport infrastructure and other areas of infrastructure. But it's not being done in the agri-food industry, and I think we need to change our approach.

• (1605)

**Mr. Yves Perron:** All right, thank you very much.

Dr. Mussell, you spoke of an imbalance of market forces between retailers on the one hand, and producers and suppliers on the other, as well as unhealthy relationships. You used a sentence that I liked anyway: nobody benefits if there is no regulation.

In your opinion, the committee that has been set up by the ministers of Agriculture should produce a formal code of conduct based on the model of countries that have done so before us. Is that correct?

[English]

**Dr. Al Mussell:** I understand there are some elements of industry that are working on a code of conduct and I'm not sure how that's going to work. That could be a very positive development. There are a number, as I mentioned, of what I'll call procurement tactics that our retailers use that processors simply have to be able to live with. That comes from an imbalance in market power, but I tend to want to focus this, I think, to be more productive on the matter as an issue of inefficiencies.

**The Chair:** Thank you, Dr. Mussell. Unfortunately, I have to change questioners.

Mr. MacGregor, you have six minutes.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thank you, Mr. Chair, and thank you to both of our witnesses for their very informative testimony and also the responses they've given to questions so far.

Monsieur Buy, I'll start with you.

In your brief to our committee, you made mention of a few of the incubators and accelerators. One of those, the Saskatchewan Food Industry Development Centre, is a facility that our committee actually got to have a tour of in the previous Parliament. Those of us who were there were quite impressed with what it was able to do to really help young entrepreneurs bring their ideas to fruition. We got to sample some of the products that it made.

You've spoken a lot about what we need to do to attract investment. Can you talk a bit more about some of the success stories that we as a committee could make mention of when we're making our recommendations to the government? Could you expand a bit more on that?

**Mr. Serge Buy:** We can certainly provide you a number of success stories for those products and those centres. I don't have success stories at the tips of my fingers here, but I—

**Mr. Alistair MacGregor:** Is there a common weave through those success stories that we could briefly allude to in our committee report?

I'm not sure if we have Mr. Buy on, Mr. Chair.

[Translation]

**The Chair:** Mr. Buy, can you hear us?

[English]

Could the clerk verify if we lost Mr. Buy?

It looks like his screen is frozen. There were a few glitches earlier on with him.

**Mr. Francis Drouin:** We need more investments in rural broadband.

**Mr. Dave Epp:** Rural Internet. Exactly. That's what I was going to say.

**The Chair:** That's another study for another day.

Maybe we can pause for a second so they can check if they can retrieve Mr. Buy.

**Mr. Alistair MacGregor:** The irony is that was one of the recommendations in their brief to our committee.

**The Clerk of the Committee (Ms. Alexie Labelle):** I think he left this webinar. Probably he is going to come right back.

**The Chair:** Is he going to come back?

Mr. MacGregor, were there questions for our other witness also, or do you want to wait?

**Mr. Alistair MacGregor:** Sure.

Dr. Mussell, did you have any thoughts on the question I was asking Mr. Buy about success stories?

**The Clerk:** He's back.

**Mr. Alistair MacGregor:** Are you able to hear us?

**Mr. Serge Buy:** I'm back. I live in Mr. Drouin's riding. He's going to have to work on getting us better Internet in Alexandria.

**Mr. Alistair MacGregor:** The question I was asking you is, apart from any specific success stories, is there a common thread that weaves through them that you can allude to for our committee to examine when we make our recommendations to the government?

**Mr. Serge Buy:** Yes, absolutely.

I think the common thread is the fact that a lot of those companies are not having their own the capacity to do this. Therefore, the joining of efforts, the ability to benefit from this incubator type, has enabled them to move forward.

In the stories we are going to assemble for you, you are going to see through those three organizations that are mentioned and others the fact that it is the same story on a regular basis. We are hearing regularly that they need to pool their resources, that they need to get some support initially and move forward.

• (1610)

**Mr. Alistair MacGregor:** Mr. Buy, can you also for the committee's benefit talk about the relationship between local processing capacity and our primary producers and just how important that relationship is?

I know when I talk to farmers in my riding of Cowichan—Malahat—Langford, if they had that ability to add value to their products, maybe it would encourage them to expand their operations. It might actually encourage more people to get into the farming business.

If you could expand a bit more on that for our committee's benefit, that would be great.

**Mr. Serge Buy:** I think you have touched on an interesting point. There needs to be a bit more of the link between the farmers and ranchers and the processing side. There needs to even be a better link between the processing side and the value-added side.

We are seeing the same thing where some farmers are looking at processing plants and wanting to get a stake in there, or wanting to better see their products moving and getting some more benefit out of that as well.

There needs to be a better correlation of the effort between the producers and the processing plants, and then the value-added process as well. We've noticed that a number of times in various consultations that we did.

**Mr. Alistair MacGregor:** Thank you.

Mr. Chair, could I have a time check?

**The Chair:** You have about one minute and 30 seconds.

**Mr. Alistair MacGregor:** Thank you.

**The Chair:** We cut the time out as much as we could so it should be good.

**Mr. Alistair MacGregor:** No worries.

Maybe I will get both of our witnesses to comment. You both referred to the fact that we need to engage in this process of automation.

Maybe I will start with you, Dr. Mussell.

What can the federal government be doing about encouraging the education of our homegrown talent to help foster that automation? What more could we actively be doing in seeking recruits from abroad?

**Dr. Al Mussell:** The difficulty we have is that we're short people who want to work in food processing and who want to work in agriculture. As I said, the trend is more people wanting to pursue professional careers. I think our challenge is to increase the value of people's jobs so that some of those people who are pursuing a professional career want to come and work in agriculture and food and in food processing. The way you do that is to make the jobs more technically challenging. You change the workplace environment and make it more amenable to a professional workplace.

I think there's reason to believe that we can do that pretty well. You can look at the bases we have in parts of the country, certainly. For example, in southern Ontario in automotive, there is a lot of engineering expertise there and a lot of electronics, AI, etc. All of these things can be deployed into this area.

**The Chair:** Thank you, Dr. Mussell and Mr. MacGregor.

Now we will go to our five-minute round.

Mr. Steinley, go ahead, please.

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

It's a pleasure to have these two witnesses before us today.

Serge, thank you very much for mentioning FCC and PIC, Protein Industries Canada, which we have right here in Regina. I also grew up near southwest Saskatchewan, and have family who worked at the Canadian agriculture research station in Swift Current. There is a lot of great things going on.

Dr. Mussell, thank you very much for your testimony.

My first question is for you, Serge.

What are some of the reasons that Canadian agriculture businesses and manufacturers are facing liquidity issues? We heard it from a couple of the witnesses, especially from Qu'Appelle Beef and Jason Aitken. In terms of meat processing plants, they face a big liquidity issue. They have to ramp up and have a lot of product on hand, but then when they send that out, sometimes it takes a while to get paid for the products they're delivering. If they have to wait for those paycheques, they're really having an issue bridging that gap. How do we fix that?

Second, do you know if their counterparts in the United States are facing that same issue?

• (1615)

**Mr. Serge Buy:** That's a very good question. Part of my presentation that I wanted to make today included a note on the whole food system. We're talking about processing today, so I removed it, because I didn't want to go through the whole food system. However, the fact of the matter is that we need to look at the whole food system. The whole food system is what Mr. MacGregor mentioned—from the producer to the consumer, the whole.... Even the waste coming out of the food, we need to look at that. We need to look at how things are going.

Indeed what you're seeing with your distributors, Mr. Steinley, is that their payment methods are creating a liquidity issue for processing plants. We know that it is partially the same in some cases in the U.S. There are some other elements as well. There is more capacity for financing as well over there for short-term debt on occasion. That may be part of the solution. We know it is an issue.

The government can look at regulations as well. Is it normal for people to pay 90 days, or six months on occasion, as we've seen before, for products that they received? Probably not.

**Mr. Warren Steinley:** Thank you very much.

Dr. Mussell, I'd like to get your opinion on that. Is that something that government needs to be directly involved in, on the financial monetary side? Or are there ways they can fix regulations and help those businesses attract private investment and could create an atmosphere where we have more private capital coming in? Government wouldn't necessarily have to put the money into the financing. It could create a more competitive and attractive atmosphere for these processing facilities.

**Dr. Al Mussell:** I think what you're primarily making reference to is working capital. The reason you need more working capital is that in a relatively short period of time, the environment has gotten more risky. That's the way you deal with that. You just add more cash in the system.

Now, there are a few things we can do here. Some of the risk comes from trade. It's product that we're exporting, that we think we're going to get paid for, that we think is going to be accepted by the customer, and then for whatever reason it's not. Government can take action on that and make sure that our trade agreements are complied with and we don't have frivolous and disguised protectionist actions taken against us. That decreases some of the risk.

The other aspect, of course, is what we were discussing a moment ago, which is retail relations. I think you or maybe Mr. Buy said that if it's taking 90 days for people to pay, or they pay when they want to because they can get away with it due to the leverage they have in the supply chain, that's incorrect. That needs to be corrected. Government can use some of its influence to do that.

**Mr. Warren Steinley:** Thank you very much.

This is going to be quick.

I'd be very sad if I couldn't mention PIC, so Mr. Buy, could you give a couple of examples, in 30 seconds or less, of ways in which the protein industry in Canada has had a few successes here in Regina?

**Mr. Serge Buy:** Thirty seconds to go through all the examples with PIC would not be enough. I think you heard from PIC at the committee not long ago. I don't want to be accused of being their cheerleader, but they have done a great job and keep doing a great job. I am a fan. They certainly have done well.

I think the main issue, Mr. Steinley, is what's next for PIC. We think that the quicker the government can talk about the future and about future funding for an organization such as PIC, and extend the program to other—

**The Chair:** Thank you, Mr. Buy. Thank you, Mr. Steinley.

Now we go to Mr. Louis for five minutes.

**Mr. Tim Louis (Kitchener—Conestoga, Lib.):** Thank you, Chair. Thank you to both witnesses for being here. This is extremely informative, and I very much appreciate it.

Dr. Mussell, I would start talking to you because, well, I'm down the road. You're in Guelph and I'm in Kitchener—Conestoga.

Monsieur Buy mentioned that many of the success stories are supported businesses. Mr. MacGregor rightly brought up the idea that young entrepreneurs should be an important part.

You also talked about our being short of labour, yet whether in Guelph or in Waterloo region, with the two universities and the community college, which also has a program for processing capacity, there's a quite skilled labour force.

Can you expand on your mention of how we can make jobs more technically challenging, or how we can support our young entrepreneurs and the next generation of processing workers and then agriculture sector workers?

• (1620)

**Dr. Al Mussell:** Sure. We have capability around artificial intelligence, automotive engineering, chemical engineering, chemistry and other aspects of excellence. I don't think we've particularly been effective in deploying that capability in thinking about how we turn a \$20-an-hour job into a position that perhaps could pay \$70,000 or \$80,000 a year and really be a professional occupation for somebody.

I'm not sure this is an issue of turning out people with undergraduate educations from universities as much as it could be a community college thing. It's almost more of a sub-engineering field.

**Mr. Tim Louis:** It could also be that these are the people who are designing the software, designing the programs that could very well do that.

Your mandate was very interesting reading. You talked about making processing more competitive, more sustainable and more profitable. So many times we hear words like that, "sustainable" versus "profitable", as diametrically opposed words. You're saying that you're working with companies, that you can make them competitive and make them profitable while still being sustainable.

Can you tell me some of the ways in which you can help strike that balance so that we can use it in our processing?

**Dr. Al Mussell:** Well, I think it builds on your last question.

One thing that Canada brings to the table is the natural resource base we have. It's a sustainable resource base. It's resilient. It's highly regarded internationally. Of course, it's totally out of scope relative to the domestic population, the people we have to feed.

That makes Canadian agri-food, I think, a fundamentally attractive proposition. I don't agree with the idea that we have to somehow trade off sustainability with profitability. I think the two support each other. We want to foster that support.

**Mr. Tim Louis:** Okay, thank you.

I would like to also speak to Monsieur Buy.

You mentioned that in Canada we have a small market with a large geography. You also mentioned that we are fragmented provincially. Can you talk a little about the interprovincial trade barriers that are created by these regulations and how they can affect—we've heard from time to time from witnesses that they can affect—transportation and processing as well?

**Mr. Serge Buy:** On the internal trade barriers, this is well known. There are major issues that Canada needs to deal with. The agreement on internal trade was a first step. It is frustrating for people not to be able to move products as easily as they should. Transportation is an issue in the country, the grain having to travel across the country, etc., and various elements that get in there are also a problem.

In terms of internal trade, we are facing challenges. Canada, the federal government, has a key role to try to work on the leadership and work with the provinces. I mentioned incubators and the creation of more support for them. I also don't think we need an incubator for everything in every province, and that's a key issue in our country where one province has something and we absolutely have to have it in [*Technical difficulty—Editor*].

If I look at examples in France and Germany, on occasion, they have one development centre for one product nationally. In Canada, we often have to have 10 plus three territories, which means we have 10 weak ones.

[*Translation*]

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

[*English*]

Thank you, Mr. Louis.

[*Translation*]

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

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

Dr. Mussell, earlier you mentioned the need for a code of conduct. There seems to be unanimous agreement on that.

Are there other things the government could do, in addition to this code of conduct, to address this imbalance or to help the market better regulate itself?

• (1625)

**The Chair:** Have we lost Mr. Buy again?

**Mr. Yves Perron:** My question is for Dr. Mussell.

[*English*]

**Dr. Al Mussell:** Yes, I think I got the question.

One thing we can do is this. If we map our supply chains better and really develop an understanding of where the bottlenecks and inefficiencies are in them, I'm pretty confident that people can work together, maybe with some support from government and in some cases some regulatory authority used by government, whatever means, to work those inefficiencies out.

Some of these, I believe, are manifested by demands that retail customers put on.

[*Translation*]

**Mr. Yves Perron:** With regard to the carbon tax or other processes in the country, you mentioned your concern that it is the producer at the grassroots level who absorbs the cost, rather than the other levels. Is there anything we can do about that?

In the same statement, you mentioned the importance of protecting borders and calculating the carbon footprint. This is a good way forward, which touches on the reciprocity of standards. I would like to hear what you have to say about this.

[*English*]

**Dr. Al Mussell:** The worry on the carbon tax, of course, is if it's shared based on the same way that bargaining relations are in supply chains feeding into retail, then this will just get pushed back and back. The processor will bear some. Then they will try to take it from the producer, and then ultimately it all rests with the producer. That's not a situation that we should be comfortable with. We're going to have to find a way to equitably share those costs. The first thing is going to be to map the costs out and understand where they are, and then come to arrangements that they're shared equitably.

With regard to border taxes, my thinking has changed on this quite significantly. With regard to carbon, Canada has something to offer. Agriculture can be a big solution to some of our carbon challenges, but if we take on additional costs to meet that mandate, then we need border taxes that are going to protect us so we're not undercut from imports.

**The Chair:** Thank you, Dr. Mussell.

We'll now go to Mr. MacGregor for two and a half minutes.

**Mr. Alistair MacGregor:** Mr. Buy, I have two questions for you.

I think you were cut off before you were going to respond to my earlier one. It was on the training aspect with regard to automation.

Was there anything you wanted to add?

**Mr. Serge Buy:** I think we have several programs in universities and community colleges on automation that are doing a great job on this. I think we have to look at the success stories and move forward.

One key thing is also putting entrepreneurship in our training. One of the problems that we're seeing is people are having great ideas, great projects, and they're not able to bring them to fruition because they lack the knowledge. We need to do a little bit better on this.

**Mr. Alistair MacGregor:** When you look at the motion that's guiding our study, our primary objective in this study is to ensure the stability and renewal of the value chain, but one of the other parts of our study refers to also supporting the goal of increasing local capacity to protect food security. You made mention of that in your opening statement.

Can you add anything to cover that particular aspect of our committee study?

**Mr. Serge Buy:** Absolutely.

Two of the recommendations deal specifically with this increasing access to capital for local processing plants and manufacturing plants.

We need to look at the local aspect of this. I don't have the funding to support their activities on that front. The major international companies do and can make the investment, but the small and medium-sized enterprises don't. The government needs to support them on that. The government also should be able and should want to promote the investments in those facilities.

Those are two things that I think could help on this, and the NRC IRAP as well, which mainly deals with small and medium-sized businesses. The recommendation to enable capital funding within that program should be able to help as well.

**Mr. Alistair MacGregor:** That's great. Thank you so much.

That will be it for me, Mr. Chair.

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

This brings our first hour to an end.

I want to thank our panel, Dr. Mussell and Monsieur Serge Buy, chief executive officer at Agri-Food Innovation.

We'll break for a few minutes to change the panel.

• (1630) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1635)

[*Translation*]

**The Chair:** Welcome to our second panel.

[*English*]

For our second panel we have, from the Beef Farmers of Ontario, Mr. Rob Lipsett, president, and Mr. Richard Horne, executive director.

Welcome, Mr. Lipsett and Mr. Horne.

From the Dairy Processors Association of Canada, we have Michael Barrett, chair, and Mathieu Frigon, president and chief executive officer.

Welcome, Mr. Barrett and Mr. Frigon.

We'll start with the Beef Farmers of Ontario.

You have seven and a half minutes between the two of you. You can share that however you like.

**Mr. Rob Lipsett (President, Beef Farmers of Ontario):** Thank you.

Good afternoon. My name is Rob Lipsett and I'm a beef producer from Grey County, Ontario. I'm the president of the Beef Farmers of Ontario. Joining me today is BFO's executive director, Richard Horne. Thank you for the opportunity to appear before you today.

While the COVID-19 pandemic has heightened the focus on processing capacity, the beef sector across eastern Canada has had to contend with capacity challenges for some time due to a variety of factors that have led to periodic supply bottlenecks, significant negative pressure on farm gate prices and lost market opportunities.

Over the last five years, federally inspected processing utilization in eastern Canada increased from 71% in 2015 to 100% in 2020. In addition, Ontario provincial processing numbers are up approximately 20% over 2019 and the five-year averages. Some beef farmers must wait four to six months, and in many cases up to one year, to have their cattle processed at provincial facilities. CanFax estimates that shortages in beef processing capacity equated to \$129 million in lost revenue in 2020 for farmers in eastern Canada.

To enhance processing capacity, we recommend four key areas of focus. They are strategic investment in the sector, addressing labour shortages, addressing regulatory differences between Canada and the U.S., and creating permanent tools to help mitigate processing disruptions.

First and foremost, continued government investment in the sector is needed. We need to simplify programming and ensure funding windows have enough runway to allow facilities sufficient time to plan and execute. Focus programs on outcomes and stop limiting what and how businesses can invest in capacity growth. Funding priorities should be placed on projects with the greatest ability to expand production capacity. A combination of cost-share funding, no-interest loans and non-repayable loans should be offered to assist with capital investments to spur production and improve efficiencies.

Between 2008 and 2017, Canada's agricultural exports grew three times faster than the Canadian average. Last year, Canadian beef exports grew 17% and opportunity for further growth remains. The sector's ability to maintain jobs through COVID-19 makes agriculture a priority for economic recovery. To capitalize on export opportunities, we recommend creating an industry export development fund to assist export diversification efforts and address trade barriers. For example, the fund could enable processors to apply for matching funding that would support enhanced capabilities to segregate eligible product, support modifications to food safety interventions to meet country-specific requirements or make strategic investments that spur growth and improve efficiencies.

Access to labour is another issue of concern. A study was done by Food Processing Skills Canada indicating that the meat sector had a job vacancy rate of about 13%, compared to other food companies that averaged 2% to 4%. In Ontario, this equates to approximately 2,400 vacant positions and \$1.2 billion in lost productivity. A domestic strategy to attract, train and retain the workers by providing investments and supports in training and education is needed. A refocus of foreign worker programs into permanent programs is also needed. The agri-food labour pilot was a good first step, but we need to be doing more. There are dozens of countries with ample supplies of workers willing to come here and fill the jobs. Pathways need to be created to facilitate this.

I'll now turn it over to Mr. Horne to complete our presentation.

• (1640)

**Mr. Richard Horne (Executive Director, Beef Farmers of Ontario):** Good afternoon. Thank you, Rob, and thank you, Mr. Chair.

Another issue we wanted to touch on today that is contributing to processing capacity challenges stems from an ongoing trade issue with South Korea, which is having a negative impact on American packer interest in buying Canadian cattle. South Korea requires shipments from Canada be halted if there's another case of BSE found in Canada. Because the U.S. does not have this requirement, processors in the United States that would otherwise compete for our cattle here in Canada are hesitant to do so as they must segregate those animals and then process them during dedicated shifts. This is a cost that most U.S. plants are not willing to incur.

Canadian lawmakers need to push for a resolution with South Korea to have this requirement removed. While our preference is always to have Canadian cattle processed domestically, the issue with South Korea has reduced the availability of processing space and competition for our cattle.

We also need immediate revisions to Canada's specified risk materials removal requirements, also known as SRM. It's a relic from the BSE days. Canada's requirements have created a significantly unlevel playing field between us and the Americans for our producers and processors that is no longer supported by science. The current cost discrepancy between the two countries is significant. On average, Canadian processors remove about 58 kilos of SRM on animals over 30 months of age, whereas the U.S. removes approximately 900 grams.

The Canadian Meat Council estimates that this costs our sector over \$30 million a year in lost value, and there are also other associated costs on other classes of animals that we market here at home. Meat that is lost in the removal of the spinal column in animals over 30 months of age in Canada can be harvested in the United States and then sold back to consumers in Canada, which adds to the disparity and lack of fairness between the two systems on top of the cost.

While we're pleased to see that discussions with CFIA to address this disparity have begun, the goal needs to be to fully align our SRM rules with the U.S. as soon as possible. This will have immediate benefits to the Canadian sector.

Last, I want to emphasize the need for continued access to set-aside programs, similar to the ones that were implemented this year

under the AgriRecovery framework, in response to COVID-19. These programs help farmers manage supply bottlenecks caused by processing disruptions. If we need this tool again, we need to make sure that it can be quickly accessed this year. When the Guelph Cargill facility closed over Christmas, for example, due to COVID-19 challenges, we were able to quickly trigger that program, which was great to see.

This type of program should become a permanent tool to help mitigate disasters and reduce processing availability. Things like floods, fires, human or animal disease outbreaks and labour force stoppages could be better managed if we had access to this tool on a more permanent basis.

That concludes our recommendations. Thank you.

• (1645)

**The Chair:** Thank you, Mr. Horne. You're right on time.

Now we'll go to the Dairy Processors Association.

You have seven and a half minutes. You can split your time if you wish.

**Mr. Michael Barrett (Chair, Dairy Processors Association of Canada):** Thank you.

Good afternoon, Mr. Chair and members of the committee.

Thank you for the invitation today to discuss dairy processors' views on our country's food processing capacity.

I'm the board chair of the Dairy Processors Association of Canada, as well as the president and CEO of Gay Lea Foods Cooperative. With me today is Mathieu Frigon, president and CEO of the Dairy Processors Association of Canada.

Dairy processing is the second-largest food processing industry in Canada. It contributes more than \$18 billion annually to the country's GDP, supports the milk production of over 10,000 Canadian dairy farms and employs almost 25,000 Canadians in 471 facilities across this country.

For dairy processors there are two key areas where improvements could support renewal of Canada's dairy processing industry to restore investments and spur growth. The first is addressing the impacts of dairy market access granted under CETA, CPTPP and CUSMA through the development of a dairy processor compensation program. The second is addressing the unfair treatment of suppliers by Canada's largest grocery retailers through the creation of a grocery code of conduct.

As we have previously discussed with this committee, the dairy market access granted by trade agreements like CETA, CPTPP and CUSMA has created a climate of uncertainty, which has disincentivized investment and innovation in Canada's dairy processing capacity. At full implementation, access granted under these agreements will represent about 10% of the Canadian market or about \$300 million in annual losses to net margin. This is the equivalent to Canada losing 15 to 20 medium-sized cheese makers. In addition, CUSMA will restrict our exports of certain dairy ingredients. Since the conclusion of CETA negotiations in 2013, dairy processing is the only food processing industry exhibiting negative GDP growth among the top 10 food processing industries on which data is collected by Statistics Canada, and trade agreements have a lot to do with that.

The Canadian government has made repeated promises of full and fair compensation for supply-managed sectors. Last week, significant compensation for dairy farmers began to roll out. Our industry is still waiting for any sign of the government's intention to announce compensation to dairy processors for their losses.

Supporting production at the farm but not taking action to support processing capacity is a failure to acknowledge that supply management is a system. Its long-term viability requires both its farming and processing industries to be healthy and growing.

A dairy processor compensation program is necessary to ensure that we continue investing in our future in the face of growing imports and that Canadian-made products customers want are available in the future. A compensation program, including tools like non-repayable contributions for investments and refundable tax credits, could improve competitiveness and support investments in processing capacity and modernization.

Compensation to processors should be viewed as not simply a support or a handout, but an investment in domestic processing capacity, Canadian jobs and economic growth.

I'll now turn it over to Mathieu.

**Mr. Mathieu Frigon (President and Chief Executive Officer, Dairy Processors Association of Canada):** Thank you, Michael.

[*Translation*]

The unfair practices of Canada's largest grocery retailers are another major hurdle preventing not only dairy processing, but the entire food value chain from meeting its full potential.

There has been significant attention to recent announcements by large grocery retailers regarding new fees for suppliers, but this is part of a much larger and long-standing problem that has reduced investment and innovation and slowly erodes Canada's food processing capacity.

It is estimated that the fees, deductions, and administrative costs required to simply get products onto shelves has grown at twice the rate of sales over the past five years. This is known as trade spend and it is significantly higher in Canada than in other countries. For example, in the United States, trade spend accounts for 18% of processors' costs, while here it accounts for about 28%.

This stands as a major hurdle to expansion and growth, especially for small and medium-sized processors.

Money paid to large grocery retailers in the form of arbitrary fees and deductions is money that is not being reinvested in facilities, product innovations or new jobs. In the long run, this could have serious impacts on Canada's domestic food production.

As others who have presented to the committee have noted, this is all possible because of the concentration in Canada's grocery retail market. Five large retailers control over 80% of the grocery retail market. For comparison purposes, the largest food processor controls no more than 3% of any given retailer's volume.

If we, as a country, are serious about improving local production and making our food system more resilient—and the pandemic has shown the extreme importance of having resilient systems—our food value chain needs to be rebalanced so that food suppliers are given a fighting chance. We believe this is where a Grocery Code of Conduct comes in.

• (1650)

**The Chair:** Are you finished?

[*English*]

Sorry. Go ahead.

**Mr. Michael Barrett:** I was going to say one sentence and then conclude.

**The Chair:** Yes, go ahead.

**Mr. Michael Barrett:** A code could encourage greater accountability and transparency in the retailer-supplier relationship, and create the balanced and competitive grocery retail environment necessary to support growth along the food chain.

We thank you for your time today.

**The Chair:** Thank you, Mr. Barrett and Monsieur Frigon.

Now we'll move to our question round. We'll start off with six minutes.

Ms. Rood, you have six minutes.

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

Thank you to the witnesses for appearing today.

I'm going to start with the folks from the beef industry.

I'm personally concerned about how this pandemic has affected the producers in my own riding and the processing capacity for these beef producers. It's my understanding that when there are delays for moving cattle to process into beef, they can translate into unexpected costs of feed, but it can also lead to problems in the internal supply chain of cattle operations.

I'm wondering if you could talk further about the financial impact to your stakeholders and how those delays affect their profit margin.

**Mr. Richard Horne:** I appreciate the question.

Yes, delays in getting animals processed create significant costs to producers, in the form of discounts at processors for overweight cattle. Obviously, the costs in feeding an animal for longer periods of time also has huge implications in the hundreds of dollars per head every day that the animal is delayed in getting to market. It is significant and there is little backstop that producers have to absorb or mitigate those costs.

**Ms. Lianne Rood:** Thank you for that, Mr. Horne.

I've also heard that some cattle operations in Ontario have had to ship their cattle as far away as Alberta for processing because of a lack of processing capacity in Ontario that's been made worse by the pandemic. As I understand it, about 90% of the beef processing market is controlled by two entities. You touched on that.

Do you see any short- to longer-term solutions coming on stream in the near future to help mitigate the problem that we have here in Ontario?

**Mr. Richard Horne:** I think some of that was touched on in our presentation.

Investment by the federal and provincial governments and private industry is huge in making sure that processors that are here and are operating have the tools that they need to expand operations, improve efficiencies and put plans together for growth domestically and to take advantage of huge market potential on the export front.

I think more work needs to be done for small and medium-sized players to increase their capacity, locally and at the provincial level and the federal level.

I'd welcome Rob to add anything there.

I think some of the regulatory things that we mentioned, SRM removal.... The issue with South Korea is very important as well, as is to open up processing access south of the border. That will also be critical in helping to address this problem.

• (1655)

**Mr. Rob Lipsett:** I might add that what we saw when the federal plants had a backlog of cattle in the processing sector was our provincial plants really stepped up to the plate to try to alleviate some of that backlog. Our numbers for 2020 showed that they had increased their capacity by close to 25%. They've now hit the wall and they've been asking questions about how they could access funding for infrastructure expansion, and access to labour and technology. I think all of those combine to make both short- and long-term solutions to our processing backlog.

I think if we could sit down and find a way to create some kind of funding, or labour immigration plans, or a work to permanent residency kind of pathway, it should help alleviate some of the stress that we feel at the farm level.

**Ms. Lianne Rood:** Are there any solutions coming on stream any time soon in Ontario, or is that still a work in progress?

**Mr. Rob Lipsett:** During the last CAP program that was announced before the new year, there was a shared program between yourselves in the federal government and our provincial government. I believe it was a \$4-million program. We saw that money snapped up very quickly by all of the processors in Ontario.

That was positive, that they want to access the kind of funding, that they can do more.

We need to see more plans like that and they could ramp up production fairly quickly.

**Ms. Lianne Rood:** Thank you very much.

Mr. Barrett, you were talking about the grocery retail giants' fees, fines and special charges, which affect your stakeholders in particular. I know you touched on this, but I want to verify whether I'm right in thinking that dairy processors purchasing milk products are purchasing at a supply-managed price from producers.

**Mr. Michael Barrett:** That's correct. We are purchasing milk and it's supply managed, so it's at a set price based upon the end use of the milk product that you use.

We don't squeeze producers. I heard that mentioned in the last panel. Actually, the retailers squeeze us as the processor.

**Ms. Lianne Rood:** If dairy producers purchase milk product at a supply-managed price, am I right in thinking that when grocery retailers impose a new fee or a fine or a special charge, it goes directly against the processors' profit margin, and that you have no way of passing on those fees, fines or special charges to those whom you sell it to?

**Mr. Michael Barrett:** There's an irony. Yes, we don't have the ability to charge it back, because the very people who are levying the fees against us are the ones we go to for a price increase, so there is that—

**The Chair:** Thank you, Mr. Barrett and Ms. Rood.

**Ms. Lianne Rood:** Thank you.

[Translation]

**The Chair:** Mrs. Bessette, you have the floor for six minutes.

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

Thank you to all the witnesses for being here today.

My questions will be directed to representatives of the Dairy Processors Association of Canada.



According to a recent report by the Agri-Food Innovation Council, there is a lack of research and innovation, which hinders the growth of the processing industry and its international competitiveness.

In your view, what measures are needed in the long term to encourage innovation and technological advances in the industry?

**Mr. Mathieu Frigon:** I will respond first, and then I will let Mr. Barrett add his comments.

We are well aware of this report. However, the dairy industry was not consulted as part of this report.

In my opinion, the first step is the compensation program that we mentioned in our presentation. As we were saying, it's not a matter of sending a cheque in the mail. We want a program that will allow the industry to position itself in the long term to encourage investments. I think that this first step is mandatory.

As we stated in our presentation, pressure from retailers, the impacts resulting from the access granted under international trade agreements, in addition to the constraints that will be imposed on us with respect to the export of dairy ingredients, make this program absolutely necessary. It is this type of program that will enhance investments and innovation in the dairy processing industry.

• (1700)

[*English*]

**Mr. Michael Barrett:** I couldn't add any more than to say that innovation and investment go hand in hand and that there is a requirement to have both. Recognizing that we have a small population—I heard this said in the last panel as well—the ability to innovate and to seek markets elsewhere is a critical component of growth, and that modernization fund is a critical part of doing so, as Mathieu has outlined.

**Mrs. Lyne Bessette:** Thank you very much.

[*Translation*]

How important is automation to innovation and growth in your sector?

[*English*]

**Mr. Michael Barrett:** I'll start and then I'll pass it to the Beef Farmers.

Certainly, automation is a critical component. Labour, as I heard in the last panel, becomes a significant hurdle to our being able to go forward. As mentioned, the food industry, although it has experienced some roller coaster hills and valleys through the pandemic, has been able to meet the requirements of the Canadian industry and Canadian consumers. However, automation is a critical component, because manpower, the ability to attract individuals, whether skilled or even general labour, becomes much more difficult. I would suggest that even during this pandemic, many food processors are looking for individuals and are having difficulty acquiring the help that's needed to continue to grow and support business.

**Mr. Richard Horne:** I would just add, from a beef perspective—the processors can tell you what they need—that we would underscore what Rob mentioned in his presentation. Make the funding programs targeted enough, with sufficient runway, to let the

businesses decide how to best implement technology and automation advances in their plants that help spur innovation and growth. That would be our primary recommendation on that front.

**Mrs. Lyne Bessette:** Thank you.

[*Translation*]

My next question is also for the representatives of the Dairy Processors Association of Canada.

You spoke briefly about the fact that the food processing industry is experiencing recruitment and retention problems, especially in higher-skilled jobs.

Do you have any comments about this labour shortage? What solutions could the government offer to this problem?

[*English*]

**Mr. Michael Barrett:** I certainly would agree that specialized fields are critical. I think what we need in certain areas is the ability to be able to have programs that would support. For example, I'm not the largest dairy processor, but I could probably hire anywhere between 15 and 20 apprentice mechanics of all shapes and sorts, whether they be PLCs or electricians. We need a countrywide program that will allow us to be able to fund that.

It also goes beyond that. It goes to the element of those skill sets—cheese makers and things like that. There isn't necessarily the infrastructure to be able to support that type of skill development. We're having to import it.

In the other part of my life, I serve as a school board trustee. I'm always continuing to advocate the understanding that there are many, many different options in co-op programs and in support of those co-op programs. The belief that there is another alternative to having a degree—being able to also support the training of and the encouragement of youth in those programs—is essential for the dairy processors of Canada.

**Mrs. Lyne Bessette:** Thank you very much.

I have only 20 seconds left, so that's fine. Thank you.

[*Translation*]

**The Chair:** Thank you, Mrs. Bessette.

I'll now give the floor to Mr. Perron for six minutes.

**Mr. Yves Perron:** Thank you very much, Mr. Chair.

I'd also like to thank the witnesses for being with us.

I'll begin with the representatives of the Dairy Processors Association of Canada.

I'd like to come back to compensation. You said that you've been promised compensation for the 10% market access provided under the Canada-European Union Comprehensive Economic and Trade Agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and the Canada-United States-Mexico Agreement, but that you haven't yet received compensation.

Have you had discussions with the government? Have you established amounts with them? Has there been any progress or has nothing been done?

• (1705)

**Mr. Mathieu Frigon:** We've had discussions, but it's been some time. We've been made several promises. The last promise is the one in the Minister's mandate letter. That said, in recent weeks, we haven't had any discussions specifically about compensation.

**Mr. Yves Perron:** Could you explain the harmful effect of insecurity this has had on the sector?

Our current study is aimed at increasing processing capacity. I have the impression, though, that the opposite is happening in your sector.

**Mr. Mathieu Frigon:** That's absolutely right: it creates a lot of uncertainty. We often talk about this access to 10% of the market, but we talk less about the impact of these agreements on the remaining 90% of the market. What CETA has shown us is that cheese imports have had an impact on the overall price structure of the market. This has therefore affected margins in 100% of the market, not just the portion of the market affected by the new access agreements. It really had an overall effect.

As we said in our introduction, we aren't proud of this, but since 2013, not only are we the worst performing food processing industry, but we're also the only one to have had negative GDP growth. Why has this been the case since 2013? It was in 2013 that an agreement with Europe was announced. Since then, it has been far from fun for dairy processing. The figures show it; the figures don't lie.

**Mr. Yves Perron:** Are you afraid of being left behind and not being compensated? Are the commitments clear and firm?

**Mr. Mathieu Frigon:** The commitments are clear and firm, but we're still waiting. As you know, two announcements have been made to producers: one in late summer 2019 and another just before the holidays. Each time, we were hopeful because the promises were very clear. However, so far we have waited in vain.

**Mr. Yves Perron:** If you were compensated as promised, it would help you to innovate and make technological improvements, which is what we are studying. Am I wrong in saying that? You're asking for tax credits and an innovation program, right?

**Mr. Mathieu Frigon:** Yes.

I'll let Mr. Barrett provide more details.

**Mr. Yves Perron:** Thank you.

[*English*]

**Mr. Michael Barrett:** Yes, and to answer your question, the concept of the support of the compensation is so that we can reinvest and reinvent our industry to be able to face a new market reality. With restricted exports on products that have been an important

growth element, being able to reinvent ourselves is an important criterion in being able to balance this industry out. You can't continue to be able to support producers without understanding that you need somewhere to process it.

Again, we don't oppose any producer compensation. I'm a co-op. We do not oppose that. However, we are looking for some equity, because the modernization of our industry has to be able to take place, and the reinvention of our industry has to take place because we have to be able to adjust to a new market and global reality of where we can compete and where we can't anymore, based upon the trade restrictions that are now imposed under the trade agreements.

[*Translation*]

**Mr. Yves Perron:** Thank you, Mr. Barrett.

Could you now tell me about the code of conduct for the food industry to address retailer concentration? You stressed that by saying that it was a basic recommendation.

If the working committee is unable to come up with a code, what would be the impact on you and your industry?

[*English*]

**Mr. Michael Barrett:** Certainly there is an initiative going forward and a number of associations that are getting together. There is a committee, co-chaired by the Minister of Agriculture, that is also going forward with that.

I can only put it into the recent context of Walmart and Loblaws, where there was a unilateral ask for 1.25%. This is the dairy industry; this is the food industry where margins are tight. Therefore, there is an incredible impact that will have. This isn't the first ask. Our members will talk about multiple asks that have occurred over the last decade. I've been in this industry for 20 years. It is just a series of asks.

What that would allow us to do is to have predictability when you make an investment. You can make an investment today, and to your question, you can have a restriction on the pricing that you're going to be able to get and then you get squeezed between the producers—again, which we support—and the retailers.

• (1710)

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

[*Translation*]

Thank you, Mr. Perron.

[*English*]

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

**Mr. Alistair MacGregor:** Thank you, Chair, and thank you to our witnesses for providing this testimony to our committee. It's sincerely appreciated.

Mr. Barrett and Monsieur Frigon, I'll start with you.

Would you take a little more time to expand on why this code of conduct is important? I know that the seven minutes you have for your opening statement can run out pretty quickly, so is there anything else you want to add to that?

**Mr. Michael Barrett:** I'll start, and then I'll let Mathieu finish.

I didn't get to all the comments, and I appreciate this very much.

First of all, we are not asking for something that has not been established in other countries. As I mentioned in the brief that was submitted, the U.K., Australia and Norway also have working codes of conduct that are voluntary.

Indeed, if you read the U.K. report, the yearly report that the auditor puts out, it is actually serving consumers, retailers and processors well. What they've seen is a net decrease in food pricing within the marketplace.

What it will allow us to do as a processor is to not get sidelined or tripped up by an arbitrary decision.

I want to put it into context. If one of our retailers decides that they need a new warehouse computer system, they have levied those costs against us. They have levied their costs against modernization of the redesign of their stores. Where do processors go to be able to recover that? We cannot go right back to the individuals who are levying that. It has created such an uncertainty that the concept of being able to invest for innovation is grinding to a halt and we need processing in Canada to support our producers.

I'll turn it over to....

I'm sorry.

**Mr. Alistair MacGregor:** I was just going to say that when I put my consumer hat on and am walking through the grocery store, I don't exactly realize what it takes for a dairy product or any product to be in that high visibility area and the hidden costs.

I was going through the website of the Competition Bureau. They talk in their section about market dominance, when it becomes abuse of dominance. You talked about the big five controlling 80% of the retail market here in Canada. When I start looking at what qualifies as abuse of dominance....

You're not directly in competition with the retailers, but the punitive fines that they're levying and they're constantly asking for more....

You talked a little bit about the role the federal government can play vis-à-vis the provinces. Is there anything more that we as a committee can be pushing the federal government to do?

**Mr. Michael Barrett:** We recognize that the responsibility for such a code of conduct would rest with the provinces. We understand that. We appreciate that there is a federal initiative, a joint committee, going forward, but although there may not be the legislative ability to intervene, there is a moral obligation, and I think it is perhaps from this that encouragement of this idea could possibly come: the desire to support an equal playing field, to ensure that there's competition and that consumers are served in this country. Perhaps that is where the federal government can play this role.

This is about consumers, about the ability to choose equally and equitably when you walk down the aisle. It's not about how many dollars are passed into pockets to determine what goes on a shelf and what doesn't. We all have to compete. We understand that. We're prepared for it. We just want equity in the competition.

• (1715)

**Mr. Alistair MacGregor:** Mr. Frigon, did you have anything to add?

**Mr. Mathieu Frigon:** Yes. When we look at the U.K. experience, it's quite interesting. Back in 2013, when their own competition bureau made a report—and that was the report that led to the implementation of a code—the report talked about protecting consumers. The report said that ultimately, consumers will bear the costs of lower investment and lower innovation among food processors. That was the main justification for the implementation of the U.K. code.

It's interesting that the U.K. code is subject to a statutory review every three years. The latest was published last year, and no stakeholders, from farmers to consumers, are complaining about the code. It's almost, I would say, unheard of. You have a government piece of regulation about which basically all stakeholders say, “We like it.”

That presents an opportunity definitely for Canada to both protect consumers and enhance the entire food value chain.

**Mr. Alistair MacGregor:** If this is allowed to continue, I imagine it's going to be quite detrimental to our country's food security: having smaller processors being squeezed out of offering their unique dairy products in a popular vendor and retail space.

I appreciate both of your contributions to our study.

This about wraps up my time, so I turn it over to you, Mr. Chair.

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

Now we'll go to the five-minute round.

[*Translation*]

Mr. Lehoux, you have five minutes.

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

I'd like to thank the witnesses for being with us this afternoon.

My first question is for Mr. Barrett or Mr. Frigon.

You've already had discussions on two of the agreements signed in the past. In the Minister's mandate letter, there was talk of moving forward on the compensation file, but nothing was proposed under CUSMA, either.

**Mr. Mathieu Frigon:** Yes, we've seen the mandate letter, but nothing more concrete has been proposed.

**Mr. Richard Lehoux:** Beyond words, no action has been taken.

What form of compensation do you think would be appropriate? You said earlier that it wasn't about having a cheque. With respect to automation and equipment replacement for all processors, have you proposed any solutions to the Minister or the department?

**Mr. Mathieu Frigon:** I'll let Mr. Barrett answer that question.

[*English*]

**Mr. Michael Barrett:** Yes, we certainly have laid out our concepts and our concerns on multiple occasions on being able to ask about the compensation and try to propose a framework, probably just as recently as last week, at the CDC meeting, where we again posed the question as well.

There have been conversations and we have been assured that it is a priority, but we have been looking for fulfillment of that priority since 2015.

[*Translation*]

**Mr. Richard Lehoux:** Indeed, this dates back to 2015. The first agreements were negotiated six years ago, and no compensation was offered. The effect of opening the market on all the processors you represent has been felt for a number of years now, as you mentioned earlier.

I'd like to talk about equipment upgrades. We know that this is related to the solids non-fat issue, if I may use more specific terms. With the significant increase in quantities, I would imagine that the equipment used to process and dispose of these solids non-fat needs to be modified. Isn't that equipment obsolete now?

• (1720)

[*English*]

**Mr. Michael Barrett:** Certainly the balance of our system is between fat, as you have mentioned, and the solids-not-fat. There is a requirement in this country to be able to make sure that we balance the two, or else that will potentially mean restriction in our ability to continue to grow.

Those plants and the replacement of those plants and the aging assets is certainly one of the areas where we would believe there's a possibility of being able to use some of those compensation dollars, to be able to rebuild and revitalize, and being able to create plants that also have greater flexibility and innovation, understanding that we have to build those facilities within a trade agreement that restricts our traditional export markets. Therefore, that innovation dollar is critical.

To be fair, there was funding from the DPIF that came out of the CETA. I have to be fair. It was a small amount that was given to us. It was quickly subscribed, and there were a lot of processors who did not get the opportunity to have that.

[*Translation*]

**Mr. Richard Lehoux:** I'd like to ask a question about labour. There's a lot of talk about automation, but it still takes labour.

Is there a significant labour problem for Canadian processors as a whole? Does foreign labour play a significant role? Does the famous 10% limit also have an impact on your industry?

[*English*]

**Mr. Michael Barrett:** For dairy processing, that's not typically a program that our members would necessarily use. I know there are many other segments that utilize that as a methodology. My compatriots in the beef industry might be able to answer that better. It's not something that's typically used within our sector.

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

[*Translation*]

Thank you, Mr. Lehoux.

**Mr. Richard Lehoux:** Thank you.

[*English*]

**The Chair:** Now we'll go to Mr. Blois for five minutes.

**Mr. Kody Blois (Kings—Hants, Lib.):** Thank you, Mr. Chair, and thank you to our witnesses.

I'll start with the dairy processors.

Of course, we're talking about compensation in relation to the trade deal with Europe and the Pacific partnership. Would you be committed as part of that compensation to having some tied to the amount of supply-managed dairy production in each of the provinces; that is, if there was \$500 million on the table, it somewhat resembles where the actual quota is being produced by the producers that are sending it to the processors?

**Mr. Michael Barrett:** I'm going to let Mathieu start on that one.

**Mr. Mathieu Frigon:** In terms of what we see, Michael just talked about the CETA program. The government typically strives to have equal sharing. Basically, the government always makes sure that the amount is shared in an equitable manner throughout Canada.

**Mr. Kody Blois:** Certainly—

**Mr. Mathieu Frigon:** That's typical—

**Mr. Kody Blois:** Yes.

In my area of Nova Scotia, we've seen Saputo and Agropur buy Scotsburn and Farmers Dairy. There have been closures in plants in Saint John, Sydney and others.

Certainly I'll put on the record, and I hope it's part of your conversations with the government, that when we're looking at compensation, we're trying to solidify and improve not just facilities where they're becoming centralized in other parts of the country, but indeed in those areas that still remain in more of the regional economy. That's part of our study as well.

Can I ask about TRQs? I hear you in terms of the importance of the processing compensation. As I understand it, the tariff rate quotas are also given to processors, or some of your membership, where the actual price of the input costs for your products that are being processed is lower than perhaps what the average price is for the supply-managed products in Canada. That's, in some form, a way of compensation.

Is that helping, or is that certainly recognized within the industry as some form of support, although it's not quite exactly what you're asking for here today?

**Mr. Michael Barrett:** It does help in some respects, but there's a balance to that as well, depending upon the use of those TRQs. There are restrictions on how they can be used.

Also, we have to put that into context on the demand in Canada for Canadian dairy product. You cannot label a product that comes in from the U.S. as Canadian, or the blue cow program, so there are some potential restrictions.

It can primarily help those larger processors that potentially have businesses on both sides of the border, where they can utilize, let's say, two sets of assets. It is seen as some compensation, but the reality is that the amount of those imports has not significantly swayed the cost—disadvantage or advantage depending on the market.

• (1725)

**Mr. Kody Blois:** My final point, because I do want to go to the Beef Farmers, is around tax credits. I don't have a full list of them here, but I certainly know the government has implemented them, in terms of amortization on the cost of capital, expediting that, accelerating that and allowing businesses to count that as part of their business writeoffs. Is that something your membership has used or has seen as helpful since the last Parliament, when I believe some of these measures were introduced?

**Mr. Mathieu Frigon:** Michael.

**Mr. Michael Barrett:** I thought that was being addressed to the Beef Farmers. I'm sorry. Was I mistaken?

**Mr. Kody Blois:** No, it was for you, but I have about a minute and 15, so I better go to them. Perhaps you can address that in your next point, if allowed.

Quickly, to the Beef Farmers, of course we've talked about foreign labour and access to temporary foreign workers. Certainly, I think that everyone on this committee recognizes the importance of what that represents. I'll play devil's advocate for a minute. Is opening up and allowing even more access to temporary foreign workers perhaps just putting a band-aid on what is needed, which is more innovation? This has been a persistent problem for decades now in terms of labour in this sector. Is that just pulling us back or being an ankle weight to actually making those innovation changes that are needed?

**Mr. Richard Horne:** That's an excellent question. I think it's a balanced approach. We're going to need labour regardless of how much automation there is or how many in-plant improvements are made. The temporary part is the issue that we have a problem with. We want permanent residents, people who are going to plant roots here and develop careers within the industry.

Rob touched on more of a grassroots campaign through education and training in post-secondary institutions, not just around meat cutting but in food processing in general.

It's really a combination approach. Tech and innovation is one side, but labour is going to be here in much-needed demand for years.

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

Thank you, Mr. Blois.

[*Translation*]

Mr. Perron, go ahead for two and a half minutes.

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

My questions are for the beef farmers.

Thank you for being with us.

You mentioned the need to revise the standards, including the specified risk material, or SRM, standard. There are several points of view on this: some people at Bœuf Québec would like to see it removed, while others say they like the resulting geographic division.

Could you elaborate on your opinion on the matter? Do you want to see this standard disappear?

[*English*]

**Mr. Richard Horne:** Yes, I think it's very simple on the SRM issue; we need to harmonize with the United States.

The costs are prohibitive. They're creating an unlevel playing field between Canada and the United States. The science does not support the continued policies that we maintain in this country. We have started down that path. I have faith in the CFIA, and I hope they get that done quickly because the costs are significant.

[*Translation*]

**Mr. Yves Perron:** Traceability is important in this context. Do you have any difficulties with this? Despite the great concentration in slaughter, are you able to ensure a certain traceability of your products?

[*English*]

**Mr. Richard Horne:** I was waiting to see if Rob would answer, but I'll jump in here.

Yes, Canada has a national identification program. All identification tags are retired at slaughter. There's also registration at birth. Between the CFIA and industry, we can do a pretty good job of tracing back or tracing forward in the event that we have to. More work needs to be done in terms of movements in between, and we're working on that.

[*Translation*]

**Mr. Yves Perron:** I'd like to conclude with two questions, if there's time.

You mentioned the need to increase slaughter capacity. Do you think that new small- and medium-sized slaughter plants could meet the needs of the market? If so, what actions should we do about it?

• (1730)

[*English*]

**Mr. Richard Horne:** That's an excellent question. Thank you.

Touching on the investment for plants, it needs to be targeted and strategic. In terms of reaching out to plants—

I apologize; I was getting interpretation in my headphones.

Yes, on investment, small, medium and large-sized plants are part of this equation. It starts with investment by government direct to them, with sufficient runway and without limitation in terms of what is allowed under growth projects.

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

[*Translation*]

Thank you, Mr. Perron.

[*English*]

Mr. MacGregor, we will go to you for two and a half minutes.

**Mr. Alistair MacGregor:** Thank you, Mr. Chair.

Mr. Barrett, the motion that is guiding our study is tasking our committee to look at how we ensure stability in our processing sector and how we support the goal of increasing our capacity.

Your organization represents many different businesses that are of varying size. You've gone over the impediments—the compensation delays, the competition in the retail market.

If you're a small-scale producer right now, or if you're an entrepreneur who's looking to get into dairy processing.... Can you talk a little more about how the local landscape is looking for them? If we're trying to increase opportunities for these people to get started, what does it look like if you put yourself in their shoes right now?

**Mr. Michael Barrett:** I certainly appreciate that DPAC represents varying sizes of establishments. Also, we have a very good working relationship with the provincial organizations, which even take it down to the next level as well, to those entrepreneurial individuals. There is on-farm processing taking place, and it's being supported, and there are small organizations. It's very difficult, however, to work into a main stream in order to grow. It's great to be able to grow locally, and then they have to take the next step. That's when they start to run into some of the bigger issues.

There are listing fees. If you get too large, then the infrastructure has to get larger. There are the trucking pieces—the ability to truck, access to market, access to labour. Equipment is exorbitant; it's not made in Canada, but is from Europe or from the U.S. They're at the mercy of having to make sure they have adequate supply, because you need plant supply quota to enter the marketplace.

Being innovative in a niche market has certainly helped, but there is an element that you have to be able to take to the next level. Those organizations that are between \$30 million and \$100 million are struggling with the same elements as the large ones. Once you get to that element, there's a host of other criteria that you have to be able to meet as well, which they struggle with, and there's being played off as one supplier against another.

**Mr. Alistair MacGregor:** All right. Thank you so much.

I think that concludes it for me, Mr. Chair.

**The Chair:** Thank you very much, Mr. Barrett and Mr. MacGregor.

This is all the time we have. I want to thank our panel today. From the Beef Farmers of Ontario, Mr. Rob Lipsett and Mr. Richard Horne, thanks for being here with us. From the Dairy Processors Association of Canada, thank you Mr. Michael Barrett and Mr. Mathieu Frigon for sharing your thoughts on our study.

To the rest of the panel, thanks for being here. We shall see you next Thursday.

The meeting is adjourned.









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