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Chair

Mr. Larry Miller

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

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

I'd like to thank all of our witnesses for being here today.

We have one PowerPoint presentation. We'll do that one first, in case we have any technical problems.

We have Ms. Sayara Thurston from Humane Society International/Canada for 10 minutes or less, please.

Ms. Sayara Thurston (Campaigner, Humane Society International/Canada): Thank you.

Humane Society International/Canada is very pleased to be presenting here today as part of Growing Forward 2. This presentation will highlight the incredible changes that have taken place in recent years thanks to growing consumer demands for improvements in animal welfare in agriculture.

Indeed, given the worldwide trends toward higher welfare standards for animals in agriculture and the increasing role these standards are playing in trade relations and corporate policies, it is our hope that this area will be given the full attention of the committee in this and all future agricultural policy reviews.

HSI/Canada is the Canadian office of Humane Society International, the largest animal protection organization in the world, representing over 12 million members globally, including tens of thousands in Canada. Our organization works on a broad variety of issues, including wildlife protection, companion animal welfare, farm animal welfare, and emergency response.

In September 2011, HSI/Canada assisted the Government of Quebec in carrying out the largest seizure of dogs from a commercial breeder in Canadian history. In the wake of this seizure we were inundated with expressions of support from all over Canada. We received thousands of calls from compassionate individuals wanting to know what they could do to make sure such cruelty never happened again—

The Chair: Ms. Thurston, we're here about meeting consumer demands as far as food and what have you are concerned.

Ms. Sayara Thurston: I'm aware of that. This is relevant to that. Thank you.

The Chair: Okay. Perhaps you can stick to that topic, as I discussed with you beforehand.

Thank you.

Ms. Sayara Thurston: These calls surely show that Canadians care about the treatment of animals.

Our work to protect farm animals primarily focuses on the use of intensive confinement systems such as battery cages for laying hens and gestation stalls for breeding sows. As you'll see in the presentation, Canadians truly care about the treatment of farm animals in these systems. Indeed, polling confirms that the majority of Canadians want farm animals to be well cared for.

A 2008 report by the Commission sur l'avenir de l'agriculture et de l'agroalimantation québécois stated that consumers are increasingly concerned about animal welfare and want nothing to do with products from mistreated animals. The same report specifically noted the possibility of European countries taking action if Canadian agriculture failed to meet improved welfare standards.

A report filed with the commission, *l'Ordre des médecins vétérinaires du Québec*, emphasized that Quebec needs to improve farm animal welfare in order to avoid future trade ramifications. This point is particularly relevant for the \$3 billion Canadian pork industry, which exports over 50% of the pork it produces. An investment of funds from Growing Forward 2 to assist producers in transitioning to group housing for breeding sows would avoid potential trade losses for failing to move away from the industry's use of intensive confinement systems.

We know that consumers want more information on how farm animals are raised. Mandatory labelling of cage eggs is already used in countries around the world. These labels, mandatory in parts of Australia since 2010, have increased sales of cage-free eggs by 90% in some stores. In the European Union, mandatory labelling of eggs with the method of production used was required from 2004 to January of this year when a ban on the use of battery cages came into effect. In the United States, mandatory labelling has been proposed as part of the Egg Products Inspection Act amendments of 2012, which were presented to the United States Congress last month, jointly supported by the United Egg Producers and our partner association, the Humane Society of the United States.

This is a labelling system that has been successfully trialled by a Canadian grocery chain that is currently taking steps to introduce the labels in all of their stores. In the first two months alone, sales of cage eggs fell by almost 4%, whereas cage-free and certified organic sales increased by 7% and 14% respectively. Importantly, the signage did not have a negative impact on total egg sales, which increased by 1.2%.

In the United States we see a similar concern for farm animal welfare amongst consumers. A national phone survey conducted on consumer preferences for farm animal welfare found that 95% of people believe that farm animals should be well cared for.

In a study conducted by Technomic, a food industry research body, animal welfare was rated as the third most important social issue amongst restaurant patrons, 58% of whom said that animal welfare was important to them. Animal welfare ranked ahead of environmental issues, fair trade, local sourcing, and the use of organic products. What this survey tells us isn't that these issues aren't important to consumers, because we all know they are; what it highlights is the extent to which consumers believe that treating animals humanely matters. Consumers care about animal welfare because they know it's wrong to keep animals in cages so small that they can barely move.

This is a barren battery cage for laying hens.

In gestation crates, breeding sows are likewise kept in intensive confinement.

Consumers care deeply about these issues, but are they hopeless cases? No. Systems exist and are successfully used all over the world that offer laying hens and breeding sows much higher levels of welfare than are currently used on most Canadian farms.

As alternatives to gestation crates, group housing systems allow breeding sows the chance to move around, interact with other animals, and generally enjoy more freedoms. This is not an idyllic pasture environment, but it is a huge step up, and consumers agree that it should be the bare minimum standard afforded to animals in agriculture.

Likewise for laying hens. This is a free-run system. The hens are housed indoors in a barn environment. Just taking the hens out of these cages without any access to the outdoors changes the lives of these hens completely, and consumers know this, and they're prepared to pay more.

● (1535)

It isn't only consumers who believe that it's important to treat animals right. Scientists, animal welfare experts, and public figures all agree. Amongst others, the Dalai Lama, the Pope, and Oprah Winfrey have all spoken out against the intensive confinement of farm animals.

Dr. Temple Grandin, probably the most famous animal welfare expert in the world today, has said that gestation stalls must be phased out.

The Pew Commission on Industrial Farm Animal Production, a review conducted by a prestigious group of scientists, veterinarians,

animal welfare experts, environmental experts, and others, recommended the phase-out of all intensive confinement systems.

The New York Times condemned intensive confinement as being cruel and senseless.

Last year *The Globe and Mail* reported on increasing consumer concerns for the welfare of farm animals and the changes these concerns are bringing to industry practices and also to companies.

Indeed, thanks to support for improved animal welfare from consumers, scientists, and public figures, and also because it is the right thing to do, companies are changing.

All of these major restaurant chains, food providers, supermarkets, travel companies, and brands have taken steps to improve their animal welfare policies by increasing their use or sales of cage-free eggs and/or crate-free pork.

In the U.S., major supermarket chains Walmart and Costco have switched their home brands to exclusively cage-free eggs, and Loblaw's has recently committed to doing the same in Canada.

Well-known brands such as Kraft, Sara Lee, Barilla, and Krispy Kreme have increased their use of cage-free eggs.

Travel companies and food providers are also part of this movement, including Compass Group, the world's largest food provider; Hyatt hotels; and Virgin America airlines.

Restaurants are leading the way in this consumer movement. Burger King, Subway, Starbucks, IHOP, Wendy's, and Quiznos all use cage-free eggs in their products. Just this month the largest restaurant chain in the world, McDonald's, announced that in addition to their use of cage-free eggs, they will be phasing out the use of crated pork in their supply chain, stating:

McDonald's believes gestation stalls are not a sustainable production system for the future. There are alternatives that we think are better for the welfare of sows.

Kraft has publicly acknowledged that their motivation for improving their animal welfare policy is to meet the expectations and address the concerns of their consumers.

Unilever, the world's third-largest consumer goods company, promotes the need for the more ethical sourcing of eggs on their website. In addition to acknowledging the improved welfare that laying hens experience in cage-free systems, the website notes that their consumers prefer the taste of products made with cage-free eggs.

Unilever and their customers feel so strongly about this issue that one of Unilever's products, Hellmann's mayonnaise, is being advertised to the public based on the use of cage-free eggs. The cage-free egg symbol also appears on the product itself, featured on Hellmann's jars.

La fédération des producteurs d'oeufs de consommation du Québec recently announced that in order to meet Hellmann's demand they are launching a pilot project, allowing an additional 25,000 layers to be raised cage-free in Quebec.

American restaurant Sonic summed up the current sentiment amongst so many corporations best when they said that preventing abuse to animals was not only a part of corporate responsibility but was simply the right thing to do.

Thank you very much.

The Chair: Thank you very much.

We'll now move to the Canadian International Grains Institute.

Mr. Newkirk, for 10 minutes or less, please.

Dr. Rex Newkirk (Director, Research and Business Development, Canadian International Grains Institute): Thank you very much.

Honourable members of Parliament, let me begin by congratulating you on holding hearings on the important topic of meeting consumer demands in this great country of Canada, and by thanking you for the invitation to present today. We very much appreciate this opportunity.

Canada has a reputation for producing the highest-quality food ingredients in the world. The Canadian International Grains Institute, CIGI, is proud to have worked with the industry for the last 40 years to ensure consumers' demands are met when they use Canadian products. As a result of our partnership with farmers, the Government of Canada, the Canadian Wheat Board, and many other organizations in the Canadian grain industry, we have witnessed the development of a brand that is known and recognized worldwide for delivering a product that consumers desire.

What I'd like to talk about today is CIGI's approach to meeting customers' demands and the importance of the Growing Forward 2 program to address these needs. CIGI is actively and personally engaged with customers of Canadian crops on a daily basis and has provided training and support to 35,000 customers from 115 countries. This has been facilitated by support through federal funding programs as well as direct marketing support provided by Agriculture and Agri-Food Canada.

The initial and very uniquely Canadian approach to meeting consumer demands began in 1972, when Agriculture and Agri-Food Canada, the Canadian Grain Commission, and the Canadian Wheat Board chose to form an independent institute that would provide marketing support before and after the sales of wheat. This independent institute was tasked with addressing customers' needs so that they can in turn produce products that meet consumers' demands. This institute has become a model of how to meet customers' demands. It is recognized all over the world, and it has expanded to apply this model to all of Canada's field crops.

This institute, of course, is CIGI. We are solely focused on understanding customers' needs and working to address them.

We believe CIGI's success in helping the industry address consumers' needs and in developing a well-recognized brand is directly related to its strategy to meet these demands. This includes four key components: development and maintenance of long-term trusted relationships with global buyers, processors, and food manufacturers, creating products for consumers and their countries; supporting Canadian producers by providing them with an understanding of their customers' needs and requirements; provision of the highest-quality, unbiased technical support before and after the sale, which creates buyer loyalty; and finally, application of research resulting in innovations that create more profitable opportunities for the entire value chain.

Meeting customers' needs is a challenging task, and it is only truly possible if the entire value chain is involved. Canada's success is based on a spirit of true collaboration that brings the required expertise to the table in a highly efficient manner. To meet consumer demands for Canadian crops, CIGI works actively with many companies and organizations across the country.

The Government of Canada has been and continues to be one of our largest partners in this effort. CIGI works closely with the trade commissioners in the various posts around the world, as well as with many other staff in the market and industry services branch of AAFC, to deliver the support the buyers require. AAFC has been a significant financial partner, and has provided CIGI the resources to ensure that Canada's products are well understood and used to their fullest potential.

Without this funding and support from the various government agencies, Canada would have lost market opportunities, and the brand of Canada products would likely not exist today. AAFC has supported approximately 50% of the costs of addressing market needs, and it is essential that this continues in the Growing Forward 2 program. The investments to date have paid large dividends for Canada and will continue to do so in the future. Last year saw \$1,733 in sales for every dollar that AAFC invested in market development and support through CIGI—a very wise and financially responsible investment.

CIGI actively engages with companies and individuals from across the supply chain to ensure the resources are available to assist Canada's customers. Not only does CIGI develop long-term relationships with buyers and processors as a result of our training and support, but agencies, farmers, and grain companies are given the opportunity to develop these relationships as well.

This is a uniquely Canadian approach, and CIGI is proud to be leading this effort. Support from the Government of Canada provides the opportunity for this to be of the greatest benefit for all of Canada and Canadian producers and processors.

Consumer demands are constantly changing, and it is essential that our industry is able to adapt to meet these needs. CIGI believes it is only through innovation in ingredient applications that many of these demands can be met, but it takes a conscious effort to ensure that the innovation pathway is effective.

• (1540)

CIGI approaches its role in farmer and industry goods with the attitude that the good ideas we generate from our research should be used to their maximum extent to improve the market opportunity for Canada's field crops. At CIGI, we see research and innovation as taking a product, a good idea, or a need, and creating profitable market opportunities that meet consumers' needs. We believe this will drive many of the opportunities in the future.

It is CIGI's sole objective to see innovation applied to ensure that consumers' demands are being met. Being an active member of Food Tech Canada, an organization that coordinates the efforts of the many Canadian food development centres, helps us achieve that goal. These food centres are highly capable and work diligently to meet consumers' needs and drive innovations to market.

However, at this time CIGI is the only member of Food Tech Canada that is directly supported by the Government of Canada, and as such we strive to ensure that national interests are considered by the various centres. We believe this type of collaboration on innovation and product development is in the best interests of Canada and its consumers, and we therefore suggest that the Growing Forward 2 program should support these efforts.

In conclusion, it is CIGI's hope that the Growing Forward 2 programming will form the backbone of AAFC's next five years of industry market development support, that it will be focused on developing long-term relationships with customers, that it will support the commercial implementation of innovations that create profitable opportunities by meeting consumers' demands, and that it will continue to support the strong brand Canada has developed.

Thank you.

• (1545)

The Chair: Thanks, Mr. Newkirk.

Now, from the Canadian Restaurant and Foodservices Association, we have Justin Taylor and Christine Moore.

Mr. Justin Taylor (Vice-President, Labour and Supply, Canadian Restaurant and Foodservices Association): Thank you very much, and thanks for having us here today.

Canadian Restaurant and Foodservices Association is Canada's largest hospitality association, with more than 30,000 members across the country. Our members represent the full spectrum of restaurants, from small independents to some of Canada's most recognizable chain brands. We're present in every region of the country, employing more than one million Canadians, and with total food purchases of \$22 billion each year, restaurants are one of the largest buyers of Canadian food and beverage products.

We're here today to talk to you about Growing Forward 2 and the future of agricultural policies in Canada.

In the St. Andrews Statement, ministers laid out a framework to achieve an agrifood industry that is market-responsive, that anticipates and adapts to changing circumstances, and that is a major contributor to the well-being of Canadians. Our comments today will focus on our concerns with supply management and how

in its current form it is not compatible with these stated objectives and has resulted in a number of unintended consequences.

We know that supply management can be an emotional and sometimes controversial subject, and some argue that if it ain't broke, don't try to fix it. We believe that in many ways it is broken and we cannot continue to turn a blind eye to the problems with supply management. We believe it's time to work towards a made-in-Canada solution that is fair and transparent to farmers, processors, restaurateurs, and consumers.

Our first set of concerns relates to the dairy industry. Currently, the board of directors of the Canadian Dairy Commission sets the price for the milk used to make cheese and other processed dairy products in Canada. Of the three-man board, two members are current dairy farmers with a direct financial interest in the price of milk. The newly appointed CEO of the CDC is the immediate past president of Dairy Farmers of Canada, the national dairy lobby. While the cost of producing milk, as calculated by the CDC's own figures, goes up and down, the price set by the CDC has never decreased. In fact, even in years when the cost of production decreased, the CDC has given price increases. Between 1994 and 2008, the price of industrial milk climbed eight times faster than the CDC's own calculated cost of production, driving up the cost of cheese and other dairy products in Canada.

One element of milk pricing that outrages restaurateurs is class 5A milk. Milk is priced differently depending on its end use, and there are currently 18 different prices for milk in Canada. Frozen pizza manufacturers in Canada can buy their Canadian mozzarella cheese at a steep discount to help them compete with American frozen pizza imports that enter the country duty free. Your local pizzeria gets no such discount, but competes every single day with frozen pizzas marketed as "just like delivery". Pizzerias wonder why the federal government is giving price breaks to multinationals at the expense of local pizzerias.

Chicken also comes with its own set of problems. Domestic prices consistently track around double the price of chicken in the U.S., and restaurants often struggle to obtain the right product, to the right specifications, at a price the consumer is willing to pay. Furthermore, each province gets a share of the national chicken production, no matter how demographics have shifted over time. For example, booming provinces such as British Columbia and Alberta cannot raise more chicken to meet the demand of their population because eastern producers are holding on to their guaranteed allocation. Prices to producers are guaranteed, with built-in profit margins no matter how high feed costs climb. This means that the players down the supply chain, such as processors and restaurateurs, must take on all the risk of squeezing margins.

Finally, while the Farm Products Council of Canada is supposed to oversee supply managed sectors, it does not have the necessary powers to impose or even encourage solutions to the very problems it has identified over the years. Even in eggs, we're being presented with new challenges. The National Egg Marketing Board is trying to force through major price increases for processed eggs, which will drive up the costs of those breakfast sandwiches that Canadians have grown to love over the last year or two.

I'd like to ask my colleague Christine Moore to talk to you about how these challenges are affecting local franchisees in your communities, who are themselves small business owners.

• (1550)

Ms. Christine Moore (Vice-President, Supply Chain, Unified Purchasing Group of Canada Inc., Canadian Restaurant and Foodservices Association): Thank you, Justin.

Being accountable for the food cost to the franchisees who operate the thousand-plus restaurants under the Pizza Hut, KFC, and Taco Bell banners across Canada, I spend a large part of my time managing supply management, from the producer—who is a grower—to the processor to the restaurant.

The following are key points that impact my stakeholders.

First, for poultry, the availability of fresh chicken that is within our allowable size range is an ongoing challenge. In part because of the allocation process that was mentioned earlier and the fact that the producers are incented to grow larger birds under the existing pricing model, they elect not to grow the KFC-size bird, which falls into the small bird category. The lack of sized birds can lead to a number of obstacles: the producer, capping the amount of product we can purchase, thus limiting my opportunity to sell; having to develop logistics networks to move products from one market to another, which adds cost for the transportation and handling of the products and impacts the shelf life at store level.

Second, there is an unfair advantage given to the frozen pizza makers through the class 5A program. This is approximately a 30% difference in cost—and for what? It's the same raw material, just at a different delivery point and a different point of application.

Third is the higher cost of both chicken and cheese in Canada compared with the U.S. and other leading industrial nations. As global brands, we work on maximizing our marketing successes in other countries, but unfortunately, because of the cost structures in Canada, we cannot replicate them here or, because of tariff controls, import them.

Finally, for the farmer, chicken and milk pricing may be inelastic, but at the restaurant level it is not, as the restaurants cannot continually pass costs on to the consumer. If they did, they would price themselves out of the consumers' price tolerance level and push them to our competitors in the non-supply managed focused categories.

Overall, the added complexities and cost of chicken and cheese, because of supply management and the marketing boards, impact the ability of restaurants to run efficiently and profitably. With their average profit of only 4.4% of operating revenue, as reported by Stats Canada, the profitability of restaurants, particularly the ones

that are centred on supply managed ingredients, needs equal consideration to the profitability of farmers and the processors, if they are to succeed and grow.

Mr. Justin Taylor: Thanks, Chris.

Canada's supply management system faces a number of challenges, both internal and from external forces. Instead of trying to limit production, close borders, and fight over shrinking Canadian market shares, we believe it's time to boldly address the problems in the system and come up with a made-in-Canada solution before change is imposed on us from the outside.

Thank you very much.

The Chair: Thank you.

We'll now move to Consumers'—

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): I'm sorry, Chair, may I just raise a point of order?

With due respect to our witnesses, we're in the process of studying Growing Forward 2 and consumer demand. I know the committee in the past has had difficulty sometimes with having witnesses stick to the subject matter, so within the framework of Growing Forward 2.... We had the same problem at the last meeting, which Jean raised. It's easy for the committee to get off topic.

I think it's very important for witnesses to focus their remarks. That's why we're paying to have them come here in front of committee. That's why they're getting time in front of committee. We're trying to write a report that's going to deal with Growing Forward 2—the next iteration, of course, of the Growing Forward plan that's in place right now. There have been a number of witnesses who have their own message to deliver to committee. That's fine. I'm just not convinced that this is the right venue or the right time.

I just want to raise that. I've allowed the witnesses to make their presentations, but I don't feel it's a good use of the committee's time when we're trying to focus on a particular report. I think there is always latitude during discussion whereby MPs might want to explore different aspects, perhaps, with a witness who is in front of committee, but when they are coming to give their presentation I think it's important that they remain focused on what the committee is trying to accomplish, because we're the ones who launched the study in the first place.

Thank you, Chair.

• (1555)

The Chair: The point is well taken.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): I just want to react to what Pierre was.... I understand what you're saying.

The topic, consumer demand, is quite a large topic. In analyzing what the folks have been saying so far, in my opinion, it does fall within the parameters of what consumers want and of consumer demand and the cost to consumers. I think we have to be careful that we don't constrain our witnesses. These are legitimate concerns that they have, and I think we should listen to them and pose the questions when we have our turn to ask the questions and zero in on issues that we think are important.

That's just one comment that I want to make.

The Chair: I respect the comments here from both. I guess I have to point out that while witnesses can have their different points of view and it's nice to have them answer questions accordingly, it does cost a lot of money to bring them here. I just reviewed what the clerk sent out. They knew in advance what the topic was, and we just want to stick to that.

Ms. Thurston's remarks probably would have been better suited to the topic of animal welfare, but they're here today and we'll go from there.

This is about meeting consumers' demands.

Mr. Eyking.

Hon. Mark Eyking (Sydney—Victoria, Lib.): I think the people who came here—it's very fitting.

I don't agree with you, but I think it's good that you came.

As a committee we need to have a full debate on where we're going. I hope this committee will bring in the other side to make their comments. Then we can make a judgment.

I think it's good that these witnesses are here, even though I don't agree with them. We might as well hear about where they see consumers going. But I also hope this committee will bring in the other side of the picture so that we can judge accordingly.

The Chair: When you say “the other side”, I presume you mean supply management.

Hon. Mark Eyking: Yes, SM5—and some dairy producers or hog producers to tell us why they feel their animals are treated humanely.

I'm not a member of this committee. This is just a suggestion so that you have a balanced report.

The Chair: Yes, we will.

Mr. Lemieux.

Mr. Pierre Lemieux: I think that's my point. We're not studying animal welfare today. Animal welfare is not part of Growing Forward 2 in the way we're looking at it.

At the beginning of our study we all agreed that we wanted to study Growing Forward 2 and provide useful input to the government as they were putting it together to help them in their consultations. We all agreed that we would actually partition the study into segments. For example, for the research and innovation segment we're going to call in witnesses to talk about research and innovation. Then we won't shoot off into 100 different directions and get point/counterpoint on things that don't really concern Growing Forward 2.

I think we started off really well in this regard, and we've worked our way along. Now we're falling off the rails when it comes to our witnesses staying on target. The committee sets its own goals. If we didn't agree to this at the beginning, fine, but we did, and we did very well for the first four modules. It's only in this fifth module that all of a sudden everyone's scattering to the four corners. I think if we go with Mr. Eyking's comments, the counterpoint doesn't belong in the study either.

My concern is that we're trying to stay focused. No one infringes upon an MP's ability to ask questions and for a witness to answer those questions. But when it comes to the opening testimony...I know the clerk has been vigilant in expressing the will of the committee on why we're inviting this witness and what the presentation should focus on. Otherwise it could focus on 100 different things, and I don't think that's what we're after.

Anyway, that's my point. I just wanted to comment on what Mr. Eyking said. If the whole thing is off topic, it just exacerbates the problem to bring in someone to give the counterpoint on something that's off topic.

• (1600)

The Chair: That is exactly how I'm going to deal with this. It's not about trying to even the score. I am going to be very vigilant about keeping the witnesses on subject today. We're not here to talk about animal welfare or supply management, for all intents and purposes. We're talking about meeting consumers' demands when it comes to agriculture and agrifood.

Mr. Allen is next, and then Mr. Eyking. Then we'll go to our last witness.

Mr. Malcolm Allen (Welland, NDP): I agree with Mr. Lemieux that we had an agreement at the beginning of this to look at Growing Forward 2, but I don't remember any agreement from this side that said, “Here's the rubber stamp, bash me on the forehead, and I accept what you're doing”.

It says “Orders of the day, Growing Forward 2 (Meeting Consumer Demands)”.

Mr. Taylor, do you work for the restaurant franchisee association?

Mr. Justin Taylor: I work for the Canadian Restaurant and Foodservices Association.

Mr. Malcolm Allen: Do you have consumers?

Mr. Justin Taylor: The reason—

Mr. Malcolm Allen: Do you have consumers who come to your group that you represent?

Mr. Justin Taylor: Most definitely.

Mr. Malcolm Allen: Do those consumers have demands?

You can take it out of my five minutes if you like.

Mr. Justin Taylor: They most definitely do.

Mr. Malcolm Allen: Okay.

So he has consumers who have demands and he spoke to them. I don't agree with him either, by the way, and I think that's quite obvious. We don't agree on the supply management piece; we disagree with those folks. They have every right to say it. They're talking about what the consumer demands are in an industry they represent that consumes agricultural products. If that's not related, then I'm not quite five feet eight yet.

Mr. Pierre Lemieux: It's interesting you had to ask the questions to find out. It wasn't part of their presentation.

Mr. Malcolm Allen: That's what the questions are for, Mr. Lemieux. I didn't realize we were going to have a debate with Mr. Lemieux, but we can do this if you want.

The other side of it is I believe what happened earlier...and here's where we disagree, Mr. Chair, about whether we think we're being constrained or not. The issue is, do we want folks to come and give opinions so that we can figure out where Growing Forward 2 needs to have pieces added to it or discussed, or are we going to narrow this focus in and say, here's what we intend to do, whether you like it or not, and this is the direction we are going in? Why don't you just tell us which ones you want us to bring and I'll submit the list?

The Chair: That's not where I'm going, Mr. Allen.

Mr. Malcolm Allen: I recognize, Mr. Chair, that you're not going there, but the parliamentary secretary certainly is. He's suggesting that the list of witnesses doesn't meet his expectations.

Sorry, I didn't ask witnesses to meet your expectations. I asked them to come and offer up whatever it is they decided to bring to this committee that talks about meeting consumer demands. So far I haven't heard anything over there that doesn't fit under this umbrella. Now it might scoot out the side, not to people's wishes, and it may not quite fit under the umbrella the way exactly they would like it to, but the reality is it does fit—albeit not exactly as that nice little round peg in the round hole.

If this is where we're headed—we don't like the witnesses because it doesn't quite fit—then how do we ever do a study? It's like doing an experiment and saying, I expect when I strike the match to see fire; I saw fire, but I didn't determine whether the match was wet or not because I never looked. I never asked anybody. I just said the match will light and I'll get fire.

The reality here is if we're supposed to explore Growing Forward 2, which I thought was the agreement we wanted to have, then let's explore it; let's not narrow it.

I don't think we're getting off to a very good start. We're now doing an umbrella with the next piece, Mr. Chair, and if that's going to be narrowing the umbrella, then I guess we need to revisit exactly how we do these pieces one by one.

The Chair: Mr. Allen, I'm not proposing that we narrow anything; I'm just simply reminding the witnesses to stick to the topic at hand. If I thought it was out of the ordinary or not acceptable, I would have stopped it. I didn't stop it.

I'm not going to speak for Mr. Lemieux, but we are here under a topic, and it's as long as we get there. You're right that the restaurateurs have the right to.... They mentioned supply management in their presentation. I just don't want the whole meeting to be there. I don't think it's fruitful. I know their stand on it very well, and

I'm sure you do as well. It doesn't matter whether you or I agree with it or not, it's out there.

Mr. Eyking, last comment.

Hon. Mark Eyking: I guess my comment is a little bit like the NDP's.

I think even though some of the stuff is a little over the top.... For instance, you can tell egg producers how they can make more money and that the consumer...I think it should be known. We brought these witnesses here, and I think they're shaking it up a bit. But I think any good committee would turn over every stone and hear from everybody and then go forward from there. We could get another side of this. We can get another side of their opinion and then we can counterbalance it in the report.

I think we're wasting too much time trying to stifle the witnesses and trying to change the topic. They're here. They came all the way here. We paid them to come here. Let's listen to them and move on.

• (1605)

The Chair: Amen to that.

With that, Mr. Cran from the Consumers' Association of Canada, 10 minutes or less, please.

Mr. Bruce Cran (President, Consumers' Association of Canada): Thank you, Mr. Chair and honourable members.

You've got me all nervous now.

Voices: Oh, oh!

Mr. Bruce Cran: The one thing we do have is consumers, and I represent consumers and nothing but.

A voice: Have a glass of water.

Mr. Bruce Cran: It's getting to the stage where I want a beer, never mind the water.

Voices: Oh, oh!

Mr. Bruce Cran: My organization began in 1947; therefore, we've been making presentations to the House for 65 years.

I'd just like to start by making a comment on Growing Forward—I don't know whether they call it Growing Forward 1, or whatever it is, but Growing Forward as opposed to Growing Forward 2. I thought it was a very good program. I'm not going to deal with it minutely, but it's the best program that I've ever been involved in that actually accommodated federal, provincial, and major stakeholders all as a unit.

I know over the period of years that I've been involved with it, which is from its inception, I've met many times with people I wouldn't have normally come in contact with. There were a lot of side issues that were resolved outside the meetings, and we had some influence on the way that program proceeded.

I'm assuming that the next Growing Forward program will be somewhat similar. The only comment I would give is that I would like to see some caution used in regard to the way we engineer things. We don't want to get to the stage of not giving farmers or consumers enough input. I think we can all hold our own if we're at the meetings, and I think that works well from the point of view of my association.

Consumers are mainly interested in food at the table level, and I think that's probably what you're heading to, what we're getting at here. Safety is the issue. We've just done some polling, and food safety is the number one issue for consumers, whether it's coming into the country or whether it's manufactured here. We do have control over what we produce here, and I think there are a lot of things we have to do that we're not doing. We have to prevent—and take more action to prevent—disasters.

An item we're involved in at the moment is irradiation. Irradiation, oddly enough, was invented in Canada. It was sold to a company in Vancouver some 20 years ago, and it has never yet been used on food in this country. We know from our own research that there are quite a number of people in Canada who would like to have irradiation available so they can be absolutely sure that there are at least some bugs that aren't going to get to them.

Price also comes into what consumers want. That was the second biggest issue. We all know there's something wrong when you can buy a gallon of milk in the United States for half the price of what you can buy it for in Canada. You can buy chicken for half the price. This is particularly exacerbated when the dollar reaches parity, which it has. We've been fighting that one for five years, but the reality is that you can still buy these products for half the price across the border. We'd like to see something done on that issue. I have absolutely no idea what you do these days with that.

I don't think I can completely drop away from supply management. We're very familiar with supply management, but I don't want to go into that too much at the moment.

We're big exporters. I think consumers are also interested, and they're telling us that they would like to have the same standards applied to food that's consumed locally and manufactured locally as to what is brought in. It's a two-edged sword; you have stuff coming in and you have stuff going out.

At the moment we get the impression—or people believe—that Canada's exports get far more inspection attention than do the foods we eat here. We've had one big scare: the listeriosis one is the one I'm thinking of. I think we were very fortunate there. We only had 24 or 25 people killed—if you want to talk about it in that language—but we could just as easily one day have a thousand. I think those things have to be taken care of.

• (1610)

I'm going to cut what I was going to say a little bit short here, but I certainly would like to answer any questions. I can assure the

honourable members that I'm in touch with consumers on a daily basis. I think we have probably the most accurate gauge in Canada, from an organizational point of view, as to what consumers want and would like to see.

Again, as I say, I'm very much in favour of Growing Forward 2 as long as it has the ability to be tempered by the people who interact in the coming together of the provincial government, the federal government, and major stakeholders.

Thanks.

The Chair: Thank you very much.

We'll now move to questions.

Mr. Atamanenko, five minutes.

Mr. Alex Atamanenko: Thanks very much, Mr. Chair.

Thanks to all of you for being here.

I'm not sure if you folks are aware that in the United States the taxpayer has just contributed \$300 billion to bail out the chicken industry—in other words, to buy up the chickens that farmers couldn't sell. As a result.... It's a cutthroat industry: the prices are low, and obviously the prices are going to be lower there than they are here. I'm just wondering if we really want that for our farmers. We have a stable system and it doesn't cost the taxpayer any money at all.

According to a recent survey, two litres of milk in Canada cost \$3.15, in Los Angeles \$2.40, and \$3.73 in New Zealand, a country that wants to devastate and destroy our supply managed system. Canadian farmers only make 21¢ on a \$2.25 glass of restaurant milk, like you folks have in your restaurants.

So as we look at trying to get prices lower for you folks, the question is, do we really want to do it at the expense of farmers, who are trying to make a living, and who are making a living?

The main question I want to ask you, because I'd like to get on to the other witnesses, is on the frozen pizza makers that you mentioned. Should we be regulating and applying the same standards to frozen pizza makers as to regular pizza makers? Yes or no?

Mr. Justin Taylor: As far as pricing of cheese...? We're just asking for a level playing field. Both groups are major buyers of Canadian cheese, and we find it incredibly unfair that one competitive group gets a significant discount versus what restaurants get.

Mr. Alex Atamanenko: Okay. Thank you.

Ms. Thurston, thank you for your presentation. I'd like to reinforce that it does talk about consumer demand, because you did mention it. You had a whole graph on people who favour buying cage-free eggs, and pigs that are out of intensive confinement. A lot of companies and supermarkets are taking this up, so this obviously shows that consumers want this type of practice to continue.

What should we be doing? Should government be doing something to ensure that there will be mandatory labelling legislating what we've seen on a voluntary basis?

Ms. Sayara Thurston: Some of those examples were mandatory. If you look at parts of Australia and also the European Union, you see mandatory labelling of cage eggs. That's had a really significant impact on sales of cage-free eggs.

I think that just makes it very clear that consumers, once they have that extra information on the products they're buying, will go for a more humane method of production. Polling indicates that consumers do care about the methods of production of eggs and pork. When they have that information, they will favour a more humanely produced product.

Mr. Alex Atamanenko: Thank you.

Mr. Newkirk, I didn't forget you. We've had this whole debate on genetically modified organisms at this committee, we had my bill, and we had other motions. Obviously, the consumer dictates what we export or what we sell in our country, and I'm just wondering if your institute had any role to play in stopping genetically modified wheat in the 1990s when it was out there.

Do you see yourself being an active partner, for example, if this genetically modified wheat is about to be introduced, to try to make sure that whatever happens those people who now rely on our high quality of wheat do not shut those markets down, much the same as we've seen in flax and what we may see also in alfalfa? I'm just wondering if you have any position or stance on GMOs.

•(1615)

Dr. Rex Newkirk: Basically speaking, we work with the consumers, the processors...to make sure the products are meeting their needs, and mostly from a quality perspective, looking at how they can extract the most product out of it and how they can make it turn into a product their consumer wants.

On the GMO side of it, we haven't engaged in that. It's quite politically motivated, quite politically driven, so we haven't been involved in that. It was turned down in the 1990s. We were not involved in that, other than that we had an understanding of what some of the consumers were looking for and what some of their concerns might have been at that time, so we could certainly relay that back, because we worked with those buyers.

We would do the same thing today. If we see the potential that some markets could be lost, we would relay that to people who would look at that, and they would have to weigh the costs and the benefits—so if we lose some markets in one place, what is the cost of that versus the increased cost of production in Canada because we haven't adopted that technology? But we don't engage too closely in the political process of it or in the process of whether it's right or wrong.

Basically, we just work with customers. If a product is introduced that is genetically modified, we will work with the customers around the world so they understand what the benefits are and what the risks are, so they're clear, and do an unbiased process as best we can.

Mr. Alex Atamanenko: Thank you.

Do I have any more time, Mr. Chair?

The Chair: No, you're out of time.

Mr. Alex Atamanenko: Oh, I was going to ask Mr. Cran a question, but that'll have to wait.

The Chair: Mr. Zimmer, you have five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thanks.

Thanks for coming.

I'll start off my questions with Christine.

For the benefit of the committee—some of us are new—I'd like to know what restaurants you represent as an organization.

Ms. Christine Moore: I work for the franchisees, the restaurant owners of KFC, Pizza Hut, and Taco Bell—small business owners.

Mr. Bob Zimmer: Okay, those big franchises.

Ms. Christine Moore: Yes.

Mr. Bob Zimmer: I would differ from my colleague. The question I would have, in terms of consumer demands, is this. I've heard some concerns, especially locally from some of my constituents, in terms of poultry and supply of Canadian poultry to supply Canadian restaurants. Specifically, it's about the longevity of the Canadian supply.

Can you elaborate on those concerns?

Ms. Christine Moore: Definitely.

Regarding our product, our specified bird size, it's getting the farmer to want to grow it and the processor to want to convert it to our product. That's why right now I'm being capped in some markets where I want to buy something, and they're saying, "I don't have birds". The franchisee concern is that he wants to grow his business, sell more product, have more consumers coming into his shop, and he might not have the product to service them.

Mr. Bob Zimmer: Okay.

What I'd like to do is more of a long-term outlook. You have a short-term issue right now, in terms of supply. The reason why this came up to me is that my local restaurateurs said they were forced to buy birds offshore because they didn't have supply from Canada. More in terms of meeting consumer demands—Canadian demands—for the long term, what do you see? What is the current issue now? How much of a shortage do we see? In the long term, how much of an issue do you think that's going to be? Short term versus long term.

Ms. Christine Moore: It's a problem today; it'll be a problem five years from now. As the farmers want to grow larger birds to maximize their RROI, it's just going to get worse, especially as genetics and everything else get involved, and as the birds can do a feed conversion faster to keep them in-barn, it's going to become a bigger issue, longer.

Mr. Bob Zimmer: How much short are you per year, would you say, though, of birds with the current system the way it is? Do you have a number?

Ms. Christine Moore: I don't have a number per se. No, I can't sit here and give a firm number.

•(1620)

Mr. Bob Zimmer: I just wonder how dramatic an issue this is for KFC specifically. Is it a 1% issue, is it a 10% issue, or is it much...in terms of gravity of the issue?

Ms. Christine Moore: It's growing on our radar. It has become a strategic element to develop in our business plan going forward, how we are going to support the business. I don't want to put a per cent to it because each region could be different, but it's a growing concern and it definitely has the ears of every franchisee, as well as the franchisor. Availability of supply is our number one concern.

Mr. Bob Zimmer: With that in mind—and our position is to support supply management—do you see a solution within supply management to address those concerns? Do you have a solution to the problem? It's one thing to say there's a problem. Do you have an answer? You must have thought of different ways to solve it.

Ms. Christine Moore: You know, we talk about supply management on what I refer to as the “macro” level, where you're talking kilos. Let's talk about it at a micro level and tell me how many kilos per size of bird I'm going to get. Right now, when you throw something out and say, “A million kilos”, of course I'm going to do the million kilos I want to do. That farmer does not have to do what I want, as the customer.

So I think we need to make sure that the customer's needs are met first and foremost, and just not, “I hit the kilo”, the magic number I had to hit that month.

I think that would be one.

Mr. Bob Zimmer: Okay.

Justin, did you have a comment?

Mr. Justin Taylor: I just want to clarify that Chris and I deal inside supply management, so we're talking kilos. There is a number that's decided at a national level for how many kilograms of chicken will be raised for every period. Every eight weeks, Chris and I attend a meeting to give our input on what we think consumers want and how much our restaurants will be buying. That number is set at a kilo level, and then it's split up by province.

Chris is having significant trouble getting birds in the right province to supply her restaurants. Also, because production is set at the kilogram level, restaurants sell chicken by piece, so farmers are incented to grow very large birds because they're the most profitable. But when you go to one of Chris's restaurants, they don't weigh your chicken first before selling it. They're sold by piece.

So there's a big disconnect between the producers not producing the types of chickens that can be sold in our restaurants versus the types of chickens they're paid for and get a guaranteed price for under supply management.

Mr. Bob Zimmer: I guess the solution, you would suggest, is that supply management should have a certain size of bird included with the kilograms as part of the criteria.

Mr. Justin Taylor: We think if we change the incentive so that producers are incented to grow what consumers want, as opposed to what an archaic formula that was decided a long time ago dictates, that would be one step.

The other thing that would be important to do would be to make sure that growers in the regions of Canada that have booming populations are able to grow enough chicken to meet that demand. The restaurant industry does not think it's a good idea to be shipping chickens across the country. It reduces the shelf life and it introduces all these other risks, expenses, and logistics, when the only reason we're not growing that bird in the same province and supplying it locally is supply management.

The Chair: Mr. Zimmer, you're out of time.

Mr. Eyking, you have five minutes.

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

It's good to be back on the committee and to see all my buddies here.

Ms. Thurston, I was watching your thing on the chickens, and you almost had me convinced for a while that this is the way to go. And it might be the way to go, but...

When people buy free-range eggs, they have this vision that the chickens are out running in the fields or whatever. But the reality, as your clip shows, is that the chickens are in a controlled environment building. They're on a floor and they're quite tight, although they might have a little more square footage than the caged bird.

I thought it was a pretty good presentation you had there. Do you ever talk to the egg producers about consumer trends, about trying one of these types of systems in one of their barns? Or is there a disconnect between your group and their group?

Ms. Sayara Thurston: No, no, I often talk to producers and producers' associations. At the moment, HSI Canada, for example, is part of the Quebec government's strategy for animal health and welfare, which involves sitting on a board with the producers' association and individual producers.

From my personal experience, they are very much aware of this trend. They are taking steps at the moment because they know that in the immediate future they're going to have to deal with it.

Hon. Mark Eyking: I don't see the difference. Consumers drive industries, so I think it would be beneficial for you to be in constant communication with them. Try it your way, and they might get a bigger return.

The problem is that the stores will pay the same price and ask you to produce a product that way, but then turn around and give you the same price you had before. That's always the concern we have with the grocery stores.

My next question is to you guys, and it's interesting. I was with my son and we went to buy a snack pack. He said, "Dad, look at the size of these pieces of chicken. Was it always like that?" I said no. I can remember when they were twice that size, and we used to get a Pepsi with it. Now you guys are selling them a big Pepsi, with these little pieces of chicken in there.

Is that the farmers fault? I think it comes down to you guys fooling the public by saying you get a bucket of chicken, 20 pieces, but in reality there's about as much chicken as there used to be in 10 pieces.

You can't blame the farmer. But it's a shame to take that chicken before it's mature. The chicken is just starting to put on weight. I think it's a shame that they are doing that to these chickens before they are ready to put on good weight. Everybody thinks he's getting 20 pieces of chicken, but in reality he's getting the equivalent of 10 pieces of the chicken we used to get. I think it's a bit of a stretch saying that the farmers won't produce the chickens. Kill them earlier and get them over to us so we can sell smaller pieces and pay you less. You're paying the farmer less, because you're paying by the kilo. I don't think the consumer is demanding more pieces. They are demanding more chicken.

I know KFC is not going to change this in their head office, and nothing is going to change this, but that's what it's all about. Get the pieces smaller, pay the farmer less, and then turn around and tell the people about all the pieces of chicken they have. But really, all you are getting is bones and gristle instead of true meat. That's my rant on that part.

I'll go back to the milk and the eggs. If you travel to the United States, you'll see that, sure, in Seattle it's cheaper because they are trying to get Canadians across the border. Sure, it's cheaper in Detroit—they are trying to get Canadians across the border to get them in their stores. It's a different thing. But you go to Florida or Arizona, and the milk and eggs are no cheaper down there. So it's not fair to say it's cheaper down there, because it's not, really.

I have one more thing on the restaurants. Most people—it's no different from going to a grocery store—want locally produced products in their restaurant. They want locally produced eggs and milk. They believe in that.

Frank Sobey said something to me years ago. He said if I treat my farmers right, they are going to be in my community and they are going to be shopping in my stores. I think if you bring in cheap cheese or cheap products, sometimes you're cutting down your own consumer.

Are there any comments about the prices across the border? Do you look at every state? Do you look at Colorado? Do you look at the states where the retail price is not along the border?

• (1625)

Mr. Justin Taylor: Most of the numbers we have used in our studies were arrived at by third-party groups, like the Conference Board of Canada and the Montreal Economic Institute. These numbers are different from the ones I know many members here have received from the supply management groups that do their own research to meet their own research demands. We have had a number of allegations where it has been suggested that I have done my best

to find the cheapest price in the U.S. and the most expensive price in Canada. That is not at all what we've done, and that's not our intent.

I also wanted to talk a little bit about some of the things you suggested with eggs and changes in production. Right now under supply management, producers cannot shift over to different methods of production and get a higher price for it. The price is set by supply management policy. Even within the suggestions that you have made for possible areas where we can evolve in the market, it would require an evolution in supply management.

Hon. Mark Eyking: I think they would be open to that.

Christine, what do you think about that chicken business?

The Chair: Mark, you are over time with your rant.

Christine, if you want to comment, I'm going to allow it. I enjoyed his rant, so I have to let you respond to it.

• (1630)

Ms. Christine Moore: That's not the case. KFC's first spec has not changed in the last 20 years. It's the same. We were asking the farmer for the same product 20 years ago as we're asking for today.

Hon. Mark Eyking: You're asking for smaller wings and smaller legs.

The Chair: You've made your point, Mark. Just let her comment, and then we're going to move on to the next question.

Ms. Christine Moore: It's the same product spec that we're asking for from the farmer. Again, if things have changed with the growing of that animal, that's something different. We're asking for the exact same product we asked for 20 years ago.

The Chair: Mr. Lobb, five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Thanks, Mr. Chair.

I think Mr. Eyking is saying this so he can eat extra. When he sits down, he makes this excuse to his wife about why he can eat twice the amount.

My first question is for Ms. Moore. With Taco Bell Canada, do they buy Canadian beef in their stores or American?

Ms. Christine Moore: It's a U.S. product by U.S. contract.

Mr. Ben Lobb: Okay.

Mr. Taylor, if I understand correctly, one of your key arguments against supply management is that they are price setters, not price takers, more or less.

Mr. Justin Taylor: That is one of the elements that concerns us, yes.

Mr. Ben Lobb: When I look at price takers, are there any other sectors that the restaurant industry would use that would encompass their cost structure that you folks advocate against or lobby against?

Mr. Justin Taylor: Sorry, I don't quite understand the question.

Mr. Ben Lobb: I'll run down some examples of price setters for you that a restaurant owner would have to deal with: property insurance; property tax; utilities; mortgage rates—commercial rates are higher than residential rates by quite a few percentage points; building permits; legal fees; snow removal; waste removal. All of these costs are price setters, not price takers.

Do you exercise the same amount of lobbying with those sectors as you do with supply managers? Maybe I've only listened to the one argument, but it seems like an inordinate amount of emphasis is on the supply management sector.

Mr. Justin Taylor: I think you've just done a fantastic commercial for why people should be members of the Canadian Restaurant and Foodservices Association. Our association has been able to negotiate discounts with suppliers who are willing to work with our industry to reduce the cost for restaurants for every single one of those items. We have discount programs for natural gas. We have discount programs for insurance, because it's a free market where groups can negotiate between one another. The supply managed commodities are the only commodities, the only major restaurant input costs, where it is an understanding between the federal government and the provincial government to suspend competition law to ensure that producers get to set the price.

Mr. Ben Lobb: So have you been able to negotiate then for reduced commercial mortgage rates with the big banks?

Mr. Justin Taylor: No.

Mr. Ben Lobb: And what about with public utilities, for electricity and sewer rates and so forth?

Mr. Justin Taylor: Right now, no, not public utilities, but those are monopolies as well. As for natural gas, we have a great program.

Mr. Ben Lobb: I guess at the price natural gas is set at right now, they should be giving you a good deal.

Ms. Thurston, I have a question for you. With your group, you would want to take what we would call today in traditional agriculture, for example, a layer barn.... The end goal for your group is to take every layer barn in Canada and make it like the example on your slide presentation. Is that the gist of your goal with your group?

Ms. Sayara Thurston: There are different systems that exist for cage-free housing—

Mr. Ben Lobb: Let me phrase it another way. You would like to eliminate cages in every layer barn from coast to coast?

Ms. Sayara Thurston: Yes, absolutely. If I can finish, the photo that I showed was just a system that exists on one level. There are also aviary barns that have several levels. Those two systems are both the typical cage-free production systems, and yes, what we advocate for is cage-free systems in an indoor barn environment.

Mr. Ben Lobb: What is the estimated cost to convert the layer barns in Canada over to yours?

Ms. Sayara Thurston: I think that would be a great study for the commission to do.

Mr. Ben Lobb: Your group actually hasn't done a study on what that cost would be?

Ms. Sayara Thurston: There is a study that I know is being peer reviewed at the moment, coming out of the Nova Scotia Agricultural College, which is looking at the cost of transition to cage-free housing as well as the overall differences in cost in production between systems.

• (1635)

Mr. Ben Lobb: So under your ultimate vision there would be this conversion. Who would pay for that?

Ms. Sayara Thurston: You can look at examples around the world. There are different models that have been used, in the European Union, for example.

Mr. Ben Lobb: Well, there are only three people who are going to pay for it: the government, the farmer, or the consumer. Which of the three is going to pay for it?

Ms. Sayara Thurston: As I was saying, it depends, and I think an investment from Growing Forward 2 in transitional funds would definitely be a viable option.

Obviously battery cages are now outlawed in all 27 states of the European Union, and that directive was passed in 1999. That gave producers more than 12 years to make that transition. With the legislation that has been proposed in the United States, it would be a joint investment from individual producers and the producers' association of \$4 billion, I believe, over the transition period to make the changes.

Mr. Ben Lobb: Your presentation indicated to me that it was consumer-driven. The consumer wants this, right? The consumer wants this really badly.

I've never had anybody come into my office in three and a half years and even bring this up. Your group was the first one that ever brought it up.

Don't you think the consumer should pay for it, if that's what they want? Wouldn't the consumer pay for it?

Ms. Sayara Thurston: Well, if all egg production systems were to transition to cage-free housing, then there would probably be a slight increase in the cost of eggs, which would go directly to the producers.

The Chair: Thank you, Mr. Lobb.

I'd like a clarification, Ms. Thurston. In responding to Mr. Lobb's question you mentioned Growing Forward 2. I think I heard you right, but you were implying that there should be money in Growing Forward 2 to convert barns from laying cages to free range or whatever.

Was I understanding you correctly?

Ms. Sayara Thurston: I think if the federal government were to legislate a phase-out date for cage-free eggs, then transitional funds would be something that should be looked into.

The Chair: Okay.

Mr. Ben Lobb: On a point of order, Mr. Chair, it would probably be in the order of the high hundreds of millions of dollars, if not a billion dollars, for that.

We all know what the average value is of Growing Forward, so we should make sure that we—

The Chair: I just wanted to be clear that I understood what you were saying.

Ms. Raynault, five minutes.

[*Translation*]

Ms. Francine Raynault (Joliette, NDP): Thank you, Mr. Chairman.

Mr. Cran, in the last few years, fast-food chains have launched publicity campaigns based on the taste of their food. After the listeriosis outbreak and mad cow disease, people became worried. They wanted to know what they were eating and they wanted confirmation that the food they were eating was safe.

Do you believe that this marketing strategy is a way to address the concerns and expectations of consumers, and to reassure them that the food they are eating is safe, including eggs and milk?

Mr. Justin Taylor: Certainly. Food safety is an important priority for our industry. The safety of our clients is paramount for us. We are working with producer groups to make sure that adequate measures are implemented to ensure that the meat bought by consumers is safe and of superior quality. We are also working with producer associations and a group comprised of stakeholders interested in food safety—be they buyers or consumers—to set standards. It's not just the marketing operation. We really care about this issue.

Ms. Francine Raynault: Generally speaking, what recommendations would you make for Growing Forward 2, which deals specifically with demands by consumers?

Mr. Justin Taylor: In the area of food safety?

Ms. Francine Raynault: Yes.

Mr. Justin Taylor: Within the current system, the National Farm Animal Care Council makes sure that there are standards. Further, the Canadian Food Inspection Agency plays a very important role. However, I must admit that our association is worried. There will be budget cutbacks. Groups subsidized by the government, and the people who inspect food processing plants, will have to work under pressure and deal with budget cutbacks. This is why we are concerned. We really want to make sure that the mechanisms that ensure that the food bought and sold in our restaurants is safe and of good quality are still being applied.

• (1640)

Ms. Francine Raynault: Absolutely. We want the same kind of assurance, whether it be for beef or even pork coming in from the United States. Here, in Quebec, we produce a lot of pork. In fact, we produce more than we can eat. We don't want there to be any type of disease. We do not want to become sick because animals are being more or less well fed, or at least not the way consumers would want them to be fed.

We also know that whatever products Canada exports are inspected very closely. However, regarding products arriving from China, for example, only about 2% are truly inspected, which is not very reassuring. Could one of you address this concern? This is just an observation on my part. One thing is sure, when you realize this, you wonder what is going on.

I was a farmer in a previous life, so I know that raising animals out in the open is always better than doing so in cages. I know of a major

egg producer in my region of Joliette, which I represent as a member of Parliament. Successive generations of that family—father to son, there were many sons in the family—raised laying hens in cages. Members of the third or fourth generation, who are currently running the business, now allow the hens to roam free outside in summer. This probably cost a small fortune. I don't know where they found the financing. Nevertheless, the fact remains that today their eggs are even designated as being organic. We certainly hope that it will work out for them.

My question is for Ms. Moore or Mr. Taylor. Have consumers complained to your members about the quality of food?

Mr. Justin Taylor: Complaints regarding food quality are normally made in restaurants, and restaurant managers are the ones who have to respond to them.

Ms. Francine Raynault: Very well.

However, do you not interact with restaurant managers on the issue of food quality?

Mr. Justin Taylor: The answer is yes, but I do not want to say that we often receive complaints from clients regarding the quality of food served in Canadian restaurants.

Moreover, if there are problems regarding government policies, they are looked at by the association. For instance, with the mad cow crisis, consumers came to our restaurants to tell us they wanted to make sure that that would not recur in Canada. The Canadian Restaurant and Food Services Association worked with producers and inspection agencies so that there would be measures in place to ensure the safety of our clients.

Ms. Francine Raynault: Very well.

[*English*]

The Chair: You're quite a bit over time.

Mr. Lemieux.

Mr. Pierre Lemieux: I'd like to follow what Mr. Lobb asked Christine regarding Taco Bell. He asked where the meat comes from. It's from the U.S. under contract.

If supply management were not there for chicken, for example, would we see the same end result? Would chicken then come in from the United States, and in the end Canadian chicken farmers would lose? Is that a possibility?

Ms. Christine Moore: I can't answer that. I don't know. We haven't looked at it from that perspective.

Mr. Pierre Lemieux: It's a possibility. Okay.

Ms. Christine Moore: This is me talking now—Chris Moore. What do they have to be concerned about? If they can provide a great product at a great price, why are they afraid of competition? To me it's competition.

Mr. Pierre Lemieux: I would say the same about beef. Our Canadian farmers are not well served by beef being bought in the U.S. and sold through Taco Bell in Canada. That's the point I'd make.

• (1645)

Ms. Christine Moore: You know, we....

Mr. Pierre Lemieux: I'll move on.

Mr. Newkirk, I see you sitting there over on the far left, and you haven't said boo since your presentation.

I had the opportunity to visit the Canadian International Grains Institute in January. I was really impressed by both the work and the breadth of work they're doing. I certainly learned a lot.

I want to give you the opportunity to comment on some of the things you do and how they benefit consumers now and will benefit consumers in the future, both in Canada and elsewhere, because Canadian product moves to consumers in other countries. I know that you provide services in that regard.

Can you tell my colleagues about the institute—those who have not had the opportunity to visit CIGI and see what I saw?

Dr. Rex Newkirk: Thank you very much, Mr. Lemieux.

You're all welcome any time for a tour. I'd love to take you through and show you our facilities and the work we're doing.

Basically we work with primarily the processors, people who are buying our crops, and help them understand what benefit they can achieve from using a Canadian product versus alternatives, or using alternative Canadian products for that matter. We have a flour mill, a pasta plant, a noodle line, a bakery, and an Asian noodle line, and all these things where we're working with the processors so the processors can then make the products that consumers want.

Right now we do training for some companies that are buying Canadian wheat; they're turning it into flour and then their subsidiary company is turning it into noodles, and they're having some issues with quality. Their customers are not happy. Our technicians are able to work with them and say, this is what you need to do to achieve the kind of flour you need, and then within the noodle manufacturing process say, here are the steps you need to take to make sure that people are happy, and by using this product, this will get you to that end game. We do that in a number of ways.

Another example of an area we work in for the consumer is looking for opportunities to get Canadian ingredients into their diet. For example, at the food summit a couple of weeks ago, the president of Loblaw's stood up and said, "We'd really like to see more pulses in our diet. We think this is something that Canada can produce. It's healthy for us, it's high-quality protein, high-quality nutrients, with good fibre content." The challenge was basically put out, saying, we think consumers can do this. Canada can be number one at it.

That's a big part of our job. We have people dedicated every day to looking for how we put pulses into our diet—making snack foods... and bigger chickens. I do work on the "bigger chicken" file. We're always looking for ways to achieve things the consumer will benefit from, but that will also benefit our farmers, so we can find ways to make it desirable to use a Canadian product, because the end product will be more desirable to consumers.

Thank you very much for your comments.

Mr. Pierre Lemieux: One of the things I did find interesting...you were talking about noodles. We were having this discussion about the consumer, at the far end, making discriminating choices when

he's in the grocery store about noodles that he likes and noodles that he or she does not like. You have a role to play in that, in terms of educating processors, for example, about Canadian wheat, what the ratios of different types of grain should be within a noodle, to ultimately have the customer choose that product, both here at home and internationally.

Dr. Rex Newkirk: That's exactly right. I have to say that under Growing Forward 1 and programs prior to that, we received support to allow us to do that, and we're looking forward to being able to keep doing that in the future. Yes, absolutely, we believe that the noodle manufacturers are expert at making noodles. The flour mills are expert at being flour millers. But sometimes there's a disconnect in the system, and by having all the expertise at the table, we can pull that together to make a better product for the consumer—a noodle that lasts longer on the shelf, has the colour the consumer wants. By making that chain work more effectively, it puts Canada in a good light. It shows that we are there to help them meet consumers' demands.

Mr. Pierre Lemieux: Now that the Wheat Board is going to be a voluntary Wheat Board, what sorts of opportunities do you see for your role in the same regard?

Dr. Rex Newkirk: It's a busy place for us right now. The marketing structure has changed, as you suggest, or it is changing. It's created a number of opportunities for us to have an enhanced role in providing training to the entire industry, so they can now make sure they're meeting the consumers' demands, that they understand what it is they want when the product moves. We're spending a lot of time training them.

We're spending a lot of time with farmers as well, so that they understand their markets. In the past, they would say, "The Wheat Board is not moving our stuff; it must be their fault". Now they're realizing they need to make sure they produce the product the customer wants in that region. We've been going out to their meetings—actually I have another one tomorrow with an association—to say, "You know what? These varieties work for this product, but they don't for this, and here's why." It's just a support role, and it's been greatly enhanced in the last while.

• (1650)

The Chair: Thank you.

Mr. Rousseau, five minutes.

[Translation]

Mr. Jean Rousseau (Compton—Stanstead, NDP): Thank you, Mr. Chairman.

My question is for Ms. Thurston.

According to the Humane Society International, what is the relationship between the treatment of animals raised for consumption and consumer interest in these farm products? In other words, what link could be established between the quality of food products and the fact that the demand may be high or not so high?

Ms. Sayara Thurston: Are you referring to food safety?

Mr. Jean Rousseau: Yes.

Ms. Sayara Thurston: In fact, many studies show that animals that are well treated, and have a certain level of well-being, produce a safer and better quality product.

Mr. Jean Rousseau: If consumers are informed of this, will it have an effect on demand?

Ms. Sayara Thurston: That is a good question. I know for instance that in 2010, in the U.S., there was a salmonella epidemic in eggs. Further to the incident, the media focused a lot on the fact that it must have occurred because the chickens were raised in cages. In fact, we know that there is a far higher risk of illness among chickens that are cage bred. Afterwards, the media really insisted on the fact that perhaps they should be free-roaming for the purposes of better food safety.

Does that answer your question?

Mr. Jean Rousseau: Yes, absolutely.

So there is an impact not only on the quality of the product, but also on the demand. Consumers want their food produced in healthy conditions.

Ms. Sayara Thurston: Yes. We know that consumers are quite worried about food safety. Obviously, when they are informed of the fact that the animals are well treated and are less likely to carry diseases, there is an impact.

Mr. Jean Rousseau: Thank you, Ms. Thurston.

My next question is for Mr. Cran.

Do you believe that mandatory labelling for organic products, GMO-containing products, and even imported products, of which there are many in Canada, would have a positive effect on the demand for Canadian products versus imported ones?

[English]

Mr. Bruce Cran: It's been our observation that people who want organic food are looking for something they don't get. Originally, you're supposed to have more vitamins and what have you. If, for instance, you saw a pear or an apple that was grown purely organically, you probably wouldn't want to buy it. Another good example is broccoli, which is often sold as organic. There are rules to this. I don't have them in my head...30 days without chemicals. You can't grow broccoli that anyone would want to eat without applying fungicides, insecticides, and all the rest.

We've polled on this many times over the last decade. Some people love organic food. The only answer we ever get is, it is just because. We get no reason. All of the tests that have been done anywhere I've ever seen show no difference between the actual products.

So the answer is no, we don't think people would pay extra, or a lot extra, for organic food, and they're not at the moment.

[Translation]

Mr. Jean Rousseau: My next question is for Mr. Newkirk.

[English]

You talked about long-term relations with the customers. What was the most important tool in Growing Forward for establishing long-term relations with customers? Or was there something?

Dr. Rex Newkirk: There are two tools. If you don't mind, I'll mention both.

One tool is the Government of Canada, through the Growing Forward 1, and the AMP, the agriculture marketing program, offset half the costs, so it allowed us to take industry dollars and more effectively spend more time with the customers to develop those relationships side by side with them and to maintain those relationships. I would say that was a key aspect of the support.

The other aspect is the support we received from Agriculture Canada staff, the market industry services branch. For us to compete in a global marketplace—and it is a global marketplace with lots of competition—we need to do this efficiently. To do that, we work together.

I would say it's the support we receive from the day-to-day workings. I met with them before this meeting, and it was good to see them face to face, because we keep doing this work together.

It's both of those pieces, I would say.

• (1655)

Mr. Jean Rousseau: Have I more time?

The Chair: Yes, you have a little bit. I'm being generous today.

[Translation]

Mr. Jean Rousseau: Thank you.

My question is for Mr. Taylor and Ms. Moore.

One trend that we have seen in rural regions is menus that are focused on local products, and by the same token serve to promote local producers. Do you think this trend should be extended to a larger public? We have noticed that it creates a synergy between producers and consumers. Sometimes people come for leisure, or as tourists, to visit the farms.

Mr. Justin Taylor: Among many of our members, production is entirely based on local food principles. However, other members do not produce in that way. It depends on consumer demand and a desire on the part of restaurant owners to open restaurants in these regions close to producers, etc. We believe this works very well for some people, but this model cannot work for everyone because of the logistics inherent in food transportation, etc. In downtown Toronto, where I live, it would be far from easy to produce everything.

[English]

The Chair: Thank you.

Mr. Storseth, five minutes.

Mr. Brian Storseth (Westlock—St. Paul, CPC): Thank you very much, Mr. Chair.

I hope not to have a rant as long as Mr. Eyking's, but hopefully as good as his, though. My experience with organic.... First of all, I'll be honest, I'm biased. It represents less than 1% of my farmers. But often when people actually do the research and read into the rules around organic and how “unorganic” it often is, they're really kind of turned off about it. I'll get back to that in a minute.

Mr. Newkirk, I'd like to ask you a question about Canadian farmers. Do they benefit best when we have tariffs and rules in place, or do they benefit best with wide open markets?

Dr. Rex Newkirk: That's a very difficult question, but a good one. Canada—

Mr. Brian Storseth: It's just not related to us here. We've had a lot of academics come and talk to us about this. I'd like your input on that.

Dr. Rex Newkirk: Well, certainly, I think that on the grain side of things—and that's mostly where we work—an open and free market is best because it helps flow both ways. We know that our producers can produce some very high-quality product, the things that people desire, and they can do it efficiently and cost-effectively. So any time there's a barrier on either side of it, that just slows it up on the grain side.

On the livestock side, I think there was a necessity to put a system in place so that producers could produce the product that consumers wanted, do it efficiently, and avoid some of the pitfalls, those things that were happening in the 1970s with people getting in and out of the market and losing a lot of money.

It's harder for me to make a judgment on the supply management side because I think it has created value, so I don't want to go that route.

Mr. Brian Storseth: I'm not asking you to go down the sectors—

Dr. Rex Newkirk: Okay.

Mr. Brian Storseth: Just in general—

Dr. Rex Newkirk: In general, open is better.

Mr. Brian Storseth: —your experience would be that open is better for Canadians...?

Dr. Rex Newkirk: Yes, for sure.

Mr. Brian Storseth: Mr. Taylor and Ms. Moore, I have a couple of quick questions for you.

I was a little interested.... What is the percentage that Alberta gets? Is it a percentage that Alberta is given, like 10% of the quota, or are they given a number that they're not allowed to surpass? What is that?

Mr. Justin Taylor: It's a percentage of the total national production and—

Mr. Brian Storseth: What's the percentage?

Mr. Justin Taylor: Chris, do you know...?

Ms. Christine Moore: Off the top, I don't....

Mr. Justin Taylor: I don't know off the top of my head what the percentage is for each province.

Mr. Brian Storseth: I'm with you on some of your issues here, but you've quoted this a couple of times, so I would like to know what that percentage is. Perhaps you could get that to the committee.

Mr. Justin Taylor: Sure.

Mr. Brian Storseth: On your suggestion with pizzerias, what would the cost be to the local restaurant?

Mr. Justin Taylor: The cost of...?

Mr. Brian Storseth: In your analysis, you're saying that there's a cost to the pizzerias because of the competition they have, not with fast food but with frozen pizzas, because of the increased price of the cheeses. What would that cost be?

Mr. Justin Taylor: On the cost of a pizza, 60% of the cost of the pizza is the cheese that's on the pizza. So if you have one competitor that's getting a 30% price break and one that is paying full price, that's a huge input cost differential.

I can't tell you what the impact has been on consumer purchases and the overall calculation; it would be an estimate. But we have seen the frozen pizza market growing by 9% year over year, for two years in a row, whereas fresh pizza is stagnating and declining. It really is starting to show in the bottom line of a lot of these restaurateurs. I can't tell you a dollar amount specifically because it would be a lot of estimates, but we are really seeing an impact.

• (1700)

Mr. Brian Storseth: How much of that would be due to the recession?

Mr. Justin Taylor: Well—

Mr. Brian Storseth: I mean, it is true, right?

Mr. Justin Taylor: Yes.

Mr. Brian Storseth: You're eating out less.

Mr. Justin Taylor: People are eating out less, but the thing that is

Mr. Brian Storseth: I haven't had a pay raise in three years. I can't afford to eat out anymore.

Mr. Justin Taylor: When the reason that a product costs less in a grocery store is that a government policy allows them to buy their input costs at a lower price, that's very frustrating for us. That is really at the heart of it. We believe in fair competition. We compete against items bought in grocery stores every single day. That's what restaurants have to do. But with this segment of the market, it really is a government policy that creates inequities.

Mr. Brian Storseth: For my last question to you—and I've worked in the sector before, so I understand you when you say you have discounts for natural gas, discounts for that—it did blow me away when you said that this is the only sector where you're not able to get a discount because it's not an open market.

You talked about the evolution. What would that evolution look like, that change to what you were talking about? If this is going to be a 10-minute answer, perhaps you can just give me the synopsis and give me a written answer that would be more fulsome.

Mr. Justin Taylor: I don't think anyone could give you the perfect solution, and we don't think we have a silver bullet. What we're saying.... I started this off at the very beginning realizing that supply management is very controversial. I have had meetings with members of Parliament who cover their ears and walk out of the room when I bring up the problems we have with supply management.

We don't have a silver bullet, and we don't have a perfect solution. I think that for some of the examples that were given, where there needs to be coordinated marketing to ensure that livestock and dairy production in Canada is viable, we don't disagree with those things, but we think the points we brought up today are points that really do need to be addressed. If we have a population in Canada that continues to grow in the west—

Mr. Brian Storseth: I actually fundamentally agree with your argument. You've brought up some complaints, but you haven't given me the answers. You're about to get back to this percentage in the west, and you've brought up Alberta a few times, which is the province I'm from. It's alarming, but you don't have the numbers for me.

Mr. Justin Taylor: The solution to that is to allow what's called differential growth. It means some provinces' allocation and production of chicken grows more quickly than other provinces', based on their population. Right now, that's something we're trying to work on with chicken farmers in Canada, but the way the structure is set up, each region gets to hold on to its amounts and can refuse to accept any change to the system. It's one of those "all in or no in" situations. That's one example.

On the 5A cheese, we think we should be able to buy cheese at the same price our direct competitors can, so either everyone producing pizza gets access to 5A cheese or no one does. These are all very simple answers to those specific questions, but I think it would be naive of me to say that I have a silver-bullet solution for how to change supply management to make it perfect. We need to start a national dialogue in which everyone gets involved to try to resolve these problems.

Mr. Brian Storseth: Excellent. Thank you.

I have to tell you that, unlike Mr. Lobb, I have had a constituent come into my office and complain about exactly what you're talking about. It was actually my wife. I encouraged her to go out to the family farm this year with my dad, and they'd grow their own chicken. She was just as appalled at that process, because, as Mr. Eyking said, you get a little more square footage, but not a whole lot. When I asked her, she said she's just as turned off chicken now, whether it's farm-fed or free range. Whatever you want to call it, she ain't eating it at this point in time. I don't think the alternative to that part of the scare tactic you're talking about is necessarily your end goal and where you'd like to go.

I have a question for you. Let's say you were in the industry beside you, would you support cage-free U.S. chickens over Canadian chickens if they weren't cage-free?

Ms. Sayara Thurston: Are you talking about egg production or meat production?

Mr. Brian Storseth: I'm talking about meat production.

Ms. Sayara Thurston: All chickens raised for meat are raised cage-free. All broilers are raised in a barn environment.

With regard to egg production, when you say that free-run environment presents challenges as well, of course it does. Every production system presents welfare challenges, but the inherent thing is that when you put an animal in a cage, the challenge is that the welfare problems that environment raises just cannot be solved in

that environment, because they're inherent to a cage environment, as opposed to welfare issues in a free-range environment or a free-run environment, which can be handled by good management.

● (1705)

Mr. Brian Storseth: But you do recognize that free-range—

The Chair: You're way over.

Mr. Allen, you have five minutes.

Mr. Malcolm Allen: Thank you, Mr. Chair.

Maybe I'll help Mr. Storseth complete the ongoing monologue or soliloquy he was on.

Ms. Thurston, I think where you were headed was that there's no cotton wool wrapped around the production systems, in the sense that these aren't pets. It's not like those two great big behemoth dogs that are in my house with the two cats, who think they can sleep on the bed all the time and that we should sleep on the floor instead.

I don't think that's what you're saying. Is that right? This is still a farm production methodology. The issue is about the type we're using. Is that fair to say?

Ms. Sayara Thurston: Yes, exactly. One of the problems sometimes cited with regard to free-run systems is that the welfare isn't necessarily perfect for an egg-laying hen raised in a free-run system. The fact of the matter is that welfare for a hen raised in a free-run system is better than that for a hen raised in a caged system.

Welfare challenges that arise in free-run systems can for the most part be handled with good management. It's a different production system, and it requires different techniques. It basically requires a little bit more input from a producer, but I think producers are very able to meet that with some additional training and some additional knowledge.

At the end of the day, a cage system will always be a cage system, and that can't be changed, but there may be welfare concerns in a free-run that can be dealt with, can be met, and can allow free-run hens to enjoy a much higher level of welfare.

Mr. Malcolm Allen: To my friends, Mr. Taylor and Ms. Moore, let me make one statement. I did talk to the dairy folks about your cheese issue, because I met with some of your folks last fall. I put that very issue in front of them. Like Mr. Storseth, I think that's a reasonable issue to put in front of them, the difference between whether you want the cardboard box with the cardboard thing in it with cheese on top, or you want to go down to the local pizzeria, where you're supporting a local business and you get it freshly made. Just so you know, it is in front of them at their highest level.

Ms. Moore, Mr. Lemieux raised the issue about beef and Taco Bell. I understand part of the comment is going to be that it's competitive forces, it might be cheaper, and there may be some quality to it. Let me ask how much of that is corporate driven, in the sense that it becomes what I like to call homogenized food, which means it has to be exactly like everyone else's? In other words, the same taco from a Taco Bell in Mr. Storseth's riding and a Taco Bell in my riding would have to be the same; the quality should be the same. In other words, it's standardized. When I say homogenized food, no matter where I buy it in North America it's going to look and taste the same, and basically it will probably be within 15¢ price-wise going across the country, or going up and down North America. It'll be more expensive in Alberta—they make more money out there. They've got the oil rig out there; they've got the oil sands stuff.

So how much of it is that?

Let me tell you, the U.S. Farm Bill does things for beef that we don't do here when it comes to price. So if you want a level playing field in the agriculture sector, you're going to have to take your group back to Doha, and everybody else with them, to try to figure out how to make it equal. Quite frankly, everybody cheats. I don't think there's a country in the world that doesn't cheat at agriculture. They don't tell you they're cheating; they all tell you they play on a level playing field, but the reality is there isn't anybody....

• (1710)

Mr. Randy Hoback (Prince Albert, CPC): A point of order. We don't cheat.

Voices: Oh, oh!

Mr. Malcolm Allen: Oh yeah. No, of course we don't. We play fair and everybody else cheats.

An hon. member: You've got it.

Mr. Malcolm Allen: That's the reality. How do you square that? Clearly, we want to give you Canadian beef, and we'd like to see you buy Canadian chicken. The problem is that you want to buy it at the kilo price to sell it at the piece price, whereas the farmer would probably tell you that he would sell it to you at the piece price so he can offset the fact that he didn't grow the kilos he needed to make any money.

So how do we square those circles? I asked one of your folks who sells ribs where he bought them. He buys them from Europe. The reason he buys them from Europe is we grow our pigs too big and the ribs are too large, so he buys them from elsewhere. That's not a supply managed program, so he can do that.

How do we work inside of those things to try to help you and keep farmers off the dole cheque that everyone else enters into?

Mr. Justin Taylor: I think for a number of brands they've chosen to go with the Canadian produce, Canadian meats, Canadian products. They have communicated that very well to consumers, and consumers are willing to pay an appropriate price for that. In lots of situations that's worked very, very well.

The reason we raised some of the issues we did today with government instead of raising them directly is because there's a

government program in place that ensures that we can't necessarily negotiate to get the products we need.

I definitely think there is a place for more promotion of Canadian food, and restaurants can play a role in delivering that to consumers. We're leaders in setting those trends. The innovative products that you now see in grocery stores started off as restaurant meals, which were then adapted later on. We work within the supply chain to try to bring Canadian products to Canadian consumers.

It's difficult to say. I don't know exactly what the details are for Taco Bell, but, yes, chains do have to ensure they have consistent product across the board. If you go into a restaurant here in Ottawa and you go into the same branded restaurant in another province, the product is supposed to be the same, at the same quality level and the same standard. There are logistical challenges to being able to do that. A lot of restaurants have run their models based on the local food movement and are doing extremely well.

I think there's a role for the government to play to facilitate some of that promotion, and to raise awareness with consumers about the impact of where they're choosing to buy their food.

Mr. Malcolm Allen: I don't disagree.

The last question is for Mr. Cran.

I'm going to do a Mr. Storseth and pretend I didn't see that. I know you're going to cut me off.

For the fish you see in grocery stores that they can trace back to the actual trawler and the captain who caught it, do you see that as something consumers are driving or is that a marketing thing that has driven consumers?

Mr. Bruce Cran: I'm not sure I can answer that. We've been involved in setting up those programs over the years. I'd say it would have much more value to someone who was eating beef because of the very severe problems with mad cow disease than it would with fish or something of that type.

We get fruits these days and the orchard sticker is right there, and it can be traced back. The only time it didn't seem to work was when we had the big problem with the E. coli coming out in carrot juice some years ago. When we went to check the progeny structure, it just couldn't have been real. It may be by now, but they did have problems with it.

I don't know that that's something consumers look at these days. As far as I know, it's probably not.

The Chair: I'll move to Mr. Payne. You have five minutes.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair.

Thank you to the witnesses for coming. Those were some interesting comments, and I'm going to have some questions around supply management.

Mr. Cran, you talked about safety, and you talked about radiation to kill bugs. You said that was a Canadian invention and nothing is happening with it. What was its intended purpose, for what kinds of products, and why aren't we using that?

Mr. Bruce Cran: With your last question first, I have no idea why we're not using it. We've just conducted a large survey, which we'll probably release in the next few weeks, about whether Canadians would like to see irradiation. There was enough response. I think there were well over 50% of people who believe we should have that as an available item. It gives almost 100% protection—maybe it is 100%—on practically any food you'd like to name. We were mainly interested in chicken and hamburger, but we're also interested in things like sprouts, where all those problems have been in Europe and America.

On the one I'm speaking of, I just know what I hear. It actually is a true story. The name of the company is Iotron. Some 20 years ago, it bought this system that was developed in Canada and was unwanted, I think, at the time. It's been using that for the last 20 to 25 years on medical devices, everything but food. We feel at the moment there's a big demand for this on food.

I can tell you my own thoughts on it. Thirty years ago I probably would never have wanted to buy something that had been irradiated, but with all the problems—every week there's a new one, with E. coli and listeria, and whatever you have coming up behind—I believe I'd find it an acceptable practice at the moment for my family, and we know a lot of other people do too, to have that protection available to you if you want it. We're not suggesting that everything be irradiated, but we feel it is a process that should be available. I think it would be something the consumers of Canada would take up very quickly.

• (1715)

Mr. LaVar Payne: Are there countries using it?

Mr. Bruce Cran: Yes. The States uses it on chicken and I think hamburger as well. It's been used on things like mangoes and herbs and what have you for the last 30 or 40 years. I can remember—it would have to be 30 years ago—my organization was against irradiation because in those days they used X-ray machines and, I don't know, pieces of the Hiroshima bomb, whatever they could get hold of, but now it's an electrical process.

This company, Iotron, I believe, has just opened a new branch in Minnesota or somewhere like that, and they're going ahead down there with another huge plant, whereas we don't seem to have taken it up at all.

Mr. LaVar Payne: I find that quite interesting.

Our friends from supply management or anti-supply management—I'm not sure how we should phrase that, but certainly we're supporting that supply management process...

I have a couple of things. I think one of our colleagues, Mr. Atamanenko, talked about the subsidization. What information do you have on what the U.S. is doing in terms of subsidization for...? We did hear about chickens, but what about milk, what about eggs, and any other countries, such as New Zealand, who want to get rid of it totally here in Canada?

Mr. Justin Taylor: We're not specialists on international agricultural policy, but what I can tell you is that in Canada, while we don't have the figures of how many cheques the government is cutting to dairy producers, the OECD has calculated that on average it costs each Canadian consumer \$70 per year more in dairy costs

because of supply management than if we didn't have it. In total that works out to be about \$2.2 billion. And that's calculated by the OECD. Again, these aren't numbers the CRFA is coming up with on our own.

I don't know exactly what the cost is of the programs in these other countries, but the costs in Canada are very much hidden within the prices consumers pay.

Mr. LaVar Payne: Okay. I just want to go back to the chickens. You talked about KFC, Taco Bell, and Pizza Hut, and the size of the bird. If the producers are growing these larger chickens, isn't that their consumer demand, or are we just looking at a very narrow piece here?

Mr. Justin Taylor: There definitely is a consumer demand for some pieces being grown larger. We see that in grocery stores. We also know that the very system that sets the prices drives production in that direction.

To give you a bit of an example—and it's not just Kentucky Fried Chicken—most of the national chains that have chicken as their primary ingredient, and I'm sure you can list a few off the top of your head, have spec. Spec means standardized cooking to ensure the chicken is cooked properly using the ovens and the friers and those types of things that are in the kitchen. If the chicken you're receiving is 10% to 15% larger than what your specs allow, that means you have to adjust the cooking time to ensure the food remains safe and well cooked. You have to retrain all of your staff. It's not something you can do on the fly. When we're not able to get product that meets the spec we need for our kitchens, which have been designed across the country, it creates huge problems. You can't just adjust it as you go; you risk selling chicken that is only partially cooked.

The Chair: Thank you.

Mr. Hoback, you get the last five minutes.

Mr. Randy Hoback: Thank you, Chair.

I want to thank all the witnesses for being here today and providing the information. It's been great.

Chair, I was just thinking that if pizzas are cheaper, and we're eating meals and we're going to order a pizza, maybe we'd be better off with a frozen boxed pizza, because it sounds like they're 30% cheaper. If we're going to save funding, we might want to go down that road. As Mr. Lemieux said, I'm not sure I want to eat frozen boxed pizzas all the time, but we might put that into consideration.

Actually, I have a lot of questions for all of you, so I'm hoping the chair shows me the same liberties that he's shown the other witnesses and other people. I'm going to start off with my friend, Mr. Newkirk.

I'm actually a CIGI alumnus, but I think I was pulled off your alumnus list when I didn't approve of the single-desk selling of wheat and barley. I'm hoping you'll put me back on your alumnus list and blow the dust off some of your old lists, because there are a lot of farmers who went to the CIGI course who are not single-desk supporters who really enjoyed the CIGI combined customer groups and some of the training you've done. I'd really like to encourage you to keep doing that.

I'd really like to encourage you to keep doing what you're doing as far as the value-added for our processors—the customers we have around the globe. I just view you as an asset for both the new Canadian Wheat Board and for the grain industry as a total, to go out and promote our product. You're something that no other country has, and I guess we're going to figure out how we're going to fund you and keep you going, because I think the value-adding selling that you're doing is adding value to Canadian farmers in the markets. Please put me back on your list, if you can do that.

I have one comment. Mr. Geddes made a comment in front of the Senate committee, about innovation in agriculture, which we're lacking. I don't want to answer his question, but if you could just provide the committee with what he was talking about as far as lacking in improvements, I think that will fill in some of the areas of the report. Just quickly touch on that.

• (1720)

Dr. Rex Newkirk: I think—

Mr. Randy Hoback: I actually won't get you to touch on it today, because we only have five minutes. I didn't see the report or where he was going from.... If you can just get that for us, it would be great.

Dr. Rex Newkirk: Sure. Yes.

Mr. Randy Hoback: To the restaurant association, I heard this in 2004, 2003, and 2002. I remember stories about not enough KFCs in Toronto, so they're shutting down KFCs. Why hasn't this been resolved within the existing system? Why can't we move forward to get this issue of quality and quantity resolved? What's the hurdle there?

Mr. Justin Taylor: I think we've been pretty clear. We think the problem lies within supply management.

Mr. Randy Hoback: Again, you have a sector, whether you like it or not, and I have my opinions on it for sure. Are they not willing to talk to you about quality and quantities that are required for those areas?

Mr. Justin Taylor: We're currently experiencing situations where suppliers are capping the amount of a specific type of chicken that can be bought by many of the restaurants in our industry. It's changing from region to region. At one point in time, a cap will be introduced. This is because the processors are not able to get the product they need from the growers in a timely fashion.

What is required is a willingness to work towards improving the system. Right now, there is very much a lot of entrenched positions that are being protected within supply management: I have certain rights to produce, and I have a guaranteed profit out of them, and I don't want to see the system changed because I might lose something so that some other producer can gain something.

Mr. Randy Hoback: In the system that you talked about, you talked about the pricing of the product and the process the price of the product goes through. That's one concern I've heard from talking to people who are in this supply management sector, especially younger farmers—the cost of quota and how that is reflected in the pricing.

Are you seeing that in the pricing of the product, that the cost of the quota is actually reflected back into the cost of the product? I'm being told that it's not.

Mr. Justin Taylor: No. The quota is traded on a secondary market, and most farmers end up getting loans from Farm Credit Canada to finance those quotas. So it's a one-time purchase for the right to produce chicken. When the price for quotas spikes or drops, that doesn't affect the price of the chicken that's produced. That's based on a specific formula, which includes the price of buying the chicks, the price of grain to feed the chickens, and a profit margin for the producers.

Mr. Randy Hoback: Okay, but in the profit margin you would have the capital costs for loans and mortgages and operation of the entity, I would assume. It has to be fixed in there somewhere.

Mr. Justin Taylor: Yes.

Mr. Randy Hoback: In 2004, the Province of Saskatchewan sued supply management on chicken in particular and tried to increase the quota for Saskatchewan. I believe it was an NDP government that sued the system at that point. You're telling me today that there have been no improvements in the allocation of quotas across Canada since 2005. I know Saskatchewan is growing, Alberta is growing, and B.C. is growing. We have all this wide open area. We can grow a lot of humanely produced chicken if we want. Are you saying that has no impact on how they go about allocating quota across the country?

Mr. Justin Taylor: As we said, within the system we're now allowed to allocate a special increase in production for a province if there's a special event. For example, during the Olympics, B.C. was allowed to grow more chicken because there was a special event. So special allocation adjustments happen, but every province has to agree on that. It gets voted on by the board of directors, and it's very difficult to get those things to go through.

Are you familiar with the Farm Products Council of Canada?

• (1725)

Mr. Randy Hoback: Yes.

Mr. Justin Taylor: Nine years ago, in a report, and then again three years ago, the oversight agency that is supposed to be monitoring this identified differential growths—differing growths by region in Canada—as a major problem that needed to be addressed, as well as the allocation process. We're having a very hard time. No one is pushing this forward because there is a guaranteed comfort zone in the way things are being done now. So we are experiencing a lot of difficulty.

Sometimes we do make advances. A special allocation was done for Alberta at one point and one was done for B.C. as well, but it's extremely difficult to get the market to respond to changes in demand.

Mr. Randy Hoback: Sayara, it goes on the experience I had in the U.K. when I used to work for Flexi-Coil Case New Holland in Europe. I remember there was an accountability program in the U.K. in the hog industry whereby the grocers went to the farmers and told them to change their format in how they were going to produce their hogs. A lot of these farmers said they would follow that. They spent thousands and thousands, if not hundreds of thousands, of pounds adapting their barns to meet not only the feed but the humane aspects of the requirements from these grocery stores. Of course, the hog crisis hit, and the first thing the grocery stores did to them was say they were going to buy their hogs over here because it was cheaper. All the accountability the producers in the U.K. went through was thrown out the window because of price.

Have you done anything to encourage, market, and highlight those producers who are willing to take on that humane role, so that instead of forcing them to create these changes through regulation, you do it through pricing, through consumer demand? The demand from consumers is highlighted, and you highlight the people who are meeting the Humane Society's stamp of approval in the production of their product.

Ms. Sayara Thurston: Do you mean our organization specifically?

Mr. Randy Hoback: Yes.

Ms. Sayara Thurston: Yes, absolutely.

For example, just this month, when McDonald's made its announcement, the Humane Society of the United States released a joint press release with McDonald's, welcoming the decision and praising it. Definitely, I would say—

Mr. Randy Hoback: The farmer's going to get paid more because he's going through that process, and the contracting with McDonald's will allow him to get paid more, I suppose. Otherwise, why would he do it?

Ms. Sayara Thurston: The situation with McDonald's is they have said they will mandate this to everyone who is supplying them in the supply chain for pork, and they have given them until May to come back with a phase-in plan of how they're going to make those changes. Yes, as you say, with McDonald's those producers have that client. They know they'll have the market for that.

Mr. Randy Hoback: Okay. Sorry, I've run out of time. I'd like to pursue that a little more, but...

The Chair: Thank you very much to all our witnesses for being here.

Just a reminder to the members that there is an informal information meeting, if I can call it that, that will be in camera. We have some department officials here. We'll have to move out.

I'm not going to be here, as I have a previous commitment. Pierre, you're going to chair that and take over.

Thanks again to our witnesses for being here.

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