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Chair: Mr. Pat Finnigan



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• (1530)

[*Translation*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone.

[*English*]

I will call the meeting to order.

As you probably know, in this meeting, similar to the last one, we have only three panellists. We'll try to use the same general formula, and hopefully it will work. If we have extra time at the end, we'll divide it using the same formula as last time.

I welcome you to meeting number 19 of the House of Commons Standing Committee on Agriculture and Agri-Food.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on October 24, 2020, the committee is resuming its study on processing capacity.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021. Therefore, members are attending in person, in the room, and remotely, using the Zoom application. Proceedings will be made available via the House of Commons website. The website will always show the person speaking rather than the entirety of the committee.

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

[*Translation*]

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

Members of Parliament 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 the floor, or English or French. With the latest version of Zoom, you can now speak the language of your choice without having to choose the corresponding language channel.

You'll also notice that the platform's "raise your 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.

When you do not have the floor, please mute your microphone.

[*English*]

Before welcoming our witnesses, I want to remind the committee that recommendations for the processing capacity report are due Friday, February 26, at 5:00 p.m., and they must be sent to the clerk.

With that, I'd like to welcome our witnesses for this afternoon.

From the Canadian Cattlemen's Association, we have Mr. Bob Lowe, president. Welcome, Mr. Lowe. Also, we have Mr. Dennis Laycraft, executive vice-president. Welcome, Mr. Laycraft.

[*Translation*]

From Novalait, we welcome Ms. Élise Gosselin, chief executive officer.

Welcome, Ms. Gosselin.

[*English*]

From Maple Leaf Foods Inc., we have Nadia B. Theodore, senior vice-president of global government and industry relations. Welcome to our committee, Madame Theodore.

We will start with opening statements by the witnesses. I will proceed in the order that I have in front of me.

From the Canadian Cattlemen's Association, whoever wants to take a floor...or you can split your time. You have up to seven and a half minutes to make your statement.

You can start. Thank you.

Mr. Bob Lowe (President, Canadian Cattlemen's Association): Thank you, Mr. Chairman.

Good afternoon.

My name is Bob Lowe. I'm a rancher in Alberta and also the president of the Canadian Cattlemen's Association, the national voice of Canada's beef farmers and ranchers. With me is Dennis Laycraft, executive vice-president of the CCA.

Thank you for the opportunity to appear before the committee to discuss beef-processing capacity.

The beef industry is Canada's largest agricultural sector, contributing \$9 billion in farm cash receipts and \$17 billion to the Canadian GDP, while generating over 225,000 jobs. It supports strong rural communities and is the largest Canadian conserver of the great northern plains. The sector's contributions to Canada's economy and environment would not be possible without the ability to process our product for national and international customers.

Today we will talk about what is needed to optimize beef-processing capacity. It is not a black and white issue of having too much or too little; rather, we need to attain the right mix of size and scale of processors within Canada. Large processors are efficient competitors nationally and internationally. They allow Canada to take advantage of trade agreements, while small to medium-sized packers allow for slaughter capacity for local food systems. Over the last number of years, the beef industry has been challenged with maintaining small to medium-sized packers and having sufficient processing capacity in eastern Canada.

During the pandemic, our sector demonstrated great resiliency, but vulnerabilities were identified. If we look at eastern Canada, which includes Ontario, Quebec and the Atlantic provinces, packing capacity was approaching full capacity prior to the pandemic, and the sector seasonally experienced long delivery times to get cattle to market. This resulted in longer feeding periods, increased costs and lower prices for producers.

We refer to a processing plant's capacity as its "utilization rate". To meet demand surges in 2020, eastern packers pushed utilization rates in March through June to above 100% by using Saturday shifts. While we are lucky that these operations were able to push past 100%, this is not sustainable, as they require time for regular plant maintenance.

When the Cargill plant shut down in December, a backlog of 10,000 to 15,000 head of cattle was created. The set-aside program under AgriRecovery has helped bring stability to the market. However, the backlog of cattle remains, as it is difficult to increase capacity beyond 100%, further demonstrating the precariousness of 100% utilization rates.

Overall, limitations in packing capacity have had a significant financial impact on eastern Canada's beef industry. It is estimated that the Ontario feeding sector has experienced cash losses of \$238 per head in 2020.

Over the past five years, the majority of Canada's total beef processing has taken place in western Canada. In the spring of 2020, temporary slowdowns effectively halted 70% of Canadian beef-processing capacity over a two-week period and resulted in a backlog of approximately 130,000 head of cattle in western Canada. The resulting feedlot losses were a total of \$152 million between mid-March and mid-June.

Western processing plants have had an impressive recovery and have efficiently processed the backlog, which was possible due to available capacity. While cattle producers suffered significant profit losses from low market prices and high input costs associated with managing their cattle supply, the set-aside program helped stabilize the market and avoid even greater losses.

Now that I've provided some context, I'll turn it over to my colleague, Dennis Laycraft, to speak to our recommendations.

Mr. Dennis Laycraft (Executive Vice-President, Canadian Cattlemen's Association): Thanks, Bob, and thanks to the committee for the invitation to appear.

Back in 2018, we recommended the creation of a Canadian red meat industry export development fund, which looked at trying to increase capacity with a particular focus on eastern Canada, especially cooler capacity, some modifications on the processing line, and, as well, setting us up to be able to take advantage of a number of these trade agreements that require specialized processing to meet those specific requirements.

A second area we want to talk about is harmonizing our procedures in the U.S. and Canada with South Korea. Right now there is a specific clause in our agreement with Korea that would lead to the suspension of our shipments until an investigation is completed. Right now that's causing a number of plants in the U.S. not to process Canadian cattle—or, if they do, they're doing it only on a segregated basis. Access to the U.S. is really important for competitive pricing in our industry.

Bob mentioned the set-aside program, and we're asking that it be extended. We're not through the whole COVID situation yet, and we don't know what's going to happen for the rest of this year until we get up to where, hopefully, all Canadians, or most Canadians, are vaccinated. Having that tool in place worked very well last summer, and being able to work with it very quickly is really important.

Then I have a couple of comments about our regulatory system. Right now the procedures in Canada on our specified risk material related to BSE are different from those in the U.S., and this creates a competitive disadvantage. It actually led to the closure of a number of small and medium-sized plants that just weren't competitive with the different environments. We're looking at working with the agency to walk through a review of that, and hopefully we'll complete that as soon as possible.

Finally, I have to talk about labour. It's hard to talk about expansion when you're having trouble getting enough employees for your current size. The more individuals we're able to bring in who want to work in those plants.... These are all union jobs across Canada in our industry, and again, quite often depending on foreign workers to fill vacancies in that. Automation is something we're supporting, and it is part of the solution, but there is no replacement for a highly skilled meat professional when it comes to cutting all of these different specifications for market.

Finally, again, because of the risks, as you have seen, the packing industry in North America meat processing has spent \$1.5 billion since last January to put in place protections for their employees. Certainly we feel that placing a vaccination priority on agri-food processing workers would be very important moving forward.

With that, I'll conclude our remarks.

● (1535)

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

[*Translation*]

Ms. Gosselin, you now have the floor for seven and a half minutes.

Ms. Élise Gosselin (Chief Executive Officer, Novalait): First, I want to thank you for giving me the opportunity to provide some information to this committee.

I would like to approach processing capacity in the dairy industry from a slightly different angle, namely that of innovation and research, which support the capacity for innovation.

As you know, the majority of the industrial matrix, as far as dairy processing in Quebec in particular is concerned, is composed of small and medium-sized enterprises. However, to support research and innovation, these businesses can only rely on limited financial capacity and human resources.

This innovation is essential to processing capacity. To ensure the survival of companies, a constant effort is made to meet market demand, adapt to standards, and increase processes and competitiveness. Climate change and its environmental impacts also require companies to constantly adapt their processes.

In terms of societal concerns, the news this week showed just how important everything is in the dairy sector. This even includes animal feed. Consumer demand for more natural products and views on animal welfare mean that companies have to adapt to a constantly changing environment. They must adapt both their products and processes to be able to produce in this environment. Currently, it is industry suppliers, engineering companies, that support innovation in small and medium enterprises, particularly with equipment, but this does not necessarily meet all needs.

I would like to introduce you to our organization. Novalait is living proof that the Quebec dairy sector is particularly innovative. Twenty-five years ago, in 1995, dairy producers and processors decided to create a fund to invest in research. They not only created it, they created it together. In other sectors of the agri-food industry, particularly beef, which my colleagues are familiar with, samples taken from carcasses are used for research. This is also the case in

the dairy sector, where producers and processors have come together to invest in research.

In the case of Novalait, all Quebec farms and all companies that process milk, from artisanal cheese dairies to multinationals, contribute to the research funding. Novalait solicits the expertise of researchers to develop knowledge and solutions to solve problems associated with the production and processing of milk. Since its creation, Novalait has invested \$11 million in research, in more than 125 projects, for a total value of almost \$55 million. This amount has been invested by producers and processors.

We often hear that in the agri-food sector, we are less innovative or we invest less in research than in other OECD countries, but it is important for you to know that this capacity for innovation is really present in the dairy sector in Quebec.

When Novalait was created in 1995, the dairy industry was facing two major challenges: diversification of dairy products and a significant decrease in fat consumption. Twenty-five years later, we can say that extraordinary progress has been made in the variety of dairy products offered. And just as people were afraid to consume milk fat 25 years ago, today's markets are hungry for milk fat in the form of cream or butter. This is a positive development for our sector.

● (1540)

On the other hand, we realize, not only in Quebec or Canada, but worldwide, that milk is made up of a certain percentage of proteins, fat and other solids. We try to match this composition as much as possible to market demand, but there is an imbalance. We meet 100% of Canada's butterfat requirements, but at the same time there are surpluses of protein and other solids, including sugars from fat. This means that every time we process milk, there is a coproduct, which is skim milk, made up of permeates from the concentration of milk. It is a coproduct that we must be able to add value to.

This problem exists in the United States and Europe, but Canada's situation is unique because of the free trade agreements and international agreements it has entered into. The ability of dairy processors to add value on world markets to their coproducts, i.e. skim milk powder or permeates, is limited. The Dairy Processors Association of Canada also mentioned this to you at a previous meeting.

At Novalait, we are looking for solutions to solve this problem. We are working on milk composition and trying to manage the cows' diet so that it can be aligned as much as possible with the needs of the industry, but this has its limits.

We also work with processors to better control processes to reduce the structural surplus imbalance of non-fat solids and find ways to add value to these products. We are currently looking for solutions.

What is important to understand here is that any increase in dairy processing capacity will result in an increase in coproducts, which we must be able to add value to. This is an issue that needs to be addressed in order to increase milk processing capacity in Canada. We have solutions to address this problem. We are concerned about the future. We want to emphasize here that research and innovation are among the priorities for the future.

Thank you.

• (1545)

[*English*]

The Chair: I remind everyone not to put the microphone directly in front of your mouth, because there's a popping noise that affects the quality of sound for the interpreters.

[*Translation*]

Thank you, Ms. Gosselin.

[*English*]

We'll go to our next presenter, Ms. Nadia B. Theodore from Maple Leaf Foods.

You have up to seven and a half minutes.

Go ahead, Madame Theodore.

Ms. Nadia Theodore (Senior Vice-President, Global Government and Industry Relations, Maple Leaf Foods Inc.): Thank you.

[*Translation*]

Good afternoon, everyone.

[*English*]

I am here representing Maple Leaf Foods, the largest food-processing company in Canada. We have operations across Manitoba, Alberta, Saskatchewan, Quebec, and Ontario and an exporting footprint that includes Asia, the United States and Europe.

We are truly, as a company, Canadian-born and globally grown. We are committed to and invested in the success and sustained growth of the Canadian agri-food sector and of the processing sector in particular, which we believe will be key to Canada's post-COVID-19 economic recovery. However, the question we're trying to grapple with today is how to make this happen. What will it take to make economic recovery happen?

I would like to highlight three areas that Maple Leaf Foods believes will be critical to success.

First is regulatory agility. We know that, if done correctly, regulation can have a positive impact on growth and foster a thriving competitive market that supports innovation and technological progress. However, if executed poorly, regulation stifles productivity, results in unnecessary costs for all businesses, particularly for

small and medium-sized firms, and effectively reverses our competitiveness gains.

The good news is that Canada's regulatory system gives Canadians and our country's trading partners confidence that products made in Canada meet the highest health, safety, environmental and quality requirements. The bad news, however, is that our regulatory system is complex, with a multi-layered jurisdictional structure with no clear authority. Perhaps more troubling to us is that many regulations are either outdated or focused too heavily on prescribing a process than ensuring an outcome. This deters innovation and solutions that would improve health, safety, and environmental outcomes and stymies much-needed investment to our country. The ultimate results are additional cost, distrust between industry and regulators, and an overall less-than-efficient system that prevents us from living up to our true potential on both health and safety and global competitiveness.

Now, with the emergence of COVID-19, the Canadian government has shown that agility is possible in the regulatory process within the agri-food sector, and we sincerely hope the government continues to prioritize regulatory flexibility over the long term. In this regard, the recommendation out of the 2018 agri-food economic strategy table for an approach that is focused on predictability, efficiency, and effectiveness and that—equally important—considers the cumulative impact of regulation on competitiveness and net economic benefit to Canada should be further explored.

A second area that other colleagues have already mentioned today that I would like to also highlight is talent. Like any industry, ours requires an adequate workforce to keep operations going. This sector continues to identify chronic and critical labour shortages as one of the most pressing risks and a major constraint on both agricultural growth and global competitiveness. Right now, this sector is in need of 30,000 workers, 10% of our workforce. By 2025, we expect that number to more than double.

Now, this is not a new challenge. The industry has been sounding the alarm bells for several years, luckily coupled with concrete solutions that we are eager to work with all government partners on. Changes to the temporary foreign worker program and to immigration programming are needed to support immediate labour shortages. Even more immediate a need is to help address significant labour challenges that the sector is facing due to COVID-19. Even during a pandemic, Canadians need to eat.

It is because of our frontline workers that Canada's food plants continued to operate throughout the pandemic to provide us with food on our tables. Maple Leaf Foods alone has invested over \$50 million to keep our workers safe to allow them to do so. It is critical that governments also reinforce that our frontline workers are critical, and the importance of their contributions to keeping our food supply safe.

• (1550)

We sincerely hope that the federal government will work with the provinces to ensure that food-processing plant workers are prioritized for COVID-19 vaccines immediately after critical health care workers, in all provinces and territories. This is in line with the direction provided by the national advisory committee on immunization and with what other countries around the globe, including our competitors, are doing.

As we have seen recently, there is also a serious animal care consideration to sustained labour shortages. In particular, the supply chain in the pork industry is very tightly calibrated. If there is a break in the hog supply chain, it certainly does not take long for things to get very serious on the farms. We have seen this just this week.

To solve longer-term labour problems, the recommendations of the agri-food economic strategy provide a good road map to assess future needs for all skill levels, to develop a sector-specific strategy for skills development that includes a focus on apprenticeship and skilled trades needs, and to promote the sector as a good career choice.

Before I close, I would like to touch on the topic of innovation. The global agri-food market in 2025 will be highly competitive and filled with new challenges—a growing population, climate change, and rapid advances in technology, just to name a few. Maple Leaf Foods strives for continuous evolution of our products and business strategies to meet these challenges head-on. In 2019, we became the first major food company in the world to be carbon-neutral and the only food company in Canada to set science-based emission reduction targets.

Existing federal innovation programs are not well suited to food manufacturing. Often they are premised on job creation or the development of disruptive technologies. In a small market like Canada, it is unrealistic to think that all or even most innovation will be disruptive.

Our industry will benefit from adopting technologies that already exist in other countries or industries and, in so doing, will introduce and customize innovation products and processes within our sector. Innovation will be critical to ensure the stability and growth of the sector, and more can be done to tailor the programs.

I'd like to thank you again for having me. I look forward to your questions.

[*Translation*]

Thank you very much.

[*English*]

The Chair: Thank you, Ms. Theodore. Thank you for keeping the time.

We'll now go to our question round. We'll start with a six-minute round.

Ms. Rood, you have the floor for six minutes. Go ahead.

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

Thank you to all the witnesses for appearing today. You have some great suggestions. There are a lot of issues, obviously, across industry with processing.

Mr. Lowe, I'm going to start with you.

You mentioned that you have a cow-calf and feedlot operation in Alberta. If I recall—or maybe I read it somewhere—you also have an operation in Manitoba. Am I correct in that?

Mr. Bob Lowe: Yes, you're correct in that.

Ms. Lianne Rood: I guess you can speak from personal experience about a couple of regions in Canada.

In more than one committee meeting, we've heard how the pandemic has affected processing capacity. You had mentioned this in your opening remarks and in your brief. I'm wondering if you could comment on how the federal government's pandemic funding—or other funding—has helped or not helped so far, specifically with beef?

• (1555)

Mr. Bob Lowe: I don't remember the exact numbers. Dennis might remember them better than me. Some money was put forward to help the packers with resiliency, with coming around after the Cargill thing in Alberta.

You heard Dennis say that the packers in North America spent \$1.5 billion to keep their workers safe. That's a substantial amount of money that they paid by themselves to make sure the system kept going.

I mean, nobody has any money. The federal government put in.... I talk to Minister Bibeau a lot. I think they did as well as they could, given the circumstances. We kept rolling.

The set-aside program was really good. I'm not afraid to say that if it sat on the shelf so that it could be made available when needed.... The only problem with it was that it was 60 days too late. We had built up 130,000 head and that takes a long time to get through. At that point, when you have cattle, you don't just get to put them on the shelf. They keep getting bigger and they will eventually succumb to old age. It's not as bad as the pork industry, but you can't keep cattle alive forever.

Ms. Lianne Rood: Sure. Along those lines, your brief also mentioned concerns about pressures on smaller and medium-sized processors and the resulting reduced number of these.

Do you have any thoughts on how this could be rectified? As you just mentioned, the cattle kept getting bigger and bigger. Would a large number of smaller processors give some flexibility to producers on capacity when the big processors are shut down or have reduced capacity?

Mr. Bob Lowe: I think there are two points there. The smaller packers wouldn't have the financial ability to put that in place as fast as the big packers did. On the other hand, if we had more small and medium-sized federally inspected plants....

I think a major detriment to these small plants is the cost of being federally inspected, and the stuff you have to put in to qualify for a federally inspected plant makes it pretty tough for them to compete, and somehow.... A provincially inspected plant is good. They were full, and we were booking cattle in provincial plants six or eight months out.

We need more small federal plants. How that works, I have no idea, because if it were a long-term profitable statement, the bigger plants or somebody would have come up to the table and done it. As Dennis says, however, quite often we need surge capacity, which we lack for various reasons, whether it's regulations or.... What it is, I don't know.

The other thing is the chicken-and-eggs scenario. If the packers come, will the beef industry expand to do it? Lack of packing capacity is one of the reasons the beef industry has been stagnant for 15 years probably, so which comes first?

Ms. Lianne Rood: Right. Thank you.

Mr. Chair, I'm not sure how much time I have left. I know we're getting close.

The Chair: You have about a minute and 20 seconds.

Ms. Lianne Rood: Both Ms. Theodore and Mr. Lowe mentioned that there are some labour issues and shortages in trying to attract people and having to work with temporary foreign workers.

Do either of you want to comment on whether either of your industries is doing anything to recruit labour from the Canadian labour pool? Obviously, skilled labour is required for meat cutting. Is there recruitment going on to try to find or entice folks to get into the meat-cutting industry?

Ms. Nadia Theodore: I'm happy to jump in here.

To answer your question directly, yes, recruiting is ongoing. Of course, meat cutting is but one of the skilled labour requirements that we have at Maple Leaf Foods.

As I said in my interventions, this is definitely not a new issue for the industry. It's one that has been going on for several years now. Recruitment efforts absolutely are ongoing, but if I may, the issue is broader than an immediate recruitment effort to bring people in. It's really about a plan that needs to be put in place to understand what the immediate, medium-term and long-term gaps are in our skilled labour.

• (1600)

The Chair: Thank you, Ms. Rood.

Thank you, Ms. Theodore. I'm sorry. The time is up for this question, but you might have a chance to continue.

Our next question goes to Lyne Bessette, for six minutes.

Go ahead, Mrs. Bessette.

[*Translation*]

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

I wish to sincerely thank all the witnesses who are joining us today.

My questions will be addressed to Ms. Gosselin, from Novalait.

Ms. Gosselin, I found your opening statement and your explanation of the work done by Novalait very interesting.

Can you tell us about how your research is being put into practice by dairy processors? Can you give us some concrete examples?

Ms. Élise Gosselin: We want to make sure that our research is not only done for scientific publications, but that it really helps companies.

The first step is to work together to establish research priorities based on dairy processor leadership. They are the ones who inform us of the problems that need answers from science. If we ask the right questions at the outset, we are likely to get the right answers.

Then, we ensure that research projects are followed up by processor committees to guide companies along the way. As Novalait's funds belong to everyone, we try to do feasibility demonstrations or to do the groundwork to get the necessary information.

Afterwards, the companies themselves will ensure the development of their research projects up to the creation of products or processes. The fact that they have renewed their funding every year for the past 25 years is the best proof that this works. If they had concluded that our projects were irrelevant or useless, it wouldn't have worked.

I can also confirm that we have trained more than 400 people, including master's and doctoral academics, who are working in our plants and organizations. The people who work there are important.

Mrs. Lyne Bessette: Thank you.

You also spoke to us about the challenge of enhancing coproducts, such as skim milk powder. The committee heard about this a few weeks ago.

What are the solutions Novalait is looking at in order to solve this problem? Can the federal government play a role in this?

Ms. Élise Gosselin: We are looking at different ways to solve this problem and we are looking at it from two angles. We want to help individual companies with surplus nonfat solids to find solutions, and that is what makes us special. We look at what is being done around the world and what is applicable, and we try to avoid costly attempts by companies. We validate processes using university resources or centres, including finding solutions for innovative energy and packaging. We would like to have short cycles that allow us to make packaging with residues of milk coproducts, for example. These are elements that are currently being developed.

We try to equip each company to have a range of technologies to choose from, depending on its size and the type of products it makes. However, individual solutions do not solve a generalized problem. We find it interesting to look at the situation from another perspective to see if there are solutions that would allow us to handle larger volumes than a single company can handle on its own, such as bundling volumes. From there, we could turn to sources such as green energy or green chemistry. These options would be interesting, but they are beyond the scope of a single company.

Our strength lies in what we can do together.

Mrs. Lyne Bessette: Thank you.

You talked about the expectations of the consumer, who wants more and more organic dairy foods produced in a responsible way. Are dairy processors able to meet these expectations or are there still challenges?

Ms. Élise Gosselin: We are working on a project that tries to define these expectations. In particular, we are asking consumers what they mean by “natural products”.

The answer to this simple question is complex. This project, carried out in collaboration with several groups in the Quebec agri-food world, focuses on bread, meats and milk. Together, we are putting the question to consumers. Unravelling it all helps us to find leads.

Consumer perceptions are changing; however, when it comes to investing in processing capacity, the result must be long-term. We're working hard on having a clean label, removing all the chemicals used for preservation from the labels; we're trying to change the technology and processors are very active in this regard. We have concrete results and we are trying to find other processes to improve food preservation. We want the same quality, the same shelf life, but with more natural solutions.

• (1605)

Mrs. Lyne Bessette: Thank you very much.

In committee, we heard a lot about the labour shortage in the food processing sector, and that automation could be a solution. What do you see as the future of mechanization and automation in the dairy processing sector? Is this part of your research?

Ms. Élise Gosselin: In fact, it is mainly the equipment manufacturers who will be the leaders in this sector. This is indeed very important. What goes hand in hand with automation—we see it on farms—is the fact that dairy farmers who use milking robots can spend more time on business management.

It's the same for processing. We can reduce the operational work, but we will still need people to manage and analyze the business. That's where we come in.

The Chair: Thank you, Ms. Gosselin. Thank you, Mrs. Bessette.

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

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

I thank the witnesses for being with us today.

Ms. Gosselin, I am happy to see you again. You were headed in a good direction and we will continue in this vein.

We heard a lot of testimony about labour issues and the need for technological innovation and process improvements. We also heard from several witnesses about the lack of investment in agri-food processing in this country. Your organization, having now been in existence for 25 years, seems to be the type of model we would like to see replicated elsewhere. I'd like to know what your challenges and needs are.

You are before a committee that could influence government decisions through its recommendations.

Ms. Élise Gosselin: One of Novalait's strengths is that when we say we want to invest in research and do it according to the needs of the industry, we put money on the table. However, it is also very important for us to use this money as a lever and to be surrounded by financial partners, whether at the provincial or federal level, so that they support our sector's approach to innovation.

We take care of the early stages of the process—research, knowledge development and proof of feasibility—but once that stage is complete, the company needs financial support. There are programs, but we've found that the wait time is longer. We can see that the continuation of this support from public finances is uncertain, but the message we are hearing is that in order to make a rapid economic recovery from the COVID-19 pandemic, we need to be able to support business. The dairy sector's willingness to invest in innovation must therefore be supported.

After part of the research is finished and knowledge and solutions have been found, the company still has to work a lot to develop processes or products. This is where business investment support is needed. It is not only about researchers in universities. A company may want to develop a good innovative idea, but it is on paper. It will then have to transform this idea into products or processes. This involves costs, equipment and changes within the plant. It's important that there be funding to support the company, especially when it comes to larger projects. Our shareholders include major players such as Agropur Cooperative, Saputo Group and Parmalat Canada. They tell us that there are gaps when it comes to larger investments in innovation.

Mr. Yves Perron: What are we talking about concretely—tax credits, or something else?

Ms. Élise Gosselin: Of course, tax credits are important, but the risks have to be shared, especially when developing something for the first time. Tax credits are part of the solution, especially for SMEs. They can represent interesting amounts. They are more important for SMEs than for large companies. That said, in many cases, you have to make sure you have the necessary financing, a financial package, a loan or the ability to access financing.

If we limit ourselves to the market, making this kind of investment can become very expensive. Even if it is made in the form of a loan, it may be necessary to access larger amounts of capital without creating an imbalance.

• (1610)

Mr. Yves Perron: I see.

You mentioned very long wait times. Is there anything that can be done about that?

Ms. Élise Gosselin: For our part, we work with granting agencies, including the Natural Sciences and Engineering Research Council of Canada, which funds research. We have been pleased to see that the council has implemented some very interesting programs. However, we have realized that from the time you submit a project to the time you receive a response, three months, six months or even more than a year may go by. The programs have been very popular, which is good news. It indicates that companies are innovating. However, I'm not sure the council has the capacity to absorb all of this demand. If the dairy industry is investing money in research, we can't wait years to go forward. It has to be done in a timely manner. This aspect is important to us.

Mr. Yves Perron: So the support process should be speeded up.

I'd like you to tell me about the people you trained. This is a valuable element that you offer for free.

Ms. Élise Gosselin: Yes, absolutely.

With Novalait's projects, students at the bachelor, master's or doctorate level are trained. Some of them were initially headed towards careers in sectors such as chemistry or biology, but came to work in the food processing field because they found a stimulating research project. Later on, they can be found everywhere, whether in plant management, in companies, in management and director positions, in our organizations or even in the public service, such as at the Canadian Food Inspection Agency or at Agriculture and Agri-Food Canada. They are everywhere.

The Chair: Thank you, Ms. Gosselin.

Thank you, Mr. Perron.

[English]

Now we go to Mr. MacGregor for six minutes.

Go ahead, please.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you, Mr. Chair.

Thank you to our witnesses for coming today and contributing to our study on processing capacity here in Canada.

I think I'll start my first question with the Canadian Cattlemen's Association.

Mr. Laycraft, you were talking about automation. I remember that in 2018, during the previous Parliament, our committee did a cross-country trip, and one of our stops was in Guelph, where we visited the major Cargill plant there. As you correctly noted, a lot of the jobs involved in that plant require a lot of talent and a lot of skill. There is a lot of stuff that you need human hands for, which a machine simply can't do.

For our committee's benefit, then, when you're talking about automation, can you list some specific examples of where you'd like to see that investment and what kinds of jobs you'd like to see automation move into?

Mr. Dennis Laycraft: Yes. There are a few interesting ones. Some people have put in automated box storage facilities. Normally, you'd be using forklifts and moving stuff around. It's all set up on conveyors, and they actually have the capacity to mix and match orders in a very sophisticated way, as you're selling around the world.

It isn't always on the processing line that the automation is going to occur; it's throughout the entire system.

We're also using some remote vision technology where there can be third party monitoring, for instance. We're working with the CFIA on the future of that as well.

There are many different ways that maybe just don't fit your traditional mindset of what automation should look like.

Mr. Alistair MacGregor: Thank you so much for that.

For my next question, I'll turn to Ms. Theodore of Maple Leaf Foods.

In one of our previous meetings, we had a representative from UFCW appear before the committee. He was talking about the sector council program that used to exist, which brought stakeholders together in a tripartite arrangement: industry, labour and government. That specific forum allowed those three groups to tackle issues such as labour availability.

You talked about the 30,000 workers we're short now and about the fact that the problem is going to get worse. From their perspective, UFCW would like to see more effort aimed at seeking home-grown talent to fill these sectors. Do you think that if we reinstated the sector council program or had some kind of forum where industry, labour and government could regularly meet to deal specifically with the labour issue, it would be helpful?

Do you have any thoughts on that?

• (1615)

Ms. Nadia Theodore: Yes.

I think that the point about collaboration across the different stakeholders invested in a solution is important. Will that help? Absolutely, it will help. What I would say—and not to be a Debby Downer, frankly and honestly—is that I do think collaboration across the stakeholders and looking for home-based talent are important.

Certainly, from a Maple Leaf Foods perspective, when we bring talent from other countries, we do it with a view to having permanent labour at our plants. I think that, from a Maple Leaf Foods perspective, bringing in talented soon-to-be Canadians is something that is kind of at the base of what we do when we're looking for talent, whether we're bringing them from outside of Canada or looking for people who are already here.

What is important to note, however, is that the temporary foreign worker program.... It was developed in the 1970s to respond to labour shortages. The issue has only gotten more pronounced in those years. That is the point I was trying to get across previously: that, yes, absolutely, we can do more to work together here in Canada across the different stakeholders to try to attract talent that is already here. I'm a firm believer that we need to be reaching out not just to those at elementary schools, high schools and technical schools to sort of make sure that people understand what types of jobs are available in the sector—that they're actually very cross-sectional, cross-functional types of jobs, that they're good-paying, stable jobs, 100%—but to their parents and their grandparents so that people around the dinner table are having conversations not just about being lawyers and doctors and dentists but about working in our agri-food sector.

Absolutely, those conversations and those collaborations are part of the long-term solution, but I would be remiss if I were to say that in order to, at least in the short term.... If we do it right, then longer-term, you know, we have it covered. We have a plan. We're coordinated. We have a national strategy. We're working at the federal level and across provinces and territories. You know, we're cooking with gas for sure.

It doesn't stop the short-term problem that is immediate, that has been more pronounced with COVID-19 and that we will need to deal with in the shorter term if we are going to see our economic recovery post-COVID-19 really take root and really provide us, Canada, with the competitive advantage that we need to get ahead of recovery, to get out front in recovery.

The Chair: Thank you, Ms. Theodore.

Mr. Alistair MacGregor: Thank you.

The Chair: Thank you, Mr. MacGregor.

Now we'll go to five-minute rounds, starting with Mr. Steinley.

Mr. Steinley, you have the floor.

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

First off, I'd be remiss if I didn't wish everyone a happy Canada's Ag Day. We're proud of all our producers, so I want to start off by thanking everyone for being here and thanking agriculture producers across the country.

I'm going to start with the CCA. Bob and Dennis, it's good to see you again.

One thing you talked about is that the government did the best it could. I know that when I was a kid and my dad said that I did the best I could, it wasn't a ringing endorsement of the work I did, either fencing or on the farm. With that being said, this government generally doesn't act until it has to, until it reaches a crisis point.

You talked about the set-aside program. Have you had conversations with the minister about the set-aside program? Where is that at right about now?

• (1620)

Mr. Dennis Laycraft: I guess I'll step in, Bob.

We are having direct conversations about extending that. Sort of the message that we're hearing is that until the COVID crisis is over, that will continue forward. When that announcement was made last May, I think it was \$252 million, and \$125 million went towards the set-aside type of activities for the pork and beef sectors. It was indicated that if more money was needed when that was used up, it could be made available. Therefore, that has kind of left it open-ended, but that's the status of where we're at there.

The money that was spent on helping on the processing side was \$77.5 million. Obviously, when you have a large processing industry and one company here today spent \$50 million, that will give you an idea of the amount.

Mr. Warren Steinley: It goes pretty quickly.

I'm hoping that there is a sense that that money will be there for producers if we're still in the throes of COVID here in the summer and spring.

Another thing I hear about from producers across the country is burdensome regulations. One would be the SRM, specified risk material, and I think it's burdensome to producers and processors alike.

Have you had conversations with the government at this point in time, and are there options on the table to now review some of these archaic regulations that are left from the BSE days, making sure that we can remove them so that there's less red tape for our producers and processors?

Mr. Dennis Laycraft: That's a great question. To give you an idea of the disparity.... In the U.S. on over 30-month animals.... In Canada, we remove over 50 kilograms of this material. In the U.S., they remove one kilogram. That's just how wide a competitive disparity there is there.

We've set up and are working with the agency on an expert working group right now, so we're assembling that group and we're going to really dig into this issue, hopefully over the next four to five months. Hopefully by late summer we'll have some more recommendations ready on it.

Mr. Warren Steinley: Thank you very much.

My friend Mr. Blois or I usually ask this question. In your opinion, from the CCA, what would be a couple of the regulations that are still in place—regulations, taxes—that are hurting producers' and processors' bottom lines that we could get rid of and scrap to make livelihoods more productive for both producers and processors and to expand processing capacity in our country?

Mr. Dennis Laycraft: Sometimes I'm not even sure it's the regulation; it's the policy manual and the actual resources that are made available to do it. We've been working on trying to get improved certification procedures to get more cattle eligible to go to Europe. We've been having those conversations for between 24 and 30 months now, trying to get improved procedures in place.

If you look at countries like the U.S., where they have their agricultural marketing service, they had that ready in months. Being able to take a look at this variety of certification procedures.... We need to have, first of all, the resources available in government to be working with other governments. Second, we need to do it at the speed of commerce. We have competitors that aren't going to wait for us. They're going to take that lunch from us.

Mr. Warren Steinley: I do hear a lot about the disparity between provincial and federal inspection agencies and about how there needs to be some more communication between those two agencies. Is that a place where we definitely need to work to increase opportunities for growing our capacity in the processing sector in Canada?

Mr. Dennis Laycraft: I think it's all of the above. The large plants are absolutely vital to satisfy world demand. If you're trying to sell to Costco Japan, you need a pretty sizable operation just to meet its weekly requirements.

The Chair: Thank you, Mr. Laycraft. The time has run out.

Thank you, Mr. Steinley.

[*Translation*]

Mr. Drouin, you have the floor for five minutes.

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

I would like to thank all our witnesses.

I will start with you, Ms. Gosselin. I know that your group does a lot of research in the dairy sector. Earlier, we mentioned milk protein. I spoke with people in the cheese industry. This sector needs dryers, for example. The systems, without saying that they are archaic, would need to be updated and automated.

What approach do you think should be taken to help the industry process its products?

• (1625)

Ms. Élise Gosselin: Thank you for your question.

Indeed, processing capacity is central in some very important processes, especially in the case of the dryers you mentioned.

For example, to obtain butter, you must first go through skimming and churning. We can add value to buttermilk in a certain way, but unfortunately skim milk is not always returned to high value-added processing. It is mostly dried to make skim milk powder. This is part of our surplus problem. Since butter is very popular, we increased its processing. As a result we wound up with skim milk powder.

From what I understand, the dryers are reaching the end of their useful life. We were talking about investments, and in the case of these companies, they are massive. They need to change these technologies to try to make products that are more valuable than skim milk powder, which has little future in the marketplace and sometimes has to be sold in Canadian markets for animal feed, whereas skim milk has a very high nutritional value.

I talked about other ideas and research. We want to find alternatives with higher added value, as our competitors abroad have done. For example, they have developed protein isolates. In short, they have isolated the protein to make very high value-added ingredients, rather than a low-value product.

This brings us back to the discussion we had earlier about the importance of supporting the industrial sector, including access to financial support programs, to leverage these investments. These points are important.

Mr. Francis Drouin: I know there are import barriers, but our competitors in Europe and the United States are able to create these products.

Is it because of intellectual property issues that our Canadian processors can't create these products here in Canada, or is it because we don't yet have the know-how in Canada or in Quebec?

Ms. Élise Gosselin: Many dairy processors in Canada are also present in other parts of the world. Our three largest processors are among the top 20 processors worldwide.

It's not so much a question of process as a question of financial environment and volumes. Volumes must be sufficient to allow for a competitive business model for these types of products. The Canadian market does not necessarily achieve this goal.

The issues are more financial in nature. That's why we're trying to find alternatives that are different from those of our competitors, to be able to work with the volumes that are available here in Canada.

Mr. Francis Drouin: Thank you very much for your answers.

[English]

Mr. Lowe, I heard your opening remarks, and I know that your organization was strong on set-aside programs. In your overall observations and what you've seen over the past almost 12 months now, we know that your members who are selling into a market that...and processors who we know now are somewhat vulnerable to COVID-19 and to any potential outbreaks within the industry... We know that one industry—I can cite the Alberta example, obviously, as it's been in the news....

What suggestion do you have for our committee?

The Chair: I'm sorry. Unfortunately, we're past the time.

You may be able to answer some other time, Mr. Lowe.

Mr. Francis Drouin: There's no such thing as a five-minute conversation.

Thank you.

The Chair: Thank you, Mr. Lowe.

• (1630)

[Translation]

Thank you, Mr. Drouin.

Mr. Perron, you have two and a half minutes.

Mr. Yves Perron: Mr. Lowe, you mentioned that the Emergency Processing Fund was not sufficient. So it would be good to invest some money into it.

You also talked about standards. We've heard from previous witnesses about the bovine spongiform encephalopathy, or BSE, policy. That policy could be withdrawn, now that the situation is secure.

What do you think?

[English]

Mr. Bob Lowe: I'm not familiar with what the member is mentioning, so I'll turn it over to Dennis.

Mr. Dennis Laycraft: Thanks, Bob.

I'm not sure that I know what ESB is. It may be getting lost in the translation.

[Translation]

Mr. Yves Perron: You didn't hear the interpretation.

Mr. Chair, can I start over?

The Chair: Yes.

Mr. Yves Perron: Can you hear the interpretation?

[English]

Mr. Dennis Laycraft: I do, yes.

[Translation]

Mr. Yves Perron: Good.

You said that regulation should be flexible.

Previous witnesses have told us about a policy for bovine spongiform encephalopathy, or BSE.

[English]

Mr. Dennis Laycraft: Do you mean BSE?

[Translation]

Mr. Yves Perron: I don't know the English name for it.

I'd like to know what you think about that.

Could that policy be withdrawn to make us more competitive, particularly with the United States?

[English]

Mr. Dennis Laycraft: Yes, I think we're talking about the BSE requirements.

Certainly, when you look at the cost of processing, especially in the specialized plants, we've lost a deal. That would be with the over-30-month, the older, mature animals. Clearly there's a huge advantage to U.S. processors versus the smaller processors in Canada.

Right now we have an application in for negligible risk. We're waiting to see the response to that. The interesting thing with BSE is that they even quit reporting numbers, all the way back in 2016, because there are so few numbers reported anywhere in the world. Since 2016, there have only been two cases reported on the entire planet. Hopefully we're able to move past the old rules that are out there.

I mentioned the volumes earlier. You see this huge volume that has to be taken in and put into contained disposal or a destruction procedure. In the U.S. that is going into a whole range of other uses, including fertilizer. Narrowing that gap would help.

The Chair: Thank you, Mr. Laycraft.

Thank you, Mr. Perron.

[Translation]

Mr. Yves Perron: Did you adjust my speaking time, Mr. Chair?

The Chair: I gave you more time.

Mr. Yves Perron: Do I have time for another question?

The Chair: I added 15 seconds to your speaking time.

[English]

Mr. MacGregor, you have two and a half minutes.

Go ahead.

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

This is for the Canadian Cattlemen's Association. In your opening remarks, Mr. Lowe, you were referring to the problems that the beef industry has had in maintaining small to medium-size packers and so on.

Last summer, in late August, I was invited by the B.C. Cattlemen's Association to come to the south Okanagan region and visit two ranches that had won sustainability awards. Of course we were talking about the stresses that the pandemic had caused, with the backlogs in processing capacity. I remember the ranchers talking about how they had to develop a few innovative ways to try to do their own processing.

Do you have any threads or stories that you can share with the committee? You talked about the resiliency that the cattle industry has shown through this. Are there any lessons that can be learned from how that resiliency manifested itself and how they tried to take what was essentially a very bad deal from the rolling backlog and maybe try to promote a little more local food security and get connected a little more with local food networks, and so on?

Mr. Bob Lowe: There's actually an example of a young couple, right at home where I live. You don't hear much about young couples starting out in the cattle industry and making a go of it, but they seem to be doing it, and they've had a little farm-to-plate private.... People just come and get their grass-fed beef, actually. They went from about 110 animals a year to over 250. They had enough of a reputation amongst little provincial packers that they got at it right off the bat and booked ahead. They're still delivering beef on those deals that they made probably in the first part of April or May.

There are some people in Ontario who have switched their business plans in the same way. That's not the bulk of the industry, though. That all helps, but the bulk of the industry.... In our own particular case, we ended up shipping beef to small plants in Idaho because we couldn't get them done anywhere else.

• (1635)

Mr. Alistair MacGregor: Thanks. That's about my time.

The Chair: The time is up.

We'll go to the five-minute round with Mr. Epp.

Go ahead.

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

That was excellent testimony from all of you. Thank you very much.

I'll begin with Ms. Gosselin and Novalait. I want to begin with your funding model, which is something I'm quite familiar with, if I understand correctly, where you're actually having check-offs come from both the processing side and the producing side, and then coming at some agreement around funding models.

With the increased access to the Canadian market through CUSMA, CPTPP and the CETA agreements, are you feeling any of that in your funding model? Are you collecting—I think I know the answer to this question—any check-off on the imports? I think the answer would be no. If it isn't, please inform us. Has there been any other compensation talked about from the research aspect?

[*Translation*]

Ms. Élise Gosselin: That is a good question.

The answer is no, indeed. The check-off is taken for litres of milk bought and sold. No compensation is returned in the form of financing for Novalait.

The check-off is stable, but the volume of milk traded has increased over the last five years. However, during the last year, these volumes have indeed decreased significantly. The amount of money collected through the check-off is decreasing more than it is currently increasing.

There is no mechanism to consider the market losses that we have incurred in the agreements as investments in research.

[*English*]

Mr. Dave Epp: Thank you.

I'll stay along the same thought process, but I'll move to the CCA. I've always known the cattle industry to be free market-oriented. I appreciate that. You've called for the setting up of a red meat industry export development fund. What's the advantage of actually having that funded by government as opposed to by check-off from the industry?

Mr. Dennis Laycraft: I can comment on that.

First of all, it's intended to be a matching fund. Industry would be putting money up. It's kind of a 50-50 match. Any time you're building to deal with a surge capacity or contingency capacity, it's hard to factor that into a pure business model, but when you have the matching money it does allow for that additional investment to be there so that when you have the need for some additional capacity, you're not starting from scratch; it's already in existence.

Mr. Dave Epp: Thank you. That's new information to me, about the matching component, so I appreciate that.

I've actually presented this information before at committee. Dr. Sarah Lloyd presented a 10-year chart comparing retail pricing along with the pricing paid back to the cattle producer. This is done in American funds. I know the Speaker of the House would rule me out of order, but I think I can get away with this, or maybe not. The numbers aren't important, but it's basically showing in the middle of that chart, around January 2015, a divergence in what the producer receives relative to the retail pricing of beef.

This is American data. I don't know whether that's applicable across Canada, but that break happens to align with the chart that you've provided in your briefing materials right along the Korean FTA. Is that sheer coincidence? I'm looking around January 2015. Is there a relationship between the divergence of those margins and that particular trade agreement, remembering that this is U.S. data, not Canadian data?

• (1640)

Mr. Bob Lowe: I think, Dennis, that question went in a different direction. You'd better take it.

Mr. Dennis Laycraft: No, there is no relation to the Korean FTA at all.

If you were to take a look at 2014, there were probably record-high prices in both markets.

It's interesting that when you get into the utilization argument, when you're trying to get that share, there's a kind of sweet spot in utilization. It's around 92%. When you go above 92% utilization, the price the producers get usually drops about 1.3%. If you drop below that rate, it goes up 1.3%.

When you have this capacity available and you get more competitive bidding, it affects the share. Ideally, you want to land in the spot where both processors and producers are making money.

Mr. Dave Epp: More capacity in Canada, then, should alleviate some of that diversion, if I'm understanding you correctly.

Mr. Dennis Laycraft: Yes. You also want U.S. bidders in our market. When you bring Tyson in, and Agri Beef, it makes a big difference in pricing.

Mr. Dave Epp: Thank you.

I'm going to go to Maple Leaf Foods, if I may.

The Chair: You have four seconds.

Mr. Dave Epp: On the retailer code of conduct, is Maple Leaf Foods big enough to withstand the parries from the big five?

The Chair: Thank you for the question. She may get a chance later to answer it.

Now we'll go to Mr. Louis for five minutes.

Go ahead, Mr. Louis.

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

Thank you to all the panellists. This is very informative. I very much appreciate your advocacy and your time.

I would start with Ms. Theodore.

We've heard a lot of talk in this study about the need for skilled labour, and you were talking about educating people as to the well-paying and stable jobs that are out there.

I want to know what kind of relationship you have with institutions. I'm in Kitchener-Conestoga, which is near the University of Guelph and Conestoga College. Both have some strong programs.

What relationship do you have with those post-secondary institutions, and what can we as a federal government do to help promote, for lack of a better word?

Ms. Nadia Theodore: Thank you for that question.

We at Maple Leaf Foods have very good relationships with universities across Canada.

We have a summer student program across many universities; we have co-op programs; we have a centre of excellence program where you can come into the organization of Maple Leaf Foods and then do various jobs in various areas in the business in order to learn about the business and then decide where it is that you might like to go finally, as you start your permanent career with the company. When it comes to our relationship with the universities, we're doing okay.

In my humble opinion, the rub comes when we're in those universities and are pitching Maple Leaf Foods beside the banks, and so on—name another sector; I'm not just singling out the banks. To me, it's too late by then. People have already more or less made up their minds as to what they believe to be high-growth, high-potential, “on the cutting edge of innovation” types of jobs. We know that the workers of tomorrow who are in our universities right now are looking for those types of jobs. They're looking to be part of the

future of the economic growth of Canada. They're looking to be part of cutting-edge innovation, disruptive technology.

That is the talent we want to attract, absolutely, across all types of jobs at Maple Leaf Foods and across the sector, but we are not doing a good enough job of selling the story.

Just to conclude, I think that part of it goes back to us, when we're talking about how we're going to manage and shape the sector going forward, to make sure that we ourselves, in the sector, are at the cutting edge of innovation.

The federal government is helping us in doing that, helping the Canadian agri-food and agriculture sector be at the cutting edge of innovation in the agriculture space. That will help us to attract that talent.

• (1645)

Mr. Tim Louis: Thank you.

Boy, I wish I had more time.

I'm going to move to the beef farmers, but Ms. Gosselin, you mentioned green chemistry, and I want to talk about biomass. If you want to talk about ways of moving forward quickly, that would be fantastic.

However, I don't know that we're going to get time, because I want to specifically ask.... The gentleman from the beef farmers ended up talking about a young couple who went from 110 animals to 250. Now, a lot of our local farmers are in that exact situation, small producers working with small processors. I know that the big players are going to get support, and we want to help them, but we want to help our small producers and small farmers and our own neighbours too.

What kind of things can we do to help that couple that you referred to?

Mr. Bob Lowe: What I think—and I haven't really had a chance to mention it—is that one good thing that came out of government during COVID was the government's changes to our AgriStability program. Those mean a lot to the cattle industry in particular. I guess it's the case for everybody, but I know the cattle industry.

The big thing is that the feds have said, “Here it is,” and it's up to the provinces to accept this. That would be one of the major things, I would think.

Mr. Tim Louis: Okay, there you go.

I'm not going to push it with 10 seconds left, Mr. Chair. I cede my time.

Thank you, all.

The Chair: Thank you, Mr. Lewis.

[*Translation*]

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

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

I thank the witnesses for being with us this afternoon.

Ms. Gosselin, you said that you are working very hard on the development of new products related to non-fat solids. Are these products that you're trying to develop—and I'm sure you're going to get there—consumer products here in Canada?

We know that because of the new agreement with our U.S. neighbours, we have to obtain certain authorizations to export supply-managed products.

Ms. Élise Gosselin: Indeed, this is one of the issues we need to address. As our ability to export these coproducts is limited, we need to find solutions. In fact, we are looking for solutions to access high value-added markets, and more realistically, high value-added domestic markets or export markets where we may still have export product lines. As a result, this eliminates skim milk powder, but still leaves room for niche products, such as milk protein concentrates or whey protein concentrates, for example. This still allows certain products with a higher added value to be preserved.

Mr. Richard Lehoux: With regard to these higher value-added products, would it still be possible to develop these markets abroad?

Ms. Élise Gosselin: There are still a few export product lines left, and this is part of the uncertainty for processors, since they are high-risk investment solutions. They want to make sure that if they develop a product that will be used in five years, the export capacity will still exist. This is part of the important discussions.

Mr. Richard Lehoux: In its negotiations, the federal government left these compensations and parts of very important articles on the table.

What compensation could the government provide in this context?

It isn't easy to guarantee markets for the next five or ten years.

Ms. Élise Gosselin: Actually, stability is critical in the sense that the things in place now must be kept in place. That is a major step already.

I feel that the Canadian Dairy Processors Association would be in a better position to talk to you about that.

What I want you to know is that we have solutions and we are proactive in finding innovative solutions. Support in that sense is always important.

Mr. Richard Lehoux: Thank you, Ms. Gosselin.

My next question goes to Ms. Theodore.

You talked about the problems caused by the immigration programs and that they should be adjusted for the better. Do you have any suggestions for us in terms of adjusting those programs? They certainly are quite onerous, as we clearly saw during the pandemic.

In your opinion, how could we improve that situation?

• (1650)

[English]

Ms. Nadia Theodore: In our opinion, at Maple Leaf Foods, the biggest problem, particularly with the temporary foreign worker program, is the complexity of the application process from start to

finish, the complexity and the time commitment, because, as we were saying, we are dealing with acute shortages.

Then there's the cost. As we said, at Maple Leaf Foods we are looking for the most efficient way to attract long-term labour to our plants. That's what we want to do first, and then if we need to move to a temporary foreign worker program, in order for it to make sense for us, the cost and the time factor need to make sense. What we have found is that for us it does not. It takes way too long, and the cost for the company is too heavy.

[Translation]

Mr. Richard Lehoux: Thank you.

Could you give some details about the flexibility of the regulations?

[English]

Ms. Nadia Theodore: I could go on forever, so I will try not to.

I can't remember if the point was made by Mr. Laycraft or Mr. Lowe that oftentimes with regulation it's not the particular regulation. For us, what we find is that it's the inflexibility in what we are required to do.

[Translation]

As you rightly said, it is a lack of flexibility.

Mr. Richard Lehoux: It really is about interpreting the regulations.

Ms. Nadia Theodore: That's right.

[English]

It's too focused right now on the process, whereas it needs to be focused on the outcome and on providing the company with the flexibility to get to a predetermined outcome that, with the regulators, we have agreed on.

In 2018, there was a suggestion to form a little bit of a code of conduct, when we're talking about regulation, between the regulator and the industry. We think that's a good idea because it puts in place certain things that we are all going to agree to when we're talking about building regulation between us to ensure that it makes sense for both the regulator and the company.

The Chair: Thank you, Ms. Theodore.

Thank you, Monsieur Lehoux.

[Translation]

Mr. Richard Lehoux: Thank you, Mr. Chair.

Thank you, Ms. Theodore.

[English]

The Chair: We will now go to Mr. Blois for up to six minutes.

Go ahead, Mr. Blois.

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

Thank you to all our witnesses, who have provided some great testimony here this afternoon.

I'm going to start with the Canadian Cattlemen's Association. You certainly, in your opening remarks, were talking about capacity in eastern Canada. Specifically in my neck of the woods, in Nova Scotia and the maritime provinces, our livestock producing and processing capability is largely at the provincial level, 100%. We heard from our Margie Lamb from the pork council of Nova Scotia earlier in this study about some of the challenges they have. We have Atlantic Beef in Prince Edward Island, a federally regulated slaughterhouse.

Can you elaborate, in terms of your membership in that area, on the need to grow processing and what it could mean to driving that industry in our part of the country?

Mr. Dennis Laycraft: Bob, maybe I'll step in on that one.

There are two parts. First of all, we're trying to make some risk management tools available to producers in the maritime region. We've been funding the eastern price index to try to make price insurance available to them.

Mr. Kody Blois: Obviously, we're focused on processing, notwithstanding the fact that you need a feedstock to be able to drive some of that, and right now we're importing.

As I understand it, then, perhaps Atlantic Beef, which is still importing from Quebec, could benefit from having a more local feedstock, but we need to have the tools in place to drive producers to get us to that fuller capacity. Is that correct?

Mr. Dennis Laycraft: That's one piece of it. We did actually interview them on this export diversification fund, and they are doing some expansion in the Atlantic Beef operation. They would look at more expansion if more matching money was available. Again, it's back to risk tolerance as you move forward.

One thing we don't talk about much, but which is always kind of behind the scenes on these smaller-selling local operations, is rural Internet. Those kinds of things are really important. It doesn't help when your front door goes down once or twice a day when you're trying to sell something. You need a sound, reliable infrastructure there for those businesses to really operate efficiently.

• (1655)

Mr. Kody Blois: We'll pass that off to Minister Monsef.

Ms. Theodore, obviously, Maple Leaf, as you mentioned, is the largest agri-food processor in the country. You reach across the country, but particularly in the maritime provinces there has been some centralization of facilities. For example, some of the ones that existed in my riding in the Annapolis Valley have since centralized to other places.

Can you speak to the evolution for Maple Leaf in terms of why those decisions were made? I assume it was probably to get to a cost-competitive level. How can we work with industry to build capacity in the regions without hurting, I guess I would say, the eco-

nomie case? Is there a middle ground there to keep that regional capacity without compromising you in an international marketplace?

Ms. Nadia Theodore: That is the million-dollar question, right? I think the answer is yes. Of course, there is that sweet spot somewhere, but I think the difficulty in finding that sweet spot goes back to the principles we have all been talking about here.

When we, as a company, are looking at either building a plant or maintaining a plant, and then looking over the long term at the economic viability of that—let's say, we're talking about building a plant—for us, it's a combination of the cost, both monetary and time to build it. So that goes into the regulation question—the regulation from the federal level right down to the municipal level—and the risk tolerance we're comfortable with, especially when we look at what the long-term viability is going to be for the sector.

I will give you an example. It's not a Maritime example, but I think it's relevant here. We are making a significant investment in a London poultry plant, taking into consideration the importance of building a sustainable plant that's looking into the future. In so doing, we obviously took into account the landscape of the poultry industry. However, what COVID-19 has demonstrated to us, and what makes us nervous—I will be very frank—is the way that our supply management system is set up for poultry right now. With that investment we made in that London poultry plant, and knowing what we know and how the system moved through COVID-19 for us, we face significant losses and significant pressure to the business, which is troubling for us.

Mr. Kody Blois: I'm sorry, but I have to intervene because I only have 40 seconds. I wish I had more time.

The final point is on anything you could submit to the committee. We hear a lot about regulatory reform. It's music to my ears. I think there are important things government can do without spending that help drive economic growth. Beyond trying to create that innovative culture within the regulatory framework, if you have any choke-point areas, I think we would love to hear about them as a committee.

I probably have only about 20 seconds.

Ms. Gosselin, you mentioned the importance of research. Can you speak about the research? For example, in my riding it's the Kemptville research station. In your area in Quebec, is it the Agriculture and Agri-Food Canada research stations that are helping drive some of that innovation?

The Chair: Unfortunately, we're out of time.

As Mr. Blois suggested, if there's anything you want to submit to the committee, by all means, send it to the chair.

[Translation]

We now move on to Mr. Perron.

Mr. Perron, you have six minutes.

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

I didn't have the opportunity to speak to Ms. Theodore, because we had some interpretation problems.

Ms. Theodore, you talk a lot about your need for labour. Some witnesses have asked us to increase the percentage allowed in processing plants from 10% to 20%.

In your opinion, is that a good step? Is it enough? Should we increase the percentage to 30%?

Are the pilot projects working?

• (1700)

Ms. Nadia Theodore: Yes, they are working, but we can do more.

[English]

It's going to take us doing the actual research to understand where our gaps are so that we're not just going from 20% to 30% haphazardly.

Yes, I think that it's good. Yes, I think we can do more. We really need to dig in and take the time to understand where our gaps are in order to think about what the solutions are, and I don't think we have done that adequately to date.

[Translation]

Mr. Yves Perron: But do you still support the request to increase the percentage to 20%?

[English]

Ms. Nadia Theodore: On its face, yes.

[Translation]

Mr. Yves Perron: Okay, thank you very much.

You said earlier that the poultry sector is losing a lot of money and that you are living in uncertainty. Is that because of the recent trade agreements? Can you tell us a little about that?

[English]

Ms. Nadia Theodore: Absolutely, I'm happy to, and I'll try to be brief. It's complicated, but in brief, the issue is that when we do our allocations for the poultry sector, what happens is that the processors take on all of the risks but have none of the power in the allocation.

What we saw during COVID-19 is that, first of all, at the beginning, we were able to fix that allocation and take a regional approach so that it kind of measured out okay, but as we got further into COVID-19, there was an unwillingness for us to do that again and again. What we saw in this last allocation is that it was really only Ontario, through the goodness of its heart, that decided to work with us to make the allocation such that we took into account the reduced need for poultry and adjusted the allocation appropriately.

[Translation]

Mr. Yves Perron: Could starting the promised compensation programs give you some breathing room right now?

[English]

Ms. Nadia Theodore: You know, it's two different issues, but, absolutely, we wait very patiently to hear about what processors are going to be getting. We're happy that producers got their compensation, and we wait very patiently to hear about the compensation for processors.

[Translation]

Mr. Yves Perron: Great, thank you very much.

Ms. Gosselin, you talked about the uncertainties resulting from the trade agreements. Of course, I am pleased to hear you say that you still have export markets and you are conducting research and development to come up with new products. But that comes with a financial risk and some uncertainty. If you take five years to develop a project, you wonder whether the market will still be there.

Currently, are the uncertainties that result from the trade agreements blocking innovation?

Ms. Élise Gosselin: That's a very good question and it's difficult—

Mr. Yves Perron: I can frame it differently. There have been concessions, but if you were told that there would be no more in the future, would that help you?

Ms. Élise Gosselin: Yes, certainly. There is some discomfort. We are still not seeing the full impact of the agreements reached in recent years. There will be restrictions in market share and export capacity and the dairy industry is preparing for that. It's already very complex.

The dairy industry's message is very clear: it can't sustain those kinds of changes anymore. Otherwise, it will create an environment that will have adverse effects on business as whole, not just on innovation.

Mr. Yves Perron: If that was enshrined in legislation, it would help you, if I understand correctly.

Let's go back to your students, whom we left at the end of our first conversation. A number of speakers are testifying about the need for promotion in order to recruit labour in the agri-food sector.

Could your students not be a source of labour? Could you tell me what you think?

• (1705)

Ms. Élise Gosselin: Recruitment is very difficult at all levels, even with graduates. Measures have to be put in place to attract people to our sector to work. We have research themes, such as natural foods for young “foodies”, food manufacturing processes, animal welfare and the environment. People have a kind of stereotypical vision of the agri-food sector, but when we send out the message that our industry wants to reduce its environmental footprint and improve animal welfare, we have a lot of success in those projects.

The Chair: Thank you, Ms. Gosselin and Mr. Perron.

[English]

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

Go ahead, Mr. MacGregor.

Mr. Alistair MacGregor: Thank you, Chair.

Ms. Theodore, I think in a previous question my colleague Mr. Epp was asking you about the grocery code of conduct. Is there anything you want to add on that from Maple Leaf Foods' perspective?

Ms. Nadia Theodore: On the code, what I will say is this. I think that promoting and supporting good-faith dealings and responsible commercial conduct is important. Does Maple Leaf Foods think that is a good idea? We do, 100%. What I would say is that, for us as an industry player, it is 100% clear, especially from speaking with the smaller parties, that it is a struggle. The margins just aren't there. The margins aren't there to give up to 6% to grocers randomly, at any given time, when requested.

Is that an issue longer-term, especially when we're talking about innovation, when we're talking about growing the sector, when we're talking about getting new players, smaller players involved? We have to connect the dots, absolutely. Do I think, speaking on behalf of Maple Leaf Foods, that it is going to be easy to get all provinces and territories across the country to come up with a code of conduct that is going to work for everybody, which is what would be needed in order for it to really be effective, if we're going to be honest with ourselves? I think that might be difficult.

We do have to, at the end of the day, figure out how we are going to work together—all parties, all stakeholders—to make sure that we are, in our dealings with each other, moving towards the greater good of the sector. That's not to sound too Pollyanna about it, but I think that's actually what it's going to come down to. Whether that's a code of conduct or whether that's something else, we can talk about that ad nauseam, but to me that's really the core question.

Mr. Alistair MacGregor: Thank you so much.

Madame Gosselin from Novalait, you've certainly had a lot of questions, but is there anything you want to expand on in the three minutes I have left, anything you want our committee to really focus on, anything you felt may have been cut off by a previous question round or anything like that?

[*Translation*]

Ms. Élise Gosselin: Thank you very much for giving me this opportunity.

I am sure you have gathered that one of the unique features with Novalait is that producers and processors work together. That's one of the company's strengths.

People know us throughout the province, but we are very pleased to be able to make a name for ourselves nationally. Being able to work in a continuum, from production to processing, gives us an additional voice with which to solve problems. That's really the approach we wanted to be able to present. Often, producers and processors find themselves in negotiating roles. At Novalait, we are showing that it is possible to also work on common issues, and that allows us to go a lot further.

Once again, innovation is central to everything we are going to do subsequently in terms of food processing. So it's really important to continue the financial effort of supporting innovation. We

are seeing the results, not only in knowledge and data, but also in the science that is helping companies to make sound decisions.

We have not talked a lot about animal welfare, but it is also one of the issues on which we have done a lot of work. We want to continue having that important discussion, based on facts, not on perceptions. The producers and the processors are in agreement to do so together, which is important.

So we need to support that quest for innovation in the future, because it is intimately linked to the economy. It is important to consider research in terms of the solutions it can find for industry.

Thank you.

● (1710)

[*English*]

Mr. Alistair MacGregor: Thank you so much.

Mr. Chair, I think I'll leave it at that. Thank you.

The Chair: Thank you, Mr. MacGregor.

[*Translation*]

Thank you, Ms. Gosselin.

[*English*]

That's the end of the question round, but if the committee will indulge me, I will use my chair privilege to ask a question. My question will go to Ms. Theodore. I may not like the answer, but I think it's a question that has to be asked.

Why is it that Maple Leaf, a Canadian icon with its maple leaf logo, would choose Shelbyville, Indiana, for a \$310-million protein plant, when we have here, of course—the supply, the raw material, and the quality? Why is it that you chose to do that? Why is it that we're not getting the private sector investment into these plants?

We'll hear your answer. Thanks.

Ms. Nadia Theodore: Thank you, Mr. Finnigan, for the question.

My response was in my opening remarks. I will preface it by saying that it is complicated. It's not ever one thing, but surely, in terms of what I said in my opening remarks about the cumulative impact and the cumulative burden of regulation, from both a cost perspective and a time perspective—and also from a predictability perspective—all of us around this virtual table understand the business and understand that the number one thing for business is predictability and cost efficiency. That really is what it's about.

What I will say is that for all its good—and there's a lot of good—the not-so-good in our regulatory system is that it stymies investment. It creates barriers to predictability, barriers to innovation and barriers to cost efficiency that oftentimes far outweigh and even stymie the health and environmental positives that we are trying to gain.

While I won't speak to the specifics with regard to a specific decision of putting one plant in X instead of Y, I do think we should look to these types of examples, study them carefully and be very serious about thinking through our regulatory framework going forward, especially when we're talking about recovery, and especially when we're talking about scaling up our agriculture and agri-food sector going forward.

The Chair: Thank you very much, Ms. Theodore. I didn't think I'd like the answer, but I think it's a question that has to be asked, and it should be part of our plan to increase our processing sector. I thank you very much.

With that, I shall thank the Canadian Cattlemen's Association. Mr. Lowe, thank you so much for being here today with us. Mr. Laycraft, thank you for your presence and your comments.

[*Translation*]

Thank you for joining us today, Ms. Gosselin.

[*English*]

Also, to Maple Leaf Foods, of course, and Ms. Theodore, thanks so much for being here today.

That concludes our committee work for today. We shall see all of you on Thursday.

Thanks, all of you. The meeting is adjourned.

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