



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

43rd PARLIAMENT, 2nd SESSION

Standing Committee on Agriculture and Agri-Food

EVIDENCE

NUMBER 009

PUBLIC PART ONLY - PARTIE PUBLIQUE SEULEMENT

Tuesday, December 1, 2020



Chair: Mr. Pat Finnigan

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• (1535)

[English]

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

Welcome to the ninth meeting of the House of Commons Standing Committee on Agriculture and Agri-Food. Pursuant to Standing Order 108(2) and the motion adopted by the committee on October 24, 2020, the committee is commencing its study on processing capacity.

Our witness panels will each last 45 minutes today, followed by 30 minutes of committee business at the end of the meeting.

[Translation]

Today's meeting is being held in a hybrid format, pursuant to the House Order of September 23, 2020. Proceedings will be posted on the House of Commons website. For your information, the webcast will always show the person speaking, rather than the entire committee.

To ensure an orderly meeting, I would like to outline a few rules to follow. Members and witnesses may speak in the official language of their choice. You have the choice, at the bottom of your screen, of either the Floor, English or French. Before speaking, please wait until I recognize you by name. This is a reminder that all comments by members and witnesses should be addressed through the Chair. When you are not speaking, your mic should be on mute.

[English]

With that, we are ready to begin.

I would like to start by welcoming our witnesses for the first hour. We have, appearing as an individual, Mr. Sylvain Charlebois, professor, Dalhousie University, director, Agri-Food Analytics Lab.

From the University of Guelph, we have Mr. Malcolm Campbell, vice-president, research; and Rene Van Acker, dean, Ontario Agricultural College.

Welcome, everyone.

With that, we'll start with seven and a half minutes of opening statements.

Mr. Charlebois, if you're ready, you have the floor.

Dr. Sylvain Charlebois (Professor, Dalhousie University, Director, Agri-Food Analytics Lab, As an Individual): Thank you, Mr. Chair and dear members. I would like to thank the committee

for inviting us to speak about an especially important sector of our economy, food manufacturing and processing.

First off, I would like to acknowledge that I am currently in Mi'kma'ki, the ancestral and unceded territory of the Mi'kmaq people.

Food manufacturing is really the strategic centrepiece—the anchor, if you will—of our entire agri-food sector, and it is slowly eroding. Without a strong food manufacturing sector, controlling our innovation agenda, supporting our farmers and providing high-quality, domestically produced foods to Canadians become much more challenging—much more. Without these, we make our entire supply chain more vulnerable to factors that are often beyond our control, such as climate change, mixed food safety standards, currency fluctuations and logistical disruptions.

Food innovation has become a focal point for most countries in recent years, as governments recognize the importance of growing economies in both rural and urban settings. Innovation will gain greater market currency when achieved in processing. Some countries have achieved greater success than others in fostering a culture of innovative thinking for the food industry. Research that benchmarks countries using specific innovation pillars has never been conducted until now. The Agri-Food Analytics Lab at Dalhousie University, in partnership with Innovation, Science and Economic Development Canada and Food, Health & Consumer Products Canada, compares how countries have been creating proper conditions for the industry to innovate further. To our knowledge, it is the first attempt to compare countries specifically on food innovation. We have been working on this report for about 18 months now, and it will be released in February 2021.

The global food innovation index compares factors contributing to innovation in the food, beverage and agri-food industries across the following 10 countries: Canada, the U.S., Mexico, the U.K., France, Germany, Italy, the Netherlands, Japan, and Australia. Countries were selected to provide geographic diversity within the sample, as well as a range of mid- to top-level performances in terms of GDP. As this index was generated in a Canadian context, countries were also selected based on trade capacities and competitiveness. The framework used for our evaluation is in the appendix of my statement.

Based on the data we currently have, Canada did not perform well, especially under pillars 1 and 2, which cover our regulatory environment and how business competitiveness is affecting our food industry's overall performance. This is one of the main reasons that the consideration of a code of practice is so critical at this juncture. Capitalizing our operations here while avoiding the scenario of over-regulation is key.

However, here are some hard realities about how deficient our food processing sector has been over the years. Beyond Meat, one of the most successful plant-based companies in the world, should have been Canadian. Maple Leaf Foods, which recently opted to build a \$300-million plant in Indiana, should have done so in Canada. Fairlife, a nutrient-rich, ultra-filtered milk, a brand owned by Coca-Cola and now sold in Canada, should have been a Canadian-designed product.

We should, however, celebrate some true achievements in Canada despite our lack of innovative focus. The Leamington story is truly a miracle. The recent Kraft Heinz, Corona and Stella Artois announcements are also very positive steps. The greatest and most effective food supercluster we currently have in Canada, which generates an abundance of innovation, is called President's Choice, but it is actually a closed innovation system, not an open one.

- (1540)

Protein Industries Canada is one of Canada's best open innovation systems that we have right now, and to replicate such a model for other commodities is worthy of consideration.

[Translation]

Over the past decade, nearly 4,000 food processing plants have opened in the United States, compared to only 20 in Canada.

In addition, 83% of new branded products launched in Canada have been neither designed nor manufactured here. This lack of innovation is deeply rooted in our inability to think creatively or to generate intellectual property for this essential agri-food industry. Human capital is also a problem. There are currently 28,000 vacant positions in this sector, which clearly has a problem building human capital.

Our food processing sector must do more to achieve the ambitious objectives stated in the Barton report. This isn't just an issue of food self-sufficiency; it's also a matter of creating jobs in the regions by promoting greater export growth.

Thank you very much for your attention.

The Chair: Thank you, Mr. Charlebois.

[English]

We'll now hear from the University of Guelph.

You have seven and a half minutes between the two of you.

Go ahead. You have the floor.

Mr. Malcolm Campbell (Vice-President, Research, University of Guelph): Thank you very much.

Good afternoon, everyone. My name is Dr. Malcolm Campbell. I have the pleasure of serving as the vice-president, research, at the University of Guelph.

I'm joined today by [*Technical difficulty—Editor*]

The Chair: I'm not hearing anything. Did his camera freeze?

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): I'm not either.

The Chair: Can we check that out, Madam Clerk?

Mr. Kody Blois (Kings—Hants, Lib.): Mr. Chair, may I suggest we go to our next witness while we're waiting?

The Chair: We can certainly do that.

Madam Clerk, do you want to have the sound checked for Mr. Campbell?

We don't have another witness, actually. We do have—

Mr. Malcolm Campbell: My apologies. I am back. I don't know what happened there. It was very strange.

The Chair: Go ahead, Mr. Campbell.

Mr. Malcolm Campbell: Thank you.

On behalf of the University of Guelph, we would like to thank all of you members today for the opportunity to present to you. We report to you today from the traditional territory of the Attawandaron people, and today this is the treaty territory of the Mississaugas of the Credit First Nation.

The University of Guelph, where I am today, is Canada's food university. We're recognized internationally as a leading academic and research institution, ranking first in Canada and third worldwide in agricultural and food research.

At the University of Guelph, we are committed to solving real-world challenges in the agri-food sector by stimulating innovation and equipping our students with the knowledge to become leaders in the field.

Regarding the committee's study, we believe that Canada's food and beverage processing sector has strong growth potential, specifically with international exports.

As vice-president of research, I know first-hand, and will therefore focus on, the necessity of investing in research and development as a means to drive innovation and in turn encourage growth in capacity and in exports in the sector. My colleague, Dean Van Acker, will then speak to the necessity of training the sector's next-generation talent pool.

Investments into R and D are needed to grow Canada's processing capacity while achieving better integration throughout the value chain. A key point here is that Canada's food and beverage processing sector is unique in its composition. Centralized right here in our own backyard in Ontario, the food processing sector is composed of some large and medium-sized companies and a very large number of small and very small companies.

For those on the smaller scale, access to R and D resources remains an immense challenge. R and D and innovation need to be considered along the entirety of the value chain, with strong localized connections between primary producer, processor and the market.

There's an advantage in incorporating vertical integration where there is a line of sight across the value chain, where innovation and processing will impact both upstream and downstream elements. We see this first-hand at the University of Guelph in our vertically integrated R and D, for example, in Canada's beef sector.

At the University of Guelph, from outdoor pasture research in northern Ontario to sophisticated livestock production research in Elora and onward to our unique CFIA-licensed abattoir to innovation and finished product and, finally, to consumer preference and nutritional testing, we conduct meat science research that completely integrates along the value chain, and we see where innovation has an impact.

Innovation is embedded throughout the entire value chain, and we do the same at the University of Guelph for many other verticals, from dairy to row crops to fruits and vegetables, covering many of the 200 food commodities that call Ontario home.

What we've learned here is that a fundamental component of our R and D value-add is providing the most modern and technologically driven system to our partners, as well as partnering to capture that value-add as a distinct selling point at the market.

Looking forward, technological trends and advanced manufacturing such as automation, blockchain traceability and artificial intelligence will be critical in the food and beverage processing sector. Again, we see that first-hand through our hands-on R and D at the University of Guelph. Value chains based on real-time information technology will help us deliver and manage resources more efficiently, producing more food and reducing our environmental footprint.

Investments in R and D are key in bridging that gap. We need to invest in the possibilities of Canadian companies' capacity to grow to export sophistication. A key element of getting this right is that we need to integrate a highly trained talent pool into that R and D component.

I'm now going to turn to my colleague, Dean Rene Van Acker, to speak to the training of that talent pool.

• (1545)

Dr. Rene Van Acker (Dean, Ontario Agricultural College, University of Guelph): Thank you, Malcolm.

Thank you, Mr. Chair and committee members, for this opportunity.

My name is Rene Van Acker. I am dean of the Ontario Agricultural College at the University of Guelph.

I want to note that I am also a member of the Deans Council, Agriculture, Food & Veterinary Medicine, and I helped to lead the Growing Canada's food and beverage processing sector report, which we prepared for Innovation, Science and Economic Development Canada, and which the committee was previously briefed on by Professor Martin Scanlon, who is dean of the faculty of agricultural and food sciences from the University of Manitoba. That was on November 19.

I'd like to pick up where Dr. Campbell left off, specifically with how investments in research and development have a direct correlation to training the next generation of highly skilled employees and agri-food leaders.

Investments in university agri-food research, including in infrastructure, become investments in our capacity to teach and train highly qualified students through hands-on learning, with real-world equipment in world-leading facilities, creating the future and working to grow Canada's agri-food sector hand in hand with food company partners of all sizes, including small and very small food companies.

As many of you will know, there is a growing labour market demand in the food and beverage processing sector. Professor Charlebois referred to it as well. As an institution focused on educating agriculture and food leaders, the University of Guelph understands these trends uniquely. Even if we consider only the Ontario job market, for example, for our graduates, there are currently four jobs for every graduate of an agriculture and food-specific program. In 2012, it was three for every one graduate.

Considering that the main concentration of the food and beverage processing sector in Canada is in Ontario, this is a direct barrier to growth in the processing sector. Access to highly skilled talent is essential for the industry to grow its productivity and to support innovation and trade, as well as to grow in the sophistication required to be export leaders. We need these highly qualified professionals across the value chain from field to fork. A talent pool with diversity in not only expertise but also in composition, reflecting the global population, is necessary. Canada is fortunate to have a comparative advantage, with large diaspora communities that can present incredible opportunities in market testing.

In conclusion, I would say that the opportunity for growth in processing capacity is right in front of us, as all the right ingredients are here. Investments in research and development and in highly qualified personnel training are the missing links.

On behalf of Dr. Campbell and myself, I'd like to extend my gratitude to the committee for this opportunity. The University of Guelph looks forward to continuing to be a trusted partner to both government and industry.

• (1550)

The Chair: Thank you very much, Mr. Van Acker.

Now we'll go to our question rounds, starting with Ms. Lianne Rood for six minutes.

Go ahead, Ms. Rood.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Chair. I will be splitting my time with Mr. Epp today.

Mr. Charlebois, thank you for being here today and thank you for that great introduction.

I have said before, and I am sure you're well aware, that there is a high concentration of market control with so few retailers in the grocery industry. I am just wondering if you can comment particularly—and there are a few components to this—on why innovation in food processing in Canada lags behind that in other countries and what that high concentration does here in Canada, and perhaps give us your thoughts with regard to a solution to that problem.

Dr. Sylvain Charlebois: That is a fair question.

I would say that right now the pressure that is being put on processors, coming from food distributors, is immense. It doesn't allow for any projects to be capitalized upstream in processing in particular.

One of the reasons I brought up our global food innovation index is that it does point to the lack of investments coming from abroad. Kellogg's, PepsiCo, Unilever and Procter & Gamble all hire thousands of Canadians, and they are now divesting. They're now leaving the country because they can't capitalize any projects as a result of these increasing fees. The competitive environment here in Canada is not very attractive.

What the protein industries cluster with PIC, Protein Industries Canada, is doing is actually the reverse. I know you'll hear from Mr. Greuel later, but it is actually doing the opposite, attracting more DI—direct investment—from abroad, and that's what's needed.

Ms. Lianne Rood: With so few retailers, we're often not seeing very many independent grocery retailers anymore. You have commented publicly before on the need for provinces or the government to move forward on something, whether it's the Competition Bureau or a grocery code of conduct. I'm wondering what your thoughts are on that. How would that help stop the supply chain bullying of grocery stores in Canada on suppliers and farmers, and how would that help the general public diminish the cost of their groceries and make their grocery bills not go up?

Dr. Sylvain Charlebois: Some of the work done by Parliament is noteworthy, because we now have a committee looking at this is-

sue. It was created on Friday. It will be co-chaired by the agriculture minister at the federal level and the provincial agriculture minister from Quebec. This is a step in the right direction to explore this issue.

I think it is time to consider the implementation of a code of conduct. I'm not entirely convinced it can work in Canada. I've always told CPG companies or processors to be careful what they wish for. If it's not well designed, if it's ill designed, it could actually encourage this oligopolistic group to purchase food elsewhere, outside of Canada. We have to be very, very careful, so I was very pleased to hear about the committee at the federal level looking into this matter.

Ms. Lianne Rood: Great. Thank you.

I'll pass my time over to Mr. Epp.

Mr. Dave Epp: Thank you. I'll jump right in.

Mr. Charlebois, 50% of Canada's raw food, raw products, are exported. By extension, unless my thinking is wrong, that makes them relatively competitive, particularly as some of those raw products are then reimported in their processed or manufactured form. Of course, the example I am most familiar with is cucumbers here in southern Ontario. We actually now grow more, after all of our picklers closed, and they are all being exported to the U.S. and then brought back in.

You mentioned four impediments to processing: climate change; I missed the second one, and I'm sorry; currency fluctuations; and logistical problems. Climate change would affect our raw production, but let's take that one off the table for the moment. Could you comment on the priority of those other three? Where is it, or is it very much the simple fact that there isn't enough margin in it for our processors and manufacturers because of the retailer concentration?

• (1555)

Dr. Sylvain Charlebois: It really depends on what commodity you are looking at. I am of the mind that we need to think about controlled environment agriculture systems much more. If you think about food autonomy, a lot of provinces are moving in that direction.

Kraft Heinz is a good example of some of the things we may not be doing right in Canada. Kraft Heinz just announced it was building a new plant in Montreal. Quebec taxpayers are providing a \$2-million loan, guaranteed by taxpayers in Quebec, but all the tomatoes that will be processed in Montreal will be coming from the United States. Farmers gain nothing out of this. There is a promise on the table stating that tomatoes will be coming from Quebec, but I don't see how it can be done, at this point. When we think about supporting processing, we have to adopt a value chain approach.

There is nothing wrong, by the way, with exporting. Actually, I think the Barton report encourages us to think about exports. If we want to make our food affordable, safe, and of high quality for Canadians, we cannot pretend that we can do that by just thinking about feeding 38 million people. We have way more to offer. Why not profit from exports by making sure our food is affordable and safe for Canadians as well?

The Chair: Thank you, Mr. Charlebois and Mr. Epp.

Mr. Drouin, you have six minutes. Go ahead.

[*Translation*]

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair. I'm going to share my speaking time with my honourable colleague Mr. Louis.

Mr. Charlebois, I'd like to make sure I'm understanding this. You mentioned the Fairlife product at the start of your remarks. Is it the trademark that Canada doesn't own? I know there's a plant in Peterborough. I think I misunderstood.

Dr. Sylvain Charlebois: Yes, I was alluding to the plant in Peterborough.

I think Fairlife is a missed opportunity for Canadian producers and processors. I don't understand why we needed an American business to remind us that there was a market opportunity in Canada. We should have developed that product in Canada a long time ago.

Mr. Francis Drouin: I see. Thank you very much.

[*English*]

This question will be to all the panellists.

I'd love to hear about the issue of access to labour. We've been hearing that major slaughtering capacity in Canada is operating at 60% capacity because they simply don't have access to labour.

How does that tie in to automation? We've heard that—whether it's CME putting out a report—in any manufacturing capacity, Canada is somewhat behind in terms of automation. This is also true in the food industry.

I'd love to hear what types of innovation and barriers you're hearing about from industry and what the Government of Canada could potentially do.

Dr. Rene Van Acker: I'll attempt to answer that, if that's okay.

I think it's a great question.

Certainly the COVID situation has highlighted the labour issue in the agriculture and food sector and has pushed for an accelerated consideration of automation. What's missing is what we've been doing in terms of our R and D leading to innovations for automation. The short answer is this: not much.

We have tremendous capacity in this country to do that sort of innovation, but we haven't been investing in that sort of innovation. That includes maybe a need to go back to the future. By that I mean agricultural engineering. Engineering at my university used to be in my college, but it hasn't been in my college since the seventies. We are now working more closely with our engineering school and are

including engineering schools nearby around possibilities of innovation in areas like agricultural automation, for example.

• (1600)

[*Translation*]

Mr. Francis Drouin: Mr. Charlebois, do you want to add anything?

Dr. Sylvain Charlebois: Yes. I basically think that robotizing the industry creates a philosophical problem. We always think we need to value human labour, but there's a way to do both things simultaneously. Perhaps we should make people aware of that. I even think we need to do so.

There could be just as many jobs in the sector, but there's a chance they would be more highly paid because knowledge and skills will have to change. There's a lot of talk about low wages in the sector since the start of the COVID-19 pandemic, but that's not always the case. Generally speaking, we'll have to recognize that better qualified or differently qualified personnel will be needed to use artificial intelligence and robotics.

Mr. Francis Drouin: Thank you.

[*English*]

Tim, the floor is yours.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you to my colleague.

Thank you to the witnesses for being here.

I want to follow your lead and say that I'm calling in from the traditional territory of the Anishinabe, Haudenosaunee and Neutral people, just down the road from the University of Guelph.

I might stick to the point of labour.

Mr. Van Acker, can you elaborate on this? We talk about training the next generation. You mentioned that there are about four jobs for every graduate. I know the University of Guelph well because my son attends there, so I'm a proud parent of a Gryphon.

Can you elaborate on what we can do, some best practices? How can we make sure that people who are coming out of universities are highly trained in agriculture and processing, and how we can help them get into the workforce? We seem to be short on labour, yet we have the next generations who are highly trained and ready to go to work. I'd love to hear more.

Dr. Rene Van Acker: There are two issues.

One is being able to have young people, potential students, see the sector as a place where they want to build a career. The sector suffers from invisibility in terms of where young people see themselves, or it's misperceived in terms of opportunities for high-tech, high-growth jobs, for example. That is one issue.

The other issue is whether we have kept pace in terms of the facilities and the infrastructure we need for training that next generation of leaders in this sector. I know you would have heard from Professor Scanlon that we have a legacy of aging infrastructure at Canada's leading agricultural and food universities that teach and train those students who then create the future of this sector.

Those are the two key challenges that we face in that regard.

Mr. Tim Louis: Thank you.

That's all the time I have, but I appreciate it.

The Chair: Thank you, Mr. Louis.

Thank you, Mr. Van Acker.

[*Translation*]

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

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

Good afternoon, everyone. Thanks to the witnesses for their very informative testimony.

I'll go to you first, Mr. Charlebois. You mentioned a lack of motivation. We recently had Mr. Gascon here, from Boeuf Québec, who made the same observation as you did. He told us we'd be missing the boat if our agri-food sector didn't robotize or mechanize. From what I understand, you share that view.

You're appearing before a committee that will be drafting a report intended for the government. So the committee could influence matters. If you had a recommendation to make, what specific measure could the federal government take tomorrow morning to accelerate that shift?

Dr. Sylvain Charlebois: The main issue is access to capital. It's no more complicated than that. I mentioned at the start of the meeting that there were 28,000 vacant positions in the sector. That's approximately 13% of sectoral positions, which is enormous.

The sector hasn't enjoyed a good reputation, especially since the start of the COVID-19 pandemic. There was the matter of the COVID-19 outbreak at the Cargill plant. Several businesses also had to shut down for a few weeks; there were outbreaks everywhere. Incidentally, one of the reasons why there were so many outbreaks in plants in the regions is that buses are used to transport employees. That's why the COVID-19 pandemic became a big problem.

Talking about businesses and jobs in the regions, if land use is important, you have to think about creating jobs there, and robotization would be an important addition. To do that, you need money; you need capital. The federal or provincial government has to consider ways to give businesses access to capital. Otherwise it won't work.

• (1605)

Mr. Yves Perron: On another, related topic, the committee is trying to determine how it might promote the diversification of processing supply and regionalization.

You mentioned the importance of regional employment. I believe the other speakers mentioned that earlier as well. We realize we were relying on very large processing facilities. The committee wonders whether it would be a good idea to have smaller facilities spread more evenly across the country.

How could that be reconciled with the idea of modernization and mechanization? It seems hard to do. What do you think?

Dr. Sylvain Charlebois: There's been a lot of criticism of big abattoirs. I don't necessarily feel uncomfortable when I see large-scale facilities. What's necessary is to resolve the issue of inter-provincial barriers preventing the flow of products.

The abattoirs certified by the provinces have a certain production capacity. Many of them had to close, however, because their markets were limited. However, Quebec, Ontario and even Nova Scotia make truly unique products that deserve a larger market. I think something should be done in that regard to supplement the economies of scale necessary so that production can be profitable.

I don't think we should criticize everything. You have to acknowledge that the big plants have a role to play, just as the small ones too. You also have to give the small plants a chance.

Mr. Yves Perron: So deregulation of interprovincial trade might help increase it. Is that correct?

Dr. Sylvain Charlebois: Yes, and it should be done as soon as possible. It's incredible how many barriers there are in agri-food. Our laboratory is working on interprovincial barriers with MAPAQ, Quebec's department of agriculture, fisheries and food.

Mr. Yves Perron: All of you, or almost all, have mentioned that there's an enormous labour shortage. Foreign workers can partly fill that void, but that's only in the short term. I'm going to ask two questions, but I don't know which of the witnesses can answer them.

First, what could be done tomorrow morning to train more workers here? What actions can the federal government take to urge people to register for university programs in the field? Does your infrastructure have the capacity to admit a large number of students?

Second, in the meantime, would it be realistic to recruit more qualified people from outside the country—I mentioned foreign workers—and select people who might be permanent residence applicants?

Dr. Sylvain Charlebois: I'll let my colleagues from the University of Guelph answer that question.

Mr. Yves Perron: Thank you.

[English]

Dr. Rene Van Acker: Yes, I think the short answer on that is both, for sure. We do have the capacity to take on those additional students if we could attract them. The sector, it seems, especially to young people, is an enigma, so it is difficult to attract them because it is a very complex and complicated sector, but it is also a very large sector with tremendous possibilities.

Yes, we need both. We need young people to come into programs. We also need to have new immigrants coming into this country who come with the skills and capacities that we need, so I think the answer is both of those.

We also need to make choices. We need to figure out whether we're going to choose to be a leader in agriculture and food in this country and invest. I—

• (1610)

The Chair: Thank you.

Dr. Rene Van Acker: I have one very short point.

The Chair: Go ahead.

Dr. Rene Van Acker: I have a colleague from Nanjing University in China. He ranks third in the world in food science. He has 175 faculty in his food science department. We rank fourth in the world, and we have 18 faculty in our food science department. We're doing our part. We have to invest.

The Chair: Thank you.

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

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you so much, Chair, and thank you to the witnesses.

As we're continuing this conversation on our food processing study, it's remarkable the parallels we have with an earlier study that we did in the 42nd Parliament on technology and innovation in this sector. I thought that was a fascinating study. I was lucky to be a member of the committee during that time.

One of the witnesses we had during that study in the previous Parliament was one of my constituents. He started up a company called EIO Diagnostics that is tackling the problem of early mastitis detection in the dairy industry, which costs the industry millions of dollars per year worldwide.

During the course of his testimony, he said as a start-up that the four pillars that foster young companies are capital, talent, advisory services and markets. He said that as a nation we're pretty good at the talent part in Canada, but a lot of companies—I think, Professor Charlebois, you alluded to this—really have difficulty accessing capital in that start-up phase, when a young, intrepid entrepreneur has that really big idea, but securing the capital to get the company from the drawing board up to an actual company....

Professor Charlebois, I'll start with you. Could you comment on his testimony and, if you want to, provide a little more detail on how the federal government could structure those grants to allow these intrepid entrepreneurs who get that big idea to actually start up something physically here in Canada?

Dr. Sylvain Charlebois: Those are very good points. I will say that I do mentor companies myself, from here in Halifax to Calgary. I work with District Ventures in Calgary, which is led by Arlene Dickinson in Montreal. I help companies.

The struggle we have beyond the capital issue and beyond the talent is with the discipline and the mentorship that these companies need. Once you educate venture capitalists about agri-food, about the fact that you need to be patient and you can't go in and out in two years and get your money, as you can in clean tech or fintech, then you're in good shape, but also these entrepreneurs need the support and the connection.

The one thing that District Ventures has done that I thought was really valuable is to connect and partner with retailers to test products in a real setting, which has allowed some companies to be successful. In Halifax, at Dalhousie we actually partnered with the Rotman School of business at the University of Toronto to establish what we call the “creative destruction lab”.

This lab is a model that has been replicated I think four or five times across the country, including in Calgary, at UBC, in Montreal and for us here in Halifax. It's a nine-month program providing a lot of mentorship to entrepreneurs. It provides a lot of discipline as well. We need something like this for agri-food as soon as possible. If there's one recommendation I would make, it's to make a CDL à la agri-food. Right now, there's nothing.

Mr. Alistair MacGregor: Thank you.

I'll turn to you, Dr. Campbell and Dr. Van Acker, for your comments. We also got to tour the University of Guelph. It's a fantastic facility. The research you have going on there is amazing. We also made it out to Saskatoon to look at the Saskatchewan Food Industry Development Centre.

Is there anything you want to comment on that you would ultimately really love to see as a recommendation in our report?

Mr. Malcolm Campbell: I'll double down on Professor Charlebois' comment around having the capacity to incubate company start-ups here in Canada. EIO is a great example.

By the way, MP MacGregor, it was wonderful to have you in Guelph. It's great to see you again.

If we take a look at the investment opportunities in start-ups in Canada, even during COVID we saw an increase in venture capital going into start-up companies across the country, and we also saw significant federal investments in that regard. I know that Sheryl Groeneweg has already talked to this particular committee. She spoke explicitly to the investments that ISED has made under the SIF, the strategic innovation fund, as but one example. Similarly, the regional development offices, such as FedDev here in Ontario, have been making investments in those companies to mobilize them. As Professor Charlebois said and I would reiterate, the challenge is making sure that those investments are in companies that are relevant to this particular sector, the agri-food sector, and more specifically to food processing. I think there are clearly opportunities there.

It seems to be the case that, as I often describe it, everybody and their grandmother has a recipe that's lived in their family for years and years and they want to start a company on the basis of that. The challenge is pulling that together into a venture that will actually gain mileage, gain traction and have a long life. Professor Charlebois mentioned having the supports in place. One of those four components that you describe as necessary is the guidance for those companies. I would say that actually does exist across the country—maybe not specifically for agri-food, but we have some great examples there, with Bioenterprise as but one example here in Ontario. You'll be hearing from Bill Greuel later today. I think PIC is wanting to be very active in this space as well.

Other international players are looking at opportunities in Canada for investment. We ourselves just partnered with SVG Thrive, a major investor out of Silicon Valley that's looking at Canada as an opportunity to grow companies.

• (1615)

The Chair: Thank you, Dr. Campbell.

As chairman, I'd like to ask a question. This is a very interesting conversation. There's a lot of good stuff coming out today that we'll be able to use.

I'm just curious; we're not seeing the private sector. We're talking a lot about various federal programs. What about the private sector? Over my lifetime it seems we've had a lot of private companies that would invest. We're seeing, as Mr. Charlebois said, a lot of investments south of the border that should have been here. Just very quickly, because I don't want to take much time, what do we need to do to get the investors?

That question is for anyone who wants to answer it.

Dr. Sylvain Charlebois: That is the reason I mentioned the CDL. The CDL is a forum that is publicly funded, but the capital is all private. All of the investments in the companies, the discipline—they are imposed by private sector venture capitalists. Dalhousie University offers the forum and provides the facility to accommodate discussions and the mentorship. In essence, it's a private-public partnership accommodated by an educational institution, but nobody is focusing on agri-food.

The Chair: Thank you very much.

Unfortunately, we have to end it here. We have a shortened panel today.

I really want to thank—

Mr. Kody Blois: Mr. Chair, Mr. Charlebois mentioned inter-provincial trade barriers and some of the challenges. We have such a short time in these sessions. Is there a chance that Mr. Charlebois or Mr. Campbell or Mr. Van Acker would have any thoughts on that? I think that's an important point.

Can we ask them to submit any type of reference or direct...? I think that would be helpful to us.

The Chair: Yes.

If you could submit it to the committee, we'll certainly include as part of our study.

Thank you so much, Mr. Charlebois from Dalhousie University.

Thank you, Dr. Campbell from the University of Guelph. It was good to see you again.

Rene Van Acker from Ontario Agricultural College, thank you for taking the time today.

We'll suspend for the second round, folks, and we'll be right back.

Thank you.

• (1615) _____ (Pause) _____

• (1620)

The Chair: We shall get going with our second panel.

Welcome to the members of our panel.

• (1625)

[*Translation*]

Welcome, everyone.

Now we have Fernande Ouellet, coordinator of Le Petit abattoir. Thank you for being with us this afternoon, Ms. Ouellet

[*English*]

We also have, from Protein Industries Canada, William Greuel, chief executive officer.

[*Translation*]

Ms. Ouellet, you have the floor for seven and a half minutes to make your opening remarks

Ms. Fernande Ouellet (Coordinator, Le petit abattoir): Good afternoon, Mr. Chair. Thank you for inviting me to appear before you today.

Thanks as well to the members and other witnesses for taking part in this meeting on such an important topic.

I would like briefly to introduce our organization, which is called Le petit abattoir. We are a solidarity cooperative that is subject to federal inspection. Our aim is to offer poultry slaughtering services to small-scale producers, who are struggling to find their place among the industrial and automated facilities. We offer them a solution in the form of a modular poultry micro abattoir. The model will be reproducible and adaptable in various regions, and we plan to assist Canadian communities in developing and implementing their solutions.

As emphasized during the committee's meetings, the current health crisis has amplified a remarkable groundswell of efforts to buy local, to support small farms that market within short supply chains and to carry on this type of agriculture, which provides structure in the regions and creates social ties. It has also been stated over and over again that the COVID-19 pandemic has revealed the fragile nature of the country's processing capacity, but what may have been outlined to a lesser degree, and what I would like to discuss today, is how we should address this concept of capacity.

There are two approaches to slaughtering. On the one hand, you can look at processing capacity based on the number of head and determine that slaughtering capacity based on the number of head produced in the country is adequate but undermined by infrastructure concentration. To solve the problem, you must correct deficiencies in the current facilities and networks. On the other hand, with a view to territorializing food systems and food system resilience, you have to look at capacity based on geographic proximity between producers and processors and on the ability to mesh production scales, failing which the problem remains intact.

In recent decades, we have seen what might be called a technology gap appear between small-scale production and medium- and large-scale production. That gap has occurred as a result of a decline in the number of abattoirs and an increase in the size and output of remaining facilities.

Consequently, you have, on the one hand, traditional production, which fortunately enjoys increasingly efficient infrastructure well adapted to its scale of production.

On the other hand, there has been an increase in the number of small farms that, by contrast, are less and less well served and less and less compatible with the remaining, more mechanized and automated slaughterhouses. These producers face numerous issues and are required to transport their animals hundreds of kilometers to the few abattoirs that still agree to process small animal consignments. As a result, they can no longer guarantee the animals' welfare in accordance with the system of values that guides their work as producers. In addition, they can't always guarantee product traceability, which is essential to marketing a distinctive product. They are also required to bear the additional workload and economic burden involved in transportation.

Lastly, the inherent dependent relationship and power differential always favour the operator, a fact that limits the producer's ability to seek accommodations and express discontent. As a result, these small farms are less and less able to respond in a viable manner to the growing public demand for the type of products they offer. Traditional-production farms and small-scale farms operating in closed supply chains therefore do not find themselves in comparable situa-

tions. This situation therefore justifies us in addressing the issue of processing capacity based on these two distinct systems.

In the following three points, I would like to provide some food for thought on how to improve the processing capacity of the small-scale farm network.

First, we should aim to increase the number of small abattoirs in the regions and to adopt a mobile slaughtering strategy. This kind of infrastructure network would help establish an investment-friendly climate, which in turn would reduce economic uncertainty and enhance the viability of these businesses and the food security of their communities, while guaranteeing animal welfare, particularly in the mobile slaughtering scenario. With nearby infrastructure adapted to their situation, small-scale farmers will increase their herds, some will diversify production, and new farmers will establish themselves in the region. An abattoir is not just an abattoir; it is a rural development tool.

Second, we must, without delay, establish non-repayable assistance to provide community initiatives with the initial capital that is essential in implementing their solutions. We have, at the community level, knowledge, energy, a will and solidarity that must be invested in now because all we lack are financial resources. Many business opportunities will be wasted if we cannot draw on our community's strengths. We are motivated by need, and that's a guarantee of success.

Third, you have often discussed the regulatory burden in this committee. I'd like to underscore the organizational culture that prevails in many departments, where, all too often, people focus on means rather than ends.

- (1630)

Small facilities characteristically do not seek ways to avoid meeting standards but rather ways to meet standards by their own means, which are usually more limited than those of conventional facilities. Consequently, we must rethink the "same for all" paradigm by helping to adapt means based on an objective that is in fact the same for all, regardless of means. Fortunately, there are highly competent, open-minded and respectful people in all these departments, which makes it possible for us to innovate with confidence.

However, this way of addressing matters must become the watchword in the departments so that stakeholders can create and seize opportunities. The European example is inspiring here, as European authorities are lifting barriers to entry by allowing farming and animal welfare defence organizations to work hand in hand to establish farm slaughtering procedures that are secure from a health standpoint and by certifying facilities rather than every animal carcass.

Similarly, there has been an unprecedented spread of micro abattoirs in the United States, especially since the start of the pandemic, all of which have received technical and financial assistance in setting up.

In conclusion, just as we acknowledge that the resilience of nature depends on biodiversity, we must value and protect the diversity of economic models. This is necessary for the resilience of our economic and food systems. We must unleash energies and ensure that the primary aim of the assistance measures and regulations in place is to ensure that no one is left behind.

Thank you for your attention.

The Chair: Thank you, Ms. Ouellet.

[*English*]

Now we'll go to William Greuel, from Protein Industries Canada, for seven and a half minutes.

Mr. William Greuel (Chief Executive Officer, Protein Industries Canada): Thank you.

Good afternoon. My name is Bill Greuel. I'm the CEO of Protein Industries Canada. I'm joining you today from Regina, so I'd like to take a second to acknowledge that I'm on Treaty 4 territory, the original land of the Cree, Ojibway, Saulteaux, Dakota, Nakota and Lakota, and homeland of the Métis nation.

Protein Industries Canada is one of Canada's five innovation superclusters. We were created because Canada has the potential to be a leader in the production of plant protein ingredients and food.

We were created to capture more value here at home and create a significant economic benefit for Canadians. We will do that by increasing ingredient and food processing capacity in Canada.

The Barton report, which has been mentioned today, laid the foundation for Protein Industries Canada, and we continue to use the goals set out in this report as our top-line objectives.

To date, we have over 240 members from coast to coast. Along with our private industry partners, we have invested well over \$300 million into Canada's agri-food sector, with a large portion of that directly supporting ingredient and food processing activities.

Agriculture is a Canadian success story. We are known worldwide as the supplier of high-quality cereals, pulses and oilseed crops. Through the hard work of our farmers, ranchers, researchers, processors and many other important links in the value chain, agriculture and food, including food and beverage manufacturing, contributes upward of \$112 billion to our GDP and employs more than 2.3 million Canadians.

Our success is understandable. We have the third-largest area of arable land per capita in the world, with some of the best growing conditions. We have proven to be resilient and dedicated, adopting new technologies to increase production while sequestering carbon in our soils, yet for everything we have to be proud of, we also still have much work to do.

We are only the 11th-largest global agri-food economy, and I would argue that we should be much higher. We continue to be commodity-focused, making us vulnerable to trade disruptions of the kind we witnessed with canola sales to China and our pulse trade with India. We are lagging in science and innovation expenditures relative to many other nations. The reality is that we have a lot of land and resources, but we are not a large enough global agri-food sector. We have room to grow.

There is one way we can overcome these challenges to create more opportunities for Canada and for our people, and that's to increase ingredient and food processing here at home to add more value to raw commodities in Canada. Increasing ingredient and food-processing capacity in Canada is critical to our economic recovery and future growth. By increasing Canada's processing capacity, we will secure a safe supply of healthy, sustainable foods for Canadians and for our partners around the globe. We will insulate ourselves against trade disruption and create jobs and wealth for Canadians.

The vulnerability of our agri-food supply chain became evident in the early days of COVID-19, when for the first time many Canadians experienced a shortage of staples at their grocery store shelves. Thankfully, our food system bent but did not break. This is good news for Canadians, but we need to take some lessons from what 2020 has handed us, most notably in how we are fostering and supporting the food processing sector in Canada to ensure a resilient system that can take advantage of the growth opportunity that ingredient and food processing offers us to insulate ourselves in future from shocks to the system of the kind we experienced in the early days of COVID-19.

I believe we must do as much for the ingredient and food processing sector as we've done for primary production. It is not a question of either/or; it is a question of "and". If Canada makes ingredient and food processing and food manufacturing a higher national priority, we have the opportunity to build an industry that can help with our economic recovery while also ensuring we insulate ourselves from future economic and unforeseen shocks, such as the global pandemic we are currently facing.

More processing will also insulate us from trade disruptions, and more importantly, create economic growth and jobs for Canadians. We know that by processing even an additional 20% of Canadian crops, such as pulses, canola and wheat, here in Canada, we can add an additional \$12 billion to our national economy every year. I believe 20% is just the start and that we can and should do more.

In order to reach that objective and those of the Barton report, we need to take our ingredient and food processing sector to a higher priority. We need continued and deliberate investment and a plan like the one we have at Protein Industries Canada.

• (1635)

Canada needs to be a leader in science, technology and innovation. We need a regulatory environment that can keep up with the pace of innovation to ensure that our products can get to store shelves.

We need continued access to new markets to build on the brand as a preferred and reliable commodity supplier and to ensure that Canada is a preferred choice for sustainably produced ingredients and food. We need to attract capital investment. We know that in order to reach our full potential and to be able to process more here in Canada, we will need a significant amount of investment to build new processing facilities.

We are starting to see and build momentum. We have seen Roquette build the world's largest wet-fractionation pea processing facility in Portage La Prairie, Manitoba, and Merit Functional Foods' new processing plant in Winnipeg will open in early 2021. As well, Verdient Foods and Ingredion continue to expand and commission new technologies in Saskatchewan.

Protein Industries Canada is working with all of these partners to do its part to grow Canada's processing sector. We must build on the momentum and capture this opportunity for Canada.

We continue to make connections between companies, from processors in the west to food manufacturers in the east and to multinational food companies that are incorporating Canadian ingredients into their global food brands. This work, and more, is what will help grow Canada's processing sector, a sector that's of the utmost importance and one that's a growth opportunity for Canada.

I have had the honour of being involved in agriculture my entire life, from growing up on our family farm in central Saskatchewan to working in seed genetics and crop protection to working in the public service in regulatory and policy roles. I'm very proud to be a part of this sector. This job as CEO of Protein Industries Canada is by far the most exciting, because I'm helping write a new chapter for Canada's agri-food sector, one that helps Canada become a global leader in the production of high-quality, sustainably produced ingredients.

I want to thank you for your time today and for your hard work and commitment to Canada's agri-food sector.

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

We will go right away to our question round.

Mr. Steinley, you have six minutes. Go ahead.

Mr. Warren Steinley (Regina—Lewvan, CPC): Thank you very much, Mr. Chair. I will be splitting my time with Mr. Lehoux for the opening round.

It's good to see you again, Bill. It's nice to have another Regina contingent on the call.

You mentioned two or three times that there needs to be a higher national priority put on agri-food and [*Technical difficulty—Editor*]. Could you elaborate on what you mean by a higher priority, and how this government could show a higher priority on this file?

• (1640)

Mr. William Greuel: When I look at investments in the agri-food sector for the past number of years in Canada, I think we have done a lot at the start of the value chain. That's breeding, agronomy, production agriculture, support for producers through CAP. Those are all good investments and we need to continue those investments, but there is a whole additional side of the value chain, which is ingredient processing and food processing. Further investments at that side of the value chain also comes with incenting private sector investment and with a need for regulatory modernization, which I can speak to, but Dr. Charlebois already spoke to it.

Mr. Warren Steinley: I appreciate that.

Dr. Charlebois also mentioned the need for internal non-tariff trade barriers to be taken down. You mentioned our food is going from east to west. I think we should look at doing a national food corridor.

I know there's trucking standardization and a few other things, but what would be the major internal non-tariff trade barriers that we need to take down to have a more secure food system and to help increase the capacity in processing?

Mr. William Greuel: I think there are a couple of things, maybe not so much for the plant protein sector or the plant sector as much as it would be for the livestock sector and the movement of finished goods. Harmonization of some regulations would be helpful.

I do believe we're in relatively good shape in terms of plant-based ingredient movement east to west for a national food corridor.

Mr. Warren Steinley: Thank you very much.

I have one more question, if I have time. You mentioned access to new markets. Obviously one of our biggest impediments is transportation logistics.

What would we need to do in the coming months and years to ensure that we do have the ability to access new markets by increasing our transportation infrastructure?

Mr. William Greuel: We're going to see a bit of a transformation in the movement of food products and ingredients. Right now it's largely commodity focused. If we fast-forward several years into the future, higher-value ingredients are going to be moving, so that comes with a different look at the transportation system, perhaps through more intermodal trade and other means as well.

At the same time, commodity agriculture and production is increasing in western Canada. Those products will also have to get to market. We can't take our foot off the gas in terms of the current transportation infrastructure and port infrastructure that we have as well.

Mr. Warren Steinley: Thank you very much, Mr. Greuel.

Is that my time, Mr. Chair, or do I have time for one more?

The Chair: You have two and a half minutes left on your time, Mr. Steinley.

Mr. Warren Steinley: I'm sharing with Mr. Lehoux, so Mr. Lehoux can have the last two and a half minutes.

The Chair: Go ahead, Mr. Lehoux.

[*Translation*]

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

Thank you, Mr. Steinley.

My question is for Ms. Ouellet.

Ms. Ouellet, you mentioned non-refundable assistance and amendments that should be made to the regulatory culture.

What do you mean by those two items? What role could the federal government play in taking action on your recommendations?

Ms. Fernande Ouellet: Let's start with the need for capital. One of the biggest challenges for community initiatives is size. By that, I don't mean private projects, but rather cooperative projects such as ours and those we see appearing across the country. The problem is always that the players are so small that, even if they pool all their resources, they can never amass enough capital to start the project and transfer its ownership to the community.

The reason it's so important for small-scale infrastructure to belong to the community is that it has a major structural effect. When a private project runs into trouble and has to be terminated, the major structural effect is ultimately the destructuring of the network. People are forced to adapt very quickly and to try to find solutions in an environment where there are already very few. The structural effect can be preserved where the infrastructure relies on the community, not a private project.

However, who among us has the necessary capital to decide to break the piggy bank and invest in the project so its ownership can be turned over to the community? This is impossible.

The solution would be to have a start-up fund so that we can go further. Then everything's a matter of attitude. From a regulation standpoint, it's a matter of attitude. We need people to view our ability to cobble things together as a strength rather than a threat as regards the health aspect.

• (1645)

Mr. Richard Lehoux: I like hearing you talk about the problem from that angle, Ms. Ouellet, because it's really important.

Earlier you also mentioned land use, and I think that can play an important role.

The Chair: Thank you, Mr. Lehoux. Unfortunately, your speaking time is up.

[*English*]

We will hear from Mr. Kody Blois for six minutes.

Go ahead, Mr. Blois.

Mr. Kody Blois: Thank you, Mr. Chair.

I'd like to start my questions with Ms. Ouellet, just in order for me to have a better understanding. There's no doubt that she did a great job in talking about the need to increase local capacity in smaller abattoirs. Where is her particular organization? Is it a provincial organization? Is this a movement that she was doing in her local community to build an abattoir? I've read in *La Presse* about some of the work that she's done around the Granby area. Can she explain a little more about the role and what exactly she's involved in?

Ms. Fernande Ouellet: Yes, and if you are okay with it, I will answer in French. I think it will be clearer for everyone.

[*Translation*]

We've noticed this need in our community because that's where we are. However, it really applies to all of Quebec. I've also started talking to other communities elsewhere in Canada, and, honestly, they're facing the same problems from sea to sea.

We really have to start looking for network-related solutions rather than just think of small individual solutions here and there. If we had a strategy for dealing with the issue head on and solving the problem of the lack of small infrastructure across the country, we could establish abattoir capacity objectives—based on number of head—and say we're going to respond by building a given number of new abattoirs at various places across country.

If we did it this way, we'd be able to negotiate better prices for equipment and infrastructure, ensure the community's benefit...

[*English*]

Mr. Kody Blois: I'm sorry to interrupt, Madam Ouellet. I have only so much time and I want to ask more quick questions of you.

In terms of when you were building the small abattoir in the Granby area, how did you make it come to fruition? I know that there was about \$300,000, I think, between the Government of Canada and the Government of Quebec to help as seed funding. Was there a co-operative model with many different producers?

For example, in Nova Scotia, we have FarmWorks, which is an organization that helps to bring together a lot of different smaller-capital groups to help build these types of projects. Is there something similar in Quebec, whether it's being run in the community or by government?

[*Translation*]

Ms. Fernande Ouellet: If it was put in place by local governments, it should nevertheless be managed by the community. That's where you can more easily find the labour that decides to invest in their abattoir and infrastructure, since you're providing them with the local organization and a kind of agriculture they want.

If it's done only by the communities, that's something else. In other words, for example, you can't ask regional county municipality to manage an infrastructure facility, but you can ask a community.

[English]

Mr. Kody Blois: You mentioned aggregation. One of the things I hear from my small producers is that they'll get to a certain level, but then there's the ability to aggregate to get to those economies of scale to be competitive. How is that playing out?

I understand that the investment has actually happened in Granby and that you guys have moved forward. Are you selling meat products to retailers, or are you simply doing the processing and sending them back to primary producers?

[Translation]

Ms. Fernande Ouellet: The key to success is that you definitely do not take part in marketing. You have to let people do their own marketing, which promotes the distinctive features of their products.

I would add that we'll never be big enough to maintain stock and operate in markets involving major distributors that can easily trigger price wars that we will lose. It's pointless to venture into those areas.

Being just a service provider is enough to increase abattoir capacity in the regions, and that ensures that the project will continue.

• (1650)

[English]

Mr. Kody Blois: Mr. Chair, do I have about a minute left?

The Chair: You have about a minute and 35 seconds.

Mr. Kody Blois: I'd like to turn the rest of my questions to Protein Industries and you, Mr. Greuel. I've lost you on my screen. Sorry about that.

We've talked about interprovincial trade barriers. Mr. Charlebois mentioned the importance of the superclusters and the investment the government has made to try to promote innovation and bring foreign direct capital here. Can you speak to some of the work and to how you've seen those superclusters—or your supercluster in particular—lead to some of that foreign direct capital or some of the innovation that leads to increased processing here in Canada?

Mr. William Greuel: It's early days still. We're about two and a half years into our mandate, so I can't claim that we're responsible for foreign direct investment. What we're really trying to do is create an environment to attract organizations, companies and multinationals to invest. Helping to de-risk science and innovation investments, ensuring a clear path to market by regulatory modernization and working to understand markets and market access are all areas that are creating the conditions around investments.

What we're seeing is that investments that Protein Industries Canada has made have incented collaborative R and D, bringing new knowledge and new technologies to Canada, and I think that will lead to opportunities for additional foreign direct investment in the future.

Mr. Kody Blois: Mr. Chair, is that the end of my time, or do I have just a second?

The Chair: If you keep talking, that's it.

Thank you, Mr. Blois. That's all the time you have.

[Translation]

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

Mr. Yves Perron: Thanks to the witnesses for being with us.

Mr. Greuel, I'd just like to remind you to hold your microphone firmly if you want to speak later. The interpreter had trouble following you at the end of your speech.

Ms. Ouellet, I'm very pleased to see you again. You talked about vision. That's ultimately what I wanted you to bring to the committee: a different vision. You're proposing something that complements our big abattoirs, something that can be more easily spread across the country. By increasing the number of small abattoirs, we will increase capacity. I just stated your first principle.

Your second principle is non-repayable assistance. How much is required to launch a program like yours? I know your project concerns chickens, but can we consider doing this for grain-fed veal, beef, pork and so on? Can you tell us more about that?

Ms. Fernande Ouellet: It's definitely possible to do it for red meat because Europe and the United States are doing it with mobile slaughtering and slaughtering in micro abattoirs. It's entirely practicable and possible. It seems exotic as we talk about it here, but we're lagging behind what's going on elsewhere.

With regard to regulations, it's high time we started thinking about models such as these and viewing them as complementing the big abattoirs, which, I repeat, are necessary. We need to find, not our place within the big infrastructure facilities, but our own solutions on our own scale. The same is absolutely true for red meat.

As for repayable assistance, we currently need \$500,000 to launch a project such as ours. If we launched 20 projects like it, we could generate economies of scale, and it would cost much less per project.

As regards inspection, if authorization were granted for the facility itself rather than each carcass, we would save even more, and we could more quickly find solutions across the country without putting too much pressure on the resources already deployed by the Canadian Food Inspection Agency, the CFIA.

Mr. Yves Perron: You mentioned regulations elsewhere, the fact that Canada is lagging behind and the fact that we're supporting Europe and the United States.

What's different about regulations in other countries? Is it the fact that they certify facilities?

Ms. Fernande Ouellet: That's indeed the case in France. Instead of certifying each carcass, inspectors inspect practices as a whole and facilities and then issue certification. Then each operator is responsible for complying with its certification.

That's precisely what's happening in certain facilities in the United States, where operators are allowed to do business instead of reserve their production for personal consumption or, in some instances, farm sales. They're even entitled to sell their products directly to restaurants. That happens on a small scale, and authorities trust in operators' intelligence and determination not to kill their clientele, which is usually very bad for business.

• (1655)

Mr. Yves Perron: That's a good point.

Let's talk about traceability. Do you slaughter your own animals? How does that work? You talked about labour and said you didn't have any problems in that regard. However, we've talked to stakeholders everywhere, and everyone says there's a significant labour shortage in the industry.

What's your opinion on that?

Ms. Fernande Ouellet: We haven't started up yet. So we can't say whether we have a labour problem or not.

However, we expect a labour problem will arise, and we have strategies to solve it. For example, we could let farmers slaughter their own animals and be paid for it. In that way, they would be taking part in the entire producer work process. Many of our members have already expressed a real desire to do so.

We have several other strategies to include people in our labour force. For example, we're starting up a slaughter training program on the Brome-Missisquoi campus, which is in the neighbouring RCM and offers butchery training. Students could come and take their course on the job in our abattoir, which would guarantee us new employees with every class.

So there are ways of cooperating, such as this one, that can vastly facilitate the solution to any labour problems we encounter.

I'd like to add that, in other abattoirs, in France, for example, the farmers do the slaughtering work themselves.

Mr. Yves Perron: I see.

As regards regulations, you have federal certification that allows you to sell anywhere.

Ms. Fernande Ouellet: We don't have that yet because we have to build the facilities.

Mr. Yves Perron: But you will have it.

Ms. Fernande Ouellet: Yes, that's correct.

Mr. Yves Perron: So it's possible for small facilities to acquire federal certification, which eliminates interprovincial borders. Several stakeholders have discussed this problem—trade barriers—that they're facing. You won't have that problem, will you?

Ms. Fernande Ouellet: No.

Mr. Yves Perron: As for marketing, you turn all that over to the producers. Is my understanding correct?

Ms. Fernande Ouellet: That's correct. Most of them don't want to be someone else's responsibility in any case. They want to keep that direct connection with their clientele, and we can't deprive them of it. It's one of their great strengths.

Mr. Yves Perron: How many abattoir facilities of this kind would we need to support the Quebec or Canadian market?

Ms. Fernande Ouellet: I think you have to consider a relatively even distribution of a dozen facilities in Quebec.

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

[English]

Mr. MacGregor, go ahead for six minutes.

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

Madame Ouellet, I'll continue with you. I'm very intrigued by the projects that you've brought to the attention of the committee, and I'll tell you why.

I have a small farming property. We raise chickens. My riding is here on Vancouver Island, and we have had the same struggles in trying to find processing capacity. We're very lucky here in the Cowichan valley, because we do have Island Farmhouse Poultry. It has expanded its operations, but it's almost like when you expand a highway: More cars come. It has actually had more customers come as a result of its expansion. Last year, we were forced to take an hour and a half drive with our chickens to find slaughtering capacity.

Your testimony also closely parallels what we heard from Judy Stafford of Cowichan Green Community at a previous committee meeting. She's looking for those kinds of funds to establish a commercial kitchen.

I think what you're proposing here is absolutely applicable to many rural areas in Canada. That's why I'm very intrigued about it.

You've already answered a lot of the questions, so could you give us a ballpark figure of the cost involved in converting one of those sea containers or a mobile trailer to get it up to the standards that are necessary for it to be approved as a licensed facility?

• (1700)

[Translation]

Ms. Fernande Ouellet: In our project, we were surprised not to see any major difference in facility costs between federally certified facilities and others certified at the provincial level. It was surprising because we had expected it to cost more.

As to requirements, when you build facilities seeking federal government approval from the outset, you have to bear roughly the same costs as if you wanted certification issued based on hazard analysis critical control point, or HACCP, and to be subject to provincial inspection. That's not really where you see the difference.

What's interesting—and what we've understood—is that the major challenge that small provincial abattoirs face in adapting and moving up to the next level, federal inspection, stems from the fact that they're already operating in infrastructure that requires adaptations and that their practices also have to be adapted. That step is thus much steeper than if you were starting by seeking federal certification. We think the best way is to start by requesting federal approval. Then you can generate economies of scale.

I think our project is too costly right now compared to what it might cost once we've met all the technical challenges. When we can operate in a network, we'll be able to build not one but 20 abattoirs, which would be scattered across the country. Then we'll be able to achieve economies of scale and reduce both the problem and the costs of installation.

[English]

Mr. Alistair MacGregor: With regard to those costs and the availability of federal funding programs as they currently exist, one that comes to mind is the local food infrastructure fund. Do you have any feedback on that or on any improvements we can make to it? I'm looking for something concrete that we as a committee could include in our report when we table it in the House of Commons.

[Translation]

Ms. Fernande Ouellet: Thank you for asking that question because this is an important point.

When you receive subsidies, you can't exceed the ratios. By that I mean the subsidy amounts received relative to the total cost of the project. The problem is that you have to put up the rest of the funds.

If you receive federal government assistance, it should be considered non-refundable start-up financing. Then you should be able to apply for subsidies without the nature of that start-up financing being taken into consideration. Otherwise you're in trouble because you've exceeded the ratios.

[English]

Mr. Alistair MacGregor: Great. Thank you so much.

Mr. Greuel, you covered a lot of ground in your opening statement and during questions. In our previous panel there was some talk about the advisory services provided to start-ups. I know that PIC is involved in that, because you're helping a company realize its big idea into a marketable idea.

Can you talk a little bit about the advisory services that are so important to companies in helping them get along that path? Is there anything specifically that the federal government can assist with in providing those advisory services to get that idea to market?

Mr. William Greuel: It's really critical, because it's the top of the innovation pipeline. For entrepreneurs to have methods of bringing commercial ideas to market is really critical as companies grow in scale.

Dr. Charlebois touched on the concept of a food tech incubator, and I will hit on it again. I believe it is really critical for Canada. We have a number of accelerators and incubators that would be in what we would call the “ag tech” space. They are probably underserved, but there are places for organizations that are in IoT and information technology and machine learning. There is not a lot of opportunity in Canada for food tech innovation and ingredient tech innovation. I think that's a really important role for Canada to play, especially when we compare ourselves with other—what I would call “innovative”—food jurisdictions globally.

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

Unfortunately, that's all the time we have. This was very interesting. We'd like to hear more. If you have anything, please submit it to our committee and we'll make sure it's included.

Madam Ouellet and Mr. Greuel, thank you for being with us this afternoon.

We'll suspend and then come back for our business portion.

Thank you.

[Proceedings continue in camera]

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