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Chair: Mr. Pat Finnigan



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• (1600)

[*English*]

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

Welcome, everyone, to meeting number 12 of the House of Commons Standing Committee on Agriculture and Agri-Food. It is a beautiful day here, and it looks like it's a beautiful day across the country.

I'd like to outline a few rules to follow.

Interpretation in this video conference will work very much like it does in a regular committee meeting. You have the choice at the bottom of your screen of floor, English or French. When you intervene, please make sure that your language channel is set to the language that you intend to speak, not the floor channel. This is very important. It will reduce the number of times we need to stop because the interpretation is inaudible for our participants. It will maximize the time we spend exchanging with each other.

With a nod, could our witnesses let us know that they understand how this works? I think we have everyone. Thank you so much.

Also, before speaking, wait until I recognize you by name. When you're ready to speak, you can click on the microphone icon to activate your mike.

[*Translation*]

As I just did, you have to press on the language channel button to switch to French. Make sure your microphone is off when you aren't speaking.

We are now ready to begin; I want to welcome our witnesses to today's hearing.

[*English*]

From the Canadian Mushroom Growers' Association, we have Ryan Koeslag, executive vice-president and chief executive officer, and Ms. Janet Krayden, workforce expert. Welcome to both of you.

From the Canadian Agricultural Human Resource Council, we have Cyr Couturier, chair, and Portia MacDonald-Dewhirst, executive director. Welcome to both of you. It's nice to see you again.

From F.A.R.M.S., the Foreign Agricultural Resource Management Service, we have Ken Forth, president. His sound is working. We also have Ms. Sue Williams, general manager of CanAg Travel Services, but I think there's a problem with her sound. Unless they can correct it, we won't be able to hear from her.

With that, we will start with the Canadian Mushroom Growers' Association.

You have seven minutes for an opening statement. You can split it, or one of you can do the seven minutes. Go ahead.

Mr. Ryan Koeslag (Executive Vice-President and Chief Executive Officer, Canadian Mushroom Growers' Association): I'll start off and then pass it over to Janet.

Thank you for the opportunity to speak on behalf of the Canadian mushroom industry.

Members of the committee, we come before you today with some grave concerns. It's now the end of May. The pandemic started in March, and we're still fighting for our mushroom farms to get access to a single program. We're very concerned about the lack of funding for farmers to fight COVID-19.

Emergency funding is needed quickly. Since the beginning of March, our farms have incurred major expenses for COVID, in addition to losing major market share, all while being told they are an essential industry. To date, not a penny has been received by our farms.

For the record, our mushroom farms have not benefited from the \$50 million for the temporary foreign worker quarantine, because our workers are not seasonal and are already here. When farms expand their housing for social distancing for temporary foreign workers who are already present, these costs are not covered.

There is also the \$40 million for food surplus. This does not work, because our production dropped significantly after week four to eliminate throwaways. Also, this program has only been working for oversupply since the end of April.

For food processing, COVID cost relief is prioritizing the meat industry, and the program has not yet rolled out.

We don't care where our funds come from, but as of now, nothing has been received, and we are going to enter into the territory of too little, too late.

Since the start of the pandemic, mushroom farms have implemented costly measures out of their own pockets. Personal protection equipment, Plexiglas dividers, increased housing, increased transportation, staggered isolating shifts and hygiene management supervision are some of the responses that mushroom farms have made. These measures have been estimated to collectively cost over \$250,000 a week for the mushroom industry. One mushroom farm spent close to \$100,000 in one month, in March, to protect and prevent the spread of COVID-19. This is in addition to the lost production that has been and still is being experienced. More details on these costs are in our full report.

The Canadian Federation of Agriculture's request for over \$2.6 billion included Mushrooms Canada's estimates and was far larger than the government's \$252 million.

The AAFC programs do not work for our mushroom farms. They're broken for industries like mushroom farms and greenhouses. An example is AgriStability. The AAFC has made AgriStability irrelevant for our industries because of their intensified operations and expanded production, with major exports to the United States. The government must examine the scale of operations with regard to their \$3-million cap. If mushroom farms must experience losses of 30% in order to trigger a payment and the payment is capped at \$3 million, the program will not stop farms from going bankrupt.

Additionally, when an operation has experienced a major expansion in its previous year and the calculation for the payment removes the highest year and the lowest, the difference between the new expansion and the payment calculation from the average is too great to help with anything. The government calls this the weighted average. This, too, should be examined and removed.

At the end of the day, when it comes to agriculture during the COVID pandemic, the government has implemented every measure imaginable to reduce the payments to farmers. Caps, weighted averages and margin references are all things to stop or reduce payments. It's not a helping hand; it's a costly hesitation and a disservice to our farmers.

We ask the committee this: What does "essential" mean? It's unfair that this essential industry that Canada cannot live without is dying and struggling and being asked to carry the full burden for three months, while payments have been flowing with record speed to so many others. Although we are also called "essential" by provinces, very few have included agriculture as part of their strategy for essential services; hence, none of the supports are for farm businesses or farm workers.

These are difficult times, and beyond lip service, the government's treatment of essential work leaves one to question if the government thinks that farms and food supply are actually essential.

Our second request is for support from the immigration department for improvements to help skilled and trained agricultural tem-

porary foreign workers who are in Canada, including changes to the agri-food pilot, which was recently announced, that adjust the program to remove the cost for verifying high school diplomas. We aren't saying to remove the requirement for a high school diploma, but rather to remove the payment that needs to be made to a consultant to verify a high school diploma during the COVID pandemic.

● (1605)

Before I pass the microphone to Janet, I should mention that there has been one area where the government has been very responsive: Service Canada's surprise inspections. Although we, too, support the inspections and want all workers to be treated fairly, farmers have reported that documents are being required over long weekends, so farm staff who are under extreme stress every day to keep their farm operational also have to work overtime to comply with the temporary foreign worker requests, again adding costs, adding burden and receiving no help from government to date.

With that, I'll pass it over to Janet.

Ms. Janet Krayden (Workforce Expert, Canadian Mushroom Growers' Association): Thanks, Ryan.

We're here to report to you today that our supplies of the N95 face masks on many of our farms will be gone in two weeks. The N95 face masks are now selling for up to \$10 per mask. These masks used to sell for well under \$1. Committee members, that is 1,000% inflation.

The N95s are being confiscated at the border. India is no longer shipping, and the face masks from China are defective. If the N95s do not work for health care, they also do not work for the mushroom farms. We need them for worker safety purposes beyond COVID-19 for some varieties of mushrooms, to protect our workers from the spores.

We ask the Government of Canada to make agriculture its number two priority and please include us in the procurement process. All the PPE support for the farmers has been late. A few provincial programs are only now rolling out, three months into the pandemic. In Ontario, the new \$2.25-million joint federal-provincial program for producers, called the agri-food workplace protection program, is capped at \$7,500 per incorporated farm, so with the costs of the face masks inflated 1,000%, you can see that the funding is not going to go very far.

• (1610)

The Chair: Thank you, Ms. Krayden. Unfortunately, the seven minutes are up, so I'm going to have to move on to our next organization.

For the Canadian Agricultural Human Resource Council, we have either Ms. Dewhirst or Mr. Couturier, for up to seven minutes.

Ms. Portia MacDonald-Dewhirst (Executive Director, Canadian Agricultural Human Resource Council): Thank you for the opportunity to contribute to your study. I'm the executive director of the council. Our presentation focuses on the need for a national labour strategy to stabilize worker availability through the pandemic and beyond.

The workforce needs of Canada's agricultural industry are something we've been examining for more than 10 years. Through research, it's clear that the industry cannot continue to produce healthy, safe and affordable food for Canadians—

[*Translation*]

Mr. Yves Perron (Berthier—Maskinongé, BQ): Forgive me for interrupting you, Ms. MacDonald-Dewhirst.

Mr. Chair, could we take a little break? We're not hearing the interpretation very well. I think the witness should bring her microphone closer.

Ms. Portia MacDonald-Dewhirst: I will.

[*English*]

The Chair: Can you try that again?

Ms. Portia MacDonald-Dewhirst: Yes.

The research is clear: The industry cannot continue to produce healthy, safe and affordable food for Canadians and for global consumers without ensuring that workers are secured and in place to do their jobs.

The COVID pandemic has put a greater spotlight on this, and it has confirmed that there's no more time to waste. We must work toward longer-term and systemic solutions to the persistent labour shortages that the agricultural industry is facing. CAHRC's labour market research has clarified that job vacancy rates in the industry are as high as 10%, which is exceptionally high compared to other industries, and those vacancies are impactful and result in close to \$3 billion in lost sales revenue annually for food businesses alone.

Beyond financial losses, farmers' inability to fill all of their vacant positions with either Canadian or foreign workers makes the business of food production in Canada very stressful and difficult.

International workers, as you know, come to Canada to work on farms and fill positions when Canadians can't be found. Although approximately 60,000 foreign workers are brought in each year, tens of thousands of positions still remain vacant. The latest assessments indicate an expectation that the labour gap will grow to 123,000 positions by 2029.

Businesses that aren't able to fill vacancies face production losses and excessive stress. Owners cancel expansion plans, and many report leaving the food business altogether. Securing a full team of workers is challenging for farm businesses at any time. It's especially challenging during a pandemic. However, the pandemic has highlighted that food production is part of Canada's critical infrastructure, and maintaining the ability of food producers to operate effectively, even during a global health crisis, is critically important to every one of us.

Food businesses are expected to continue to operate through the pandemic and, thankfully, have been designated as essential workplaces so that Canadians can enjoy homegrown fruit, vegetables, meat, dairy and grains. However, keeping agricultural businesses operational has not been easy for either industry or government due to the already extensive labour shortages the industry faces and the unique workforce management challenges that exist.

COVID has highlighted not only how complex it is to maintain public health during a pandemic, but also just how important and complex it is to manage workforce issues in this industry. COVID has certainly put a spotlight on the need for focused attention to address the persistent and pervasive issues of workforce shortages that continue to undermine this industry's ability to operate at full capacity. There's a clear need for a national labour strategy to stabilize worker availability and food production through the pandemic and beyond.

Now I'll pass the floor to Cyr.

Mr. Cyr Couturier (Chair, Canadian Agricultural Human Resource Council): Thank you for the invitation to participate.

During COVID, obviously, employers have been struggling with extensive uncertainty about meeting their staffing needs. They have been uncertain about operating realities during the pandemic and about getting their foreign workers into Canada on time. A lot of these decisions about planting and proceeding with production have been filled with an exhaustive list of unknowns. Farmers continue to lack clarity about what their staffing levels will be this year because they don't know if or when their international workers will arrive. They also don't know if workers' absenteeism will increase for Canadian and international workers due to wage benefits like the CERB, public health directives encouraging people to stay home, and limited PPE—you just heard about that. They don't know if new entrants, like students, can be enticed to join the industry during a global health pandemic and be convinced to stay for the whole season. They also don't know the extent to which disruptions across the value chain will impact their operations.

In addition, employers have also been struggling with keeping up to date on new and evolving workplace protocols. An extensive list of government agencies at the federal, provincial and local levels all set expectations for employers. While learning the rules and recommended practices, employers are also working to secure their staff, and they are responding directly to the health and safety concerns of their employees, clarifying rules around new work arrangements, physical distancing, PPE, housing, commuting, outings, etc.

There's a clear need to support the industry employers with their complex HR management activities. CAHRC has been doing this throughout the pandemic, providing access to all farm operations across the country. It's very complicated. Farmers in all of their businesses are still struggling for all of this.

The Government of Canada has demonstrated a commitment during COVID to meaningful consultation, coordination and action to address pressing workforce needs. Better mechanisms have been implemented to connect industry, government, and so on. What we need now is to expand upon this good work and develop a national labour strategy with longer-term activities to refine consultations and improve labour supply and skills.

Now is the time to ensure that the food production system stays operational through COVID and beyond, and is well positioned to overcome the persistent labour shortages that have been limiting growth. What is needed is the proper time, resources and attention put forward to develop and enact a national labour strategy. It's time to listen to the various recommendations of so many reports and committees that have reviewed this serious issue about labour.

The agri-food economic strategy table outlines key recommendations for addressing labour shortfalls in the long term that are aligned with those proposed by RBC, the Conference Board of Canada, CAHRC, HUMA, AAFC's national labour task force, and the Barton report. What all these reports stress is that there needs to be strategic, coordinated action to do three things: continue to monitor the numbers with quality labour market intelligence and research, increase the supply of labour by improving access to temporary foreign workers and generating Canadians' interest in agricultural jobs, and improve the knowledge and skills within the industry by upskilling workers and supporting the HR management skills of employers.

CAHRC has been supporting provincial efforts in these areas, but a national approach is still missing.

• (1615)

The Chair: Thank you, Monsieur Couturier. I'm going to have to cut you off here.

We'll pass it on to the Foreign Agriculture Resource Management Services, F.A.R.M.S.

Mr. Forth, if you want to do the opening statement for up to seven minutes, please go ahead.

Mr. Ken Forth (President, Foreign Agricultural Resource Management Services): No doubt the farming community in Ontario and Canada will never forget 12:01 on Wednesday, March 18, as it marked the closure of non-residents, and in particular farm workers under the seasonal agricultural worker program, from entering Canada. This was devastating news to stakeholders involved in agriculture and the agri-food business, and this started the massive stress that still remains within agriculture.

The start of the week of March 16, right through to the third week of May, is noted as the peak time frame for seasonal agricultural workers to arrive in Ontario. In excess of 8,700 workers were already scheduled to arrive, with flights arranged, airlines positioned, source countries busy documenting seasonal workers, farm operators preparing for the arrivals and the workers themselves preparing to leave their families for another season.

Overnight, everything came to a standstill. The phone lines were jammed with the first farm operators questioning where the workers were and whether they would arrive in time for spring vegetable planting, fruit tree pruning, asparagus harvesting and ginseng shading, as well as nursery production and flower production, which are always in high demand. In the following days, borders closed to almost all source countries providing farm workers to Canada. The media quickly became the focal point of everyone's day.

Fortunately for all stakeholders, the announcement came quickly that an exemption under the special exemption was approved for non-resident temporary farm workers to enter Canada. However, farm operators had to act quickly to fulfill the obligations that were now imposed on both farm operators and the arriving temporary workers.

Farm operators' obligations are as follows: one, monitor all persons for the virus; two, facilitate self-isolation according to public health requirements; three, meet minimum standards where housing is provided, to provide social distancing of two meters and to ensure that individuals in self-isolation are separated from those who are not; four, maintain zero contact with older adults; five, provide personal protective equipment, masks, gloves and thermometers, as well as any necessary material to practise adequate sanitation such that surfaces are cleaned and disinfected regularly and there is access to soap and water to regularly wash hands or the use of sanitizer; and six, support efforts to minimize the spread of the virus during and following the 14-day isolation period.

In terms of the health ministry, Public Health Ontario offices play a huge role in the seasonal agricultural worker program by providing seasonal housing inspections every eight months, thereby adding to the integrity and success of the seasonal agricultural worker program. Farm operators relied on the Public Health offices to make sure they were adhering to the virus guidelines, as well as the guidelines set forth by the federal Minister of Health and the Minister of Employment, Workforce Development and Disability Inclusion.

Partial solutions were implemented, with a focus on making sure everyone maintained the following guidance.

Farm operators needed to plan for a 14-day isolation period for all newly arrived farm workers. This includes closely looking at the housing plans to reorganize, if needed, to meet the guidelines. For social distancing, beds were moved further apart. In some cases, partitions were put up. Hotel rooms were rented.

As I've already said, they needed to purchase sanitary cleansers and masks.

There was agreement with the farm operators for food provision beyond the 14-day self-isolation period. A number of farm employers have arranged for food pickup or delivery on an ongoing basis to eliminate the farm workers' need to go to the local grocery stores. The farm workers are made aware that the agreement is voluntary and they have the option to change the process. It has been found that farm workers are generally in agreement with the pros and cons of leaving the farm on a frequent basis. It should also be noted that the general public in Ontario does not like to see foreign workers going into grocery stores anymore. Actually, it's pretty pathetic how Canadians are acting in some cases in some food stores, but that's the reality of what's happening today.

Added thought was put into farm equipment and how best to keep distancing in play. Farm operators have installed Plexiglas and other dividers for the workers on planting machines and when they are sitting closer. This small measure is huge when you consider that it provides a barrier against a potential cough or sneeze.

Farm operators are to monitor the farm workers on a daily basis and to document a plan to remove and quarantine any worker who shows signs of the virus, which would include notifying the Public Health office.

They are to maintain distancing to the extent possible during work hours and supply masks, glasses and face shields. They are to receive and take action on communication updates periodically sent by our office in relation to the virus updates.

Simply, these measures cost the growers a ton of money, and nobody has been there with us on this basis.

The health and safety of Canadians and seasonal and temporary workers in Canada remains paramount. Farm operators and farm workers acknowledge that they have an obligation to remain under strict guidance for the duration of the term of employment.

While the virus continues to present itself, the food supply chain remains viable through the long-standing relationship between Canada and the source countries.

● (1620)

The bottom line is that we need the government to have our backs in this thing if it wants a stable food supply. The farmers of this country have basically been left on their own. Support for agriculture has fallen drastically short. "AgriStability" is a phrase that urban Canada likes to talk about. AgriStability simply does not work, and has never worked. We just need our backs covered, if we want Canada to have a food supply.

Thank you very much for your time.

The Chair: Thank you, Mr. Forth.

Now we'll go to our question rounds, and Ms. Rood will start us off.

Ms. Rood, go ahead. You have up to six minutes.

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

Thank you to the presenters for being here today.

Mr. Forth, I want to address the seasonal agricultural worker program. Could you give us an idea of where we are at, how many vacancies there are right now that are not being filled by workers who have not yet arrived, and how many workers we anticipate arriving at this point?

● (1625)

Mr. Ken Forth: As of today, we have 13,438 seasonal agricultural workers who have arrived in the province of Ontario. I'm sorry; that was last year. This year we have 10,964 who have arrived, so we are basically at 81.6% of the number of workers expected to have landed here.

Overall, in all the temporary worker programs we administer, including the agricultural stream, we have landed 16,474 workers this year. Last year, we landed 19,087, so with all three programs combined, we are at 86.3% of the number expected to have landed.

Ms. Lianne Rood: Great, thank you for that.

You mentioned that there's massive stress out in the industry with regard to labour shortage, especially in our produce industry. You mentioned fruits and vegetables, and I understand that you're in vegetable production yourself. Can you give us an idea of...? We've heard that some of these farmers are cutting back production by as much as 25%, partially due to the fact that we are low in our numbers for seasonal workers arriving. The time factor is one, because they haven't arrived on time, and maybe some farmers haven't planted yet. As well, I know that there's a lot of uncertainty with the harvest and with getting workers here.

In terms of food security and our skilled workers, how do you anticipate this playing out in the industry over the course of the planting that's still going on, as well as looking forward to the harvest?

Mr. Ken Forth: We do know that for crops like asparagus we expect a 50% loss this year because the workers weren't able to get here on time for that. Some of the vegetable people who plant crops annually have cut back by as much as 25% because they're afraid of what the market is going to be. In a lot of cases, the restaurants aren't open anymore, so where's that food going to go? As well, there is the fact that we are short of labour by up to 20%, so they have cut their production.

The other folks, who can't cut their production, are those who grow asparagus, strawberries, tree fruit, grapes and all that kind of stuff. They are being as efficient as they can, but a lot of people are worried that they are going to plant and have a crop, and all of a sudden there won't be anybody to take it off. If anybody thinks next year will be better, I can tell them that if that kind of devastation happens on any farm, next year isn't going to happen.

Ms. Lianne Rood: Thank you.

The government has put out this program of \$1,500 per foreign worker to help cover quarantine costs. Have you heard from any farmers that they have received that money yet? I've heard that they're thankful that there is some money available, but some of these costs per worker, if they are housing them in hotels, are \$3,000 to \$4,000.

Can you let us know where farmers are at with receiving money in that program?

Mr. Ken Forth: I've heard that some people have some problems accessing it, but I haven't heard of anybody's getting it yet. However, it's early in the game. We still expect it to happen. The Minister of Agriculture and Agri-Food called me personally before the announcement. She told me that it was \$1,500 and that's the way it was, and I thanked her very much. Then Agriculture Canada got involved, and there are a whole bunch of stipulations, it's to cross and it's to dot.

That's not what we were told, and some people from Agriculture Canada reiterated to us on a phone call the other day that this is a windfall. Well, of the \$1,500, at least \$1,000 is the wages that we

have to pay for the worker to sit in the bunkhouse. If you add all the other things that happen with that, there isn't much of a windfall there. If you're into hotel rooms and that kind of stuff, you're into a couple of thousand dollars more. Most of us have either rented more bunkhouse space or put trailers in or whatever so that we can isolate different groups.

It's gratefully received, but don't give me any hassle about 1,500 bucks, because it doesn't cover it all. It does help, though.

Ms. Lianne Rood: Thank you.

Mr. Chair, how much time is left?

The Chair: You have about 50 seconds.

Ms. Lianne Rood: Just quickly, Mr. Forth, you also mentioned massive stresses. I'm wondering if you can touch on integrity audits. We've heard some negative things about those.

• (1630)

Mr. Ken Forth: It's not their fault, but in the last five years they have scared the heck out of farmers, without a doubt.

Now they're doing these virtual tours of the bunkhouse. That's something that the local public health units have already done. I know where they're going, and I have to say it is getting better. I'm not getting the complaints I used to have. All we've asked for them to do is to be professional about it and to have no personal agendas. We want every inspector to do it the same and ask for what they want. The other day we even suggested that they film the bunkhouse prior to the people going in, because one inspector asked a farmer to go in when it was already isolated.

The Chair: Thank you, Mr. Forth. Thank you, Ms. Rood.

Now we have Mr. Ellis for six minutes.

Mr. Neil Ellis (Bay of Quinte, Lib.): Thank you. I would like to thank everybody for attending today.

This goes out to the mushroom growers. I wonder how the last 10 years of your business have been. Has it been up or steady?

Mr. Ryan Koeslag: I'd say it's been a steady increase for us. There's been a lot of expansion across Canada over the last 10 years, and we've had increased exports to the United States at the same time.

Mr. Neil Ellis: I'm sorry, Chair. I can't hear.

Mr. Ryan Koeslag: I apologize for that.

The Chair: We are having a really hard time hearing you, Mr. Koeslag. We'll just pause for a minute so the technician can check your sound.

Okay. Let's give it a try again.

Mr. Ryan Koeslag: Sir, I was just saying that we have had an increase in production over the last 10 years, in addition to that going to the United States. About 40% of mushroom production in Canada goes to the United States.

Mr. Neil Ellis: Speaking of that, how has your export market been affected?

Mr. Ryan Koeslag: There was a bit of a drop at the outset. There was a bit of a reaction in the retail sector, in addition to the loss of the food service, but now the exports to the United States have actually increased, as they've been experiencing the COVID situation as well. Some of that food service has gone down to the United States, but that's not going to be sustaining for a long period of time. We're expecting that to be drying up probably within the next one to two weeks.

Mr. Neil Ellis: How many growers are there across Canada?

Mr. Ryan Koeslag: Stats Canada has over 132 growers, but as far as our membership and the sizable commercial production goes, we're looking at about 52, which employ about 4,500 people across Canada.

Mr. Neil Ellis: In your seven minutes, you talked about oversupply and you talked about how you cut production back. Could you explain that?

Mr. Ryan Koeslag: Mushrooms are a fairly responsive crop. They grow about 4% every hour, which doubles their size every 24 hours, essentially, but when there was the oversupply and they were throwing away product, they cut production back. It takes about a month from beginning to finish, from when a mushroom starts growing, so when they had the oversupply and were throwing them away, they were also adapting and reducing production in order not to have throwaways.

With that, the oversupply situation ended and they answered that problem, but there have been some who have suffered more than others.

Mr. Neil Ellis: You mentioned that one farm spent \$100,000 a month on PPE. I wonder what the average farm would spend. You talked about the province only allowing \$7,500 per farm, which would be used very quickly. What were you looking for per farm on average?

• (1635)

Mr. Ryan Koeslag: The average cost is difficult, because there is a wide variety of types of production. Certainly, when they are having costs that high, they are putting in the maximized benefit and prevention methods: the Plexiglass, the masks, the increased housing and increased transportation.

We looked at assembling the cost through a survey of our members, and estimated costs were \$240,000 per week.

Mr. Neil Ellis: Is that through your 52 farms, or is that through the 132 growers?

Mr. Ryan Koeslag: That's through our 52 farms.

Mr. Neil Ellis: Okay, so it would be higher if you included all the growers.

Mr. Ryan Koeslag: Yes and no. We probably represent over 90% of the mushrooms that are found in the grocery stores and the exports to the United States.

Ms. Janet Krayden: So—

Mr. Neil Ellis: Go ahead.

Ms. Janet Krayden: I will speak about the PPE, which I've done a lot of the research on. Very early, the farms started to move quickly to invest in Plexiglass, extra housing and extra busing. That's why we're getting these costs. What we're seeing with the way the programs are being set up, unfortunately, is that they seem to be setting up from May forward, so all of the work that's been done with the Plexiglass in March and April will not have any reimbursement. Therefore, we're asking for help to get that amended as the programs are being developed. That way, at least, the farmers will get some fair reimbursement for putting in all this preventative stuff.

We don't want a situation like the one the meat processors had with outbreaks. We can prevent that with these kinds of good practices that a lot of our growers have done.

Mr. Neil Ellis: Thank you.

My last question is on provincial help. You mentioned the one program, \$7,500 per farm. Has there been any other provincial help?

Ms. Janet Krayden: Yes and no. There are some provincial programs. In fact, we were just on a call, before this, with the provincial ag minister, Minister Hardeman, and now we're on a call with the provincial ag minister from B.C. There's a new procurement program in B.C., but we're not sure. There isn't any price offset, and the masks are running at \$3.50 a mask. We don't know if they're the N95s.

Also, in Alberta there was a procurement. They included us in the procurement process right along with their health care workers. We were quite excited. We were waiting for supplies for a month, and then we just got an email saying that we're now not part of it. The dentists will be getting them but not farm workers, unfortunately.

The Chair: Thank you, Ms. Krayden.

Thank you, Mr. Ellis.

[*Translation*]

Ms. Desbiens, you have the floor for six minutes.

Mrs. Caroline Desbiens (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, BQ): Thank you, Mr. Chair.

I would like to thank my colleague Yves Perron for giving me the floor during the first round of questions.

I also thank the witnesses for their very interesting presentations.

I'm from Charlevoix. I have visited with the farmers in my riding in order to get a feel for real life. I have talked to people about the company Champignons Charlevoix, a great company that is expanding. Champignons Charlevoix supplies mushrooms to hotels, restaurants and inns. As you probably know, Charlevoix is a choice destination.

Since people can no longer make orders or purchases, Champignons Charlevoix has revised its way of doing things. Indeed, the company has gone into retail. The company now produces pickled and dried mushrooms. These products are sold in the boutique, but since that is closed, online commerce has served as a life-line. Online trade was already possible, and it was effective. However, the company now realizes that it could further develop e-commerce internationally. Of course, the complexity of international relations, international trade and privacy protection when shopping online means that the company is limited in this respect.

Ms. Robitaille's question was whether there was a possibility that the government would invest in the future. Mr. Koeslag or Ms. Krayden, what do you think?

We in the Bloc Québécois are thinking about the future, the post-COVID-19 period. Is there a way to invest in order to save certain businesses, such as Champignons Charlevoix, in terms of e-commerce, for example?

• (1640)

[English]

Mr. Ryan Koeslag: There has been an opportunity, and certainly the Ontario government, too, has provided some funding for doing the online sales and creating portals for that.

We have to recognize that there has been a huge burden for these farms in the costs of COVID, and, at the same time, they have not been assisted at all with the loss of production. This is very large-scale. We're talking about grocery store supply as well as the food service supply. I'm not sure if the logistics of having it individually supplied through online sales to homes are really a direction the industry would be going in. That's fairly large-scale, and that's where we have lost.

Ms. Janet Krayden: We are very appreciative of the Ontario program. If there was more support for that, for mushrooms, some farms would be able to consider it as an option, because "skip the grocery store" is very popular.

I totally agree that it's the new way of doing business, the boxes that come to your home. A lot of companies are actually very successful with that. I've heard of one mushroom company that has done that in Vancouver and they're very successful. Therefore, yes, we'd be interested if the federal government would support that.

[Translation]

Mrs. Caroline Desbiens: There is also a demand for a more developed postal service. A delivery used to take three or four days; today, it takes more than two weeks, or even three weeks, with Canada Post. There would surely be investments to be made in that area as well.

I'm going to talk to you a little bit about labour.

As far as seasonal workers are concerned, we in the Bloc Québécois still think the same thing, that the federal government should have been responsible for quarantining seasonal workers arriving in Quebec. That would obviously have saved a lot of energy for the farm owner-operators.

Farmers like those on Île d'Orléans should have been in the fields working to save the day by planting as much as possible with the help of their families, cousins or neighbours while waiting for foreign workers to arrive. Instead, they spent all their energy trying to house the workers, enforce physical distancing, and get equipment.

Do you think the \$1,500 per worker could be made more accessible now? The application process is complex, and farmers are in the fields right now. So they don't have time to send out invoices, receipts. They are being asked to do a lot of things so that they can benefit from the \$1,500, which is not enough anyway.

What do you think? I'd like your comments on that.

[English]

Ms. Janet Krayden: Is that for mushrooms again?

[Translation]

Mrs. Caroline Desbiens: Yes, or perhaps Mr. Couturier, who handles the labour side of things, could answer.

[English]

Ms. Janet Krayden: For mushrooms, our workers are actually year-round and they're in Canada already. We have about 50 workers who were outside Canada on vacation when the travel restrictions began. About 10 of them have been able to return, and they'll be using the Ag Canada \$1,500-per-worker, \$50-million program.

Our farmers have been investing a lot of money into hotels and extra housing, to create extra space and also to isolate workers if they might have come into contact with COVID.

[Translation]

Mrs. Caroline Desbiens: Is that—

[English]

Ms. Janet Krayden: We get no expenses. We are not allowed to use that program.

We're completely on board, but please loosen up the criteria so that some of our mushroom expenses can be covered.

We're totally on board with that.

[Translation]

Mrs. Caroline Desbiens: That's what I think too.

Briefly—this is addressed to either of you—with respect to the gap between what the United States has given in support to their farmers and what the Government of Canada is giving, is that—

The Chair: Ms. Desbiens—

Mrs. Caroline Desbiens: My time is already up?

The Chair: Unfortunately, yes. We have to move to the next person.

Mrs. Caroline Desbiens: Are my questions too long?

The Chair: Yes, they are.

[English]

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

Go ahead, Mr. MacGregor.

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

Thank you to our witnesses for helping us understand how this crisis is affecting yet more of our agri-food and agricultural sectors.

Maybe I will start with the mushroom growers. First I have a comment for Ms. Krayden.

Ms. Krayden, your comment about the two weeks' supply of face masks is very concerning, but it echoes concerns we've heard in other committees. At the government operations committee, we have had troubling questions about the status of our national stockpile. It's certainly something that we, as a country, really need to take note of.

Mr. Koeslag, I want to go back to your comments, because you were the one who said that mushroom growers are still fighting for access to major programs and that it's going to be too little, too late.

Before COVID-19, our committee was engaged in a study on the business risk management programs and a litany of complaints that exist.

Our federal Minister of Agriculture and Agri-Food said earlier this week that farmers, growers and producers need to access already announced support programs in order for her to make the case in cabinet that more money is warranted. You're saying those programs are hard to access, but she's saying you need to access them before she makes the case for more money.

I would like to get your reaction to that, please.

• (1645)

Mr. Ryan Koeslag: Yes. We spoke to the minister directly about this as well, identifying the issues with accessing these programs. There are really two major issues for us. One is that there is a cap, and these farm operations are running into the cap for the \$3 million. If you think of the scale of operation, when you're capped at a certain amount and you have losses greater than that, this isn't going to be enough to sustain that farming operation.

In addition, there is a situation where we are having expansions, and investments in capital in order to expand the operations. When there's a weighted average elimination of your highest sale year and elimination of your lowest sale year, if your timing is correct, you eliminate a substantial amount of revenue from that calculation, which would again put you in dire straits for any kind of payment that you'd receive from that.

Those are the two major issues we have with it, in addition to even, say, the premium costs that would be incurred for some of these farm operations for potential payout, which would be maxed at the \$3 million. Those are the things these farms are weighing. They have accountants and they have people who are examining this all the time. We hear from them that this isn't something they

want to be participating in. At this point, they need some assistance and this is not the program to do that.

Ms. Janet Krayden: I would add that we had the accountant for one of the farms use the new Ag Canada AgriStability calculator. It's a case study that we have in our report that we're going to make available to the committee later this week. Basically, it's unsustainable. The farm goes broke by the time they're able to access the money.

We have that in a case study and we'll share it with the committee.

Mr. Alistair MacGregor: Great.

We hear repeatedly from every one of our witnesses about the great concerns they have with our access to a reliable labour pool. One of the themes I've been trying to build is how to build resilience into our system. We had the Minister of Immigration, Refugees and Citizenship appear before this committee to talk about the pilot program that has been established to provide a pathway to citizenship, and I know the mushroom industry is going to be one of the eligible industries for that.

Can you offer some comments on that? A pilot program and a pathway to citizenship is something that has been talked about for some time, but I'd like to get some of your feedback on how that might help you establish some resilience in your access to labour in future years.

Ms. Janet Krayden: Yes, thank you. We're actually very excited about the agri-food immigration pilot, and we've worked very closely with the immigration department for four years.

We had workshops with the farm workers until the economy was shut down in March. We felt that we would have maybe 100 to 200 workers who would apply this year, but we've been very disappointed because they have a small criterion that applicants have to have their high school certificate. The problem is that the schools are closed in their country. They can't get their certificates.

The education assessment company said, if they have a high school certificate already in Canada—and I saw about 30 or 40 at all the farms I visited in March before COVID struck—why don't we get started with that and then we will go and get their original high school certificates when the schools and economies open? So far, Immigration hasn't been interested in that, but to us that makes sense. Otherwise, you have nobody who can apply this year.

• (1650)

Mr. Alistair MacGregor: How many opportunities are there going to be during this pilot program for you to give feedback to the department on an ongoing basis?

Ms. Janet Krayden: We provide feedback unofficially and we spoke with the minister's office about two weeks ago, but we're hoping they will take some official feedback and make some additional changes very quickly, which could include this simple administrative thing, a little change of wording so that our workers could start applying right away. That's what we hope.

The Chair: Thank you, Ms. Krayden, and thank you, Mr. MacGregor.

Now we'll go to Jeremy Patzer for five minutes.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Mr. Chair.

I'm going to start with questions for the Canadian Agricultural Human Resource Council. Either one of you can answer.

About a month and a half ago, the Canadian Federation of Agriculture was calling for support for agri-food. From your perspective, is Canadian agriculture better off now than it was, say, two months ago, and is it receiving enough support?

Mr. Cyr Couturier: I'll answer that question, because I sit on the Canadian Federation of Agriculture board, as well as CAHRC.

I don't think they're better off now with the support programs that are out there. Mushroom folks have already said that the AgriStability is not applicable. We know that BRM is not suitable for a lot of the crops that are produced in Canada.

From that perspective, in terms of labour supply and so on, you've already heard from some witnesses today that they're not better off. There is still lots of uncertainty. People are going bankrupt and there will be lots more over the next year or so.

Mr. Jeremy Patzer: Yes, for sure. It's definitely a dire situation that's being painted there. The gross lack of interest in supporting agriculture as a whole has been a problem.

When it comes to the number of staff, as well as the health and safety standards in place for COVID-19, do you believe we are on track to maintain food production here in Canada, or are we at risk of any break in our domestic supply?

Mr. Cyr Couturier: There has already been some breakage in the distribution channels initially. It's starting to come back up, but there's still a dire need for production, for farmers to be able to get their crops off the fields, or out of the ocean in my case, because I also work with seafood farmers.

In particular, because of the way the value chains have changed from retail to back and forth from the restaurants, that's causing major problems with a lot of the small producers, in fact, throughout Canada.

Mr. Jeremy Patzer: Over the last couple of months we've seen thousands of young Canadians apply for financial support from the federal government as they're looking for summer jobs. On the same hand, we also have thousands of temporary foreign workers who are continuing to fill the demand for labour in the agriculture sector.

Given that, and we've heard that there still are shortages in getting temporary foreign workers in, what can we do to make the

agriculture sector more appealing to young Canadians in order to fill the labour shortages we are currently experiencing?

I'm asking that in the sense that I grew up on a family farm, so I get the benefits of working on a farm and what it all takes, but what could we maybe do as an industry to try to make this more appealing for young Canadians from the city?

Mr. Cyr Couturier: I'll ask Portia, our executive director, to answer that one.

Ms. Portia MacDonald-Dewhirst: It's a great question. This labour challenge that the industry is facing is very complicated. You've heard from many witnesses, including the witnesses today, about various aspects.

At CAHRC, we've been working on this with different industry stakeholders from across Canada, and we've always said that a multi-faceted problem needs a multi-faceted solution. A key piece of that is how we encourage more Canadians to be even more aware and more knowledgeable about how food is produced, that buying Canadian is a great thing in order to support this industry, and going as far as saying that this is a great industry to work in. It has fabulous appeal in terms of the environment and a strong customer base that's only growing.

How we get more Canadians interested in agriculture is a very important question and one that needs to be tackled as part of a national labour strategy. That's what we've been vying for, for many years, and that's what's necessary right now, aligned with so many recommendations that have been put forward by so many different studies. Now is the time to do that.

• (1655)

Mr. Jeremy Patzer: I have a quick question in the 30 seconds I have left.

There are cool programs out there, such as "Agriculture in the Classroom", to get high school kids engaged and informed on what's going on, but as far as post-secondary options are concerned, there are trade schools and things such as that. Is that an option for agriculture, going forward, to get more of the workforce engaged?

Ms. Portia MacDonald-Dewhirst: There are lots of things that we need to be doing. We need to be looking at not only people who are aware of working in the industry but also the business students and the science students and pull them into this industry.

There aren't enough youth, though, to fix this labour shortage, so we need to be thinking much more broadly. Protecting access to foreign workers is critical, modernizing that approach, and thinking about others within the full spectrum of the Canadian workforce.

The Chair: Thank you, Ms. Dewhirst.

Now we'll go to Mr. Kody Blois for up to five minutes.

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

Thank you to all the witnesses for their testimony. I'm going to start with the mushroom farmers.

Certainly, from Mr. Ellis's question, it sounds as though the industry has done quite well in the last 10 years. Is this a largely labour-intensive industry?

Mr. Ryan Koeslag: Yes, it's a very labour-intensive industry. It's probably close to 50% of the costs. Every fresh mushroom that you find in a grocery store is picked by hand.

Mr. Kody Blois: I was pleased to hear that, for a large part, labour uncertainty hasn't been an issue for your industry.

I think Ms. Krayden might have said it was 50 temporary foreign workers, at least, who were not available at the start of the pandemic. Is that correct?

Mr. Ryan Koeslag: I'll let Janet answer that one, but I would say that we do have major labour issues. We're always in the situation of having high vacancies in the mushroom industry and the temporary foreign workers—

Mr. Kody Blois: As it relates to temporary foreign workers, I heard that 50 temporary foreign workers were outside the country.

Ms. Krayden, can you confirm that?

Ms. Janet Krayden: Yes. Actually, our sector is 70% Canadian workers, and we have about 900 temporary foreign worker program agricultural stream workers across Canada. They were in Canada. The 50 workers were the ones who were just on vacation.

However, as Ryan said, we have a 20% job vacancy rate on a regular basis, so we're still fighting that. Some farms have oversupply and other farms still have a labour shortage.

Mr. Kody Blois: I appreciate that, and I don't mean to cut you off, but I want to keep moving.

What about the margins in the mushroom industry? Is this a high value margin product? Is it low margin? Just respond as quickly as you can.

Mr. Ryan Koeslag: Honestly, I can't really speak to that.

Mr. Kody Blois: Janet, in terms of the margins, is this a low-margin or high-margin industry? Maybe it depends on the product.

Ms. Janet Krayden: We know it's a high-expense industry because of the capital investment and the amount of labour.

We can look into that and get back to you.

Mr. Kody Blois: That would be very helpful.

We heard about the additional cost. Has this created a situation where farmers are losing money, or is it just cutting into their existing margins?

Ms. Janet Krayden: Go ahead, Ryan.

Mr. Ryan Koeslag: Definitely there are situations where farms have closed. We know in P.E.I. they've stopped growing.

Yes, it's a situation where, if we look at the economies of scale for how these farms are operating, they're determining whether it's best to stay open and keep going during the worst COVID situations or whether they should be shutting down.

To be able to say it's black or white as to whether they're being profitable or whether they're actually going bankrupt, it's not that easy a picture to paint. Certainly it's a huge cost for them right now.

Mr. Kody Blois: I appreciate that.

Ms. Janet Krayden: Also, the markets are very volatile right now.

Mr. Kody Blois: I want to go to the comment that was made about the Olympic average, or the weighted average. You said we should just get rid of that.

Mr. Koeslag, could you explain quickly, in about 20 seconds, what you would see as an alternative?

Mr. Ryan Koeslag: Essentially, look at the averages that are currently in place, without elimination of that weighted average, or at look at another option entirely. Canada can take a look at that. There are certain situations where it doesn't necessarily work to the benefit of expanding industries such as mushrooms. We're trying to help here. We're not trying to limit.

• (1700)

Mr. Kody Blois: I certainly appreciate the testimony that was given.

Mr. Koeslag, you said at one point that there have been no programs available, but I want to note the fact that there's the emergency business account that was available to many farmers, and I assume that includes the mushroom industry. There's also the wage subsidy, Farm Credit Canada, the BCAP and AgriInvest, which I know is available. I know there are challenges, but I took a bit of exception to the fact that none of our programs have been able to be offered.

I want to take my comments over to Mr. Forth, if I could.

Ken, Charlie Keddy is in my riding. He's someone who speaks highly about your leadership. I know this was a challenging time, so first of all, thank you to farms for their continued work to get workers into the country. You mentioned the 86.5%, and that's a number that correlates with what the minister told our committee the last time she was here.

Is it fair to say that most of the challenges you face in terms of bringing workers in are actually in the countries of origin, in terms of their countries opening airspace or perhaps even having their own processing? Can you explain that?

Mr. Ken Forth: Yes, it is definitely in the supply country.

For example, Trinidad and Tobago still haven't decided if they're going to send workers or not. Apparently they talk about it every Thursday, and tomorrow is another Thursday, so hopefully they'll open it up.

The eastern Caribbean just opened up.

There are a lot of problems with logistics in Mexico right now. We were lucky to have a lot of people cleared prior to the epidemic. Now, of course, all governments have slowed down and paperwork goes very slowly. Therefore, we're doing what we can.

Mr. Kody Blois: Thank you, Mr. Forth, and thank you, Chair.

The Chair: Thank you very much, Mr. Forth and Mr. Blois.

Unfortunately, that is all the time we have for this first panel. I certainly want to thank, from the Canadian Mushroom Growers Association, Ryan Koeslag and Janet Krayden; from the Canadian Agricultural Human Resource Council, Cyr Couturier and Portia MacDonald-Dewhurst; and from Foreign Agricultural Resource Management Services, Ken Forth.

Ms. Williams, our apologies that we could not get you on, but perhaps the next time.

Thank you, all.

We shall suspend for five minutes and have the sound tests for the next panel.

• (1700) _____ (Pause) _____

• (1710)

The Chair: I shall call the meeting to order again. Welcome to our second panel.

For the second hour, we have the Dairy Farmers of Canada.

[*Translation*]

We have with us Mr. Pierre Lampron, president of Dairy Farmers of Canada.

[*English*]

We also have Mr. David Wiens, vice-president; and Mr. Bobby Matheson, vice-president of advocacy.

As well, we have witnesses from the Dairy Processors Association of Canada.

[*Translation*]

We have with us Mr. Mathieu Frigon, president and chief executive officer of the Dairy Processors Association of Canada.

[*English*]

We also have Mr. Michael Barrett, chair.

Welcome to all of you. We'll start with a seven-minute opening statement.

Dairy Farmers of Canada, go ahead. You're on.

[*Translation*]

Mr. Pierre Lampron (President, Dairy Farmers of Canada): Good evening.

I'm Pierre Lampron, president of the Dairy Farmers of Canada.

I'm here today with David Wiens, vice-president of the board and also chair of Dairy Farmers of Manitoba, as well as with Bobby Matheson, our vice-president, advocacy. On behalf of all Canadian dairy farmers, Dairy Farmers of Canada welcomes the opportunity to offer its perspective on the Canadian response to the COVID-19 pandemic.

Like for many other sectors of the Canadian economy, the COVID-19 pandemic has had negative repercussions on dairy farming. Preliminary estimates indicate that the total monetary impacts of the pandemic on the dairy sector, including farm revenue

losses and extraordinary costs, could reach up to \$347 million in 2020. Given the unpredictability of the pandemic, DFC continues to monitor these costs closely, and will provide revised estimates if necessary.

The pandemic caused sudden and rapid fluctuations in the demand for milk and dairy products, ranging from an initial period of rushed purchases to a significant drop in demand as consumers adopted new consumption patterns. These unprecedented peaks and troughs were largely due to widespread closures of hotels, restaurants and institutions, which we call the HRI sector.

The exercise of rebalancing production in line with demand has proven to be more complex, since a cow is not like a faucet, we can't just turn it off. In addition, raw milk is highly perishable and cannot be stored.

The financial impact of COVID-19 includes lost revenue and milk disposal costs as well as costs to producers under the Canadian Dairy Commission's (CDC) storage programs, as producers will cover some of the carrying costs under these programs. Dairy Farmers of Canada estimates that disposal costs have already reached \$40 million and could reach up to \$50 million by the end of the pandemic, when combined with storage costs. Adjustments to the sector have stopped the need to dispose of milk for the time being.

How have dairy farmers adapted to this changing landscape? Marketing boards quickly took action to reduce milk production. They worked with industry players to put in place measures to balance production with the rapidly changing market. This was no small task, as we also had to ensure a continuous supply of safe and nutritious Canadian milk, with a return to normal in a few months.

We also worked with the Canadian Dairy Commission to position its butter and cheese storage programs to help address the problem of milk surpluses. To this end, we would like to take this opportunity to thank the government and the opposition parties for the recent amendments to the Canadian Dairy Commission Act.

While we also welcomed recent announcements that will benefit the entire agricultural sector, some industries have been harder hit than others and require additional government support.

I'm now going to turn the floor over to Mr. David Wiens.

• (1715)

[*English*]

Mr. David Wiens (Vice-President, Dairy Farmers of Canada): Thanks, Pierre.

Good afternoon.

The question is this: What role does supply management play during the pandemic?

The timelines of the dairy sector's response to the challenges caused by COVID-19 are a testament to the agility and the efficiency of Canada's system of supply management, which has enabled a coordinated response to the impacts of the pandemic throughout the dairy supply chain, while limiting impacts on Canadian consumers.

Let's take a look at what is happening in the dairy sectors in the U.S. and the EU, which, in the absence of supply management, were not well positioned to act quickly or collectively in response to the crisis. As an example, according to Dairy Farmers of America, dairy farmers in the U.S. were forced to dispose of 14 million litres of milk per day at the peak of the crisis. Without any measures on production controls, the European Milk Board, which represents dairy farmers in the EU, asked for funding to help reduce production, while the U.S. government recently announced a \$2.9-billion bailout for dairy farmers in that country.

What support does the dairy sector then need from government?

Despite the losses, at this time dairy farmers are not seeking financial support from government to address the impacts of COVID-19. Why? Well, it's because supply management has proven its ability to limit the impacts on our industry compared to other industries and countries. Unfortunately, supply management is not designed to offset the loss of dairy production transferred to dairy farmers in other countries. This is a net loss of market. To be clear, this means that a greater number of dairy products on our shelves will be made from foreign milk. In fact, by 2026, 18% of our Canadian dairy production will have been transferred to imports from abroad.

If you want to support your domestic dairy industry, if you support a safe and secure Canadian dairy supply chain, we ask that you formalize the commitments to mitigate the impacts of trade agreements and announce a schedule for the compensation.

In closing, dairy farmers want to do their share to feed the nation. This is why beyond the existing programs, dairy farmers across the country have donated over \$10 million in products to Canadian food banks to support Canadians in need. It's also why we remain hard at work on farms across this great nation producing high-quality, domestic agricultural products that will help cement our food security.

Thank you.

• (1720)

The Chair: Thank you, Mr. Wiens.

Now we'll move to the Dairy Processors Association, for up to seven minutes.

Whoever wants to go, go ahead.

Mr. Michael Barrett (Chair, Dairy Processors Association of Canada): Thank you. I'll start.

On behalf of the Dairy Processors Association of Canada, I would like to thank you for the invitation to appear today to discuss the impact of COVID-19 on Canada's dairy processing industry.

I am the chair of the DPAC board, plus I am also the president and CEO of Gay Lea Foods Co-operative, with small and medium-sized enterprise facilities across Canada. Joining me today is Mathieu Frigon, the president and CEO of DPAC.

In these difficult times, DPAC is certainly grateful to those who continue to be able to work diligently to provide Canadians with essential goods and services. Like all Canadians, we are especially thankful for the hard work and dedication of our health workers.

I want to obviously highlight the work done by the dairy sector to ensure continuity of dairy product supply in Canada. These are unprecedented times and dairy producers and processors working together are doing their part. Since the beginning of the COVID-19 crisis, the dairy industry has donated almost five million litres, which has been processed into nutritious dairy products and distributed to food banks across Canada. This speaks to the strong commitment of dairy producers and processors towards their communities.

COVID-19 has put a lot of pressure on all aspects of the country's economic and social infrastructure. Canada's food manufacturers are no exception and dairy processors are under tremendous strain today as they adapt to the challenges brought on by COVID-19. Providing Canadians with a continuous and ample supply of nutritious dairy products while protecting employees' health remains a top priority of dairy processors.

Mathieu.

[*Translation*]

Mr. Mathieu Frigon (President and Chief Executive Officer, Dairy Processors Association of Canada): On one hand, depending on their product line and the markets they serve, most dairy processors saw their revenues drop between 0% and 50% due to the decline in the food and hospitality market.

On the other hand, dairy processors saw an increase in their costs related to COVID-19, such as increased absenteeism, the cost of personal protective equipment and health screening tools, and increased worker distancing that reduced production capacity.

The combination of declining sales and rising costs means that many dairy processors are under significant financial pressure due to much lower or even negative bottom line results.

We thank the government for agreeing to the industry's request to increase the Canadian Dairy Commission's line of credit to \$500 million. We also recognize the emergency support programs announced by the federal government to mitigate the impact of the COVID-19 pandemic.

However, these programs are often insufficient to meet the needs of food processors. Therefore, we recommend the current support programs be expanded in two ways.

First, the \$77.5-million emergency processing fund must be increased significantly. It is also important that all food processing sectors be treated equitably when the program funding is allocated.

Second, as it is currently structured, the Canada emergency wage subsidy will leave some food manufacturers without support because revenue declines will not meet the 30% threshold in April and May. We propose that the government make changes to the program by providing a sliding scale of support for income reduction between 10% and 30%.

Now Mr. Barrett will take over.

[*English*]

Mr. Michael Barrett: We cannot come here today without putting into a broader context the impact of COVID-19 in the dairy sector. At full implementation, when considering the latest three agreements, Canadian dairy processors will lose \$320 million per year on their net margin. On top of the market access concessions, CUSMA has a clause that imposes caps on worldwide exports of Canadian milk powder, which will make it increasingly difficult to balance the supply-managed system.

We appreciate the opportunity the government gave to the dairy industry to voice their concerns and work towards a compensation scheme to mitigate the impact of trade agreements through the mitigation working group; however, while dairy processors worked diligently and submitted their mitigation plan in 2019, we haven't yet heard back from the government. This is extremely disappointing.

We trust the government will keep its promises to fully and fairly compensate dairy processors for their losses. As such, we would like to remind the committee of our twofold approach to mitigate the negative impact of trade agreements.

The first is a dairy processor compensation program, which would aim at supporting investment in dairy processing capacity, competitiveness and modernization. That program would include tools such as non-repayable contributions for investments, refundable tax credits, etc.

The second is the allocation of dairy import licences, known as tariff rate quotas, or TRQs for short, to Canadian dairy processors.

• (1725)

[*Translation*]

Mr. Mathieu Frigon: I'd like to quickly go back to the point Mr. Barrett just made about the allocation of TRQs. We want to reiterate the importance of allocating dairy TRQs to dairy processors.

Last week, we sent a memo on this subject to several government representatives, pointing out that allocating the vast majority of dairy TRQs to dairy processors would minimize the impact on the Canadian dairy market. Let's be clear: it is the viability of the dairy sector that is at stake when it comes to allocating TRQs.

Dairy processors possess the expertise and the distribution network to import a wide variety of dairy products in a way that will be the least disruptive to Canada's domestic dairy market.

The government must refrain from repeating the mistake it made with the Canada–European Union Comprehensive Economic and

Trade Agreement, or CETA, under which, it allocated more than half of the CETA cheese TRQs to non-dairy stakeholders. They do not have a vested interest, like dairy processors do, in importing dairy that would minimize the impact on existing production lines and manufacturing platforms in Canada. In addition, dairy processors continue to innovate, invest, and maintain and generate well-paying jobs across the country. Additional imports that are poorly planned or poorly targeted would undermine the survival of many businesses.

Finally, I would like to remind you that the Canada–United States–Mexico Agreement, or CUSMA, will be implemented on July 1, which leaves very little time for our members—dairy processors—to adjust and plan. It is therefore imperative that both TRQs and export allocations be announced by Global Affairs Canada as soon as possible.

The Chair: Thank you, Mr. Frigon.

That's all the time you have.

[*English*]

Mr. Michael Barrett: In conclusion, the pandemic has brought unprecedented changes to the entire Canadian economy.

The Chair: Sorry. The time is up, Mr. Barrett.

Now we'll start our question round.

[*Translation*]

Mr. Lehoux, you may go ahead. You have six minutes.

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

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

My first question is for Mr. Lampron, from the Dairy Farmers of Canada.

Mr. Lampron, you explained that producers experienced serious losses because of the pandemic, but that the industry was able to limit the impacts thanks to the flexibility of supply management. Millions of litres of milk had to be discarded at the beginning of the pandemic, but the situation was quickly brought under control.

I'd like to hear your views on the post-COVID-19 landscape. We are in the midst of the pandemic right now, but it's drawing to a close. Several major trade agreements have been signed, including CETA and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP.

What are you looking for from the government?

In the last year, the government has promised that it would be putting forward a plan, and right now, we are nowhere near the compensation pledged to farmers for the losses stemming from the market concessions granted to Europe and the countries in the Asia-Pacific region.

• (1730)

Mr. Pierre Lampron: Thank you very much, Mr. Lehoux, for your question.

COVID-19 is indeed a spontaneous event, and we don't know how long it's going to last. We leveraged supply management tools and we will continue to do so.

We've lowered milk production, and the Canadian Dairy Commission is going to help with storage. However, the market concessions granted under the trade deals mean that imports will make up roughly 18% of Canada's market in 2026, once all the agreements are in effect.

That is a direct attack on the underpinnings of supply management. Products on store shelves will have been produced by farmers in other countries. The supply management system isn't equipped to offset those losses. We did not support the concessions, but they were made, and we were promised compensation.

We received compensation for the first year, but compensation for the following years is outstanding. Not to mention, CUSMA is coming into force soon.

Mr. Richard Lehoux: Mr. Lampron, how much of the money pledged by the government to compensate for the agreements with the European Union and the countries in the Asia-Pacific region still has to be paid out?

Mr. Pierre Lampron: The government promised \$1.75 billion. The portion for the first year was paid out, so payments for the subsequent years are outstanding. I don't know the exact figure off the top of my head, but it's a sizable amount, and farmers need it to cope with the market concessions.

Mr. Richard Lehoux: Mr. Lampron, has the minister or government notified you as to when those payments would be made? No doubt, that money would help preserve stability in Canada's dairy production.

Mr. Pierre Lampron: All we were told is that the payments would be made. We'd like more information as well as a formal commitment.

Mr. Richard Lehoux: CUSMA is coming into force on July 1, 2020. On that front, the government doesn't have an agreement with dairy farmers either. For the past two and a half months, though, the government has been handing out pretty big sums to different sectors of the economy daily. I have no problem with that, but has the minister or government given you a commitment?

Mr. Pierre Lampron: We were told that it would be done, but we would really appreciate a more formal commitment. Everyone agrees that farmers should be compensated for the losses they will incur year after year. The government has made promises to our counterparts in all the supply-managed sectors, but what we would like is a concrete commitment.

Mr. Richard Lehoux: You stand shoulder to shoulder with your fellow farmers in other supply-managed sectors. The government hasn't signalled anything to them either about possible compensation for the cracks in supply management caused by the agreement.

In your opening statement, you said millions of litres had been sent to the United States, which doesn't have supply management, and Europe. That clearly illustrates how important supply management is to Canada's agricultural system.

Thank you, Mr. Lampron.

Now I'd like to turn to the representatives from the Dairy Processors Association of Canada.

Mr. Frigon, at the end of your opening remarks, you said that the allocation of TRQs would have repercussions. In response to the current COVID-19 crisis, the government announced \$77 million in compensation for the processing sector, but that doesn't come close to meeting the need. What's more, the program isn't quite tailored to Canada's dairy processing sector.

Did I get that right?

Mr. Mathieu Frigon: Actually, the purpose of the program that was announced isn't to compensate dairy processors. It's to address the COVID-19 crisis. The government is making \$77.5 million available to all food processors.

The compensation we talked about in our opening statement pertains to the trade agreements. As our dairy farmer friends mentioned, the markets are experiencing significant instability right now.

As for TRQs, the last thing we want is even more market instability. That's why we are calling for TRQs to be allocated to dairy processors.

• (1735)

Mr. Richard Lehoux: Mr. Frigon, do you know where the government stands on TRQs?

Mr. Mathieu Frigon: As I mentioned in my opening remarks, we need the government to announce the details of the export and import components as soon as possible. We've had positive discussions with both politicians and department officials. I know the department is working hard so it can make those announcements soon. That's what we'd like.

Mr. Richard Lehoux: The coming into force of CUSMA on July 1, as opposed to August 1, will have a considerable impact.

The Chair: You're out of time, Mr. Lehoux.

[*English*]

Just hang on a second here.

[*Translation*]

Mr. Drouin, you may go ahead. You have six minutes.

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

I'd like to thank all the witnesses here today. We've had an opportunity to speak with them before.

Mr. Lampron, kudos to you and your organization. Two months ago, I didn't think it was necessary to explain that a cow isn't directly tapped to obtain a quart of milk, but there you go—it had to be explained. Your organization has done some great work.

You're absolutely right when you say that supply management did what it was supposed to, even at a time of crisis.

I'd like to commend all the farmers in my region. The Dairy Farmers of Canada has been very generous, even locally, donating hand sanitizer, milk, cheese and so on. My hats off to all dairy farmers.

What do you think the challenges will be in the next few months? I know it's hard to say, since you can't predict demand. Nevertheless, for the farmers you represent, what challenges will July and August bring?

Mr. Pierre Lampron: No one knows what's going to happen. It's hard to predict anything.

I drew an analogy with a tap earlier. If hotels, restaurants and institutions—in other words, the HRI sector—resume operations, if consumers fall back into their old habits and if local buying remains strong, that's good for us. The demand will have to be met, however. There was a drastic break in the supply chain, and our production dropped. If demand rises, that demand will have to be met. That's why the Canadian Dairy Commission's storage capacity was so important. The government raised its line of credit to ensure it had sufficient storage capacity to meet the demand that lies ahead.

The future is very unpredictable. Today, for instance, it's quite hot. We have good facilities, but production could drop. Weather is one of the unpredictable variables we have to deal with.

Mr. Francis Drouin: Thank you very much.

Mr. Frigon, you said there had been negotiations with the government regarding compensation and TRQs.

Did you base your estimate of the industry's potential losses on the Canadian dollar? The value of the U.S. dollar and that of the Canadian dollar have changed since the winter. Does that make a difference, or do you anticipate the same amount in losses?

Mr. Mathieu Frigon: It could affect margins, but not substantially. Our working group estimated the losses stemming from the three agreements at \$320 million per year, which includes the export caps. As we mentioned in our opening statement, CUSMA includes a clause that imposes export caps. Our estimate takes the losses from those caps into account.

Mr. Francis Drouin: I see.

Some of your members have companies in Canada and the U.S. Has your association taken a stand on the importance of allocating TRQs or import licences to companies with plants in the U.S.? Companies could simply transfer their production to the U.S. Should the same type of licence be issued regardless of whether a processor has facilities in both countries or only in Canada?

• (1740)

Mr. Mathieu Frigon: We haven't looked into that specific question.

Mr. Francis Drouin: You can nevertheless appreciate that it could cause concern for farmers here, can you not?

Mr. Mathieu Frigon: Yes, absolutely. I can see that it would raise questions.

Our association hasn't taken a stand on how TRQs should be distributed among dairy processors, depending on whether they are small and medium-sized businesses or large companies.

Our position is that TRQs should be allocated to dairy processors, not non-dairy stakeholders, because we are ultimately the ones who will feel the impacts of the agreements, not retailers and brokers—who are not processors.

Mr. Francis Drouin: There were talks regarding an investment program to help the dairy processing sector with innovation and automation of its processes in order to increase production.

Should that type of funding be granted according to the TRQs allocated? When the investment program is announced, in a few months or next year—I have no idea when—do you think the government should take the allocation of TRQs into account to ensure fairness? The cheese processing sector comes to mind, for example.

Mr. Mathieu Frigon: Yes, fairness is very important for processors.

Earlier, I was talking about losses of \$320 million a year. The compensation program can be adjusted based on the tariff rate quota allocation, which is also a loss mitigation tool. This tool won't be effective for all processors. It depends on the products they offer and the markets they serve. These are two complementary tools. For those who haven't received many tariff rate quotas, the compensation program will contribute the most to improving the situation of producers.

Mr. Francis Drouin: Have your members started negotiations? I know that this question is difficult. However, we know that the food service industry is no longer what it used to be. Obviously, this has affected your members and their suppliers.

What will happen if the food service industry doesn't return to the way it used to be? Is your industry ready to adapt?

The Chair: Please respond quickly.

Mr. Mathieu Frigon: It isn't easy to do, because the drop in revenue may be much larger for suppliers in the food service market. Each case is different.

Mr. Francis Drouin: Thank you.

The Chair: Thank you, Mr. Frigon and Mr. Drouin.

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

Mr. Yves Perron: Good afternoon, everyone.

I want to thank the witnesses for joining us today.

Mr. Lampron, at this time, when I ask questions about compensation payments following free trade agreements, I'm told that this isn't the right time and that other priorities must be addressed.

Could you explain to the committee the importance of receiving this money now and how it could help you?

Mr. Pierre Lampron: All losses related to these trade agreements have been documented. CUSMA will come into effect a little too soon, in July. We were hoping that the agreement would come into effect in August, because the dairy year starts in August. As my colleagues said, we also have export limits. We must adapt our industry. These are significant amounts. However, a substantial portion of our market has been turned over to other products. That's why we need these amounts.

First and foremost, we're asking for direct payments to producers.

Mr. Yves Perron: If I understand you correctly, you're telling me that the impact is already being felt. You need the money now and you want direct payments. The message is quite clear.

You thanked the government for its amendment to the Canadian Dairy Commission Act. That's good.

Do you think that it took a long time to make the amendment? If the amendment had been made earlier in the crisis, could you have avoided throwing away so much milk?

• (1745)

Mr. Pierre Lampron: I don't like to criticize what was done. I think that everyone was in crisis. We didn't all see this happen, and the change was made quickly, within two weeks. Let's try to talk about the future and the positive aspects.

Mr. Yves Perron: You're very kind.

You spoke of the importance of supply management and its system. I'm pleased, because all my colleagues seem to understand the importance of maintaining this system. I suppose that you would be in favour of potential legislation that protects supply management to ensure that the system is no longer affected, because an 18% cut in your production is enough.

Mr. Pierre Lampron: Certainly. In the last three agreements, the dairy industry and dairy producers made many concessions. At a certain point, we can't make any more concessions. This type of legislation would be appreciated. Thank you for your work to protect supply management.

Mr. Yves Perron: Thank you, Mr. Lampron. You referred to the last three agreements. That's why I find you very kind and polite.

Mr. Frigon, I want to hear about how the entry into force of CUSMA on July 1 will affect you and your industry. Apparently, you were told that the agreement would come into effect on August 1. Can you take about 20 seconds to respond?

Mr. Mathieu Frigon: The impact will be very significant. In reality, the first year will last 30 days. There's a major difference between the first year and the second year in the agreement. In the second year, imports will triple and the export cap will be significantly reduced from 55,000 tonnes to 35,000 tonnes. We'll benefit from the first year for one month. These are substantial effects.

We were extremely disappointed to learn that the implementation would take place on July 1.

Mr. Yves Perron: You suffered a loss that wasn't anticipated, and this comes on top of everything else.

You referred earlier to the tariff rate quotas resulting from the agreement with Europe. Over half of these quotas have been allocated to non-dairy agents, distributors, not to mention any names.

Can you explain the negative impact of this situation? What could happen if the same mistake is made in the agreement with the United States?

Mr. Mathieu Frigon: This was announced in 2017. Looking back, we saw that it created a great deal of instability in the market. Often, cheeses are imported specifically to compete with cheeses already produced in Canada, which leads to this instability.

Of course, our members will make the decision to import based on dairy market conditions. They're involved in it, so to speak. They're well aware of market conditions and stock levels. The stakeholders outside the dairy industry aren't naturally inclined to look at these parameters or factors such as production or stock levels. In the past few years, we've seen that allocating this to external stakeholders creates a great deal of instability in the market. Obviously, there has been the volume impact, but also an impact on the entire structure.

Mr. Yves Perron: Mr. Frigon, if tariff rate quotas, or quotas, aren't allocated overwhelmingly to processors, this increases the losses for the industry. This will increase the need for compensation in a different way. You also need compensation, and you also want a time frame.

Is that right?

Mr. Mathieu Frigon: That's exactly right. This will increase the need for compensation.

There's currently a great deal of instability, as my fellow producers have said, because of COVID-19. The announcement of the premature entry into force of CUSMA created even more instability. This is probably the worst time to create more instability. That's why we're saying that the tariff rate quotas must be allocated to the processors.

• (1750)

Mr. Yves Perron: Have you received any commitments in this area so far, or do you have no sound, image or news?

Mr. Mathieu Frigon: No. A process is under way and the decision should be made very soon because, as I said, July 1 is fast approaching.

Mr. Yves Perron: The committee members fully understand the tremendous importance of being sensitive to this request in order to minimize the impact on the industry.

I think that my time is up.

Thank you for coming to speak to us. I can tell you that we appreciate your arguments. We hope that the people in the government will appreciate them as much as we do.

The Chair: Thank you, Mr. Perron.

We'll now give the floor to Alistair MacGregor.

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

[*English*]

Mr. Alistair MacGregor: Thank you very much, Chair, and good afternoon to all of our witnesses. It's good to see you on my Zoom panel.

I'll start with the Dairy Farmers of Canada. I was one of the members of Parliament who received a technical briefing on the act to amend the Canadian Dairy Commission Act to give the commission increased borrowing authority.

During that technical briefing, the officials let us know that dairy farmers had been forced to dump 30 million litres of milk. I know that must have pained your members greatly because of the pride you have in our supply-managed system. When I heard that figure, and when we see all the foreign dairy products on our shelves, I kept on wondering about that. Would that have ever been necessary if we hadn't given away so much of our domestic market share?

I really appreciate your comments on how supply management, because of our ability to manage production, has allowed us to weather this storm we're in. Going forward, what kind of a commitment do you want to see so that we can build resiliency into our supply management system so it's there for future generations and we can withstand further shocks like this in the future?

Mr. David Wiens: It's a good question.

First of all, for the Canadian Dairy Commission, the ability to increase the storage is important for us, because it does help us. When we had surplus in the beginning, they could put it in storage for a time, as we now have reduced production.

Certainly the trade agreements in the past have exacerbated the situation, because we have already lost production from where we would have otherwise been.

Another important factor is that as we go through this pandemic and come out the other end, we are not going to get to the same place anymore, because by then CUSMA will have taken effect and we will have lost further market share.

Part of what we're trying to emphasize here is that with supply management, we can handle things like downturns, although this one was extreme. We have never experienced something like this. That has tested us to our limits. What supply management cannot handle is the continuous undermining of our foundation. Whenever we allow further access to the Canadian dairy market, that is in fact what is happening. Every time there is more access given, it weakens us, and then it makes it more difficult for us to withstand the kinds of challenges we've seen with this pandemic. It is a real concern that in the future it will make us a little bit weaker. That founda-

tion we have, which supply management rests on, makes everything else happen.

As we move toward that 18% foreign access to our Canadian dairy market, that access overall undermines our ability to weather the kind of storm we have faced with this pandemic.

Mr. Alistair MacGregor: Thank you very much for that answer.

In my remaining time, I'll turn to the dairy processors.

I think all of us on this committee agree that agriculture and agri-food are going to be a central part of Canada's recovery to this crisis.

Regarding the TRQ, the tariff rate quota allocation, I understand the arguments for why our processors need to have more TRQs to give in-depth understanding of the local markets and make sure our domestic supply of dairy products is not interrupted by foreign imports.

However, can you give me a sense, if we do get that increased TRQ allocation secured for you, what that's going to mean in terms of an economic shot in the arm that will help your processors lead in your regions, as part of our economic recovery to this crisis?

• (1755)

Mr. Michael Barrett: I appreciate the question. Certainly it is fundamental to ensure the TRQ allocations to those who have bricks and mortar within the country. There have been billions of dollars spent in investing in Canadian processing capacity and capabilities, and when you talk about the shot in the arm, what it's going to do is reaffirm that continued investment. Certainly the CETA allocation of TRQs was not a shot in the arm for Canadian dairy processors being able to invest in cheese manufacturing in Canada.

Looking at that investment or that TRQ that is allocated—and we're asking for north of 90%—the shot in the arm gives us the ability to understand the stability of the marketplace, to build on what Dave Wiens was talking about, because you have to have stability on the supply side, but you also have to have stability on the capacity side.

It's not surprising that we're both sitting here together, because there's no sense in producing if you have no processing. What we need as a shot in the arm is stability in return. Our members are seeing a 30% to 50% decline in sales and a 80% decline in EBITDA. That type of COVID impact is going to have a considerable impact.

It may not be the shot in the arm, in the sense of a punch in the shoulder, but maybe an adrenaline shot that allows us to see stability in the market.

Mr. Alistair MacGregor: Thank you for that. I appreciate it.

The Chair: Thank you, Mr. MacGregor and Mr. Barrett.

That concludes our second panel.

I want to thank our witnesses today. From the Dairy Farmers of Canada, we had Mr. Pierre Lampron, president, as well as Mr. David Wiens and Mr. Bobby Matheson. Thanks for being here. Also, from the Dairy Processors Association of Canada, we had Mr. Mathieu Frigon and Mr. Michael Barrett. Thank you so much for being here.

[*Translation*]

Mr. Richard Lehoux: Mr. Chair, this isn't a point of order. I just want to draw attention to something.

[*English*]

The Chair: Sure.

[*Translation*]

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

Since next Monday is World Milk Day, I would like us all to raise our glasses, at least those of us who have a glass nearby. On June 1, everyone should raise their glasses of milk and tip their hats to the Canadian dairy industry and to the producers and processors.

Mr. Yves Perron: Once again, we agree, Mr. Lehoux.

The Chair: Mr. Lehoux, thank you for your comments.

On June 1, we'll raise our glasses of milk, take a picture and post it on social media.

Thank you for reminding us of this date.

[*English*]

Just as a last note to members before we leave, as you know, Motion No. 7 has been passed, and we have permission to continue to sit beyond Friday. I will reach out to the vice-chairs and we can start a discussion about how we want to proceed, what kind of themes to have and so on. I will reach out before the end of the week, if that's okay with you. You can start to talk among yourselves, and we will find a way for how we are going to move forward.

If there's nothing else, I again want to thank everyone. We shall see you on Friday.

The committee is adjourned.

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