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Chair

Mr. Paul Steckle

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**●** (1535)

[English]

The Vice-Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): I call the meeting to order at this time.

The chairman has just arrived. He was presenting some reports in the House, and that took a couple of extra minutes.

I'll now defer to the chairman.

The Chair (Mr. Paul Steckle (Huron—Bruce, Lib.)): Thank you very much for getting this meeting under way, Vice-Chair. We had a bit of a delay following our question period today, because of ministers' statements. In order to accommodate the reports, we had to stay back.

This afternoon we have with us the Honourable Andy Mitchell, Minister of Agriculture and Agri-Food, who has been with us before. He is here this afternoon to speak to us in regard to the current status of CAIS and other farm income issues. That takes in a whole broad range of matters.

I believe you're going to be here with us for the first hour, Mr. Mitchell, and some of the other people will remain with us for the second hour. We're going to open the floor to you to do your presentation, and I'm sure we'll have some questions for you.

Hon. Andy Mitchell (Minister of Agriculture and Agri-Food): Thank you very much, Mr. Chair.

Let me thank all of the committee members who are here today. I would just take a moment to compliment the committee. It has done a lot of hard work over the life of this Parliament, and I want to take an opportunity to thank you for that work. For all the producers who are watching, I'd like to thank you on their behalf as well, for all of the work that you've done.

I don't have to tell the folks at this committee that we are operating in what is a challenging and complex environment for producers and public policy-makers in respect of agriculture and agrifood. It is something I know each one of us, regardless of our political stripe, is dedicated to address and something for which we are dedicated to working toward resolution.

As the chairman mentioned, today we're going to talk a little bit about business risk management, the CAIS program, and I suspect perhaps some other things, as well. However, let me begin by just making an observation about something I know we all are aware of but that I think is worth making.

Business risk management payments by governments are at record levels today. The reality is that last year they came in around \$4.9

billion. For the first six months of this year, they're at \$3.4 billion. But that's a double-edged sword, so to speak. That sends two messages. On the one side, it sends the message that governments are in fact working to respond to the economic challenges that are faced by our producers, and that's a good thing. But there's another message in those numbers, and one that I think is just as important for us to address, and it is that the ability for our producers to earn a living from the marketplace is being impaired. Those payments are being made because they're having challenges in the marketplace in making sure they can earn their income that way.

I think—and I suspect I share this with the committee—that it's imperative, as government, that we address both of those important issues: making sure that we have effective business risk management programs, but also that we deal with the underlying and structural issues that need to be addressed in agriculture. That takes a multi-disciplined approach, one that really has to try to work to achieve three objectives, which I know I've outlined to this committee before, and which I, the department, and this committee are in fact working very diligently towards.

The first one is very straightforward, and that's to create an environment that allows producers to earn a living. The reality is that if somebody can't earn a living farming, they're not going to farm. If they're not farming, that's not just a problem for themselves and not just a problem for rural Canada, it's a problem for all Canadians. It's an important public policy issue that all of us need to address here in this place and right across the country.

As well, we need to ensure that we have policies that continue with the profitability of the agrifood sector and allow it to continue to make what is a significant contribution to the Canadian economy. Some 8% of our GDP comes from agriculture and agrifood. That's significant. It's a major contribution to the wealth of all Canadians, and we need to work hard to make sure that can continue.

And thirdly, we need to work hard to ensure that we can maintain the sustainability of that network of communities that exists primarily in rural Canada, that supports or agricultural industry, and for that matter, Mr. Chair, our other natural resource industries.

So as we undertake policies, I think it's important for us to keep in mind all of those things.

There are a number of things we need to deal with, Mr. Chair. One of them has to deal with the whole issue of wealth being generated by agriculture and agrifood, and making sure that wealth is distributed along the value chain. I know that's an issue this committee has grappled with. It's an issue that my parliamentary secretary, with his report, has worked on. It is something we dealt with as federal and provincial ministers at our last federal–provincial meeting, in Kananaskis. And at the next meeting we're going to be having in Saskatchewan later this month, we will deal with those issues through what is commonly called the transformative change agenda.

#### **●** (1540)

Secondly, Mr. Chair, it is important to deal with the issue of international trade. In my view, it is essential that we have a rules-based trading system, one that creates a level playing field for Canadian producers right across the board. That's why the negotiations that Canada is engaged in at the WTO are so critical for our agriculture industry, Mr. Chair, whether we're dealing with the elimination of export subsidies, the reduction of domestic supports by our trading partners, increased market access, or making sure Canadian producers continue to make choices about the domestic marketing machines and that we have the flexibility that allows them to make their choices, whether that means a supplymanaged choice or something else.

It's also important, Mr. Chair, that we build on the traditional Canadian advantage, and that is that we are an innovative, creatively based industry, one that has consistently been one step ahead in the international marketplace. That's something Canadian agriculture is known for around the world, and that's why I believe the initiatives we've undertaken—and are in fact in the process of doing right now in terms of our science review—are critical. We need to be able to give our producers those kinds of tools.

The fourth item is the issue you've called me here for, Mr. Chair, and that's the issue of business risk management. Regardless of how successful we continue to be on those other issues, business risk management is going to be part of the agriculture industry. It's a different type of industry from what you may see in a traditionally based manufacturing or technologically based set of industries. It's cyclical in nature. That's its reality. There are challenges that are faced from time to time that create significant fluctuations in income. Having business risk management programs that deal with those is important, so there's no question that we need to continue to emphasize them.

There need to be a number of components to that program, and right now we do have a number. We have the CAIS program, Mr. Chair, which, in payments in its second year, has paid out \$2.3 billion to date to producers across the country. In and by itself, it needs to have a complementary program, our production insurance program, which I think most producers right across Canada see as an effective program, one that is cost-shared by the provinces, the federal government, and by producers. Last year alone, governments paid something in the order of \$600 million to support our production insurance.

We have our advance programs, Mr. Chair, in respect of ensuring that we can provide our producers with liquidity so that they can more appropriately choose to market their products. Following up on a budget commitment to expand that program, I announced new legislation so that it now will cover livestock and begin the process increase the eligible amounts that producers can in fact access.

Mr. Chair, there's also the issue of targeted programs. We've had to have targeted programs. For instance, in respect of BSE, we tried to deal with the disruption to the marketplace caused by a closed border. This past spring, Mr. Chair, we provided \$408 million to grains and oilseeds producers across Canada, and I think that was an important investment that was undertaken. However, Mr. Chair, it's important to realize that it isn't simply one particular initiative, but a combination of initiatives that deal with the issues that our producers face.

Mr. Chair, specifically on the CAIS program, one of the things—and we've talked about it before here at this committee—is the importance to make sure that it is a dynamic program and not a static program, one that can respond to the issues and the needs of producers, and one that can respond to the issues that are brought up by producers. It's why I have three different structures, all made up of producers—whether it be the CAIS committee, or the APF review committee, or the national safety nets committee—providing ongoing input about how we can make the program as effective as we possibly can, and to suggest changes that should be made from time to time.

As you know, Mr. Chair, a number of those changes have already been put into place. We changed the cap, the total amount that can be paid under the program. We moved to covering negative margins under the program. We've included special advances that have been made under the program. At Kananaskis, ministers agreed in principle that they would eliminate the deposit requirement from being part of the program.

## **(1545)**

We also intend to introduce a targeted advance program so producers can receive money closer to the time when they're experiencing loss, and don't have to wait until the following year. We have also proposed changes in eligibility for negative margin cover for producers.

In addition to that, ministers asked officials to come together and work with the industry to look at some additional changes. One was how we value inventory. I know this committee has discussed that at great length, and it is an issue of extensive importance to our producers.

What is the linkage between CAIS and production insurance, and how should that be formulated? There's the whole issue of margin calculations and the best way to calculate margins.

This committee has also talked on a number of occasions about a suite of administrative changes to work toward simplifying the process by which producers apply for the program.

So that's a bit of an update, Mr. Chair. I'll be happy to entertain questions on business risk management, or some of those broader issues we talked about.

#### (1550)

The Chair: Thank you, Mr. Minister.

Also at the table we have Christiane Ouimet and Danny Foster. They are here to respond to questions.

Mr. Bezan is sharing his time with Mr. Miller on the first round. We're going to start with five-minute rounds.

Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you, Mr. Chair

I just want to pass on to the minister and you, Mr. Chair, that Diane Finley, our agriculture critic, is unable to attend today. She sends her sincerest regrets.

I just want to talk about CAIS in my part of the questioning, because it has become a real lightning rod out on the prairies in dealing with the disasters we've had. First was the drought in 2002. Then in 2003 we had the drought and BSE. This year in Manitoba we've had significant flooding and excess moisture, which has really limited the ability for farmers to get a crop off in southern Manitoba.

Essentially, we have a cash advance in the CAIS program and it was enhanced. But I'm fearful, as are many producers, that they're going to get money out of the program and then it's going to be clawed back later in the year after they file their year-end returns. We've seen it happen with BSE. How can you call it a cash advance and disaster assistance when you are given money by the government that you have to turn around and give back at the end of the year?

There's real injury out there, real hurt, and we have to make sure CAIS is not the vehicle to use for disaster relief. We should be doing it in other means and manners. I just want to get your comments on that. Essentially, you covered off some of the other things I had. So there are the ongoing CAIS problems. We've had a CAIS review, but we still haven't seen the results or any feedback on how that review's going, to really see what type of program we're going to have after we go through that review and make the modifications that suit Canadian agriculture.

**Hon. Andy Mitchell:** Let me try to answer all of those. I'll try to be brief; this is always an issue when I'm with a committee.

Number one, in terms of advances, to my understanding, there isn't a problem with the vast majority of advances. The money is advanced, they do their claim in the following year, and usually there's additional money that's owing. That's why it's really important for us to make sure that we have the right methodology in calculating those advances, so that we try to minimize any type of overpayment. We will continue to work on that very, very closely.

There is an ongoing debate on whether you combine within one program both income stabilization and attempts to address disasters. When we're trying to deal with some of the changes in CAIS, it's being driven by exactly that issue.

I think it's important to remember that CAIS is about dealing with the result of something. When you have a drought, CAIS deals with the impact, or loss of income. When you have a closed border, CAIS deals with the impact of that, or the loss of income. There are some causes you can deal with proactively, but with drought it's very difficult. You may be able to deal with some of those in the long term with some major infrastructure investments. With other issues, for

instance those in respect of the border closing as a result of BSE, we were able to have complementary programs that dealt directly with some of the causes, as well with part of the result—and we continued to do that through the CAIS program.

So we're working very diligently to respond to producers. That's why we have the CAIS committee and APF review committee and NSNAC committee, so that we can have an ongoing set of inputs from producers about what's working and what needs to be changed. I think the evidence is that we've been quite willing to address the suggestions that are made, and have made a number of changes, and are quite prepared to make sure that the program evolves over time.

• (1555)

The Chair: Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): First of all, Mr. Minister, thanks for coming here and answering our questions.

You just mentioned something in regard to a question I was going to ask, that in the case of a border closure, CAIS was there to cut the loss of income. Well, there are a number of things on which CAIS didn't work very well, and one of them has to do with the border issue, as I indicated. It has to do with Holstein breeding heifers, for example. There's still an association that says that over 90% of their producers in that line of livestock never got one cent out of it. So have you made any changes or proposed any changes that would deal with it?

I think there are a couple of other questions, but that's one, anyway.

**Hon. Andy Mitchell:** Certainly that's an issue. You make a good point, Mr. Miller.

Beyond that, we've been successful or able to regularize the trade in cattle under 30 months of age. But I think it's important to realize that there's some additional work we need to do: we still need to deal with the issue of cattle over 30 months of age, and we do need to deal with breeder animals. We continue to work very closely with the United States on both of those issues to try to get increased regularization of trade.

In terms of the breeders associations, we announced some money at the end of June, I believe it was, to try to provide them with some assistance in terms of marketing. I will take a look at the specifics in terms of the CAIS program. I believe that some of the work that we did on both the TISP and FIP should have had an impact on those producers as well, but I'll make sure that we give you a complete analysis on the range of programs, and on exactly how they impact that sector.

The Chair: Thank you very much for that good question. It's affecting a lot of ridings.

Mr. Bellavance.

[Translation]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you, Mr. Chairman. I have several questions, as does my colleague, Mr. Lapierre.

Thank you, Minister, for your testimony here today.

As you know, we do not look very kindly on the CAIS Program because it was imposed on Quebec. There was unanimous opposition in the province to this program when it was first introduced.

As of April 2005, only one third of all program applications submitted in Quebec in 2003 had been processed, which means that many farming enterprises have yet to receive a single penny since the program's inception. What is the current status of the program?

We also know for a fact that the committee is looking into the catastrophic situation of grain farmers. U.S. subsidies are causing problems. I've met with some farmers in my riding to discuss this matter. They are asking the government to rectify the situation and to see to it that the CAIS program takes into account the distortions resulting from U.S. subsidies in particular. What do you have to say to farmers about the current situation?

Réal also has a question for you.

[English]

Hon. Andy Mitchell: I'm at the disposal of the chair.

[Translation]

Mr. Réal Lapierre (Lévis—Bellechasse, BQ): Thank you for coming here today, Minister.

I represent a predominantly agricultural riding. I don't have to tell you that mad cow disease had a major impact on farm revenues.

Firstly, can you tell me if the program brought in to counter the effects of BSE will remain in place as long as is needed? Secondly, once the crisis has passed, will these program funds be diverted to other programs? The latter question was put to me by breeders of animals with high genetic value. They were wondering about the amount of money they could be receiving.

[English]

The Chair: I have to tell you that half of your time has expired, so you have two and a half minutes to answer the question.

**●** (1600)

**Hon. Andy Mitchell:** Those are a lot of questions to answer in two and a half minutes, Mr. Chair, but let me give it a shot.

First of all, I think there were a couple of issues. On the grains and oilseeds side, I think it's absolutely essential that we deal with it on two levels. One, as I mentioned at the beginning, is in terms of income support and what's being provided. Those producers do have access to CAIS, and as I mentioned earlier, we provided an additional payment from the federal government in April to grains and oilseeds producers. The majority of the money flowed shortly after that, and I think the last payment under that will flow some time in the next couple of weeks. So we understand that.

But you're absolutely right that one of the issues is that we have to deal with this in a broader context, having to do with our international trading system. It's really critical for us, as we go through these WTO negotiations, to get a meaningful reduction in domestic support levels from our trading partners, particularly the United States. I think there's a general acceptance that some of their programs are causing a depression in price through creating an oversupply in the marketplace, so it's not just a matter of dealing

with the income side—although that's very important, don't get me wrong—but we also need to try to deal with one of the causes. That's why I mentioned the rules-based system at the beginning of my comments.

In terms of the BSE situation, we've provided funding in the province of Quebec through a number of different vehicles. We've provided it in respect of the CAIS program. There have been payments that have gone directly under both FIP and TISP to these producers, including the specific ones that you've mentioned. We've also provided some access by dealing specifically with older animals —and Quebec has taken us up on that offer and is utilizing that. We will continue to work to support our producers for the period of time that's required.

Our ultimate objective, of course, is to reopen the border for older animals and breeder animals, which has to be the solution to this. But we've been there for producers in the past on this particular issue, and we will continue to be there in the future.

The Chair: Thank you, Mr. Minister. That was well timed, but I won't tell you by how much you were over time.

Ms. Ur.

Mrs. Rose-Marie Ur (Lambton—Kent—Middlesex, Lib.): Thank you.

Thank you for appearing, Mr. Minister. It's always a pleasure to have you at committee.

In your opening remarks, you indicated that changes have been made to the CAIS program, including providing coverage for negative margins, increasing the cap, eliminating the deposit, etc. Are those actually in effect? Which seven out of ten provinces have to sign? Has this occurred?

Hon. Andy Mitchell: On which one? I'm sorry.

Mrs. Rose-Marie Ur: You had indicated that the changes included covering negative margins and increasing the cap—

**Hon.** Andy Mitchell: Yes. Those changes have actually been subject to an amendment agreement, and they are in place. The change in the cap is in place, and the original intent to cover negative margins is in place.

What isn't in place is our expansion of the eligibility to take advantage of negative margins, by allowing you to have another year of negative margins. That one has been agreed to by ministers, but still needs ratification. So negative margin coverage is in place, but expanding the eligibility for negative margin coverage still needs to be the subject of an amendment agreement.

Mrs. Rose-Marie Ur: Okay, thank you.

I believe the program has been changed, so that producers can withdraw all of the funds in their CAIS accounts. If that's so, what percentage of farmers have done that?

Hon. Andy Mitchell: I will ask the officials to get that—

Mrs. Rose-Marie Ur: While Mr. Foster is looking at that, I have another question, as we've got to make use of all this time.

You had also indicated that you're looking at simplifying the program and improving its delivery, which is vital to our farmers. What are your proposals for simplifying it?

**Hon.** Andy Mitchell: There is some stuff that seems fairly straightforward, like pre-populating the forms, so if you're going to send it out to a producer, you know who you're sending it to. There's a whole set of information on the form that can already be filled out; there's no need for the producer to do it. This is to get a better harmonization between the CAIS financial requirements and the income tax financial requirements and to just have the one item.

Those are the kinds of things we're working on to make it as simple as possible for the producer. I'm very cognizant of the importance, not only of providing the program, but doing it in a way that is as straightforward as it can possibly be for producers.

There's a balance to it. On the one side, it's public money and you have to have a series of accountabilities, but on the other hand, I think it is incumbent upon us to try to be as creative as we possibly can be in making it straightforward.

Let's be honest: our producers are busy in their operations. They don't want to be 18 or 19 hours a day in the field and then spend the last five hours doing paperwork. They've made that very clear to me.

**●** (1605)

Mrs. Rose-Marie Ur: I agree with you.

With respect to CAIS, you're well aware that some commodities, grains and oilseeds, fall outside of CAIS. It's just a devastating situation out there for grains and oilseeds farmers.

You're looking at companion programs. Are you looking at a companion program that would perhaps bring them into the fold and would address their terrible commodity prices?

**Hon. Andy Mitchell:** Let me just clarify that. I'll let my official jump in if I do this wrong.

Grains and oilseeds producers are eligible for the CAIS program. They would go through the same type of process in terms of determining their eligibility. The issue is the extraordinary situation they face with lower commodity prices and how you respond to that. That's in part why we provided the \$400-plus million in April. It was a recognition of that.

They continue to meet those challenges. How we continue to support that sector is something we're examining very closely. As I mentioned in the answer to a question, one of the basic things we need to do is to get that international trading system, so we have a rules-based system in the reduction of those domestic supports, and so we don't see commodity prices being driven into the ground. That's something we need to work diligently on from a Canadian perspective.

They are eligible for the program, and they have been drawing from the program, but there is an issue of how to deal with the very significant challenges they're facing right now.

The Chair: Very, very short....

Mrs. Rose-Marie Ur: At present, we certainly have people planting corn. But last weekend I met with several farmers, and one

right after the other stated that they can't afford to plant corn this coming year because of the prices.

It's imperative that we move as quickly as possible to generate something for our grains and oilseeds people.

**Hon.** Andy Mitchell: You're right, and that's why we had the program and why we will continue to support them.

One of the things we've historically done as the federal government is to respond to the needs of our producers. Quite frankly, over time, those needs have been different. We've had to face a BSE situation, we're facing low commodity prices, and we've faced droughts. The Canadian government has been there for our producers.

The Chair: Thank you very much.

We're turning to Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson.

I'm pleased to be here filling in for my colleague, Charlie Angus.

I don't pretend to be an expert on all agriculture-related matters, but I am familiar a bit with some of the concerns raised by folks in Manitoba, and also some from Saskatchewan, about the CAIS program.

I want to first raise the general concern, which I know has been raised by our Minister of Agriculture in Manitoba, and that is with respect to affordability and the inclusion of trade-related issues and disaster assistance under the CAIS program. I understand that means a 60-40 split, which is a burden on provinces like Manitoba at times when they are hit with serious disasters, like the flooding we've had.

Is this under active consideration for you? Is there any chance that Manitoba and other provinces in similar circumstances could have their concerns about affordability addressed through some adjustments in the program and some rearrangement of issues in more appropriate areas—for example, by moving farmlands disaster assistance to a general disaster assistance program so there would be more support from the federal government to provinces like Manitoba?

That's the first question.

Hon. Andy Mitchell: Let me address that in a couple of ways.

First of all, I think it's important—and I know everybody in this room knows this—that agriculture is both a federal and a provincial responsibility. Both governments bear a responsibility in respect to supporting agriculture.

On the CAIS program, or APF in general, not just the CAIS program, there was an agreement signed by the provinces and the federal government that detailed exactly the contribution levels for each government. That agreement will come up for renewal at some point in time. I suspect there will be a number of suggestions on how that can change, both in terms of what would be covered, and the provinces may have issues they want to raise in terms of cost-sharing.

With respect to assistance, the federal government has in fact from time to time been there with programming to provide support to our producers where the provinces have not provided that support. The federal government has from time to time done exactly that.

In terms of the situation in Manitoba, we have worked with the Manitoba government in trying to deal with some of the issues they face. Some of our standing programming deals with that. Under production insurance, the excess moisture component is paying out to producers. For those who weren't even able to get on the land to put in a crop, and for those who were able to get on the land but the crop was destroyed, the normal stream of production insurance has been able to assist them. One of the things we did—and we worked with Manitoba—was very quickly get the advance up to 75% so that money could get into the hands of producers now, while they were experiencing the difficulty, as opposed to later on.

So there have been a number of initiatives on that. I worked with the agriculture minister from Manitoba in respect to those issues and others.

#### • (1610)

**Ms. Judy Wasylycia-Leis:** You clearly understand the impact in Manitoba of some very serious conditions this past year. You know that we had a very wet winter followed by excess rainfall this year, 2005, which led to about 1.5 million acres not being seeded, one million acres of seeded land being flooded out, and so on and so forth. I could give you the whole litany of concerns we're hearing about from Manitoba farmers.

Vis-à-vis Manitoba, has there been any movement on your part in terms of a Manitoba proposal around land restoration involving green cover and drainage, and other initiatives to bring land back to its productive capacity? It was in the middle of September that I think the Manitoba government approached you on that proposal. I understand that you haven't agreed to it yet, but I'm wondering if there's been any movement.

Secondly, because I may not get another chance—

The Chair: Your time has expired and the minister has had no chance to answer your question, and I'm sure you want to hear the answer

## Ms. Judy Wasylycia-Leis: Okay.

The only other question was what the feeling is about the agricultural proposal for Canadian agriculture equity programs. So those two programs.

**Hon.** Andy Mitchell: Very quickly, our primary initiative in Manitoba right now has been those programs I talked about. There are specific programs in place to deal with some of the issues that producers have faced. The production insurance is designed to deal with the flooding. The CAIS program is designed to deal with going beyond that, the kinds of income losses.

You're right, the minister and I have had discussions: okay, it's one thing to deal with the impact, but let's look ahead and see what we can do to try to prevent this type of thing from happening in the future. And we are continuing to have those discussions with Manitoba. They go beyond simply an agricultural side, because they also involve the broader issues of infrastructure and the types of

infrastructure that are in place. It's a broader discussion than just agriculture.

On the equity, we've put that in place. It came on stream about three weeks ago. It is accessible now.

The Chair: Thank you, Mr. Mitchell.

Now we turn to Mr. Ritz and Mr. Anderson, sharing.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Thank you, Mr. Chair.

Because of the long-term historic declines in grains and oilseeds, western farmers are really at a disadvantage. I looked at some stats: a New Brunswick average farmer is getting more than \$100,000 per claim out of CAIS, and Saskatchewan farmers are down at around \$27,000, for the ones who are eligible. But there is something you can do about that.

One of the things that's happening is that CAIS is using the Canadian Wheat Board initial prices to value inventory. Because the CWB is a government-legislated agency, the cabinet sets the level of those initial prices. This year they're so low that they're killing people.

The Wheat Board has asked for the change. Farmers have asked for the change. We're asking for it. Your officials have said that the initial price should be considered the fair market value at the end of the year because that's what a producer would get if he or she were to sell the grain at that time. But that's facetious, because we can only take one price, which is the price set by the Wheat Board, which is the price set by cabinet.

What are you prepared to do about that?

# **●** (1615)

**Hon.** Andy Mitchell: Mr. Anderson, that's a broader-based discussion that I know you've engaged in since at least as long as I've known you to be in this place, and it's your view of the impact that the Canadian Wheat Board has on the marketplace. I think that's part of it

The whole issue of how we deal with inventory and how it's set has been an in-depth discussion that's taken place by the CAIS committee. They're making a number of recommendations to us as governments on exactly how we ought to do that. Specifically on part of your question, I'm quite prepared to have a discussion with my colleague, the president of the Wheat Board, who has the direct responsibility for that. But in terms of inventory there has been really a significant in-depth discussion about that. One of the challenges in dealing with inventory—and I know members around this table are aware of this—is that although over the long term the option that you choose should level out over time, whatever option you choose in the short term is going to be advantageous for some and not for others. It's also going to have a different impact as to whether you are in a situation where prices are increasing or whether prices are declining.

So there's a great deal of complexity in dealing with the whole way in which you relate the inventory evaluation in the CAIS calculation, but I'm quite prepared to deal in detail with your issue.

The Chair: Our next speaker is Mr. Ritz.

**Mr. David Anderson:** I think there's a good argument to be made for market value on those products.

Mr. Gerry Ritz: Speaking to the review that is finally under way, do you have any idea of the timelines—and you can actually give us this later—on the report from that review, then how long it will take to develop recommendations, and then of course ratification? You need seven out of ten provinces. I'll leave that with you to develop a timeline so that I can get back to my farmers.

The question I would ask, though, is I've still got producers who are in 2003 appeals that haven't been adjudicated yet. Of course that's affecting their 2004 and their 2005 and everything else. It's a complete domino effect. It's a negative effect that's hitting them really hard. The year-end has been jerked around on us. It ends up in the middle of harvest and now you want 2006 to be in seeding. On June 30 we're still busy spraying and so on. I can't understand why you wouldn't go to something like a crop year-end. Inventory values would be easier to handle. Why not go to something specific like that? Of course, using the initial prices and with a decent crop that we've had in the west this year, everybody would like to see the reference margins go up a little bit. But of course they're going to get thrown out with the five-year Olympic average, because we've only had one good year and initial prices are terrible.

There's some real concern out there that it's great to have this review, but it's going to get there in the nick of too late and be several dollars short.

Hon. Andy Mitchell: Let me answer that in a couple of ways. First of all, I think we've demonstrated pretty clearly we're not waiting for the review to be completed before we're undertaking changes. There were three specific changes that were put in front of ministers in July in Kananaskis, and ministers agreed that they make good sense and that we will proceed on them. They're in the process of getting a ratification of the amending agreement. That includes the elimination of the deposits, something I know you were much in favour of. It has to do with expanding the eligibility for negative margins, and the whole issue of having a targeted advance program that is designed to get the money into the hands of producers far more quickly. Again, I know It's something this committee has asked for.

We're not waiting until we get a final review out of the APF review committee. We're working on those changes on an ongoing basis. In addition to that, the CAIS committee is making some additional changes, which we will take up as ministers within three weeks at our next federal-provincial meeting to take a look at some of the suggestions that are being put forward. I agree with you, I don't want to wait until the never-never plan. There are issues that need to be dealt with right away, and we are dealing with them.

On the 2003 CAIS amendments, I will get back to you. I want to review exactly where we stand on that. I will, if you don't mind, Mr. Chair, table a letter to the committee. I think it's a critical issue that's brought forward, and I will give it my direct attention immediately.

• (1620)

**Mr. Gerry Ritz:** And when you're talking about changes, will they be retroactive then?

**Hon. Andy Mitchell:** Generally speaking, they have not been. They have been going-forward issues.

The Chair: Mr. Smith.

Mr. David Smith (Pontiac, Lib.): Thank you very much, Mr. Chair

Mr. Minister, thank you very much for being here today.

My questions will go for my riding. I represent the riding of Pontiac, situated ten minutes from here. We have beautiful farmland. We have farmers who believe in their region and they believe in their country. What they'd like is a possibility of selling their beef. The BSE programming is very important for these farmers. Last week I had the pleasure to meet 250 of them in a hall in Shawville, and they have a project that would be a new slaughter capacity.

Can you just share with us a short overview of the possible programs that would be available for these farming communities?

**Hon.** Andy Mitchell: Certainly there are a number of them. First of all, and I say this every time, probably to the irritation of the committee, it is dependent upon a good business plan and a sustainable proposition coming forward. So that's number one.

Number two—and I take it from your question this would be a producer-owned operation—there is a loan loss provision program that will provide up to 60% support for dead capital. There is also a provision to assist with the equity contribution that producers may want to make, where we have a program that assists with the producers actually making their equity contribution. This is over and beyond simply the loan loss reserve. In addition to that, depending on the type of technology, if they want to use state-of-the-art technology, particularly in the area of tracking and tracing, there's assistance that can be provided in that respect. As well—and I don't know how far advanced these folks are—in terms of trying to prepare a feasibility study over the business plan, we also were able to provide some assistance in that respect.

So there is a suite of programs that can be utilized to assist them in their objective of getting a regional slaughter capacity built in that area

**Mr. David Smith:** There are available funds in every one of these programs.

Hon. Andy Mitchell: They're all funded, yes.

Mr. David Smith: So there are available funds. We also have the MRC des Collines, which is the Chelsea area and seven other municipalities. We've prepared an organic farming study to offer new products, innovation. We've seen our large markets.... Up to 80% of the products come from the U.S.A., from California. Are there available funds to support the farming community in innovating and creating new products and new markets with organic products?

Hon. Andy Mitchell: Without getting into the specifics, without having seen the specific proposal, obviously one of the objectives of APF is to encourage the agriculture policy framework, to encourage innovative approaches. I would be happy to take a look at the proposal and to examine it and find ways that may be available to us to assist. Obviously, and I said that in my opening comments, making sure that we have an innovative industry, one that's ahead of the curve, has to be one of our objectives. So I would be happy to work with the organization to see what kinds of matches we can find within our programming.

Mr. David Smith: Thank you.

Thank you, Mr. Chair.

The Chair: Moving to the Bloc, Mr. Bellavance.

[Translation]

**Mr. André Bellavance:** I'll simply repeat the question. I understand, Minister, that you can't possibly answer all the questions fully in two and a half minutes.

I pointed out that as of April 2005, only one third of all applications for CAIS program funding received from Quebec had been processed. I asked you to give me a status report and I wanted to know what you intend to do to improve this situation.

[English]

**Hon. Andy Mitchell:** The figures that I've been provided would indicate that for the 2003 program-year there was a receipt, and we're talking just about Quebec here, of 22,644 applications, of which 21,972 have been processed. Those are the figures we received. I believe well over 95% now, in respect to the 2003 year, have been processed. I would be happy to provide you with even more details in that respect.

In respect to the CAIS program, as I'm sure you're aware, four of the provinces deliver the program themselves. Six provinces have the federal government deliver them. Quebec is one of those provinces where the program is actually delivered by the province, and then the province has a system of how they in fact do it. Those are the figures. I would be happy to try to refine those even further for you.

• (1625)

The Chair: Mr. Anderson.

Mr. David Anderson: Thank you, Mr. Chair.

I have a couple of questions. You mentioned WTO talks and trade talks. I'd like to talk to you about CAIS and its compliance, whether it's compliant with WTO or not. I understand one of the reasons you're funnelling what you can of the disaster component through it is to try to keep it as green as possible. I'd like to know how much of it is green. What are you being told? How much of that program may end up being amber? What are the consequences of that?

**Hon. Andy Mitchell:** In terms of the future, it's very difficult to provide a concise answer, because that's going to depend, in part, on the outcome of the negotiations that are presently being undertaken. Part of the discussion at the WTO is in fact how you define the various boxes.

There needs to be, in my view, a very significant discussion, for instance, around the blue box proposals that are out there and what

would constitute that. Canada has made some suggestions in terms of what a green box ought to look like and some of the changes that ought to be made in respect of that.

I'll ask Danny this: for the 2003 year, for instance, do we have the breakdown between what would have been considered green and what would have been considered amber?

Mr. Danny Foster (Acting Director General, Business Risk Management Program Development, Department of Agriculture and Agri-Food): I don't have it.

Hon. Andy Mitchell: We will get it for you.

Mr. David Anderson: Can you deliver that to the committee?

I guess my concern is, I know they're discussing the boxes but I don't think they're discussing major changes to them. I'm wondering, from your perspective, what are you being told about the program as it's presently designed?

**Hon.** Andy Mitchell: It depends. If it's a disaster component, which is a loss greater than 30%, it would be considered to be green. Other than that, it would be an income stabilization program and would be considered to be amber. That's my understanding of how it works right now.

We can make those calculations. We have to do those calculations in any event, because we have to report out as to adhering to our WTO obligations. The caution that I put is that we are in the process of negotiating a new agreement, and the boxes will be part of that.

You're right, some countries are really anxious to have that discussion, and there are some that aren't as anxious to have that discussion. That's part of negotiations.

The Chair: Mr. Miller, one short question.

**Mr. Larry Miller:** Mr. Minister, we've had these talks before—and it's come up today—about the CAIS not addressing a disaster program. I know I asked a question along these lines last time you were here.

I know back in November last year we had Mrs. Komarnisky—I hope I have pronounced that alright—state that basically CAIS meets producers' requirements for stabilization and disaster. It wasn't too many minutes later that we had the secretary, who totally disagreed with that. I have those comments.

I guess what I was referring to that day was that there seems to be a culture within some of the staff that it addresses all these things. Has that changed within the ministry? Does your staff understand that basically it doesn't cover the disaster part of it, in a lot of the

Hon. Andy Mitchell: In my view, part of the problem is trying to have that discussion with a common frame of reference. In terms of whether there is a disaster in the sense that in a given year a drought exists or a flood or whatever and there's an appreciable decline in income, yes, the CAIS will deal with that disaster. The issue becomes more complex when the impacts are being caused by something that lasts over a period of time. You may have a flood one year and a drought the next year and then a border closing, things that are short-term in nature but all come one right after the other. That puts a certain strain on the program because things have happened in an unexpected way, one right after the other. That's part of it.

And then there's the issue that what's happening isn't something that is temporary but rather long-term in nature; there's a structural issue, and that's not something that would generally be dealt with through a CAIS program. That's something I spoke to in advance, that yes, it is important to have your business risk management programs and to have that support, but we also need to deal with some of the structural issues. For instance, if part of our analysis—and I think most people accept this—is that low commodity prices are the result of domestic support regimes that exist elsewhere, it's important that we deal with the structural issue through the WTO trade negotiations.

It in part depends on exactly what it is that you're discussing. The bottom line is, though, whatever it is, I'm determined as the Minister of Agriculture—and I know, from working with this committee, that all of you are determined—to provide the kinds of support to our producers they need. That's both in the short term—that's why we're at record levels of payments—but also in the broader sense of dealing with some of those structural issues. I know that each member of this committee feels it incumbent upon them to do that, and I certainly feel that as the minister.

**•** (1630)

The Chair: Thank you.

Mr. Eyking, for the last question.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair. I'll make it quick.

Thank you, Andy, for coming.

Is there a rough number of how much we help our producers per bushel from your department?

**Hon. Andy Mitchell:** We can certainly extrapolate those figures. We can tell you very quickly how much from our support programs flows to grains and oilseeds producers, and then it's just a matter of doing a mathematical calculation. We'd be happy to do it.

I'll just say that it's important that as we address this, we address it on both sides of the equation, in terms of helping producers on the income side as well as in terms of the structural problems, such as what you're involved in through another part of your role, the international trade side.

Hon. Mark Eyking: That's bringing down the subsidies.

The Chair: Thank you very much.

You mentioned early in your comments, Mr. Minister, that the issue of homeland support for agricultural subsidies is a serious issue, one that's impacting what is happening in rural Canada today. As you well know, we use the term "risk management" rather loosely today. In the sense farmers today have raised that issue, they're looking at it as a replacement for what was at one time in Manitoba, Saskatchewan, B.C., and of course Ontario the GRIP program, which they feel is a third leg to the stool that would make this work.

I'm wondering if there's been any work done in the department, given that there has been a sort of model put forward as to how risk management might apply for grains and oilseeds. How much money would be diverted from the CAIS program currently to flow through the risk management side or the new, proposed replacement of GRIP, MRI, the market revenue insurance program?

I think it's imperative that we come quickly to the table with some proposal. We have to recognize that countries aren't going to quickly come to a conclusion in terms of what the final subsidy numbers are going to be in the U.S. and Europe, and we have to come to the table or we're not going to have farmers on the land next spring. It's as simple as that.

I've talked to you privately about this, and I'm just simply, for the record, putting it out there that farmers are in a crisis mode this fall like we have not been in Canada probably for the last hundred years. I'm just encouraging you to think about all these things, how we can make the third leg of the stool work and how that might impact. In terms of total dollars the impact might not be as great as we think, but at least let's have something that delivers on time.

That is where it's at today with a lot of our farmers.

• (1635)

**Hon. Andy Mitchell:** Mr. Chairman, I think you made some very important points. One of them was that the situation faced by large segments of our industry is very serious and very significant, and nobody should try to underplay that.

There are parts of the agriculture industry that are doing very well and we've seen recovery in some of the areas, but there are other areas where there are real challenges and we need to deal with those. We need to determine what the best approach is to do that both in the short term and in the longer term for some of these structural issues.

Many of the producers, Mr. Chair, who have talked to you obviously have talked to me, and one of the things I can say about producers with a great sense of pride is that when they come and see me, it's with ideas; it's with suggestions. Look at the CAIS programs and the kind of changes we've been able to put in place. In many respects those are producer-generated ideas. One of the hallmarks of the industry has been, at least in my time as minister and I suspect long before, a desire to work with government and parliamentarians to try to design programming in a way that can be as effective as possible.

So I hear exactly what you're saying, Mr. Chair, and it's incumbent upon all of us, certainly me as the minister and all of us as parliamentarians, to address the issues as they face our industry today.

**The Chair:** We are in unusual times; probably never in history have we had eight or nine consecutive years when we've hobbled from one disaster to another. That's what we've just got through. Of course, for a minister it must be difficult, and certainly for this committee it's been a challenge.

Thank you very much for appearing, for being as challenging as you've been, and for being as forthright and as accommodating also, I must say. Thank you very much; we do appreciate it.

While you take your leave, we'll go on to other things. I have another matter I want to talk to my committee about while you do that

Hon. Andy Mitchell: Thank you.

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

This is a matter I think most of us are aware of. Notice has been given of the nomination of John Core as chairman of the Canadian Dairy Commission, and there's a deadline for consideration of this matter before the committee. Given that it is an appointment we have the opportunity to vet, we have some choices. Do we want to waive consideration of the nomination—he is the current chair—do we want to adjourn this matter, or do we want to call the nominee to appear before the committee? Those are the options.

Mr. Gerry Ritz: He's already started the job.

**The Chair:** He's done the job for one term, yes, so it's a renewal of his mandate. We need to consider this before November 28.

We do have a full agenda. We'll have to do extra meetings if we want to accommodate this in a meeting.

Mr. Miller.

**Mr. Larry Miller:** Is there any reason for us to believe that the producers he represents don't want him there?

**The Chair:** I haven't received any such information; maybe someone else has. I'm just doing this because we have agreed to do this. These matters come before the committee.

Yes, Ms. Ur.

**Mrs. Rose-Marie Ur:** Mr. Chair, the NDP supports his appointment, if that's anything.

Mr. Larry Miller: That's basically what I was asking.

**The Chair:** Do we have concurrence that we waive consideration of the nomination?

Some hon. members: Agreed.

**The Chair:** The other matter is that the minister has just left us but we want to have him back again. We have to consider the estimates. I believe those have to be considered before the end of November.

I'm wondering, because we've asked him to come and talk about WTO negotiations, whether we could do that meeting as one meeting, have both WTO negotiation considerations and the

estimates at the same meeting. Would that be possible? Perhaps we would have to extend the meeting for half an hour.

**Mr. Gerry Ritz:** Mr. Chair, the meeting for the WTO is scheduled for when?

**The Chair:** We don't have a definitive date, but we do have to have the estimates done by the end of November or thereabouts.

**Mr. Gerry Ritz:** If tying them together gets the minister here quicker on WTO, then I'm all for it, but I would not want to circumvent the WTO meeting for the estimates, as important as they are as well. I think it would take a three-hour meeting or something like that.

**●** (1640)

**The Chair:** Well, we have to do the estimates. If it means prolonging WTO, which gets us into December, we may not be able to do that. I'm just wondering whether we could consider doing both at one time, even if it means extending the meeting.

Mr. Gerry Ritz: Fine.

The Chair: Do we have consensus on that, that we try to accommodate...?

Yes, Mr. Miller.

**Mr. Larry Miller:** All I'd like to say, Mr. Chairman, is that both issues are obviously very important. If we can deal with the two issues in three hours, that's okay, but I don't want to take away any of the time allotted for WTO.

I guess this is an important part in the cycle of discussions for all agriculture producers. I think there's a lot of information and details about the WTO that we don't know, as a committee, and I don't want to take away from that. As long as we can do them and not jeopardize that time, I'm okay with it.

**The Chair:** We may have to call an extra meeting. We may have to do a Thursday meeting or something like that.

Mr. Larry Miller: I would sooner do that.

The Chair: Allow the chair and the clerk to try to work it out.

We will move into the next segment of our meeting. We have with us, of course, Mr. Foster continuing and Susie Miller, who is Acting Assistant Deputy Minister, Farm Financial Programs Branch. Again, we are continuing on with the work that we've been talking about, the CAIS program and other associated programs that make up assistance to farmers.

Are you on, Ms. Miller or Mr. Foster? Is there a presentation you have to give, or are you ready to take questions?

Ms. Susie Miller (Acting Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food): We're ready to take questions.

**The Chair:** Okay. Let's see where our rotation takes us. Let's begin with the Conservative side.

Mr. Gerry Ritz: Thank you, Mr. Chair.

Welcome again, folks. We have new people in different chairs. Congratulations, whether you consider it an upward movement or only a hotter seat you're in. The minister made a statement in his presentation a little while ago, and I couldn't agree with him more—that doesn't happen very often, I tell you—in which he said it's producers' ideas for substantive changes to CAIS that are improving the program. I'm plagiarizing his words a little bit, but that's the basic line he used. I think, then, it's even more incumbent on us as a committee and you as government officials to consult more with the farm groups before we entrench these rules and regulations that basically cost us time and add to the stress and strain and financial concerns out there.

Where I'm going with this is there was a first round before CAIS was reinvented, and the safety nets review committee in meeting after meeting said, "No cash deposit, No cash deposit, No cash deposit." Then that was completely left aside and you went ahead and did a cash deposit. So how can I have any faith in this next review process, or how can farmers have any faith that what they actually say and put forward will be used, when it's not an open process?

#### **●** (1645)

Mr. Danny Foster: We consult constantly with the committees that the minister referred to in his presentation—specifically, the national CAIS committee, which now has 22 producer members on it, the National Safety Nets Advisory Committee, which has industry representation from the major industry groups, as well the APF review process. As well, we meet with all the commodity organizations on an ongoing basis. We're not always going to agree with what the industry suggests, but I think it is incumbent upon us to say why we cannot move in the direction that in some cases meets the suggestions that are coming forward.

That being said, I think the safety advisory committee itself and the national CAIS committee would acknowledge that we have moved on suggestions from those groups in terms of changes to the CAIS program. It's not always going to be 100% saying this is what industry has advised and recommended, but I think we have to come back to them and explain why we couldn't go there, what the limitations were, what the principles were.

So I think we're very open in our consultations with industry. This week, on Monday, I had a meeting with the National Safety Nets Advisory Committee. A week ago—October 20, October 21—we had a meeting with the CAIS committee. Recently I met with the Canadian Cattlemen's Association. So we meet on an ongoing basis and there is dialogue and feedback in terms of their suggestions.

#### Mr. Gerry Ritz: Good.

I asked the minister about these changes that are coming, because there are files still open back to year one of the CAIS program, and it wouldn't be that hard to make some of these changes retroactive. When you look at the actual bottom line of moneys that have been delivered, it's actually under-delivery of what's been allocated. So there still is money in the program to address some of these changes, if they were made retroactive. Are you considering that?

**Mr. Danny Foster:** First off, maybe I should deal with the underdelivery of money. For 2003, we're over \$1.4 billion being paid out under the CAIS program. If you take what the target was in terms of \$5.5 billion over five years, on a nominal basis you'd be looking at, on average, about \$1.1 billion a year.

Mr. Gerry Ritz: Federal money.

**Mr. Danny Foster:** That's total money. There are other programs, so federal money we're over the \$1.1 billion, well over for the first year of the business risk management envelope. For the second year, it's going to be the same thing. So we're running above the targeted spending for the business risk management envelope.

**Mr. Gerry Ritz:** Well, 2005 doesn't look any better than 2003 or 2004 did.Then we're going to run out. What do producers do then?

**Mr. Danny Foster:** I think it's more what government is going to do in response. We have a demand-driven program; we've said that from the beginning. But we do have pressures on the BRM envelope.

Mr. Gerry Ritz: I'm looking at your chart we just got; it's updated to the end of October and it's helpful. Would it be possible to get a running tally of provincial breakdown as well, percentage of producers who are applying, not only those who...? This shows me who is accepted but it doesn't tell me who is applying. That would give me a year-by-year percentage of how many more producers are coming on stream. Are we actually gaining a little bit here, or not?

You don't have that particular flow chart. I think it would be very interesting to see. Are we starting to make some headway somewhere in here to build on those successes, or are we not? I know the BSE is a glitch in this as well. As far as I'm concerned, it should have been a totally separate thing from CAIS, because it didn't deliver it anyway.

**Mr. Danny Foster:** We can provide to the committee the number of producers who actually applied to the program and what level of coverage they're seeking.

The Chair: You're out of time, Gerry.

Mr. Danny Foster: We can provide those statistics.

Mr. Gerry Ritz: Thank you.

The Chair: Mr. Foster, you will provide those numbers, is that okay?

Mr. Bellavance.

[Translation]

Mr. André Bellavance: Thank you for answering our questions.

Approximately one year ago, representatives of Quebec's Union des producteurs agricoles testified before the Standing Committee on Agriculture and Agri-food. At the time, they outlined their priorities in so far as the Canadian Agricultural Income Stabilization Program was concerned. I'd like to share some of their proposals with you, to see if any progress has been made in the interim.

Specifically, the UPA called for the impact of international subsidies to be evaluated on a yearly basis so that the reference margin can be adjusted fairly and equitably. We discussed this subject earlier with the minister.

Have changes of this nature been made to the CAIS Program?

[English]

**Mr. Danny Foster:** No, we have not adjusted the reference margins to take into account trade injury, if you will. There was representation from the UPA in Quebec as well. There's been representation from producers in Ontario asking for some form of assistance, whether it's adjusting reference margins under CAIS or a separate program to compensate producers for the impact of foreign subsidies.

In fact, at the National Safety Nets Advisory Committee that we attended on Monday with industry, they have formed a grains and oilseeds working group to look at this issue, to provide advice to our minister—they're a federal advisory body—in terms of possible strategies, long-term, because I think what we're looking at in terms of the grains and oilseeds sector is a long-term issue, but obviously you need short-term approaches to get you to the long term. I guess you would be talking about a business risk management type of programming.

So we haven't done anything to the CAIS program per se in terms of adjusting, but we are looking at the issue, obviously, for the reasons the minister enunciated earlier.

The Chair: Mr. Lapierre.

[Translation]

**Mr. Réal Lapierre:** Given the diversity of Canada's agricultural industry, couldn't the federal and provincial government find a way to manage funds earmarked for agricultural in a more flexible manner? For example, couldn't federal-provincial assistance be decompartmentalized based on the regions and on the type of farming activity? Is this formula a feasible option?

● (1650) [English]

**Mr. Danny Foster:** One of the fundamental principles under the agriculture policy framework was to take a whole farm approach and treat producers equitably across the country. There is flexibility in programs, like the production insurance programming that's offered in each province. For CAIS, the rules are the same. Basically a producer in Alberta, facing the same circumstances as a producer in Quebec, will get the same level of compensation.

There is nothing to prevent provinces from doing something above and beyond those core programs, the CAIS program production insurance and cash advances. Fundamentally, what ministers have agreed to, both federally and provincially, was to have a core set of programs consistent across the country.

The Chair: Are you finished, Mr. Lapierre? Okay.

We move to Ms. Ur.

Mrs. Rose-Marie Ur: Did you get the numbers on the question I'd asked?

Mr. Danny Foster: Yes, I did.

I don't have the number of producers, but in June 2005 there was \$605 million in CAIS accounts. As of today, there's \$221 million in CAIS accounts. Probably part of the reason we still have the \$221 million in the accounts is that ministers announced their intention to eliminate the deposit and replace it with a fee in July. At the time, we said if we don't come to an agreement the fee would come into place

March 31, 2006. I suspect a number of producers are leaving the money in there until they get the formal announcement the deposit is gone, and we're looking at a fee for 2006. It has gone down dramatically, but we still have \$221 million left in the accounts.

Mrs. Rose-Marie Ur: Thank you, Mr. Foster.

Also, I've read somewhere along the way that 150,000 producers have joined the program for 2005.

**Mr. Danny Foster:** I think it's a little less than that, but we can confirm. The number has increased, I know that for a fact. I think we have increased from in the neighbourhood of 136,000 to 139,000 for the first year to the last number I thought I saw, which was about 148,000 producers signed up for the 2005 program year, protecting in the neighbourhood of \$10.5 billion in reference margins.

Mrs. Rose-Marie Ur: When you had indicated several meetings were sitting and having hearings—and I know some of the individuals on some of those committee hearings—the biggest complaint I have is they don't take into account, especially producer representatives on some of those committees, the timeframe in which they call those meetings. People farm; that's how they try to earn their income. I think we should try to be a little more cognizant of the time we call those meetings.

Mr. Danny Foster: We've heard the same complaint. When we regularized the CAIS program, as we had with the NISA program, we scheduled regular meetings outside of harvest in the busy time. The pressure right now is we need to make improvements to CAIS, and we know we have ministers meetings coming up. We've tried our best to work around harvest time, and harvest ran a little later than normal this year.

We're very much cognizant of the pressure on producers. At the same time, most producers are saying yes, we've got to get on with this, and we want to be involved in providing advice to ministers for these recommendations, so we're willing to make some sacrifices. It's fully acknowledged that the last couple of meetings haven't been at the best time for the producer members.

Mrs. Rose-Marie Ur: Also, Mr. Foster, I can't understand why we went this route. Perhaps you can explain it to me. Why did we increase the cap from \$975,000 to \$3 million? How many more farmers benefited by that kind of move? I find that is a really high number, and I don't understand the logic behind it. Maybe you can explain it to me.

Mr. Danny Foster: That is a good question.

I think when we were discussing raising the cap initially, we were looking at some fairly large livestock operations that would have been severely cut back in terms of assistance under the CAIS program due to the effects of BSE. There are larger operations; it's just the nature of agriculture. I think we're looking at about 5% of the producers generating 44%, or something in that neighbourhood, of agriculture production. If we're not adjusting to reflect reality in terms of growth in the operations, then CAIS is not going to be responsive in terms of providing that protection. It doesn't limit the protection available to the smaller producer.

Mrs. Rose-Marie Ur: Okay, that was my next question.

Mr. Danny Foster: No, it doesn't limit their protection at all.

Mrs. Rose-Marie Ur: Thank you, Mr. Chair.

• (1655)

The Chair: Okay, we move on to-

Mrs. Rose-Marie Ur: Sorry, I have one more question. This is actually apropos.

One of my constituents had called me, and I said Mr. Foster would be before us at committee and I would ask him this question directly. This gentleman has been audited by the Agricore auditor. Is there any appeal process after that audit is done?

**Mr. Danny Foster:** Yes, there is an appeal process. I think Ontario is just in the process of actually setting up their appeal body. We're a little further ahead in provinces where the federal government delivers.

Mrs. Rose-Marie Ur: So what would this gentleman do?

**Mr. Danny Foster:** He would have to contact the Agricore Corporation and file an appeal.

Mrs. Rose-Marie Ur: Well, their answer to him was that an audit is an audit, and that's it.

**Mr. Danny Foster:** I'd have to look into the specifics. The program in Ontario is delivered by the province.

Mrs. Rose-Marie Ur: Thank you. The Chair: Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

How much time do I have?

The Chair: You have five minutes.

**Ms. Judy Wasylycia-Leis:** Five minutes. Well, let me start with a straightforward question.

The minister just said that he had approved an equity initiative three weeks ago. Could you tell us what that is?

**Ms. Susie Miller:** This is to assist producers who are investing in processing facilities. I believe Mr. Smith had asked a similar question earlier. It is designed to assist in the construction of ruminant slaughter facilities.

**Ms. Judy Wasylycia-Leis:** Okay, let me stop you there, because I think the minister was responding to another equity issue rather than my question.

My question had to do with affordability and the equity proposal put on the table by all provinces, in agreement with a formula pertaining to changing the formula when a farmer drops below the margin of 50%. I understand all provinces have agreed to a formula that would require the federal government to jump in at 100%. There has been no response from the minister, and I'm wondering where that's at.

Mr. Danny Foster: We'd have to ask the minister, but there was discussion in Kananaskis when the ministers met—specifically, a proposal made by Alberta on cost-sharing. One of the elements of that proposal was that in the catastrophic tier of coverage, the federal government would pick up the full cost of filling that gap. So that rests with the minister for discussion with his colleagues. As he said,

I think, later this month they will be meeting, so I suspect that will be back on the table.

**Ms. Judy Wasylycia-Leis:** Well, I'm wondering if it will be on the agenda of the next federal-provincial ministers of agriculture meeting—at the end of November, is it? Because this is a major outstanding issue pertaining to the kind of crisis in the farming sector that the chair has referenced. It is one of the unanswered, unattended issues on the table around CAIS and the APF generally.

My understanding is that there hasn't been much of a response from the federal minister or the federal government around affordability issues and programs to take into account the fiscal capacity of a province, especially in the event of unanticipated natural disasters and environmental concerns, such as flooding, such as frost, and especially in cases where the fiscal situation of a province doesn't allow for that province to take advantage of the straight 60-40 split.

So I guess the question is, where is the federal government at and where is the federal minister at in response to that all-provincial proposal for an equity program that actually has the federal government jump in when a farmer drops below a 50% margin?

**Mr. Danny Foster:** I guess the best way I could answer is that it's still under consideration by the minister. I think the point, from a federal government standpoint, would be that we're there. From a producer standpoint, in terms of what the program requirements are, the federal government is paying its 60%.

As the minister said, it has come up with \$1 billion in 2005 and \$1 billion in 2004 that wasn't cost-shared by provinces. So above and beyond the 60-40, the federal government has already been doing what you would call an ad hoc or supplementary program that's not cost-shared with the provinces. But in terms of the cost-sharing issue, that's still with the minister.

• (1700

The Chair: You have one minute. Have you finished?

Ms. Judy Wasylycia-Leis: Well, no.

I would like to get a sense from Mr. Foster about this whole issue of affordability. We didn't get much of a chance to talk about it. Maybe I ate up too much of my—

The Chair: You were giving too much history.

**Ms. Judy Wasylycia-Leis:** It's important. I think people need to understand just how devastating the situation is in Manitoba and Saskatchewan. We are talking about a horrific problem, the likes of which we've never seen. It's a crisis that has to be addressed quickly.

I'm not an expert in this area, but I don't feel this question of affordability is truly being addressed. Why can't we separate out disaster assistance and trade-related issues? Whether we're talking about commodity prices, tariffs, BSE, or flooding and other environmental and natural disasters, why can't we find a way to separate that out from the CAIS program, so that there's a better balance in terms of the federal government's response to a provincial need?

The Chair: Your time has expired. I'd like Mr. Foster to give you an answer.

Can you give her a short answer? I think maybe you've already given it.

Mr. Danny Foster: I think basically the minister said it. When we entered into this agreement, it was agreed that the cost-sharing would be 60-40. Governments certainly knew the exposure in terms of what we were saying: this was a demand-driven program. In some years you were going to have disasters, and governments, both federal and provincial, agreed to provide the funding to meet the needs of producers. What we're really talking about is changing the cost-sharing formula that's been around for quite a while now in the agriculture portfolio. Again, that's going to be something on which the minister will obviously have to have discussion with government

The Chair: Mr. Anderson is next.

**Ms. Judy Wasylycia-Leis:** On a point of order, I just want to say that I think that's not a fair characterization, in the sense that provinces would have anticipated that natural disasters would have been included under the broad disaster assistance relief.

The Chair: Ms. Wasylycia-Leis, you know that's a matter of debate, not a point of order.

Mr. Anderson.

Mr. David Anderson: Thank you, Mr. Chair.

I want to address the issue of the deadlines. There was a lot of frustration this fall with the two deadlines. Apparently you're trying to move to one for next summer.

A little earlier, Mr. Ritz mentioned trying to find a better, more coherent time to make some demands of farmers. If you're going to do this in the middle of summer, it's just not going to work for you. I can tell you that right now.

The accountants are busy up until the end of April. Farmers go into the fields, and I know from personal experience that you're not interested in going in the house and doing your bookwork. I don't know if there's a better time to do it. Mr. Ritz had suggested the end of the crop year, using a crop-year cycle. I think that would probably move you back somewhere into February or March, which would allow farmers to do some of that work in a time when they're not busy. I'm just wondering if you've got some thoughts on that.

Mr. Danny Foster: I definitely do. We didn't have a problem with the deadline under the NISA program. The reason we didn't have a deadline is that we harmonized all the reporting requirements with the tax reporting process. Once we did that, we had the accounting community engaged to provide all the numbers needed for the program by June 30. That way we could calculate payments in the summer for the previous year, rather than—as we are doing now—addressing 2004 basically in November 2005 to January 2006.

As the minister mentioned, one of the key things we're doing is harmonizing the reporting requirements under CAIS for the 2005 year into the tax reporting process. That way the accounting community will have to be engaged in providing all the information through the tax reporting process so we'll have it by the summer, and that way we can calculate the benefits more quickly in relation to when the producer suffered the disaster.

I agree with you that deadlines in the fall are not a good thing, but we've ended up there because the accounting community has said we can't do these other forms until later in the fall, because in previous years it was the tax form, the NISA form, and summer holidays. If we put all the reporting requirements into the tax package, we can get that information in the summer and calculate the benefits more quickly for producers.

● (1705)

**Mr. David Anderson:** I've already got accountants who are concerned about the June deadlines now. Maybe we can't satisfy everybody, but even as they were changed, they were telling me it was not going to be possible for them to meet these requirements for next June. Are you not hearing that?

Mr. Danny Foster: No. I know that accountants have a concern about it, so we do two things. One is that we make sure we're not asking for more information than we need. But secondly, they're going to have to change. These are their clients. We're calculating benefits for producers. They did it for the net income stabilization account program. We have to get them engaged to do the same thing for the CAIS program, and part of that is going to be convincing them that CAIS is around for the next few years. It's not like an ad hoc program. You have to get the system in place to provide the information on an ongoing basis.

I can tell you that some firms are firmly behind the move in this direction; some are not, but some of the major ones are.

Mr. Larry Miller: I have a two-part question.

First of all, I wanted to say, Mr. Foster, that I had to call you a couple of times, and you were always very good. Thank you very much for getting back to me.

Mr. Mitchell mentioned that yes, some work was being done to deal with things, but CAIS wasn't covering things very well, like dairy heifers, and what have you. I want you to maybe enlarge on what has been done.

The other part of it is that another problem in the CAIS program was that for people who were downscaling their operations, for example, it really worked against them, when it shouldn't have.

Could you speak to those two issues and on what's being done?

**Mr. Danny Foster:** Yes. In terms of dairy genetics and breeding heifers for the dairy industry, while you were speaking, I was trying to get some information on that.

For instance, my understanding is that the industry association has been very supportive of the CAIS program in Ontario. There have been some significant payments to producers or to farmers in that industry. We're going to have to get clarification, specifically in terms of the circumstances where you're hearing that producers aren't qualifying under that benefit.

I'm sorry, I forgot what the second question was.

Mr. Larry Miller: It was about operations that were maybe scaling down because of age or whatever.

**Mr. Danny Foster:** Right, it was on structural change. Yes, I guess that we recognized that early on. Under the CAIS program, in normal circumstances, if a producer has a 1,000-acre farm, voluntarily downsizes, basically sells off half the farm, and ends up with 500 acres, in the second year, as an example, we will adjust the reference margin to now reflect the current size of the farm at 500 acres.

But because of certain situations like BSE, producers had no choice and their productive capacity decreased. In those cases, we would not apply the structural change calculation. We would basically keep the reference margin, based on what the normal operation would be, and compare that to the current year, where they basically have a smaller operation through no fault of their own but because of industry circumstances.

We've had lengthy discussions on that. Administrators have the leeway to basically say they're waiving the structural change rule.

**Mr. Larry Miller:** Okay. There's one small point in this, Mr. Chairman, that needs to be pointed out.

Where I was talking about people downsizing, it wasn't to do with BSE. For example, if someone had 200 beef cows in 2001, went down to 175 in 2002, was maybe down the next year, and so on, it's those years that were affecting the person when it came to CAIS.

I wanted to make sure I was addressing that, and not the normal reduction because of obvious financial things and the BSE thing.

**Mr. Danny Foster:** I may not have it all, but if they're actually phasing out of farming and downsizing operations over a period of five years, we will adjust for each year. We will adjust the reference margin for the current year to reflect the size of the farm for the previous year. There will be an adjustment, and that's what we call the structural change adjustment.

But I'm saying that if they're downsizing or reducing the size of operations for circumstances beyond their control, we will then waive that adjustment and keep the normal reference margin.

#### (1710)

**Mr. Larry Miller:** Mr. Chairman, Mr. Foster asked where I got my information on the dairy heifer thing. It came out of the *Ontario Farmer*.

**The Chair:** I saw the same article, but Mr. Foster is correct. I know of one particular case of a large dairy heifer operation, where he will basically tell us that he was saved by CAIS. It's not often heard, but I know of one, and one is better than none.

Mr. Easter.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

One of the huge concerns, especially in the cash crop sector, on the CAIS program is that next year the good year drops out. It's really going to have a serious impact on the reference margin. What is the flexibility, or is there any, in the program to deal with that? And I have a second question related to the CAIS review.

**Mr. Danny Foster:** We have been looking at the issue of reference margins under the CAIS program. There was an industry request almost a year ago to look at what kind of flexibility we have.

Basically, when we launched the CAIS program, we said if we didn't have WTO limitations in terms of how we can calculate the reference margin, we would have gone with a five-year average reference margin for producers. That was in fact based on recommendations of producers who developed the NISA program. They said five years was the optimal timeframe. Just looking at the previous three years creates too much fluctuation. Beyond five years doesn't take into account technology changes and market signals. So five years would have been the optimal timeframe under CAIS. But WTO has specific restrictions in terms of that, and it says you can either use the previous three or what we call the five-year Olympic average. The five-year Olympic average is basically looking at the previous five years, dropping the high and low, and averaging the three.

When we did the analysis within the WTO limitations, we said the Olympic average best tracks the five-year average so that's why it was selected for the program. It still holds today that the Olympic average we use to calculate producers' reference margins under CAIS virtually tracks the five-year average that we would have used if we didn't have the WTO limitations in place.

But there are circumstances, as you've said, where producers would be better off if they could use just the previous three-year average. We're going to have to look at some of those and we're going to be discussing that with ministers later this November. We need to look at some of those anomalies where, as you say, a producer has one good year in the previous three years and the Olympic is going to kick it out, or a producer with increasing margins in the previous three years would have been better off with just the previous three-year average.

Back to the original benchmark and target that we were trying to get, it was to use the five-year average. The methodology we use under CAIS best tracks that right now.

**Hon. Wayne Easter:** I'd just say, Danny, that if everybody else was abiding by the WTO rules and meeting the commitments they said they'd meet at the last WTO round, I would say, let's follow absolutely the rules. But it's clear that the Americans aren't following the rules. They're not following what they said they would do, nor are the Europeans, nor are a number of others. The bottom line is we have to do the best for our producers.

On the CAIS review itself, we've been getting calls from a number of producers. They're concerned about the parameters they have to work in within the CAIS review. I know we, as the feds, seem to get the blame for when there's inflexibility at that level, but it is a federal-provincial program. You have to satisfy the provincial representatives at that meeting as well.

What producers who are on that committee tell me is that if a proposal comes forward that's going to cost the system more money, then it's virtually not considered. What's your take on that? What are the parameters within which the producers on that committee can work? Even at the bureaucratic level is there a way that safety net committee can at least make recommendations to federal and provincial ministers that might in fact cost more money?

**●** (1715)

Mr. Danny Foster: In fact they can. We don't put chains on the committee in terms of making recommendations for improving the program that may cost more. They certainly are aware that's going to be an important consideration of governments in terms of the affordability of the program, given the numbers we're looking at already for the CAIS program. We haven't said to the national CAIS committee in any circumstance that we can't go forward with this recommendation because it's going to cost too much. We've flagged that it's going to cost a lot, but we haven't said to the national CAIS committee that the governments aren't going to let you make a recommendation to implement this improvement.

**Hon. Wayne Easter:** That's good to know, because we need to be able to tell producers who are on that committee.

Thanks, Danny.

The Chair: Thank you, Mr. Easter.

We will now move to Mr. Lapierre.

[Translation]

Mr. Réal Lapierre: Earlier, I took great pains to point out that some dairy farmers in my riding had been very hard hit by the mad cow crisis. I also said that a number of them had herds with a high genetic value. These farmers were further penalized when the border was closed.

I want to know if a program was developed specifically to compensate these farmers? If so, is it operational? Can you tell me if any farmers who have applied have already been compensated? [English]

**Mr. Danny Foster:** As far as I know, there wasn't a targeted program for the dairy genetics industry, but I will have to come back to this committee, because I was involved in some initial discussions, and basically it ended up, as far as I can recall, that the CAIS program would work for this industry. In fact, I'm sure somewhere in our records is the industry writing back to us saying thank you very much, because the CAIS program was responding to their requirements in terms of assistance, and I think it's along the lines that the chairman mentioned.

That's not to say, in terms of the supply management industry, in terms of the dairy industry, and in terms of producers losing some income because their revenues from cull animal sales are reduced, that CAIS pays out less in that case than it would for a producer of a non-supply-managed commodity, but we'll have to come back to the committee and provide specific information on how CAIS worked for that industry. I think the news was positive.

**Ms. Susie** Miller: Maybe I can add something regarding programs, not for individual producers but for the industry in general. There were several announced at the end of June regarding assistance to the genetic industy. This includes the genetic

registration, the registration of the whole breed, with the breed associations and also the international marketing part of the genetics. So there is some funding going into the producer associations that will actually help them gain new markets and regain their other markets.

Although this will not and does not target individual income, it does target the value of the genetic industry in general, and so should assist as well.

The Chair: Mr. Bellavance.

[Translation]

Mr. André Bellavance: Following up on what my colleague Réal just said, the Minister acknowledged earlier that for dairy farmers in general, the serious problem associated with cull cows has not yet been settled. I'd like to know why these farmers cannot benefit from the CAIS Program? That situation should be rectified. Could you explain to me the changes that have to be made in order for these dairy farmers to benefit from this program? This is one example of the many shortcomings associated with this program. I'd like to know why the program has not been revised thus far to help dairy farmers contend with the problem of cull cows that cannot be exported to the United States.

(1720)

[English]

**Mr. Danny Foster:** With the launch of CAIS, the supply-managed industry basically did not want the CAIS program because they felt that the supply-managed regime was an effective business risk management tool.

Supply-managed producers get CAIS assistance once their income declines more than 30%. In the case of supply-managed producers selling cull animals, often the drop in revenue is less than 30%, so they don't qualify for the full value of that drop, as they normally would under CAIS if they were selling another commodity.

I have to premise that a bit. There is a bit of assistance, but it's prorated significantly in relation to how much their non-supply-managed sales, their cull animal sales, would be in relation to their total supply-managed sales. Let's say in a normal population their cull animal sales represent 20% of their total revenues. If they would have normally triggered a payment under CAIS for that drop of \$10,000 under the normal CAIS rules, because of the rules around supply-managed, their payment would only be \$2,000 to compensate for the cull animal sales. So there's some compensation, but it's prorated based on the relative size of their non-supply-managed sales to their total supply-managed sales. This is all to deal with the WTO rules, but fundamentally supply-managed producers trigger for the full benefits of CAIS only if they drop more than 30% relative to their historical average income. So there are specific rules.

**The Chair:** We'll move now to Mr. Ritz. **Mr. Gerry Ritz:** Thank you, Mr. Chair.

Actually I had a different question, but I'll start off with one that came out of Mr. Bellavance's question. If the government loses the right for the domestic supply-managed system in Canada at the WTO, what's the impact going to be on the CAIS program? Have you crunched the numbers? Do you have a model? You talk about a 30% drop in CAIS impacts. It would be huge. Have you done that workup?

Mr. Danny Foster: I haven't done that. Mr. Gerry Ritz: Are you intending to?

Mr. Danny Foster: I would have to ask my colleagues.

Mr. Gerry Ritz: I'd like to see that workup if it's possible.

Anyway, the question I was going to ask goes back to the year-end fiasco, and it has been a fiasco with the CAIS program. Anybody who was not involved with the fiscal year-end was held off the program or brought on and it really created some huge problems year to year. We've had this discussion before, Danny. I would like to know the percentage of producers out there who use the fiscal year-end. You can tell that from your applications. Farming corporations of course don't, and I never did. We went to other than the fiscal year-end because of the crop. It was easier to control inventories and so on.

You said that the national firms, the big accountants, are all onside with using June 30 and the small guys are just going to have to suck it up and get there. I would also like to know then what percentage of farm accounting is either done on farm or by the small-town firms as opposed to the national firms, because I know in my own instance, in my riding, the national firms do a very small percentage. I would think that would be systematic across the country. The small-town guy, the husband and wife combination do it themselves. So I think maybe you'll be forced back to looking at that year-end through the review process. If we're listening to producers, let's do it right upfront. Let's not have that year-end fiasco exacerbated.

**Mr. Danny Foster:** You have a couple of good points there. The producers who have what we call a non-December 31 year-end have always had an issue in terms of the reporting. If we harmonize for tax

purposes, we're planning to do that for what we call the noncalendar-year-ends as well, so that the normal rules are: you'd file your taxes within six months of your fiscal year-end and we would process the payment on the same basis. So it would be much like producers who have a December 31 year-end. They would be on par in terms of the timing of the calculation of the benefits in relation to the year in question.

**Mr. Gerry Ritz:** Do you have a six-month year and an 18-month year then? How do you count it?

**Mr. Danny Foster:** No, you have a six month. Let's say you have a November 30 year-end. You'd file your taxes by May 30 and we would calculate your CAIS payment, with all the information that the producer supplied, at that point in time. Depending on where your fiscal year-end is for tax purposes, you have six months to file for tax purposes. We'd have all the information for CAIS at the same time to calculate your benefits so that you don't have to wait that extra time, as they currently do, to get the information you need.

(1725)

**Mr. Gerry Ritz:** I'd like to see those numbers, if you can get them for the committee.

Thank you.

The Chair: Does anyone on the government side care to respond —Mr. Smith, Ms. Ur, or Mr. Easter?

I can't believe it. We have exhausted the questions. Either we have tired of questioning or you have done a great job of answering them.

As the chair, I simply share the sentiments that have been shared by a number of people around the table today. I think I've said to you many times, Mr. Foster, that we have to be responsive to what's being said out there. Those people who are sitting on the CAIS review committee in many cases are doing their best to understand CAIS, but many people don't understand CAIS. We need to make the modifications to allow the program to function in such a way that money is delivered quickly and we don't have to go through the appeal process to get moneys we think are coming to us. We hear from a lot of people that the program is not working.

I encourage you to be receptive to the kinds of changes that are being asked for. Where they can be accommodated, let's do it. Basically we're in this business to deliver the program, not to see how little we can deliver. Hopefully we'll turn the corner, and because of market changes and changes in the way countries deal with their subsidies, we can have some of these things alleviated down the road. In the near term we need something that responds quickly.

Thank you very much again, Ms. Miller and Mr. Foster, for appearing today and answering our questions. We look forward to seeing you down the road, perhaps when we have a more profitable farming future.

Thank you very much.

The meeting stands adjourned.

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