



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Agriculture and Agri- Food

AGRI • NUMBER 009 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Thursday, November 28, 2013

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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): I want to welcome everyone to the ninth meeting of the Standing Committee on Agriculture and Agri-Food. This is pursuant to Standing Order 108(2), a study of the Canada-European Union comprehensive economic and trade agreement, which everyone recognizes as CETA, and the effects of it on the Canadian agriculture sector.

Today we have some great witnesses in front of us on the first round. In the first hour we have the Canola Council of Canada, Jim Everson, vice-president, government relations; and the Canadian Canola Growers Association, Rick White, general manager.

We also have with us the Canadian Fertilizer Institute, Robert Godfrey, director, policy and government relations, and Clyde Graham, vice-president, strategy and alliance.

Witnesses, we welcome you to our committee. We'll start so that we keep on track.

We will open up with the Canola Council of Canada and the Canadian Canola Growers. I understand there will be a joint presentation. You have 10 minutes, please.

Mr. Jim Everson (Vice-President, Government Relations, Canola Council of Canada): Thank you very much for the welcome, Mr. Chair.

It's a pleasure to be here and share with you how the canola industry will benefit from the comprehensive economic and trade agreement with the European Union. It represents an opportunity to improve our market access and improve predictability around the regulation of biotechnology.

First, I'd like to explain a little bit about the Canola Council of Canada. The council is a value chain organization representing the entire canola sector in Canada: the 43,000 canola growers, the seed developers, the crushers who process seed into oil and meal for export, and the exporters who export canola that is processed at the destination. The Canola Council is the vehicle through which the industry comes together to set objectives and implement plans for the entire sector.

Here is little bit about the basic numbers of our industry. Canola returns the most income to farmers of any agricultural product in Canada. It contributes \$19.3 billion to the Canadian economy annually and supports 249,000 jobs. Our industry has doubled production in the last 10 years. This year a record 16 million tonnes

was grown by Canadian farmers. This expansion has brought with it a significant investment in rural communities.

For example, there's been more than \$1.6 billion invested in crushing and processing capacity in the last six years, reflecting the confidence in the opportunity provided by the sector. Importantly, this income and economic impact is generated mostly as a result of international trade. Canola exported as seed oil and meal brought in approximately \$9.6 billion from exports in 2012. To put this in context, Canada's overall agrifood and seafood exports were at \$48 billion in 2012, so canola represents 20% of our export agriculture value. Since we export more than 85% of what we produce, we are very reliant on predictable access to markets, which is why agreements like CETA and others are important to the industry.

Our industry succeeds because we are competitive internationally. We've done best in markets free of tariff and non-tariff trade barriers. Government, through diplomacy and trade negotiations, has played, and continued to play, a big role in growing and maintaining our market access. Efforts by the Minister of International Trade, Mr. Fast, and the Minister of Agriculture are critical for the Canadian canola industry to continue prospering from international demand.

We can talk a little bit about what CETA means for canola. In a moment you'll hear Rick, who represents the canola growers, talk about the agreement from a producer point of view, but from an industry point of view, first, eliminating tariffs on canola oil will help us increase exports by up to \$90 million. Eliminating tariffs on canola oil means that our canola crushers and oil exporters will have privileged access to Europe. This increased access is occurring at an opportune time, as we've made this significant investment in crushing capacity recently, mostly in western Canada.

We're already serving the European market, and tariff-free access on oil will allow us to ship more value-added product. Our canola oil is a valuable feedstock for EU biodiesel production, reducing greenhouse gas emissions by as much as 90% compared with conventional diesel. Now with a tariff-free environment, our industry is well positioned to serve a larger portion of the market.

Second, the CETA includes important provisions on biotechnology. The EU's regulatory system for biotechnology creates some risk for exporters and uncertainty for seed developers looking to introduce new seed traits. Biotechnology is a key to making Canadian canola growers competitive in world markets, but the EU's regulatory environment creates real barriers to trade and innovation. The CETA includes provisions for cooperation in the area of biotechnology. This is a significant accomplishment for our trade negotiators.

The CETA will enhance the existing forum for discussing issues around biotechnology and their impact on trade. This will help improve cooperation among regulators in the areas of science-based approval processes, low-level presence policies, and minimizing trade impacts of regulatory practices.

This is a long-term opportunity. Its success will really depend on how well the two governments work to arrive at solutions. We are hopeful that working groups' discussions on low-level presence policies will reduce the potential for low levels of approved biotechnology traits to cause trade disruption. This has the potential to significantly reduce risk for exporters and thereby increase returns to producers from this market.

Last, alongside the CETA, the government was able to secure a commitment for the efficient processing of canola trait applications. Canada's canola sector adheres to a market access policy to respect the regulatory requirements of our export markets. New genetically modified seed traits are not introduced to Canadian producers until they are approved in major export markets, including the EU. A commitment by the EU to process applications in a timely manner is important to facilitating innovation and bringing predictability to seed developers, as well as earlier inclusion of the technology for farmers.

●(1535)

In conclusion, I thank you for the opportunity to explain the benefits of the CETA. The canola industry supports the Government of Canada's sustained commitment to improve market access through ongoing negotiations. This includes seeking a multilateral solution through the WTO and working on the free trade agreements with Korea, Japan, the Trans-Pacific Partnership, increased engagement with China, and the implementation of a Canada-European trade agreement. These efforts have major benefits for the 249,000 people supported by the canola industry from coast to coast.

Thank you.

The Chair: Mr. White.

Mr. Rick White (General Manager, Canadian Canola Growers Association): Thank you, Mr. Chairman, and good afternoon to members of the committee. Thank you for inviting me here to speak about the comprehensive economic and trade agreement with the EU.

The Canadian Canola Growers Association represents 43,000 canola growers here in Canada and is governed by a board of farmer directors representing the provinces from Ontario west to B.C.

One statistic I'd like to highlight is that canola is the highest-value agriculture commodity, contributing \$8.2 billion to farm cash receipts last year. That's a pretty big number. Canola farmers rely

on international markets. We export more than 85% of seed and canola products on an annual basis. Therefore, much of canola's current as well as future success is directly related to our ability to access and compete in global markets.

CETA is a significant opportunity for canola growers. Improved access to a market this large is impressive. The EU economy is worth \$17 trillion. It represents one-sixth of global trade in goods and has a population of 500 million consumers with the financial means to buy our products. For Canadian canola, this agreement provides future market opportunities and a commitment to work through some of the market access barriers facing canola in the European market today.

Once this agreement is ratified, it will result in the immediate elimination of tariffs on canola oil, which could increase the exports of our oil to Europe by up to \$90 million per year, year after year. That's about double what it is right now. This access will create new demand for farmers' canola seed, and support Canada's expanding crush capacity. Longer term, CETA will provide a more formal avenue to discuss long-standing issues farmers face with EU non-tariff trade barriers, particularly the regulations regarding genetically modified products, like canola.

The importance of establishing transparent and science-based regulatory policy cannot be overstated, and CETA represents an opportunity to advance access for biotech products in a meaningful way. In order to feed the world's growing population and at the same time ensure that Canadian canola growers remain profitable and contribute to the Canadian economy, farmers must continue to adopt new and innovative technologies. This includes new biotech traits that allow for increased production and various agronomic benefits.

In 2012, Canada had the fourth-largest area planted in biotech crops worldwide, with 97.5% of Canadian-grown canola planted with biotech varieties. Canola farmers quickly adopted the new technology, as it provides real economic benefits to their farms. Biotech canola has allowed for higher yields, more efficient weed control, and less reliance on crop inputs, while providing more opportunity for farmers to adopt no-till or minimum-till practices.

With respect to approval of new canola traits, we are especially encouraged that Canada was able to use the CETA negotiations to get an agreement with the EU on a parallel letter committing the EU to ensuring efficient processing of canola applications and their expeditious movement through the EU approval process. Speeding up this process will allow growers to take advantage of innovations, which will make us more competitive.

In order to fully capitalize on this agreement and export competitively, there will also need to be improvement in the Canadian regulatory process for exports of canola. We are pleased with the recent changes to the Canadian Grain Commission, but more is needed there if we are to remain competitive and capture the full benefit of freer trade.

Thank you for the opportunity to speak to this committee today. I look forward to taking your questions.

• (1540)

The Chair: Thank you very much. Right on time; I appreciate that.

We'll now move to the Canadian Fertilizer Institute. I'm not sure if Mr. Godfrey or Mr. Graham is going to take it.

Mr. Godfrey, would you start, please.

Mr. Robert Godfrey (Director, Policy and Government Relations, Canadian Fertilizer Institute): Thank you, Mr. Chairman and members of the committee.

My name is Robert Godfrey and I am the director of policy and government relations for the Canadian Fertilizer Institute. With me today is Clyde Graham, CFI's vice-president of strategies and alliances.

I want to thank the committee for inviting us here to speak about the Canada-European Union comprehensive economic and trade agreement and what it does for both our industry and our farming customers here in Canada.

CFI represents the basic manufacturers of nitrogen, phosphate, potash, and sulphur fertilizers, as well as the major wholesale and retail distributors in Canada. Our members produce over 25 million tonnes of fertilizer annually, over 75% of which is exported to over 60 countries around the world. Saskatchewan alone accounts for more than 30% of world potash production and 45% of the world potash trade. A recent report conducted by Natural Resources Canada cited potash as the number one valued mineral in Canada.

Canada is also home to a considerable amount of nitrogen production. The Canadian fertilizer industry is widely viewed as a world leader, and it depends upon the global markets for its success. The European Union represents one of the largest consumer markets in the world with 28 developed states and 500 million people. According to recent testimony to this committee by different farm groups, we understand this agreement could result in an additional \$1.5 billion in new Canadian agrifood exports to the European Union.

CFI takes the view that what is good for farmers is good for us. If our farming customers are growing more crops and exporting more of their product at higher prices, they will need more inputs,

including fertilizer. Canadian farm gate sales of fertilizer products last year reached a total of almost \$3.5 billion. CETA will lead to growth in the farming community, and these benefits undoubtedly will be extended to the fertilizer industry.

As for fertilizer exports, today the Canadian fertilizer industry does not export a significant amount of product to Europe. We are talking about less than 1% of all fertilizer products exported annually. However, CETA opens the door to potential. History shows that free trade agreements are often the catalyst to business deals that were once seen as unfeasible.

CETA presented few issues for us. However, we did speak with officials in the Department of International Trade last year with regard to rules of origin. The officials worked with us and went to lengths to ensure that CETA works for us today and will work for us in the future. We were pleased that they reached out to us, and we hope this spirit of cooperation continues in future negotiations.

CETA is a rules-based agreement. CFI and our members plan to participate in the development of standards for fertilizers and soil conditioners on a technical committee inside the International Organization for Standardization. This technical committee will give Canada a platform to influence global standards on fertilizer products. These standards complement agreements such as CETA.

CFI and our members are strong supporters of the Canadian government's global commerce strategy. While Europe is an important market for our farming customers, our industry's focus is on Asia-Pacific and the Americas where potential growth for fertilizer sales is the highest. We are watching closely the discussions Canada is having with India. We were pleased to see the government removing sanctions in Myanmar, and we are excited about the opportunity this market presents. We have been monitoring the negotiations with Korea, negotiations which we hope move forward soon. We are following the Trans-Pacific Partnership negotiations as well. Markets such as Vietnam and Malaysia, to name a couple, present enormous growth potential for our industry. CFI is a member of the agriculture trade negotiations consultation group and receives regular updates from the government on these negotiations. We are excited for the potential they provide to our industry.

We encourage the government to continue its aggressive pursuit of free trade and encourage this committee to support this initiative. Canada is an exporting nation in which economic growth is tied to our competitiveness and our ability to get quality goods to global markets. CETA presents opportunity and a new way of doing business. Our industry is excited for the future. We look forward to continuing with the government and this committee in any way we can to further the free trade agenda.

I want to thank the members of this committee for hearing our remarks today. We'll be pleased to take any questions.

• (1545)

The Chair: Thank you, Mr. Godfrey.

Mr. Graham.

Mr. Clyde Graham (Vice-President, Strategy and Alliances, Canadian Fertilizer Institute): That's our presentation. We wanted to leave more time for questions.

The Chair: You have, and we appreciate that very much.

We'll have the five-minute round starting with Mr. Allen, please.

Mr. Malcolm Allen (Welland, NDP): Thank you, Chair.

Thank you, folks, for coming.

Mr. Everson, I have a couple of questions I might actually know the answer to, but I'd like to hear from you to see if my mind is thinking around the same thing.

In the piece you laid out in front of us today, you talk about \$9.6 billion in exports of canola. It's a very large amount, obviously, and you've articulated that. Why is that so much larger than other sectors of agriculture? It's a wonderful product, and I'm not suggesting it's not, but what exactly is it that you do? Is it a value-added product and that's why it's high? Is it something else, or a combination? What exactly is that?

Mr. Jim Everson: I guess it is a combination of things.

There's a lot of demand for oilseeds worldwide. The demand is increasing. We work hard to ensure that we differentiate canola from other oils based on its health characteristics: the fact that it has no trans fats, no cholesterol, and low saturated fats, and it has the good fats that are good for your body. A lot of the growth of the canola industry in world markets is because we've been able to differentiate it from other oils that have high saturated fats and not the same kind of health characteristics for a health-conscious consumer. Demand is up; that's one thing.

The second thing I'd point to is the investment that producers have made and that the seed industry has made. It's a system that provides returns for the investment that private sector seed developers are making in new seed varieties for the canola sector. I think that's helped improve the crop, improve yields, and improve weed management. It's made the farmer a more competitive farmer.

It's opening up investment by the farmer, by the exporters, and by the crushers in the industry, which is building more production to meet that demand.

Mr. Malcolm Allen: There's a multitude of things, but clearly value-added is a major... To be clear, around this committee we probably know, but just to put some of this on the record for the folks, you do actually export a lot of oil, not just the seeds. I don't want to leave people with the impression that somehow you're selling canola seed, as much as you are doing that, but you sell canola oil. You actually do have crushers in the Prairies. You talked about how you established that for rural communities and helped build an economy.

From those particular pieces, because value-added is obviously an important component to the economy and you pointed it out here, do you have any sense of...? It's not about using a crystal ball, because sometimes you have to forecast, but with this deal, do you have any sense of what those numbers might look like in the future? I know you had projections of what you see in the future. Now that this deal's on your horizon, has that changed the projection of how much perhaps gets planted?

I guess to Mr. White the question would be, depending on Mr. Everson's answer, if it's a positive one, do you see the ability to actually plant that number of acres, if indeed that's the amount we want to do? We've got a lot of acres planted as it is.

• (1550)

Mr. Jim Everson: We certainly see growth in terms of the oil market. That's where that investment in the processing capacity in western Canada is coming from. There's real opportunity there, and the industry is investing there.

Historically, we have been more export oriented, in terms of seed exports, but there's more and more value-added going into the Canadian market, and as a ratio of our overall exports, we are trending to higher levels of value-added exports—oil and meal as opposed to seed—going into the future. That's a positive thing from an economic development point of view and a jobs point of view for us.

Europe has not traditionally been an enormous market for us. Of \$9.6 billion, we're talking about a market size of \$180 million, so it's not substantial, but a trade agreement that provides for rules-based trade, where you can arbitrate disputes and so on, is always a good thing for our industry.

Mr. Rick White: To follow on your previous question, I mentioned in my presentation that canola is the highest value agricultural commodity, contributing \$8.2 billion to farm cash receipts. That's the value of the seed. That's not value-added stuff. Jim's number was the value-added export, just to clarify that one.

Regarding being able to plant more, we're running around 18 million acres or so a year, 20 million, if we really push it. What really kicked up the production this year was the yield. The yield last year ran on average about 28 bushels an acre. This year it averaged 36.9 bushels an acre.

Again, that's productivity, not using more land, but more productivity out of the seed. Farmers are getting very good at growing this stuff, so we can grow more with less, or not much more.

The Chair: Thank you very much for your comments.

I'll move to Mr. Lemieux for five minutes, please.

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

Thank you to the witnesses for being here today.

Mr. Everson, I was following your words carefully. You had a great paragraph that government, through diplomacy and trade negotiations, has a big role to play in growing and maintaining our market access. You made reference to Minister Ritz and Minister Fast.

Given that yesterday Minister Fast was talking about using our embassy resources to promote trade between Canada and the countries in which our embassies are located, building upon what you said and building upon what Minister Fast was talking about yesterday, can you elaborate on the role that a Canadian embassy in Europe, for example, could play in promoting the sale of canola, which can grow stronger through CETA, with European countries, given that CETA will be coming into play?

Mr. Jim Everson: Sure, I'd be happy to.

The trade commissioner service and our trade officers in our foreign embassies are really critical to our export capabilities. With canola I would say that's less so from a marketing point of view, although there is some market development work that they assist with, but from a market access point of view, their work is really important.

In some of our major markets, like China, for example, the trade officers there are keeping an eye on new regulations that are coming along from China, helping us with issues that come up where we have to reach into the ministry of agriculture or the regulator in China to have questions resolved and try to resolve issues that might come up that are disrupting trade.

There is an agreement where Agriculture Canada has agriculture officers as part of the trade commissioner service in some of our major markets, and they are very attuned to agricultural issues. In those markets they are extremely helpful to us, and they really understand Canadian agriculture and our needs in these foreign markets. But just the overall trade commissioners, too, in those markets where there isn't a specific Agriculture Canada person, when we need to deal with an issue that's come up in that market, they're the first whom we go to and they understand the market and the government, and they can provide advice and direction to us on how we deal with it.

With Agriculture Canada, with the new market access secretariat, that has been a real focus on maintaining market access and growing market access. We've made a lot of use of the market access secretariat at Agriculture Canada with issues like resolving our challenges with blackleg in China. That is such a huge market and that's such a big issue for us. They've been on the ground right from the very beginning, looking for solutions with us, combining diplomacy with negotiations to try to find, in science and research, some solutions on that. Together with CFIA they've been a strong partner in keeping that market open for us.

• (1555)

Mr. Pierre Lemieux: Thank you.

What you're saying is very legitimate in that when you have people on the ground who understand the local situation and have relationships with local governments, they can in fact use those opportunities to help our industry.

Let me ask the same question to the Fertilizer Institute. I myself think that Canada, using all of its resources to promote trade, only makes our economy stronger. It helps create jobs here in Canada, and it must be of great assistance to our businesses who are the employers of Canadians. On the fertilizer side, I wonder if you could perhaps make a few comments on that.

Mr. Clyde Graham: International trade is increasingly a team approach between government and the private sector. Certainly trying to gain market access is a struggle in certain areas, and the more we can work together to help other countries and their markets understand what we have to offer in Canada is a tremendous value. We would encourage the government to continue to provide those resources, particularly in areas of the developing world where the challenges are greater. Certainly in Europe there is perhaps not as much understanding of the value of products like canola and some of the fertilizers that are used here. Certainly the Government of Canada and its staff, the foreign service and the trade commissioners, can play a critical role in that.

Mr. Pierre Lemieux: Very good. All right.

Thank you, Chair.

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

Now we'll go to Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

Thank you to the guests for coming today.

I recently returned from the Prairies. I was doing an agriculture tour. Mother Nature's been good. The farmers, of course, did a good job and there's a good crop out there. The fertilizer business is good also, a world demand product. Some of the sectors are saying there's a shortage of labour out there for the agriculture industry and the fertilizer industry.

My questioning mostly deals with the rail. Both of you need the rail. You're both dealing with commodities that have to be exported.

Just today, two articles came out on the problems that are happening in the rail out west. One article is from the *Leader-Post* in Regina. It says that a bumper crop is unprecedented, but Statistics Canada says it's only 10% higher than usual. Then it goes on to say that port terminals are now competing with each other to use rail. The result is there are too many ships waiting for too long and that means farmers are getting less money. Farmers have now missed record high prices because of this.

In another article, it says that grain companies report a weekly shortfall of 1,000 to 2,000 cars with a backlog of 18,000 cars and rising.

Keystone Agricultural Producers president Mr. Chorney told Minister Ritz that the performance is not acceptable. There are guys who are going to be held up waiting for their grain to go. This is a big problem.

With both of your products being export products and needing rail, my question will be started on—and whoever wants to answer it.... Because there are also some farmers saying the demand.... Potash can be shipped all the time, so you guys use a certain amount of cars. Does there need to be an investigation or inquiry on the whole rail system, that it's not meeting the demand for fertilizer and grains and that we're kind of losing out on some of the international markets and the prices we should be getting?

Mr. Rick White: I'll take a stab at that first. It's a great question.

That is a critical link to getting products, whether it's fertilizer or canola, or any other commodity, out to our export markets. A well-functioning rail system is critical.

There has been some work done and some legislation passed in terms of providing better rail service by the railways, but I think what we're talking about this year is just a lack of overall capacity, not necessarily service. I know they're intricately linked, but there is only so much physically that we can move. We have one monster of a crop out there, unprecedented, to get through the system. It's going to take some time and there are going to be some backlogs. We only have so many physical rail tracks to actually use, so there are some infrastructure parameters that we can't get by with this large of a crop.

That's not to say that service is impeccable, because it's not. We have to utilize those resources as efficiently as we can. I think it's more of a capacity issue right at this point in time, as opposed to a service issue, but that's my point of view.

● (1600)

Hon. Mark Eyking: When this article states that they're short of 18,000 cars and rising, it's the capacity. There are just not enough cars for their grain?

Mr. Rick White: Well, again, it depends on which area you're talking about. I've heard of cars sitting on the sides, not efficiently being used. That is a problem. That's a service issue, in my view. There should be no cars sitting around, because there's lots of product to move. I would say that is an inefficient use of the scarce resources that we have to move this product. If there are things like that going on, then that could be looked at as to why.

Hon. Mark Eyking: Would a suggestion be that the transport committee or the agriculture committee should be looking at it a little more, following it up in the next few months, seeing how it goes, and doing an assessment of how it could be improved?

Mr. Rick White: Yes. This year, in particular, is going to be a very good test for the system. If there are cracks that emerge, I think they'll become obvious. They are starting to become obvious now, and the Canadian Transportation Act, I believe, will be up for review in 2014. That'll be our next opportunity to look at any regulatory changes that might need to be done with our experience of this year under our belt.

Hon. Mark Eyking: There's one more little clip in here. It says—

The Chair: You've only got about five seconds, so I'm going to move on. Thank you. You'll get another chance.

Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Gentlemen, it's great to see you here this afternoon. I know the canola growers and the Canola Council were very supportive of the negotiations and very involved in this agreement all through the process.

Help me understand how involved you were in the process right from the start.

Mr. Rick White: From our perspective we are also a member of the Canadian Agri-Food Trade Alliance as an association, and we had direct access to our negotiators all the way through this process.

I can't say enough about the quality of Steve Verheul and his team in doing the negotiations, down in the trenches and getting the deal done. We were very involved and very connected throughout that whole process. It's been a long road with a lot of detail, but we had very good access, and our voice was heard all the way through.

Mr. Randy Hoback: You felt you were consulted quite extensively, it's fair to say.

Mr. Rick White: Yes.

Mr. Randy Hoback: When we look at the agreement itself, that's one thing I'm noticing. The provinces all signed on right away, saying they were thinking this was a really great deal. In my home province of Saskatchewan, I got to watch as they put forward a motion in the legislature to accept it in principle. This agreement in the agriculture sector of Canada is very exciting.

Mr. Everson, you talked about low-level presence. I think one thing people may be concerned about as we start shipping product to Europe, is Europe has a history of putting in non-tariff trade barriers.

How do you see this agreement addressing stuff like that?

Mr. Jim Everson: I think it's an important part of the agreement, an agreement to have a dialogue about biotechnology issues, and low-level presence is certainly one of them. With more biotechnology products being grown around the world and more acreage and more different types of products, it's really important we have approvals for these products in all our markets, because all these markets have zero tolerance. If you have even one seed that's not authorized in a market, it can cause a disruption. It can cause the turning away of a vessel. These vessels are worth \$25 million or \$30 million, so that can be a serious economic problem.

Low-level presence policies are important. This agreement allows us to have a consultation with the Europeans about what that means and how important it is to sustaining trade from their point of view, in terms of security of supply from products coming in from Canada, and from our point of view, predictability for exports. I think that's an important part of the agreement.

Mr. Randy Hoback: Give me an example. I'm looking at the canola industry in 2004-05. I think we looked at prices around \$7.50 or \$8 a bushel. I think that's at the time when you started talking about these tremendous crops for 2016.

What would be the impact with respect to today's crop if we didn't have market access? I know it's speculative in nature, but I think with your history, both you and Mr. White could give us an idea of what the market would like for farmers if they had today's crop back in the 2004-05 markets.

● (1605)

Mr. Jim Everson: I guess I can only say we export 85% to 90% of it, so we wouldn't have that if we didn't have some really predictable access to these markets.

I find these trade agreements can't help but improve the dialogue and the rules-based trade dispute process that come up when we have any kind of trade dispute.

Mr. Randy Hoback: That's something you would look for out of TPP or—

Mr. Jim Everson: Absolutely.

Mr. Randy Hoback: —any of those agreements coming forward: Canada and China, Canada and India, Canada and Japan, Canada and Korea.

Mr. Jim Everson: I want to build a little on your first question, if I have a chance. I think Canada does the consultation on trade agreements really well.

In working with the Canada-European trade agreement, when we went over and were on the ground talking to the EU negotiators and some of the trade in the EU and some of the member states, we found we were as well briefed on what was happening in the agreement as some of the other people around the table, or better so.

I think Canada is really good at refining and defining and finding out the advantages for Canadian associations like ours and our business by talking with the people involved in it so we get the best negotiating position on the table as possible.

Mr. Randy Hoback: In reply to Mr. Eyking's comments about the lack of railcar supply and the movement, I think some reality has to be put into perspective here.

The movement this year is greater than last year, which has been greater than any year that we had the Canadian Wheat Board in place. Talking to some of the line companies and some of the rail companies, they're saying their ability now to target directly to vessels generally is working very well. Now weather and derailments are also a hiccup.

With this huge crop and the amount of exporting that's going on, what's realistic to expect for the number of cars to move per week? CP, I think, was saying they are pushing 5,000 or 6,000 cars a week.

The Chair: A short answer, please.

Mr. Rick White: Again, it comes down to the efficient use of those assets. The port and the system are more fluid than they've ever been, but we're pressuring it big time with this big crop, so it's using every railcar they can utilize to its fullest potential, using shuttle trains out to the coast and back as quickly as possible, and getting them unloaded. It's all about cycling those cars as fast as possible.

The Chair: Thank you very much.

We'll go to Madame Brosseau, please, for five minutes.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you very much.

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

I just wanted to talk to the Fertilizer Institute. If I have this straight, right now we're producing 25 million tonnes of nitrogen annually.

Mr. Robert Godfrey: No, in total we're producing 25 million tonnes of fertilizer products, so inside that the vast majority of it is

potash. I think it's about 18 million tonnes of potash and the rest is nitrogen.

Ms. Ruth Ellen Brosseau: Is 75% of that exported?

Mr. Robert Godfrey: Yes.

Ms. Ruth Ellen Brosseau: To which countries, predominantly?

Mr. Robert Godfrey: There are 60 different countries in the world that we're exporting to. The largest buyer would be the United States. They buy an awful pile of our nitrogen production. Also, there's a considerable amount of potash that goes to markets like India, China, and Malaysia, and all throughout the Middle East. They're going to an awful lot of developing countries in Southeast Asia and Asia.

Ms. Ruth Ellen Brosseau: I guess as with all trade agreements, you have winners and people or sectors that are really going to benefit, and others that aren't. All the witnesses who have come to our committee, except for dairy, seem to have said this is a great opportunity, and they are really looking forward to seizing this market.

I was just wondering if you could explain what kind of strategy you have in place to access more exports to the EU.

Mr. Robert Godfrey: CFI is a trade association, so we represent 46 different member companies. I can't speak to individual strategies for individual companies, but I can say that out of the total of all our exports, only 1% of it annually goes to the European Union, so there is great growth potential. I know that any of our manufacturing companies, like Agrium, Mosaic, PotashCorp, or Yara, which is actually based in Europe, are all looking at this market as we go forward in the future in terms of what potential it might present to our industry.

● (1610)

Ms. Ruth Ellen Brosseau: Do you see anything as a non-tariff barrier, any kind of problems? You said you've worked that out.

Mr. Robert Godfrey: There are zero tariffs on any fertilizer that's going in there currently. The only issue that we potentially had was on rules of origin, if we were sourcing.... Some of our fertilizers are actually blends of different fertilizer products, so we were looking at where we were sourcing that and whether or not, if we sourced from certain countries to a certain percentage, it would be eligible for most favoured nation. From what we understand, we are within those guidelines. The department made sure that the terms of the agreement match what our members were looking for.

Ms. Ruth Ellen Brosseau: Do I have more time?

The Chair: You have another minute and a half, actually.

Ms. Ruth Ellen Brosseau: Perfect. I'll ask a question to the Canola Council of Canada.

In your brief, it was stated that the EU's regulatory system for biotechnology creates risks for exporters and creates uncertainty for seed developers looking to introduce new seed traits. In questioning by Randy Hoback, you said you were very involved all along the way in these negotiations. I was just wondering if you could maybe elaborate or comment more on this working group, about the confidence you have in resolving these issues on biotechnology with the European Union.

Mr. Jim Everson: Yes, it's a really important issue for us.

As I was explaining earlier, if there's a new seed trait that one of our seed developers produces for canola that provides new agronomic benefits to the producer, we can't commercialize those in Canada until we have approval in the countries that we ship to, including the European Union. The European Union has a system that takes a very long time to approve these products. It's partly a science-based system, but it's partly a non-science-based system, a kind of political decision-making process.

What we've asked in these discussions is that we ensure that this process moves efficiently so we are not holding back technology that makes our Canadian farmers more competitive on the basis of a regulatory procedure that's not science-based in the European Union. What the agreement does is it sets up a dialogue, a consultation body, that is subservient to the trade rules committee of the free trade agreement, so it reports to the people who oversee the overall implementation of the free trade agreement.

It's really important to point out that we're not asking for a change to the standards of safety or efficacy that are in place in Europe. We are not watering down their regulations in any way. We are simply asking that the applications that we make for the approval of these products move through the system effectively, and they have a yes or no answer in a faster fashion than we have now so that our farmers are not held back from getting this technology. These companies are spending millions of dollars producing these new technologies that are helpful to our farmers, and we want them implemented as quickly as possible. The deal will help us do that.

The Chair: Thank you very much.

We'll go to Mr. Harris for five minutes, please.

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

Gentlemen, thank you for expressing your view on the benefits of this agreement. I think it's going to be a real boon to Canada and to producers in all sectors in the country.

I want to take the liberty to skip to the other side of the country for a minute because, being from B.C., we're much closer to the Asian market than we are to the European market. I want to ask Mr. Everson or Mr. White three questions regarding trade with China. I'll give you the questions first.

First of all, what is the current value of canola seed or oil trade with China? Second, of the main products exported to China currently, which product, if any, is most exported? Third, and this is important, you mentioned some regulations disrupting trade with China. Could I get a thumbnail sketch of what kinds of regulations, what area of regulations, you would like to see in a better position so that we could increase trade with China?

Mr. Jim Everson: Thank you very much for the question.

The Asian markets are all important. We're more and more in demand in Asian markets as their economies grow and their middle class has more income, and so on. I think that growth in China and other Asian markets is really important to our future.

We sell all of our products to China. We sell seed, oil, and meal to China, but most substantially seed. We are doing more sales now in oil and meal and those higher value-added products, which is a good thing. I'd say that in 2012 our sales to China would be close to \$3 billion when you combine seed, oil, and meal.

In terms of regulatory issues, a number of issues in our relationship with China are a challenge. We have an issue around blackleg in our seed, which is a disease in Canadian canola. They are concerned that this disease will be transferred from our canola crop into their rapeseed crop. They are large producers of rapeseed in China too. We're working very closely with their regulator and their policy-makers to ensure we can put in place mitigation efforts so that we don't have that issue. That has been an issue that has caused disruption in our trade and uncertainty for our traders.

Currently, there's a challenge in getting some of these GM traits approved in China. Just as we were saying about the European situation, China is a factor there too. It takes a long time to get new traits approved in China. We're working with the Chinese on how we can improve that process. It's an ongoing effort. We are more reliant on that market, and it's a market where there are some market access challenges.

Our recommendation to the committee is that we need a lot of engagement with China. We're pleased to see that the ministers are there on a regular basis and that we're engaging with the Chinese government at the highest level.

At Agriculture Canada, we have three separate committees that are working with China. That's really important for us in terms of technical engagement. The more engagement we have, the more understanding we have with the Chinese market. It's important for us.

• (1615)

Mr. Richard Harris: On these regulations, if they get looked after, do you currently see a big demand from China and also their anticipation that they hope to get rid of these regulations, that they hope to get these regulations looked after? Are they ready to buy your products in the same way that they're buying everything else that can go in there easily?

Mr. Jim Everson: I think demand from China is growing. We have a very high-quality product, so I think we have the chemistry there to make growth work into that market. As I say, I think it takes a real engagement and cooperation to make sure that from their point of view, they have security of supply from Canada, and that from our point of view, we have predictability for our exports.

Mr. Richard Harris: The disease wouldn't be an issue in the oil and meal exports.

Mr. Jim Everson: No.

Mr. Richard Harris: It's just in the seeds.

Mr. Jim Everson: That's correct, on blackleg. Yes.

Mr. Richard Harris: Okay.

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

We're awfully close, so I'd like to move now to Madame Raynault.

You have five minutes, please.

[*Translation*]

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

My thanks to the witnesses for being here.

Mr. Everson, in your presentation, you say the following:

We are already serving the European market and tariff free access on oil will allow us to ship more value-added product. Our canola oil is a valuable feedstock for European biodiesel production, reducing greenhouse gas emissions by 90% compared to conventional diesel.

I assume that canola production will increase. I assume that we are going to be growing more. When the product is delivered to Europe, will it be used to make more biodiesel or to feed people? What percentage of the additional canola crop will be sent to Europe to make biodiesel?

[*English*]

Mr. Jim Everson: In Europe we see growth in the biodiesel sector. To the extent that we can enter that market, it is largely into the biodiesel market.

The Europeans are the largest producers of rapeseed, or canola, in the world. They serve their own market for the food industry pretty much on their own.

There is in Europe an ambitious policy to increase renewable fuels in their transportation fuels. They have a target of making biofuels 10% of their transportation fuels, so there's a market opportunity there for biofuels, and canola makes an excellent biodiesel. It is, from our point of view currently, an insubstantial amount of our overall exports, negligible really in terms of our current exports to international markets. We export very little that goes to the biodiesel market. By far the majority of canola is exported for food.

• (1620)

[*Translation*]

Ms. Francine Raynault: Last week, we had barley producers here. They told us that the main opportunity for their crop was going to be for cattle feed.

Are there similar issues in your sector? In other words, do the economic benefits of CETA for your industry depend on the ability of another sector to benefit from the agreement?

[*English*]

Mr. Jim Everson: Mostly through this agreement and through the other agreements that we hope the government can negotiate, we're looking for the ability to sell seed and oil for the most part.

Meal for animals is important in the sense that when you crush canola seed you get oil and meal. If you sell to the oil market, that's the high-value market, but you have this byproduct that is meal. To the extent that we can improve the value proposition for the meal, we create more demand for the overall product.

Does that answer your question?

[*Translation*]

Ms. Francine Raynault: Yes, thank you.

There is a fertilizer company in my constituency that is doing very well. It is called Agro-100; perhaps you know it. They use products from industrial recycling in their formulas. I do not know exactly what they use.

In your opinion, what kind of fertilizer will benefit most from trade with the European Union, and why?

Mr. Clyde Graham: Thank you, madam.

[*English*]

Agro-100 is one of 46 different companies that operate in Canada at various levels in communities and on a national and international basis.

We don't know because it's going to be up to individual companies to try to take advantage of the opportunity of exploring the market in Europe. The thing you have to understand about a free trade agreement is that you don't know what's in a room until you open the door. With this opportunity, our companies will look at it. They will look at their product lines. They'll look at the markets. There'll be discussions.

The other thing we should be aware of is that the fertilizer industry in Canada also imports fertilizer, particularly in eastern Canada and Quebec. This will be opportunities for European companies to bring products into Canada that could benefit Canadian farmers.

Trade agreements, when they work well, are two-way agreements. Some of our members, such as Yara, which is based in Europe, are major players in the Canadian fertilizer market. They import a lot of product into Quebec and other parts of eastern Canada. We see that this is a two-way benefit for our members to be able to export and also for farmers to have access to different products from Europe.

The Chair: Thank you, Madame Raynault.

We'll now move to Mr. Preston for five minutes, please.

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

Thank you to the witnesses for coming today.

I have a quick question on the value-added piece you talked about with the meal. We've removed the oil, and there's meal left over. If we can use it as feed, it's another value proposition. What is currently fed canola meal?

Mr. Jim Everson: Dairy cows.

Mr. Joe Preston: Dairy cows.

Mr. Jim Everson: Our major market is dairy cows. Our little catch line is that canola in a dairy meal ration will improve the milk production of a cow by one litre per day. We have a lot of scientific evidence to demonstrate that's the case. We have a very strong market in the United States for meal going to dairy farms.

Mr. Joe Preston: Is there any market in Europe for the meal?

Mr. Jim Everson: Yes.

Mr. Joe Preston: Is it for the same industry?

Mr. Jim Everson: In any market to which we ship seed that is then crushed for oil, the meal is also used in the animal feed industry.

Mr. Joe Preston: Is there no problem, from a GMO point of view, with the crushed meal and the meal being used for animals?

• (1625)

Mr. Jim Everson: Generally there is not. The European Union has labelling requirements for genetically modified products, but there are very significant amounts of GM meal going into Europe. It's a big market there.

Mr. Joe Preston: That's super.

I wanted to mention something else. In your speech today we heard about the health benefits of canola. Since I've joined the agriculture committee, I've found so many new ways to be healthy.

An hon. member: Don't eat the cookies.

Mr. Joe Preston: Apparently don't eat the cookies.

Voices: Oh, oh!

Mr. Joe Preston: You talked about the value proposition that canola offers in Canada right now with some 249,000 jobs. I thank you for the statement that you used today. We haven't yet started to convert what CETA is doing to Canada from a jobs point of view. There are a lot of benefits from an agricultural product point of view and an agricultural producer point of view. You actually have a value-added piece here in saying that there are 249,000 jobs in your industry. You expect that you can increase canola exports by up to \$90 million. Turn that into jobs for me.

Mr. Jim Everson: I don't know that I can do the actual math and turn it into jobs, but anytime you have an agreement that creates a more predictable trade environment for your product, you create more confidence in the industry, and you have more investment coming from all sectors of the industry such as the seed developers and the producers who are out there buying tractors and products all the time to improve their agronomics. There is also the process issue of putting a huge amount of infrastructure into western Canada to create value-added products. These agreements create predictability and confidence that lead to investment and lead to jobs.

Mr. Joe Preston: Yours is an agricultural product that needs more than just the seed market directly. Something else has to be done, whether it's crushing in order to get oil or the meal itself. There's the

transportation piece too. You've stretched the market this year from a transportation point of view because of the size of the crop. For CETA, of course, most of your product will have to go through eastern Canada in order to get to Europe, but you already do ship a fair bit there.

How is the east coast from a transportation point of view? Is what you have this year meeting your stretch?

Mr. Rick White: From a canola perspective, there's not a lot going out from the east coast.

Mr. Joe Preston: Okay. Will there be another way to go?

Mr. Rick White: I believe there's an opportunity to utilize the east better than we have, not only through the St. Lawrence Seaway but also possibly through Churchill as well. Those are a couple of possible opportunities to alleviate some of the west coast congestion that we have.

Mr. Joe Preston: We talked about how many acres of canola you currently grow and how the increase truly has been not in acreage but in yield. The other gentlemen are partially responsible for that too. That's truly how we're going to be able to meet the new outputs we'll need in order to satisfy the European market and the four or five other markets you mentioned: Korea, India, Japan, and China.

We've already seen such a significant growth. Could you expect that same type of yield growth over the same period of time?

Mr. Rick White: Well, it'll taper off, but if you look at the corn experience and the soybean experience, you can see where corn yields have gone over the last 20 years. They just seem to keep doubling.

Given the technology that's going into canola, you're going to see something maybe not on the same scale but similar as well. We have traits coming down the pipeline. Nitrogen-use efficiency is one of them. Drought tolerance, water efficiency, all these kinds of new traits in the research pipeline will provide a more robust seed that can produce more under even more severe and adverse conditions to keep our production numbers up. Again, we'll be producing more with less.

The Chair: Thank you. Time is up, Mr. Preston.

I want to thank the witnesses for taking time to be with us today on this important subject. We will break for two or three minutes. We have a teleconference coming up, and it'll take a couple of minutes to set up.

Thank you very much.

• _____ (Pause) _____

•
• (1630)

The Chair: Members, would you take your seats, please.

Witnesses, take your seats at the front, please. We're going to get started.

First of all, I want to welcome Mr. Matthew Holmes from the Canada Organic Trade Association. He's the executive director. Welcome, Matthew.

We also have from Winnipeg, Manitoba, the Western Grain Elevator Association. There are four folks sitting around the table whom I'd like to introduce: Richard Wansbutter, consultant, Viterra, and also the chair; Carsten Bredin, assistant vice-president of grain merchandising, Richardson International Limited, and also a member. We have also Wade Sobkowich, executive director; and Jean-Marc Ruest, senior vice-president of corporate affairs, general counsel—I see you're smiling; I didn't do very well on that—Richardson International Limited.

Welcome to each of you for joining us. We appreciate that you would do this by teleconference. We'll open up with the first 10-minute statement.

Mr. Holmes, please.

Mr. Matthew Holmes (Executive Director, Canada Organic Trade Association): Thank you.

Good afternoon, Mr. Chair, and honourable members of the committee. It's a pleasure to appear before you again and to see some new faces as well.

My name is Matthew Holmes, I am the executive director of the Canada Organic Trade Association. I will be providing you today with our perspective at this time on the comprehensive economic and trade agreement between Canada and the EU.

The Canada Organic Trade Association is the membership-based representative group for Canada's organic business community. Our membership and our elected board of directors represent organic farmers, manufacturers, inspectors, exporters, distributors, and retailers. Our mission is to promote and protect the growth of organic trade to benefit the environment, the public, the economy, and farmers.

In general, we view progressive trade measures as a means to furthering our goals of expanding and strengthening the organic marketplace.

Today I'm going to begin my remarks with a brief overview of Canada's organic market, which is now the fourth largest in the world. I will then cover Canada's organic equivalency arrangements with our major trading partners. These are essentially mechanisms for trade facilitation which fit closely with the objectives of the CETA agreement. I will conclude with some of the lessons our sector has learned from the implementation of these arrangements, which I hope may serve as guidance in the coming months as the CETA is finalized and assist in the objective of facilitating more exchange between Canada and the EU.

As I mentioned, Canada is now the fourth largest organic market in the world, and thus a major destination for the U.S. and Europe. The top country markets are the U.S., Germany, France, Canada, and the United Kingdom. The total world market is valued at about \$63 billion per year, and it's growing rapidly.

Of the world's organic market, 96% is found in North America and Europe, and so obviously, with new trade ties with Europe, we're very interested in seeing some of those market connections strengthened. Canadian organic farmers and processors need better access to these marketplaces, particularly for the organic sector.

Here at home our organic market tripled in size between 2006 and 2012, growing right through the recession, and is now valued at over \$3.5 billion per year. Our research on exports has also found that these have tripled over the same period and are estimated at \$458 million per year, which, in comparison, is more than Canada's export of live or frozen lobster, and more than the projected market for Canadian pork in Europe under this new deal.

We're also growing at the producer level. Our recent analysis of the census of agriculture shows that between 2001 and 2011, while total farms in Canada declined by 17%, organic farms increased by 66.5%. On average, when compared to all farms in Canada, organic farmers are younger, have higher earnings, and create proportionally more jobs in agriculture. We now have approximately 5,000 certified organic farms, handlers, and processors. Whatever your personal views on organic agriculture are, there is absolutely no question that it is among the fastest growing agricultural sectors in the country, and holds massive economic potential for agriculture in Canada, particularly when we're talking about Europe, which is home to the highest consumers of organic in the world.

Last week I had the privilege of meeting with the honourable Robert Goguen in Moncton, as he announced \$500,000, on behalf of Minister Gerry Ritz, for the Canadian organic sector in order to enable us to maintain our rigorous standards and to promote Canadian organic products here at home, and in these critical export markets through the AgriMarketing program.

Additionally, one of the major policy tools for opening markets for Canada's organic sector has been organic equivalency arrangements. Canada has been a pioneer in establishing these agreements on mutual regulatory and standards recognitions with our major trading partners starting in 2009 with a Canada-U.S. deal.

Canada followed up on this in 2011 with another first, announced by ministers Fast and Ritz, an organic equivalency with the EU, making us the only country in the world at that time that could supply 96% of the world's organic markets with one domestic certification. Canadian operators had a significant edge.

Like the previous Canada-U.S. deal, the Canada-EU deal recognizes the organic standards and regulatory oversight of each jurisdiction. It allows Canadian organic products entry to the member states of the EU without having to take on a second redundant and expensive certification or inspection.

Canada's organic equivalences are thus major milestones for our sector, but not just for our producers here at home, but for the entire global organic market. We now have many others who are following in our footsteps to try to strike similar such arrangements.

• (1635)

Here begins what I'll term my cautionary tale for those who will implement the CETA.

In 2011 when the EU published the final text of its regulatory amendments recognizing Canada's organic system, they put in place highly restrictive rules of origin. In good faith, Canada did not do the same thing and opened our market to all organic products originating from the EU. The result in essence is that through this deal, Canadians have become character actors, hewing wood and drawing water, only to be able to engage in commodity exports while buying value-added products from Europe. Single ingredient products and a few multi-ingredient products that are exclusively 100% Canadian ingredients can go to the EU market. Meanwhile, value-added products made here in Canada by Canadian companies with Canadian ingredients that are perhaps sweetened or flavoured with cinnamon or vanilla have to go through a secondary full inspection of all their ingredients, down to origin. It's quite costly and not very conducive for business.

I want to highlight how this equivalency with the EU also became a model for two other jurisdictions. Switzerland is a very important market for us, particularly for organic wheat and oilseed. Soon after the arrangement with the EU was struck, the Swiss came and began discussing a similar equivalency with Canada. We soon reached an agreement, but in deference to their neighbours, the Swiss reaffirmed the same restrictive rules of origin that are in place in the EU-Canada deal.

Meanwhile, the U.S. and EU were also discussing organic equivalency. These are the two largest world markets clearly and this is a striking scenario, very similar to the situation we find ourselves in now. The Americans basically saw the pitfalls of Canada's deal with the EU, and within six months announced a comprehensive trade equivalency for organics with the EU, which did not have the same restrictive rules of origin for products from the U.S. These differences are still in place two and a half years later.

Major Canadian businesses with global organic sales have told me that a second-class deal for Canada has made it almost impossible for them to give preference to their Canadian plants and jobs, while it has strengthened their U.S. lines. More Canadian lines are now at risk. Two and a half years after the original arrangement, Canadian manufacturers have to make a difficult decision if they want to continue to sell to the EU.

I spoke just this morning to a B.C. company that faces moving dozens of jobs and millions of dollars' worth of sales to a U.S. facility, largely because of this specific gap in our organic equivalency.

I want to pause here, though, and commend particularly the hard work and diligence of our Canadian officials who have worked on this file. This happened through no fault of their own. Agriculture Canada and CFIA have really dedicated time and effort to this issue.

However, for all of their effort, the Europeans have not responded with action on this.

In summary, Mr. Chair, the Canada Organic Trade Association does not see explicit dangers or concerns for the organic sector in the CETA right now. However, based on our recent experience, we are concerned with how it is implemented and that the deal that was announced for Canada is in fact the deal that Canada gets.

When reviewing the CETA, we note the following favourable elements.

CETA makes commitments to increased regulatory cooperation and that standard-setting bodies will work more closely together. This aligns with the organic sector's needs and builds on our organic equivalencies.

CETA indicates it will not change the farmers' right to save and replant seeds of a protected variety on their own land under the federal Plant Breeders' Rights Act. The organic sector is supportive of the right to save seed, since there is not enough organic seed available in Canada to meet current demand and our growth forecasts. We have very unique needs to ensure the genetic integrity of our seeds and some of the best optimized characteristics for organic production.

As well, I see the CETA agreement spent some time on the rules of origin and how this will be addressed for multi-ingredient products. It's very important that this be scrutinized and implemented carefully.

In conclusion, our organic maple raw commodities and even organic meat sectors will certainly see benefits from the CETA as envisioned, but at this time I cannot say that our organic manufacturers and value-added sector will see any improvement in market access. Unless the organic equivalency with the EU is fixed and prioritized, we will continue to have an agreement in name only while technical barriers to trade are the real order of the day.

On that note, I thank you for your time and consideration, and for the opportunity to appear before the committee again.

• (1640)

The Chair: Thank you, Mr. Holmes, for your timely presentation.

I'll now move to the Western Grain Elevator Association. It would be very much appreciated if you could identify yourself, please.

You have 10 minutes.

Mr. Richard Wansbutter (Consultant, Viterra and Chair, Western Grain Elevator Association): Good afternoon, Mr. Shipley, and thank you.

I'm Richard Wansbutter representing Viterra. As you have already introduced the members, I'll skip over that and move very quickly into the substance of the brief presentation.

I'd like to thank the members of the Standing Committee on Agriculture and Agri-Food for allowing this opportunity to speak to you today. It is our pleasure to represent the Western Grain Elevator Association and to be able to appear before you today to discuss the Canada-EU trade deal and its impact on the Canadian grain sector.

I'll give you a quick note on the association. We represent seven farmer-owned public and private grain companies operating in Canada. Together we handle over 90% of western Canada's bulk grain exports. I have a few short introductory remarks regarding the agreement, and then we can try to answer questions that you may have.

As a country dependent on international trade, certainly when it comes to agriculture, the WGEA members fully support the government's significant efforts in concluding this deal. Diversifying markets and expanding market access in key areas around the world will pay long-term and significant dividends for our agricultural exports and the Canadian economy.

I'd like to highlight a few of the key elements and benefits of the trade deal that we see coming about.

There will be additional duty-free access for wheat sales, and that should immediately result in approximately \$20.5 million in year one. There will be the potential for increased canola oil shipments with the elimination of tariffs, which is estimated at approximately \$90 million. There will be significant increases in pork and beef exports, \$600 million on the beef side and \$400 million on the pork side.

Why we raise this is that with increased value-added exports on the beef and pork side, this will definitely increase the feeding of feed grains on the Prairies. The elimination of tariffs on processed pulses and exports, such as flour, fibre, wheat, and starch will result in increases. On the commitment to improve consultation and cooperation around biotechnology, it's important to emphasize the need to make progress on the approval processes in order to ensure that Canadian grain and oilseed exporters can gain the full benefit of the Canada-EU trade deal.

At the risk of repetition, this trade agreement with the European Union will improve market access providing significant benefit to our members, farmers, and to Canada.

Thank you very much.

We're certainly open now to questions.

• (1645)

The Chair: Thank you very much for your presentation.

We'll now start our first round of questions, starting with Mr. Rankin.

Welcome, by the way, to our committee.

You have five minutes, please.

Mr. Murray Rankin (Victoria, NDP): Thank you. I appreciate it very much. I'm pleased to be here.

I'd like to thank all the witnesses.

In the short time available though, I will concentrate my efforts on Mr. Holmes, who is the executive director of the Canada Organic Trade Association.

I was struck by the statistics that you provided. I was struck by the enormity of the industry you represent, sir. I had no idea that it's a \$3.5 billion industry. You said that it tripled between 2006 and 2012. I can tell you that as someone from British Columbia, I don't need persuading of its importance, particularly in Victoria. It's a very robust sector, indeed.

I was struck by a couple of things you said, and on which I'd like you to elaborate. There appears to be an equivalency agreement that we have with the United States which was entered into in 2009, yet the Americans have an equivalency agreement with the EU. I think you said that they have an edge on us. I can't understand in light of all of the CETA changes why that hasn't been rectified.

Can you explain why we haven't been able to catch up?

Mr. Matthew Holmes: It has been a frustrating couple of years.

We were first actors here. We really defined the space. The Canada-U.S. equivalency struck in 2009 was a landmark. It really caught the attention of the entire world because it was a new paradigm. In fact, when Prime Minister Harper and President Obama declared and announced the creation of the Regulatory Cooperation Council, they used this 2009 organic equivalency as a precedent and model that they wished to see replicated in other sectors as well.

It was a very important model, one which we in Canada aggressively pursued with other trading partners, in particular the EU. In 2011 we were the first to strike a similar deal with them. However, when it was promulgated and put into the EU legislation, the language they used limited that to Canadian origin exclusively, so once you get into a multi-ingredient product, that becomes prohibited. The Americans were a little slower out of the gate. They had the agreement with us, but they were still negotiating with the EU. They saw what happened with our agreement.

Mr. Murray Rankin: They stole a march on us.

Mr. Matthew Holmes: They pulled a fast one.

Mr. Murray Rankin: It's almost ironic that we should send our products to the United States, have them repackaged, and then sent to Europe to evade the rules. It's crazy.

Mr. Matthew Holmes: That is quite possible within this scenario and fully legitimate within the agreement between the U.S. and the EU, so it really pulls us out of the mix. It sidelines us. Some companies are facing... We've all heard this for many years now, the exchange rate and the currency. Some of those issues are facing businesses in Canada. If they have multiple lines in the U.S. and Canada, it's a very difficult decision to prioritize.

• (1650)

Mr. Murray Rankin: I really appreciated your analogy when you talked about the restrictive use of origin rules, in saying that Canadians are basically hewers of wood and drawers of water because our value-added producers simply can't make it happen for themselves. That's of course where the jobs are and where the economic growth is going to be.

What can we do about this? Tell us what your views are about how CETA might be able to address this or not.

Mr. Matthew Holmes: I think CETA is the perfect backdrop. There's a lot of goodwill in the room right now. I think there's a need to prove that there's commitment to this on both sides. We understand we're a small sector, but we have an agreement that predates the CETA. It's founded on the same principles and yet we're unhappy with it. It's not really working. We've worked closely with the market access secretariat. They're an excellent bunch. They're really dedicated. This is on their priority list, but we haven't been able to elevate the conversation enough in Europe to really make this happen for us. I think using CETA for our purposes would be to look at getting the organic equivalency with Europe finalized, get the same deal the Americans have, and then everybody will benefit from the new approach that CETA offers.

Mr. Murray Rankin: It's interesting. Your success has occurred before CETA, if you will. Maybe bilateral arrangements separate from CETA could also be productive. You've praised the officials. I think that's good. Maybe you just need to do it irrespective of where CETA goes.

Mr. Matthew Holmes: It's outside the CETA process. It's not housed within the agreement. It's an arrangement; it's not a technical agreement. We are able and we are pushing for that still at the DG AGRI, Directorate-General for Agriculture and Rural Development, in Brussels.

Mr. Murray Rankin: Congratulations on all the success of your industry.

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

We'll now move to Mr. Payne for five minutes, please.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair, and thank you to the witnesses for being here as well as appearing by video conference.

I think everyone has said that this is a really important agreement for Canada and for our agricultural sector.

Certainly, Mr. Holmes, you've talked about some of the issues on the value-added side of things. Could you tell us a little more about the opportunities that are given to you, your organizations, your farmers, producers of organic products, to be able to enter Europe, and what that would mean? Do you have any numbers that would

suggest how much product would be able to go in, the values, and that sort of thing?

Mr. Matthew Holmes: We're building numbers. As I mentioned, we have \$458 million in annual exports from Canada. That's our best analysis of the available data. The issue is that wheat is wheat is wheat in much of our tracking. WorldCat and other forms of tracking agriculture products don't disaggregate organic from them, so we've had to do our best to try to calculate that.

Canada was one of the first, if not the first, to break out organic products at the HS code level. We currently track about 60 organic commodities coming into the country; however, we don't track any going out of the country. After the U.S. and Europe struck their arrangement, the U.S. started tracking some of their exports so they could better manage and monitor the impact of the trade arrangement they have.

I know the CETA document talks about classification and about better tracking of trade. We would certainly support that. We think it's really valuable to show Canadians the impact of these trade agreements directly on the agricultural sector.

For our own purposes, we organize a variety of programs. I was at a producer conference last week on the east coast talking about opportunities. We go to major conferences in the west. We bring producers, brokers and traders with us to foreign missions and trade shows and introduce them to potential buyers. We do everything we can to get them into a good relationship and build that Canadian export dollar.

Mr. LaVar Payne: In terms of our negotiators, did you have any direct access to them throughout this process on CETA?

Mr. Matthew Holmes: With the market access secretariat, we definitely liaised, and I sit on the industry advisory committee, but we didn't formally consult on the CETA, because we did have this organic equivalency that at the time seemed to be moving along well.

• (1655)

Mr. LaVar Payne: I think Minister Fast announced the other day that our Canadian embassies should be working with the agricultural sector to create other opportunities for Canadian products. I want to get your views on how our embassies can help out, either on the ground or through negotiations. They obviously have a much better insight into the countries in which they're established and the partners who might be available to us.

Mr. Matthew Holmes: We've been seeing the term "economic diplomacy" in the last couple of days. I've never been in the development sector. I've only been on the economic side, and I've seen the tremendous benefit that our consulates and embassies provide in that regard. They have a network of businesses, and they do a lot on the ground to help our people get to market. I have a board member in Hong Kong right now, and there are consular staff assisting with some of the business connections that she needs to make. We've always been impressed with their network, their knowledge, and their commitment. It's always been on the economic side, and we hope to see that grow and be focused. I've never seen any tweed jackets, though.

Mr. LaVar Payne: Mr. Wansbutter, I wonder if you could make a comment on that response. How do our embassies and our people on the ground help to sell our products and make contacts?

Mr. Richard Wansbutter: I think Mr. Holmes is quite accurate, and I would certainly support his statements.

Whenever we're trying to access international markets, you will have glitches in the system. For example, when we had an issue in and around blackleg in canola, we ran the risk of having our exports of canola to China restricted or stopped altogether. The market access secretariat was on the ground within 48 hours. Through the efforts of Fred Gorrell and the secretariat, as well as the minister, the embassy staff out of Beijing were able to address this. We have pretty well unimpeded access to that market. This is a huge benefit.

Mr. LaVar Payne: Okay, I have a quick question on—

The Chair: I'm sorry, but you're time's up.

We'll now go to, as promised, Mr. Eyking.

Hon. Mark Eyking: Thank you, Mr. Chair.

Witnesses, thank you for joining us from out west.

I'm going to go to the organic growers. They only give Liberals five minutes, so my questions are going to be short. If you guys can be as short with your answers, I'll be able to get questions to all the witnesses here.

The Chair: I believe we give everybody five minutes.

Hon. Mark Eyking: But I only get one round, and I already used 30 seconds.

Anyway, gentlemen, you're from Manitoba and today there's an article that came out about the problem with the railroad. It says that grain companies report a weekly shortage of 1,000 to 2,000 cars and a backlog of around 8,000 cars and rising. Keystone Agricultural Producers' Doug Chorney says this is unacceptable. He says he's contracted grain off the combine and hasn't moved a bushel off his farm yet.

Then there's another article coming out of Regina, Saskatchewan with the headline, "Tories blamed for 'chaos' in grainhandling system", which states:

"Farmers have now missed record high prices...".

Without the single desk, no one is co-ordinating grain sales, transportation logistics, and the efficient use of port terminal facilities....

You guys handle most of the grain. Can you give me some quick comments on this?

Mr. Wade Sobkowich (Executive Director, Western Grain Elevator Association): My name is Wade Sobkowich, and I'm with the Western Grain Elevator Association.

I've been talking a lot about the railcar capacity lately, in the media and to anybody who will listen.

The problem we're seeing is one with two different factors. It's supply of railcar capacity versus demand for railcar capacity, given the size of the crop. We have the biggest crop in western Canada that we've seen, and we are struggling to get that grain to our customers overseas. The railways are providing between 5,000 and 5,500 cars each per week. If you look at the historical numbers of railcars that they've provided within the last five years, it's on the high end. Many people will agree that we're providing a lot of railcars.

The problem is that our demand for railcars is well above that. It is true that if you look at the most recent week of demand versus supply of railcar capacity, we're supplying less than half the demand. Now it's important to understand in the most recent week—

• (1700)

Hon. Mark Eyking: If I may—

Mr. Wade Sobkowich: You wanted a brief answer, correct?

Hon. Mark Eyking: Yes, thank you.

Mr. Wade Sobkowich: Sorry; I'm going on and on.

Hon. Mark Eyking: No, no, that's fine.

Mr. Wade Sobkowich: Did that answer your question?

Hon. Mark Eyking: We had grain growers here previously, and they stated the same reason. I wasn't going to get into a debate on whether a single desk was better than the others. I might come back to you, but I have a question for the organic growers.

You mentioned that there's some new legislation coming forward from the Conservatives. It's called UPOV 1991, and I think you alluded to it. It's dealing with giving the seed companies more years, I guess.

Can you tell us how it is going to affect the organic growers and why you'd disagree with this legislation coming forward?

Mr. Matthew Holmes: At this point, I can tell you that we're more in favour of UPOV 78 than UPOV 91. For the organic sector in particular, we need to see the ability to save seed to replant that.

We're concerned because some of our producers use crop characteristics and traits that aren't necessarily attractive to today's larger-scale farms, but they're essential for organic production. They are very resilient and dynamic within the systems that we use. To have those lost from the marketplace, if those are no longer being brought to market commercially, we need to have the ability to maintain that seed genetics for our growers.

Hon. Mark Eyking: Do you think this legislation is being pushed from the big grain companies trying to squeeze out some of these smaller companies or some of these other varieties that they are not producing?

Mr. Matthew Holmes: I wouldn't bring any sort of conjecture from our part on that at this point. We've definitely seen that the seed trade alliance is very much in favour of this, so there seems to be some strong interests there.

As to the rationale for why, I understand the commerce behind it. We just need to see some dynamic solutions that provide flexibility for all parts of agriculture.

Hon. Mark Eyking: Thank you.

The Chair: Thank you, Mr. Eyking.

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

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you, everybody, for attending the committee via video conference and in person. It is good to have you here today.

Through the chair, I have one comment about marketing freedom. I can tell you that I am from the west, from British Columbia, and I have a long line of farmers who appreciate the marketing freedom for farmers and who appreciated the legislation. It's too long to even list. That was just to speak to that comment.

Matthew, I have a question for you. You talked about the organic equivalency issue. I know what you mean, but for the sake of anybody who's going to read what we talk about, can you give an example of what you mean by organic equivalency and the rules of origin? Can you give us a real-life example of it?

Mr. Matthew Holmes: One example would be shipping a boatload of Canadian organic oats to Europe. They are just certified once and inspected to the Canadian organic regime. They are recognized in Europe. They can get put into an organic granola bar in Europe. They can get the European seal put on that for the European consumer.

A very innovative Canadian manufacturer making oat granola bars with Canadian oats, Canadian cranberries, and maybe an almond from California cannot send that granola bar to Europe under the equivalency any more because that almond is in there.

Mr. Bob Zimmer: Okay.

One thing I will say is that I've seen the growth of organic across Canada and what it's doing for farmers. I see it as a positive. It's something I definitely think we can work on and will work on, as you have mentioned.

I have a question for both groups. We see CETA and the opportunities it presents, but I guess the question I have for you is where are your groups in terms of capacity and readiness for this

new market that's coming? What are you telling your members in terms of ramping up to address it to meet those new demands?

I'm from northern B.C., so we do oil and gas. The big issue with us is the shortage of skilled labour, and I guess I'd have a similar concern for this. Are you going to be ready when that market is ready? What are you doing to address it?

If you could both answer this question, that would be great.

● (1705)

Mr. Jean-Marc Ruest (Senior Vice-President, Corporate Affairs and General Counsel, Richardson International Limited, Member, Western Grain Elevator Association): I think from a capacity standpoint, we don't see any capacity issues or troubles. It is a static volume of grain that is produced and exported from Canada.

The question then becomes, to what jurisdictions do they get sold? With respect to wheat and barley, for example, Europe is currently a large consumer of wheat and barley. The advantage of the CETA is the reduction of the tariffs that apply. The grains and oilseeds get exported around the world. This now gives us an opportunity to have another potential buyer for those products.

From a capacity standpoint, we're well equipped to handle it.

Mr. Bob Zimmer: Sorry, Matthew, we'll hopefully have time.

Just to follow up with that, is it going to be static in terms of quantities, or don't you see a potential for higher quantities going to Europe as a result?

Mr. Jean-Marc Ruest: What I was saying was the quantities will increase to go to Europe, but they're all grown from the same fields. They get shipped or handled through the same network of elevators. To the extent where there might be more exports going east through Canada via the St. Lawrence Seaway, etc., we firmly believe that our capacity, our infrastructure is equipped to handle it. At the port of Thunder Bay, the facilities are there. They have excess capacity, so we don't see any issue there.

Mr. Bob Zimmer: Thank you.

Matthew, please.

Mr. Matthew Holmes: Thanks.

As I mentioned earlier, the Europeans are the greatest consumers of organic products in the world per capita, particularly as you go north. The Swiss and those up into the Scandinavian regions are just incredible, and there's a lot of potential in that market for us. I think we can meet it. We in the organics sector are used to the issue of having a major supply bottleneck. We have tremendous growth in demand every year and our market is expanding rapidly. We need more supply. We need more farmers, absolutely.

Mr. Bob Zimmer: Right. That's why I asked you, because your market, even domestically, is increasing so dramatically.

The Chair: A really short question and answer, please.

Mr. Bob Zimmer: Is your membership prepared for this new market? Do you foresee that as a problem, or do you see it as something your membership can address?

Mr. Matthew Holmes: It is a problem. It's a good problem to have, and we're seeking new farmers.

Mr. Bob Zimmer: Good answer.

The Chair: Thank you, Mr. Zimmer.

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

[*Translation*]

Ms. Francine Raynault: Thank you, Mr. Chair.

I have some questions for Mr. Holmes and I will also have some for the gentlemen on the videoconference.

You feel that you will be able to meet the entire demand for organic products from the countries of Europe, where they are great consumers of organics. Will your sales go up because Europeans are not really fond of GMOs? At least, that is what we are told. Is this a real opportunity for you to increase your exports?

[*English*]

Mr. Matthew Holmes: Definitely, the European consumer is very familiar with organic products. They've had a regulation in place for over 20 years, and as we all know, they are also highly sensitive to the presence of GM material in those products.

It's a double-edged sword coming from Canada. We're seen as having great natural spaces, being a country that they love to visit, typically, coming from Europe, but they also realize that we're a major producer of GMO as well.

We do have organic products that go to Europe and are rejected for pesticide residue that's drifted or perhaps sometimes for a genetic drift as well. There is a lot of testing and there's a lot of expense involved, and there's not a tremendous amount of security as well for the Canadian operators. We have farmers who test it here at home and everything is fine, but when it gets to Europe it's rejected, and they don't have much recourse.

It is a concern. It's also a great potential. If we look at the hormone-free beef going to Europe as well, that's something that organic is already positioned to play into. It's something we can deliver on and already have the skills to deliver on, so in many ways we are well positioned to meet that market and meet that demand for GM-free product going into Europe, but there are some pitfalls, as always.

• (1710)

[*Translation*]

Ms. Francine Raynault: Thank you.

With grains, which aspect of CETA do you consider as the greatest cause for concern? Do you have concerns with this agreement in principle? My question goes to the four of you.

Mr. Jean-Marc Ruest: The biggest advantage of the agreement is

[*English*]

I'm sorry, but I'm having trouble speaking over top of the translation.

[*Translation*]

The biggest advantage we see—

[*English*]

The Chair: You can speak in English and we'll translate it here.

Mr. Jean-Marc Ruest: The main advantage we see is the possibility of accessing the markets for lower to medium qualities of wheat and barley that currently are subject to very high tariffs, which make Canadian production uncompetitive in that region. That is the main advantage, the main market that we can access favourably.

I think one of the areas of concern—I wouldn't say that it's of concern, but rather that we would ask that attention be placed on it—is with respect to the commitment on cooperation around biotechnology. The previous question and answer revolved around genetically modified products that originate from Canada and how we maintain our ability to export non-genetically modified products when we have a handling system that does handle genetically modified goods. With regard to acceptable tolerance levels and synchronized approval processes for these new technologies, we believe there are workable solutions, but we'll have to let the governments negotiate and work out those details.

The Chair: You can have a very short question, because you lost a little bit of time.

Go ahead, please.

[*Translation*]

Ms. Francine Raynault: Thank you.

If your grains are not accepted in Europe, will that result in a major economic loss for farmers?

[*English*]

Mr. Richard Wansbutter: I don't see any economic hiccups. As we stated at the outset, we do see increased market access. Mr. Ruest already touched on increased access for wheat and durum. The tariffs will fall over the next seven years and then fall to zero, so we'll have significant access on that side.

When we talk about the biotechnology, as Jean-Marc said, we have to have synchronous approvals. A number of our canola varieties are already approved in Europe. The economic hiccups are in and around the approval process and ensuring that it is done in a timely fashion and in a synchronous manner.

The Chair: Thank you, Mr. Wansbutter.

We will move to Mr. Hoback for five minutes, please.

Mr. Randy Hoback: Thank you, Mr. Chair.

Thank you, witnesses, for being here this afternoon.

It's good to see the Western Grain Elevator Association guys. I know we talked about the infrastructure going east and moving product out through Churchill or Thunder Bay, and of course out through the St. Lawrence. Do you think that having more markets spread out around the world instead of all going through Vancouver or going through Asia will help alleviate some of the pressures you've been facing this fall with moving grain?

The Chair: Could you identify yourself, please?

Mr. Carsten Bredin (Assistant Vice-President, Grain Merchandizing Richardson International Limited and Member, Western Grain Elevator Association): It's Carsten Bredin with Richardson International.

I think it's very safe to say that we have a strong demand off the west coast out of Canada, and we're maximizing the amount of grain that we flow out of that corridor today. The eastern market through the St. Lawrence and through Thunder Bay definitely has some additional capacity. We're broadening the countries we ship to and increasing our market access, not only through the eastern ports but also for some of the lower quality wheats. The Asian market is for more of a high-quality wheat. Under the old rules, we cannot access the European market today with some of the lower quality wheat. This agreement will allow the tariff for the lower quality wheats to drop over the years.

It's not going to be instantaneous. The quota was increased from 38,000 to 100,000, which is a small increase. The benefit of the 90 euro duty being lowered over seven years really won't come into play until after those seven years, because the market spreads between the countries aren't that large. There's no doubt once we get there it will definitely improve the flow of grain going east and the opportunities to get into Europe.

• (1715)

Mr. Randy Hoback: There is one concern, which I know Mr. Eyking talked about, and I think we have to be realistic about it. We were moving a lot more grain this year and a lot more grain last year than we've moved in the previous years for sure. There were record crops this year in the Prairies. I believe farmers' income is up around 30% compared to pre-Wheat Board days.

I'm just kind of curious. If we pull the CWB and the old team of the CWB out of the equation in transportation, how does that impact what you've moved this fall, let's say right off the combine? How many tonnes of grain have you moved out to the west coast and exported because you didn't have that hindrance in your way?

Mr. Wade Sobkowich: I'll start, and then I'll ask my colleagues to jump in.

Hi, Mr. Hoback. It's Wade Sobkowich here again, with the WGEA.

When the Wheat Board monopoly was in place, they were involved in grain logistics and they planned logistics for wheat and barley. The grain companies planned logistics for other crops, like oilseeds, flax, pulse crops, etc. It was almost as though we had two layers of logistics, one on top of another, and we tried to fit them together and they didn't always fit. That created some inefficiencies in the system.

Now that we have an open market, we have each grain enterprise managing their own logistics and pulling grain—grains, oilseeds, pulses, wheat, and barley, all of it—through their pipeline and managing their entire pipeline. That has created efficiencies in the system. The problems we're seeing out there right now, I believe we would see amplified if we were dealing with two layers of logistics systems rather than just a single logistics system for a grain handler and an exporter. In terms of volumes, I don't have those numbers off the top of my head.

Mr. Richard Wansbutter: Mr. Hoback, it's Richard Wansbutter.

I'd like to add to that and give some specifics when we're talking about logistics management. There is no doubt in my mind that it has improved and is better. One very specific area is that on the wheat and barley side of the equation, we as companies are now booking our own vessel freight. We're controlling those logistics, not only out of the country but also as those vessels arrive into Vancouver, or the east coast, or Prince Rupert. We're able to then marry up the movement out of the country with what's coming into the ports, and we're seeing better utilization out of our terminals. I don't think there's any doubt about that.

As to the actual volumes, I don't have them—they're per tonne volumes—but we're up at all ports this year, as far as unloads.

Mr. Randy Hoback: Where's the bottleneck, or is it just because of the size of the crop, that there's just no way you can move it all at once, and it's going to take some time? We're getting a lot of complaints off the Prairies about service, but....

Go ahead.

Mr. Richard Wansbutter: Mr. Hoback, you just hit on it. Unfortunately I think we'd all like to move the crop in a very short timeframe, but there are huge demands on the system in the October, November, December timeframe, and we simply cannot move all of that demand.

Would we like to move more? There is no doubt about that, to access higher price markets currently, but physically, we just can't do it. Can we do more? Always.

The Chair: Thank you, Mr. Hoback.

A voice: I would just add to Richard's comments, Mr. Hoback—

A voice: I have a question.

The Chair: We'll now go to Mr. Allen, for five minutes, please.

Mr. Pierre Lemieux: Absolutely ruthless.

The Chair: This is a non-partisan committee.

Mr. Malcolm Allen: Thank you, Mr. Chair.

I noticed our panel, actually.... I got the forefinger and thumb, "I have one more small bit to add", so go ahead. I'm being nice to Randy today. I saw you wanted to do that, so go ahead.

You don't get the question; you get the answer. I don't give you my questions; I let him answer things for you. It was not your thumb and forefinger; it was our guest's.

Mr. Wade Sobkowich: So you're giving me the opportunity to answer. Is that what's happening?

Mr. Malcolm Allen: Yes.

Mr. Wade Sobkowich: I just wanted to add that when we talked to the railway companies about the capacity that they're providing for the grain industry, they tend to look at past capacity and say they're doing well, and if you compare it to past capacity, they are. What we would like to see them do more of is compare the capacity that they're providing to the demand, and we are well short of that.

We're really looking at a paradigm shift. We're talking about increasing the amount of grain we're moving as the years go on. If we're talking about better agronomic practices and about higher-yielding varieties and about feeding the world, then we really are looking at a paradigm shift, and we really need to look at how we move this grain to the export terminal facilities and out of the country on a grander scale.

• (1720)

Mr. Malcolm Allen: I hear what you're saying. I guess there's a sense of looking at a 10-year history in the past. When we have, as you said, an increase in yield, in acreages planted, etc., you may not actually have the capacity to move what's in front of you. The service provider needs to start thinking about if this looks like a permanent trend, then perhaps the rail system needs to invest in new cars. I know a good place in Hamilton they should buy cars from, a good unionized outfit that makes great steel cars.

Let me go to Mr. Holmes. Thank you for that, by the way. You talked about the sense that you're the fastest growing component of agriculture, not just in the sense of the number of farmers. What I'm fascinated by is the age. Do you have any sense, Mr. Holmes, of the differential in the ages between folks we might consider to be non-organic versus organic? I don't want to call folks "conventional" or "GM" or whatever. What are the age differentials?

Mr. Matthew Holmes: Yes, we do, actually. We've just been mining the census of agriculture for some of that. As I said, I just came from a production conference last week on the east coast, for mostly small mixed farms. What was striking was they had a child care program. I can't tell you how many people they had in the room under the age of 30. It was really incredible. What we are seeing is that organic farming is attracting a new generation of farmers. What the data shows us is that while 8% of farmers in Canada are under 35, 12% of organic farmers are under 35.

As we all know, the farm age is not approaching a crisis yet, but we're definitely seeing the farming age getting older and we worry about succession planning in farming. Farm operators are generally 55 years or older. That's about 48% of the total farms in Canada, so about half; in organic it's about 40%. There's about a 10 percentage point difference. What we see is generally a younger farmer.

That brings its own pressures, though. It means there are a lot of new entrants; a much higher need for knowledge transfer; a need sometimes for some infrastructure supports as they're maybe not inheriting the farm so much as starting a new farm. It has its own complex mix of issues with it. It's a very positive message as well that there are many new farmers coming to organic and looking at organic as an opportunity.

Mr. Malcolm Allen: Again, I didn't quite catch the number before, but what's fascinating about this sector is that a lot of folks think this is a basically homegrown sector that feeds only the domestic market down the street.

Could you refresh my mind around the kind of numbers we're talking about? We're talking not only primary producers but processors and exporters. We're talking about a whole value chain here, if you will.

Mr. Matthew Holmes: It is a whole value chain and it's very vertically oriented. My colleagues here are from western Canada and the Prairies. That's our largest concentration of organic farms in the country. Their product doesn't typically only sell to the local consumer. It's a commodity product. It's wheat, oilseeds, pulses, and those need to go to other markets, so there's a vertical value chain, but a tremendous market opportunity both here at home and abroad.

The Chair: Thank you, Mr. Allen, and Mr. Holmes.

Now I'll go to Mr. Lemieux for five minutes.

• (1725)

Mr. Pierre Lemieux: Thank you, Chair. I'm going to give the first question to my colleague, Randy Hoback.

Mr. Randy Hoback: Thank you. What a great colleague in the Christmas spirit.

I want to follow up with the Western Grain Elevator Association. I'll tell you about the situation I'm hearing on the Prairies right now in regard to movement.

We have guys who have signed contracts in July and August for delivery in, let's say, October and November. It comes up to October and November where they expect to deliver that grain and all of a sudden you're plugged. You have no space. You have no ability of movement. They've planned their cash flows around their delivery date.

What's happening now is they're getting bumped into December and January for delivery, and yet there's no compensation and there's no interest. There's no storage payment. How do you handle that? There's nothing in the system I can see that prevents you from signing up thousands and thousands of tonnes of grain if there's no commitment for you to say that's going to be delivered on such and such a date, or at least in that month.

How do you figure we should get around that? How do I tell farmers that there's a system in place so that when you do a contract for November and you don't meet the contract on your end, they get paid or something happens so that they can receive the financial reward accordingly?

Mr. Carsten Bredin: This is Carsten Bredin with Richardson International. I can speak to that question.

I think it's a relevant question and a very important one. As a company we contract grain with farmers. We contract it for particular delivery periods. We manage that very well. We watch it closely, because we definitely want to honour all of our delivery commitments.

Of course, it's an estimate in terms of what we can move on a monthly basis, because we do rely on the railways and their performance, and sometimes the railways do slow down, but we manage that and we try to make sure that we don't fall behind in our deliveries.

Each and every company has to manage that individually on their own. I can't speak for other companies, but I know it's something we try to adhere to as closely as we possibly can.

Mr. Randy Hoback: Let's say you want to grab 10% more market share in July, or for, let's say, a November delivery, but all of you grab 10% more. There's no mechanism to see who's grabbed more, so there's a lot more grain being pulled forward. If there's no penalty on your not being able to move it, what's the incentive to say, "You know, guys, we've got to pull our brakes down here and control this a little bit closer"?

Right now, I can see everybody being aggressive. Really if there's no penalty on the contract on your side, there's nothing stopping you from doing that.

Mr. Carsten Bredin: I think the penalty in the contract is that you can't service your farmer by telling him you're going to move his grain and then not move it. We have a relationship with the growers in western Canada and we respect that. That's the livelihood of our business. Those companies that perform well and move the grain when they tell the farmer they're going to move it are going to get that farmer's business year after year. Those who carry it because they can't move it because they oversubscribed to what they could move are going to pay the price for that. That's the way I think the system is checked today.

Mr. Randy Hoback: Is that an effective check? If you have four or five line companies oversubscribing at the same time, they have no way of knowing what each other is doing, first of all, and second, the farmer is still sitting there looking for a cheque because he has to pay his bills. As I said, he's not getting the cash flow because he hasn't delivered. He's not getting a storage payment. He's not getting an interest payment. Is that fair?

Mr. Wade Sobkowich: I think one thing we've been asking the government for, for a long time, is reciprocal penalties with the railways. That's something that can flow through the system. If we can receive penalties from the railways for their failure to provide railcars and spot them in a timely way, etc., then there's room to talk about penalties through the system. But it's very, very difficult when you're talking about a situation where we have no control over the logistics system. We have no way of holding the railways accountable, and that's really where the bottleneck is in the system—

Mr. Randy Hoback: To be fair to the railways, here, Mr. Sobkowich, they're actually running at peak capacity. If you look at CP's numbers, for example, the number of cars per week, they're exceeding what they've ever done before. They're exceeding what they've done before, and then you still don't have enough capacity. Maybe CN's that much worse, I'm not sure, but how do the railways give you visibility as to what they can handle?

Mr. Wade Sobkowich: They are. They're comparing it to the history, though, just as you said, Mr. Hoback. They're comparing it to what they've done before. We've been complaining about rail service, which is in the "what they've done before" category for the last five years, so we're still not getting the capacity that we need. We can't compare current rail service to what they've done before. We need to compare rail service to what we need and what the demand is, and that really needs to be the measurement.

● (1730)

The Chair: I want to thank our witnesses. Obviously, it is Christmas and you gave away all your time, Mr. Lemieux.

Mr. Pierre Lemieux: I want to thank Mr. Hoback for asking only one question.

Some hon. members: Oh, oh!

The Chair: I do want to thank all of the witnesses. Thank you for coming in by video conference from Winnipeg. We very much appreciate that you would come together to do that.

Mr. Holmes, we thank you for your presentation as a witness.

To our committee, we'll see you on Thursday, December 5.

The meeting is adjourned.

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