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Chair: Mr. Pat Finnigan



Standing Committee on Agriculture and Agri-Food

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• (1535)

[*English*]

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

Welcome to meeting number 20 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 resuming its study on processing capacity. Today is actually the last meeting with witnesses.

Today's meeting is taking place in a hybrid format pursuant to the House order of January 25, 2021. Therefore, members are attending in person in the room and also remotely, by using the Zoom application.

The proceedings will be made available via the House of Commons website. So that you are aware, the webcast will always show the person speaking, rather than the entirety of the committee. I would like to take this opportunity to remind all participants in this meeting that neither taking screenshots nor taking photos of the screen is permitted.

[*Translation*]

To ensure that the meeting runs smoothly, I'd like to share some rules with you.

Members and witnesses may speak in the official language of their choice. Interpretation services are available throughout the meeting. At the bottom of your screen, you can choose between the floor and English or French. The latest version of Zoom now allows you to speak in the language of your choice without having to select the appropriate language channel.

You'll also notice that the platform's "raise hand" feature is now more easily accessible on the main toolbar if you wish to speak or alert the chair. If this option does not work, I suggest that members and witnesses wishing to speak turn on their cameras and physically raise their hands. The clerk of the committee will keep a list of members who wish to speak. When you do not have the floor, please mute your microphone.

[*English*]

With that, I would like to welcome our witnesses today.

We have, from Fraser Valley Specialty Poultry, Mr. Ken Falk, president. Welcome, Mr. Falk.

Also, from Canards du Lac Brome Itée, we have Philip O'Shaughnessy. Welcome, Mr. O'Shaughnessy.

We'll start with opening statements. We'll start with Fraser Valley Specialty Poultry.

Mr. Falk, you have up to seven and a half minutes to give your opening statement. Thank you.

Mr. Ken Falk (President, Fraser Valley Specialty Poultry): Thank you very much, honourable chairperson and members of the committee. Thank you for the opportunity to speak today.

My name is Ken Falk. I'm a third-generation farmer in Canada. Two more generations are already active on our family farm. Fraser Valley Specialty Poultry produces ducks, geese and specialty chickens in Chilliwack, British Columbia. I'm the vice-president of the Canadian Commercial Waterfowl Producers Association.

We are encouraged that stability, renewal, capacity, competitiveness, and food security are important to government. The Barton report says that bold ideas will improve Canada's economic growth, and being a global food champion tomorrow cannot be held back by how we worked yesterday. Winning requires bolder ambitions, an urgent strategy and a new form of co-operation between the private and public sectors.

Meanwhile, other countries are increasing outputs, often supported by subsidies, with much lower standards, to the detriment of Canadian farmers struggling to compete against these imports or in export markets.

I want to highlight a couple of personal experiences that expose barriers to achieving our objectives.

Barrier number one is that the food sector faces over-regulation, with inconsistent, unreasonable, heavy and even sometimes underhanded enforcement tactics by the CFIA.

In our case, we were wrongfully charged for interprovincial movement of product. Details are in my brief, which I submitted earlier. Charges must be based on evidence, not on mere conjecture, speculation and mistakes. The harm, apparently, that could be done, they said, was monetary losses due to unfair competition. Facing \$52,000 in fines, we spent over \$214,000 in legal fees and five years to clear our name. This has seriously impacted our family, with many sleepless nights and incredible stress. It's been unfair, unethical, unprofessional and disrespectful. My character and integrity were called into question time and again.

They say that this is just a cost of doing business for us. Trust has been destroyed, and they say that now I just need to move forward with a positive attitude. I ask today that you restore our faith in government and make this right. I'm confident that none of you, as our elected parliamentarians, intended that we would be treated this way.

The administrative monetary penalties act and regulations must be changed. Eliminate the kangaroo court that the CFIA operates. Ensure that there is practical recourse. Key defences, such as due diligence, must be available. CFIA staff must be held to account when they get it wrong—not if, but when—or they will carelessly file wrongful charges again. Their cultural norm is to take punitive action instead of using a co-operative approach. We could have solved the situation in minutes. Instead, we spent years fighting. Civilian oversight would bring accountability. The ministers have refused to engage, and the complaints and appeals process is a sham.

We can learn a lot from the things we teach our children: to be fair, empathetic, helpful, trustworthy, respectful and kind. When we make mistakes, we acknowledge them quickly. We apologize and we make it right. Sadly, this has not been my experience with government. This punitive “gotcha” style of inspection must stop. This new co-operation between private and public sectors is possible, but it will require these bold ambitions, as the culture is so deeply entrenched today.

Now we get to barrier number two. Over the past five years, large quantities of very poor-quality ducks have been imported into Canada. The CFIA said they were produced in an equivalent system and weren't required to meet Canadian standards. We strongly disagree. Independent testing revealed how bad the product really was; not one sample tested met Canadian standards. The CFIA's first response was to try to discredit the report.

Labelling was also deficient. To instruct a consumer to warm raw poultry thoroughly before consumption could result in a serious food safety problem. The CFIA said that Canadians will know how to handle raw poultry, yet we know that if one of us had done that, the product would be recalled, and the producer would face huge fines.

Selling prices were well below the cost of production, likely due to subsidies in other countries but also due to lower standards of inspection, workers' rights, wages, animal welfare and the environment. A duck is a duck. They're sourced from similar genetic suppliers, are consuming similar feeds, and are raised much the same. There's no secret formula. The only difference is input costs.

• (1540)

We are held to high standards in Canada, and that's good. We only ask that they be reasonable, that they provide a level playing field and we be treated fairly, and this has not happened. We don't understand why government would knowingly want to run us out of business.

After recent meetings with the CFIA, we are hopeful that this is being resolved, but serious harm has already been done. The waterfowl sector in Canada is struggling, and we fear these inequities will happen again and again.

Here's the irony. We've suffered monetary losses due to unfair competition, but CFIA says they don't consider that. However, that's exactly why they wrongfully charged me in the first place.

If you want stability, renewal, capacity and competitiveness, stop the unfair treatment. Be fair. Support Canada's producers.

A third barrier is access to capital. As a niche market in the poultry sector, we're often overlooked. I'm also a supply-managed producer, so I work with my friends in supply management, only to find that those sectors will be eligible but we're not. We don't have the lobby power, so effectively we're forgotten. We've struggled with lenders, particularly in recent years, with unfair competition and with the treatment by CFIA, all of which have driven margins down to the point that we are barely able to survive. Banks don't lend to struggling companies in the real world.

The impacts of COVID-19 have been devastating for our sector. Duck is primarily a food service product, and as you know, that sector has been decimated. We didn't enter COVID with the cash to survive lengthy shutdowns, so we've all had to cut production and lay off staff. Now we fear that cheap foreign duck will flood into Canada again. Please don't let that happen.

We can supply Canadians with duck while producing a world-class product for export. The same standards and laws that we uphold in Canada must be enforced on all who want to import to Canada, and there must be substantial changes if we are to compete well in export markets.

We need to be supported in our efforts by government in order to be profitable. If you want stability, renewal, capacity and competitiveness, and you want to protect food security, I say rebuild trust. If we can trust one another, the unfairness would not happen, the adversarial “gotcha” style of inspection would finally come to an end and the punitive enforcement would be replaced with co-operation. I ask you to take the lead. It's going to take that urgent strategy, but it will be worth it.

Again, I thank you for allowing me the opportunity to speak today.

The Chair: Thank you, Mr. Falk.

Now we have, from Canards du Lac Brome ltée, Monsieur Philip O'Shaughnessy, for up to seven and a half minutes.

Go ahead.

[*Translation*]

Mr. Philip O'Shaughnessy (General Manager, Canards du Lac Brome ltée): Good afternoon.

Thank you, Mr. Chair and members of the committee.

My name is Philip O'Shaughnessy and I am the general manager of Canards du Lac Brome ltée. Our company began operations almost 110 years ago. We have several farms and two processing plants. Our main site is located in Val-des-Sources, in the Eastern Townships.

I'd like to take the time today to share with you the two biggest challenges facing the company: labour shortages and high production costs.

Currently, the bottleneck for our company is the lack of unskilled labour in our processing plants, mainly at the Val-des-Sources slaughter site. We currently operate our processing centres with a number of employees below the minimum required threshold, which has a direct impact on our production volume. Another effect of this lack of manpower is that many by-products cannot be recovered for sale and are therefore wasted, representing a loss of several hundred thousand dollars annually.

This problem seems to be widespread in slaughter sites. We believe it is much more serious for companies located in the regions, like ours. Indeed, they do not have access to the labour pool of nearby large cities.

We believe that the Canadian government can easily solve this problem by allowing more temporary foreign workers into our food processing facilities. Indeed, with more of these workers, we could quickly increase our processing volumes. This approach, which seems to us to be by far the best solution, has proven its worth in our business to date, both in agriculture and in processing. These workers are recognized as being of high quality and reliability. In addition, they occupy unskilled labour positions that too few Canadians want to work in.

The current limit of 10% is clearly insufficient to meet the needs. With respect to our specific situation, a limit of 30% on temporary foreign workers would be necessary to meet our unskilled labour needs.

The second challenge that we would like to bring to your attention is high processing costs, which are constantly increasing and are undeniably a barrier to increasing our processing capacity. This is primarily related to environmental management costs and animal health and welfare requirements imposed by the Canadian Food Inspection Agency. We are also talking about wage increases as well as the general increase in all other production costs. In our industry, these cost increases are very rarely offset by price increases. In the duck industry, profit margins are constantly decreasing. This situation is a barrier to the development of new markets.

Moreover, in our specific case, we are in a niche market. Canards du Lac Brome must therefore make additional and essential efforts to make its products known and create new consumption habits. This is what has been done successfully by Canards du Lac Brome since the early 2000s, mainly in the retail market in Quebec. In fact, we must face the fact that the North American population consumes few ducks, unlike European or Asian populations. We made significant investments in the past, but the return on investments had been very conclusive.

However, to continue this approach outside of Quebec, we would have to invest far too much money in consumer education through tastings and advertising campaigns. This is now too risky financially, because the return on investment will not be there in this case. For example, products imported at a discount from certain European countries have benefited greatly from our advertising offensives, without having to invest any money in market development. We recommend that the government offer support in target markets and financial assistance for the development of new markets. Promotion of the multiple benefits of duck consumption could be of great benefit to our industry.

In the same vein, we are seeing more and more buyers turning to imported products at lower prices and with lower quality standards than Canadian standards. The agency's Canadian standards are still recognized by the industry as the highest in the world. However, European and U.S. standards are officially considered equivalent to Canadian standards. The high costs associated with the agency's standards, compared to those of the European Union, contribute considerably to the fact that our production costs are sometimes higher than the selling prices in some of these countries. As a result, since the free trade agreements, some Canadian products are at a distinct disadvantage compared to foreign products. Many customers are not prepared to pay the costs related to our standards. These standards are no longer necessarily to our advantage. The fact that we have stopped selling in Japan in favour of other markets is a perfect example of that.

The role of the federal government is crucial in this matter. By reviewing equivalency standards, it will allow Canadian products to be competitive with imported products in our own market.

In conclusion, we recommend the implementation of the following three actions:

- (1545)

First of all, the unskilled labour shortage must be addressed, through the use of temporary foreign workers in particular. Second, we are asking for financial support to enable the development of new markets. Finally, we must ensure that products imported into Canada meet the same standards as those required for Canadian products.

I would like to thank the members of the committee for giving me the opportunity to share with them the challenges our company faces in increasing our processing capacity and competitiveness.

The Chair: Thank you, Mr. O'Shaughnessy.

We will now move on to the question period.

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

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

I thank both witnesses for being with us this afternoon.

We can see that the issues raised by the two witnesses are similar. The issue of labour is also important. Much has been said about the regulations put in place by the Canadian Food Inspection Agency.

Mr. Falk, you tell us that this is abusive regulation. I understand that you have experienced particular problems with the agency.

Other than that, I'd like to talk about the labelling of imported products, which is the same as talking about reciprocity of standards at the entry of products, in my opinion.

Mr. Falk, do you think we should place more emphasis on the reciprocity of these standards?

Mr. O'Shaughnessy, you can also answer.

- (1550)

[English]

Mr. Ken Falk: I can start with that.

Yes, clearly there needs to be reciprocity, both in terms of standards of processing and also in terms of labelling. We saw a number of deficiencies in the labelling coming into the country. In fact, we saw a lot of product that was labelled for institutional or food service use, but it was being sold into retail, so it was not labelled appropriately for the retail market. There really was no recourse for us, because once the product is on the retail shelf, it would require a recall, and the CFIA was not prepared to do that.

Philip, do you have something to add?

[Translation]

Mr. Philip O'Shaughnessy: I agree with Mr. Falk on this.

Once again, it is often a matter of enforcing regulations and applying the same standards to our products as to imported products.

Mr. Richard Lehoux: With respect to reciprocity, you said that the standards that currently apply to products from the U.S. and Europe are considered equivalent to those in Canada, but that, in practice, you are not sure that we have the same standards.

Mr. Philip O'Shaughnessy: That's right. We do our own studies and we have also commissioned independent third parties to do them, and we have indeed found that some products on the market could never have left our plant.

Mr. Richard Lehoux: With respect to labour, you say that the 10% limit on temporary foreign workers is far from adequate. This is not the first time we've heard that. You're asking that it be raised to 30%.

Has this need become more pressing in recent years, or have you been caught in this situation for quite some time already?

Mr. Philip O'Shaughnessy: I know that the industry strongly advocates a 20% limit. It seems to be a widespread demand, because it is a rule that applies to a large majority of companies. For our part, the fact that we are in the regions exacerbates our problem. I've discussed this with people in the industry, and those who are lucky enough to be closer to Montreal have workers who commute morning and night. In our area, we are much too far away for our workers to be able to do that.

It's not a new fact that a 30% limit would solve our problem. It's been around for several years.

Mr. Richard Lehoux: So the issue dates back several years, and that would solve part of the problem.

Does it affect processing plants or production more, or are both affected by significant labour shortages?

Mr. Philip O'Shaughnessy: Our problems are mostly related to processing plants. When you talk about production, I imagine you're talking about animal production, right?

Mr. Richard Lehoux: Yes.

Mr. Philip O'Shaughnessy: This problem was solved several years ago. As you may know, there is no mandatory limit on the amount of farm labour. This problem has been solved once and for all. We have a lot of foreign workers, but it's not the same program as the one for industrial workers.

Mr. Richard Lehoux: In the end, this led to the situation you are experiencing. The problems are mostly related to processing.

Earlier you talked about processing costs. I'd like you to go a little deeper into this subject.

Mr. Philip O'Shaughnessy: Processing costs have increased everywhere.

Earlier, I made a lot of reference to environmental and animal welfare requirements, which have become very important, especially in the last two years. This requires additional monitoring and facilities from the farm to the processing plants. Environmental requirements are much more stringent. From year to year, we receive requests to improve many things.

Of course, there are all the other costs, especially labour costs, which have increased a lot.

However, in the duck industry, prices have not increased.

Mr. Richard Lehoux: You were talking about the issue of animal welfare.

On the topic of reciprocity, do we have similar working methods to the United States or Europe?

• (1555)

Mr. Philip O'Shaughnessy: Many of our people have seen several plants around the world. We can confirm with certainty that practices elsewhere are certainly not acceptable in Canada.

Mr. Richard Lehoux: At the end of the day, this certainly increases production costs.

Mr. Philip O'Shaughnessy: It increases [*Inaudible*].

The Chair: Thank you, Mr. Lehoux.

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

The Chair: Ms. Bessette, you have the floor for six minutes.

Mrs. Lyne Bessette (Brome—Missisquoi, Lib.): Thank you, Mr. Chair.

I thank the witnesses very much for being here today.

My questions will be directed to the Canards du Lac Brome representative. I think I recognize the fir trees and the white building on Centre Road in Knowlton. I don't know if I'm right.

Mr. Philip O'Shaughnessy: You're right.

Mrs. Lyne Bessette: I lived on Knowlton Road for several years and on Oak Street, which is not that far away.

Canards du Lac Brome is a jewel of my region, Brome—Missisquoi. I am happy to hear your comments today. You talked about the labour shortage. We know it's mostly in higher-skilled jobs.

How can the federal government help to attract and train workers for jobs in processing, which may be less desirable?

Mr. Philip O'Shaughnessy: I don't know if I expressed myself well. I was talking about unskilled jobs. I used those words to refer to the employees in our processing chain. Usually these employees don't necessarily have a specialty and we train them ourselves.

We don't have the same problem with employees in slightly more technical or specialized posts. We are not saying that recruitment is easy, far from it. It's very time-consuming. It used to be a lot easier. It's become very complicated for everyone, but we're getting there on the technical or more specialized side.

The difficulty lies more in recruiting production employees.

As for training, we offer it in-house.

Mrs. Lyne Bessette: I see.

In your opening remarks, you also mentioned that labour shortages lead to wasted product. Can you explain this problem in a little more detail?

Mr. Philip O'Shaughnessy: Yes.

Under normal circumstances, when a slaughterhouse is fully staffed, the entire duck is recovered. This includes offal, feathers and anything inedible. In the case of a duck, this includes the tongue and legs. Everything is recovered. When we are short of manpower, unfortunately, we are forced to throw away parts that we could add value to, and that we used before.

Mrs. Lyne Bessette: Here is a small personal question. What do you do with the feathers?

Mr. Philip O'Shaughnessy: Much of them are taken up by the export market for insulation, coats and pillows, among other things. The duck feather is undeniably the best feather there is. The Canadian feather in particular is recognized worldwide as one of the best. It is better than the American feather.

Mrs. Lyne Bessette: This is a feather in Canada's cap.

Committee members heard a great deal about technological innovations during the course of this study. It is known that automation can replace some jobs, but not all.

To what extent can automation be a solution to do the kind of work your company does?

Mr. Philip O'Shaughnessy: As you probably know, in 2016, we were lucky, or unlucky, to have to build a completely new plant with all the new technologies. So we are fortunate to have the most modern plant in Canada and the best processes in the world. These are mainly European technologies. That's how we're set up.

Indeed, if we compare this plant to our former facilities, we can see that there are some very interesting aspects that allow us to reduce certain positions, and so reduce labour use. Nevertheless, this industry is very specialized and involves several operations. In general, there is a lot of manual work in slaughtering, and this will not change.

If we wanted to go further, we would be looking at astronomical sums for a very small market.

Mrs. Lyne Bessette: I see.

You also talked about importing ducks from Europe, whose standards fall under the Safe Food for Canadians Act.

Mr. Philip O'Shaughnessy: Yes.

Mrs. Lyne Bessette: What are your thoughts on the enforcement of this act? Do you think it provides good mechanisms to protect Canadian consumers from the importation of inferior products?

• (1600)

Mr. Philip O'Shaughnessy: In theory, when the law is well applied, it works well. The act is supposed to provide protection to Canadian citizens, both for domestically produced and imported products. There seems to be a problem in terms of the number of resources assigned to manage this. On the sites, many agency staff are monitoring every detail, whereas for an imported product, the same efforts are not being made.

It is not quite reciprocal, because although it is not impossible for us to export our products to the European market, it is much more bureaucratic and much more difficult for us to obtain approvals than it is for Europeans.

Mrs. Lyne Bessette: Okay. I've got 30 seconds left.

Beyond what was discussed, what investment would you like to see to help the processing sector, especially in the regions?

Mr. Philip O'Shaughnessy: As I said earlier, the most important issues in the regions are labour and market development. When it comes to labour, we need to be successful in attracting the type of people we need in our facilities. If the goal is to increase sales in new markets, you need to help niche markets like ours, which are often left to their own devices to try to develop markets from scratch.

The Chair: Thank you, Mr. O'Shaughnessy and Ms. Bessette.

Mrs. Lyne Bessette: Thank you.

The Chair: Mr. Perron, you now have the floor for six minutes.

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

I also thank our two witnesses.

As Mr. Lehoux pointed out, your problems seem to be similar.

Mr. O'Shaughnessy, I'm going to continue with you.

What could be changed to rectify this situation? We've heard several times that imported products do not meet the same standards.

What are some concrete recommendations we could make to the government?

Mr. Philip O'Shaughnessy: On our side, the problem has been going on for several years. Historically, we've had a hard time being heard. That has probably been our biggest problem.

On the other hand, I must admit that the situation has changed a lot in the last few months. We have been put in touch with the president of the Canadian Food Inspection Agency. We were really heard and action has been taken.

The Association des éleveurs de canards et d'oies du Québec, the Quebec duck and goose breeders association, was forced to pay for independent studies. We had to do our own studies. Getting our voice heard and our point of view across was difficult.

Mr. Yves Perron: You're getting into part of Mr. Falk's statement about a relationship of trust. You seem to be telling us that we are in a relationship of mistrust and denunciation rather than a collaborative relationship. But I understand that that is changing.

Mr. Philip O'Shaughnessy: As far as I'm concerned, I can say that there has indeed been a lot of progress. I think the contacts and relationships we have managed to have in the last five months are historic. It's the right thing to do.

Mr. Yves Perron: Have you seen any change with respect to foreign products that are sold in the grocery store, or not yet?

Mr. Philip O'Shaughnessy: Yes, we have seen a change. Of course, there's a particular economic climate right now. There are people in Europe who have stopped their production. Recently, we haven't seen the unacceptable things we used to see before.

Mr. Yves Perron: Good.

Mr. Falk, you don't seem to be having the same positive experience.

Can you tell us a little bit more about your experience which, if I understood correctly, was unpleasant?

[English]

Mr. Ken Falk: By all means.

I've been at this battle with CFIA for over six years. Mr. O'Shaughnessy has entered the scene more recently. Mr. O'Shaughnessy's predecessor, Claude Trottier, was involved in the battle alongside me and members from King Cole Ducks in Ontario.

We saw a marked change several months ago when the president did become involved, and we've appreciated that change, but it took years of battle to get to that point, and it should never take that long. It should never be that much of an issue. There was denial and deflection. They were basically saying that it was produced in an equivalent system, so therefore it's fine. Well, we knew that it wasn't fine, yet there was an attempt to discredit any information we would bring to them.

Yes, my experience is quite different, because it's been such a long, protracted battle.

• (1605)

[Translation]

Mr. Yves Perron: I understand.

I would like to ask you the same question. What would be your recommendations to prevent this from happening again, or to have it happen in a related industry?

[English]

Mr. Ken Falk: In my estimation—and I referred to this point in my presentation—without civilian oversight, I don't see that there's going to be change in the agency. There have to be consequences when things go so wrong, and they have gone wrong for years. There is very much an acrimonious relationship that has built over many years. The adoption of the Safe Food for Canadians Act resolves some of it, but it doesn't resolve the cultural piece, and that's the piece, in my view, that has to change. That culture has to change within government.

[Translation]

Mr. Yves Perron: I see. The organizational culture must change. In addition, more accountability should be demanded as a result of the measures taken.

You both said you had a labour shortage problem. Mr. O'Shaughnessy, you are the first to ask us to increase the limit on temporary foreign workers to 30%. It's funny that you mention it because that was the limit before and it has gradually been reduced to 10%. I often ask this question of witnesses who ask for a 20% limit. I ask them if that's enough and whether we should raise it to 30%. I understood your answer earlier. There is a regional dynamic.

Is that the reason why?

Mr. Philip O'Shaughnessy: Personally, I attribute this to a regional dynamic. I know that for some slaughterhouses, a 20% limit on the number of temporary foreign workers would solve the problem. In my case, I would have the same problems even if the limit were 20%.

Mr. Yves Perron: I see.

With respect to immigration policy, you mentioned in your statement that part of the solution would be not only to welcome temporary foreign workers, but also to keep them.

Do you have any suggestions on this subject? What could we do to help you?

The Chair: Please reply very quickly, because there are only 10 seconds left.

Mr. Philip O'Shaughnessy: Okay.

The obvious solution would be to bring this population to live in the Val-des-Sources region, among others.

The Chair: Thank you, Mr. O'Shaughnessy and Mr. Perron.

[English]

Mr. MacGregor, you have up to six minutes.

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

Thank you to our witnesses for contributing to this study.

Mr. Falk, I'll start with you. It's in line with what Ms. Bessette was asking Mr. O'Shaughnessy. On the foreign imports, most of our competition in terms of duck is coming from Europe, right? Is that pretty much it?

Mr. Ken Falk: Yes, it's from Europe and from the U.S. The challenge with it coming from Europe is that what's coming in is so terribly cheap.

Mr. Alistair MacGregor: In line with that, I wanted to get your view, because I'm very concerned when we don't have reciprocity. If we have high standards here—and you correctly pointed out that we should have faith in our high standards here—and if other countries are not meeting those same standards.... Is the problem in the actual agreement that we signed, the implementing legislation, or is the problem in how it's being interpreted?

I just want to know where we can clearly fix this, because this is definitely under the federal government's jurisdiction and it's something we need to address.

Mr. Ken Falk: We argued from the outset that the legislation really wasn't the issue. The agreement wasn't the issue, because it stipulated that it needed to be as if it were produced in the Canadian plant. The problem was that we do a good job of signing these

agreements, but we don't do a great job of implementing or executing them. Unfortunately, we can quickly become the dumping ground for the world if we're not careful. We need to manage those standards very carefully, and they can't just be equivalent standards on paper. They have to be equivalent standards in practice.

• (1610)

Mr. Alistair MacGregor: By way of comparison, when you look at other sectors in Canadian agriculture that export products to Europe, what kind of scrutiny are they faced with?

Mr. Ken Falk: If a plant in Canada wanted to become EU certified, there is a substantial process for them to go through. If a plant in the European Union wants to be certified to ship to Canada, it's basically a paper-pushing exercise, because we say we've recognized the equivalency of the EU system. The problem is that there are so many member states in the EU, and visits to those plants in the various member states may happen every three to five years, so really the standards aren't necessarily upheld in the individual EU member states.

Mr. Alistair MacGregor: Obviously the problems are quite evident. If we want to develop a significant homegrown processing capacity in Canada, the policies are not being applied equally.

Mr. Ken Falk: That's exactly right.

Mr. Alistair MacGregor: Yes. Okay, thank you for doing that.

Throughout the testimony that we've heard during this committee's study, a lot has been said about the grocery code of conduct. From Fraser Valley Specialty Poultry's point of view especially, have you had any significant difficulties with Canada's large retailers' hidden fees and so on? Do you have any comments on the proposed code of conduct?

Mr. Ken Falk: Yes, I do.

I absolutely would support there being a grocery code of conduct.

We have faced situations when we have delivered product to various of the larger chains. There are challenges right through the process in terms of getting dock times or delivery times. Our trucks end up having to wait one or two or three hours just to drop off a couple of skids of product. It messes up the rest of the delivery schedules.

There are chargebacks and a number of things that we just have to accept if we want to ship product to that store. There's a large imbalance of power that needs to be made right.

Mr. Alistair MacGregor: Absolutely. That's very much in line with what we've heard throughout the study.

Finally, I'll go to the subject of access to capital. You made that as your third key point for barriers. You talked about the struggle that you've had with lenders.

I have had a recent conversation with Farm Credit Canada. They are interested in this area. They were looking for some suggestions about how they could reform themselves, like maybe going a little bit more into venture capital and so on.

If we were to make a recommendation that specifically applied to Farm Credit Canada, what could we give to them that would bring about some substantive change?

Mr. Ken Falk: I think there are a number of areas where lenders in general could do better.

I'm not sure I could even identify one at this point. I'm sorry. I've dealt with Farm Credit in the past, and they're good to work with, although I'm not with Farm Credit at this point.

The process by which we can apply for money is complex and time-consuming. For example, the supply-managed industries have a lot of baseline data that backs up their request for financing. We, in a niche market, don't have that, so lenders have to rely on numbers that we give them. The process is just made much more difficult by that.

Mr. Alistair MacGregor: Okay, great. I think that wraps it up.

Just as a closing comment, I have a few ducks around my farming property. They are fantastic animals to raise. I no longer have a slug problem as a result.

Mr. Ken Falk: That's nice, absolutely.

The Chair: I guess the question is, are they in order? Are your ducks in order? Sorry; I had to say that.

We're now into our second round.

We have Mr. Epp for five minutes. Go ahead, Mr. Epp.

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you very much, Mr. Chair.

When I hear the comment that we use everything of the duck, I won't even ask what we do with the quack. You can make your own comments with that.

Let me start on a far more serious nature. I do appreciate both the testimony and the thoroughness of the briefs. Mr. Falk, your brief to me is very disconcerting, so let me start with some questions there.

In the brief, I understood that you had not received an adequate response from the CFIA. The CFIB has also put a brief in support of your case to us.

Are you aware if the CFIA and the CFIB had any sort of interaction on your particular case with regard to a response from CFIA?

• (1615)

Mr. Ken Falk: Yes, we have. The CFIB asked for and was successful in having a conference call attended by the president of CFIA. That was the first time I was allowed to really present my case fully to the president of the CFIA.

The outcome was essentially what I've written in the brief, which is that I'm now supposed to just move on with a positive attitude. We've been told that this is just one story from our side, and that she could tell many stories of how operators have disrespected inspectors. That may be true. I understand that, but that wasn't my case. I'm not sure why they would be vindictive like that, or how it would justify their actions against me. It makes no sense.

Mr. Dave Epp: Would it be safe to assume that unless the CFIB hadn't become involved, the CFIA would not have given you further attention?

Mr. Ken Falk: That is very likely. Yes, it's very safe to say that.

Mr. Dave Epp: It leads into my next question. We often hear about small business being the engine of growth for our economy across all sectors in Canada. We're talking here specifically about expanding processing capacity. I'm looking for comments from both of you.

I [*Technical difficulty—Editor*] it would be smaller to medium-sized processing facilities to drive growth. Should that come from the large processors or large processing entities? What other sectors of the economy would be more advantaged to concentrate on the smaller, more regionally based processors? Then, of course, the question remains of what you do with CFIA.

Mr. Ken Falk: From my perspective—and obviously I'm a small-to-medium enterprise—I see the backbone of the Canadian economy as these family-owned, family-operated farms and processing plants and so on.

I absolutely value the largest processors. There's absolutely a place for that product. There's also a huge market for that small to medium-sized processor. There's lots of innovation that happens in our plants. There's lots of employment. There are so many plants all across Canada.

What do we do with CFIA? In my mind, without being able to rebuild trust or to build trust, the acrimonious relationship, that “gotcha” style, as I explained it, is going to continue, and that has to change.

Mr. Dave Epp: Mr. O'Shaughnessy, you referred to standards. We're looking to standardize the standards of global back-and-forth, so I'm going to ask you to answer the previous question as well. Can you talk about whether there is a certain standard, or are they just spelled out in the trade agreements?

I'm familiar with Codex in other sectors. Is that the best way to get at some standards that are beyond the purview of CFIA—through a third party that lays them out in a more enforceable way?

[*Translation*]

Mr. Philip O'Shaughnessy: We were talking about large or small companies, so I think it's extremely difficult to answer that question. We see ourselves as a medium-sized company. In fact, a company like ours, in our market, has a lot of potential. We follow all the major trends. So we are a good choice for an investor.

The only comment I could make with respect to standards is that one person can greatly influence relations with the Canadian Food Inspection Agency. Perhaps it is at that level that we should be thinking about standards that would take the human side out of the equation, because the human side of the equation is a source of inconsistency and can make the relationship extremely strained or unfair in some respects.

[*English*]

Mr. Dave Epp: Thank you.

The Chair: We're out of time now. Thank you, Mr. Epp and Mr. O'Shaughnessy.

Now we'll have Mr. Blois for five minutes.

Go ahead, Mr. Blois.

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

I'm going to start with Mr. Falk.

As I understand it, you are provincially inspected, and certainly we've heard some of the challenges you've gone through.

In terms of looking at whether or not you would go to a federally inspected abattoir facility or processing facility, what are some of the considerations that come into play for you in terms of whether or not that goes ahead or whether you would consider moving in that direction?

• (1620)

Mr. Ken Falk: Yes, we're provincially inspected at this point, and we have looked a number of times at becoming federally inspected.

The barriers to that primarily would be financing, meaning access to capital. However, probably as great a barrier as that is the complexity of the system of CFIA's rules and regulations. It's burdensome. As a smaller processor, we have to comply with all of the standards that the largest processor would comply with.

I'll put my product up against anybody's product, be it federally or provincially inspected, but the process for a provincially inspected plant and a federally inspected plant is different. It's not better and not worse; it's just different.

We look at the provincial system as being truly much more outcomes-based. We know the federal system wants to be outcomes-based, but I'm not sure the CFIA understands what "outcomes-based" means.

Mr. Kody Blois: In your brief, you mentioned that the Canadian Commercial Waterfowl Producers Association had produced a report, and you highlighted some of the summary. Is that something you can submit to the committee? I think it would be of interest to committee members. Do you have access to that, and can you provide it to us?

Mr. Ken Falk: I can submit the entire report to you for sure, yes.

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

I want to go to Mr. O'Shaughnessy.

[*Translation*]

What is the situation regarding ducks in Canada? How many processing plants are there? How many ducks are processed there each year?

Mr. Philip O'Shaughnessy: For broiler or lean duck, the Canadian market has three or four big players. We're the biggest, or almost the biggest. We're talking about 3 million birds a year.

Mr. Kody Blois: Where do you send your by-products? To Canada, or elsewhere? Since this study is looking at opportunities to improve agricultural processing in Canada, there may be an opportunity here to process these by-products in Canada.

Mr. Philip O'Shaughnessy: Apart from feathers, which are exported, all other by-products are sold in the Canadian market, and

there is a demand for them. Since we're not able to meet that demand, these by-products are currently being imported.

[*English*]

Mr. Kody Blois: I'll ask this one in English just because I'll probably be better in clarity.

You mentioned some of the rules and regulations. I take notice that the European Union sometimes has what I'll call very good non-tariff trade barriers to create detriment and challenge in being able to get products to Europe. Can you outline for the committee what some of those differences are? Obviously, as you've mentioned, there's a larger consumer market in Europe. There are larger economies of scale, I would suspect, in Europe with their producers. What explicitly would we be looking at to try to close that gap and create that parity for Canadian producers?

[*Translation*]

Mr. Philip O'Shaughnessy: First of all, there are certainly differences from one country to another in the European market. One or two countries have particular concerns, which are also found throughout the European Union. There are big differences in relation to animal welfare. Secondly, there is a need to look at the quality of the product, which may involve its safety. These are elements that are raised in the report we discussed earlier.

Mr. Kody Blois: Thank you, Mr. O'Shaughnessy.

The Chair: Thank you, Mr. O'Shaughnessy.

Thank you, Mr. Blois, as well as for your efforts in French.

Mr. Perron, you have six minutes.

• (1625)

Mr. Yves Perron: Thank you, Mr. Chair.

Congratulations, Mr. Blois; you're getting better.

The government launched the Emergency Processing Fund. However, it ran out of money. We were contacted by companies that had applied and started to invest, but were ultimately unable to improve their processing activities.

Mr. O'Shaughnessy, I don't know if you needed it since your plant is relatively new.

However, Mr. Falk, perhaps you could talk to me about this and tell me, for example, whether there should be more money added to the fund and whether you have had any needs.

[*English*]

Mr. Ken Falk: If I recall, that fund was \$252 million. I think that's the one you're referring to. I think that was taken up within days or within weeks at most. I think applications were made by probably all of our companies, and we didn't receive anything through that fund. It's unfortunate. That fund hasn't been replenished, from my understanding, and it would have been good had it been replenished.

Let's say it's more than a day late, and for sure a dollar short, and maybe a bunch of dollars short. It could have been many times that, and I think we might have actually accomplished what we set out to accomplish.

[*Translation*]

Mr. Yves Perron: When it comes to innovation and facility improvements - which the committee heard a lot about—several witnesses told us that the main challenge was access to capital to upgrade their facilities, remain competitive and have flexibility.

Do either of you, Mr. O'Shaughnessy or Mr. Falk, have any specific recommendations for the committee to make to improve this aspect?

[*English*]

Mr. Ken Falk: Philip, please go ahead.

[*Translation*]

Mr. Philip O'Shaughnessy: We're on the same page when it comes to automation support. As I said earlier, we're at a level where we're talking about large sums of money, costs that our industry can't absorb because we don't have a lot of players. So we need very targeted support in that regard.

Mr. Yves Perron: Do you think something could be done about research and development? We were told by people in the academic community that the facilities were relatively outdated for these activities.

Mr. Philip O'Shaughnessy: There would indeed be a lot to do in research and development. I think we can boast of being leaders in the market, but there's still a lot to be done in this industry and it comes back again to the question of access to funds.

The Chair: Thank you, Mr. O'Shaughnessy.

[*English*]

Now we'll go to Mr. MacGregor for two and a half minutes.

Mr. Alistair MacGregor: Thank you, Chair.

Mr. O'Shaughnessy, I think I'll turn to you with a question along the same lines as the one I had for Mr. Falk during my last intervention. If you want, maybe you could even expand upon it.

It's really just about the difficulties that were expressed, such as the struggle in finding access to capital. We've also heard a lot about the strategic investments that could be made by the federal government to help our processing sector. If we were to look at a federal Crown corporation similar to Farm Credit Canada to be in

the business of being a lender and if we looked at specific recommendations we can make for how it operates, does it need to take more of a chance or explore different sectors with greater vigour? Is there anything you can add to that for our report, please?

[*Translation*]

Mr. Philip O'Shaughnessy: The market offers great opportunities. Our product has a lot of potential because it meets all trends, especially in health and dietary diversity. However, as I said in my statement, it would be costly to develop our industry if we are the only ones to invest. It would be unfair to have only one player investing in the industry when all the others would just take advantage of it and answer the phone. When we talk about investments, it would be good for the government to be involved so that everyone can benefit.

[*English*]

Mr. Alistair MacGregor: Thank you.

Mr. Chair, I think I'll just leave it there.

To both of our witnesses, thank you for your contributions to our study.

• (1630)

The Chair: Thank you, Mr. MacGregor.

That will wrap up our panel portion.

To Mr. Ken Falk, from Fraser Valley Specialty Poultry, thank you for coming here today and telling your story.

[*Translation*]

We would also like to thank Mr. O'Shaughnessy from Canards du Lac Brome Ltée for his presence here.

[*English*]

With that, I would remind the members that we'll have to switch off and then come back for the in camera portion of our business session. You have your password and everything, so I'll suspend the meeting and we'll log off and come back in camera.

Thank you so much, everyone.

[*Proceedings continue in camera*]

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