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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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• (1535)

[English]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): I would like to call the fifth meeting of the Standing Committee on Agriculture and Agri-Food to order, please.

Pursuant to Standing Order 108(2), we are doing a study of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the effects of it on the Canadian agriculture sector.

Today we have witnesses, and they're split into two groups. The first group will be for the first hour, from 3:30 p.m. to 4:30 p.m. That includes the National Cattle Feeders' Association: Mr. Bryan Walton, general manager, and Mr. André Roy, member and executive director

[Translation]

of la Fédération des producteurs de bovins du Québec.

[English]

Then we also have a video conference with the Alberta Pork Producers Development Corporation. Mr. Darcy Fitzgerald, executive director, joins us by video conference from Saskatoon, Saskatchewan.

Welcome to our witnesses. You each have 10 minutes to give opening remarks. I will turn it over to the National Cattle Feeders' Association.

Mr. Bryan Walton (General Manager, National Cattle Feeders' Association): Mr. Chairman, committee members, I am pleased to be here. You all have our speaking notes, that were presented earlier, with some background information.

Just by way of introduction, the National Cattle Feeders' Association was established in 2007 to represent Canadian cattle feeders on national issues, and to work in collaboration with other cattle organizations across the country. Our key areas of focus include improving industry competitiveness, increasing domestic value-added production, expanding markets for Canadian beef, and reducing the regulatory burden for our sector. The members of the National Cattle Feeders' Association are: the BC Association of Cattle Feeders, the Alberta Cattle Feeders' Association, the Saskatchewan Cattle Feeders' Association, the Manitoba Beef Producers Association, the Ontario Cattle Feeders' Association, and la Fédération des producteurs de bovins du Québec.

The National Cattle Feeders' Association supports the CETA and expressed this directly and via our membership in the Canadian Agri-Food Trade Alliance, otherwise known as CAFTA.

CAFTA is a coalition of national and regional producer groups and industry associations that support an open and transparent international trading environment for our agri-food sectors. Collectively, CAFTA members represent about 80% of Canada's \$42 billion in annual agri-food exports. For the NCFA and other CAFTA members, this deal holds real promise for the agri-food sector with an estimated increase of \$1.5 billion in new agri-food exports each year.

The government's trade agenda is in keeping with the National Cattle Feeders' Association priorities of expanding markets for Canadian beef. The CETA will bring upwards of \$600 million in added value to the beef sector, which translates into roughly 500,000 head per year.

There are some other benefits of the CETA, which my colleague will address.

[Translation]

Mr. André Roy (Executive Director of the Fédération des producteurs de bovins du Québec and Member, National Cattle Feeders' Association): I will continue in French.

Good afternoon, everyone.

The agreement with the European Union will allow us to invest in harvesting more cattle in Canada since we will have access to the European Union that other countries do not have. Clearly, we must understand that the converse is also true: without the agreement, other countries could invest to their advantage. This is why that particular element is important for us.

Canada will have duty-free import quotas for beef. We must remember that one of the current quotas, for 11,500 metric tons, is supposed to carry a 20% duty, but that will no longer be the case. These are the advantages of the agreement. If we come to an understanding with Europe on the economic agreement, it will be possible to develop a stable, commercially viable market on a long-term basis. Stimulating investments in a sector that will allow it to develop requires an economic environment that will allow investors to see their profits extending into the long term.

The deal precedes negotiations with the European Union that the United States has just started. Canada is well-positioned. Judging by the other agreements in the works, this is promising. I repeat that, if an investor, in a packing plant, for example, wants to invest in Canada, that investor must have access to other markets. If the United States has access to 20 countries, for example, but Canada has access to 40, the investor will choose Canada. The converse is also true, and that would then become a disadvantage.

Over to you, Bryan.

[English]

Mr. Bryan Walton: The other thing the CETA does for us is reduce our reliance on the United States, which has been a good market but is now in jeopardy on account of mandatory country-of-origin labelling. This arrangement with Europe could represent up to 30% of the historic value of the U.S. market for live beef and beef in the box. The CETA also provides us with a forum to settle non-tariff issues. This is an important aspect of the agreement.

I might just say with regard to mCOOL that one of its impacts can be seen in the example of Tyson Foods, historically one of the strong buyers of Canadian cattle. They have explained to their suppliers, the cattle feeders in Canada—their intention was made clear in October—that they would no longer be taking Canadian-fed cattle in their plants in Joslin, Illinois; Lexington, Nebraska; and Pasco, Washington. That's about 180,000 head of cattle a year that will no longer be moving to the United States.

While they're trying to find ways to get Canadian cattle, the reason that this total of 180,000 head is important is that some Canadian plants, new plants.... There's one in particular that I will mention in Balzac, Alberta, which is the Harmony Beef plant that was mothballed in 2007. It will reopen. It has the capability of taking all of the cattle that were going to Pasco, Washington. In addition, we understand that there is another plant that is considering reopening in Qu'Appelle, Saskatchewan. These plants, particularly the Balzac plant of Harmony Beef, have expressed their desire to target the European market.

What does this mean? What does the CETA mean for our sector and our processors? It's about investment, it's about jobs, and it's about increased trade.

Thank you, Mr. Chairman.

• (1540)

The Chair: Thank you very much.

Now I would move to Mr. Fitzgerald, the executive director of Alberta Pork.

You have 10 minutes, sir.

Mr. Darcy Fitzgerald (Executive Director, Alberta Pork Producers Development Corporation): Thank you very much for this opportunity. I certainly do appreciate it.

One of the things to bear in mind is that, as mentioned earlier, I'm here representing the Alberta Pork Producers Development Corporation, which is made up of 350 producers in Alberta who also belong to the Canadian Pork Council and Canada Pork International. I believe they will be speaking to you later this afternoon.

We've had a lot of years—the last five to seven years—of quite volatile pricing, high feed costs, and some very questionable trading practices from others that have really affected our industry, which most people who know anything about the pork industry have seen. Those lean years have taken a toll on our industry. One of the things that we see as perhaps addressing some of that is access to various markets for our product. Currently we're in about 100 different countries and any time we can find another marketplace, it's very positive for us. Some of the tolls we've taken in the past were related to the rapid devaluation of the Canadian dollar; H1N1, which was wrongfully associated with the swine industry; U.S. drought; trade issues of COOL; free trade agreements with South Korea that haven't materialized; or recently some trade issues with the Russians. Over and over again, it comes back to the issues of acquiring trade and finding more access to more markets.

In the last decade or so we've really seen a decrease in our industry. About 70% of our producers have left the industry. We saw about a 25% reduction in our production. But with all that said, and all that volatility, there's still great opportunity for us, and we see that especially through negotiations that have gone on with the CETA and where that can take us. Any time we can make an improvement and access a marketplace with 28 countries, I think that's a very significant move for us. We take a lot of pride in the product we have, and I think others around the world would as well. Certainly, securing marketplaces that are less volatile would be very preferential to us and a great benefit.

Just to give you an indication of the size of our marketplace, so far in the last year we saw about 1.2 million tonnes of fresh, frozen, and processed product valued at about \$3.2 billion being shipped to approximately 100 countries. As we see that, it starts to represent about 64% of our production leaving the country and going into other markets. Alberta itself ships just over 50% out of the country, and we also have a significant portion of our products going into neighbouring provinces for further processing, some of which is then shipped to other countries. Looking at that, Alberta feels that with having 10% of our \$4 billion cash farm receipts for the country, there's great opportunity for us to see more growth and more opportunity for ourselves.

Again, looking at the processing industry that we have in our country, there are shifts. We would like to see more opportunities for us in Asia, as others, perhaps in eastern Canada, make up the difference with what could go into Europe, which is positive as well.

With this trade agreement we're of the understanding and hope that we'd see somewhere in the neighbourhood of 80,000 tonnes of duty-free access into the EU, and that represents about \$400 million in annual sales if projected into the future when everything is up and running. Part of that enthusiasm that we see really comes down to the fact that this marketplace represents about 500 million people. They have a consumption of somewhere around 20 million tonnes of pork a year, and that's about 30 times the consumption that Canada has. Despite this, we're only actually seeing about 0.2% of their domestic consumption coming from imports. That in itself, given the opportunity to have this type of negotiation agreement in place, would certainly give us an opportunity to change that balance, and put more Canadian product in there for the benefit of Canadian producers, processors, and also European consumers. We see that as a great opportunity. Having this trade negotiation continue on and providing those opportunities really is something we see as an opportunity to put more demand on our products.

• (1545)

We are in a marketplace, especially in Western Canada, in which we have little competition, and these are the types of things that actually drive price. We're very hopeful that as things continue along, they will help our producers and our industry.

With that said, I would also like to say thank you very much to the Canadian government. I think our industry in particular is very grateful for all the work that's been done so far to bring this agreement to where it is. We certainly look forward to the positives and the benefits that will come to us.

Thank you again for the opportunity to be here.

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

Now we will go to our rounds.

We'll start off with Madame Brosseau.

[*Translation*]

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you, Mr. Chair.

I would like to thank all our witnesses. I recognize how important it is to hear their testimony and to analyze CETA in depth. I have three questions for the representatives of the National Cattle Feeders' Association.

First, I would like to know more about the strategy that you are planning to use to take full advantage of CETA.

Second, can you tell us about the non-tariff barriers you may face in your sector?

Finally, can you tell us how you are going to adapt, given that the European Union bans hormone use? Can you tell us about the costs associated with that?

Mr. André Roy: Do you want us to answer right now?

Ms. Ruth Ellen Brosseau: Yes. Thank you very much.

Mr. André Roy: I am sorry. I am not used to this.

To your first question, which was about the strategy that we are planning to use to take advantage of the agreement, I would say that each province may have a different approach, depending on the

access to meat-packing plants. To be able to take advantage of the agreement, people are certainly going to want to see the packing plants to determine which ones are in compliance. To be able to sell products to the European Union, the producers must be accredited, but so must the packing plants. So the process of accrediting packing plants is one of the steps. As Mr. Walton mentioned, we already have an accredited plant in western Canada. In the east, there are probably one or two that are almost accredited.

In terms of the non-tariff barriers to the agreement, one of the little-known aspects is that producing for American certification requires an approved inspection. That is done by veterinarians. Clearly, the costs of the services of those veterinarians must be borne entirely by the producers. Those costs can certainly be quite limiting. I would categorize it as a non-tariff cost because, basically, it is related to the certification. When we produce for Canada, we do not have to pay certification fees or inspection fees to the Canadian Food Inspection Agency.

There are also some technical issues, which have more to do with the packing plants. I do not want to go into the details of each of those issues. Some of them have been settled, like the ones dealing with carcass wash and packaging.

As for producing without hormones, in itself, it is not a problem for producers. It is just a question of finding a packing plant that is interested and then getting the production process going. Since, under the agreement with the European Union, the requirements start when the animal is born, and the animal is not ready for consumption for 20 months, you kind of have to work for at least that amount of time. That is why producers need a stable environment. If they decide to produce according to precise standards today, they have to be sure that the person who said that he wanted to buy the product still wants to buy it in 20 months. It is a problem, but it is far from being insurmountable.

Does that answer your questions?

• (1550)

Ms. Ruth Ellen Brosseau: Yes. Thank you.

[*English*]

The Chair: Thank you, Ms. Brosseau.

I'll go to Mr. Hoback.

Before we do, Guy Caron is filling in today. Welcome.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): What a nice chair.

Gentlemen, it's great to have you here, and of course my colleague, the witness from Saskatoon.

I notice you're not wearing your Roughrider jersey yet, just kind of hanging cool right now and waiting for the weekend?

Mr. Walton, you talked about the Cattle Feeders' Association and the impact and potential of this type of volume going to Europe. Have you looked at what it's going to do to the packing sector in western Canada now that we're looking at packaged beef going into Europe?

Mr. Bryan Walton: This is a bit of a tie-in to the previous question about the viability of that market. We know it's viable. We have a small federally inspected processor that's EU approved in Lacombe, Alberta, that's shipping to Europe. Three containers went last month. It's a small organization but the market demand is not the question. It's the ability to have the desire to line up supply to adhere to the European requirements. That's being done right now. The viability of the market is there by the size alone.

As I mentioned earlier, the largest EU-approved plant in Canada is the one in Balzac, just north of Calgary. That plant has the ability to kill 700 to 800 cattle a day on a single shift. There are 275 employed at that plant. The purchaser of that plant has worked for large companies in the past. He understands the opportunities this plant provides as a niche processor. He's pretty convinced about that but Europe isn't the only market that's having requirements with regard to production technology. There is also Russia, China, and Taiwan. From that standpoint that plant is well situated. The gentleman who will own that plant has worked in larger plants and understands what it's like to be in the commodity business that the two big plants are in.

• (1555)

Mr. Randy Hoback: Coming back down the chain and back to the farm gate again, have you looked at what you're going to do to help educate farmers on the changes in production styles and the use of hormones, for example?

Have you figured out of an angle of attack on that?

Mr. Bryan Walton: This relates to Mr. Roy's comments earlier.

Now that we have what is a grade agreement, and it's a solid agreement, decisions about investments can be made. That was a factor in Rich Vesta's decision to purchase the Harmony Beef plant. There's a large feedlot in northern Alberta that's got a significant number of cattle on feed right now that will be so-called natural, not conventional.

Mr. Randy Hoback: Do we need to be providing more research into that area of production?

Mr. Bryan Walton: Innovation is important. That's why some of the modern production technology should be available. This is another option. I think it's giving producers options, whether it is to market the product or what they use to produce products that are safe and well tested and have been, in some cases, used for decades and are not at all harmful. But it's the customer in this case who's deciding and the producer has to decide whether they're willing to and if the economics pencil out.

Mr. Randy Hoback: Mr. Fitzgerald, you talked about the \$400 million a year in sales in the hog sector.

Can you elaborate on that? Where do you see that actually coming from and how will that offset what you've lost in the U.S.? Maybe a better question to ask is if we would have had those sales in place now what would the pork sector have looked like in the last four or five years, if we would have had access to that market?

Mr. Darcy Fitzgerald: I'm sorry, Mr. Chairman. I'm having a hard time hearing the question.

Mr. Randy Hoback: I'm just looking at a scenario and it's maybe a little speculative in its nature. If we would have had access to the

European market over the last four or five years, how would the pork sector look compared to how it looked last year or the year before?

Mr. Darcy Fitzgerald: If we'd had those markets open and we had somewhere around 30,000 tonnes available to us—in 2011 we only shipped about 415 tonnes—that difference would have moved that product quite nicely for us. Again, the COOL issue we're facing now also affects live hogs, and it likely wouldn't have been an issue for us to transfer those. But further processing could have gotten us the meat products into the European market and maybe made up that difference that we saw in the somewhere around \$2 billion loss so far.

Mr. Randy Hoback: It would have definitely helped you weather the storm in the last few years, for sure, if you'd had that access.

Mr. Darcy Fitzgerald: Absolutely. Yes, that would have been quite helpful, I think, any time you can find those extra markets when one market shifts and pushes you out of that marketplace, to have those extra opportunities...to be able to go into the EU with 28 countries. I know we're very optimistic ourselves about the opportunity to move hams into that marketplace at a significant level. Likewise, if we look at this and say there's a potential for \$400 million to move into that marketplace, that really almost cancels our loss that we're seeing right now in South Korea where we don't have a free trade agreement. That might have been an easy shift, to put more energy into that marketplace and push those products into that market.

The Chair: Thank you very much.

We'll now move for five minutes to Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair, and thanks to the guests for coming here today.

One of the things that was mentioned, I think, was increased processing capacity, whether it's dealing with our potential in Europe but also for cattlemen. If we can ship our processed beef to the United States and put a Canadian pride label on it, maybe we can sell it direct to the Costcos and Walmarts of the world. That being said, what should governments do to help facilitate or increase that capacity, whether it's hogs or beef?

Mr. Bryan Walton: I guess the question we start with is, what does the customer want, and how can we get to those markets and expand the markets? That's what the trade agenda of the government has been doing.

As far as what's happening with the plants, I think some of the legacy dollars that have been coming from different levels of government have been helpful in providing new technology in those plants. We have to deal with specified risk materials. In Cargill's case in High River they have a new technology there that's using that, recovering steam providing energy. Those have been necessary because of the fallout from BSE, but also I think that innovation in Canada, some of which comes from this country, is important in enabling our plants to be competitive.

In regard to the non-tariff barriers about carcass wash, whether it's lactic acid or steamed pasteurization, which has been an issue in the past in Europe, there's other technology such as ozonation that can be put into place. That's another thing that I think has some potential.

The plants can speak for themselves. We represent the feeders, but I know the Canadian Meat Council has been weighing in on this as well.

• (1600)

Hon. Mark Eyking: You would say continue the legacy funds to sort of increase that efficiency or better practices.

Mr. Bryan Walton: I think to make sure the plants are modern and can be competitive in the world we have today. Again, that's an issue for the packing plants, not for the people.

Hon. Mark Eyking: What about the pork industry?

Mr. Darcy Fitzgerald: I think through the funding that we've received in the past, and hopefully we'll see in the future from the federal government that has gone to the Canada Pork International, we have been very successful in most of the marketplaces we've tried. We also have a very good relationship with the federal government opening up access to those markets and dealing with our buyers and customers there. As well, the work the government has done in Canada with those governments has been very beneficial to us.

I would say that our traders, processors, and brokers really have benefited from that, and through Canada Pork International I think we're finding those marketplaces and the industry is moving into locations that are best for us. But one of the issues that always comes up is.... Each individual government can do what it likes, and if we look at the COOL situation it's not the industry, it's not the consumer, it's not the buyer in the United States that's causing the problem for us but, rather, it's United States government policies.

Likewise, that might be true if we looked at Russia as well, or having the lack of a trade agreement in South Korea. The funding that the federal government has provided to us in the past through Canada Pork International has been extremely helpful. I think our reporting back to Agriculture Canada has shown that, too.

Hon. Mark Eyking: I was with some of the pork producers in Saskatchewan last week and they were telling me about some of the opportunities, especially in hams where you get a low price for hams in North America while in some of the southern European countries like Italy or Spain, there's a higher price especially for what they call dry hams. So that might offset some of it: you might get more out of the carcass overall.

To go back to the trade agreements and COOL, this committee—and this is for all the witnesses—is going to be travelling to Washington in a couple of weeks to deal mainly with the COOL issue. We're hoping that we can get some success there. When I was in Alberta last week it was brought to me by a lot of cattlemen that there are certain senators or congressmen we should be talking to down there who have plants in their area.

Can you give us some directive on who we should be seeing and what our message should be when we go to Washington?

The Chair: Could we have a short response, please?

Mr. Bryan Walton: You should talk to the House leaders. We know that some of those northern states.... I believe Dakota is one that's turned around. There are seven to nine meat plants in jeopardy in the United States. Those are jobs. So it's impacting us Canadians for sure, but there will be jobs at risk in the United States.

I gave the example of Tyson. It's concerned that it's not going to have the raw material—meaning Canadian cattle—for those plants. Twenty-five percent of the cattle at Pasco, for instance, have traditionally been Canadian.

The Chair: Thank you very much.

Maybe somebody else can answer the other question.

Mr. Payne.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair.

Thank you, witnesses, for coming.

This is an important agreement we have in front of us and certainly we've heard from the cattlemen and pork producers over the past couple of weeks that they're very positive about this program.

I know that Minister Ritz has done a lot of work already to try to get rid of COOL and that he's had meetings with congressmen and senators in the U.S., so my question is this: presuming they get rid of the COOL labelling, would we have enough capacity to continue to meet the demands in the U.S. and also in Europe?

• (1605)

Mr. Bryan Walton: With regard to production capacity, I would say yes. When it comes to the capacity for the packers, as you know, at those big plants they can double-shift and they often do. So that's 5,000 a day in Brooks, in High River, and to a lesser extent in Guelph. That would be a question for them, but we believe it's there. You'll have the new plant in Balzac probably in June, plus another in Lacombe, plus maybe one in Qu'Appelle Valley. I guess this really introduces the options we're looking for and some aggressivity on the part of the packers to look at those markets now that there's commercial viability.

Mr. LaVar Payne: So would you see further investment in packing plants?

Mr. Bryan Walton: It's already happening.

Mr. LaVar Payne: It's happening, but especially with the opening of the markets, I guess that's....

Mr. André Roy: If I could add something, there must be some investment in some plants if they want to export to the EU, but regarding capacity for the eastern part of Canada—Ontario and Quebec—there is more space. We used to have 30% higher production in the east. All of those animals were killed and there was still space available.

Mr. LaVar Payne: Mr. Fitzgerald, I wanted to ask you about the pork industry.

Are there hormones being used and does that impact anything at all in terms of shipping to Europe?

Mr. Darcy Fitzgerald: No, sir. At this point, no hormones are used in the pork industry. It's unfortunate that in the retail case, we see the labelling "no hormones", but it's only to let the customer know there are no hormones. If we read the small print, it says that all pork in Canada is produced without hormones.

Hormones are not an issue for us. There is another issue facing the Americans right now, but not us. We've just removed ractopamine from our system. That might have been one hurdle in the past that would have kept us from shipping into the EU, but we no longer have that problem.

We do have four plants in Canada that are EU certified: one in Lethbridge, Alberta, and three in eastern Canada, so they would be able to ship products. In the last few days I've spoken to other processing facilities, and as time moves along and they see the opportunity, they may as well shift and try to receive that certification. So I think they're all very positive about their opportunities.

Mr. LaVar Payne: Do you see any further investment in packing plants? Certainly for the industry, we've seen it already shrink. Do you see some expansion there as well?

Mr. Darcy Fitzgerald: Absolutely, I would. Again, as I said, those plants that have the EU certification would be the first that would be able to make those shipments and movements. Again, our product has so many parts sold into so many different countries that one plant taking up some volume in the new markets sometimes allows another plant to put more volume into an existing market where it might have been competing. So the balance does work out, and it is very positive for all of them.

Mr. LaVar Payne: Thank you.

The Chair: Thanks very much.

I will go to Mr. Atamanenko. Five minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thanks very much to all of you for being here.

I've been thinking about this agreement ever since we knew it was coming. We're here to look at the effects of the CETA, both positive and negative, on the agricultural sector, and we appreciate you folks being here to give us your feedback.

Also, it is more than just a trade agreement. If we look, for example, at what senior trade researcher Scott Sinclair of the Canadian Centre for Policy Alternatives has said, he has said:

It is a constitutional-style document that affects patent protection for drugs, foreign investor rights, local government purchasing, public interest regulation and many other matters that are normally decided by elected legislatures after public debate.

We've been told this by the government. It's a comprehensive agreement, and obviously we will have to balance the pros and the cons.

We know also that our dairy farmers, as a result of this, are going to take a hit, and the government—rightly so—has stepped in and said it would help them. We know that the cost of delaying the introduction of cheaper generics will be between \$800 million and \$1.65 billion, and once again the government has said it will offset the costs. So the taxpayer's dollar is going to help where they don't need help now.

As not only a representative of your association but a Canadian, there is one thing we have seen under NAFTA that is expanding into this agreement and others. It is something called investor-state rights, and the fact that there is the ability for foreign investors to sue our federal government because companies feel they are unjustly treated. Up until now, under NAFTA chapter 11, over \$160 million of federal government money has been paid out to fight these cases. Both the European Parliament and the official sustainability impact assessment have questioned the need to include investor-state dispute settlements in the CETA. Some countries are looking at options. South Africa, India, Korea, Brazil, Australia, Venezuela, Bolivia, and Ecuador have decided to pull out—in other words, not include investor-state rights in any trade agreement.

As a Canadian and as a representative of your industry, what are your thoughts on this? Personally, in my opinion, it's not right for a foreign company to be able to sue our government because it may feel unjustly treated.

• (1610)

Mr. Bryan Walton: Our focus is on beef, and the "C" in CETA is for comprehensive, so it goes much beyond beef. One of the think tanks I go to is *The Economist* and once in a while we get mentioned in this magazine. There were two references to the CETA, and in both situations one defined Canada as a leader in this agreement, not only because of what it does for our access to Europe and how it positions us by going into the Trans-Pacific Partnership. We are a trading nation. From the standpoint of beef, we produce more than we consume. We realize that when 80% of our exports go to one market, that creates some situational problems, as we saw with BSE and as we're now seeing with COOL. So from my standpoint, and just speaking for cattle producers, it's a good agreement.

Mr. Alex Atamanenko: Mr. Fitzgerald.

Mr. Darcy Fitzgerald: I would echo the same remarks that Mr. Walton has given you just now. On the other side, too, we have some very intelligent members of Parliament, one of whom sits on the committee, with whom I've had many opportunities to speak, and I think the right thing will be done. It is a comprehensive agreement, and it is a big task—I realize that—on your shoulders to look at this. I realize that, but I think Canadians have confidence in the government to look at those issues and see where they need to lie and to move forward on the best agreement for all Canadians.

Mr. Alex Atamanenko: I wonder who that member is. I don't see him here.

Some hon. members: Oh, oh!

Mr. Darcy Fitzgerald: It might be Mr. Payne.

Mr. Alex Atamanenko: That's it.

Thank you so much.

The Chair: Thank you very much.

We will now go to Mr. Zimmer, for five minutes, please.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you, Mr. Chair.

Thank you to our guests for appearing today before committee.

We've heard some comments about COOL and some work that's been going on behind the scenes with our minister, and some of our members have gone down to the States, talking to state representatives about COOL and how bad it is for the entire North American economy.

I've spoken about this before. Surprisingly, in Kansas City this summer we got unanimous support for our resolution that COOL was not necessarily the right way to go. It was so successful it surprised even me. They're getting it now, and they're starting to see it from their own perspective, I guess. Some of us have been doing a lot of work to change their minds, and that credit is due.

André, you talked about the CETA being good in itself, but you also talked about the residual benefits, the benefit of having access to the CETA market, which is going to establish a business model that's beneficial to the entire world. A person who sets up shop in Canada would have access to all these markets around the world. You talked about meat processing, and the fact that having a market where the meat has European approval will be a benefit to us. Can you speak to that?

• (1615)

Mr. André Roy: I'm not sure if I understand your question, but I will try.

My point about the investment and the CETA and the other deal that could happen regarding the beef is the fact that if you're a company and you cannot export from Canada to certain countries, but if you invest in the U.S. you can export to those countries, where are you going to invest?

That was the point I tried to raise, the fact that Canada has to make sure that we have access to different markets—I'm talking about the beef sector—because if not, someone else will benefit from this, and the industry will shrink. I don't think that's the kind of development we want for our producers.

I don't know if I answered well.

Mr. Bob Zimmer: I talked to Bryan, and I spoke earlier today about the opportunities that are there as a result of the CETA that go well beyond the CETA alone. It's quite an opportunity to be realized.

I have a question for our pork person from Saskatoon.

We talk about the pork industry in terms of the CETA—and I've been on this committee for a while now, so I've seen the struggles that the pork industry has had in Canada over the past number of years—and the opportunity there as a result of the CETA.

But sometimes we get lost in the numbers. We hear about 80,000 tonnes, and for the regular Canadian on the street, they need something they can relate that to. How many pigs is that? Does that quantify in terms of dollars? You did speak to the number of dollars in that, but could you just bring that down to the numbers that Canadians can understand?

Mr. Darcy Fitzgerald: It probably kicks in at somewhere around an extra 8 million pigs that we would see in our system. Right now we're sitting at about 21 million to 25 million pigs. So that's substantial for us, to be able to increase the size of our herd if we can, even just to sit where we are today or to make use of that.

But more important, I think, is to have that opportunity and the demand that might come from those marketplaces, especially for the ham, which is somewhere around 35% of the yield from a carcass. If we can make use of that and the draw is there, it puts a lot of pressure to maybe pay more if those markets are more lucrative, and that's what we're hoping for from a producer perspective.

I think for a processor, if I can speak for them, the more markets they have that pay a higher price for a good quality product, that certainly helps them as well.

The Chair: Thank you, Mr. Zimmer.

We'll now go to Madam Raynault, for five minutes.

[*Translation*]

Ms. Francine Raynault (Joliette, NDP): Thank you, Mr. Chair.

We know that pork producers have been having a really hard time for a number of years. What strategy do you intend to use to sell your production in Europe, where the meat is consumed? What do you intend to do to sell more pork in Europe?

[*English*]

Mr. Darcy Fitzgerald: From a producer's perspective, which I represent, we would have to leave that to the processors, brokers, exporters, and traders who actually sell in those countries, but through Canada Pork International, I know they have been looking at the ability to have access to Europe.

As I said, those 28 member states represent about 20 million tonnes of pork consumption each year, with a shrinking marketplace. As they slowly work themselves to a decreasing number of pork producers, the demand will definitely increase. They could buy fresh product from us in the form of hams, further process them, and provide that to other nations. I think that's a positive for us.

On the flip side, part of this agreement is to look at what we do with our Canada Food Inspection Agency, and to come to some agreement where the European standards and our own standards are recognized together. If people recognize that we have these higher standards as well, that would give us a greater opportunity around the world and give us more access to other marketplaces.

•(1620)

[*Translation*]

Ms. Francine Raynault: Someone said earlier that pork is raised without hormones. So why is there this idea that pork is raised with hormones and that people will not buy it as a result? What are you doing to get rid of that idea?

[*English*]

Mr. Darcy Fitzgerald: It is another good question, and it is unfortunate that we do face that.

I guess one of the things that we lack in our country is a good domestic initiative for marketing the pork industry. We have some provincially, in Quebec, Ontario, or even ourselves in Western Canada, in Alberta and B.C., with our Passion for Pork campaign. It really is up to us to get in front of the consumer and to let them know.

Unfortunately, Canada may be, and North America may be, different from many other pork-consuming countries, where they know this already. It's not as big an issue as we face in Canada, where the consumer really does lack a lot of knowledge about the products and how they're produced. It comes back to the industry to get that information out to the consumer and to let them know what the truth really is.

The Chair: You have a minute.

[*Translation*]

Ms. Francine Raynault: When I buy a piece of pork, the label does not seem to say whether it was raised with hormones or without; we just don't know. Could there be a way of doing that on the label? Perhaps they do it in other places, but I have never seen it at home.

[*English*]

Mr. Darcy Fitzgerald: Yes, there are specific products on the shelf, and some retailers' products indicate that. Free from the use of hormones would be a program. But to be properly labelled, the labelling would have to also designate that it's like all pigs raised in Canada. None of those marketed pigs contain any hormones, other than the natural hormones that all animals contain.

The Chair: Thank you, Madam Raynault.

We will now move to Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

Getting back to Mr. Atamanenko's question about investor protection and ability for other countries to sue us if there's a perceived infraction, you folks will agree that when you're signing a trade deal with another country you always sign a reciprocal type of trade deal wherein we have as much protection as they do and the onus is on both parties to work within the terms that were set out in the trade agreement.

Certainly I don't think Canada would want to enter into any international trade agreements with other countries without that protection and be prepared to give it to their trading partners as well. It's part of good business.

I guess I'm guilty. I didn't know that hogs didn't have growth hormones and I've been eating pork for decades. I wonder how many people there are like me in Canada who don't know that, but it tastes pretty good anyway.

Getting to the pending trade deal, as I'm sure you'll agree, Canada is looked upon by other countries as a pretty good country. We have a Canadian brand on our beef and pork products that we should be thinking about marketing. I know to promote that marketing plan is more probably in the ballpark of the processors, if there's going to be a Canadian brand marketed, but I think that would be a tremendous tool to use in the selling of our beef and pork and other products into the EU market. I'm assuming that the marketing people are already working on that and the economists have told them that if we want to be successful they had better be thinking about a lot of things, including that.

I wanted to ask about the producers themselves. I know the livestock goes to the processors and then it's in their hands and both pork and beef eventually gets over to Europe under this agreement. The processors will be negotiating the price they are going to be selling it at. What's going to be the increased benefit to the producers themselves? There's a thought that the processors are making all the money and the farmers and ranchers are doing all the work to get these cows into the processing plants. What do you see as a real benefit to increasing the income of the producers themselves, as opposed to the processors in the beef and pork industry?

•(1625)

Mr. Bryan Walton: It's the competition, competition and choice. Right now the differential between Canadian and U.S. pricing for feedlot cattle is called the basis. The wider the basis the less benefit to the producer. Competition can help narrow that basis.

Mr. Richard Harris: Are you saying that the competition from the European market—

Mr. Bryan Walton: It's the competition from others who will bid for that market.

Mr. Richard Harris: Okay. How do we believe that the processors will pass on that extra income to the producers?

Mr. André Roy: I could add that the difference with the actual market, if we produce for value-added product, value-added beef, which is different from the one we usually produce...we have to get an agreement because this beef takes at least 20 months before being ready to sell in Europe. Before starting production for the EU you can be sure the producer will get an agreement on the price in order to accept to produce.

It's not like the situation whereby the producer is producing beef and tries to sell. Before starting we would have to agree. It's a value-added product and they already know that because in the provinces, even in Quebec, some producers make hormone-free beef and they have to negotiate because it's not the same price.

The Chair: Thank you, Mr. Harris.

We have three minutes.

Mr. Caron.

[Translation]

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much. I have a little less time than the others, but we are getting towards the end.

Mr. Fitzgerald, I have a quick question. Something in what you said intrigued me. You said that using ractopamine is not really a problem any more after the free trade agreement was signed. Could you tell me why it is no longer a problem?

[English]

Mr. Darcy Fitzgerald: To my knowledge, mostly in eastern Canada as well, the use of ractopamine was mostly because we were competing with U.S. products. In the last year we've had some trade difficulties, primarily with Russia and the ban of that substance being used in their marketplace. So we've gone into a full program certification for our producers that goes back to feed mills and everybody involved in the production of pork to ensure that we don't have ractopamine in our system.

That's one fewer challenge that would be presented to us from the EU as well. So we're getting a very limited number of opportunities to be challenged.

• (1630)

[Translation]

Mr. Guy Caron: Thank you very much.

I asked the question, actually, because last year, an article appeared in Quebec—I am not sure if it came out across the country—where a veterinarian working with pork producers estimated that 10% of his clients were still using ractopamine.

[English]

Mr. Darcy Fitzgerald: Yes. In western Canada, especially Alberta, B.C., and I believe all of Saskatchewan, we aren't using it now.

The interesting thing is the substance itself has never posed health threats or a food safety issue. But we do have one that may come across our border called carbadox, that we are not allowed to use in Canada, but it is a product that our American cousins are allowed to use. That product freely comes across our border, and someone might want to look into that one day.

[Translation]

Mr. Guy Caron: Do beef producers use ractopamine? It can be used with cattle too.

[English]

Mr. Bryan Walton: Yes. I just want to also make a statement here.

It's presented that hormones are bad or somehow creating a health problem for consumers. That is not the issue. We have no problem with producers producing a product with a given production technology if it expands a category. But if that is used and juxtaposed against, we'll call it, conventional beef in a negative way, we have a problem with that. If the beef category is expanded through the use of proven technology, that's fine. We're okay with alternatives. But don't do it in a negative way.

The Chair: Thank you, Mr. Caron, for taking a shorter time.

I want to thank Mr. Walton, Mr. Roy, and Mr. Fitzgerald for being witnesses on these hearings. They're important and your input was well taken and well presented.

We'll break for a couple of minutes while those witnesses leave and the next two come on, please.

• (1630)

_____ (Pause) _____

• (1635)

The Chair: We'd like to get rolling, folks. Thank you very much.

On the CETA and its effects on Canadian agriculture, in this second part of our meeting, I want to welcome to the committee Jean-Guy Vincent, chair, and Martin Rice, executive director, from the Canadian Pork Council. Also, from the Canadian Restaurant and Foodservices Association, we have Susan Senecal, chair of the board of directors and the chief marketing officer for A&W Food Services of Canada Inc., and Garth Whyte, president and chief executive officer of the Canadian Restaurant and Foodservices Association.

I'm going to move first to the Canadian Pork Council.

You have 10 minutes for opening remarks, please.

[Translation]

Mr. Jean-Guy Vincent (Chair, Canadian Pork Council): I will alternate between English and French in my presentation.

Good afternoon. My name is Jean-Guy Vincent. I am a hog producer from Sainte-Séraphine, in the Bois-Francs region of Quebec, near Drummondville. I am chair of the Canadian Pork Council. I am accompanied by Martin Rice, the council's Executive Director.

First, I would like to thank the members of the House of Commons Standing Committee on Agriculture and Agri-Food for inviting us today to discuss the comprehensive economic and trade agreement between Canada and the European Union.

The Canadian Pork Council serves as the national voice for hog producers in Canada. A federation of nine provincial pork industry associations, our organization's purpose is to play a leadership role in achieving and maintaining a dynamic and prosperous Canadian pork sector. Canadian producers recognize the importance of trade and welcome the Canadian government's efforts to expand economic ties with the European Union through this comprehensive economic partnership agreement.

Our sector depends on exports. Two thirds of the hogs raised in Canada are exported, either live or as processed products. These exports stimulate the growth of the pork industry in Canada. The strong global demand for Canadian pork has led to an increase in the value and the volume we export to an increasing number of countries around the world. The strength of the market and the opportunities for the Canadian pork industry have grown as a result and have added value for the entire hog carcass.

In recent years, our industry has faced major challenges related to its ability to compete on the international market. These have included the strength of the Canadian dollar, the price of grain, which has reached unprecedented heights, and the slowing of the world economy. However, we must not lose sight of the long-term interests of the Canadian pork industry. The global economy will continue to evolve and we cannot afford to neglect or interrupt our efforts to improve our access to markets for reasons that are purely political.

• (1640)

[English]

I would like to add that the industry has turned a corner over the past several months due to lower feed costs and a stable hog price. These two conditions have allowed current producers to establish a margin and stabilize the producer and production base in our industry. Producers are reinvesting in their barns and managing their debt.

We appreciate the government's determination to follow through and complete the deal with the EU. This deal is good for the hog sector, and it is in the best interests of Canada and the EU to sign.

Pork is a key component of the Canadian agrifood sector and provincial economies. Canada's pork industry is made up of more than 7,000 farms with cash receipts of \$4 billion. Hog producers account for 8% of total farm cash receipts and are the fifth-largest source of farm income in Canada.

A study prepared by the George Morris Centre confirms that Canadian hog and pork production and exports are a major contribution to the Canadian economy. Based on Statistics Canada data, the report found the following economic impact of pork exports: 45,000 jobs at the processing, farming, and other supplier levels; \$2 million in wages and salaries; \$380 million in taxes, both income- and product-related; a gross domestic product contribution of \$3.5 billion; and the economic development associated with hog production and exporting pork contributes \$9.28 billion to the Canadian economy.

Increased market access allows our industry to choose where a specific meat cut will be shipped in order to get the best price. For example, Canadians like to eat ribs so much that ribs are one of the only cuts of meat that are not exported. We consume what we produce and import ribs from the EU and the United States to meet demand.

Since rib sales alone will not cover the costs of production, our industry looks to export markets to support the value chain. Canada is a globally competitive and successful producer and exporter of pork and pork products. Our industry understands that the key factor to sustaining our success is the ability to access a wide variety of markets. We support the CETA, and believe that the EU and Canadian markets complement each other.

We import pork ribs, and our industry sees an opportunity to ship ham and other like pork cuts to the EU. Global demand for Canadian pork has resulted in increased value and volumes going to a broader base of consumer countries. This has increased the market leverage and opportunities for the Canadian pork industry. It has provided the opportunity to generate added value to the whole carcass.

Our industry has had a European presence for over 15 years through SIAL, a Paris trade show, and Anuga, an agrifood fair in Cologne, Germany. Anuga is noted as being the largest in the world, with approximately 6,660 exhibitors and 160,000 visitors from some 100 countries. The deal has not even been signed and Canadian companies have noticed an increase in the number of visitors from the EU who are stopping at the Canadian pork exhibit.

• (1645)

[Translation]

The Canadian Pork Council has followed with great interest the progress in the work that began at the 2008 Canada-European Union summit, work to explore the possibility of forming an economic partnership. Given that there are around 500 million people in the European Union, the majority of whom consider pork to be their favourite meat, their meat of choice, we believe very strongly that this agreement will allow us to export more pork to the lucrative European market. This will benefit Canadian pork producers and processors, as well as provincial economies across the country.

Regionally, the pork industry can be found all over the country. This agreement will help all regions of Canada to keep current jobs and to create others. The potential of the European Union market is still unexplored. Europe is the only major pork-consuming area of the world to which Canada currently does not have full access.

Hindered by very high tariffs and restrictive administrative rules on imports, Canadian pork exports to the European Union came to only 415 tonnes in 2011, while, at the same time, the total of Canadian pork exports reached 1.1 million tonnes. The approximately 500 million people living in the European Union's 28 member countries consume more than 20 million tonnes of pork per year. That is almost 30 times the Canadian consumption. Despite that figure, pork imports to the European Union come to only 0.2% of their national consumption. By comparison, with our market wide open to pork products, Canada imports more than 200,000 tonnes of pork each year. That is almost one third of our national consumption.

[English]

We must point out that as we move forward, we are counting on the ongoing support and coordinated effort from the Ag Canada market access secretariat for its offers and CFIA. For livestock producers, the CETA is a positive step. But it is necessary for the government to properly coordinate efforts, aggressively explore trade opportunities, and assist our sector in developing measures to increase exports to the market.

The CETA represents a great opportunity for Canada. This deal also represents the first time in a long time that Canada is ahead of its major competitors in signing a new agreement. The new zero tariff access for pork, immediate free access to the EU for processed pork products, and much improved quota administration rules provide unique access for Canada and an advantage over U.S. exports until a deal is worked out between the U.S. and the EU. The potential is seen for hams and, to a lesser extent, shoulders. This should also help to boost the entire carcass value.

The Chair: I have to bring that to a halt and let the questions maybe pick up what was left.

We're well over time. I want to have as much time for our members to ask questions.

I want to go to Mr. White or Madame Senecal, whoever wants to speak first.

Ms. Susan Senecal (Chief Marketing Officer, A & W Foodservices of Canada Inc., Chair of the Board of Directors , Canadian Restaurant and Foodservices Association): I'm Susan Senecal. I have the honour of chairing the Canadian Restaurant and Foodservices Association, along with my colleague Garth Whyte, who is the president and CEO.

• (1650)

[Translation]

Good afternoon, everyone.

[English]

We want to give you the Canadian restaurant perspective on CETA. Thank you very much for the opportunity to present this afternoon.

The Canadian Restaurant and Foodservices Association, which I will call CRFA for simplicity, represents a \$65-billion industry. We spend \$23 billion on food and beverage purchases every year. To give you some notion of it, that's over \$900 million in poultry, as well as \$2.7 billion in dairy. These are considerably large purchases. We have 30,000 members, and that includes chain restaurants, independent restaurants, chefs, and so on. We employ 1.1 million Canadians, and a further 300,000 indirectly. Many of those jobs, in fact the majority of them, are in the agricultural sector.

We are here today to discuss the CETA. We understand that once confirmed this trade agreement will eliminate thousands of tariffs, encourage foreign investment, promote movement of labour, and, in short, give Canada unprecedented access to the \$17-trillion EU economy. That sounds like good news. But with the detailed negotiations still under way for the next couple of years, it's hard to say at the moment how all of the details of the agreement will affect the restaurant industry, its benefits, or potentially any issues that may arise with the implementation.

At the very least, we can certainly speculate that the CETA will allow Canadian restaurateurs to offer our guests a greater range of European food products, some for the first time, which should generate interest and build on the impact we have on the economy. I can also say without any hesitation that CRFA is in favour of allowing market forces to drive what food products and what prices

are available on the market. We believe in customer demand; we live with it every day.

Until recently, market forces were maybe not as visible, but certainly today with the advancement of technology and the prevalence of free trade agreements, tariff walls and protected domestic markets are relics of a bygone age. This is a global environment. Nations are focusing their economic efforts on sectors where they have natural competitive advantage. We see that as a continuing economic trend that will be good for all economies.

In our agriculture business, 90%—over 210,000 farmers—already operate without protection of tariffs walls and earn their living through open global competition, with great results, either in exporting their products or selling domestically. Judging by their considerable export success, European sales of Canadian agricultural products, such as grains and canola, should quickly develop further once the tariffs are removed.

Other than the CETA, of course, Canada is exploring other trade deals, notably with the Pacific Rim countries. We see these nations also offering great opportunity, with a growing middle class and rising disposable incomes. That's all driving rapid inclusion of higher protein sources in the diet, such as meat. Unfortunately, as we see from the charts I have enclosed in the presentation, Canada's exports have not been keeping up with the rising global demand, and that's an impact of supply management. In regard to our supply management system, we expect the impact of the CETA to be felt most in our agricultural sector.

I'm going to turn things over to Garth to continue with our opening remarks.

Mr. Garth Whyte (President and Chief Executive Officer, Canadian Restaurant and Foodservices Association): Thanks, Susan.

We state this because supply management is becoming a system under increasing strain, suffering a growing number of end runs which threaten its continued relevance.

Overseas there is the rise of new, lower cost centres of production, such as Thailand and Brazil, in the case of chicken, that can better compete on the world markets. Here at home, increased amounts of supply management products imported to Canada in the form of pizza kits, spent fowl, or even milk are potentially substituting Canadian production. In our own industry, supply-managed products, not meeting the commercial requirements of our members, lead them to seek alternative menu opportunities.

We were just presenting to the Canadian Dairy Commission a couple of hours ago and we had a great conversation. We're finding that dairy is being priced off our menu.

Canada, through consumers and our industry, pays a high price for farm product produced under supply management rules. Domestic prices across the board are high relative to U.S. and other world prices. These sectors, meanwhile, are stagnant in terms of their economic growth and output.

In regard to agricultural supply management, what seemed like a good idea when these systems were established half a century ago has less relevance today and the system is much less effective. As part of a swiftly changing world, one in which government has stepped back and allowed industry and open markets to manage themselves and to decide supply and demand, price and quality, we believe it's time to modernize Canada's farm supply management system.

As one of the country's largest buyers of agricultural products, we have a vested interest in the continued success of Canadian farm products, and we want our country's agriculture sector to be economically strong. We also want to continue to be the source of thousands of jobs in the sector. An important reason for our position is that many of our members prefer to source their product locally. For reasons of freshness and logistics efficiency, all things being equal, they would choose the Canadian product every time over an import alternative.

We believe it's time to encourage in Canadian farmers a renewed sense of competition, innovation, and desire for economic growth, as well as an incentive to better respond to evolving market demand and consumer preference in our industry, as well as others, and to seize our share of the new export markets. We would urge government and the farm community involved to move to swiftly modernize supply management and begin the transition of these agriculture industries to operate on a more rational economic basis.

In the final analysis, we believe Canada has little choice but to do this. Protracted delay will only cause lost export opportunities, increased import substitution in our domestic market, and continued high prices for Canadian consumers and our members alike.

Canada and our individual farmers will find it increasingly difficult in the future to shelter behind those tariff walls that remain high. Butter is almost 300%; dairy is 250%. The value proposition represented by products from ever-developing and efficient overseas competitors will ensure their way into our domestic market. We're seeing it now. The best defence for all segments of the Canadian agricultural sector will be a robust offence.

There is little time to waste. Just as it's difficult for our farm producers to increasingly compete in our own domestic market versus imported product, our ability to compete in international markets is likely constrained by the cost and price structure created by the current supply management system. Canada is the last country in the world with supply management governing production in several of its major agricultural sectors. Countries that have abolished the system have typically done so in a transitional fashion. We are not saying to abolish supply management. We're saying we have to make some changes.

Federal officials are already reported as saying they will work with provincial governments on a compensation program for dairy farmers, for instance, should this group suffer financial loss from the

CETA trade arrangement. This measure is prudent, but it could be the latest of a number of stopgap measures intended to preserve the integrity of supply management and plug the numerous emerging gaps that, over time, will make an already complex system even more so. Administrative burden and costs can only rise.

As representatives of an industry in which fierce competition among market players is the norm and a hallmark of the game, we advocate that the government focus on financial and business opportunities that the CETA will offer the broader Canadian economy, as well as the majority of Canadian farmers who already operate without the protection of tariff walls, and use this event as the catalyst for a serious reappraisal of the continued value of our supply management system.

Thank you, Mr. Chair.

• (1655)

The Chair: Thank you very much, presenters.

We'll go to our first round, for five minutes, starting with Madame Brosseau.

[*Translation*]

Ms. Ruth Ellen Brosseau: Thank you, Mr. Chair.

My thanks again to our guests for their testimony. This is a really important topic.

I have a few questions for the Canadian Pork Council representatives.

In Berthier—Maskinongé, the riding I represent, there are a lot of pork producers. In the regional municipality of Maskinongé, we have ATRAHAN, a major pork processor in the region. The company wins a lot of awards year after year. It processes about 1 million hogs per year and exports them to 50 countries.

Can you give us some more details about the positive benefits of the agreement with the European Union? Do you believe that the Canadian pork industry will face non-tariff barriers?

Mr. Jean-Guy Vincent: I feel that it will give a number of Canadian processors an opportunity to export to Europe. In Quebec at the moment, two companies are able to export their products, one of which is located in your area. I feel that this agreement with the European Union will really provide an opportunity for Canadian producers and processors to export their products to a market that is more stable than some that they have access to today.

In terms of tariffs, I will let Martin speak on that. He can explain in a little more detail the difference between today's tariffs and the fact that this agreement will be free from the tariffs that the industry has to deal with today.

•(1700)

[English]

Mr. Martin Rice (Executive Director, Canadian Pork Council): Very quickly, the current tariff situation on exports to Europe is 20% to 30%, effectively *ad valorem* tariffs, which is far too high a tariff for us to get any product into Europe. There are significant issues of having to get licenses and put deposits down that are going to be cleared away by having the quota administration moved to another department of the European Commission. This is what has happened in all their free trade agreements, with Chile, with Mexico. What it becomes then is a first-come-first-served system, the way Canada's quota system works. Canada's import quota system is quite transparent and it is basically, in most cases, first-come-first-served.

That's what will really change the game for us, that we can have access on those terms.

[Translation]

Ms. Ruth Ellen Brosseau: Here in Canada, agriculture is done in a certain way and it is done differently in Europe. They have no GMOs over there and animals are treated differently.

Do you think that our producers will have to make changes and investments that will cost a lot of money? As you once said at a cocktail party—

[English]

we see the light at the end of the tunnel.

[Translation]

We agree that this is good news for the pork industry.

Could you just tell us about the difference between pork production in Canada and in Europe and whether, in your opinion, Canada is going to have to make changes?

Mr. Jean-Guy Vincent: On the whole, there will certainly be changes that we will have to make. The industry will also need help to be able to adapt to the new rules that the two parties will establish.

In terms of whether we can export our products right away, I know that, across the country, regardless of the province, producers and processors have the flexibility they need to adapt. Some producers are already operating to European standards.

There are so-called niche markets. In recent years, Canadian producers have made changes so that they are ready for the new competition. The difficulties that we have gone through in the last five or six years have made us competitive whether we liked it or not. Canadian producers and processors alike are ready to export their products to a number of countries around the world, including the countries of the European Union.

[English]

The Chair: Thank you very much for your questions.

We'll go now to Mr. Lemieux for five minutes.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you, Chair.

Thank you for being here today.

I want to follow up on the pork side. There is a wonderful opportunity here to move pork into Europe. I'm wondering if you could, perhaps, explain to the committee how the market here in Canada is going to exploit this opportunity to its maximum potential, particularly in terms of establishing Canada brand. Can you share with us some of the things that have worked in other countries? For example, in Asian countries where pork is sold, what is it that you do to encourage people in other countries to buy Canadian pork?

[Translation]

Mr. Jean-Guy Vincent: I feel that Canadian producers have quite an astonishing ability to adapt. We export to 100 countries.

•(1705)

[English]

One hundred is...

Mr. Pierre Lemieux: Reasonable.

[Translation]

Mr. Jean-Guy Vincent: That means that producers and processors have to adapt in 100 different ways. By comparison, the European market is a stable one. We were talking about ractopamine. Producers and processors quickly got used to an Asian market that did not want ractopamine, then a Russian market that did not want ractopamine.

Martin, do you want to finish the answer?

[English]

Mr. Martin Rice: We have several examples where Canadian industry, because of such a great dependence on exports, has been quite adept at creating standard specifications. For example, in Japan there are a couple of cuts that really originated between Canadian suppliers and Japanese buyers. Canadians are known as being able to take care or attend to, and not afraid to change our production lines to meet these specifications. Jean-Guy has already in his text mentioned the Anuga show. We have a lot of people with European meat industry roots in our meat trade industry. Some of them will now start to develop these relationships, to begin the business of developing trade relationships between Canada and the European Union.

Mr. Pierre Lemieux: Let me just ask about the U.S.

Clearly, we're going to end up signing the agreement well before the U.S. does. Can you perhaps share with the committee how you see that being advantageous, this sort of window of opportunity before the U.S. puts in place their own free trade agreement with Europe?

Mr. Martin Rice: It's a wonderful position to be in because we're finding ourselves behind the U.S. in several other situations, notably Korea, but others as well, Latin and Central America, where they've gotten a head start on us.

I think, at the minimum, it will be three years before the U.S. has a deal with Europe. I've seen industry put positions down that they say are absolute must-achieve goals for their trade negotiators, which our experience would suggest are going to be pretty difficult to achieve.

We do have a critical head start here to develop trade relationships that will give us five years or more. It's up to us to make or break it, and that's a really welcome situation for us compared to what we've had lately.

Mr. Pierre Lemieux: What I'm seeking, and perhaps you can clarify it for the committee.... When I'm having discussions with people in my riding or with farmers who might not be so excited about the CETA, they sometimes make the remark, "You're giving access to pork and beef if they can take advantage of it". I'm kind of repeating what you've already told me, but it seems like you're very confident that your sector can, indeed, take advantage of this opportunity and, in having answered my second question, that you can certainly exploit this window before the U.S. puts in place their own agreement. Are you able to confirm that?

The Chair: In 30 seconds.

Mr. Martin Rice: For sure, we've been limited by ridiculously high tariffs, ridiculously onerous barriers to entry. We have had some success already. There's notably one company in Quebec that did have some sales. Again, the tariff quota administration was so onerous that it just became impossible. There are precedents for it. Chile has a trade deal with Europe. It's smaller, but they do have a quota access, which is filled and which is under the same terms we can now look forward to.

The Chair: Thank you very much. Right on time.

We'll now go to Mr. Eyking.

Five minutes, please.

Hon. Mark Eyking: Thank you, Chair, and I thank the guests for coming.

It's interesting, we're mostly talking about free trade deals here and the Canadian Restaurant and Foodservices used it as a platform to take a shot at supply management. But that's fair, that's why you're here.

I only get one five-minute question. I'm hoping that my colleagues will step up to the plate and hold you guys accountable if they're in favour of supply management. That's where my question is going to go.

I've talked to the poultry processors and the Canadian grocers association. They're in favour of supply management. They say it's because the quality stays consistent, and the size is quality, supply, and the price is stable. Without supply management they say it's only a minimal drop in a lot of those products.

I visited many states in the United States, especially the southern states, not the ones close to the border, that use the loss leaders of milk and that. Also in New Zealand—imagine, New Zealand, the land of the big milk—for cheese, yogurt, and milk a lot of the prices are the same as they are in Canada, or a little higher. Some people think that without supply management we're all of a sudden going to have all these cheap products out of Canada. There are some studies out there on how much money you guys make on the milk. They say it's almost 50% on a glass of milk, so if it's a \$2 glass of milk, you guys get \$1 dollar from it. I don't know if that's true or not.

I have a couple of questions. My first one is: without supply management, because you're in favour of getting rid of it, for the sake of us destroying many of our farm families, is it that advantageous for you guys to make an extra quarter on a glass of milk?

• (1710)

Mr. Garth Whyte: Well, I should make it perfectly clear. We're not advocating getting rid of supply management.

With all due respect—

Hon. Mark Eyking: So you're agreeing with the Canadian grocers. Are you on the same level as them, then?

Mr. Garth Whyte: I'd say we're even a level above. We just finished meeting with the Canadian Dairy Commission. We've worked with the Dairy Commission. I'm presenting to the Chicken Farmers of Canada, at their invitation, next Tuesday.

You know, I used to be in favour of Nortel. I used to be in favour of Polaroid. And someone didn't stand up and state some facts. For example, the number of farmers is declining. This is dairy farmers, Statistics Canada, their number is declining. Dairy is being priced off our menu—butter, cheese.

Hon. Mark Eyking: But just on that, you know why it's declining. Some of the farms are getting a little bigger and becoming more efficient and bringing down the price of milk.

Mr. Garth Whyte: Yes, you're right. We're in violent agreement, by the way, okay?

What's happening, though, is that as a country, we have a succession problem. I am extremely worried that once we wake up and see that dairy is being priced off our menu, the number of farmers is declining, there's competition coming in through spent chicken and different things that are happening there.... A consumer survey shows that 70% were concerned. The lower-income consumers in particular, with less than \$40,000 in income, are saying dairy is very difficult. If you're a single mom with three kids or a family with three kids, buying milk or buying butter.... When a kilogram of butter is more than a kilogram of meat, there's something we have to look at together. When there's little or no exporting....

First off, I'm not lactose intolerant. I use a lot of dairy, a lot of cheese, and I think we have some of the best cheese in the world. Somehow we have to find a way to have a win-win-win. A win for farmers.... By the way, our biggest trend is to eat local. If there's any group that supports eating local, buying local, it's us, and if you look at the movie *Food, Inc.*, the chicken farmer would not be able to set up his farm here in Canada on the local side.

Hon. Mark Eyking: Do you know that the so-called spent fowl, the chicken that's mixed with that.... There are companies, Tyson for one, dumping the broiler chicken. They're just dumping it here, just to get into our—

Mr. Garth Whyte: Exactly.

Hon. Mark Eyking: It's a dumping mechanism. It's not a fair reality of what the price of chicken is in Florida or Arizona. It's a dumping factor that's happening.

Mr. Garth Whyte: I agree.

Hon. Mark Eyking: And you'll get this dumping because we're a smaller country.

Mr. Garth Whyte: We need to figure out a made-in-Canada strategy and not depend on a 50-year-old system. It's time to fix it, and I think the EU is highlighting that. More and more we're getting more access, and actually even demand, because we're standing up and saying we want to work with farmers, we want to work with the Dairy Commission.

Hon. Mark Eyking: Mr. Whyte, though, with all respect, with Europe, the taxpayer subsidizes the milk and the cheese and everything. The taxpayer is not subsidizing it in Canada, so you're saying if we went to a European system, we're going to have to subsidize our farmers, similar to what they do in the United States.

Mr. Garth Whyte: I'm not saying that. I'm not saying go to the European system.

The Chair: A short answer, please.

Hon. Mark Eyking: I have one more quick question for Miss A&W.

The Chair: You just ran out of time.

Mr. Whyte, do you want to give a quick answer?

Mr. Garth Whyte: We are subsidizing this by the price of our product, and the less income you make, the higher you pay.

The Chair: Thank you very much.

We'll now go to Mr. Preston.

Mr. Joe Preston (Elgin—Middlesex—London, CPC): Thank you very much, Chair.

Thank you all for coming today. It's great to have you here, but I thank both of your industries for what you've been able to do in Canada during a time when a recession that wasn't made here in Canada hit us. The rural pork industries that you represent and the restaurant industries in many rural communities in Canada were the only economy that was really happening—the local businesses that run the restaurants, and the local businesspeople who are farmers. Thank you for what you did for Canada during a time when manufacturing abandoned us a little bit.

I loved what you said about how trade is good. You may not have used those words, but I'm going to. I tend to start every questioning of anyone from the pork industry with my thought that bacon is aromatherapy. There is no day where you wake up and smell bacon cooking in the house that you're not going to have a good day for the rest of the day. And I can say that as a restaurateur, sometimes I had to go to work to get my aromatherapy, but it was great.

Mr. Whyte and Ms. Senecal, thank you too for the approach you're taking at the negotiations with the members of the supply management, for how the restaurant industry is standing up and stating its facts but is moving with negotiation and good comment rather than just absolute opposition.

I represent both farmers and restaurateurs. I'm a restaurateur myself. I understand there's a middle ground, and we can get there.

Going back to the pork producers, you mentioned that here in Canada we eat every rib we can produce and then even import some. So we import a lot of ribs. Yet I understand that with this deal, ham

may become a much better product for us to be selling in the United States.

Could you tell me the price per pound on imported ribs versus the price per pound on exported ham, and what the difference might be?

• (1715)

[*Translation*]

Mr. Jean-Guy Vincent: I could not tell you what the price difference is. We eat a lot of ribs here and we import some. A lot of restaurants serve them. On the other hand, they eat ham in Europe and we have ham to export. That is why the agreement is favourable.

As for the prices, Martin can probably answer your question better.

[*English*]

Mr. Joe Preston: Our earlier witnesses talked about meeting the 81,000 tonnes worth of new exports to Europe. I sure believe in competition, so when we do so, that's a huge addition in the number of hogs that would have to be produced, slaughtered, packaged, and sent to Europe. I think they mentioned eight million more hogs. How many more jobs is that in the pork industry?

[*Translation*]

Mr. Jean-Guy Vincent: It is important to understand that Canadian production has declined in the last five or six years. But world demand is increasing and will continue to do so. So we need the pork industry, both producers and processors.

We have to make sure that we keep our processing jobs. Canada is very diversified when it comes to meat-packing. Capacity is suffering because production has decreased. A new, secure, stable market and solid agreements will allow us to stabilize our production sector. Otherwise, we cannot provide the product and we cannot continue. In that sense, I feel that this agreement has promise for the future.

[*English*]

Mr. Joe Preston: Beyond being more stable, if we're having to do more, we're going to have to have people doing those jobs to bring our capacity back. Perhaps the plant capacity is there but the people working in them would In talking last week with the Canadian food producers, they hadn't even yet started to talk about how many jobs it means. We keep talking in tonnes rather than in jobs. I'm trying to get us all talking about jobs.

All of a sudden one day a month ago, Canada had 500 million new customers for itself. Five hundred million new customers: I've got to tell you as a business person, I get excited when I hear numbers like that. If all of a sudden one of my restaurants pulled up beside 500 million new customers, I could expect to keep a couple of them. Canada now has that as a bonus. It's there.

• (1720)

The Chair: I think you're out of time.

So we'll go through the drive-thru.

Mr. Joe Preston: But it's so exciting.

The Chair: I know.

With that, and those were great comments, I'm going to give Mr. Caron his five minutes.

[*Translation*]

Mr. Guy Caron: Thank you, Mr. Chair.

Mr. Whyte, first, I would like to make it clear that supply management is not a system of subsidies. The United States subsidizes its dairy producers and Europe does too. Canada does not.

The goal of the system is to help to stabilize prices for producers. That is not the same thing. I am in a good position to know this because the economy of my riding depends on agriculture, mainly dairy production, to the tune of 12%.

I believe that a lot of the myths surrounding supply management can be attributed to commentators who come largely from cities. They do not think about the rural producers who depend on supply management for the survival of their family farms. We are not talking about production levels that are going to cause prices to rise, but levels that are going to even out the supply, making local production more efficient.

I know your position on the matter. You have already made it clear to the committee. Last year, representatives from your group and from the Canadian Association of Agri-Retailers appeared before the Standing Committee on Finance. They wanted to open up the debate on the issue. It is clear, after your campaigns and your involvement last year, that you are not in favour of supply management and, if it were abolished, you would not lift a finger in opposition.

But there is no evidence to suggest that, if supply management were abolished, it would have any impact at all on the price of dairy products. Zero.

We saw what happened in New Zealand after supply management was abolished: the price of milk increased. Notice how most merchants, restaurateurs and people living close to the border systematically refer to American prices. The unsubsidized price of a pound of butter or a litre of milk—a pint, in the United States—is similar to ours. So do not come here and tell me that supply management means that consumers pay way too much. They actually do pay a lot more than in the United States, but that would not be the case if we were able to play with the United States on a level playing field.

If we abolished supply management and allowed many more players to enter the field, it is abundantly clear that the dairy products coming into the country would not automatically be from Europe. And according to the details in the agreement, we might have to deal with unsubsidized products. Clearly, the opening would come from the United States, meaning that the game would no longer be fair, even on our own field.

Could you tell me honestly what you think of supply management? How can we make sure that producers are not harmed, that the system is improved and that, at the end of the day, both producers and their customers come out ahead?

[*English*]

Mr. Garth Whyte: This is an emotional issue. It's very emotional. When you hear that we worked out a deal with the Canadian Dairy Commission on pizza cheese, for example, this is the same system, but you're finding anomalies in the system, where for frozen pizza—which advertises “like delivery”—they were buying the same cheese for 30% less because they were under some tariff rule such that they could get it cheaper than for fresh pizza. That was not fair, so we're trying to fix that.

There's another issue that I think the committee has to think about. The eighth-largest processor in the dairy processing area is Saputo, but they've grown outside of Canada, not inside Canada.

There are a lot of stresses that are happening in the system. There are pizza kits coming in now; even our members are finding a way around the system and trying to get dairy elsewhere. We need a made-in-Canada solution to help the dairy farmers.

It is not in our interests. I'm concerned. If we get rid of supply management, or if it collapses, we're in trouble. I'll say that. I'm publicly saying that. We need surety of supply and we need quality. We think it's the best quality in the world. We see this as an opportunity. So there has to be a way that we can.... I don't have all the answers. You may find that hard to believe—

Voices: Oh, oh!

Mr. Garth Whyte: —but I don't have them all. But I know that we should not be afraid to say that the system that was done 50 years ago—even when you talk to the colleagues you want to talk to about it—is very complex. The formula is very complex. When you want to change quota where there's a growing province and then Alberta says, “Okay, we're out of the chicken negotiations now because we can't get supply”, we have issues that are happening. We, as an observer, get to see these cracks.

• (1725)

[*Translation*]

Mr. Guy Caron: You are talking about cheese for pizza. But there again, most of it is American cheese, which is already subsidized.

[*English*]

Mr. Garth Whyte: Canadian mozzarella cheese.

[*Translation*]

Mr. Guy Caron: There is also talk of being able to import American products that already contain subsidized dairy products.

When people question supply management, I would like them also to talk about a level playing field. People who question supply management never mention that American products specifically are subsidized. You never hear a thing about that. We have to start by discussing the situation elsewhere in the world, such as in Europe or the United States.

We have eliminated our subsidies in the hope that the United States and Europe would do the same. But that did not happen. We have made ourselves vulnerable and supply management is the only thing still protecting us.

[English]

The Chair: Thank you for your comments, Mr. Caron. You are well over time.

Mr. Garth Whyte: May I say one thing?

The Chair: Actually, maybe you can say it when Mr. Zimmer is talking.

Mr. Garth Whyte: Give me a question.

The Chair: The timing is working out really well here.

Mr. Zimmer.

Mr. Bob Zimmer: Thank you again for coming to committee.

Again, I want to speak to Susan. My family has appreciated the A&W for many years. I still remember the old cardboard root beer that you could buy. It was flat, but it was good.

Some voices: Oh, oh!

Mr. Bob Zimmer: No, that's a compliment.

I have a couple of questions for you. How much Canadian beef and pork are purchased by A&W every year? Do you have a tonnage amount?

Ms. Susan Senecal: I don't have a tonnage amount, but I know we do purchase very large amounts. We buy lots of pork bellies for our Teen Burgers. We've certainly been very big supporters of the Canadian agricultural industry. We're in constant dialogue with all of the producers.

As Garth said earlier, our preference is always to buy locally from Canada when we can, because it simplifies things. As well, we appreciate and are proud of being a Canadian company with Canadian relationships in the agricultural industry.

Mr. Bob Zimmer: Right. I know the largest purchaser of Canadian beef is McDonald's. I know some of the fast-food chains are—

Ms. Susan Senecal: We're trying to catch up.

Mr. Bob Zimmer: That's what my next question is. What is the percentage of Canadian to other nations in terms of product, in terms of pork and beef?

Ms. Susan Senecal: I'm in the marketing and operations side. I don't have the percentages, unfortunately, to share with you. What I can say is that you might have recently seen that we've made some changes to our beef supply, with a view to really changing and diversifying the Canadian beef industry. We've been in dialogue with Canadian ranchers and we've been really delighted with the response. Although we thought we had reached out to a lot of ranchers and a lot of Canadian farmers and thought we had done a pretty good job, when we actually put our ads on TV we had in the first week 27 different ranchers contact us to ask how to become part of the program. That has continued.

I'd say that whatever number I could give you today, it will be greater tomorrow and even bigger the year after.

Mr. Bob Zimmer: Thank you.

A question for Jean. Thank you for coming to committee again. You've been here a few times and it's good to see you back.

I had a question from a constituent of mine who wants to know if the imported pork ribs that we bring into Canada are hormone-free. Would you know that?

[Translation]

Mr. Jean-Guy Vincent: In the pork industry, there are no hormones. There never have been. None.

[English]

Mr. Bob Zimmer: So globally there are no hormones in pork.

[Translation]

Mr. Jean-Guy Vincent: Globally, hormones are not used in raising hogs. Hogs are raised without hormones. Hormones do not exist in the pork industry.

[English]

Mr. Bob Zimmer: In the world.

Mr. Jean-Guy Vincent: In Canada.

[Translation]

I cannot speak for the rest of the world, but I have no knowledge of hormones being used in raising hogs.

[English]

Mr. Bob Zimmer: We've seen the pork industry ride some pretty low valleys at times and struggle with market forces. We see this as a new opportunity for pork producers. The question I have for you is, how long will it take you to ramp up to what Europe is going to want from Canada in terms of pork? For your producers to reach their capacity, how many years is that going to take? I'm sure that's a challenge you're willing to take on, but what do you see as the timeline for you to be ready?

[Translation]

Mr. Jean-Guy Vincent: Yes, we are ready to export to European markets. You have to understand that we are currently exporting to a number of markets, including unstable ones. The Canada-Europe agreement will allow access to stable markets for Canadian producers and for Canadian industry. This is a market of 500 million people. So the European market offers a great opportunity. We are up to the task of supplying that market.

Producers will probably move away from some less lucrative, less profitable markets and move towards countries with more profit potential for them. For example, the negotiations between Canada and Japan are very important for Canadian producers. That market has existed for 40 or 50 years. We have been working with the Japanese for 50 years. It is a demanding market, but Canada has to keep a market that is so lucrative. But we will move away from other markets that are less stable, more difficult or where agreements are less reliable.

In a word, the Canada-Europe agreement is very important for our industry.

•(1730)

[English]

The Chair: Thank you, Mr. Zimmer.

Quickly, Mr. Rice, 10 seconds.

Mr. Martin Rice: To Mr. Preston, I don't know where Darcy gets his numbers and I'll have to talk to him, but our calculation would be about 1 million hogs rather than 8 million from that European market.

Mr. Joe Preston: There are lots more markets out there.

Mr. Martin Rice: But we do associate that with 5,000 jobs, direct jobs, permanent jobs, plus the induced effect of that additional export. So \$400 million would convert very easily into \$1 billion in terms of additional economic activity.

The Chair: Thank you very much.

I want to thank the witnesses for coming out and keeping on time.

I also thank the members for that. See you Thursday.

The meeting is adjourned.

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