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Chair: Mr. Pat Finnigan



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• (1530)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone, to our meeting on the study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

We have a three-hour meeting today. It's going to be very tight, so I'm going to be tight on the time also.

Here with us, for the first 40 minutes, we have Steve Verheul, chief negotiator and assistant deputy minister of trade policy and negotiations at the Department of Foreign Affairs, Trade and Development.

From the Department of Agriculture and Agri-Food, we have Nicole Howe, executive director of the supply management and livestock policy division at the policy development and analysis directorate, and Aaron Fowler, chief agriculture negotiator and director general of trade agreements and negotiations.

Mr. Verheul, if you want to start, you have up to 10 minutes for an opening statement.

Mr. Steve Verheul (Chief Negotiator and Assistant Deputy Minister, Trade Policy and Negotiations, Department of Foreign Affairs, Trade and Development): Good afternoon, Chair and members of the committee. Thank you for the opportunity to appear before you.

First of all, I'd like to talk about the status of the Canada-U.S.-Mexico agreement. I'll provide some opening comments that should take under 10 minutes, and then we'd be open to any questions that you may have and we can pursue issues in greater depth.

The signing of CUSMA or, as many are calling it, the new NAFTA, on November 30, 2018, followed 13 months of intensive negotiations that brought together a broad range of officials and stakeholders, with a very strong partnership between federal and provincial officials. That agreement achieved several key outcomes. It served to reinforce the integrity of the North American market, preserve Canada's market access into the U.S. and Mexico, and modernize the agreement's provisions to reflect our modern economy and the evolution of the North American partnership.

On December 10, 2019, following several months of intensive engagement with our U.S. and Mexican counterparts, the three NAFTA parties signed a protocol of amendment to modify certain outcomes in the original agreement related to state-to-state dispute settlement, labour, environment, intellectual property and automo-

tive rules of origin. These modifications were largely the result of domestic discussions in the U.S. However, Canada was closely involved and engaged in substantive negotiations to ensure that any modifications aligned with Canadian interests.

Throughout the negotiations, Canadian farmers, producers, processors, business associations, labour unions, civil society and indigenous groups were closely engaged and contributed heavily to the final result.

For the agriculture sector, the government engaged with more than 275 agriculture and agri-food stakeholders through nearly 300 in-person interactions on NAFTA modernization from February 2017 to December 2019. This included more than 55 stakeholders involved in the supply-managed sectors—dairy, poultry, egg and related processors—and 230 others covering a wide range of agriculture sectors, including grains and oilseeds, meat, sugar, fruit and vegetables, and related processors.

To help better inform Canadians of the outcomes, documents have been made available on the Global Affairs website, including the text of the agreement and the amending protocol, a summary of the overall outcomes and summaries of all chapters in the agreement.

As we talk about this negotiation, I'd like to recall that the NAFTA modernization discussions were unique in terms of our experience in negotiations. Normally, free trade agreement partners are looking to liberalize trade. In this process, the goal of the U.S. from the start of the negotiations was to rebalance the agreement in its favour. The President had also repeatedly threatened to withdraw from NAFTA if a satisfactory outcome could not be reached.

The opening U.S. negotiating positions were rather unconventional. These included, first of all, the complete dismantlement of Canada's supply management system; the elimination of the binational panel dispute settlement mechanism for anti-dumping and countervailing duties, which is the existing chapter 19 under NAFTA; a state-to-state dispute settlement mechanism that would have rendered the agreement completely unenforceable; 50% U.S. domestic content requirement on autos, which would have devastated our domestic auto sector; removal of the cultural exception; a government procurement chapter that would have taken away NAFTA market access, leaving Canada in a worse position than all of the U.S.'s other free trade agreement partners; and a five-year automatic termination of the agreement, known as the sunset clause.

The U.S. administration took the unprecedented step of imposing tariffs on imports of Canadian steel and aluminum on the basis of purported threats to national security, with no legitimate justification for that. The U.S. administration had also launched an investigation that could lead to the same result for Canadian autos and auto parts, also a national security investigation.

In the face of this situation, Canada undertook broad and extensive engagement with Canadians on objectives for the NAFTA modernization process.

Based on the views we heard and our internal trade policy expertise, Canada set out a number of key objectives, which can broadly be categorized under the following overarching areas. First of all, we wanted to preserve important NAFTA provisions and market access into the U.S. and Mexico. We wanted to modernize and improve the agreement, where possible. We wanted to reinforce the security and stability of market access into the U.S. and Mexico for Canadian business.

- (1535)

For the first objective, preserving NAFTA, the outcome preserves a number of important elements, including the NAFTA tariff outcomes, ensuring continued duty-free access into the U.S. and Mexican markets for originating goods. For our farmers and food processors, this means securing Canada's over \$30 billion in agricultural exports to North American markets.

Second, it preserves the binational panel dispute settlement mechanism for anti-dumping and countervailing duty matters, which is a key component of the overall goods market access package of NAFTA and of the original Canada-United States Free Trade Agreement.

We wanted to preserve, as well, Canada's preferential access to the U.S. under the temporary entry for business persons chapter, and the predictability and security of access for service suppliers and investors. We also wanted to preserve the cultural exception.

As well, we wanted to preserve state-to-state dispute settlement, which we achieved, including through the protocol of amendment, actually improving on that considerably so that it's a much more efficient and effective mechanism to resolve disputes with the U.S. and Mexico.

The U.S. was opposed to almost every single one of those objectives.

With respect to modernizing NAFTA, we have modernized disciplines for trade in goods and agriculture, including with respect to customs administration and procedures; technical barriers to trade; sanitary and phytosanitary measures; new provisions on the trade of products of agriculture biotechnology; as well as the new chapter on good regulatory practices, which encourages co-operation and protects the government's right to regulate in the public interest, including for health and safety.

The agreement also establishes a mechanism for parties to strengthen co-operation and international advocacy on a wide range of agricultural biotechnology issues of mutual interest. The new agricultural biotechnology obligations will establish practical trade-facilitative approaches to getting safe products to market, reinforcing

an environment that enables trade and innovation in North America.

Under the new agreement, market access for Canadian refined sugar into the U.S. market will almost double. The new agreement will provide Canadian exporters with new market access into the U.S. in the form of tariff rate quotas for certain dairy products, including cheese, cream, milk beverages and butter. It also eliminates U.S. tariffs for whey products and margarine and provides a more liberal rule of origin for margarine.

The agreement contains a modernized committee on agricultural trade, which provides a forum in which to discuss and address issues and trade barriers related to agriculture.

For our wines and spirits industry, the new NAFTA provides for protection of Canadian whisky as a distinctive product of Canada. It also protects the definition and traditional production method of authentic icewine. As well, Canadian wineries and distilleries retain the authority to sell only their own products on site.

Commitments on trade facilitation and customs procedures have been modernized for the 21st century to better facilitate cross-border trade, including through the use of electronic processes that will reduce red tape for exporters and save them money.

New and modernized disciplines on technical barriers to trade in key sectors are designed to minimize obstacles for Canadians doing business in the U.S. and Mexico, while preserving Canada's ability to regulate in the public interest. We also have modernized obligations for cross-border trade in services and investment.

On labour and environment, we have made important steps forward by concluding ambitious chapters that are fully incorporated into the agreement and subject to dispute settlement.

Finally, the outcomes advance Canada's interests toward inclusive trade, including through greater integration of the gender perspective and better reflecting the interests of indigenous people.

With respect to other outcomes, in the context of the overall outcome, Canada did make some incremental moves in relation to the U.S. objectives, specifically in the area of supply management.

With regard to Canada's dairy, poultry and egg sectors, we should recall that the U.S. made an explicit and public demand for the complete dismantlement of Canada's supply management system. In the end, we preserved the three key pillars of the supply management system, including production controls, import controls and price controls, ensuring that its integrity is maintained long into the future, and granted only limited access to the U.S. The new NAFTA ensures that Canadian dairy farmers and processors will continue to supply the vast majority of the Canadian market.

• (1540)

The government has been clear on its commitment to provide full and fair compensation to farmers for losses in market access. In the fall of 2018, the government announced the formation of working groups on the dairy, poultry and egg sectors. These groups were tasked with developing mitigation strategies to fully and fairly compensate supply-managed farmers and processors to help them adjust to the impacts of recent trade agreements, including the new NAFTA.

The Chair: Thank you, Mr. Verheul. I'm going to have to cut this off.

Mr. Steve Verheul: I just had a closing thought.

The Chair: We are very limited on time and I want to make sure everybody has a chance.

Again, don't think I'm rude when I cut you off. I just want to make sure that we all have—

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): “Don't think I'm rude; I'm just rude.”

Voices: Oh, oh!

The Chair: I'm just rude? Could be.

With that, we'll start with the Conservatives for six minutes.

Mr. Barlow, you're going to lead us off.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair. I'm likely going to split my time with my colleague, just to make sure we all have an opportunity. If you don't mind, please let me know when I'm about halfway through, at three minutes or so.

Thank you very much, Mr. Verheul. I know you're probably sick of talking about this agreement by now, but we certainly appreciate your taking the time with the officials to give us a bit of a breakdown on these three areas, specifically when it comes to agriculture.

I know you've probably heard a lot about this, but the one area of the new NAFTA, or CUSMA, that gives me pause for thought is on the supply-managed side. I can't think of another trade agreement we've signed with another country whereby we have, in my opinion, surrendered our sovereignty on the growth of a specific commodity, and that would certainly be true on the milk powder, milk protein concentrates and infant formula.

If I'm seeing this correctly, we have a cap on the amount of product we can export and on the growth in opportunities for that product, whereas the United States does not have such a cap. They are free to expand that market.

Here's my concern. Is this an unusual concession in a trade agreement? I'm not aware of another one that has that give and not a lot of take.

• (1545)

Mr. Aaron Fowler (Chief Agriculture Negotiator and Director General, Trade Agreements and Negotiations, Department of Agriculture and Agri-Food): This is an unusual provision. I am not aware of any other similar provision in any of Canada's FTAs that would impose a restriction on the global exports of a commodity.

It was concluded in the context of this agreement because it was the best option we were able to identify to address a specific concern, which the United States had been expressing throughout the negotiations and, indeed, prior to the negotiations, that was linked to the introduction of dairy price class 7 and the national dairy ingredient strategy, which came into force in Canada in February 2017.

Mr. John Barlow: This is a hypothetical and I know you can't answer, but my concern with it, I guess, is that five years from now, when CUSMA is open for renegotiation, we will have allowed a foot in the door for these types of concessions in a trade agreement. It's milk powder, protein and infant formula now, but what's next that we would surrender? That's why I'm concerned that this aspect is in the trade agreement.

There's another question. Mr. Verheul, I had an opportunity to ask you this before, but I want it on the record. One of the aspects of this agreement is that it does address COOL, country-of-origin labelling, to ensure that we don't have to deal with that again, but does it deal with front-of-pack labelling, which the health minister has in her mandate letter to move ahead with? I would see that as a trade irritant.

Mr. Steve Verheul: The U.S. certainly did make significant efforts in trying to get us to commit to front-of-package labelling requirements. At the end of the day, those are not disciplines that were agreed to in the end, so we do not have those kinds of restrictions.

Mr. John Barlow: I'd like to turn the rest of my time over to Mr. Lehoux.

[*Translation*]

Mr. Richard Lehoux (Beauce, CPC): My question will also touch on what Mr. Barlow just mentioned.

Is there any other way to limit the impact of this concession than waiting five years? On the ground, we know that there have been major concessions. We cannot develop other markets for certain categories of milk without asking our neighbours to the south for permission.

Could something be included in the signing of the agreement to minimize these impacts? This concession has harsh consequences. As you mentioned, it's a pretty unique concession.

[*English*]

Mr. Aaron Fowler: Thank you for the question.

It's difficult to say what the impact of this particular provision will be five years from now. I think it's important to recall that the export monitoring commitments that Canada agreed to apply exclusively to three particular categories of dairy products: skim milk powder, milk protein concentrates and infant formula. They apply to no other dairy product produced in Canada or exported from Canada. The volumes that are permitted to be exported without any export charge are 55,000 tonnes in the first year, falling to 35,000 tonnes in the second year and then growing indefinitely thereafter.

The question whether the actual export charge that would be applied to exports above that threshold would be commercially prohibitive is difficult to answer now, and it's very difficult to say whether it will continue to be prohibitive as far out as five years from now. If you look at our exports of the covered products in recent years, from a high of 75,000 tonnes of skim milk powder and milk protein concentrate that Canada exported in 2017, we saw only 54,000 tonnes exported in 2019. That is below the threshold provided for in the agreement, and so, had CUSMA been operating last year, there would not have been any commercial impact of that provision on the sector, given the actual level of exports.

It's difficult to know how exports would evolve absent this provision or with the provision. I think we have reason to believe that there will be increased demand for skim milk in the future and perhaps lower growth in demand for butterfat in Canada, which would lead to lower production of certain products. Assessing the long-term implications is thus difficult, but I don't deny that there could be some.

The Chair: Thank you, Mr. Fowler.

[*Translation*]

Thank you, Mr. Lehoux.

Mr. Blois, you have six minutes.

[*English*]

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

Thank you to all the witnesses for your hard work on this particular file.

I come from the riding of Kings—Hants in Nova Scotia, where supply management is very important to industry.

Mr. Verheul, you mentioned in your comments some of the challenges. My first question for you—yes or no, in terms of your opinion—is whether this deal could have been struck without some of the concessions that were given in the dairy industry.

• (1550)

Mr. Steve Verheul: No. It was quite clear from the beginning that there would be no deal without concessions on our side on dairy, to some extent.

When the U.S. first started, as was mentioned, their position was the complete elimination of supply management. They stuck to that position till very close to the end of the negotiations. They had made many promises to their domestic stakeholders, and they insisted that they needed to have a substantial outcome on dairy at the end of the day.

Mr. Kody Blois: Thank you very much.

We mentioned the export caps. Are those hard caps, or are they caps where a tariff would be levied beyond that? Can you explain a little bit? Is it the Government of Canada collecting that tariff, or where exactly does it go?

That's for you, perhaps, Mr. Fowler.

Mr. Aaron Fowler: Thank you for the question. It is a good question.

They are often referred to as caps. We do not refer to them as caps. They are not a cap: Canadian exporters are free to continue exporting beyond the threshold amount that is set out in the agreement, but for volumes that exceed the specified amount, they will face a specific export charge.

In the case of skim milk powder and milk protein concentrates, that charge is 54¢ Canadian per kilogram. In the case of infant formula, it is \$4.25 per kilogram. Any export charge revenues that are generated as a result of this mechanism would be directed to the general revenue fund of the Government of Canada.

Mr. Kody Blois: Obviously, this isn't the first time there have been concessions on supply management. In the trade agreements under CPTPP and CETA, there was access given up under the former Conservative government.

Were you at the table during those negotiations at all? Can you speak to the dynamic in the room as it compared with CUSMA and this particular circumstance?

Mr. Aaron Fowler: I was not part of Canada's agricultural negotiating team for those FTAs.

Mr. Steve Verheul: I was certainly at the table for those negotiations, and the atmosphere was completely different.

The U.S. was adamant that they were going to be looking, if not for complete elimination of supply management—which, as I mentioned, is the official position they held until close to the end—then for a very large result.

With other negotiations such as CETA, for example, the European Union insisted that they had to have some access on the dairy side. They restricted it to cheese only. We refused any other access. In the other negotiations, it was a matter of concessions having to be made across the board, to some degree.

Mr. Kody Blois: Thank you.

Mr. Verheul, you spoke about sanitary and phytosanitary provisions within the agreement. Can you expand on that and how it's going to benefit our Canadian agriculture?

Mr. Aaron Fowler: The sanitary and phytosanitary measures chapter of CUSMA reinforces and builds upon provisions that are contained in the original NAFTA, as well as in the WTO SPS Agreement. The outcome maintains the parties' sovereign right to protect human, animal or plant life or health, and requires that any SPS measure be science-based and not applied in a manner that would constitute an unnecessary barrier to trade.

The modernized SPS chapter in CUSMA will support trade in agriculture, fisheries and forestry products through a number of measures, including enhanced rules on import checks, audits, equivalents, regionalization, transparency, science and risk analysis. In particular, I would note that in the SPS chapter, the parties established a new technical consultation mechanism to address issues related to SPS measures with a view to resolving those issues through technical consultations between the parties' competent authorities. This mechanism would ensure that technical discussions take place in lieu of an issue being brought to a formal dispute settlement.

There's more I could say, but I'll leave it at that.

Mr. Kody Blois: Thank you.

We mentioned incremental access. I had the opportunity to speak with the Grain Growers of Canada the other day. They mentioned the comparison between the former NAFTA and the new CUSMA. Can you speak to some of the incremental access that was mentioned during the talks and how it could potentially benefit agriculture here?

Mr. Aaron Fowler: There is incremental market access provided through the FTA. I'd like to start by saying, though, that the maintenance of the existing market access into both the United States and Mexico was by far the most important outcome of this FTA for Canada's agricultural sector. We produce about \$120 billion a year in agri-food products in this country, and we export about 50% of that. Of the amount that we export, 56% goes to the United States and Mexico, more than half to the United States. So 25% of what we produce goes to that country. It was extremely important.

Also, NAFTA set a very high bar for market access for agricultural products. There were very few products that were not covered in the initial tariff commitments of NAFTA, so the ground to make improvements was quite limited; nevertheless, there were some that were secured.

• (1555)

The Chair: Thank you, Mr. Fowler. I think that's all the time we have, so you might be able to pick it up later on.

[*Translation*]

Mr. Perron, you have six minutes.

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

Good afternoon, everyone.

I appreciate the witnesses being here, and I thank them for their work. I appreciate the questions from my colleagues as well.

I would like to come back to some of the points my Conservative colleagues raised earlier about export limits on milk proteins, milk by-products. These are unprecedented concessions, especially given the new loopholes in the supply management system.

We talked about compensation. Of course, compensation has been promised, but we all know that they will never be able to fully compensate for market shares lost forever. This export market in third countries that are not signatories to the agreement is one of the ways in which dairy producers can recover money or liquidate surpluses.

Do you think that is acceptable?

Earlier, you, yourself, described these provisions as extraordinary, and you said that you have never seen anything like it. Could you elaborate on that? How did we get to the point where we signed that?

[*English*]

Mr. Aaron Fowler: To understand why we ended up with this provision—which is a very unusual provision—you really have to understand the nature of the U.S. concerns that were being expressed with respect to Canada's supply management system for dairy, and in particular the concerns that were linked to the introduction of class 7 in 2017. Following the introduction of that dairy class, which was intended to generate investment in the dairy sector to drive the acquisition of new technologies and allow for the production of new and innovative products, the U.S. saw certain markets for dairy exports to Canada reduced significantly. They also saw significant increases in the export of certain Canadian dairy products to third markets around the world, which they alleged was displacing U.S. exports that had traditionally gone to those markets.

Whether we accepted the U.S. argument or not is one thing, but it was clear that this was an important issue to them, and I would agree with Mr. Verheul, who said that without an outcome on dairy, there was not likely to be an outcome overall. We explored many ways of addressing their specific concerns with respect to exports to third markets. Ultimately, this was the one that proved workable for the two parties.

[*Translation*]

Mr. Yves Perron: Thank you for your answer.

Can you confirm that under the protocol to replace NAFTA, article 2 states that this protocol and its annex shall enter into force on the first day of the third month following the last notification and that therefore, if Bill C-4 is fast-tracked as the government wishes, the agreement will apply before the beginning of the dairy year, which begins in August?

Therefore, dairy farmers would only benefit from a few weeks of the first year of the agreement because the second year of the agreement would have already begun.

Correct me if I'm wrong. In the first year, 55,000 tonnes could be exported. In the second year, 35,000 tonnes could be exported. We are talking about a major financial issue for Canadian dairy producers and processors.

Have I read the facts correctly?

[English]

Mr. Steve Verheul: Aaron may wish to add to this, but, yes, following the ratification by the last party to ratify, the agreement is intended to enter into force on the first day of the third month after that. We don't know when that's going to be at this point. It's not simply a question of Canada, as the last country to ratify, completing its ratification process. We also have work we need to complete trilaterally among the three parties before the agreement can come into effect.

That includes the uniform regulations under rules of origin. We have to finish and we have barely started. We have to complete the rules of conduct and the rules of procedure, and establish rosters of panellists for dispute settlement. None of that has been initiated, let alone completed. All of that has to be done before entry into force.

We still have quite a bit of work ahead of us.

• (1600)

[Translation]

Mr. Yves Perron: Is it possible that the agreement could come into effect before August 1st and thus deprive dairy farmers of the first year?

I understand that there are still a lot of things to put in place and that there are a lot of technical details. Beyond that, is it possible that our farmers could lose the first year of the agreement? If so, can we do something to improve that situation?

Was that part of the negotiations? Did you raise that point? Has anyone come forward to do that?

[English]

Mr. Steve Verheul: We certainly had extensive discussions about timing issues, including that one. The U.S., once it had ratified and once it had sorted out its own issues between the U.S. administration and the Democrats in the House, wanted to move very quickly. Mexico ratified in December, and the U.S. managed to ratify fairly quickly in the new year, in January.

The U.S. in its statement of implementation included a provision saying that if two of the three parties have already ratified, and the third party is taking a longer time, they reserve the right to move ahead without that third party. In other words—

The Chair: Mr. Verheul, I'm sorry. I have to cut you off.

Mr. MacGregor, go ahead for six minutes, please.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Mr. Chair, I would like to continue down that line of questioning, because that was top of mind for both the Dairy Farmers of Canada and the Dairy Processors Association of Canada. The un-

derlying message to me was that, with the start of the dairy year being August 1, there was still a lot of confusion on their part about when this agreement comes into force, as my colleague presented, and whether they are going to, in fact, lose year one and then have that precipitous drop down to the lower threshold amount.

Can you present any clarification to this committee right here and now on that, and allay the concerns that producers have been sending to us as committee members? If you could explain that in clear detail right here and now, that would be greatly appreciated.

Mr. Steve Verheul: I'm afraid it is just not possible for me to give you any kind of precise date. I think we're moving at a good pace through the House of Commons process. We will then have to go through the Senate process. We don't know how long that's going to take. It will be up to the senators to determine that. Then we will have to go through royal assent. We can't predict the timeline with any confidence.

Mr. Alistair MacGregor: I appreciate that, but we are aiming at royal assent maybe happening in June, and then we have the 60 days after that, which gets us to August 1. That's what I'm asking. Is that what's clear to you as the start of the dairy year?

Mr. Steve Verheul: Yes, we understand the dairy year starts on August 1. With respect to the rules, if we have not yet ratified it and we are into the month of May, those two months would be June and July. The first day of the third month following ratification would be August 1.

Mr. Alistair MacGregor: I guess it's in our local producers' interest to have us go according to that timeline.

A lot of the questions that have been asked... I've been a member of this committee now for a couple of years, and I've been looking at some of our other supply-managed sectors. If we go to the chicken industry for a second, we have the amount of chicken that's allowed to enter the country duty-free progressively rising, so that by the 16th year of the agreement we're up to 62,963 metric tons.

When we've previously had the chicken processors of Canada appear before the agriculture committee, we've often talked about our relationship with the United States, and the subject of spent fowl has come up. I'd be curious to hear about the kinds of conversations you had with your American counterparts during the negotiation of CUSMA.

I'll turn the floor over to you.

• (1605)

Mr. Aaron Fowler: We were very closely engaged with the chicken sector, both producers and processors, throughout the negotiations. We were well aware of concerns with importations of spent fowl coming in from the United States. It's an issue of circumvention of the import controls that underpin the supply management system when that happens. We've been working with the sector and with colleagues in other departments and agencies, including CBSA, to assess what additional tools might be available to ensure accurate and full implementation of these import requirements and to minimize any risk of the circumvention of those rules.

It was not a topic that was negotiated or discussed during the negotiations. I think it's a question of domestically ensuring that we are appropriately implementing the rules that exist today.

Mr. Alistair MacGregor: That's good to know.

I also understand that modernizing the committee on agricultural trade is one of the provisions of CUSMA. I just want to know, in the future, to what extent some of our Canadian agricultural stakeholders will have interaction with that committee. Can you explain a bit how that will work going forward?

Mr. Aaron Fowler: Canadian stakeholders would not generally engage with the committee. The committee is three parties to the agreement. It is the body where we meet to discuss issues related to the agricultural provisions that are contained in the agreement. Several improvements have been made, in my view, to the committee structure under CUSMA as compared to NAFTA, including for agriculture, where the agriculture committee will now be able to take into consideration work that happens in the three bilateral consultative committees on agriculture that exist outside the agreement.

There are a number of other institutional improvements, in my opinion. When Canada goes to these committee meetings, when we engage in any institutional body, in any FTA, we begin by consulting with our stakeholders on the issues that they would like us to raise and their view on the issues that are raised by our partners in that agreement. That would continue to be the case under the new structure.

The Chair: That concludes the first part with our government officials. I certainly want to thank them for coming on such short notice to enlighten us on how those negotiations went. Mr. Verheul, Mr. Fowler and Ms. Howe, thank you very much.

We shall suspend for, at the most, five minutes, and then start with our first panel of the industry sector.

• (1605)

(Pause)

• (1615)

The Chair: For the second part of our meeting today we have Claire Citeau, executive director of the Canadian Agri-Food Trade Alliance. Madame Citeau, you have with you Monsieur Brian Innes. Welcome back, to both of you.

From the Canadian Produce Marketing Association, we have Jane Proctor, vice-president of policy and issue management.

Also, from the Grain Growers of Canada, we have Shane Stokke, vice-chair, and Erin Gowriluk.

Welcome to all of you. We'll have a 10-minute opening statement from each organization.

Madame Citeau, do you want to start with your organization? Go ahead.

[Translation]

Ms. Claire Citeau (Executive Director, Canadian Agri-Food Trade Alliance): Thank you for inviting us to speak on behalf of the Canadian Agri-Food Trade Alliance, or CAFTA, voice of Canadian agri-food exporters, regarding the Canada-United States-Mexico Agreement.

My name is Claire Citeau, and I am the executive director of CAFTA. I will share my time with our vice-president, Brian Innes.

[English]

Our members have a very simple message: CAFTA calls for the swift ratification of CUSMA to ensure continued stability in the North American market and strongly urges parliamentarians in both Houses to pass Bill C-4 quickly.

CAFTA represents the 90% of farmers who depend on trade, as well as producers, manufacturers and agri-food exporters who want to grow the economy through better and competitive access to international markets. This includes the beef, pork, meat, grains, cereals, pulses, soybean, canola, as well as the malt, sugar and processed food industries.

Together, our members account for more than 90% of Canada's agri-food exports, which in 2019 reached over \$60 billion, and support about a million jobs in urban and rural communities across Canada. A significant portion of these sales and jobs would not exist without competitive access to world markets.

• (1620)

Mr. Brian Innes (Vice-President, Canadian Agri-Food Trade Alliance): Despite this incredible success, we're facing unprecedented uncertainty. Predictability has been eroded by governments putting in place tariffs and other measures that blatantly contradict trade rules. It has happened here in North America, and we're seeing it happen around the world.

Last spring, CAFTA released a prescription for what's required in this new environment. "Realizing Canada's Export Potential in an Unpredictable and Fiercely Competitive World" outlines what we see as being required to help us continue setting record agri-food exports.

Our first recommendation in this paper was to preserve and enhance access to key markets, and this is exactly what bringing into force and ratifying the Canada-U.S.-Mexico agreement will do.

We understand the nationalist noise swirling around. We saw it first-hand when members of CAFTA were present at every round of CUSMA negotiations, whether that was in Washington, here in Ottawa, in Montreal or in Mexico City. It's also why we applauded when the talks for this agreement were concluded last fall, and why CAFTA welcomed the end of aluminum and steel tariffs.

We appreciate the value of tariff-free markets, because the agri-food sector has prospered immensely in North America because of our tariff-free access. Over the last 25 years, we've seen Canadian agri-food exports to the NAFTA countries quadruple, from \$9 billion in 1993 to \$34 billion in 2019. The U.S. and Mexico are our first- and fourth-largest markets, and they make up about 55% of all of our agri-food exports from Canada.

We support CUSMA because it builds on the foundation established through NAFTA, preserves the duty-free access we obtained in that agreement and builds on that in a few key areas.

Our members, the hundreds of thousands of farmers, ranchers, food processors and agricultural exporters who rely on trade, are really pleased that the government and Parliament are taking steps to ratify CUSMA.

Ms. Claire Citeau: Our members emphasize the following outcomes as key benefits of the new CUSMA.

The agreement contains no new tariffs or trade-restricting measures. All agricultural products that had zero tariffs under NAFTA will remain at zero tariffs under CUSMA. Maintaining predictable, duty-free access to the North American market is a major win for Canada's agriculture and agri-food exporters, which will help strengthen the supply chains that have been developed for the past generation across North America.

The new agreement also includes meaningful progress on regulatory alignment and co-operation. In particular, I would note the establishment of the working group for co-operation on agricultural biotechnology and the creation of a new sanitary and phytosanitary committee, which will help ensure that regulations are transparent and based on science, and that trade in North America flows freely, fairly and abundantly.

Another key benefit for our members is the preservation of dispute resolution provisions that are vital to ensuring that fair and transparent processes are in place when disagreements arise. Preserving chapter 19 in its entirety and much of chapter 20 from the previous NAFTA is an important win for us.

Market access improvements for Canadian agri-food exporters include increased quotas for refined sugar and sugar-containing products, as well as gains for some processed oilseeds products like margarine. These are all welcome gains.

All of these advances will help consolidate the gains of the original NAFTA and provide certainty in the North American market, which is essential to the success of Canadian agri-food manufacturers and exporters.

In closing, CUSMA represents a meaningful upgrade to NAFTA for our members by keeping our trade tariff-free, establishing processes that help remove remaining technical barriers to trade, and maintaining vital provisions to deal with disputes.

We look forward to working with the government to bring CUSMA into force so that our members can realize its benefits as quickly as possible.

Thank you.

[*Translation*]

The Chair: Thank you, Ms. Citeau.

[*English*]

Now for the Canadian Produce Marketing Association, Ms. Proctor has the floor for up to 10 minutes.

Ms. Jane Proctor (Vice-President, Policy and Issue Management, Canadian Produce Marketing Association): Thank you.

Honourable members of the Standing Committee on Agriculture and Agri-Food, on behalf of the Canadian Produce Marketing Association, I'd like to thank you for the opportunity to speak to you today on the study of clauses 44, 46, 53 and 59 of Bill C-4.

The Canadian Produce Marketing Association is a 95-year-old not-for-profit trade association, representing more than 860 member companies doing business in Canada within a supply chain that contributes \$17.4 billion in real GDP and supports roughly 249,000 jobs here in Canada. In addition, the fruit and vegetable sector in Canada supports \$9.8 billion in wages and salaries. Combined, CPMA members are responsible for 90% of fresh fruits and vegetables purchased by Canadians. As an industry association, CPMA represents the entire fresh fruit and vegetable supply chain, from farm gate to dinner plate.

Our comments are reflective of a wide array of members across the supply chain, who work daily to provide Canadians with the fresh and healthy fruit and vegetable options they demand. That's right from growers all the way through to retail and food service.

The produce industry is a unique entity. This important economic engine is made up of rural, provincial, national and international companies, all working together to increase consumption of fresh fruits and vegetables. CPMA represents the industry in all areas of impact, including sustainability—which currently includes a significant effort around packaging—research, innovation, infrastructure, regulatory modernization and trade, to name but a few.

Since the implementation of the previous North American Free Trade Agreement, or NAFTA, in 1994, Canadian fresh fruit and vegetable exports to Mexico and the U.S. have increased by approximately 396% when adjusted for inflation. This growth is indicative of the importance of tariff-free trade and the integration of our marketplace within North America and within the fresh produce industry.

The integrated North American supply chain also continues to be an important tool in ensuring that Canadian consumers have a consistent and diverse supply of fresh fruits and vegetables year-round, despite a relatively short growing season here domestically.

In order to meet the Canadian government's agri-food export target of 2025, and to ensure that Canadians can meet the recommendation in Canada's food guide that they fill half their plates with fresh fruits and vegetables, the continuation of tariff-free access under CUSMA is essential.

As a side note, industry is pleased that the final text of CUSMA does not include any changes to trade remedy laws related to seasonality and produce. This is an area we're going to continue to be watching, because our understanding is that there is pressure to the USTR still by certain pockets within the U.S. industry. That is one thing we wanted to put on your radar. We stand committed to ratification of CUSMA, and on behalf of industry we are therefore pleased to appear before you today.

Specific to why we are here today, I offer the following comments on clauses 44, 46, 53 and 59 of Bill C-4. Our understanding of the change to subsection 6.2(1.1) of the Export and Import Permits Act, proposed in subclause 44(1), is that it's a simple change to remove the reference to CETA—I think the wording is “for the purpose of implementing CETA”—which we support. Clause 44 relates specifically to dairy products, which is not within the mandate of CPMA and wouldn't be appropriate for us to speak to.

Clause 46 appears to be a simple change to add the text “respecting export charges referred to in subsection 6.2(5)”. However, unless we are mistaken, there is no subsection 6.2(5) in the Export and Import Permits Act. We're going to reserve comment until that's clarified. It's unlikely that we would object to the export charges if they reflect current practice, but we'd appreciate understanding that text. My apologies if we misunderstood, but I've gone through it a few times and I just don't see that. It ends at 6.2(4).

Clause 53 refers to the Fertilizers Act. Since we do not have the expertise to comment on the specifics of that, we're going to defer to and support our colleagues at both Fertilizer Canada and the

Canadian Horticultural Council on this clause. We would like to note that, in general, our industry is very reliant on inputs for fresh fruit and vegetables to continue to provide capacity for production here in Canada. Obviously, we'd like to see the fertilizer inputs remain in place.

Clause 59 refers to the Canada Grain Act. Again, that's outside of our mandate, so we will defer to our colleagues in that sector.

In closing, I would like to underscore our support for the ratification of CUSMA and Bill C-4.

Thank you for the time to present today on behalf of our industry.

• (1625)

The Chair: Thank you, Ms. Proctor.

Now, from the Grain Growers of Canada, we have Mr. Shane Stokke.

Go ahead for 10 minutes.

Mr. Shane Stokke (Vice-Chair, Grain Growers of Canada): Thank you, Mr. Chair and honourable members.

My name is Shane Stokke. I'm vice-chair of Grain Growers of Canada. Grain Growers of Canada provides a strong national voice for grain, oilseeds and pulse producers across Canada. As such, we appreciate the invitation to appear before you to discuss the specific elements of Bill C-4 that are pertinent to the grain sector.

I farm at Watrous, Saskatchewan, an hour east of Saskatoon. I grow many different crops, and trade is very important to me to be fluent and real.

Our message regarding CUSMA and Bill C-4 is simple. We want to see it pass quickly. Our farmer members across Canada need certainty to invest and grow. With farmers feeling the effects of global trade wars, diplomatic disputes, increased input costs, higher taxes and challenging weather conditions, the last thing we can afford is uncertainty in trade within our own continent. We need tariff-free access for our export commodities. Canadian farmers rely on stable markets to succeed, and ratifying CUSMA will allow us to capitalize on further opportunities for growth with our closest trading partners.

Mr. Chair, specifically relating to the legislation before us, I'm happy to offer a comment, as per request, to clause 59 and sections under the Canada Grain Act portion of the bill. This section includes a remedy to a long-term trade irritant that both the United States and Canada have had. In essence, these changes allow for a levelling of the playing field. These changes ensure that all wheat varieties registered in Canada can receive a Canadian grade regardless of where they're grown. I should mention that a similar change was proposed by the previous government in Bill C-48 prior to the 2015 election, but it was unable to pass due to the dissolution of Parliament. We supported that change in 2015, and we are very pleased to see these changes being proposed once again. We hope they will be in place soon, with swift ratification of CUSMA through the passage of Bill C-4.

Over the last decade, there have been significant changes to both grain grading and handling systems here in Canada. This remedy is essential to the last remaining cross-border trade irritant U.S. farmers have with respect to grain, and we support this change. Under the current system, registered Canadian varieties grown in the U.S. and sold into the Canadian bulk handling system are automatically given the lowest grade possible. This change will allow grain grown in the U.S. to be graded here in Canada, and graded appropriately. Under the Canada Grain Act, nothing prevents companies such as mills from buying grain on specifications outside the grading system, and that will not change.

Currently a significant amount of grain is not sold in the Canadian bulk system. We would not expect that to increase dramatically because of this change. This change will now make Canada more compliant in providing reciprocal treatment to our trading partners, which we support and expect in return. This also highlights the fact that Canada truly believes in a rules-based system for world trade, and we're happy to show we will walk the talk in that regard. By removing this long-time, last trade irritant, it also assists Canada in growing forward.

While we believe there should be future reforms to the Canada Grain Act, by ensuring we're working on an even playing field with our trading partners we will be more firmly in control of any future changes to the act. This will allow strict Canadian stakeholder engagement for any future changes to the Canada Grain Act to ensure that any changes made are made in the best interests of Canadian grain growers.

In conclusion, CUSMA ensures continued tariff-free trade, establishing processes that help remove technical barriers to trade and maintaining vital precisions to deal with disputes.

I welcome any questions you may have.

• (1630)

The Chair: Thank you, Mr. Stokke.

Now we will go to questions. Ms. Lianne Rood, you can start with six minutes.

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

I'll be sharing my time with my colleague Mr. Soroka. Let me know about half way.

Thank you for appearing today before the committee. I appreciate your feedback and the work you've put into studying this.

Ms. Proctor, you said in your statement that there haven't been any changes to trade laws. I wonder if you could elaborate on whether you see this as a meaningful upgrade. Any of you can touch on that, if there's anything that was meaningful in this for you. I know the grain growers touched on that. Or are there still shortcomings or things that you would have liked to see in this agreement that would put you on a more level playing field, specifically in the produce industry, with regard to grading, regulations or packaging?

Ms. Jane Proctor: I think it's important to understand that our industry is trilaterally integrated and is becoming more and more so. If you look at the greenhouse industry, for example, you see that we have a very significant industry here in Canada, and a lot of our greenhouse growers will have operations in the U.S. and perhaps in Mexico also.

For us it was important to continue the success of NAFTA as CUSMA, as we will call it. Hopefully, it will be implemented when it's ratified. We see this as just a continuation of what was already a very strong agreement. We were very happy not to see any seasonal provisions in there around anti-dumping and countervailing. As some of you are probably aware, that was a bit of a poison pill for the industry in terms of a relatively smaller pocket of the industry in the U.S. pushing for that, coming from USTR. We were glad that it did not make it into the final agreement.

Overall, we're very pleased with how it has developed. We work very closely with our colleagues, both in the U.S. and in Mexico. We took a very integrated approach to how we developed comments in all three countries and how we participated. Somebody referenced that there was a lot of participation in the negotiations, and we all took a very firm commitment to doing that.

We really see this as a trilateral agreement that's going to continue to benefit the industry. There's nothing we're concerned about at this point—except for the one thing that we won't get into. Some of you know, as you've heard lots of us talk about the PACA-like trust provision. But I won't talk about that today. No, I won't.

I don't know if my colleagues want to comment.

• (1635)

Ms. Claire Citeau: I would echo the comments on building on NAFTA and the need for certainty. Certainly this is an agreement that helps ensure that the supply chains that have been developed across North America remain in place, and there are some improvements to NAFTA. I mentioned the co-operation forums to further ensure that our trade works better across all three nations. There are some incremental market access improvements that are welcome wins for our sector.

Sugar was, for the most part, excluded from the original NAFTA. It is now included in this agreement. Moving forward, it will be important to ensure that implementation takes place properly. In particular, the sugar sector has identified some potential preliminary concerns when it comes to export controls, something that has been flagged to government officials and negotiators. I believe our member appeared before the trade committee yesterday. It will be important to ensure that those implementation pieces work well.

For the most part, it is time to get CUSMA ratified because it's about certainty in North America and our ability to compete as a North American market globally.

Ms. Lianne Rood: Thank you.

Mr. Gerald Soroka (Yellowhead, CPC): I think it was Brian who mentioned that under NAFTA we went from \$9 billion to \$45 billion in trade. That is pretty impressive. Now with the concessions that we're giving here, do you see a similar kind of growth, or is there even potential for much more growth? Is that even a possibility? I'm asking whoever wants to answer that question.

Mr. Brian Innes: Yes, we do see opportunity for growth, not just in trade in North America but also in trade from our North American value chain to the world.

On the first part, within North America, expanding access for processed products like margarine and sugar-containing products does represent incremental growth opportunities that weren't available in the original NAFTA. For example, the original NAFTA was created at a time when the way we made margarine worked with the agreement, but now the technology has evolved and we no longer use hydrogenation. It was no longer possible to produce margarine in Canada and trade it to the United States without having tariffs on it.

That was not extended, unfortunately, to other products like shortening, so there are still a number of areas within NAFTA, or the new CUSMA, that are not tariff-free in agriculture, but the areas that were tariff-free remain tariff-free, and that enables us to continue to grow in the world. Being integrated makes us more competitive in exporting, whether it's to China or Japan or elsewhere.

The Chair: You have about five seconds.

Mr. Gerald Soroka: I guess I'm done.

[*Translation*]

The Chair: Mr. Drouin, you have six minutes.

Mr. Francis Drouin: Thank you very much, Mr. Chair.

I would also like to thank the witnesses who are with us. I see several familiar faces. I would like to welcome them back to our committee.

[*English*]

My first question is for Madame Citeau and Mr. Innes.

I think you mentioned predictability in a world that is increasingly closing itself in in terms of trade, and there are a bunch of trade wars happening right now. Had your industry done an analysis in terms of what would have happened if one of the parties had signalled to the others that it was leaving and we got the six-month notice? What would have happened to the industry had we gone back to the old free trade agreement prior to NAFTA? Had you done a certain analysis on the impact to the Canadian economy?

Mr. Brian Innes: I can start and speak to that. Thank you for the question.

I know our individual CAFTA members all have their internal analysis. There was an analysis that was done in a place to publish and share the figures. What I would share is that what we know from a number of sectors is that we used to face tariffs on products going both to the United States and to Mexico. Getting rid of those tariffs allowed us to expand our exports.

Take canola, for example. Prior to the implementation of the Canada-U.S. agreement, there was little trade and high tariffs applied to certain canola products. Now the U.S. is the largest export market, and Mexico is the fourth. It's the same situation for the beef and pork industries, where we've become much more competitive internationally. Severing that supply chain would have devastating impacts on the pork industry that trades live animals back and forth, that trades cuts back and forth, and it's the same for the beef or the cattle industry.

• (1640)

Mr. Francis Drouin: I recall Canada using a hamburger, for example, just to demonstrate how integrated our supply chains were with our U.S. counterparts.

While those negotiations were happening, what was the consultation process with government? Ms. Proctor, you mentioned that you were dealing with other stakeholders down in the U.S. How integrated was that approach to the lobbying, if we can call it that, with our trading partners and our natural allies, whether it's Mexico or the U.S.?

Ms. Jane Proctor: I can certainly start and speak to our industry.

As I said and keep reiterating, it's a very integrated industry. Of course, we work very closely, not just with the industry members themselves, but with our colleagues in other associations.

We made sure we were present at every NAFTA negotiation. I was in Mexico and in Montreal, and some of my colleagues were in other parts. What we found, especially as the ag sector, was that we were very good at being very strong in our presence. We had an excellent negotiator, and certainly, Frédéric Seppey, our negotiator specific to ag, did a splendid job. For us, in being present and working with our colleagues in other associations, we were always trying to make sure that we went forward with a trilateral message. For us, that was very successful. I mentioned the potential problem that it helped to alleviate.

For us it was a very positive experience. It was a very integrated experience. Our negotiators did a great job. Maybe some others were at the negotiations. I certainly appreciated the attention the negotiators who were there gave to the ag sector. They did daily briefings with us, and that was very much appreciated.

[Translation]

Mr. Francis Drouin: Ms. Citeau, would you like to add anything?

[English]

Ms. Claire Citeau: I will say that, overall, it's very much a two-way dialogue, two-way street communication. We also attended every single round of negotiations and were in regular contact with the negotiators. We never see any of the text and we are not in the negotiating rooms, of course, but we are in close communication.

It was similar with our counterparts from both the U.S. and Mexico. On several occasions we did events with them, tri-national round tables with industry and officials and press conferences to advocate for the importance of the supply chains across North America and to advance shared priorities.

Mr. Francis Drouin: I have one last point. How do you see that working group and the importance of that working group with our partners on biotech? I've heard from many stakeholders about the trade irritants that develop from that. Do you see that as a good body and a good vehicle to deal with those particular issues, or is it "We'll see"?

Mr. Brian Innes: Well, we always reserve judgment and encourage co-operation from both government and industry to make these working groups effective. The biotechnology working group established under the Canada-United States-Mexico agreement is helpful and it builds on what was negotiated in the trans-Pacific partnership. This is an area where we use technology in crop production, but if the regulatory systems are different in our countries, it means that we can't just grow it in Canada—even though it may be approved—if it's not approved similarly in the United States and Mexico.

By working together at this working group, we can co-operate on plant-breeding innovation technologies so that when we have an ability to grow something with improved technology we can actually export it from Canada to the U.S. and Mexico and work together as three countries. It would help us, as a bloc, to regulate similarly and to have the ability to export around the world.

• (1645)

The Chair: Thank you, Mr. Innes.

[Translation]

Thank you, Mr. Drouin.

Mr. Francis Drouin: Thank you.

The Chair: Mr. Perron, you have six minutes.

Mr. Yves Perron: Good afternoon. Thank you very much for being here to meet with the committee. We greatly appreciate it. I enjoyed your statements. We understand very well how important the new agreement is to you and your industries from a business perspective.

You may have heard the questions we put to the senior officials of the previous group, particularly on the delays and their effects on the dairy sector. We were talking about August 1st.

Could you explain what difference it would make to your industries if the agreement comes into effect on August 1st instead of July 1st or June 1st?

[English]

Ms. Claire Citeau: Our position is, the sooner the better.

[Translation]

Mr. Yves Perron: Okay.

As I understand it, the old NAFTA remains in effect until this agreement comes into effect. Trade still happens. Is that right?

Ms. Claire Citeau: Yes, that's how we understand it. Until the new agreement comes into force, the old one will apply.

Mr. Yves Perron: Right. So there's no major drawback to it coming—

Ms. Claire Citeau: No, but I heard the comment by the head negotiator during the previous presentation that if one of the three parties should delay, the other two could implement the new agreement bilaterally.

Mr. Yves Perron: Okay.

If the ratification of the agreement went well, there would only be relatively normal delays and there would be no major inconveniences.

Ms. Claire Citeau: No.

Mr. Yves Perron: Perfect.

I have another question for you. I don't know if you're aware of this issue, because it doesn't affect your industry directly, although it may affect agri-food, Ms. Citeau, but I don't think so.

Reference was made earlier to limiting export of milk by-products to countries other than signatory countries. Despite the fact that your industries aren't directly affected this time, it was mentioned that it was an unprecedented extraordinary provision and that it was like a surrender of our sovereignty in this area. Aren't you concerned that this will affect future negotiations?

Historically—as we've seen in supply management and generally in the American attitude—from negotiation to negotiation, we try to eliminate things in order to make more gains.

What is your position on this? Are you concerned that this clause will ultimately harm our industries?

Ms. Claire Citeau: Thank you for your question.

Our mandate is to eliminate tariffs and non-tariff barriers for our sectors. We speak on behalf of the sectors we represent, and not for others.

Generally speaking, we do not look favourably on rules and provisions that seek to restrict exports for our sectors and reduce their access to markets, be it product exclusions, tariffs, restrictive rules of origin, quotas or sanitary and phytosanitary measures. This makes sense, since our goal is the elimination of all such barriers.

This provision seems unusual, but what we understand is that it applies specifically to the supply management sector and poses no risk to our sectors, which are export-oriented.

Mr. Yves Perron: Thank you.

Ms. Proctor, in terms of fruits and vegetables, are there any protections or provisions in the agreement that you would have liked to see improved? I'm thinking in particular of the reciprocity of standards governing the use of crop-protection products, pesticides and so on. Is there anything you would have liked to see in the agreement?

I'm thinking of Mexico in particular, but it could also concern the United States.

[*English*]

Ms. Jane Proctor: Obviously, for us, the whole issue of maximum residue levels in pesticides and the lack of registration, for example here in some of the changes we're seeing.... If we had a trilateral registration process, obviously that would be ideal. Our producers certainly are not penalized, but they suffer because sometimes the market just isn't large enough for a company pursuing a registration, say, in the U.S. We've seen that in the past.

Now, with the path forward around registrations occurring across borders, that's obviously very good, but there are lots of products now that are under pressure within some of the reviews that are occurring, and we know there is going to be a review of the pesticide act coming up, so, obviously, those kinds of differences become very problematic.

There are other things like, for example, our organic standards, which are very similar, and there is a tremendous amount of alignment in these standards, etc., but any change makes a significant difference.

One thing, at least for our industry—

• (1650)

The Chair: We're out of time. I'm sorry.

Ms. Jane Proctor: That's okay.

[*Translation*]

The Chair: Thank you, Mr. Perron.

[*English*]

Mr. MacGregor, you have six minutes.

Mr. Alistair MacGregor: Thank you, Chair.

Welcome to our witnesses. It's good to see a lot of you again. I know we've met quite often over the last two years. It's good to be back at this standing committee talking about the issues that we all care about.

I understand, of course, from all three of you, that there is a great desire to see this agreement implemented as quickly as possible, and our committee is working under a pretty strict timeline. We only just, at the last committee meeting, received the invitation from the chair of the Standing Committee on International Trade requesting our committee's recommendations and any suggested amendments.

If I'm reading the room right, given your study of the particular clauses that this committee is concerned with, sure, there may be room for some improvement, but you're generally pretty happy with the way they are.

I want to change tack a little bit. The problem I've had, and indeed the problem my party has had, with the way trade deals have been negotiated is that when we, as a legislative body, receive the implementation act, it's basically a *fait accompli*. That's why I find the other chair's invitation for us to suggest recommendations or any amendments problematic, because, of course, if we were to suggest any amendments to the act, that would require Canada to reopen negotiations.

We are essentially, as a legislative body, faced with a final product and a yes or no. Negotiating a trade agreement, of course, is a royal prerogative of the Crown, and as a legislative body, we're always trying to find ways to get more involved.

I'd like to hear from each of you going forward, because we know there are some significant trade negotiations that are coming up with South America and possibly Canada and the U.K.

My colleague Daniel Blaikie, on the international trade committee, brought up the issue—and it was confirmed by the Deputy Prime Minister today—about how the government is now going to notify Parliament of an intention to start trade negotiations 90 days in advance. We will now get a statement of our objectives in those trade negotiations, and now we're going to get economic impact statements tabled with the implementing legislation. I think this is a great win for all parliamentarians because it gives us a role like the ones the U.S. Congress and the European Union have, to be there from the start so that we feel like we've had some proper input.

I would just like to hear from each of you your thoughts on those proposals. I think that, as a committee, we don't really have a lot of latitude with this particular agreement. There's a lot of pressure to get it done, and I certainly understand the concerns out there with the uncertainty south of the border.

I'll let you start off, and then we'll go down the line.

Mr. Brian Innes: Thanks very much for the question.

I think it is an interesting opportunity to have more transparency and involvement in our trade negotiations going forward.

One thing I would highlight is that what we see south of the border is a comprehensive listing of the trade barriers faced by industry in various markets that is put out by the Office of the United States Trade Representative. In Canada, we have no similar transparency around the trade barriers that we face. In agriculture, there are hundreds of barriers the industry has identified that are outstanding, a number of which are between Canada and the U.S., or between Canada and Mexico.

Providing more transparency on the barriers that industry is facing and how those barriers should and can be addressed in trade agreements, I think, would be a great step forward for Canada, and we would benefit from the transparency that you're outlining.

• (1655)

Ms. Claire Citeau: If I might add this, perhaps it would be also worthwhile to have some sort of follow-up once the free trade agreements are implemented—in recent years, Canada has implemented large free trade agreements, like CETA and CPTPP—to do some follow-through as to how the implementation is going. CETA has been implemented for over two years, but access for our sector remains elusive as a result of non-tariff barriers, so perhaps that might be something to look into as well.

Ms. Jane Proctor: Obviously, for us, any additional consultation, any additional opportunity for more voices to be heard, is welcome.

I don't even know if I would characterize it as a caution, but the one thing that I think all of us at this table, and probably any of the associations, would want to make sure of is that there will be individual concerns that all of you will hear, as individual MPs, and that's a great thing, to have that opportunity to get that consultation within your jurisdictions, within your ridings.

I think it's going to be important that we have a way to ensure that the industry, which is addressing and identifying these concerns day in and day out, has a process by which we can reconcile all of this, so that it doesn't become a one-off situation where a very specific issue might be raised that might not be as big a concern for the industry as a whole, etc.

Mr. Alistair MacGregor: Mr. Stokke, go ahead.

Mr. Shane Stokke: Yes, I'd echo those remarks.

I would say that anything for the grain sector that expedites trade, makes it more transparent and moves some of these trade deals along is nothing but a win for the grain sector.

Mr. Alistair MacGregor: Okay, I'm close to the end of my time, so I appreciate your feedback on that.

Thank you very much.

The Chair: We have a little bit of extra time, so we'll go to Mr. Barlow.

Mr. John Barlow: Thank you very much, Mr. Chair.

Thanks again to our witnesses for being here. I know it's a tight timeline to dive into a trade agreement of this magnitude.

We are sending a letter, from the witness testimony we get today, to the trade committee.

Claire, I know you talked about some issues on the sugar beet side. Can you just explain in a little more detail what that concern is on the export side with sugar beets?

Ms. Claire Citeau: I cannot explain in detail because this is really highly technical, so I would defer to the sugar sector, but I understand that the concerns have to do with export controls. It's essentially the way the quotas and the access to the U.S. markets, and other markets, are administered for our sugar and sugar-containing products.

Mr. John Barlow: Thank you.

I guess one thing that we have heard was maybe missed through this negotiation was the economic impact analysis on some of these things. As my colleague Mr. MacGregor mentioned, this is maybe going to be done on the next trade agreement. We've asked for access to the documents that were part of this and we've been denied that.

I'm just curious. As the process went on through the negotiation of the new agreement, was there any access for your user groups, or stakeholder groups, to the economic impact of CUSMA?

Ms. Jane Proctor: Certainly for our sector, we put a lot of effort, of course, into understanding what the economic impact would be if NAFTA was thrown out, if we didn't go forward. We made those figures and that information available at every opportunity we had, whether we were meeting with the negotiators or meeting with senior civil servants, or what have you. There would be nothing in it, I don't think, that we wouldn't want to share.

Mr. John Barlow: Were these documents that your group prepared?

Ms. Jane Proctor: We prepared them.

Mr. John Barlow: You did.

Ms. Jane Proctor: Yes. I mean, obviously it was not coming from government.

I don't know what your experience was, but certainly Agriculture Canada did prepare some documentation that was helpful—you know, they did the burger that Frank was referring to, so that was helpful, for sure.

Mr. John Barlow: The other thing that we've heard was maybe a missed opportunity with this was the harmonization of regulations.

Shane, maybe you can talk a bit about this, or whoever wants to. When we see those non-tariff trade barriers that we face, I think this was an opportunity that we missed. We could have addressed a lot of these issues.

I'll just maybe ask for comments from anybody. What difference could that have made if we were able to address some of those issues as well?

• (1700)

Mr. Shane Stokke: I think it definitely would have helped if we had dealt with some of the non-tariff trade barriers.

I'm not exactly sure what they would be on this one, but I think it probably would have helped a little bit.

Mr. John Barlow: Go ahead, Brian.

Mr. Brian Innes: I would add to this that members around the CAFTA table put forward a number of objectives for the NAFTA renegotiation. We're very happy that the agreement is now going through, but there were a number of things we saw that could be improved that weren't achieved. The regulatory co-operation among Canada, the U.S. and Mexico is a way to help do that, through the committee on agriculture, the consultative committees on agriculture and other forums.

I'll give you examples. The feed that our animals consume is regulated in Canada and in the U.S. It's regulated by very specific definitions, but those regulations are not the same. That can create barriers for a number of things. Food safety is also not regulated the same. Crop protection products were mentioned earlier; they're not regulated the same. When you look at phytosanitary measures required for all of our agricultural products, they're not the same across the three countries. All of these issues can result in small differences, which create trade barriers and costs, or in some cases can create an inability to trade or use technology.

Each sector would have examples. The beef and pork sectors, for example, have had concerns when it comes to inspections of their products, around the thickness of the border and the costs imposed when meat products are exported from Canada to the United States.

Further, for vegetable oil products, we talked about margarine now having access, but shortening is a much larger opportunity where we don't have tariff-free access. It wasn't addressed in these negotiations. A number of these regulatory issues, rules of origin issues and technical issues remain and have an opportunity to be addressed.

The Chair: Thank you, Mr. Innes.

Thank you, Mr. Barlow.

Mr. Blois, I think we can squeeze in five minutes. Go ahead.

Mr. Kody Blois: Thank you very much for all your time here this evening. It was very informative.

I'd like to go to Mr. Stokke. You haven't had a chance to speak as much and I really appreciated your comments.

I'm coming from Nova Scotia, where, of course, our grain industry is not as big as in western Canada and some of the other regions of this country. You talked very favourably about what CUSMA means for your industry. I'm hoping that you could elaborate, for someone who perhaps doesn't know your industry, on what that represents.

Mr. Shane Stokke: In the prairie provinces.... In Saskatchewan, on my farm specifically, I grow canola, wheat, pulses and even

down to spices. I need free trade or fluent trade to make that work. If there are some trade barriers, those obviously affect what I can sell and the prices I can get. It really handcuffs me because there is nothing I can do.

If it was just straight supply-and-demand, I could deal with that. Keeping things simple and having trade fluent benefits me greatly. I'm able to move it forward.

Mr. Kody Blois: Would it be fair to suggest that the agreement gives a lot of confidence to grain farmers to be able to move their industry forward and invest accordingly? I'm hearing from you that without that certainty there would have been challenges.

Mr. Shane Stokke: Yes, for sure.

Mr. Kody Blois: I want to talk about the Canada Grain Act. It was some time ago, but you talked about ways in which the grain act could perhaps be reformed, or about being able to move forward on that basis. Can you speak to any provisions on that side?

Mr. Shane Stokke: Erin might be better for this.

Ms. Erin Gowriluk (Executive Director, Grain Growers of Canada): Sure.

Just to reinforce the comments already made by our vice-chair Shane Stokke, we support the provision currently in the act with respect to grain grading and the equity that it creates between the two countries. We think it gives Canada an opportunity to demonstrate that we support rules-based trade and that we're prepared to walk the talk, if you will. With respect to any other changes made under the act, we're very much looking forward to the anticipated review and the modernization of the Canada Grain Act.

Mr. Kody Blois: I'll bring my attention over to this side of the witnesses. There was talk from Mr. Barlow about some of the things that were not achieved in this particular round of negotiation. Can you speak to the importance of the dispute resolution mechanism around agriculture and the committees that are there to ensure we can get those for our Canadian producers in the days ahead? Can you talk about how important that is for our agricultural community and particularly your stakeholders?

• (1705)

Ms. Claire Citeau: Dispute settlement and resolution is something that has been flagged by our members right from the very beginning when the consultations started and that we included in our gazette. There have been many irritants, as trade has evolved across North America over the years, MCOOL being one of them.

Having in place a strong dispute resolution system is something that our members have strongly advocated for and that we're pleased to see in the new CUSMA.

Mr. Kody Blois: Excellent. Thank you very much.

I'm going to take it to Jane. Obviously, on the produce side, you talked about the importance of what that means. In my riding of Kings—Hants, produce is very important. I see that you are acknowledging that.

Ms. Jane Proctor: Yes.

Mr. Kody Blois: Can you speak to what CUSMA means for, perhaps, my residents and some of my farmers, whether it's the apple industry, broccoli, produce or otherwise? I don't have much time, but if you could quickly opine on the importance, that would—

The Chair: You have 45 seconds.

Mr. Kody Blois: I have 45 seconds.

Ms. Jane Proctor: For some of your constituents, whom I am sure you know well—apple producers, for example, is a really good one—that integration across the markets is so important. It's important that they don't lose those markets—the U.S. market in particular, because it's the biggest, but also Mexico. There are a lot of U.S. buyers, and I don't necessarily mean retailers or food services, but people who are wholesalers, or what have you, who look to Canada to supplement their markets. It would be the same, I'm sure, for some of the apple growers in Hants county.

The importance of this agreement maintaining it is crucial for them. Without it, there's.... You're very lucky in terms of the area you're in. As our climate changes, that's a more and more productive area of Canada. You have these big productions. You want to have a market to sell them into. So it's very important for us.

The Chair: Thank you, Ms. Proctor.

[*Translation*]

Mr. Perron, you have one minute.

Mr. Yves Perron: Ms. Proctor, has your group ever applied for protection against delinquent buyers, including for bankruptcy?

I know you were once covered by the American program, but that you were taken out of the program. When we talk about free trade and equal treatment, this is an important issue. Could you tell us about it?

[*English*]

Ms. Jane Proctor: I did not bring this up, but yes, of course, you're referring to the request for a mechanism to reinstate our preferential treatment under PACA in the U.S., the Perishable Agricultural Commodities Act.

To do that, we have to have a similar mechanism here, which we don't have. We have spent a great deal of industry time and resources over the years to find a mechanism to get that in place. It's a solution that has no cost, or a very low cost, to government. I'm not going to get up on my soapbox, but we feel that it's very achievable, and it's something that can be done outside of CUSMA.

The Chair: Thank you.

Unfortunately, that's all the time we have.

I want to thank the panel for being here with us today on such short notice. From the Canadian agri-food sector, Madame Claire Citeau and Mr. Brian Innes, thank you. Jane Proctor, give my re-

gards to Ron. Also Mr. Stokke and Ms. Gowriluk, thank you so much.

We shall pause for a minute or two to get the next panel.

We'll suspend.

• (1705)

(Pause)

• (1715)

The Chair: For the last part of our session on CUSMA, we have with us today Mary Robinson from the Canadian Federation of Agriculture. Welcome, Mary, and thank you for being with us on such short notice. It's good to see you again.

From the Dairy Processors Association of Canada, we have Gilles Froment, secretary; and Michael Barrett, chair. Thanks for being here with us today.

From the Dairy Farmers of Canada, we have Monsieur Jacques Lefebvre, CEO; and Dave Taylor, director.

You have 10 minutes each. Why don't we start with Mr. Barrett and Mr. Froment? You can split the time if you wish.

Mr. Michael Barrett (Chair, Dairy Processors Association of Canada): We will split the time.

On behalf of the Dairy Processors Association of Canada, DPAC, I thank you for the invitation to appear today to discuss the CUSMA implementation bill and the impacts it will have on Canada's dairy processing industry.

I'm the chair of the DPAC board, and also the president and CEO of Gay Lea Foods Co-operative Ltd., with multiple-sized facilities across Canada.

With me today is Gilles Froment, DPAC's secretary and senior vice-president with Lactalis Canada.

First, we would like to bring to your attention the harm that CUSMA will cause to our industry, and then focus on the government mitigation measures that would assist industry as we work to mitigate and adjust to the new market environment we are now facing as a result of CUSMA and other trade agreements.

[*Translation*]

Mr. Gilles Froment (Secretary, Dairy Processors Association of Canada): As the second-largest food processing industry in Canada, dairy processing contributes more than \$14 billion annually to Canada's national economy.

Dairy processors directly employ over 24,000 Canadians in 471 facilities across the country, with a payroll of \$1.2 billion. Our industry is a major employer in rural and urban communities and provides good jobs for middle-class Canadians.

Canadian processors have invested approximately \$7.5 billion over the past decade. This includes capital investments to expand and modernize existing facilities or to build new ones to support increased production, and research and development to stimulate innovation and bring new products to market.

Dairy processors are committed to continuing to invest in a dynamic industry to support Canadian jobs and the Canadian economy. However, recent trade agreements threaten to curtail this growth and reduce the long-term competitiveness of the Canadian dairy processing industry.

● (1720)

[*English*]

Mr. Michael Barrett: The full implementation access granted under CUSMA, in addition to existing trade concessions, will represent about 18% of the Canadian market. When considering the latest three trade agreements—CETA, CPTPP and CUSMA—Canadian dairy processors will lose approximately \$320 million per year on net margins at full implementation.

On top of the market access concession, CUSMA has a clause that imposes export caps on worldwide Canadian shipments of milk protein concentrates, skim milk powder and infant formula.

For example, for SMP and milk protein concentrate, a cap of 55,000 tonnes is imposed for the first year, and 35,000 tonnes for the second year. After year two, each cap will increase at a rate of 1.2% annually.

Knowing that in the 2017-18 dairy year Canada exported more than 70,000 tonnes of skim milk powder, there is no question that a clause limiting our export worldwide will drastically impact Canadian dairy processors' domestic milk supply requirements from Canadian dairy farms. Indeed, we estimate that the export caps could result in an annual loss of \$60 million for dairy processors.

We would also note the extremely peculiar aspect of imposing caps on Canadian exports of the three dairy goods to all countries, including those that are not part of CUSMA. This is a first in a trade agreement and a very dangerous precedent for Canada.

One way for the government to at least try to mitigate the negative impact of the export caps is to ensure that CUSMA enters into force on August 1, 2020 or later, so that the industry operates a full year under a higher export cap of 55,000 tonnes.

[*Translation*]

Mr. Gilles Froment: To mitigate the negative impacts of CUSMA, we propose a two-pronged approach: first, the issuance of dairy import licences to Canadian dairy processors; second, an investment program in the dairy processing sector.

With regard to the allocation of quotas, we want to reiterate today that import licences for dairy products, commonly known as dairy import quotas, must be allocated to dairy processors. Processors have the necessary expertise and the distribution network to

import a wide variety of dairy products, while ensuring the least possible disruption to the Canadian market.

The government must absolutely refrain from repeating the same mistake it made with the Comprehensive Economic and Trade Agreement, or CETA, when it allocated more than half of the quotas to stakeholders outside the dairy industry, which are retailers and brokers. These non-dairy stakeholders have no vested interest, whereas, on the contrary, dairy processors have a vested interest in importing cheese and minimizing the impact on existing production lines and manufacturing platforms, without displacing the milk produced by Canadian farms. Moreover, Canadian processors continue to innovate, invest and maintain well-paying jobs across the country. Additional imports that are poorly planned or poorly targeted will undermine the survival of many businesses.

With respect to the investment program, which is the second component, the dairy processing industry is made up of organizations of different size and product mix, all of which will be significantly affected by these trade agreements. As such, we recommend that the government create a dairy compensation and investment program to support investments in processing facilities and plants to increase competitiveness and modernize our plants.

This program could include tools such as non-refundable contributions for investments, refundable tax credits, and so on. The program would operate on a matching principle to ensure that funds can be provided if investments are made.

● (1725)

[*English*]

Mr. Michael Barrett: Last year, recommendations by the mitigation working group that was created by the government in October 2018, in which we have actively participated, were submitted to the Minister of Agri-food on program and financial impact of the dairy processing sector. This is based on the government's commitment to full and fair compensation to the sector producers and processors. We are hopeful that the coming budget will instill much-needed confidence in the future of dairy processing in Canada through an announcement regarding a dairy processing investment program.

Rightly done, these two measures, taken together—TRQ allocation and a processor investment program—could fairly and fully compensate Canada's dairy processing industry. Only through such mitigation measures will the dairy processing industry be able to safeguard existing jobs and investments in Canada while continuing to invest in its future.

We again thank you for your time and consideration on this important topic. We'd certainly welcome any questions at the appropriate time.

The Chair: Thank you very much, Mr. Barrett and Monsieur Froment.

Now we have Ms. Robinson for the Canadian Federation of Agriculture.

Ms. Mary Robinson (President, Canadian Federation of Agriculture): Thank you for the opportunity to present today on a trade agreement that is important to the success of Canada's agriculture community and industry.

Agriculture is an essential part of the economic, political and social fabric of Canada and is critical to the well-being of all Canadians. It plays a strategic role in and is the backbone of rural communities. Agriculture and agri-food make a significant contribution to the Canadian economy, directly providing one in eight jobs, employing 2.1 million people in rural and urban Canada and accounting for 6.7% of total GDP.

A significant part of Canadian agriculture and agri-food's growth and success is due to international trade agreements and subsequent export market development and sales. Canada's market is just too small to accommodate the growth potential of what has become a world-renowned, efficient and low-cost agriculture industry.

Currently, the industry relies on export markets for at least 60% of its output. Consequently, the industry is always on the lookout for additional profitable markets and eagerly awaits the outcome and potential opportunities of any and every bilateral or multilateral trade negotiation.

That said, it's equally important to recognize that our supply-managed sectors have built stable and viable industries without reliance on export markets and to ensure that they are not undermined and destabilized in any trade agreements Canada negotiates.

NAFTA has underpinned growth in agriculture production and processing not only in Canada but also in Mexico and the U.S. It creates a market of 449 million consumers and generates agri-food and seafood trade of \$289 billion Canadian. The benefits of NAFTA are undisputed and have been since its implementation. Agricultural trade between Canada and its two North American partners has increased significantly since NAFTA, growing to about \$66 billion Canadian in reciprocal trade with the U.S. alone and about \$5 billion with Mexico.

Nearly 80% of Canada's total processed food exports go to Mexico and the U.S. Canada is the number one supplier of agricultural goods to the U.S., at 19.3%. With the current supply gap of \$121.9 billion—the difference between world ag exports to the U.S. and Canadian exports to the U.S.—and Canada's importance as a supplier in at least six of the top 10 U.S. agriculture imports—beef,

pork, baked goods, vegetables, canola oil and animal feed—we have considerable potential to increase agriculture trade with the Americans.

The same goes for Mexico, with its growing middle class. There, Canada is the second most important supplier of agricultural goods, with \$2.3 billion in exports out of a total of \$5 billion Canadian in reciprocal trade.

Furthermore, integration between Canada and the U.S. is such that our respective industries have grown to rely on open borders to strengthen and feed each other.

A state-specific example points us to the \$2 billion in trade we do with Iowa. It exports close to \$300 million in animal feed to Canada, imports around \$170 million in live hogs from Canada, and then turns around and sends us \$180 million in fresh and frozen pork. Trade and investment with Canada creates 100,000 jobs in Iowa alone.

From the beginning, CFA has maintained that NAFTA did not need renegotiation, that changes and improvements could well have been made with the agreement already in place. The priority, of course, was to maintain the benefits Canadian agriculture was already enjoying, to ensure that supply-managed sectors would not be undermined through market access concessions, to achieve improved market access for our sugar beet producers and to advance regulatory alignment and domestic support equity.

In reviewing the new CUSMA, it is evident that the open borders and subsequent market benefits from NAFTA remain largely intact. In fact, some additional benefits were achieved, but they came with a very heavy price—too heavy, some may say. It's clear that the Alberta sugar beet producers came away with the biggest gain in this new agreement. Ever since the original CUSFTA, in which the requirement to institutionalize TRQs at historical import levels was ignored by the U.S., our sugar industry has dealt with a very restrictive U.S. TRQ. In CUSMA, our access for sugar beet sugar was more than doubled, with an increase to 20,000 tonnes.

• (1730)

Central to the success of any trade agreement is the ability to reduce non-tariff trade barriers. This includes a process for regulatory transparency, co-operation and alignment.

CFA applauds the efforts made by our government to include the provisions set out in chapter 28 of the agreement, which calls for transparency and a process for communication and co-operation among North American regulatory authorities.

The establishment of a committee on good regulatory practices, composed of government representatives, including from central regulatory agencies, will enhance collaboration with a view to facilitating trade among all parties. Canada tried hard to have the U.S. remove its requirement for Canadian meat imports to be reinspected when they cross the border, but to no avail. That issue should be one of the priorities to go before the committee on good regulatory practices.

Canadian farmers continue to compete against a very high level of supports offered to U.S. producers, and while these domestic subsidies fall within international trade rules, they provide U.S. farmers with an artificial and unfair comparative advantage, even though domestic support is an issue regulated to WTO jurisdiction. It is positive to note that article 3.6 in CUSMA talks about the need to make sure any forms of support are non- or minimally trade-distorting, and if a party has a concern, there is a process to discuss and work toward mitigating trade impact.

Canadian agriculture has built and developed a successful export industry, but its success is contingent on operating within a robust rules-based trading system. An important component to such a system is an effective trade dispute settlement mechanism. For that reason, maintaining chapter 19 was critical and will be an important element in creating a level playing field.

Despite the fact that the open border in agriculture between the U.S. and Canada was never in jeopardy, Canada paid a very high price for the conclusion of the renegotiations by conceding significant dairy, turkey, chicken and table egg market access to the U.S. It's another economic hit in the wake of CPTPP and CETA. With the accumulation of access concessions devastating supply-managed industries, by 2024, for example, the combined market access concessions made by Canada under WTO, CETA, CPTPP and CUSMA will represent 18% of our dairy market.

Supply-managed industries are anxiously waiting for government to fulfill its commitment to quickly and fully mitigate the impacts of these agreements.

As well, every effort needs to be made to eliminate all forms of TRQ circumventions that escalate the volume of imports far beyond the negotiated TRQs.

Two other issues in addition to market access concessions that are a cause for alarm in our industry are the concessions Canada made with respect to policy development and export controls. First, Canada has agreed to consult with the U.S. before making changes to Canadian dairy policies. This is clearly a loss of sovereignty in Canadian policy development, and one that should never, ever have been surrendered.

Second, Canada agrees, in chapter 3, article 3.A.3, to cap dairy sector exports of milk protein concentrate, skim milk and infant formula to CUSMA and non-CUSMA countries, with an applied export charge on exports over the cap. This is disturbing on several fronts. Canada has long argued against the use of export tariffs to

regulate trade. It may well be challenged by other WTO countries under GATT, and it sets a dangerous precedent by allowing a regional trade agreement and a party in that agreement to control trade of another party to countries outside of the agreement.

Finally, it's a precedent that may have implications for Canadian export-reliant agricultural sectors. For example, if Canadian exports to other countries out-compete U.S. products, the U.S. may try to use CUSMA or some other mechanism to manage or restrict Canadian trade to the rest of the world.

In conclusion, CFA applauds government for its part in consummating an agreement. The importance of profitable markets around the world for Canadian agriculture cannot be overstated. However, CFA would implore government to negotiate successful trade agreements in agriculture without paying the heavy price we have in the past with access concessions in supply-managed domestic markets.

Thank you.

● (1735)

The Chair: Thank you, Ms. Robinson.

Now we go to Mr. Taylor and Monsieur Lefebvre for 10 minutes.

Mr. Dave Taylor (Member of the Board, Dairy Farmers of Canada): Thank you, Mr. Chair and members of the committee. It's great to be here with you today.

I am Dave Taylor, a dairy farmer from Vancouver Island.

Mr. Alistair MacGregor: He is.

Voices: Oh, oh!

Mr. Dave Taylor: Yes, Alistair and I do know each other.

With me today is Jacques Lefebvre, chief executive officer for Dairy Farmers of Canada.

I'd like to go off script for just a second to say that I think most of you have dairy farmers in your ridings, and they all have a story. We all have a story. As a young kid, I wanted to farm. I've been able to do that, and I appreciate the opportunity I have had. In the late 1970s, my dad had a fairly large dairy operation for Vancouver Island. He expanded into a whole market-garden operation as well. He built greenhouses and a retail store. Of course, in 1982, when interest rates went to the highest levels we've seen, he lost it all. We walked away with 20 cows, 10 heifers, 500 litres of quota, and nothing else. That propelled me to university. I was back and forth to the farm, and in 1995 I was able to jump back into farming. Since that time—this week actually—it's been 25 years that my brother, my dad and I have farmed together. We still farm together. My dad's 81. He is still a part of the farm, along with the next generation, as my son is involved now, too. It's a pleasure farming. There have been great opportunities in the last 25 years, but there have been some real bumps as of late, and I'd like to speak about that a bit in my statement here today.

On behalf of all Canadian dairy farmers—and I feel the weight of that today—I want to thank you for the opportunity to offer our perspective on certain clauses of Bill C-4 and the Canada-United States-Mexico trade agreement. The concessions granted in CUSMA have put Canadian dairy farmers in a vise, on the one hand by outsourcing a portion of our domestic production to foreign dairy farmers. After carving out a part of our domestic production in CETA, and again in CPTPP, you are now asking our farmers to make another sacrifice. To be clear, the total impact of these market access concessions, in addition to those already granted through the WTO, will be—and we've heard it from two speakers already—18% of our production by 2024. The government has once again weakened our Canadian dairy sector.

On the other hand, compounding the impact of market access is the fact that the one significant avenue for the dairy sector to mitigate some of these impacts through exports has been taken away by the imposition of an unprecedented and, may I say, draconian cap on our exports. This is covered under clause 44 of the bill, and it is where I will focus some attention today.

CUSMA requires that any export of skim milk powder, milk protein concentrate and infant formula beyond a predetermined threshold be charged an export charge on each additional kilogram of product exported globally. In other words, although CUSMA is an agreement that should ostensibly be limited to its three signatories, the cap on dairy exports extends to every country in the world. This goes well beyond what would normally be expected in a trade negotiation, and it sets a dangerous precedent for future agreements for all other sectors, I believe. In addition, if the caps come into force before August 1, the beginning of the dairy year, the cap on skim milk powder and milk protein concentrates will drop from 55,000 tonnes to 35,000 tonnes on August 1. That is a drop of about 35% after possibly only one, two or three months; we're not sure at this point. That would be another blow to our dairy market with no time for transitioning.

Hundreds of thousands of Canadians depend upon this sector for their livelihoods. This could have ripple effects in communities across our country. The squeeze will also be felt by Canadian consumers, who can no longer be sure that the milk on their store

shelves is produced according to the same high standards as milk produced here at home. For example, use of the artificial growth hormone rbST is banned here in Canada due to concerns over animal welfare, and I believe rightfully so. However, this is not the case in the United States.

● (1740)

Given that we are in a vise, we ask if there is a way to mitigate the impacts through an administrative agreement between Canada and the United States that would not require a reopening of the agreement.

Beyond market access and in addition to the cap on exports, CUSMA also requires Canada to consult with the U.S. on any changes to the administration of our domestic supply management system. This amounts to nothing less than giving the U.S. oversight of the administration of our Canadian dairy system. It puts into question the independence of decision-making in Canada and our sovereignty.

The Prime Minister has repeatedly committed to full and fair compensation for the dairy sector for the total impacts of CETA, CPTPP and CUSMA. Let me be clear: Instead of compensation, Canadian dairy farmers would have strongly preferred to see no dairy concessions in recent trade agreements. I'd like to repeat that: We would have strongly preferred to see no dairy concessions in recent trade agreements. This being said, concessions were made and compensation was promised in return.

Canadian dairy farmers, who are all impacted by recent trade agreements and are best positioned to know their own needs, have indicated that this compensation should come in the form of direct payments. This is consistent with farmers' recommendations from the mitigation working group established by the federal government following the signing of CUSMA and the government's commitment to listen to farmers on how compensation should be paid. Direct compensation is for lost markets. Government programs are to foster growth in an industry. The two should not be confused.

We therefore recommend that the Canadian government fulfill its commitment to fully and fairly compensate dairy farmers to mitigate the impacts of CUSMA, as per the producer recommendations made by the mitigation working group.

Another important point I'd like to make is that the Canada Border Services Agency does not currently have the training, tools or resources to effectively monitor what is coming into Canada. Canadian borders are leaky. This will become even more problematic as imports continue to increase as a result of the concessions granted in these agreements. For Canadian consumers it will be important for the government to ensure at the border that the food coming into Canada has the same food safety and quality, and that Canada has the capacity to police the increased amount of foreign product entering the country as a result of these agreements.

Finally, it is important to note that the impacts of recent trade agreements were not limited to dairy farmers. We therefore strongly encourage the Canadian government to provide full and fair compensation for the impact of recent trade agreements to dairy processors, in addition to Canada's poultry and egg farmers.

In conclusion, I come back to the next generation. My son is expecting his first child. He's 24. He's a full part of our farm now. He asked me, because I do get out to the odd meeting now, "Dad, where are we at? What's the future looking like?" He sees the cuts. He sees the hits we take. He says, "Dad, I could go work in the medical industry. I could go do that." My wish is that he will stay, that he will be involved and will take the farm to another level altogether, that he will have confidence in Canada's supply-managed system and in a dynamic dairy industry for the future. I hope all of us around the table would believe in that and certainly advance that to the best of our abilities.

Thank you so much.

The Chair: Thank you, Mr. Taylor. I certainly remember the bad old days of the 1980s and interest rates of 16% or 17%. It was a rough go, but we're glad you're still in it.

With this, we'll move into the question round.

Mr. Barlow, go ahead for six minutes.

Mr. John Barlow: Thank you very much, Mr. Chair.

Thanks to our witnesses for being here on very short notice. We certainly appreciate your input and your testimony here.

All of you touched on it, and this is my biggest concern with the signing of the new NAFTA. I can't think of another trade agreement, ever, whereby one country would sign off its sovereignty to another in a specific commodity. We have a cap on those products, whereas the United States does not have a similar cap. It is free to grow its market in milk powder, protein powder and infant formula, whereas now Canada is not. My worry is that we have allowed a foot in the door for other commodities. We've had other stakeholder groups here with us today. My question would be, what's next? If we have allowed this to happen on these products—and Ms. Robinson brought up a good point—now we've set a very dangerous precedent that other products could be up for negotiations in the future.

We had the TPP on the table, ready to be signed after the 2015 election. For all intents and purposes, that was the renegotiation of NAFTA with the United States as part of that agreement. We would not have been giving up this aspect of this or as much access on

dairy had the Prime Minister just signed the TPP and not bungled that up so that we are where we are now.

I would just like each of you to comment. How unprecedented is this, to be giving this up in a trade agreement? Were you consulted through this process? Did you know this was going to be part of the new CUSMA, giving up on the milk solids, the protein powder and the infant formula? Were you consulted as part of the process, and did you know this was coming?

Go ahead, Michael.

• (1745)

Mr. Michael Barrett: I'm recognizing that all three of us are going to speak to this one.

Certainly there was good communication throughout the process of the negotiation of the agreement itself. There was certainly a great deal of dialogue, but we were surprised at the final iteration of the agreement that included the export caps that you have outlined and that we all have outlined. We were certainly surprised with that when it came to the final agreement. It is unprecedented. I'm not a trade expert by any stretch of the imagination, but we quickly become trade experts when we start to understand the ramifications. This was a complete surprise. We would have concerns about whether it serves as a framework for any future agreements, because there are still many agreements to come.

Ms. Mary Robinson: A bit of background on me: I'm not a dairy farmer and I'm not a dairy processor. I'm from Prince Edward Island, and my family is in horticultural crops. I'm sixth generation on our farm.

With regard to whether we were consulted, we did have updates from trade negotiators from AAFC, who gave us some updates along the way. We had an inkling it was coming, but we didn't think it would happen.

As far as precedent setting, we never saw this coming, so to play the game of what it means and what doors are being opened to future allowances that are not to our advantage is a bit terrifying. I never imagined this would be in our rearview mirror, as it seems to be right now.

Mr. John Barlow: Thanks for that.

Mr. Lefebvre, do you have anything to add?

Mr. Jacques Lefebvre (Chief Executive Officer, Dairy Farmers of Canada): Throughout the process, we were informed by the government as the negotiations were being conducted. As for being consulted, there were some consultations. In regard to the specific caps, in regard to having them apply beyond the signatories and having the oversight by the U.S. over the administration of our dairy system, as Mr. Barrett said, this came as a surprise.

Mr. John Barlow: I'm going to relinquish the rest of my time to Mr. Lehoux.

[Translation]

Mr. Richard Lehoux: Thank you all for being here. I am very pleased to see you.

I know a little about the dairy sector, because I am one of the fourth generation to operate a dairy business. I am perhaps a little older than you, Mr. Taylor. But I saw what was happening in the 1970s before we had supply management. I am well aware of how things have evolved.

Greetings to the Canadian Federation of Agriculture, because it is a major driver of economic activity. We have to recognize that and make it known, but, with what we have just learned about the new agreement with the United States, we are perhaps going to run into difficulties.

Dairy processors, I understand, have a specific problem as to when the agreement comes into force. If it happens very quickly, the impact will be a very short year, which will have consequences. That is certainly one of your major concerns, but you also raised the issue of mitigation measures in connection with improving the processes.

• (1750)

The Chair: I am sorry, your six minutes are up.

[English]

Mr. Blois, you have six minutes.

Mr. Kody Blois: Thank you very much to all our witnesses for providing their information.

I'm going to be splitting my time with my colleague Francis Drouin. I'm going to ask some very pointed questions and I'm going to try to move quickly to get some answers.

In terms of consultation with the processor side, which was brought up by Mr. Barlow, can you speak to whether the consultation in this particular trade agreement was better than under TPP?

Mr. Gilles Froment: I can address that question.

I was certainly more involved in my role. I joined Lactalis four years ago. In my previous involvement in the dairy industry I was not involved in the process, but I would say that it was probably similar, in terms of information. Typically, the industry is kept aware of the main discussion. You don't have all the details to be able to grasp really where....

In the end, in a lot of the discussion that led to the agreement—I think it was September 30 or something like that—in the last few weeks, I was personally left pretty much in the dark as to where it was going.

Mr. Kody Blois: I appreciate that.

I'm reading a Financial Post article here that actually says that during the TPP the dairy processing industry didn't have a whole lot of involvement whatsoever.

I'm going to Mary and her point. You talked about your background in horticulture. You talked about the unprecedented nature of the impact. Our witnesses before you certainly talked about the challenges, the negotiation at the table, in terms of the American positioning on some of this. Can you speak to how important this deal is for horticulture, particularly products that might be relevant to your province or my province of Nova Scotia?

Ms. Mary Robinson: We know that one of the big successes was for our sugar beet processors and our sugar beet growers. They really gained a lot of market access, which will mean a lot to Alberta, which grows most of our sugar beets. In regard to crops and seafood from Nova Scotia and Prince Edward Island, we're excited from that perspective to have this deal in place so we can get back to doing business. It's been very unnerving to be flying blind like this.

Mr. Kody Blois: Thank you very much.

Finally, I'll turn to our dairy farmers. Dave, thank you very much for your testimony. It was moving. I have a lot of dairy farmers in my particular community, and any of them who are watching today, I'm sure, can share similar experiences. You talked about compensation. I guess this is more of a comment than a question, but the direct dairy payment program is coming online. Our government has committed to compensation, and we know that's important. That's more of a comment, as opposed to a question.

I want to pass it over to Francis to finish off.

Mr. Francis Drouin: Thank you, Mr. Blois, for keeping your promise.

Thanks to all of you for being here.

[Translation]

I have met you a number of times.

[English]

My first question is for the dairy processors. I know that you're asking for an investment fund. One of the concerns I have is that.... I know that some processors have operations in the U.S. and other countries. Given that CUSMA will come online, one of the things I would have to make sure of, because I am accountable to some processors back home, and especially dairy farmers, is that I wouldn't want to subsidize shifting production to the U.S. or other countries. Obviously, Canadians would be mad at us.

How do you think we could ensure that doesn't necessarily happen? For instance, supply chain integration with the U.S. and Canada could be a particular model that we could see. Are there any guarantees that you can give me here at committee that you would ensure that this is just spent in Canada and only for Canada?

Mr. Gilles Froment: I can definitely start. Our company works in many countries—in 50 different countries, actually—but Canada is number two or three in the group in terms of sales, so Canada's very important, a lot bigger than our operation in the U.S. I have to say that, when our fight in Canada.... I'm going to speak for our own business. When we try to convince the group to invest in Canada, we compete against all those other countries, so we have to make it sexy to invest in Canada, and the investment in Canada is definitely for jobs in Canada, for innovation, and so on. A very significant part of the money that is being made in Canada is reinvested in Canada.

• (1755)

Mr. Michael Barrett: I would quickly add that, as a farmer-owned co-operative, the second-largest co-operative, Gay Lea Foods has 1,400 farms that I represent, which are concerned about exactly the same thing that you're concerned about and that Dave has reiterated—about investment in Canada to be able to ensure the health and well-being of farms, and not only that but rural sustainability as well. That's the guarantee I can give you. I have 1,400 constituents of my own who are making sure that we live by that agreement.

Mr. Francis Drouin: That's what I like to hear.

[Translation]

My question goes to the Dairy Farmers of Canada. Clearly, there were concessions and we are not all satisfied with the results. But that's where we are. My colleague was getting ready to talk about direct payments. We have seen two models, and things are working well. I know that the first payment has been made.

You have had discussions with your members. Does the model seem to be working well for them?

[English]

I'm out of time.

The Chair: You're out of time; that's right. Thanks for reminding me. It's your loss.

Some hon. members: Oh, oh!

[Translation]

Mr. Perron, you have six minutes.

Mr. Yves Perron: Good evening, everyone. Thank you for coming here despite such short notice. We really appreciate it.

I wanted to talk to you about the thresholds. I feel that the issue has been thoroughly discussed. It sets a precedent that does not seem to make sense for a number of people around the table. It results in us giving up a part of our sovereignty.

Setting that aside, could you tell us what the economic impact of those thresholds will be on the agricultural businesses you represent? Perhaps you could relate it to the losses in the supply managed market, because we are talking about the same initial product. I feel that the impact is much more significant than we are being told.

[English]

Mr. Michael Barrett: As Gilles has outlined, and certainly many of our members.... There's been a considerable \$7-billion investment. If you take the crystal ball and take a look at this, on the caps, it's imperative to be able to.... Although supply management is primarily a domestic balancing system, you need the export market to be able to balance out the puts and the takes. Where there's certainly been an uptake in the fat market within Canada, you need to be able to balance out that system.

You have the potential where, if you cannot balance that system without being able to understand the need for that investment, the investment from processors won't take place. Then it runs down to the dairy farms themselves. It will have a potentially significant impact in the short term with regard to the 55,000 and 35,000, but you have to look beyond that to say how you are going to be able to ensure that there's investment by processors in processing in Canada. Without that, we have a self-fulfilling prophecy.

[Translation]

Mr. Yves Perron: Mr. Taylor, would you like to add anything?

[English]

Mr. Dave Taylor: I can't say it any clearer than Michael has. I would just emphasize that when there's no opportunity for growth and no innovation in the sector, we go backwards. That's not how we want our dairy industry in Canada to be.

[Translation]

Mr. Yves Perron: As I understand it, this threatens the future of dairy production quite substantially.

Given the sacrifices that you are being asked to make, do you consider it reasonable that the agreement should go into effect before August 1? I think you said earlier that it would make no sense.

Can you put numbers to the losses that it might represent?

Mr. Gilles Froment: About 20,000 tonnes would be lost, in products like skim milk powder or milk protein concentrates. That represents between \$10 million and \$15 million or more, depending on how the losses are valued.

As we said in our testimony, we believe that the government could easily say that the agreement was negotiated in good faith. The idea was to move from a volume of 70,000 to 72,000 tonnes to a volume of 55,000 tonnes and then to 35,000 tonnes. That was supposed to be done gradually. Now, if the first year has only one or two months, we drop to 35,000 tonnes. So, instead of losing one-third of the volume, we would be losing half all in one go, and that would have a major impact on our companies.

• (1800)

Mr. Yves Perron: Given everything that is being asked of you, it would be only reasonable for us to do everything in our power to ensure that it happens after August 1. Thank you very much.

Ms. Robinson, you mentioned that export caps could be challenged by other countries. Can you tell us more about that?

[English]

Ms. Mary Robinson: An example would be if we were exporting powdered milk to a country and the U.S. found that it couldn't compete with us in that country. It would decide to place a cap on us, and then it would go in and fill the market instead. We would lose that market.

That's how I understand it to be.

[Translation]

Mr. Yves Perron: Thank you. That does not play by the rules of international trade.

I would like to talk about the companies' need to feel secure. Could one of you explain to me the importance of a supply management system in Quebec and Canada from an economic point of view, not only for the companies that you represent, but also for those that benefit from it indirectly? I am thinking of sales of animal feed, for example.

Could you please tell us about the importance of a system like that?

[English]

Ms. Mary Robinson: Coming from the non-supply managed side of the industry, I can tell you that I look at the supply-managed side with envy because I see them being able to plan. I see them being able to invest in their resource to make really good decisions on how they're going to do the best thing in terms of environmental stewardship. I see them being able to plan their capital investments. There's so much stability there that not only does it bring peace of mind to the producers, but it puts them in a position to really manage our natural resources well.

On the non-supply management side, it's a race to the bottom. It's a cutthroat business. I think supply management is an amazing thing.

The Chair: I'm sorry, but we're out of time.

[Translation]

Thank you, Mr. Perron.

[English]

We'll move to Mr. MacGregor. You have six minutes.

Mr. Alistair MacGregor: Thank you, Chair.

Thank you to our witnesses for giving their testimony today and giving us some guidance on our deliberations on CUSMA. We're operating on quite a tight timeline, and I very much appreciate what our supply-managed sectors have gone through. We seem to be constantly paying the price for other jurisdictions' overproduction problems. It's obvious when you look at states like Wisconsin, which produces more milk than our entire country and is affected by massive price fluctuations, that they're looking for places to get rid of their excess production. Canada was an easy target, and I very much appreciate that.

There have been a lot of discussions about when this agreement is actually going to be ratified. I was looking at Bill C-4 and the coming into force provisions. Section 213 says, "this Act comes into force on a day to be fixed by order of the Governor in Council."

I'd like to know what your conversations with the executive branch have been like when you've raised these particular concerns.

Mr. Gilles Froment: Our understanding from the start has been that the agreement will come into force the first day of the third month after the last country has ratified.

Mr. Alistair MacGregor: Does that mean when royal assent is given?

Mr. Gilles Froment: Yes, exactly. It just happens that the last country is Canada, because my understanding is that Mexico and the U.S. have already completed their processes.

Mr. Alistair MacGregor: It's complicated. You have the act saying that it comes into force when the Governor in Council says, but there's also the royal assent. The Governor in Council cannot act on that provision until royal assent is received. We're trying to find.... There's some interesting information here.

This is for the dairy processors. I'd like to know, given the threshold limits that are coming into effect, what your export projections were like for milk protein concentrates, for skim milk powder and for infant formula. Was there a noticeable upward trajectory in years going ahead, whereas now you're witnessing this big step down?

• (1805)

Mr. Michael Barrett: I would say that over the last three years, since the industry-led resolution of class 6 and class 7—which is part of the agreement in the sense that it has to be replaced—we certainly saw that growth take place from 2015 to 2017 when the agreement came forward. I would say that what we have seen is a plateauing of the balancing of the system. I don't suspect that we would have seen continuous growth, but it was just as much a balancing piece. It's going to present the issue of being able to balance that system today. You wouldn't necessarily have seen it on the same trajectory. We already saw indicators that it was plateauing as the system came into balance. However, now we're throwing it off balance.

Mr. Alistair MacGregor: Okay.

We have explicit mention here of milk protein concentrates, skim milk powder and infant formula. When the dairy processors came to my office, I was linked in to a phone call with a processor in the Lower Mainland, and he was talking about some of the other products that they would need time to try to transition to. Can you talk about that and about how important the two years is so that some of your processors can make that transition into other products?

Mr. Michael Barrett: Yes, the two years is, by any stretch, not enough. Just to put it into perspective, in order to invest in one of those technologies you're talking about, ordering the equipment requires a two-year time frame. Installing a greenfield requires a three-year investment, so I'm just going to say right off the bat that two years is nice but it's nowhere near enough.

Certainly, there have been investments made within Canada. We're sitting with two processors here who have made substantial investments in order to be able to do that. However, there's certainly going to be a transition period as we look to ensure that what we're doing will enable us to take milk and milk processing up the value chain in order to be able to invest. The reality is that for a greenfield, you won't see an ounce of milk go through any of those stainless steel pipes for 36 months.

Mr. Alistair MacGregor: Wow. Okay.

I've also heard of the TRQ issue that came from CETA and how retailers were given the 55%. Is there any indication as to what's going to be happening with CUSMA?

Mr. Michael Barrett: Certainly that is still open for negotiation. We have made it very clear as a processor association that we don't want the same agreement that took place under CETA.

We want to ensure that TRQ is put in the hands of those who have actually invested in bricks and mortar—to go to the point made earlier about being able to ensure that there are investments made. Therefore, that's certainly our stance. We continue to stand by that. We would expect and hope that the decisions made under CETA won't be repeated under CUSMA in terms of sharing the TRQs.

Mr. Alistair MacGregor: I'm sensing that the strongest recommendation this committee can make to the international trade committee is to just give you as much time as possible. I'm getting some nods for that.

I only have 15 seconds left. Is there anything you want to add, Mr. Taylor?

Mr. Dave Taylor: I will just say that we also support that the TRQs come to the processors, where that can be managed effectively. We support that.

Mr. Alistair MacGregor: Okay. Thank you.

The Chair: Thank you. This concludes our testimony.

I want to thank Mary from the Canadian Federation of Agriculture. I don't know if you flew here from the island, but—

Ms. Mary Robinson: Yes, this morning.

The Chair: Wow. Anyway, have a good flight back. Thanks for taking the time.

Also, to the Dairy Processors Association of Canada, with Gilles Froment and Michael Barrett, chair, and the Dairy Farmers of Canada, with Jacques Lefebvre and Dave Taylor, thank you very much for being here with us again on such short notice.

For the rest of the group, we're going to suspend for a minute. We'll come back for some business in camera, including drafting a letter and a few other items of business. We'll suspend and we'll be back ASAP to finish.

[Proceedings continue in camera]

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