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# Standing Committee on Agriculture and Agri- Food

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EVIDENCE

**Monday, May 10, 2010**

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**Chair**

**Mr. Larry Miller**



## Standing Committee on Agriculture and Agri-Food

Monday, May 10, 2010

• (0855)

[English]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** I call the meeting to order.

It's great to be here in Quebec. We're continuing our study on the future of agriculture, and particularly on young farmers and how we can not only attract them to agriculture but keep them there.

I'd like to thank all of our witnesses for being here today. As a producer myself, I know how hard it is to take a morning or a day off. We really appreciate that you're here.

With no further ado, we'll move to our speakers. From the Fédération de la relève agricole du Québec, we have Mr. Frédéric Marcoux for 10 minutes, please.

Thank you very much.

[Translation]

**Mr. Frédéric Marcoux (President, Fédération de la relève agricole du Québec):** Good morning. Thank you for the invitation and the opportunity to say a few words about what we do and what we hope the federal government will do for us.

Before I get into the specifics of what we do, I would like to share a general observation with you, one that has led us to appear before you here today. Whether we are talking about the agricultural policy framework or the growing forward program, nowhere in this entire agricultural policy is there any mention of young farmers or the next generation of farmers. How can we develop an agricultural policy for the future, such as the growing forward program, if the next generation of farmers is not included anywhere? That is our first observation.

What is the current status of the next generation of farmers in Canada? What is the profile of young farmers? What problems do they face? What sort of costs are associated with the transfers? Before any tools whatsoever are introduced to help the next generation of farmers, the Fédération de la relève agricole du Québec would first like to get to know those young farmers, their characteristics and challenges, and determine whether they have the right tools to take over these farms and manage them in a viable, sustainable manner.

Why? Because we have no idea how many young farmers are working throughout Canada.

Before we create any structural programs to assist the transfer of farms to the next generation, we need to remember that the choices being made by farmers right now will have a significant impact on

production in 25 or 30 years. Personally, I am a dairy farmer and I will probably still be a dairy farmer 25 or 30 years from now. The decision to be a dairy farmer is not a question of context, but rather a choice: one chooses to produce a given product.

How do we develop a policy? By knowing what young farmers really want to do in the future. That is why we are asking for a major census to be conducted across the country regarding the current status of the next generation of Canadian farmers. We need to know who these young farmers are.

We would also like to see the creation of a review committee that includes representatives from the next generation of farmers. That committee should conduct an analysis and make proposals based on the results of the farming census. We need a spokesperson to converse with young Canadian farmers. By way of comparison, in Quebec, MAPAQ officials work with young farmers full time. We believe the same thing should be happening at the federal level. These people would not have to make any demands, but rather to work towards that, as well as to follow up on and continue to analyze the census that we hope will be done.

We are also asking that Agriculture and Agri-Food Canada continue the work we have begun in Quebec in relation to examining the financial situations of the transferors and that that department play an active role in the work recently begun. Quebec has a few excellent programs to help young people enter the agricultural sector. However, one major factor that limits agricultural transfers is often the situation of the individuals leaving the agricultural sector.

In Quebec, we are beginning the work of assessing the situation of farmers who are retiring. Those people rely on the value of the business. They need cash and must leave the business in a situation that ensures its sustainability. We should be helping these people. Furthermore, a committee has already begun examining this matter, and we would very much like Agriculture Canada to be part of that committee.

These observations should serve as a basis for the creation of a real Canadian action plan for starting out in the agricultural sector. Following the example of what is being done on the provincial level in Quebec, co-operation between public authorities and the farming community should motivate the government to introduce a national policy with highly effective measures in order to meet strategic objectives.

At present, regarding the situation in Quebec, the FRAQ is proposing the following priority initiatives. First of all, in the farming census done every five years, we are proposing that questions be added regarding farmers' intentions in terms of succession. At this time, there is no way of knowing when farmers plan to retire and whether they have someone to take over their farms. Without this crucial information, it is impossible to establish a database of farms to match young aspiring farmers without farms and farmers with no succession.

We are also proposing a few financial incentives for farm transfers. For instance, a farm transfer savings plan would allow transferors to see their savings grow considerably when they transfer their farms.

• (0900)

Roughly speaking, such a program would be similar to education savings plans, only it would apply to farm transfers. As an additional measure, the transfer of farm property should be tax free in cases of gifts and transfers to individuals who are not family. Lastly, new farmer subsidies should also be tax free, in order to support farm businesses that are bringing in young farmers. At this time, farmers receive funding to be able to transfer and start up the business, but those subsidies are taxable the following year.

That is what we wanted to present to the committee this morning. I thank you for your attention.

Magali, would you like to add anything?

[English]

**The Chair:** Thank you.

Mr. Delomier, do you want to add anything?

Thank you very much for being brief. You were actually just over five minutes and we appreciate that.

Now we'll move to Mr. Olivier and Mr. Lapierre from the egg producers federation of Quebec.

[Translation]

**Mr. Sylvain Lapierre (Table egg producer, Fédération des producteurs d'œufs de consommation du Québec):** Thank you very much for inviting me to speak here today.

My name is Sylvain Lapierre and I am a table egg producer from Saint-Gervais in Bellechasse. I have also been an administrator with the Fédération des producteurs d'œufs de consommation du Québec since 2007. I am also the president of the evaluation committee for the start-up assistance program for new farmers.

When I was 22, I took over my father's farm, which he had taken over from his father 20 years earlier. One of the many advantages of the supply management system is that it allows business owners to predict their income, which greatly facilitates the planning and transfer of farms. I have 24,320 hens, and the average in Quebec is 35,000 egg-laying hens per farmer. In my case, the transfer took place via the creation of a new business 10 years ago. Over the last 10 years, no less than 34 egg production businesses in Quebec have been partially or completely transferred.

With regard to the next generation and sustainability in table egg production, every industry that claims to be able to ensure its survival and continue to develop must find ways to ensure its sustainability. One way to do this is by making sure that the younger generations can continue in the safe conditions that the previous generations have created.

In the table egg industry, a certain degree of concentration has been happening at all levels, whether in terms of the producers, graders or supermarket chains, as has been the case with most other agriculture sectors in Quebec and Canada. This situation, combined with the rarity of production quotas, has made things very difficult for the next generation. Between 1982 and 2004, the number of producers dropped considerably, from 234 to 102, a historic low. That trend stopped in 2005 and we now have 105 egg producers in Quebec in 2010.

Egg producers are very aware of this situation and therefore decided to introduce a number of tools to help improve access to quotas and encourage new producers. One such tool is the start-up assistance program for new egg producers, which Philippe will present to the committee.

Thank you.

• (0905)

**Mr. Philippe Olivier (Communications officer, Fédération des producteurs d'œufs de consommation du Québec):** Good morning.

I would like to speak briefly about the start-up assistance program for new egg producers, which was officially launched by Quebec's table egg producers in 2006. Through this program for new non-family farmers—only people from outside the sector qualify for the program—they hope to increase the number of producers by focusing on young farmers and regions with low poultry density.

The start-up assistance program for new producers has been a resounding success. It has already brought in five new producers. The 2010 edition will allow a sixth candidate to begin producing eggs thanks to a lifetime quota loan for 5,000 laying hens. The producers who have taken advantage of this program have settled in various regions in Quebec—Chaudière-Appalaches, Saguenay-Lac-Saint-Jean, Pontiac, Lanaudière and the Eastern Townships. I have compiled a list of the new producers who came from this program and the year they began.

The addition of just one new producer a year might seem modest, but out of a total of 105 producers, that works out to a 1% annual increase. So that constitutes a considerable step. With respect to the lifetime loan of 5,000 laying hens, as a comparison, the revenues of such a business are similar to a dairy farm of about 35 cows or a poultry farm—for meat-producing chickens—of approximately 2,000 square metres.

Along with this program, the centralized quota exchange system, implemented in 2009, will make it possible for these new businesses to expand. It seems clear to us that the supply management system that egg producers operate in allows them to implement all kinds of tools that help ensure the sustainability of the sector. We must recognize that this system is good for Canadian society as a whole, because it gives consumers access to high-quality products in sufficient quantity and at reasonable prices. The market pays producers for their products based on their production costs. At the same time, processors benefit from a very stable supply and achieve an advantageous bottom line. Supply management is also good for the state, and therefore taxpayers, because farmers do not receive any government subsidies to support their incomes.

Furthermore, this system promotes efficient and human-scale agriculture throughout Canada that respects resources and people. We must remember that supply management production accounts for 40% of agricultural income in Quebec, nearly 30% in Ontario and 20% of agriculture in all of Canada. Furthermore, these systems do not cause any distortions to international markets, because their primary objective is to supply the domestic market.

In closing, I would like to point out that our federation received a “next generation” award from the Fédération de la relève agricole du Québec for the start-up assistance program I just told you about.

That concludes my presentation.

[English]

**The Chair:** Thank you very much.

We'll now move to the federation of commercial agriculture producers.

I apologize for my French.

We have Mr. Luc Belzile and Mr. Van Tassel for 10 minutes, please.

[Translation]

**Mr. Luc Belzile (Manager, Research and Communication, Fédération des producteurs de cultures commerciales du Québec):** Good morning and thank you for the invitation to speak here today.

My name is Luc Belzile and I am a research and communication officer with the Fédération des producteurs de cultures commerciales du Québec. Here with me is William Van Tassel, the first vice-president of our federation.

Our federation brings together approximately 11,000 farmers who grow and market grain in Quebec. We have prepared a submission for the purpose of today's exercise. What I am about to present to you over the next few minutes summarizes that submission.

First of all, our federation has made some observations regarding agriculture in Canada. First, we are seeing significant concentration. For instance, according to information gathered by the agricultural census, from 1981 to 2006, the number of farms dropped from 318,000 to 229,000, and the average acreage per farm increased from 207 hectares to 295 hectares. This phenomenon might suggest that these expanding farms have improved access to technology and are increasing their productivity, which ensures them

greater prosperity. However, we have some concerns about other indicators, particularly concerning the future of farming and the next generation of farmers. Also based on information from the agricultural census, from 1991 to 2006, the proportion of farm operators under 35 years old dropped from nearly 20% to 9%, and the proportion of farm operators with a non-farm paying job increased from 37% to 48%. Despite the concentration phenomenon, we are seeing an aging farm community and a greater need for non-farm income.

In order to reverse this trend, our federation believes there are two main factors that we need to work on more. First of all, we need a farm income safety net policy to reduce the need for non-farm income. Second, we also need—and we believe this is urgent—a public agricultural research policy that will put Canadian farm productivity on a level playing field with Agriculture and Agri-Food Canada's other research policy priorities, such as protecting the environment and public health.

Why do we need to invest in public agricultural research? First of all, several studies have shown that the economic returns associated with public agricultural research vary between 40% and 60%. This benefits society, the government and farmers. Furthermore, we need public agricultural research to better serve certain niche markets, such as organic grains, non-GMO grains and identity preserved grains. This is needed because private research tends to focus more and more on very limited markets, especially on GMO technologies in canola, corn and soybean.

Furthermore, I would like to share some evidence that demonstrates the strong divestment in Canada with respect to public agricultural research. According to the OECD, Canada has underperformed internationally in that regard. The ratio in terms of public agricultural research investment compared to agricultural production value was 1.83% in 1986. In 2008, that ratio dropped to 1.08%. That was the fourth greatest drop—41%—among all OECD countries. Thus, there has been a significant drop in investments in public agricultural research in Canada.

We are also deeply concerned about some other facts. This spring, the Auditor General of Canada issued her report, which dedicated an entire chapter to scientific research at Agriculture and Agri-food Canada. We are very concerned about three main shortcomings mentioned in that report. First of all, the Auditor General mentioned that Agriculture Canada is not keeping many of its financial commitments. Second, a lack of human resources planning is also a problem. Finally, the third factor is inappropriate renewal of buildings and equipment dedicated to research.

● (0910)

To be more specific regarding the undelivered financial commitments, the Auditor General reported that funding for peer-assessed research projects dropped by 6% in 2007-2008 and 20% in 2008-2009.

As a specific example, one project aimed at developing disease resistant wheat varieties did not receive the funds originally promised. After the project was well underway, its budget was cut. It must be understood that when it comes to developing disease resistant wheat varieties, that protects both the environment as well as public health. Thus, this affects not only farm productivity, but also society as a whole.

The Auditor General also indicated that there was a generalized 70% downward financial adjustment in all research projects that had been approved.

We are very concerned about the lack of human resources planning. Agriculture and Agri-Food Canada does not appear to be renewing its research staff. The Auditor General's report confirms this. For instance, the report states that 40% of AAFC research department staff is over 50 years of age and 18% of the over 2,000 research department staff members are currently eligible for retirement.

The third factor in the report that worries us is the renewal of buildings and equipment used for public agricultural research. The Auditor General reported that 71% of the buildings dedicated to research activities are in a fair or bad states, instead of good or excellent. Also, 71% of the equipment items dedicated to research have exceeded their useful life span. So as we can see, the situation in terms of property assets is also very worrisome.

The federation therefore believes that there is a real need to re-invest in public agricultural research. To that end, our federation has joined forces with the Farmers for Investment in Agriculture coalition, which brings together 100,000 Canadian grain farmers from across the country. Basically what we are asking for is that public agricultural research investments be restored to 1994 levels in constant dollars. In concrete terms, that means an additional yearly budget of \$28 million for the next 10 years. This might seem like a lot to some people, but we believe it is quite realistic in relation to the kinds of investments made in public agricultural research about 15 years ago.

Another factor that we believe is very important is a farm income safety net policy. We feel that existing programs need to be reviewed. This is very important in order to protect the grain industry, because grain markets are distorted by international subsidies, and this can lead to very long periods with low prices. This makes things very difficult for producers. Our simulations show that current programs would have provided very minimal, insignificant payments in the 1990s.

The solution that our federation would like to see involves a risk management component in the AgriFlexibility program. This would be in line with the request made by Canadian farm stakeholders when they were consulted in 2008. We believe this would be a cost- and risk-shared program. This would mitigate the impacts of international subsidies on grain markets that Canadian farmers are subjected to.

Thank you for your attention.

• (0915)

[English]

**The Chair:** Thank you, Mr. Belzile.

Mr. Groleau is not here, so if he does join us—

**Mr. William Van Tassel (First Vice-President, Fédération des producteurs de cultures commerciales du Québec):** Could I keep on with the presentation for a few moments? I believe ten minutes hasn't gone by yet.

I'll do it in French.

**The Chair:** Okay. No problem, Bill.

[Translation]

**Mr. William Van Tassel:** We believe that Agriculture and Agri-food Canada's public research department is extremely important.

We have seen stagnating crop yields, especially in small grains. Why? Because of the funding cuts this sector has been subject to since the middle of the 1990s. It is definitely harder to see the problem in the short term, but it can be seen over the long term. Now we are seeing diseases, such as fusarium, appear more and more frequently.

The public sector has definitely not been there, nor has the private sector stepped up. The private sector steps up when there is a return on investment, as we have seen with GMOs. When it comes to small grains, 4% of investments are made by the private sector and 96% come from the public sector.

For the next generations of farmers to be prosperous, we need excellent, innovative research today and over the long term.

Thank you.

• (0920)

[English]

**The Chair:** Thank you. That was very brief, Bill.

We'll now move to questioning. With the time today, I think we can allow the first round to be seven minutes, and then we'll move to five minutes.

Mr. Valeriote, go ahead for seven minutes, please.

**Mr. Francis Valeriote (Guelph, Lib.):** I want to thank each of you for presenting today. I know you've taken time out of otherwise very busy schedules, and I want to compliment you on the substance of your presentations as well.

What we're hearing here is perhaps a little different from what we've heard from across Canada over the last couple of weeks, only to the extent that you may not have addressed some of the issues that were addressed in western Canada and Ontario.

We know, at least from our discussions in the last couple of weeks, that 65% of people under 35 have left the farming industry in the last 15 years, and I understand the average age of farmers to be about 57 years nationally, although I understand it's lower in Quebec, at 52.

I have a couple of questions. The Province of Quebec appears to be more supportive of its farming industry than perhaps is the case for other farmers. It makes the playing field unequal to a certain extent, but at least it helps your farmers in Quebec. I'm wondering if that's your observation as well. I understand that Alberta is more helpful to its farmers and Saskatchewan and Quebec are among those that have good farm programs.

Can you comment on the difference between your farm programs here in Quebec and those in other provinces? I would open that up to anyone who wishes to answer.

William.

**Mr. William Van Tassel:** We have one program... Well, Quebec is divided almost equally. You have a lot of supply management, and that is the same pretty well everywhere in Canada. On the other side, in Quebec we have the ASRA program, which goes partially according to the cost of production, because the components are not put in. We have had that since the end of the 1970s, so it's a program that we can rely on. That is something you don't really have in the other parts of Canada. You can have other programs, but they don't last. There is uncertainty when you have programs that change often.

**Mr. Francis Valeriote:** Luc, you spoke of assuring farmers that they will have a stable income. I suspect you were speaking of business risk management programs at that point in time. That's what we've heard across Canada, that the program just isn't working, but we're not certain how to fix it. Some say the viability test doesn't work. Others have said you can't go to a program that's based on the cost of production, which William just spoke of.

Do you have any thoughts on how the AgriStability program might be fixed in order to respond better to the needs of farmers?

[Translation]

**Mr. Luc Belzile:** I believe that the request made by the stakeholders when they were consulted in 2008 was to allow the provinces to manage the AgriFlexibility funds themselves. I think that would be the best solution. That would allow each region of Canada to manage the resources based on their needs, which are—and this is very important—different in each region. I think that would be the solution: allowing the provinces to manage the AgriFlexibility funds they receive based on the needs of their farmers.

[English]

**Mr. Francis Valeriote:** The fear, of course, is that while the money may be given to one province, it may not be matched with provincial money in each province in an equal way across the country, so you'll still create a situation of lack of competitiveness in one province versus another.

I'm wondering if it's time the Minister of Agriculture met with all the provincial ministers of agriculture so that we can have a more harmonious response, rather than just giving the money to each province and letting it apply it itself. Do you understand the concern we would have? How would you feel about participating in a nationwide agricultural building effort?

• (0925)

[Translation]

**Mr. Luc Belzile:** I think it would be reasonable to have different applications for each region of Canada, because farming varies greatly from one region to the next, and therefore the needs also vary greatly. I do not believe that standardizing the income security program across Canada would be very effective. I think that is why the stakeholders had requested that the provinces be allowed to manage the AgriFlexibility funds as they see fit.

[English]

**Mr. Francis Valeriote:** You spoke of concentration. We heard about particular levels of concentration within the processing area and the agriculture retail sector; those areas of concentration have almost reached the point of looking like monopolies, so much so that farmers have become price-takers rather than price-setters. Has that phenomenon happened in Quebec? Are you finding that you're suffering from too strong a concentration in industries that are controlled by just a few companies?

**Mr. William Van Tassel:** We saw in 2008 that when the price of grain went up, all the inputs went up. It didn't go up just elsewhere in Canada, but all over. If you look at the price of potassium, it was something like \$250 a tonne for many years. All of a sudden it went up to \$1,400. There had to be a certain monopoly to do that, and it affected us very much, as it did all farmers across Canada.

**Mr. Francis Valeriote:** Do you feel the Competition Act should be modified somewhat in order to regain some control over that problem?

**Mr. William Van Tassel:** There were demands across Canada from farmer groups to look into that issue, because it affected us greatly.

**Mr. Francis Valeriote:** You also spoke of farm transitioning from one generation to the next. That has been a topic over the last couple of weeks as well. Somebody mentioned creating a protocol that would match up people who were leaving the industry with young farmers who wanted to come in. Do you have anything like that now in Quebec? Is there no farm matching?

[Translation]

**Mr. Frédéric Marcoux:** No.

There is one reason, in particular. Many young people are asking to have access to a list of farms being sold. But the number of people really interested in transferring their business, compared to those who want to shut it down, is just a fraction.

That is one reason why we are asking for tax relief, but only for those who intend to transfer their business. People who plan to leave the farming sector should at least reflect a little more carefully in order to make things more equitable with respect to shutting down a business compared to transferring it. Otherwise, even if there were a farm matching tool, people will decide they do not want to go that route.

[English]

**The Chair:** Thank you.

Mr. Groleau is here from the Fédération des producteurs de lait du Québec.

Thank you for coming today. We appreciate it.

We look forward to your presentation.

[Translation]

**Mr. Marcel Groleau (Chairman, Fédération des producteurs de lait du Québec):** Thank you very much. Sorry I am late. I ran into a few problems this morning.

First, I want to thank you for inviting us and giving the Fédération des producteurs de lait du Québec the opportunity to contribute to your work. Any time we are given an opportunity to speak at a forum or meeting we feel it is important to talk about our accomplishments and share our concerns.

My name is Marcel Groleau. I am the chairman of the Fédération des producteurs de lait du Québec. I represent 13,000 milk producers in Quebec from roughly 6,500 farms in Quebec. Last year, the Fédération des producteurs de lait du Québec delivered almost three billion litres of milk for a net revenue of \$2 billion. This activity represents 61,000 primarily regional jobs in Quebec, including 27,000 jobs on dairy farms. Milk production is a very important economic activity in Quebec and Canada.

As you well know, we use supply management. Through the years, this method of marketing our milk has allowed us to ride out the ever fluctuating wave of international prices for commodities, maintain stability in our sector and minimize government intervention.

I would also like to take this opportunity to thank all the representatives from the House of Commons for supporting the supply management system, namely in November 2005, with the unanimous adoption of a motion to defend supply management in the WTO negotiations. These negotiations are still ongoing. More recently, we were in Ottawa on April 20. We had a day of lobbying during which time we were able to meet with a number of you. We want to thank you for being so accommodating during that time. It is very much appreciated and it allows us to keep the lines of communication open with you.

The subject of the next generation of farmers constantly comes up in our sector. Twice a year, we hold a convention with delegates from the Fédération des producteurs de lait du Québec. In 1986, the Fédération des producteurs de lait du Québec set up a program to facilitate the transfer of dairy businesses. Before I talk about the program, I want to provide an overview of the dairy farms that are sold or dismantled every year. Last year, of the 6,500 farms in Quebec, 149 were sold, dismantled or have disappeared. This represents roughly 2.25% of the dairy farms. In the United States, there was a 4% drop. We do not have the numbers for Europe, but with the deregulation that has been taking place since 2003, we estimate that between 6% and 8% of dairy farms will disappear and perhaps more if we consider the dairy crisis that began last year and continues this year.

As I was saying, Quebec has had programs in place since 1986 that allow the transfer of dairy businesses to the next generation. Other programs have been added since then including an intergenerational farm transfer program. Under this program, all the producers make available to the new farmer, who has a certain percentage of interest in the business— The young farmer has to be

co-owner of the business in order to take part in the program. He has to be involved in managing the business. The idea is that this becomes a true transfer and not just a way for the current generation to get ahead. It has to be a transfer to the next generation.

• (0930)

Depending on the program, a 20% to 50% stake in the business is required. If the young farmer owns 50% of the shares of the business, then he can get 5 kg/day of butterfat quota by way of a loan spread out over 10 years. This quota has to be replaced, but at no cost for the first five years. Effective the sixth year, the farmer has to replace one kilogram of butterfat a year until the tenth year. The loan is over ten years.

There is another program for new farmers, or people who are not already involved in milk production through their family. In some cases, they might already be involved in dairy farming, but the farm has already been transferred and another young farmer might be interested in starting their own business. It is a program for new farmers wanting to start new businesses. This program was first launched in Quebec, but now similar programs also exist in Ontario and in the Maritime provinces. This program offers a bigger loan of almost 12 kilograms. The young farmers are asked to acquire 12 kg of butterfat. The Fédération des producteurs de lait lends 12 kg to allow a young farmer to start a dairy farm with 25 to 30 cows, which is relatively small in North American terms. Nonetheless, it is a good way to get started in farming.

This program has been operating for four years now in Quebec. In May, candidates registered in the program find out whether they are accepted or not. Forty-two new dairy farms will be able to start up under this program. To give you an idea of what that means, last year three farms shut down and four new ones started up in Abitibi-Témiscamingue. This may seem small and even though the number of farms is constantly decreasing, there is one more dairy farm than there was the previous year.

The Fédération des producteurs de lait has also taken significant measures to limit the increase in the price of quotas. This was a concern of ours in the transfer of businesses and it also prompted the dismantling of dairy farms. Firm action was therefore taken to limit the price of quotas.

The Fédération des producteurs de lait held a strategic planning session three years ago. We met with more than half of Quebec's milk producers during that exercise and one of our goals was to have 5,000 dairy farms in Quebec by 2017. That is why measures were taken within the program. This helps new farmers get started and helps improve the farm transfer program. It is a lofty goal in the international context and even in the Canadian context, but we believe it is important because supply management is not only a marketing tool, it is also a way of maintaining the social fabric of agriculture in all the regions. The goal is to be able to maintain 5,000 dairy farms in Quebec by 2017. That is why it is important to us for young farmers to have access to different programs.



Mr. Marcoux will get into this, but it would be important for tax measures to be implemented for the transfer of farms rather than for their dismantlement. We have not come up with the ideal solution yet, but it is truly the key to keeping as many farms operating in Quebec as possible. Thank you very much.

• (0935)

[English]

**The Chair:** Thank you, Mr. Groleau.

We will now go back to questioning.

Mr. André Bellavance for seven minutes, please.

[Translation]

**Mr. André Bellavance (Richmond—Arthabaska, BQ):** Thank you, Mr. Chair.

Thank you very much for your presentations.

I will start with you, Mr. Marcoux. During this tour many young farmers from western Canada have come to tell us about the serious problems they are going through. They have taken over farms and they are wondering how much longer they will be able to continue farming. Obviously we are not talking about farmers working under supply management; we are talking about pork producers, beef producers and grain producers since we were in the west.

I would like you to describe the situation, to talk about the morale of young farmers. You are the chairman of the Fédération de la relève agricole du Québec and I imagine you have a lot of contact with young farmers.

What are they talking about the most these days? Do they truly see a future in farming? I know you cannot generalize, but perhaps you could provide a few examples.

**Mr. Frédéric Marcoux:** I could go on about this at length. In my opinion, pork producers have not given this much thought in the past few years.

There were a number of startups in the beef production industry, but this trend seems to be dropping off. What strikes me in pork production and in any other production, is that young people are basically still quite enthusiastic about the idea of getting into farming. Young people are naturally interested in what they are passionate about. Young graduates have been interested and passionate about their field for two years now. However, in the current economic context, they are making the pragmatic decision not to get into this venture. We see this happening more and more. It is not because they do not like farming, but because they think it is not viable in the current context. Young people here feel the same way. It is not a lack of interest in farming. The context is influencing people.

• (0940)

**Mr. André Bellavance:** I have always said that whatever happens to agriculture is a societal choice and therefore a political choice. Context changes over time. Pork producers are a good example. I remember a time when pork production was the preferred choice. Export was going well and we were much more competitive than the Americans, but things are completely different today.

When I say societal choice I mean that we have to look at what is happening internationally and wonder whether we drop the whole thing or whether we support this production to continue feeding our people. This is similar to the slogan the UPA used a few years ago and I think it is still fitting. It is all well and fine to talk about the future of farming, we cannot be against it, but there is also the present to consider. We have to take into account everything that is going on and try to resolve the problems. Some people here and elsewhere are currently taking a step back and are considering leaving farming.

Mr. Belzile, you talked about research. What we have heard in previous testimonies in other provinces about existing federal programs is that AgriStability, for example, is quite similar to the previous CAIS program. It is six of one and half a dozen of the other. You also talked about the AgriFlexibility fund, which was supposed to include income support.

Could you tell us what you think about the current federal programs and tell us what could be improved?

My question is for everyone.

**Mr. Frédéric Marcoux:** I will leave it to my colleagues to talk about the structural programs in the day to day economic context, since they are much more familiar with those programs than I am.

I want to go off topic a bit here and say that the federal government does not offer anything to young farmers starting out. Except for a Financière agricole du Québec loan protection program, there is nothing available for farmers starting out.

I will leave it to my colleagues to talk about the current AgriFlexibility fund because they know more about it than I do.

**Mr. William Van Tassel:** Let us talk about the AgriStability program as it stands today. This program might work in a crisis that lasts a year or two. However, when crises persist—like the one beef producers and pork producers have been going through and the one that hit the grain production sector a few years ago—this program no longer works. That is why some organizations have started a third program called AgriFlexibility, which can give the provinces the chance to change the program that does not work in the long run and do something better.

**Mr. Luc Belzile:** That is the spirit of our brief: for the future of agriculture and the next generation of farmers, we have to develop a new mentality and truly come up with a long-term agriculture policy. Today we are suffering the effects of the choices that were made some 15 years ago, in the early 1990s, when the public agriculture research policy and income security underwent significant cuts. Just consider the disappearance of the Gross Revenue Insurance Program, or GRIP. Major cuts were made to public research in agriculture.

Beyond programs, we specifically need to have a long-term vision including an income security policy and a research policy. That is what we wanted to reflect in our brief. Research will help us increase our productivity, at least in the grain sector, where we are having difficulty with our productivity. We also need to have a long-term policy for income security instead of ad hoc programs that are created for the short term.

• (0945)

[English]

**The Chair:** Thank you very much.

We'll now move to Mr. Atamanenko for seven minutes.

[Translation]

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** I want to thank all the witnesses for being here. I have three questions and I hope we will have enough time to get through them.

My first question is for you, Mr. Groleau and Mr. Lapierre. We started our tour in British Columbia where we talked to apple growers, to people who are truly suffering today because they are not getting a good price for their products, apples and other fruit, because of NAFTA for example. A number of them have suggested supply management as a solution and they are currently discussing that as an option.

We know that negotiations are currently under way between Europe and Canada on a free trade system between the European Union and Canada. I would like to know whether there has been any talk about supply management. Is it on the table? Does this concern you? Will supply management be discussed? I do not know whether you have heard anything.

That is my first question.

**Mr. Marcel Groleau:** When negotiations between Canada and Europe began, nothing was excluded. Everything was on the table. That is still the case. We are following this negotiation through Gilles Gauthier, the negotiator for Canada on agricultural issues, and Steve Verheul, the chief negotiator for these negotiations. The government keeps telling us that everything is on the table, but to us, supply management is not negotiable. I think that is a very important position to maintain. Europe certainly has interests on the Canadian market. In the area of cheeses alone, Canada already imports 24,000 tons of cheese mainly from Europe.

As far as the openness of our market is concerned, we are already doing our share and our share is much larger than that of the United States or Europe. If every country offered 5% of their GDP, we would double international trade in agriculture. Canada is already doing its share; the trouble is that other countries are not. It is important to maintain a firm position on supply management. It is not negotiable. We are already doing our share. Whether we are talking about egg production or poultry production, we are already importing more than our share from the international market.

**Mr. Alex Atamanenko:** Thank you.

My second question is for Mr. Belzile and for you, William.

I know there is currently a debate going on in western Canada about the Canadian Wheat Board and how Ontario does not have a

single desk seller for wheat. If I understand correctly, Quebec has one. I would like your comments on that. Why is this the case? What are the pros and cons?

**Mr. William Van Tassel:** For producers in Quebec, wheat is secondary production. The quality is not really uniform and the producers voted on the matter and decided on a single desk marketing system for wheat. It has been in place since 2005 and has been working well so far. The producers made that decision in order to increase production.

• (0950)

**Mr. Alex Atamanenko:** It has been working so far?

**Mr. William Van Tassel:** Yes. The quality was not great. There has been a problem with fusariosis the past two years. There has been too much rain. That is why, when I talk about research, I mean we have to improve the genetics in order to have a good yield. When we have collective marketing, we can do a bit of [Note: inaudible]. It makes selling our product easier.

**Mr. Alex Atamanenko:** Thank you.

The third question is for you, Mr. Marcoux.

During our tour out west, we received a copy of a letter written by representatives of Eagle View Farms, addressed to our colleague Mr. Cummings. This letter spoke of “the financial hardship the present regulations pertaining to capital gains taxes could have on the continuation of our family farms in Delta and Surrey”. The letter also said that “present federal legislation states that when a farm is passed down from a parent to a son or daughter, taxes associated with capital gains are not applicable”. It also says however, that “according to the present regulations, if a farm is transferred from one sibling to another, taxes associated with any capital gains will be triggered”, and the authors of the letter want the policy to be changed.

I would like your comments on that.

**Mr. Frédéric Marcoux:** I am completely in favour of that. However, it should be noted that someone who plans their business transfer very well will pay between 3% and 11% tax on the total business value. We must indeed facilitate the transfer, but there is also the problem of the economic value of the business as opposed to its market value. People are taxed on the market value, but the true price of the business should be based more on its capacity to generate money. That is where the business transfer becomes a problem. That is why we want to be much more flexible on the tax transfer. We have to do more to promote the transfer rather than the dismantling of the business.

**Mr. Alex Atamanenko:** Thank you.

[English]

**The Chair:** Thank you, Alex.

We'll now move to Mr. Gourde for seven minutes.

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** Thank you very much, Mr. Chair.

I want to thank all the witnesses for being here this morning.

I would like to thank the entire standing committee for coming to Quebec City to listen to the next generation on a good discussion point. I think this is a major challenge. My first question is for you, Mr. Marcoux.

Thirty years ago I too was part of the next generation of farmers. We fought to have quota transfers, quota loans and all sorts of help. It seems that when the Fédération de la relève agricole du Québec takes the initiative, it does not get any results in the first year, but things start happening over time. Never give up. What you are doing today will certainly help young farmers in two, three, five, ten and even fifteen years.

Earlier you talked about a transfer savings plan for the agricultural sector. I would like you to elaborate on that plan because we know the next generation is facing major challenges. They have to acquire land, buildings, animals, equipment, technology and often a house to boot. Young families have to acquire everything at once. I think you are right to say that you need help, but I would like you to elaborate on what you were talking about earlier.

**Mr. Frédéric Marcoux:** As I was saying earlier, on one hand, what we are proposing is similar to the education savings plan.

On the other hand, we believe that we must, in a way, favour transfers over dismantlement and encourage investment... It is a matter of getting the value out of the shares that the assignors will need in the future.

With this tool we would get producers to invest in a fund. Those producers being required to give money to the government, could accumulate equity outside the business. They could then transfer their business—the value of the business—much more easily to the young person wanting to farm. That is the gist of it.

Magali, do you want to—

• (0955)

**Ms. Magali Delomier (Director General, Fédération de la relève agricole du Québec):** The provincial and federal governments would match the contributions made by the parent. That money eventually would end up back in the farmers' pockets, but only if the farm is transferred.

**Mr. Frédéric Marcoux:** The problem is that people who leave farming are very dependent on the value of the business. That is quite normal. Everyone advises us to invest in the business. Very little money is invested in RRSPs for example. The idea is to ensure that we are less dependent on the value of the business and that the business can be transferred.

**Mr. Jacques Gourde:** Thank you.

In the spring we heard that the Chinese want to buy land in Quebec. We know they are already buying land in other countries. Is the next generation of farmers worried about that?

**Mr. Frédéric Marcoux:** Yes. People who come from abroad have more financial means than we do. The return on farmland assets in Quebec is roughly 7%. The return on the stock market over the past 25 years has not been as good. If I had the money, I would invest in farmland too.

If we were talking about farmers from other countries coming here and integrating into the social fabric of the region, then there would

be no problem. However, we are talking about holdings coming here to buy farmland on speculation, that is quite worrisome. This phenomenon is quite widespread throughout Quebec and even more so in western Canada. It is quite worrisome indeed.

**Mr. Jacques Gourde:** Would you be in favour of the idea of Canadians—not necessarily those who are dismantling their farms—being able to invest in a fund to help the next generation of farmers? For example, they could invest in your land or some of the buildings. That money could come back to you. It could become passive capital.

**Mr. Frédéric Marcoux:** The Government of Quebec announced that solution in its budget in the middle of March. It wants to move forward in that direction. People want to invest in agriculture. We have to see whether this will become reality and if it does, how it will work. If young people cannot have a decision-making role, we are not interested. However, if the goal is truly to help young people through farming agencies responsible for managing these funds, then this is an avenue worth considering.

**Mr. Jacques Gourde:** My other questions are for Mr. Groleau and Mr. Lapierre.

You have already made a commendable effort to support the next generation of farmers. I am talking about lending or donating quota. Your quota loan is for life. Is it transferable to the next generation?

**Mr. Sylvain Lapierre:** Yes.

**Mr. Jacques Gourde:** Are you planning other measures for the future? I know this was implemented roughly two years ago. Will this be developed further in the future or remain as it currently exists?

**Mr. Sylvain Lapierre:** For now, things will remain the same. We founded this system in 2006. We are in our fourth year. There are five new farmers and we want to give them enough time to get established.

As far as acquiring quota is concerned, a program favours the next generation, the newcomers, over existing farmers. When new farmers acquire quota then they can be loaned up to 10% to 20% more quota depending on the relative size of the population in the region where they operate.

**Mr. Jacques Gourde:** When a farmer dismantles his farm, he can currently sell his quota to other farmers. Have you already considered developing policies to finance these quotas through those who are selling them? Currently, those who are buying the quotas are borrowing money from the banks or credit unions. Could the quota owners do the financing?

**Mr. Sylvain Lapierre:** I can tell you that in my case, a new business was created out of a business transfer. The income from this new business allows me to buy shares in the former company. This entitles me to have control over the business in a way. Supply management allows us to plan our potential income for the long term. We are better able than other productions to plan a farm transfer even if we do not know whether we will still be making money in two years.

• (1000)

**Mr. Jacques Gourde:** Mr. Groleau, do you have anything to add?

[English]

**The Chair:** Do you want to add to that, Mr. Groleau?

[Translation]

**Mr. Marcel Groleau:** To pick up on what Mr. Lapierre was saying, it is quite often the vendors who finance the acquisition of the farm by the next generation. As Mr. Marcoux was explaining, it takes a very significant amount of shares in farming in order to get a return. Therefore, the current generation almost always finances the transfer of farms to the next generation. Whether we are talking about the grains sector, supply management or any other sector, the price of land, quotas, shares do not allow the purchaser to fully finance the acquisition through the bank. It is the current generation that finances the next generation.

For the next generation, market prices are the main problem. We are able to maintain the number of farms we have through supply management because it offers a price that more or less corresponds to our production costs. For other productions, the difficulty is the market price and the insecurity that comes with it.

I think that in the framework of international negotiations, especially since they tend to drag on, Canada should play a role in addressing the way in which market prices are regularized for farmers throughout the world. It is a global problem. Farmers are suffering because of the prices they are getting and more and more people are going hungry. Stabilizing commodities prices is a global problem.

[English]

**The Chair:** Okay, thank you.

Mr. Groleau, there was something you said there. You mentioned that the parents were basically the bankers for the sons and daughters, and I think that is probably prevalent across Canada.

Do you think that non-family members are being bankrolled by the farmer? For example, if I bought your farm, not being a relative, in the large percentage of those cases, is the guy who is selling holding the mortgage? Any comment on that?

[Translation]

**Mr. Marcel Groleau:** I think people rarely support or finance someone who is not family. The fact that this rarely occurs is not unique to agriculture. That is the case in almost all industry sectors. I am sure that Pierre Karl Péladeau, who bought Quebecor, did not pay market price when he acquired his shares. We are always closer to our family than anyone else.

[English]

**The Chair:** Of course. I just wanted to clarify that. Thank you.

And there's one other clarification I'd like for the record. Ms. Delomier, you made a comment about government, both provincial and federal, going together to help with assistance and what have you. I'd like you to clarify what you meant. Did you mean some kind of program on top of the capital gains allowance that's allowed now by the federal government? Could you talk a bit on that?

Did I explain myself?

[Translation]

**Ms. Magali Delomier:** Yes.

[English]

**The Chair:** You mentioned that you thought the government should have some kind of program with the provinces and the feds working together. What exactly did you mean by that? I may have lost it in translation.

[Translation]

**Ms. Magali Delomier:** In fact, it would be a fund that producers contribute to. The federal and provincial governments would match the contributions. During the transfer, the money would go back to the producers.

[English]

**The Chair:** What would this fund be for? Is it for the purchase of land? Is that what you meant?

[Translation]

**Mr. Frédéric Marcoux:** It is a question of helping young people acquire a business at a lower price. People who transfer their business rely heavily on the value of the assets. Farmers are not in the habit of putting money aside. The goal is to encourage farmers to invest in a retirement fund. If they transfer their business, this fund could be supplemented with the contribution from the government.

• (1005)

**Ms. Magali Delomier:** This would encourage the farmer to transfer his farm and not dismantle it for retirement income.

[English]

**The Chair:** Are you talking about farms or companies?

**Mr. Frédéric Marcoux:** Farms.

**The Chair:** Okay. I just wanted to be clear on that.

We'll now move to Mr. Eyking for five minutes.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Mr. Chair.

I thank the witnesses for coming here today.

In Nova Scotia, where I'm from, when you talk about egg producers or dairy producers, there is a minimum number you should be at to make an operation viable. We say you should have between 15,000 to 18,000 layers because of the size of the barn, and maybe with dairy cows you should have a minimum of 40 to 50 dairy cows milking.

I don't know if 4-H is very strong in Quebec, but it's very strong in Ontario. We had the 4-H people talking about, and you alluded to, the interests of non-farm people coming out of agricultural university or really wanting to get into farming. What would it take? You are talking about the marketing boards helping. If I were a young person wanting to start up a laying operation of 15,000 or 18,000, or a dairy farm, what would it cost? And right now, how would the two levels of government or the marketing boards help me to get one of those operations?

[Translation]

**Mr. Marcel Groleau:** It is not necessarily easy to get started in agriculture or any other sector. In agriculture, if you so desire or have the ambition, you should be able to get started. I would first like to bring everyone up to speed on the situation.

Whether we are talking about broadcasting or operating a store, not everyone can get started. People need to raise capital to get started. In my opinion, we should focus more on securing existing farms and ensuring their profitability rather than setting up more and more new farms. The solution is not in increasing the number of businesses, but in the prosperity of the existing businesses.

We are living in very difficult economic times. Even the supply management system is not necessarily making things easy. Again, this is a matter of market price. We have to address these issues before thinking about setting up other businesses or helping all those interested in agriculture to start up a business. This may go against the intention of building up the next generation of farmers, but I believe we must also ensure that the current generation survives.

**Mr. Sylvain Lapierre:** That is why the new farmer assistance program, which contributes 5,000 egg-producing hens, was set up. We want to give people who are not from farming families the opportunity to produce for public consumption, which would be much more difficult without this support of 5,000 egg-producing hens.

**Mr. Frédéric Marcoux:** To pick up on that, over the past few years, there has been a lot of talk about preparing for a transfer. It takes a great deal of time to prepare for a transfer. Nonetheless, there is an increasing trend to use the term “sustainable enterprise”. An enterprise that is sustainable will be much easier to transfer regardless of who operates it.

It is less about preparing for the transfer and more about the sustainability of the businesses, the way they are set up and market prices that will make the farms more attractive, easier to transfer and operate, namely by people who are not from the agricultural community.

•(1010)

[English]

**The Chair:** Does somebody else want to comment?

**Hon. Mark Eyking:** I have just one quick question, and maybe Mr. Van Tassel can answer.

What is the revenue overall for agriculture in Quebec, and what percentage of your revenue is from agriculture that is exported out of the province?

**Mr. William Van Tassel:** That's hard. I'm not sure I can answer that. There are certain sectors that do quite a bit of exportation. You have the hog sector, which exports 50%. As for the rest, the grain sector some years can export a little bit and other years imports a little bit, but it's pretty well self-sufficient. Then you have supply management for the Canadian interior.

**Hon. Mark Eyking:** Would dairy export 20% out of the province?

**Mr. William Van Tassel:** You would have to ask Mr. Groleau that.

**Hon. Mark Eyking:** For cheese, milk—

**Mr. Marcel Groleau:** Yes, we export about 30% to 38% of our cheese or our yogourt production to the other provinces, if we can call that exportation, since it is inside the country.

**Hon. Mark Eyking:** Yes. Thank you.

**The Chair:** Thank you.

Mr. Lemieux for five minutes.

[Translation]

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** What we are talking about this morning is very important. That is why we are conducting this study and visiting all the regions of Canada. That is what brings us here to Quebec City and to Quebec.

The federal government has some initiatives in place to help young farmers. For example, we have increased capital gains exemptions to \$750,000 in order to encourage the transfer of farms to young people. What is more, if I recall correctly, every MP here voted in favour of the Canadian Agricultural Loans Act. That was last summer. We passed the bill in order to improve loans for farmers, young farmers in particular. I think the total value was \$1 billion, and that was for young farmers' cooperatives.

We have had discussions with many farmers across Canada. There are certainly two main challenges. The first is the cost of getting started in agriculture, what it costs to buy equipment, land, cows, quota, etc. The second challenge is annual income. The income needs to be high enough to attract young people.

As far as annual income is concerned, a few factors need to be taken into account. We have to consider market price. We cannot control the price of the products. However, we have to consider government programs and initiatives. We are here to see whether there is something we can do to improve the situation.

I greatly appreciated the comments by the egg producers. My riding is near Quebec. It is located between Ottawa and the Quebec border. There are many francophones and anglophones in my riding. It is a rural riding and we have some egg producers. Most of them are young, between the ages of 30 and 40.

I did not know there was a program to help young egg farmers. I would like to know whether the same thing exists in other provinces or if this applies only to egg farmers in Quebec.

•(1015)

**Mr. Philippe Olivier:** Our program is for Quebec, but there are similar programs in other provinces. Some provinces are putting similar systems in place.

**Mr. Pierre Lemieux:** I know there is also a program for dairy farmers. In Ontario, they talk about a 12 kg quota for young farmers. However, that program is for 10 farmers in the province. It is more or less the same number here, but it is slightly different.

**Mr. Marcel Groleau:** It is the same program as in Quebec. They adopted Quebec's program.

**Mr. Pierre Lemieux:** Let us talk about the latest initiatives taken by the farming associations.

Are there farming associations that are implementing initiatives like these to help young farmers, pork producers or grain producers? Are there programs in place to help and encourage young people to get involved?

Frédéric could answer the question first and then William.

**Mr. Frédéric Marcoux:** It is specific to production. For hatching eggs there is a similar program to the one for table eggs. Poultry producers have a similar program, as do strawberry and raspberry growers. Other producers who are not under supply management do not have any programs. There are some who do not have any programs. However, collectively, since they are all insured by income stabilization insurance in Quebec, young people starting out are entitled to a 25% discount on their insurance premiums for two consecutive years up to a certain maximum.

**Mr. Pierre Lemieux:** Many farmers here in Quebec are pork producers. Why do those producers not target young people to implement various programs to encourage young people?

**Mr. Frédéric Marcoux:** That is because they are just trying to survive. Farmers are in a very precarious situation. As I was saying earlier, I know young people who are in pork production, who studied pork production in university and who made the rational choice not to take over the family pork business. Pork production is a unique case. Even if we wanted a program for young people, the income just is not there.

**Mr. Pierre Lemieux:** Okay.

William, do you want to add anything?

**Mr. William Van Tassel:** As he was just saying, as is the case for grain production, we pay a premium to our income stabilization insurance program. All farmers get 25% off for two years.

[English]

**The Chair:** Thank you.

Now Mr. Shipley for five minutes.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you very much.

I want to go to Madame Delomier, or maybe Mr. Marcoux. I'm curious about the proposal you put on the table. Basically, a third of the money would go into a land transfer fund so that a beginning farmer could buy land. I think that's what it meant, to buy a farm. Am I understanding that correctly? It would be basically one-third, one-third, one-third.

That's what I think I heard Ms. Delomier say, and maybe you could clarify that. I'm following up on the chairman's comments. If we did that, what would happen if somebody contributed for five or ten years...the province and the federal government did, and that person chose not to...? What would happen?

Second, if the federal or provincial governments contributed to that, do you see a concern that it would create an artificial value on a farm because now there would be a two-thirds advantage by that person over anyone else to buy into the operation?

Those are just questions for clarification.

• (1020)

**Mr. Frédéric Marcoux:** On your first question, over 10 years, if people said they wouldn't transfer to the farm, the money would go back to the government. So it's only to influence the transfer over the....

[Translation]

As far as dismantling is concerned, does this create speculation or an artificial price? I do not think so because money put aside will still be there thanks to the appreciation or the surplus the farm will have already generated. It is an alternative to allow producers to have retirement funds instead of relying entirely on the value of the business. This could never become the core asset of a farmers' retirement fund—simply because of where the money comes from.

[English]

**Mr. Bev Shipley:** I don't want to confuse us here, but I don't think we're talking about helping farmers have a retirement fund. I'm trying to understand how we can help the sustainability of beginning farmers and getting them into farming.

One of the things we talked about in some areas is an interesting one, and it was in terms of developing partnerships. Sometimes they are with the family. We have had a couple of examples of where there was a young person who, outside of their family, wanted to get into farming, so they developed a partnership. Some of those partnerships may be through shares where they were able to start to acquire some shares as they continued to work. Sometimes their working would help offset the price of the shares and then they would be able to make some transfers into the farm.

Do you know of any of that actually happening that way in Quebec?

Then I have a question for the supply management, because you have some very interesting comments that I want to support.

[Translation]

**Mr. Frédéric Marcoux:** As Mr. Groleau was saying earlier, people rarely transfer their business to anyone other than family. Financial gain is a much stronger motivator and the farmer therefore dismantles the business instead of transferring it. People rarely transfer their farms. I knew a few, but they are the exception.

However, there is a misunderstanding between us when it comes to the programs. Earlier, we were talking about two programs. The transfer savings program is one, but it should not be confused with patient capital. That word slipped in earlier. This program for business transfer is not specifically for young people who are not from the farming sector to avoid speculation or the creation of an artificial value. It is to make it easier for young people who are not part of the family to take over the business.

[English]

**The Chair:** Thank you. Your time has expired.

Ms. Bonsant for one quick question.

[*Translation*]

**Ms. France Bonsant (Compton—Stanstead, BQ):** Mr. Groleau, you talked about market price. If the government had a long-term vision for sustainable development in green technology, there would be less dependence on potash, for example.

In 2009, the highest paid CEO in Canada was the CEO of a potash company in Saskatchewan. If you are paying more per ton, now you know why.

If there were less dependence on oil, could green technologies help you cope with the market price of eggs?

**Mr. Marcel Groleau:** Reducing our production costs is one option we are constantly working on. Given that market prices are insufficient, we constantly have to work on production costs. Anything that could help us become more green is welcome. Consumers are concerned about the environment. I think that some environmental problems could be solved with agriculture, whether in terms of energy production, recovery, composting, etc.

We are certainly open to that. However, this still will not allow us to make up for the shortfall in market prices because we live in a global village.

•(1025)

**Ms. France Bonsant:** It is basically a matter of dumping.

**Mr. Marcel Groleau:** Yes. That is what is happening. We live in a global village. Trade is done globally and more often through an exchange. In other words, people take goods from a future sale: that is called a futures market. When prices fall, it is not necessarily because there was a poor harvest. Predictions are made that—

**Ms. France Bonsant:** Like the stock market.

**Mr. Marcel Groleau:** Yes, it is like the stock market. Exactly. That is what causes the most price fluctuations in farm commodities. They try to predict whether there will be enough corn or soy on the market in six months. If there is a bad crop, China could buy less. The prices fluctuate, and that has nothing to do with what is happening on our farms.

We must oversee these transactions, which are creating pricing problems on the farms. These transactions cause serious price fluctuations, which require more serious involvement from governments. Once again, the dumping continues to happen because of the subsidies.

That is why the problem in the agriculture industry cannot be solved strictly with Canadian programs or Canadian involvement. It is an international problem, like the environment. Just like we cannot clean up the planet from Canada alone, we cannot solve market problems from Canada alone. However, Canada can play an international role in doing so.

**Ms. France Bonsant:** Canada can be a world leader.

Could he respond to that?

[*English*]

**The Chair:** Mr. Groleau, we're out of time. I'm sorry. I was very lenient, or tried to be.

I have just one closing question for Mr. Marcoux. You commented earlier that the capital gains should be increased. We had a witness at

one of our previous hearings, an accountant, who is a so-called expert in his own right on generational transfers, capital gains tax, and that kind of thing, and he specifically declared that we shouldn't increase the capital gains. His reasoning was that for a husband and wife with a farm, both are allowed \$750,000, for a total of \$1.5 million, which he thought was very sufficient. He was not in favour of including that from transfers to non-family members.

Any comment on that?

[*Translation*]

**Mr. Frédéric Marcoux:** We are in agreement that if that applies to everyone, it is true that no one will be able to take advantage. We must simply determine who will be able to transfer their business and who will dismantle it.

If it applies to everyone, it means that someone who dismantles his business is entitled to an additional capital gains exemption. This would motivate even more people to dismantle their businesses. If that is the direction we take, it must be targeted only to those who plan on transferring their business, regardless of who it is transferred to. The notion of transferring and dismantling must be separated.

[*English*]

**The Chair:** Okay. Thank you very much.

We are out of time for this session. I want to once again thank all of our witnesses for coming here today. We really appreciate it. There will be a report prepared at some point and tabled in the House of Commons, and we appreciate your input into this.

Could we ask that the witnesses vacate the table and our next round of witnesses move to the table as quickly as possible?

In five minutes we will resume. Members could remember that too.

Thank you.

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\_\_\_\_\_ (Pause) \_\_\_\_\_

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•(1035)

**The Chair:** Could we have everybody to the table, please? I hate to rush everyone, but every minute we waste is less time we have for presentations and questions.

I'd like to welcome our witnesses to our second session today. Thanks very much to each one of you for taking time out of your busy day to be here.

We will move to Mr. Réjean Leblanc. Because of the numbers here, we're going to try to keep it to seven minutes if we can.

Jacques, go ahead.

[*Translation*]

**Mr. Jacques Gourde:** Mr. Chair, I would like to start with Mr. Laterreur, because other witnesses are participating in his presentation. We could then hear from Mr. Lecours, who will be presenting with Ms. Létourneau. Mr. Lehoux could then make his individual presentation.

• (1040)

[English]

**The Chair:** I'm at the committee's disposal. Everybody is going to get a chair. I have absolutely no problem with that as long as no one else does.

Mr. Laterreur, just because of the number of witnesses, if it's possible to keep it to seven minutes or so, that would help. But I will be flexible.

Thank you.

[Translation]

**Mr. Rémy Laterreur (As an Individual):** I want to thank the Standing Committee on Agriculture and Agri-Food for inviting me. I am very pleased to be here today. My name is Rémy Laterreur. I have been a pork producer for 31 years in the municipality of Saint-Narcisse-de-Beaurivage, on the south shore, south of Quebec City. My speech today has to do with the fact that in order to ensure the future of farming, existing businesses must be in good financial health.

In my experience, the profit margins in farming are much slimmer, and most producers can feel a considerable amount of financial stress in trying to adapt to regulations or standards. These producers listen to the market signals, which are often accompanied by political signals encouraging them to make major investments to fully develop their business's potential.

Agriculture in Canada is, and will always be, a very important economic lever, but because of our northern location, it requires, and will always require, a minimal amount of support from governments.

In my 25 years as a producer, the price cycle has been relatively regular. There were low, medium and high prices, which balanced out when averaged over five years. There were significant health problems related to our production, but they were spaced out over time, which allowed the farm to adjust and recover financial stability.

From 2005 until now, hog farms have seen a lot of action. The circovirus epidemic, which lasted two years, caused losses of 10% to 30% in most herds. The use of corn ethanol increased feeding costs by about 50%. The strength of the dollar has caused a significant decrease in the competitiveness of pork exports, which led to a general decrease in revenue for pork producers. Pork producers saw their usual references drop as a result of the massive investment of money in grain markets. The combination of losses from 2005 to 2008 forced a large number of farms to participate in the federal government's advance payments program, repayable one year later.

The futures markets seemed to get off to a good start in 2009, but then collapsed after the H1N1 virus, initially referred to as the "swine flu". This is in addition to the world economic crisis, which is not yet over.

We are still waiting for a decision from the government regarding postponing, once again, APP repayments planned for September 2010. Support from the AgriStability program, which is based on a cycle of profits and losses over an average of the last five years. If a farm is operating at a loss for an extended period, the program no longer applies.

The provincial government tightened up support in 2009, which also had very significant negative effects on the profitability of farms. The combined decrease in the amount of money available lowered the value of farms, which reduced the equity accumulated over 20 or 25 years of work to zero, or even below zero in the case of a large number of farms.

Canada will always have to offer minimal support for agriculture through flexible programs that can quickly respond to the reality facing our producers. If the agriculture programs and budgets do not allow existing producers to overcome all the obstacles they encounter, I think that it would make absolutely no sense to waste human capital on agriculture.

To ensure the future of farming, we must first ensure that there are serious agricultural policies. We need long-term agricultural policies that show stability, which will ensure that programs for the next generation will work.

Canada's agricultural heritage is an extremely important resource. Canadian producers are very proud of the high-quality products we consume and export throughout the world. We must ensure the viability and stability of the sector, so that the next generation will also be able to tackle any challenges it is faced with.

There is a group of agro-economist consultants here, who have added up all of the negative effects in recent years. They can give a very detailed picture of the precarious situation our producers are in.

• (1045)

The point of my speech was not to make the next generation of producers afraid. Quite the opposite. I want to show that we need to make some changes if we want this next generation to succeed.

Thank you.

[English]

**The Chair:** Thank you very much.

We'll now move to Mr. Turgeon.

[Translation]

**Mr. Benoit Turgeon (As an Individual):** Mr. Chair and members of the committee, I thank you for having me here.

My speech will be divided into four points. First, I will talk about the precarious financial situation hog businesses are in. Second, I will explain why few businesses in Quebec participated in the two programs, the transition program and the federal government's HILLRP. Third, I will talk about what will happen with the mandatory APP repayments in fall 2010, in a few months. And fourth, I will talk about some measures that could be taken to help more potentially viable businesses keep going.



My first point is the precarious financial situation many businesses are in. Hog production has been one of the most welcoming industries to new producers in recent years, either through the transfer of farms, through the sale to non-relatives, or simply by establishment. However, the financial situation of hog businesses has significantly deteriorated in recent years because of the factors Mr. Laterreur mentioned a few minutes ago.

To combat this, Agriculture and Agri-Food Canada created the APP in 2008. This program gave businesses some cash flow. Unfortunately, the time to repay these special loans is fast approaching, and very few businesses will be able to do so in light of the current financial situation.

In the study conducted by the Fédération des producteurs de porc du Québec in 2008, it looked at a control group of farrow-to-finish hog farms to come up with a projected portrait from 2009 to 2011. It was not promising. The situation in 2008 for this control group shows that businesses had a remaining balance of \$36,000. After paying off all of the businesses' expenses, debts and payroll, businesses still cleared \$36,000 on sales of about \$1,100,000.

If those same businesses were evaluated in 2009, 2010 and 2011, according to the projections of Agriculture and Agri-Food Canada provided as part of the HILLRP last October, the results would be much less promising. The 2009 results are projected. It is much easier to draw conclusions on something that is already over. The \$36,000 surplus is expected to disappear and turn into a loss of about \$47,000 in 2009, \$72,000 in 2010, and about \$70,000 in 2011.

Does reality reflect these projections? In order to validate this trend, I followed a group made up of 11 farms specialized in hog production from the Groupe Conseil Agricole Beaurivage. The evolution of this group over two years shows that the profit or surplus in 2008 was \$37,000—so virtually the same as the control group, which was \$36,000—which disappeared and turned into a loss of \$85,000 in 2009.

Moving on to the second point, why so few Quebec businesses participated in the transition program and the HILLRP, the hog industry loan loss reserve program. The transition program has shown that Quebec farms generally have higher short-term debt than other Canadian farms, because this is what Quebec support programs allow for. Under the transition program, the short-term debt, to allow for a stop in production for three years, or permanently, the business had to at least be somewhat stable for the three-year period. That means that even if the producer was transitioning to another type of production or stopped altogether to find a job elsewhere, he had to be in a position to finance some expenses. The submissions for Quebec farms were most often around \$2,000, compared to the amount of \$1,000, which was the average maximum accepted. I even saw some around \$3,000.

• (1050)

With respect to the HILLRP, the hog industry loan loss reserve program, the high level of debt and loss of profitability that businesses have been experiencing in recent years for many reasons—illness, market crisis, H1N1 virus, etc.—severely affected the profitability of businesses. Even with the 2009 projections for 2009 from Agriculture and Agri-Food Canada, it was difficult to prove that businesses were likely to be profitable.

Another factor comes into play here. A significant percentage of Quebec farms are funded by the Financière agricole du Québec. The financial institutions that give out loans were not happy about being second to the primary creditor of most businesses, the Financière agricole du Québec. Therefore, financial institutions did not all agree to participate in the program. In fact, only businesses funded directly by financial institutions had their creditors accept and propose a refinancing program through the HILLRP, if it would enable them to lower their risk, and, obviously, when the possibility of profits, even minimal ones, were likely.

Add to that the next deadline that industry businesses must meet, which is September 30. On September 30, 2010, APP repayments will theoretically be due. Advance payments not refinanced through the last program will theoretically be due the following month. A small percentage of businesses will be able to meet these deadlines. I think it is less than 50%—I would not guess any more. We know that there will not be a huge number of businesses. They do not have the cash to face this situation, and even with their usual creditors, they will have a hard time doing so. There are two inevitable outcomes: the sale of shares or of the business, and a mediation process.

Now, let us talk about potential measures that could help more of these businesses keep going. One thing I think should be done is that APP repayments should be frozen, according to the current structure, which includes maintaining the related interest bonuses. Since our industry has been in a crisis for five years, these measures should ideally be maintained as long as the crisis is still going on, and until each business has been able to accumulate some working capital.

The second measure has to do with the mediation process. The agent for the program or for Agriculture and Agri-Food Canada should be more open to solutions, and should be part of finding a solution to the problem through mediation. The closed door we are getting right now, and their complete lack of presence at the mediation negotiation table makes it difficult for other creditors who must find a sustainable solution to the problems facing these businesses.

Third, if governments were willing to create new programs, the programs could, if possible, be paired with existing programs, like AgriInvest, for example. Governments could simply improve the percentages and focus on very specific productions. For example, there could be a 2010 pork AgriInvest, a 2011 beef AgriInvest, etc.

•(1055)

[English]

**The Chair:** Be very brief.

[Translation]

**Mr. Benoit Turgeon:** Lastly, through programs like Growing Forward and PADEA, we must promote and provide even more multidiscipline consulting to businesses. These solutions are rarely limited to management consulting, finance consulting or technical management consulting. The combination and harmonization of these services within the same business can make solving problems easier.

Obviously, I am not claiming to think that every business could be saved in some by these programs, and I do not think we can expect that they all will. But we could at least try to support a minimum number of businesses that will be viable over the next few years, which will maintain a rather solid structure in the production sector.

Thank you.

[English]

**The Chair:** Thank you.

I'll remind all our witnesses, if you have written presentations and you don't get them all in, give them to the clerk and they'll be translated and every member will get them. We will have your comments, if possible.

We'll now move to Mr. Leblanc for seven minutes.

[Translation]

**Mr. Réjean Leblanc (As an Individual):** Good morning, everyone. Mr. Miller, committee members, I thank you for the invitation.

I will be able to share my views on two main points in the seven minutes. This is related to what the other witnesses have already said.

The key word is "stability" when it comes to the agriculture industry. Although we have already heard about this, I would like to talk about the cost of investments in agriculture and the impact of health problems on the profitability of businesses in the animal production sector. My notes highlight these two issues.

I would like to talk about the cost of investment and the value of assets, either for a transfer or purchase by someone who wants to get started in agriculture, whether or not they have an agricultural background. These assets are very expensive, and output is very low. This has come up many times, but agricultural revenue is very variable. That makes it difficult to acquire these assets. I would even say that, like many agricultural sectors, there is a crisis. It is destroying existing producers who want to continue to keep these assets in place. This is the case with hog production. Because of the crisis, it will be difficult for producers to update their buildings and to be competitive with other countries. We must find a way to enable people to get set up in agriculture with these assets or must find a way to help people who already have these assets to continue to produce.

My recommendations are more of avenues to explore. There are two points related to investments. It would be possible to have assets that belong to a fund or to communities that would take some items off the balance sheet. For example, if a young person does not have to purchase land for agriculture, if he does not have to include it on his balance sheet for a loan, that could help him when it comes to investments.

Furthermore, when a businesses asks for major investments, for example for hog production or dairy production, we must ensure that the businesses' revenues are stable, so that they can amortize this equipment or these assets. Often, people make major investments and the market conditions are very variable. That causes financial instability within the business, which often discourages people from moving forward or makes it difficult to encourage younger generations to take over the farm. This often comes up with hog production. Those are the two points I wanted to cover regarding the cost of investments.

I would also like to talk about the impact of health issues on animal productions. This could be compared to mad cow disease and porcine circovirus. I think we need to find a system that will help people during a health crisis, or if a major disease is found in a country. Mr. Laterreur spoke about the impact porcine circovirus had on hog farms. Producers are already asked to deal with widely fluctuating market conditions, in particular with respect to the prices and cost of input. If we could find a way to reduce the impact of a disease on the herds, we could at least help in that respect. It would also help the country better face the situation.

I recommended that a health fund be created, a health insurance, like what exists for humans, in order to face this situation. If there had been health insurance for mad cow disease or porcine circovirus, the government would perhaps not have had to invest as much money all at once to support businesses. I do not think that all farms will have to face the same disease every year at the same time.

This would be one method. The fund could be used to develop technology, for research.

•(1100)

For example, in the hog sector, research could eradicate diseases or identify certain regions in a country. That would help us continue to export our products or to contain a health situation. In recent years, if hog producers have been lucky enough to avoid the effects of circovirus, that could have helped suppress the fluctuations in the market.

To conclude, I would like to talk about programs. There are risk management programs. They would have to be adapted, and new crisis management programs would have to be created. When a sector is in crisis for several years, the existing risk management programs are no longer effective. We must be able to separate risk management from crisis management and quickly identify the sectors that require different support for several years.

Thank you very much.

[English]

**The Chair:** Thank you, Mr. Leblanc.

We will now move to Mr. Lecours.

[*Translation*]

**Mr. Jean Lecours (As an Individual):** Thank you very much, ladies and gentlemen.

I am here today to speak to you about starting a business, and in particular about the difficulties people have getting credit when they are starting a business. This morning, up until now, you have heard about transferring businesses. There were some mentions of starting businesses as well. I will talk strictly about starting individual, non-inherited businesses. This was mentioned a little earlier. I will go into more detail.

I am an agronomist. I invited Ms. Létourneau, who is an agricultural producer and who started up a business. Later on, she will speak to you about the difficulties she had getting credit.

Why am I telling you about this? Simply because there is a federal program that was mentioned this morning by Mr. Lemieux, the Canadian Agricultural Loans Act program, or CALA. This program provides financial loan guarantees to give agricultural producers easier access to credit. Based on the application, loan guarantees are granted through financial institutions.

The start-up assistance I provide deals very little with dairy production, because of quotas. That is done through the programs that Mr. Groleau mentioned this morning. However, when you are starting with absolutely nothing, it is difficult to start a dairy business.

In the hog sector, in light of the reasons mentioned earlier, it is even more difficult to start a business. The poultry and eggs sectors also have programs that operate under quotas. So it is also very difficult to start a business. Except, once again, if you take the options offered by the federation.

Here, in Quebec, there is currently a moratorium on milk-fed veal and grain-fed veal. The Financière agricole du Québec, through the Farm Income Stabilization Insurance, does not want to pay for more animals. So there is currently a moratorium on starting businesses for milk-fed veal and grain-fed veal. There is the same problem with sheep. There is no moratorium now, but it is coming.

There are quotas for rabbits and maple syrup production, which are not the ones you are familiar with. In our jargon, we refer to them as PPAs, the allocated shares of production. This type of quota limits the number of new individuals who want to start a business with this type of production.

So what is left? There is dairy goat, duck, big game, ornamental horticulture, and I am sure you could name a few more. However, these types of productions do not have reference margins.

When I develop a business plan for emerging productions, it is very difficult to find information. But we still create business plans to help these people. When a producer wants to start a business, the first question we ask them—and especially if they are talking about an emerging production—is whether they have money to invest. If they do not, I often encourage them not to do the work. In all cases, I do not draw up a business plan, because it will cost them money, probably for nothing.

There is a federal program, managed by Agriculture and Agri-Food Canada, called CALA—the Canadian Agricultural Loans Act Program. It changed names last year, when it became available to the new generation as well as to co-operatives. The information I am giving you is available on the website of Agriculture and Agri-Food Canada. It comes from a report that was commissioned and was released on October 4, 2004.

The report highlighted some weaknesses of the program. For example:

The administrative processes are too burdensome, which is time consuming for the financial partners; the account therefore becomes less profitable for the financial partner;

Difficulties recovering loans;

Clients' lack of awareness of program;

Fees are too high for the next generation of farmers.

In other words, when an individual goes to a financial institution—either the Financière agricole du Québec, Farm Credit Canada, or other private financial institutions—the first thing they hear about are independent loans or loans guaranteed by the institution. They never hear about CALA. No financial institution currently has the advantage of offering this program managed by Agriculture and Agri-Food Canada, because of all the red tape. We must not forget that the description of the program focuses on the new generation of farmers. They do not currently have access to it.

We cannot blame creditors. They currently have too much work. There are crises in the agricultural world. Honestly, when someone shows up with a business plan for an emerging production, it is easier to say no than to do the work, the analysis and the budgets. There are no reference margins to be able to say yes.

● (1105)

Because, at the end of the day, the financial partner has to recommend to his employer whether or not they should lend the money. However, if he wants to go further and get a loan guarantee, he will think that all the red tape required by CALA and all the work involved will be too complicated, and it would be easier to refuse.

In the document that was released by Agriculture and Agri-Food Canada on October 4, which can be found on its website, there is a statistic that clearly shows what is going on. In 1996-97, 16,250 loans were authorized, and in 2002-03, there were 4,722. I think there is a problem with that program, which perhaps is a bit naive, but I think it would be easy to fix.

Here are my recommendations for the committee. Agriculture and Agri-Food should allow farm business advisors to complete the forms. To do so, they need to have information sessions and must give tools to agronomists working as farm business advisors. Obviously, with respect to the guarantees, it will always be up to the financial partners to fill in the documentation on this subject.

Agriculture and Agri-Food Canada should negotiate with financial institutions to make the terms for recovering loans more clear.

Under the CALA program, for individuals who are starting up an agricultural business, the loans should be guaranteed 100%, as we see in some provinces, for example with the Financière agricole du Québec.

Lastly, Mr. Chair, Agriculture and Agri-Food Canada should set a unique fee for starting an agricultural business or for new farmers. Usually this refers to a business that is zero to five years old. For example, the Financière agricole du Québec charges \$300 to examine a file for a new farmer, instead of 0.85% of the amount.

Thank you very much, Mr. Chair.

• (1110)

[English]

**The Chair:** Thank you very much.

We'll now move to Ms. Létourneau for seven minutes.

[Translation]

**Mrs. Laetitia Létourneau (As an Individual):** I was invited here by Mr. Lecours to talk about starting my dairy farming business. My spouse, Justin, and I started a dairy farm. Today, we have 33 kilograms of quota, and we started with nothing. Justin's family owned a dairy farm, and 100% of it was passed down to him and his brother. My father is a lumber producer. We both studied agricultural management and have a DEC.

It all started after CEGEP. I managed a dairy farm. We had good production, which was known in the region. The idea was to have our own dairy farm. We took a look at emerging crops. I considered maple syrup production, we got a foundation stock of 125 to start in bee keeping, but those did not interest us. It was very time consuming and not very profitable.

So we went to see a man we did not know, who was dismantling his farm, and he loaned us \$300,000 with 2% monthly interest over 10 years, with no principal repayment. We had a small house at the time. I was able to get \$50,000 to \$60,000 by selling the house. Since we had both studied agriculture, we had two \$80,000 subsidies to get started. We found a dairy farm. The owner sold us very good land and buildings that were ready for animals. Everything was there: feeding machines, the processing system. All we had to do was bring in the cows. He sold us that for \$400,000.

I developed a little plan that I went to present to the Financière agricole du Québec, which did not even want to look at it. Its representative advised me to throw it away so that he would not have to do it himself.

Since my spouse worked on contract for the Financière agricole du Québec, in crop insurance, and knew some of the higher-ups, we went to see them. They referred us to other advisors who took the time to look at our plan. They told us that it was not enough, despite everything that we already had. We were entitled to the five kilograms for new entrants. At the time, the 10 kilograms, which is now 12, did not exist. We could not buy the land. They told us that they did not help young people start out by having them buy land; they had to lease it.

We had a hard time convincing the man to lease us his land, which was not something he was considering; he wanted to sell. It was a

lease with an option to buy. We submitted that to the Financière agricole du Québec and were denied again. We needed around \$100,000 in guarantees to start up our farm. We found a third good Samaritan who was willing to sign for us and guaranteed the \$100,000 so that we could get our farm up and running. We needed three good Samaritans to start a family-run dairy farm.

On January 1, we started our fourth year of production, and we have 33 kilograms of quota. Things are going very well. The hardest part was getting started.

[English]

**The Chair:** Thank you.

Now last but not least, Mr. Lehoux for seven minutes.

[Translation]

**Mr. Richard Lehoux (As an Individual)** Good morning. I thank you, Mr. Chair and members of the committee for giving me the opportunity to speak this morning. I am here as an individual. I am an agricultural producer, a dairy farmer. I co-own a dairy farm with my brother. I have two sons who are 25 and 29. They love agriculture they live and breathe it. However, getting them settled in the agricultural world is a very difficult task.

I am also the mayor of my municipality, and reeve of my regional county municipality, in Nouvelle-Beauce. I should mention that it is the second-largest agricultural RCM in Quebec, after the RCM of Maskoutains, in the Saint-Hyacinthe region. Chaudière-Appalaches is a very agricultural area. The next generation plays a very important role for the future, if we want to continue to see this agricultural industry develop.

I hope you will forgive me if I start by saying that I believe in maintaining supply management, in dairy farming, among others. It exists and it is unavoidable. Supply management ensures the durability of the productions, such as eggs or poultry. Other productions could have something to gain by changing to this type of management.

I am not against the globalization of the markets. However, when it is a matter of feeding the planet, we must pay attention. Mr. Groleau's comments earlier were right on the money and I agree with him.

We need only look at the European Economic Community, which stopped using it a few years ago, to see how important some kind of management is. We need only look at the decreased prices being paid to producers. There is no way we can think of bringing in strong and competitive new producers if that were to happen here. I have friends who are producers in Switzerland, Belgium and France, and they have a hard time recruiting replacements, because of all the problems that currently exist in Europe in the dairy farming sector.

We must also be careful not to destabilize the regions by changing programs or policies, or simply by abandoning a policy that is there to support them. The vitality of our regions—I am saying this as a mayor—depends greatly on the vitality of its agriculture and agri-food processing industries. Agri-food processing in our regions is very important to our communities' economies.

I still believe that for a country that is so strong, the agriculture must be as strong as possible and must be supported by a development plan and by better suited policies. A medium- and long-term agricultural policy would be very important in helping to bring in the next generation.

I would also like to mention some other things to think about. We could have lower interest rates for new entrants. There is currently a commitment from the Financière agricole du Québec, but could we not see lower rates supported by Agriculture and Agri-Food Canada? That could be significant, because starting up an agricultural farm, whether it is dairy or other, requires a considerable amount of money. Lower interest rates could make a difference.

With respect to increasing support for new entrants, there is the AgriInvest program, which helps farmers for five to ten years. The current contribution is 1.5%, but it could perhaps be increased to 3% or 4%. Also, Agriculture and Agri-Food Canada could simply take on the producer contribution for new entrants, for young farmers, for the first five to ten years after they start their businesses.

I would also like to mention another important thing regarding assistance for family transfers, a reality that I live every day. I own a family business with my brother. We both have children who want to get into farming. We want to expand this business. We do not want to see it grow, but perhaps split. That requires a considerable contribution from the parents. Increasing the capital gains exemption when selling the business to children could make a huge difference.

We should also consider adjusting the taxable value of businesses, for example, finding a happy medium between the actual value at the time of sale and the market value.

• (1115)

We know it is impossible to think about selling property to our children at market value. No one is able to buy the farm at that price. In dairy production, no young person would be able to pay for the quotas, the land, the herds.

One of my children has tried twice to get financing. Even if I try to support him, it is not possible, it will not go through. My other son was able to start his own farm, a business separate from our own, but we had to provide a considerable amount of support from the assets of the business that I share with my brother.

I think some serious thinking needs to be done if we want to bring in the next generation. I will stop there. If you have any questions, we can discuss them later.

Thank you, Mr. Chair.

• (1120)

[English]

**The Chair:** Thank you very much.

We're going to move to Mr. Eyking, and we're going to cut it to five-minute rounds. If we have time left over, we'll certainly use it.

**Hon. Mark Eyking:** Jacques used up all our time, did he?

**The Chair:** Anyway, it's your time now for five minutes.

**Hon. Mark Eyking:** Thank you, Chair.

I thank the witnesses for coming today.

As we have travelled across Canada in the last few weeks, we have been hearing the same story about the hog industry. It's in really bad shape. It reminds me of when my father was in the egg business in the 1960s. It was a desperate situation. We are hearing that the federal programs, whether they be AgriFlex or AgriStability, are not working for the hog producers. These loans only put you more in debt, which you have to repay. Also there was a buyout incentive. The uptake didn't seem to be very good on that.

I guess what was needed in the last year or so was cash, so much cash per hog or per pig that you are producing.

My understanding from earlier this morning is that 40% of the hog production in Quebec is exported out of Quebec. I don't know how a marketing board would fit in there. It might not fit in very well with that amount of production. There was also talk in the last few weeks of floor prices for many commodities that are not in supply management.

I'm just thinking of other ideas. Mr. Leblanc, you mentioned an insurance. We used to have an insurance package that was called NISA. I don't know if they had it in Quebec. The producers, in the years they could afford it, would put so much money in. The federal government would put so much money in, and the province would put so much in. It kind of build up a little nest egg, and you would draw from it as you needed it.

We are hearing quite a bit that such a program should come back, or some kind of child of that program.

My questions are mostly for the hog producers. Where is the industry going to bottom out? And more importantly, our understanding is the programs aren't working now. What do we drastically need to change out there to get some cash in the hog producers' hand, obviously, but, more importantly, so that the industry is on a more stable footing?

I need a little time for my last question. In the Maritimes, where I'm from, our hog industry is pretty well gone. One of the repercussions of that is, for instance, in P.E.I., where they grow a lot of potatoes. Their crop rotation would be barley, and the hog industry used to consume the barley. So they're not only losing their killing plant and hog farms in P.E.I., they're losing a very vital part of their potato crop, which is barley.

The first part of my question is, what should we be doing in the federal government more than we are doing now? The second part is whether the downturn of the hogs will have a drastic effect on other agricultural industries in Quebec.

**Mr. Réjean Leblanc:** On your first question, I think the programs are not working because of the risk management program. I think we're now in a crisis situation. That's why when the producers try to manage in that program they don't see the money coming. That program works if you have a good year, a bad year, a good year, and a bad year. But now we've had years for a couple of years, so I think that's why those programs aren't addressing the situation well.

If you look at the pork sector as a whole in Canada, it's going down. You see that in the Maritimes. Here in Quebec we have an insurance program from the provincial government that's slowing things down, but in the end it will be the same as in all the other provinces—just the speed is different.

When we build the sector—pork was built on export and everything—we all may agree it would be a good thing to slow things down a little. But we have to make sure it's done in a proper way so we don't destroy everything as a sector. We have people working on farms. We have industries selling feedstuff. We have to make sure everything goes...give it time, then adjust and cut everything in this, because you lose farms and all the businesses around them.

So I think the program has to be made to address risk management when things are going normally. But we need programs to stabilize the sector before it gets better. That's what we're looking for now for the pork sector. We had that for beef, so it's the same thing.

We know the market fluctuates and it's hard for the producer. We know that the health issue is important, and if we can take the impact of health out of the cost of production, it will help the sector manage the fluctuations in price and feedstuff.

• (1125)

**Hon. Mark Eyking:** So you're looking at the short term and the long term, basically?

**Mr. Réjean Leblanc:** Yes. I think the programs right now are just for risk management, but we have nothing for when the sector is in crisis.

**The Chair:** Thank you.

I'll move to Mr. Bellavance for five minutes.

[*Translation*]

**Mr. André Bellavance:** Thank you very much.

Thank you for your testimonies.

When witnesses appear as individuals, we do not always know who they are. Mr. Turgeon, we would very much love a written copy of the document you presented earlier.

You are a producer, an agronomist? Could you explain briefly, please, as we have only five minutes.

**Mr. Benoît Turgeon:** I am an agronomist. I have two roles: I am a management advisor for dairy, hog and other types of farms, two days a week, and I have been an agro-economist for the Centre de

développement du porc du Québec, the CDPQ, for five or six months.

**Mr. André Bellavance:** So with respect to the projected portraits with control groups that you mentioned dearlier, you had a contract to do that, if I understood correctly?

**Mr. Benoît Turgeon:** It was not an outside contract. It was an initiative of the centre.

**Mr. André Bellavance:** The control group was—

**Mr. Benoît Turgeon:** There were two control groups. The first came from the study by the Fédération des producteurs de porc du Québec, [*Inaudible—Editor*]. The data is obviously from 2008. The 2009 data will be available within a few weeks. The group on which we made the projections was a control group from the Fédération des producteurs de porc.

The group whose results I mentioned was made up of real farms from the consulting group I work for. We just collected the 2009 data.

**Mr. André Bellavance:** One of the measures you mentioned was what could be done regarding an APP freeze. Could you estimate how long that freeze would have to last? You said that we would need a freeze until the crisis is over. How much could such a measure cost? When Jean-Guy Vincent, the president of the Fédération des producteurs de porc du Québec appeared before the committee, those were the same questions he wanted to ask the agriculture minister, Mr. Ritz. He wanted to know what would happen when the deadline arrives. Are we able to estimate how much that could cost?

**Mr. Benoît Turgeon:** I do not have any figures because I have not examined this; I was not asked to. However, because a significant number of businesses will not make it through the crisis, it is important to focus on those that can be saved, even if we must decrease the amount of the repayments for two or three years. I obviously have no answer as to the length of the crisis.

However, even if we must lower the repayment of the capital on these loans, it is an option that must be examined. A business that is not able to handle its expenses and the interest will inevitably have to shut down one day.

I do not think that we should torture these businesses indefinitely. Some of them should not have been eligible for the APP in 2008. The APP allowed them to last another two years, but they will inevitably shut down.

However, we must support those for whom it was fair. If they reach only 30%, 40% or 50% of the capital of the debt for the next two or three years, is a profitable option.

If this is not the case, Quebec and Canada will have struggling hog farms, but the slaughter industry and processing sector will inevitably suffer as well, as the gentleman was explaining earlier.

When hog producers stop buying grain, what happens to the grain? When there is no more pork, what happens to our slaughterhouses, to the processing plants?

• (1130)

**Mr. André Bellavance:** Mr. Lehoux, I agree that the vitality of the regions is directly related to the vitality of the agricultural industry. I believe that it is also linked to the idea of keeping the land populated. I imagine that if some regions lost their populations, there would be no more agriculture.

I also wanted to briefly mention what is going on with the stabilization insurance program in Quebec.

You are likely aware of the difficulties and of the negotiations underway between the UPA and the Government of Quebec. You are also likely aware that part of our taxes go to the federal government. I should know, and I think that we should pay our taxes to a single government. There is the AgriFlex program from the federal government, but it excludes income support.

With respect to stabilization insurance in Quebec, do you not think that including income support to the AgriFlex program would allow Quebec, and the other provinces that have stabilization programs—some could even create them if they do not have them now—to resolve this problem?

That is what we are hearing from the other provinces. I would like to know what you think.

**Mr. Richard Lehoux:** I am not very familiar with the AgriFlex program itself, but I believe that there should be a greater contribution from Agriculture and Agri-Food Canada.

AgriFlex deals with productions that are not subject to quotas, but what about the rest, all the other productions that are managed and where there are no investments?

My speech this morning was very much focused on the next generation, because if there are no new farmers, the regions will start shutting down one after the other, and the processing industry will gradually disappear as well. When there are no more businesses to produce, there will be no more processing.

I have not carefully examined what, exactly, Agriculture and Agri-Food Canada could do. However, I believe that there should be more assistance. Should this assistance not be part of a national agriculture policy that is very precise and structured?

I think that is what we should look at, a Canadian agriculture policy.

[English]

**The Chair:** Thank you very much.

Mr. Atamanenko has five minutes.

[Translation]

**Mr. Alex Atamanenko:** I thank you very much for being here. I have a few questions, and I would like you to comment.

Would it be an exaggeration to say that survival in rural Canada and Quebec is in jeopardy? We see, for example, fewer farms than there were a few years ago.

That must be concerning to you, Mr. Mayor, because agriculture is the basis of any small town.

It has been clear that for years, the federal policy has focused on exportation and tries to create markets while trying to protect supply management. We are an exporting country, but we also want to protect our domestic industries.

My question is for everyone. What can we do to protect what we have and to try to open up markets? Until now, we have seen that that does not work for sectors like the hog or beef sectors.

Should we consider a supply management system, for example, in the hog sector? Would that work? We know that we export and import pork.

These questions are rather philosophical, but I think that we are talking about all kinds of programs and we want to help these sectors. In general, how can we maintain our vision of promoting our rural communities while continuing to export?

I will leave you with those questions. We could start with Ms. Létourneau, and then anyone else who would like to comment will have a chance.

• (1135)

**Mr. Jean Lecours:** On the agricultural side, there is indeed a problem in some areas right now. I am thinking of the hog industry, but that also applies to other types of production. I think that the situation is going to change, not quickly but gradually. Many businesses will diversify to become short channels. This means they must have a kiosk on the farm, or be much more present in public markets. We currently see this pattern in Quebec, and we are working on it.

As a management consultant, I remember someone who telling me about a kiosk on the farm. That was a rare occurrence. Those who would set up such stands were seen as oddballs. Today, it is just the opposite. The programs of Quebec's agriculture, fisheries and food department, among others, are very much focused on an operation with short channels—that is a kiosk on the farm or in a public market, or a distribution channel with only one retailer—and with a significantly reduced processing operations. However, this type of structure is much more risky from a financial point of view.

When a producer comes to see me because he wants to start diversifying his production, I always try to ensure that his production will include commodity products, that he will have access to a place where it is going to be easy for him to sell his products and have an income. As regards other considerations, diversified products have a smaller volume, which is going to gradually reduce the financial risk that may be associated with them. I think we are going to see greater diversification in the agricultural sector.

There is also another thing happening right now. In the past, a couple would often work exclusively for the family business, whereas now one the two spouses must work outside, which is unfortunate. In the case of a start-up business, and even when production is already well established, we recommend that one of the two spouses—it is often the woman—work outside the business. This results in the other spouse being overworked. We are seeing it now, and I am afraid this situation is going to become more prevalent.

[English]

**The Chair:** We're out of time, but I'm going to give you 30 seconds, Mr. Lehoux.

[Translation]

**Mr. Richard Lehoux:** I think that Mr. Lecours is absolutely right. As the mayor of my municipality and reeve of a regional county municipality, it goes without saying that I try to help and promote, through our local development centres, the establishment of new and diversified businesses. That said, there is no escaping mass productions such as dairy, hog or eggs, and their importance in the area.

I keep coming back to processing, because it contributes significantly to job creation in the regions. Indeed, we are going to have to turn to diversification.

We have to be careful with the global tendency to create huge operations. To let our agricultural sector lean on that side is a double-edged sword. I believe it is family and local businesses that will create and maintain vitality in our regions. We must also allow these young people to move forward. I think that is the most important thing.

[English]

**The Chair:** Thank you very much.

We'll now move to Mr. Gourde for five minutes.

[Translation]

**Mr. Jacques Gourde:** Thank you, Mr. Chair.

My question is to all witnesses.

When a producer or a new person settles in the agricultural field, it is often during the first few years, that he makes the largest investments, for example to buy land, improve farm buildings and buy herds. The person develops a business plan with advisors and agro-economists, based on the current and previous years' agricultural policies.

When agricultural programs change every five years, what is the impact on these producers, on these young new farmers? I think that over the past 20 years, programs have always regressed, when it comes to support for agriculture. How can these producers meet their obligations when support programs change every five years? These producers have often taken out long-term loans of 20 or 25 years. They already have closed mortgages. After five years, they have basically not repaid any principal, and they are already getting squeezed.

• (1140)

**Mr. Benoît Turgeon:** As Réjean mentioned earlier, when it comes to agriculture, the investments that have to be made are significant. They are often made for a single use. If we invest on a building that lasts 15 years, we need 12 to 15 years to break even. However, the policy may change after five years, as we saw recently with certain products. When the rules are changed three, four or five years later—whether it is domestic or international rules—producers no longer have any leeway.

Perhaps we should begin by making policies last longer. That would be a first step. Then, if a major policy change is required, we should try to protect the assets of the farms that have already been in operation for three, four or five years. We could maybe engage in positive discrimination under the policies. While indicating that the policy is going to change, we could implement the changes over the next three, four, five or six years, so that the operation would have time to adjust. It would not suddenly find itself in a dead end.

**Mr. Réjean Leblanc:** This morning, we talked a lot about supply management. When we discussed maintaining it, the issue of income stability surfaced. For products that are not tied to supply management, if we exclude quotas, the cost of buying assets—the land, the buildings and so on—is the same. People who buy operations that are not subject to supply management must find a way to ensure a form of income stability similar to the one provided by supply management. I do not know how this can be achieved. A lot of comments were made this morning regarding this issue.

To answer the question, I would say that, as a country—and all countries should do the same—we should ensure that we have an agricultural heritage. We protect monuments through UNESCO, but we should also find a way to protect that heritage, to allow people to use it, to ensure that people can live off agricultural production, and to promote the importance of that industry for the regions.

**Mr. Jean Lecours:** As agro-economists, when we prepare our budget estimates we obviously leave a bit of room to manoeuvre. Otherwise, we would not recommend this or that project or business plan. As regards what Benoît mentioned earlier, over the past few years, there have been times when we have made projections and then all of a sudden, the whole picture would change drastically.

Putting our signature down and making recommendations as agronomists is a huge responsibility. There is a reason why we are covered by a liability insurance. The fact is that the changes that have occurred in recent years have led us to be very cautious in our recommendations. The same is true for access to credit. People who assess the situation and issue recommendations are cautious, even very cautious. Their employer demands that they be. When there is a policy change on a very short term, people involved in the whole process of providing consulting services and credit become much more prudent. In my opinion, this hampers investments that could be made in the agricultural sector.

**Mr. Jacques Gourde:** Mr. Chairman, if I have time, I would like to ask one last question.



Environmental standards have forced producers to acquire land for spreading manure. In Quebec, as regards the ASRA program, land was required under the concept of ecoconditionality. By setting these requirements, the agricultural heritage practically becomes the exclusive property of farm producers. They buy the farms, but they have to pay the interest and the principal. Has this situation made a number of farms more vulnerable?

• (1145)

**Mr. Benoit Turgeon:** Yes, that is the case for a number of operations that produce certain products, including hog farms. I would go further than that.

As regards standards, whether we are talking about environmental or business standards, I would lean towards reciprocity at the border. I think that Agriculture and Agri-Food Canada can do a lot in this respect. If we ask our producers to comply with environmental standards related to herbicides, minimum wage and so on—and that is not an easy task—we should ensure that any product which crosses the border, regardless of its origin, is subject to more or less the same conditions of production abroad. Otherwise, it is unfair. The more we want to do the right thing regarding production, the more we make our industry weaker, with the result that it can easily be pushed aside by other countries.

[English]

**The Chair:** Thank you very much.

Now we'll move to Mr. Valeriote for five minutes.

**Mr. Francis Valeriote:** Thank you for coming today. I appreciate it. I regret I'm not able to ask these questions in French.

I got home this past weekend and thought about the last two weeks of crossing this country, and I thought about the dilemma the farming industry is in. I've heard from so many that they love the lifestyle, but there's no livelihood in it for so many farmers. I understand it's a little better in Quebec because you have I think a provincial government that's more supportive and programs that are more supportive.

I began to compare it with how we're dealing with poverty in this country. We make it a little more comfortable for people to live in poverty, but we never help them out of poverty. I'm worried that we might make it a little more comfortable for the farmers to live with their losses but never help them really make farming sustainable. That causes me to be very concerned about our ability to have food sovereignty and always be able to feed ourselves.

Most of you, it seems, are in the supply managed business. A lot of the others we spoke to were not. I am curious. It's one thing to get into supply management, and I understand there are big costs, but once you're in, the income is a little more stable, as I understand it.

I'm curious about two things, and this is at the other end. This is what's going to protect your prices. Two things have come to the top of the issues. One of them is the lack of harmonization of regulations and standards, those of Canada versus those of other countries, that make us less competitive, such as SRM or pharmaceuticals they can use elsewhere but we can't use here, yet we still eat their food.

The other is the concentration of power among some of the processors, some of the fertilizer suppliers. We don't have laws that

allow or enable us to deal with those concentrated powers by breaking them up the way they can in the States. They've got anti-trust laws there. We don't have those here.

I'm wondering if I can hear from any one of you, or all of you, about those two issues: the lack of harmonization of regulations and standards, and the concentration of power and how it affects your industries and your production.

**The Chair:** Who wants to start?

**Mr. Francis Valeriote:** I'd like to hear from a couple of you.

**Mr. Réjean Leblanc:** I can talk about the concentration.

I'll just focus on Quebec for this part. If you take the pork sector—and I've talked to my clients, and they have children who want to take the farm, but right now I think the market is fluctuating too much. As you said, they cannot get good revenue from it. What will probably happen is we're going to lose those family farms.

We're still going to be producing those pigs in Quebec, but they will be divided by 40 or 50 producers because we don't have any program that will be supportive of those family farm operations. Everybody will agree with me that's where we have a problem after that with the young taking the farm, because the assets are too expensive to get and they cannot get revenue. So companies have access to cash and credit, and they will be able to set up their system to still produce the pigs.

[Translation]

Perhaps Benoit can deal with the issue of regulations.

• (1150)

[English]

**The Chair:** One minute, please.

[Translation]

**Mr. Benoit Turgeon:** I may not talk about regulations. However, as regards buyer concentration, there are three or four large buyers of food products in Canada. It is a bit of a vicious circle: buyers want to concentrate their purchases, and if the same person buys all the ham for a company, it is much more appealing for that company than to have a buyer in each province or region.

Conversely, we must have industries that are able to supply them. So, if we ask our processing industry to downsize, it will no longer be able to meet the demand related to any contract. The buyers want millions of kilograms of ham in the same week, and in the same countries. There is a problem indeed. The solution is not an easy one.

[English]

**The Chair:** Thank you very much.

Mr. Lemieux, five minutes.

[Translation]

**Mr. Pierre Lemieux:** Thank you very much.

Programs definitely play a major role in the life of a producer. Mr. Eyking mentioned NISA, an old program that worked well for farmers. Now, it is AgriInvest. It is a similar program: a producer invests money in AgriInvest, and the government matches every dollar invested. The producer can withdraw his money at any time. That applies to the first 15%.

This is definitely a challenge in the development of federal programs. We want to help producers but, at the same time, we do not want to hide the market's realities. If the market changes over a long period of three, four or five years, we do not want to hide that fact, because we would not reflect the reality. So, it is difficult, because we want to provide assistance, but we must also recognize that the market may be different.

In my riding, as I mentioned earlier, we have supply management and it is very important. I am a strong proponent of supply management. We can see that it provides stability for producers.

Here is my question to you. As I mentioned earlier, in Saint-Isidore, which is a village located in my riding, egg producers are young and they operate under a supply management system, while dairy farmers, who also operate under a supply management system, are older. I would like to know if there is a reason for this age difference. After all, there is a supply management system in place, a quota must be bought and the price to pay to get in the business is high in both cases.

Do you notice the same thing here, in Quebec? Can you think of reasons that may explain the difference in the average age of egg and dairy producers?

**Mr. Richard Lehoux:** I may have a partial explanation. There is no question that, as regards egg production, quota prices are in place and building costs are important. That said, it may be because of the size of the land that we must own, which is smaller, at least from my perception. Would that not be a part of the problem?

Back home, we must buy the quota, the land and the herd. For example, once my son will have bought the herd, the land and the buildings, he will probably be able to make his payments, but when the quota cost is added, he will have a problem. I believe that the amount of land required may put a greater demand on a dairy farmer than on an egg producer. Would that not be a part of the explanation? That is my view.

**Mr. Pierre Lemieux:** Ms. Létourneau may have something to add. You decided to get into the dairy sector.

**Mrs. Laetitia Létourneau:** I have no idea as to why egg producers, unlike dairy farmers, would hand over their farm. However, I do know that many of my friends have a share in the family farm, without necessarily holding a majority interest. Their father keeps the larger share for a while, before gradually passing it on. Perhaps egg producers want to retire earlier.

• (1155)

**Mr. Pierre Lemieux:** I want to congratulate you for your perseverance. You had to face many challenges when you first started your farm operation, but in the end you succeeded. Congratulations.

**Mrs. Laetitia Létourneau:** In my case, I was successful when I approached three people I did not know. However, I know many

young people who did not have the same success and luck that we had when we first started our operation.

[English]

**The Chair:** Thank you very much, Mr. Lemieux.

Mr. Shipley, you have time for one question.

**Mr. Bev Shipley:** It can't happen, sir.

I am a farmer. I was also in supply management in the free market, and I was also a mayor. So beware of what might follow—statements, if not questions.

First, I do have a statement, and it's just a comment about the regulation, lack of harmonization. I had a motion put forward that we got passed by Parliament, just to deal with that exact issue. Hopefully we can continue to move ahead. It didn't have all-party support, but we got it through.

Secondly, because good succession planning and practices are long term, are they generally accepted within the farming industry?

In terms of the pork industry, it started in 2004 in our area. We had buildings being built, a doubling of pork production over 10 years. We had a low dollar—a 65-cent, 67-cent dollar. We had low feed costs.

Then the circovirus came in. We put in \$67 million towards the vaccine. It was a miracle drug.

Then there was bad feed—or not as good feed—in 2007. There was good feed in 2008. H1N1 came along. I mean, it's just been one thing after the other.

We now have profit in the pork industry. The markets are there for a profit right now. But how do we prevent this from happening again? How does the industry help us to prevent this sort of thing from happening again?

And the next one... I'm just trying to understand. Mr. Turgeon, you talked about a higher debt per farmer in Quebec than in other provinces. And yet I can tell you that in Ontario it looks as if Quebec is being subsidized higher than any other province. So how does this work for beginning farmers? What does this actually mean?

I'll leave it at that.

[Translation]

**Mr. Benoit Turgeon:** I am not sure I understood the end of the question, but I will try to answer it nevertheless.

As regards the issue of how to avoid making the same mistake twice, I would say this. Indeed, that is a production that has expanded in a market where the value of the dollar was very low, which means that it was easy to have access to markets. We must first build our industry and then base it on domestic consumption. I think we have to be good at home before we can sell abroad.

In this regard, Canada Pork International promotes our products abroad and on the markets, which is very good. However, there is no similar body to promote domestic trade in Canada. Perhaps we should also work at stabilizing the situation and at establishing a solid base in our own country, and then take advantage of export markets.

I think that once we stabilize production, we will surely bring it to a level that is lower than the current one. It will then be incumbent upon the industry—that is producers, creditors and processors—to say that if business opportunities present themselves, they will be able to determine whether these opportunities are going to exist for two or three years, or for a very long time. In the case of opportunities that are going to be there for two or three years, since the value of our dollar keeps fluctuating, that risk factor should be taken into consideration.

There is no point in streamlining our production to, for example, reduce it by 2, 3, 4 or 5 million hogs, and then increase it again by 4, 5 or 6 millions in two or three years and go through another crisis in the years that will follow. We should have a global approach for the industry, and that includes producers, creditors, processors and slaughterhouses.

• (1200)

[*English*]

**The Chair:** Thank you very much.

I apologize, but we have a very tight schedule and it's always the chairman who gets blamed if we're late.

I have just one closing comment that I'd like all of you to think about.

And to you, Mr. Lehoux, like Mr. Shipley, I was mayor in my municipality. I'm a beef farmer, but I also milked cows in the 1980s. I've been on the supply management side and the non-supply management side and I understand the perils on both sides.

Anyway, there's just one thing we should all remember. In regard to the numbers in beef and pork—and that's what I'm in right now,

and my youngest brother is still farming—part of the problem there, of course, is the dollar and what have you that we can't do anything about. But basically the numbers were too high.

On top of that, there are the exports, which is a good thing, and I'm all in favour of exports, but exports are overproduction in your country. I'm all for that, but we need to remember that, and the question we should all ask ourselves is, should we subsidize overproduction? That's something that government always has to do.

I think it goes back, Mr. Turgeon, to a comment you made that some people received money through the advance payments program, and all that did—and I've heard this before—was basically keep them in when maybe they would have got out, which basically hurts overall.

So there are just some things in there. While we need to protect our farmers, as Mr. Lemieux and many others said, we have to balance that with the fact that the Canadian taxpayer shouldn't be expected to subsidize food production that's feeding somebody in Hong Kong, or Tokyo, or California.

On that note, we do have to meet a bus in 10 minutes and we don't have much time.

I'd like to thank all of you for being here today. We really appreciate you taking time out of your busy day.

Ms. Létourneau, as a young farmer, good luck to you.

Good luck to all of you in your businesses, and thanks again for being here.

The meeting is adjourned.

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