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# **Standing Committee on Agriculture and Agri- Food**

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**EVIDENCE**

**Tuesday, October 7, 2014**

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**Chair**

**Mr. Bev Shipley**



## Standing Committee on Agriculture and Agri-Food

Tuesday, October 7, 2014

• (1130)

[English]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** I call the meeting to order. I welcome everyone back to the agriculture committee.

We're going to start into our discussions on the agricultural growth act, Bill C-18, and as most of you know, it is a bill that we are going to amend, an act to amend certain acts relating to agriculture and agrifood.

We are a little late getting started. We have Minister Ritz with us today for the first hour. Then we'll follow through with the witnesses later, in terms of the Canadian Food Inspection Agency and also the Department of Agriculture and Agri-Food, along with the Department of Justice, in the second hour.

I welcome Minister Ritz to our committee. I also welcome with the minister, Mr. Rosser Lloyd, director general of the business risk management programs directorate, programs branch. I welcome back William Anderson, executive director of the plant health and biosecurity directorate.

Minister, we would ask that you open with your statement and then we'll go into rounds of questions from the committee members.

**Hon. Gerry Ritz (Minister of Agriculture and Agri-Food):** Mr. Chair, I'm pleased to be here today, and I'm equally pleased that Bill C-18, the proposed agricultural growth act, has come before this committee for study. I appreciate the opportunity to speak to this bill, because I firmly believe in all that it is striving to achieve.

This proposed legislation will move our government's strong and proactive agricultural agenda forward, and I'm sure the witnesses will underscore that. It's consistent with the government's priorities of growing the economy and creating jobs for Canadians. We must continue to be proactive about securing the future for Canadian agriculture.

Right now our agrifood sector is the leading manufacturing employer in the country, and our exports have helped put Canada on the map as a major trading nation. Bill C-18 will help Canada continue to be a front-runner. With the agricultural growth act, we are modernizing Canadian legislation on a foundation of science and technology, innovation, and of course, international standards.

Since the introduction of Bill C-18, my officials and I have had an opportunity to talk with many Canadians about the provisions contained in this bill. I've heard a lot of support for the bill from across all the sectors, whether they are farmers, livestock producers,

or plant industry stakeholders. I've also heard some good suggestions about providing more clarity, making the bill's language more useful, and as you alluded to, Mr. Chair, we will be passing some amendments to that end. I'd like to highlight key areas where the government will be proposing those amendments to make a stronger piece of legislation even better.

One area where there has been a lot of discussion is related to the changes to the Plant Breeders' Rights Act and their relationship to the International Union for the Protection of New Varieties of Plants 91, or UPOV 91, as it's known, and especially a farmer's privilege. UPOV 91 provides the current international standard for plant breeders' rights.

Canada's legislation at present, under UPOV 78, does not include the current UPOV 91 standard of farmer's privilege, but conforms to the outdated convention of 1978. After 22 years of discussion, Bill C-18 will amend the Plant Breeders' Rights Act and bring Canada's legislation up to that date. The farmer's right to save seed for future planting is protected and includes storage and/or cleaning of the seed. This is why it is important to update to UPOV 91 standards. A farmer does not need to seek permission from the rights holder to store farm-saved seed for replanting in future years. Let me repeat that: a farmer does not need to seek permission. Recognizing this fact, our government has heard from stakeholders that the language could be improved to make it absolutely clear that storage of seed by the farmer is included in farmer's privilege. Our government will be bringing forward an amendment in that vein.

Mr. Chair, more than 70 countries, including Canada, rely on UPOV to fulfill their obligation to protect plant varieties under the World Trade Organization. The updates we are proposing in Bill C-18 are already encouraging investment in plant breeding in Canada and will give farmers access to more varieties of seed developed in this country or abroad. They would also better align our regulatory regime with those of many of our key trading partners, such as Australia, the European Union, Japan, South Korea, and of course the United States.

As I said earlier, a wide range of industry sectors have expressed support for the plant breeders' rights provisions in Bill C-18. In fact, every relevant farm group in the country has come out in support of Bill C-18. This includes the Canadian Federation of Agriculture, as well as Partners in Innovation, a broad coalition of farm organizations that represent the majority of farmers in Canada. Partners in Innovation expressed its support of Bill C-18 passing second reading and being referred to this committee for study.

Ron Bonnett, president of the Canadian Federation of Agriculture, said:

The legislation strikes a good balance between giving plant breeders the ability to receive a return on their investment and research efforts while preserving the ability of farmers to save, store and condition seed for their own use.... We are pleased that the bill is now at the point in the process where we can engage in public discussion at committee.

Mr. Chair, with the amendment we will be bringing forward, I trust we will find further support from Canadian farmers.

This brings me to another issue being addressed by Bill C-18. This bill includes important language concerning the administration of the Agriculture and Agri-Food Administrative Monetary Penalties Act, or AAAMPA. When it comes to inspection, the Canadian Food Inspection Agency works closely with Canada Border Services Agency to verify the safety of agricultural products at our border. An officer with the CBSA who determines there is a problem at the border can issue a notice of violation under the Agriculture and Agri-Food Administrative Monetary Penalties Act. Anyone who receives a notice of violation can request a review of the facts by a ministerial review or a review by the Canada Agricultural Review Tribunal. Currently, only the minister of agriculture of the day or officials of the Canadian Food Inspection Agency under this delegated authority can review these files.

Unfortunately right now the minister responsible for the Canada Border Services Agency, our front line, cannot review the facts concerning a notice of violation.

To increase efficiencies, it makes much more sense for the minister who is responsible for CBSA to have the authority to do a ministerial review on the notices of violation issued by his officers. Bill C-18 contains the language to address this issue, to provide ministerial review authority to the Minister of Public Safety and Emergency Preparedness.

Mr. Chair, a delegation to the minister, whose officials are making the decisions, will be much more efficient and will result in greater clarity in the review process.

We've also heard more from farmers and stakeholders across Canada about how we can improve the advance payments program. With this bill we have the opportunity to deliver real results for farmers. The advance payments program is a critical risk management tool to help bridge farmers through high cash flow periods, like planting and harvesting. Loans of up to \$400,000 are secured against that production, with the first \$100,000 being interest-free.

The agricultural growth act proposes a very smart measure to cut out a lot of the red tape from the application process for this advance payments program. These changes make a good program even better by reducing the administrative burden and cutting costs for participating producers. Once these changes are in place, producers will be able to obtain advances on all of their eligible commodities from a single administrator.

These changes will also open the door to multi-year agreements, saving time and reducing paperwork for farmers and the administrators of the programs. In other words, producers will be treated more like repeat customers. Farmers will have greater flexibility for repayments. In some cases they would not need to sell product to

meet repayment requirements, such as when they decide to hold off on selling their product until market conditions are more favourable.

As well, we're expanding the security that can be used to obtain these advances, allowing producers more opportunity to take advantage of this important timely programming.

In addition, the agricultural growth act also proposes changes to the Farm Debt Mediation Act to streamline interaction between the advance payments program and the farm debt mediation service.

Mr. Chair, our goal here is to deliver better financial tools for Canada's food producers.

I urge the committee to give this bill careful consideration based on input you receive from the witnesses you will hear. For example, sector consultations and further analysis by the department have suggested possible improvements to the application of the administrator's percentage, and clarification around the limitation period for recovering defaulted advances.

Mr. Chair, Bill C-18 addresses many important areas, from seed to feed, to fertilizer, to animal health, to plant protection, to plant breeding, and to farm finance. Some of the acts we are amending date back to the 1950s. A lot has changed since then. Farmers must have a system that reflects today's realities and requirements.

Mr. Chair, I trust you can see why it's so important that we move forward now on the proposed agricultural growth act to help Canada's producers and our agricultural sector, and help them sooner rather than later. I believe strongly that this proposed legislation has its weather vane pointed in the right direction. The amendments we propose in this bill follow extensive consultations with producers and industry across Canada and we will continue to consult.

I also trust this committee will give the agricultural growth act the careful and due consideration it so rightly deserves and will move it forward in a timely manner to bring our existing legislations into the 21st century.

I look to your questions and comments.

● (1135)

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

Before we go on, I know this bill has attracted a lot of interest and I welcome those of our guests who have joined us today to hear the beginning of the proceedings.

Also, I want to say to our committee members that one of the advantages that we've had all summer has been visiting and talking to stakeholders, to be putting our thoughts forward. I want to remind you that we are going to be on some tight scheduling, so we do have five-minute rounds. I will be holding each of you as close to that five minutes as I can.

I want to welcome everyone, and the return of Alex Atamanenko.

Thank you, Alex, for sitting in on the committee today.

In the first round, Madame Brosseau, for five minutes, please.

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** First off, I would like to thank the minister for agreeing to stay for the full hour. We really appreciate your presentation and also the fact that you're here to respond to our questions.

This is an important bill for agriculture. It does touch on nine pieces of legislation. Certainly this government has a trend of having these omnibus bills. There are a lot of aspects of this bill that the official opposition agree with, and after consultation with industry too, we see the value in certain points of this legislation. But there's still a lot of concern.

You mentioned, Minister, in your statement that you're going to be amending this legislation when it comes to being able to store seed. Is that correct?

• (1140)

**Hon. Gerry Ritz:** Well, it's not an amendment as such, Ms. Brosseau. It's more of a clarification so that farmers understand. In most cases lawyers aren't farmers and they don't get the agricultural jargon, so we just want to make absolutely clear that under UPOV 91, as opposed to the legislation we're under now, UPOV 78, there is now the right for a farmer to save seed. It can be stored. It can be cleaned. There is a lot of misinformation or mythical information out there that somehow that would not happen under UPOV 91. That's absolutely not true.

The amendment we're seeking is just to put it in words that are more farmer friendly and actually underscore and clarify the right of a farmer to save his seed.

**Ms. Ruth Ellen Brosseau:** Would the government be open to amendments?

We work really hard in committee and we have great witnesses, and sometimes I feel that we do propose some great things based on witness testimony, but they don't get through. I'm just hoping that when we do propose amendments, they will be considered by the government.

What will Bill C-18 do to the price farmers pay for seed? Could you elaborate on that?

**Hon. Gerry Ritz:** First off, on amendments, of course, the committee will underscore the value of each amendment as it comes forward and make the decision on that. It won't be me.

Having said that, we put forward these comprehensive.... I don't call them omnibus; I call them comprehensive because they are all interrelated and actually build a stronger agricultural system.

When it comes down to the price farmers will pay, it's always amazing to me that the newest and best varieties of seed are the ones that sell out first every year. Farmers out there are very knowledgeable in what they require.

The best news, I guess, is that a lot of the new varieties take less input cost. They are bred to take less fertilizer, fewer pesticides, and fewer chemicals, which is in and of itself a cost-saving measure for the farmer. Certainly the IP costs may go up on that seed, but then you're going to save in the long run by not having to put on the volumes of fertilizer, chemicals, and pesticides that may have been required for the old variety. So farmers will make that decision.

The changes we're providing here under UPOV 91 take into consideration only new varieties going forward. There is no retroactivity, so farmers still have access to all of the varieties that are out there as of today and can scope their business plan around that.

[*Translation*]

**Ms. Ruth Ellen Brosseau:** I want to take this opportunity to ask two quick questions.

First, some stakeholders have said that the bill was more focused on protecting the rights of large companies and corporations—mainly multinationals like Syngenta—instead of protecting farmers. I would like to hear your comments on that.

Second, there are no provisions in this bill to protect producers from being sued for accidental patent infringement—for instance, the wind blowing seeds on to neighbouring fields. Can you tell us what measures should be included in the bill to protect farmers who may be negatively affected?

[*English*]

**Hon. Gerry Ritz:** I would disagree with your characterization that only multinationals and transnationals will take advantage of this. We have changed the game plan in Canada so that wheat and barley commissions across western Canada and throughout Ontario, Quebec, and the Maritimes now have the ability, with a check-off, to direct their own investments in research. I think that's a good thing to have.

We've also made significant investments in the organic sector so that they can start to develop their own varieties as well.

When it comes to this whole idea that there are wind-blown seeds and seeds spread by birds, this goes back to the Percy Schmeiser case. It was pretty hard for Mr. Schmeiser—and that's why he lost—to justify that 1,200 acres of canola were wind-blown or spread by birds. It just doesn't happen in that manner. Certainly there may be a rogue plant that shows up from time to time, but that is not a patent infringement, and no one has ever taken a farmer to court for a scattering of seeds throughout a 160-acre or a 300-acre field.

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

I'll now go to Mr. Lemieux for five minutes, please.

**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Thank you, Minister, for being here. I'm happy that this bill is finally in front of this committee.

I was listening to Madame Brosseau, but I don't feel that this is an omnibus bill at all. It has a few focused, well-aimed initiatives or thrusts. That it touches on a number of acts doesn't make it an omnibus bill just because, as I said, it focuses on four or five key areas.

I want to talk about one of those areas, which is plant breeders' rights. Plant breeders' rights is a very important aspect of the bill. When the agriculture committee travelled during the last Parliament, we did a study on research and development within the seed sector. The information we received was that developing a certain trait within a plant can take 10 to 12 years. That would not be uncommon. I believe the investment would be in the very high tens of millions of dollars, perhaps even over \$100 million, depending on the nature of the trait, etc.

The bill talks about moving from UPOV 78 to UPOV 91. I wonder if you could highlight some of the advantages of moving from UPOV 78 to UPOV 91. Perhaps you could also elaborate on what the economic advantages would be to the farmers on the ground.

• (1145)

**Hon. Gerry Ritz:** First and foremost, and I covered it in my opening statement and in answer to some of the questions from Ms. Brosseau, it's the ability for a farmer to save seed, which is not in UPOV 78, and it's now underscored in UPOV 91. There's that ability. You either pay the IP up front, as farmers are used to doing now with new varieties of canola, soy, corn, whatever it is. They now will have the ability to pay that IP at the end, as they sell the product. There would be a contract they would enter into with the plant breeder who says, "I'm going to save some seed, so I'm going to pay this royalty as I sell what I produce, as opposed to paying it up front." That's in the contractual systems that will be developed case by case.

The biggest thing, I think, is that we'll have availability of new varieties. Since the change from the single desk of the Canadian Wheat Board, we've seen a lot more demand in our millers and bakers around the world, away from the hard red, which was all we would ever sell under the Wheat Board, to some different utility varieties that actually produce better, have more return per acre for Canadian farmers, and are still very millable.

One of the largest buyers in Great Britain was asking for changes and was starting to look at other places to buy, until the Wheat Board was changed. Now they're back. They're actually contracting acres in western Canada and doing a great job on these new varieties that we're now able to produce. We couldn't do that before. There's a huge change in that regard.

You're absolutely right. It takes years and tens of millions, if not hundreds of millions, of dollars to bring forward a new variety. There's a tremendous amount of work being done in that regard. We've actually seen significant investments in wheat and barley research in Canada that we've never seen before.

I was happy to attend the opening of a new Bayer CropScience experimental farm just out of Saskatoon. They'll be spending several hundred million dollars in order to put grain in the ground to see how it reacts, and working on new varietal research right there in Saskatoon. That's a tremendous opportunity for Canadian farmers to take advantage of these new varieties as well as to export these new varieties around the world.

**Mr. Pierre Lemieux:** In your travels as minister you have the opportunity to consult extensively with different parts of the agricultural sector. You mentioned Bayer CropScience. I want to

ask about your interactions with actual plant breeders. Could you share with the committee some of what you've heard in terms of plant breeders not investing in Canada right now because we are under UPOV 78, or plant breeders restricting their investments in Canada, in other words, they're only doing limited investments in Canada, because of UPOV 78, as opposed to UPOV 91?

**Hon. Gerry Ritz:** I've had numerous meetings with different organizations over the years as I worked on this committee when I was first elected and so on, and the message has always been very similar. There are only so many dollars invested around the world, Australia, Argentina, Brazil, the U.S., Europe, big growers of grain varieties. There are new varieties being developed for Africa so that they can start to get to some sort of food security and sustainability as well. There's growing demand for that.

I've had meetings in Germany during what they call International Green Week, in January. A number of ministers from Africa were simply demanding that the European Union stop withholding these new varieties of seed from them, because they know they need it. There's a growing demand across Europe, as well, in some of the lesser agricultural-based states, such as Portugal. They say they need access to the new varieties because they will grow on their lighter, rockier ground. There are those investments being made.

The Canadian representatives of all of those companies have always said we're out there competing against our own comrades, our own compatriots in the U.S., for investment, in Australia for investment, and so on. Still having the old jurisdiction under UPOV 78 was the first box they couldn't check, and that usually redirected those investments somewhere else immediately. This will change that. We are already seeing the benefits.

• (1150)

**The Chair:** Thank you, Minister, and Mr. Lemieux.

Now we'll go to Mr. Eyking. You have five minutes, please.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Minister, for coming.

I only have one round of five minutes, so what I'm going to do, Minister, if you don't mind, is I'm going to ask you three questions and then let you do your best to answer the three.

It's my understanding that last week Tom Vilsack, secretary of agriculture, called you up and stated that produce exporters, farmers who are selling in the United States are not going to have the protection they used to have for selling there. It has also been noted that a lot of these produce sellers down there, farmers.... Now we have to put a bond in place.

You mentioned in the House that it's under the Minister of Industry's portfolio. I have recently talked to Minister Moore about that, but this is a big, big hit for produce suppliers and growers across this country. Since the secretary of agriculture called you, I want to know what you told him and what you are going to do for the produce industry to help correct this big issue.

Recently, Mr. Trudeau and I were at the International Plowing Match and we met with all the agriculture leaders from Ontario. One of the biggest concerns they had was the business risk management, some of the tools that are in place. They stated that there's less from the federal part than there was before, so when things are going bad down on the farm, they say there's going to be less coming from the tools that you are presenting to them.

My last question is about the bill we have in front of us. I think you're right, Minister. It is an important bill. It's a bill that's needed for our industry, the food industry and agriculture especially. There has been a lot of work by your department on this, but as with a bill this big with so many components, there are always little glitches in it that need tweaking. There are two that come to my mind. One is dealing with the word "privilege". That terminology, that it's a privilege to grow these seeds, is a real problem and it has already been talked about.

The second one is the limit on crop insurance, the cap at \$400,000. Many of the commodity groups are out there saying that with the size of farms now and the amount of crops that they grow, the limit needs to be up to around \$800,000.

I'm hoping that you're going to be willing.... If this committee comes forward with some of those changes, those tweaks, it would be really nice if we were unanimous and all parties agreed on this bill, because I think all parties agree that something needs to be changed.

I'm hoping you're open to that.

**Hon. Gerry Ritz:** Let me start with the last question first because that's the shortest answer.

Yes, it's a very important bill and around the farm privilege, the legalities were not clear to farmers. We're going to underscore that with an amendment, as I've said.

Our discussions.... Since this didn't get to committee in the spring, we actually had the summer to talk with people. We've come forward with that and I think the parliamentary secretary will be introducing that amendment here.

On the raising...you're talking about the access to the \$400,000 with the first \$100,000 free. You said crop insurance, but it's not.

**Hon. Mark Eyking:** It's a loan, I think. Sorry. It's not crop insurance.

**Hon. Gerry Ritz:** We've analysed that, the Grain Growers of Canada and other groups have talked about that all along. The problem is it would only be reflective of about 6% of farmers who would actually take advantage of a higher number than \$400,000. Right now, we're capturing the vast majority of farms.

My concern, and I know it's your concern as well, is we want to see family ownership of these farms remain. We're not wanting to overstimulate size and scope, and since 94% to 95% of farmers take advantage of the program now in the scope that it's in, there hasn't been an appetite to move it further. We're hoping that the administrative changes and so on that are in here will actually ease some of that. Farms of that size and scope actually have other venues, lines of credit, and so on like that. That's the first question.

On the plowing match, BRM, there's always talk that this happened and that happened. At the same time it wasn't a zero-sum game. Yes, agri-stability was taken from 85% to 70% at the same time that crop insurance was enhanced. We were always told that agri-stability was not bankable, not predictable, and took too long to get the money, so we've moved a lot of the coverage into crop insurance. As you know, you do those assessments right away in June and July, and the money is forthcoming fairly quickly.

The trade-off was to enhance crop insurance so that unseeded acres, flooded acres—using that as an example from Manitoba and Saskatchewan this year—are now captured under crop insurance. You don't have to wait for agri-stability payments a year later, or agri-recovery which may or may not happen, depending on the province triggering it. It's not a zero-sum game.

The biggest argument in Ontario is that we as a federal government will not fund RMP. We have always been very clear on that. It is countervailing in the extreme, so we will never fund RMP.

On Tom Vilsack, yes, we have discussions every month or so. I harangue him pretty hard on country-of-origin labelling. He has decided in his wisdom—he told me this last May in Mexico when we met—that they were going to make some changes to PACA, covering only American exports, not anybody importing into the U. S. It's their program; it's at their discretion.

The good news is there hasn't been a lot of take-up on the PACA underwriting Canadian producers. It's about a \$2 billion a year industry, the horticultural industry exporting into the U.S.

Over the past three years or five years, I can't remember, there has been only a \$7-million draw on that which, when you look at it, a \$7-billion package with \$7-million drawn on it, it's a very minuscule percentage.

We have made some changes to our Bankruptcy and Insolvency Act. There's a report coming down from Industry Canada sometime in November, I understand, which may start to address some of these things. I'm not privy to that report yet and neither are you, I understand. We'll see when that happens.

We have put in place a single dispute mechanism which does bring them up higher in that protocol when it comes to a bankruptcy and insolvency situation.

We've made some changes. There are more in the offing. Right now, it's very unfortunate, as we work under the Regulatory Cooperation Council that bring more things together as an integrated North American industry under NAFTA—

• (1155)

**The Chair:** Minister, we're going to have to keep it short.

**Hon. Gerry Ritz:** Sure.

—that the U.S. keep throwing these things out there. It's very protectionist. I've told Tom that, and I will continue to.

**The Chair:** Mr. Eyking, because you only get one round, you got extended time.

**Hon. Gerry Ritz:** I wanted to give him his money's worth.

**The Chair:** I'll now go to Mr. Dreeshen, for five minutes, please.

**Mr. Earl Dreeshen (Red Deer, CPC):** Minister, it's great to have you here to talk about a bill that is extremely important for agriculture and for Canada.

I think we know that the significant part of this bill is designed to help Canadian farmers benefit from the latest scientific research from all around the world. You mentioned that earlier in your presentation. In addition to improving and strengthening intellectual property rights for plant breeders and moving towards the UPOV 91, it also proposes provisions that directly address the subject of our illustrious chair's private member's motion M-460.

I'm wondering if you could tell us how Bill C-18 addresses the concerns of M-460 and how confirming the ability of the CFIA to look at the scientific data and improvements from around the world will mean more innovative products coming here to Canada.

**Hon. Gerry Ritz:** I'm sure that Bill will outline this more in the next hour.

It's very important that we as a country that basis our trade on science-based decisions.... There are international groups under the WTO Codex, OIE, and so on, that map out what the science-based rules are, and we tend to try to hold other jurisdictions to those rules. We're making significant changes on low-level presence, gaining momentum on that as we talk about it.

It's very important that Canada recognize the veracity of other countries' science. We do a tremendous amount of trade with the U.S., yet we still have situations where their science takes a product to this level, and when we get it to Canada we like to start over down here. There's no reason not to accept their science and then Canadianize it and do a couple of other things that bring it into our jurisdiction in weather, environment, and those types of things, but not start again at zero because that takes years and hundreds of thousands of dollars. Most entities look at the market share in Canada and say that it's not worth their investment, so we don't get access to those cutting-edge materials.

At the same time, we'll bring in an apple with a certain spray on it—now this is getting into PMRA and not CFIA—but we won't let our own guys use it, which makes no sense to me and no sense to the apple producers as well. That's just an example that gives you an idea.

As we work towards the Beyond the Border initiatives, the Regulatory Cooperation Council's, and so on, we'll see much more harmonization along those lines again based on science. It has to be internationally accredited, peer-reviewed science that we would accept and then add a little bit of Canadian to it.

**Mr. Earl Dreeshen:** Last winter we had discussions on transportation. One of the arguments was that a lot of money was trapped as far as the farmer was concerned. Advance payment programs were available for individual farmers so they did not have to sell in these areas when the basis was so wide. I wonder if you could elaborate on some of the specifics that are associated with the changes that have taken place in the advance payment program, and how important it is to be able to get the funds into the farmers' hands as quickly and efficiently as possible.

**Hon. Gerry Ritz:** We did see an uptake last winter, not a huge one, but we did see some uptake when farmers were taking advantage of that cash advance, both in the fall and in the spring. We allowed a farmer to maintain his fall application and still apply for a spring application. Double-dip would be the slang for it.

Having said that, farmers are great. They give you a handshake on what they're going to repay, and they do. There are tremendous underlying values that say they took this on and they're going to pay it back. Farm debt-to-asset ratio has never been better, and we continue to see that expand. Yes, there were some anomalies last year as we saw that basis stretch to the breaking point. The good news in the analysis that we've done is very few farmers were forced to sell. They hung on. They sat on it. They carried it through. We're seeing prices start to stabilize and climb back up again now.

I will be having meetings in the coming weeks with the major grain buyers as to how we don't see that type of a stretch basis again. They were sending that as a market signal that they couldn't move the product, so we don't want to buy it, and if we do, we're going to buy it in a way that we can pay to store it and sit on it ourselves. We've got the logistic systems chugging away on seven of eight cylinders, I would say. They've done a reasonable job. I wouldn't pat anybody on the back just yet because we still have a lot of work to do in moving forward on the whole idea that we need corridor-by-corridor specifics so that we can start to analyze why it takes so long for a car to go to the U.S., the cycle times, and all of these things. We want to make sure what's ordered is what's delivered and not what the railways want to ship.

The most egregious thing I saw last year was almost 58 boats sitting in Vancouver, and one sat there for six weeks waiting for five cars of a specific barley to finish it off, because the railways wouldn't spot the cars. That's ridiculous. We need a lot more data—under Mark Hemmes at Quorum—to make sure that those types of egregious flaunting of rationale never happen again.

● (1200)

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

We will go to Mr. Atamanenko for five minutes, please.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** It's just like old times, Minister. It's good to see you here.

**Hon. Gerry Ritz:** It's good to see you, Alex.

**Mr. Alex Atamanenko:** Thanks for being here.

Many have a concern about this bill. Certainly, as you're aware, the National Farmers Union is one of them. They've done extensive research and have flagged certain areas. I'd like you to comment on some of their concerns, because obviously, all of us here want to ensure that the interests of farmers prevail when we introduce legislation.



There's a concern not only from them, but from many across the country, that for example, trade deals in this bill may have negative implications on our sovereignty, on our ability to produce food for ourselves; that they could bring in an unprecedented level of corporate control of agriculture; that changes to the Plant Breeders' Rights Act would give vast new rights to multinational agribusiness companies to dominate the private breeding sector; that CETA's intellectual property rights measures would give them access to powerful new tools to enforce these rights.

Apparently, there are some leaked versions of the CETA text that show Canada has agreed to empower the courts to apply provisional and precautionary measures, which include seizure of assets, destruction of equipment, and freezing of bank accounts against someone suspected of intellectual property rights infringement. That's before a trial takes place. Plant breeders' rights are included among the intellectual property rights covered by these measures.

What measures in Bill C-18 were promised to the EU during the secret negotiations that we held with them? Can you reassure Canadian farmers that they shouldn't be concerned about the issues that I just raised?

**Hon. Gerry Ritz:** Well, the first thing I'd take exception to, Alex, is the reference to secret negotiations. This was the first time in history that the provinces and farm groups were briefed on a daily basis as to what was moving forward, so I don't know how you keep things secret when everybody's briefed.

On this leaked text, it's exactly that. It's a leak. It's a spill. It's something that needs to be cleaned up. It's not factual. There was a lot of myth information put out there as things moved forward. The full text is out there now; the full legal text is there. I would ask that you compare what was leaked and what's fact, and what's been agreed to by Canada and the European Union. If you compare the two, you will see that there are significant differences in what was leaked.

On trade deals, we always retain our sovereignty. We've been able to do that underscored with NAFTA and with a number of the other bilaterals that we've done. This is the largest and most comprehensive deal that's ever been undertaken in Canadian history and in the European precinct as well. They do have free trade agreements with countries like South Korea, and so on, and they're working on others, such as the United States, which isn't going anywhere quickly. Having said that, it's a tremendous opportunity for especially agriculture to take advantage of 500 million more consumers. We look at that as a good thing.

On Bill C-18, there's nothing in it that was directed or dictated so that we conform to that. We don't have to do UPOV 91. We just know after 22 years of discussion it's time that this moved forward. I make no apologies for the timing of this. We're open to discussion. We're open to good amendments, if some are required. I know this committee will do its due diligence.

• (1205)

**Mr. Alex Atamanenko:** Thanks, Minister.

You talked about the farmer's ability to save seed. I'm still not clear, so I'd just like some clarification. For example, when storing

the saved seed, does the farmer need the permission of the holder of the plant breeders' rights?

**Hon. Gerry Ritz:** No, because you've entered into a contractual agreement.

**Mr. Alex Atamanenko:** Does the breeder have the right to charge royalties as well? Obviously, he does.

**Hon. Gerry Ritz:** Well, it's one or the other. It's either an IP up front or an IP as you sell the seed if you're going to save some. You, as the grower, have the right to decide which type of contract you want.

**Mr. Alex Atamanenko:** Would this bill also empower the government to remove, restrict, or limit the farmer's seed-saving privilege by passing regulations, something that can happen quickly and without public debate? I think this is one concern that some people have.

**Hon. Gerry Ritz:** You know any government of the day can move forward with regulations. I'm not sure why anybody would want to commit suicide like that as a government.

We have tremendous consultations with all of our farm groups across Canada as to what's in their best interest moving forward. That's why we've made the ability for the wheat commissions and the barley commissions to be developed. There's another umbrella group, Cereals Canada, being developed that puts everybody around the table talking about what's in the best interest of all of the value chain, all the way from the farm gate right through to that end user in Japan, if that's where it is.

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

Now we'll go to Mr. Hoback, for five minutes please.

**Mr. Randy Hoback (Prince Albert, CPC):** Minister Ritz, I just want to get this on the record, because you've said it four times, but let's be very clear. If I have seed that I've grown this year, I can store it. Is that correct?

**Hon. Gerry Ritz:** If you contracted that seed, absolutely. You can move it around 16 times. You can clean it. You can bag it. You can dump the bags out. You can do whatever you want. It's yours until you sell it.

**Mr. Randy Hoback:** Excellent.

Minister, one of the things I think we better talk about in this bill is animal welfare. This government takes animal welfare very seriously. We need to modernize that and I see that you've done that in this piece of legislation. I'll read out some of the things you're doing. The maximum penalty amounts for businesses are proposed to increase from \$2,000 for a minor violation, \$10,000 for a serious violation, and \$15,000 for a very serious violation to \$5,000, \$10,000 and \$25,000 respectively.

Can you give us an idea of what you're doing to crack down on inhumane handling of and cruelty to animals?

**Hon. Gerry Ritz:** There's a big debate out there as to what constitutes inhumane handling and what is accepted husbandry practices. I know there are lots of "gotcha" films out there and so on. Having said that, no one has a toleration for animal mistreatment. There are different levels of that. That's why there's a graduated scale. CFIA has the powers, if they're on site. I know a lot of this is provincially regulated and CFIA is not even there, but at the end of the day, they have the ability now to work with the SPCAs, with the provincially regulated bodies, and so on, in order to come forward with charges, should they be warranted.

**Mr. Randy Hoback:** There's one thing you did this last year, Minister, and I'd be missing a prime opportunity to say thank you. That's for the role you served last winter in getting the railways to step up to the plate and move some grain. I know my colleagues and my constituents really needed you to do that, and you stepped up and did it with a very balanced approach. You did it in such a way that you weren't impacting any other sectors. You were focusing on making sure that the grain moved.

One of the things that you've done now with the AMPA changes was something that was flagged last year when we had the shortage...or port move to grain. We had guys that sold, for example, peas and canola and had cash from that. They could have paid back their wheat advance, but because of the old rules they couldn't. Could you explain that in a little more detail and how that's going to work now?

**Hon. Gerry Ritz:** Farmers are big businessmen. They grow a multiplicity of different crops and now with the changes what we're talking about you go to one administrator for your cash advances across the board. If you have five different entities that qualify, you go to one administrator, not five. It's much easier to administer. At the same time, there has always been a problem. You could never do it under the Wheat Board because they owned the grain. Now that the farmer owns that grain sitting in his bin in the field, wherever it happens to be, he can decide when to sell that grain. We're not going to have him forced to sell that grain to pay back that cash advance within the timeframe. He's now able to sell his canola instead, his cattle instead, whatever. He can make his marketing decisions based on what's in his best interest, not on a timeframe to repay that loan.

• (1210)

**Mr. Randy Hoback:** The days of dumping durum on the open market just to pay back a cash transfer—

**Hon. Gerry Ritz:** They're gone. Gone.

**Mr. Randy Hoback:** That's interesting.

**Hon. Gerry Ritz:** We saw that underscored last year with the basis stretch. We expanded the ability of a farmer to take an advance in the fall and the spring and be able to weather that storm and not be forced to dump at that stretch basis price.

**Mr. Randy Hoback:** It makes a big difference.

The last couple of weeks I was in Chile and I was talking to our trade officer in Chile. One thing I noticed is the increase of wheat sales into Chile. I know you travel a lot promoting farmers' goods around the world. What do you see in the market for wheat and the board grains in other areas? Are you seeing the increases like we forecasted?

**Hon. Gerry Ritz:** We saw farmers take up the challenge. This year was a little bit different from last year. The final results aren't completely in yet, but of course the yields are down and the acreage is down simply because of some flooded acres in Saskatchewan and Manitoba that were all in production last year. It will change from year to year because of the rotations that farmers use. You don't grow wheat on the same ground every year. You rotate in other crops, so we'll see those acreages change as the years come and go.

The underlying factor is that there's a growing demand for good top-quality milling products. There's a growing demand for barleys that simulate rice in other areas, in the Japan and Chinese markets. We're seeing those develop as we watch. Canola is a fairy-tale story in western Canada. A lot of that was developed because of the intransigence of the Wheat Board. A lot of canola acres went in. The problem was you start putting canola in and you end up with blackleg and problems down the road. You have to have those rotational crops with a return on them so that farmers will grow them.

Now that we're seeing wheat and barley and durum that you can market when you see fit, we're seeing them back in the rotation in a much more fulsome way, which is great. Now we need new varieties to take advantage of that nitrogen that sat so you don't drive the protein level up on malt barley and so on. There's a lot of work being done on fusarium, different things like that, that the industry is driving.

All of our research now is being driven by industry. They decide on the result they want and then the money is put together along with the province, academia, our own researchers at Agriculture Canada and so on. There's a myth out there that somehow we're spending less on research, we're not. We're actually doing it in a different way.

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

We'll go to Madame Raynault, for five minutes, please.

[Translation]

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

Minister, thank you for joining us today.

I would like to discuss the seed-saving privilege. Will farmers be allowed to resell their products—seeds—to organic farms, for instance? Will there be any issues with that?

[English]

**Hon. Gerry Ritz:** Absolutely.

[Translation]

**Ms. Francine Raynault:** Okay, thank you.

[English]

**Hon. Gerry Ritz:** We just invested and made an announcement in Nova Scotia at Dalhousie, at their agricultural college, which is the hub I guess you would say of organics research in Canada. It was almost \$9 million specifically to develop new varieties and new ways of fertilizing and so on in the organic sector to help that sector grow.

[Translation]

**Ms. Francine Raynault:** As you probably know, I was a farmer a few years ago. According to my understanding of Bill C-18, farmers will be able to save their own seeds, but they will have to pay for storage. Can you elaborate on that?

[English]

**Hon. Gerry Ritz:** No, there are no storage costs. Storage would be your own cost. What it speaks to is the farmer's right, in your case the ability to keep seed over to be used again the following year, or three years down the road. It really doesn't specify. You would sign a contractual agreement with the seed owner to either pay the intellectual property rights up front, as most farmers will probably do, but there's also the ability not to sign that contract, but to sign one that says you will pay the intellectual property on the seed that you sell. There will be a different value for that, but it's something you would work out with the seed grower.

[Translation]

**Ms. Francine Raynault:** Do you know what the cost of intellectual property is? Has an amount already been set?

[English]

**Hon. Gerry Ritz:** It is right now. I would say the IP costs paid up front would be very similar to what producers are agreeing to pay now on new varieties of canola, soybean, and corn. There aren't any new IP varieties of wheat just yet; they're coming. But we'll have to see how that all plays out.

At the end of the day, the IP costs on grain sold and as you produce it so that you can maintain some for your own seed are numbers that will have to be worked out.

•(1215)

[Translation]

**Ms. Francine Raynault:** Subclause 114(2) of Bill C-18 increases the maximum penalties provided for in the Agriculture and Agri-Food Administrative Monetary Penalties Act. Why increase that maximum amount? Moreover, why increase the maximum amount in this piece of legislation instead of doing it in the regulations, which are easier to amend?

[English]

**Hon. Gerry Ritz:** These are an umbrella of different charges that could be laid. Certainly you could add to them with regulation if you so desired, but this underscores the importance of proper animal husbandry in Canada moving forward.

[Translation]

**Ms. Francine Raynault:** How did the UPOV 1991 ratification go in other countries? What happened in the case of producers and researchers? Some people are saying that the convention's ratifica-

tion did not go well in a number of countries because farmers were strongly opposed to it and the convention had a bad reputation.

[English]

**Hon. Gerry Ritz:** I would disagree with that statement. I don't know of any instance, based on science or based on practical fact, where it hasn't worked well. What it does is it stimulates investment in the seed side from the major players growing seed as well as from some private sector folks within that country.

Canada is one of very few that has not put UPOV 91 into play. There are a couple of others that have ratified it but haven't actually made it workable. Norway is one. That being said, we're the only major grain-producing and horticulture-producing country that has not ratified UPOV 91.

[Translation]

**Ms. Francine Raynault:** One of the industry concerns has to do with farmer's privilege. Of course, some farmers are afraid that Bill C-18 will impose limitations on their activities.

You have visited places all over Canada. Can you comment on the concerns expressed by farmers?

[English]

**Hon. Gerry Ritz:** We are really hearing that from only one farm group. All the rest understand what IP costs are and why they have them. There's only one farm group that is concerned about this and is making up myth information.

At the end of the day, UPOV 91 is light years ahead of the regime we are under now, UPOV 78, in that it allows a farmer to save seed. There's no provision under the regime we have now for that to happen. UPOV 91 makes that system available to farmers. This concept that you would pay a fee every time you touched the grain is absolutely ridiculous in the extreme. There's no such thing contemplated at all.

**The Chair:** Thank you, Minister, and thank you Madame Raynault.

Now I'll go to Mr. Zimmer, for five minutes, please.

**Mr. Bob Zimmer (Prince George—Peace River, CPC):** Thank you, Minister, for coming today. I also want to thank you.... I don't know if we've seen you in committee since you came up to Dawson Creek and talked to the farmers in the B.C. Peace and the Alberta Peace regions. They sure appreciated your being there and your frank words about the situations, and that you're concerned about them. I think that's what they noticed in the meeting.

As you know, our government brought in marketing freedom for western Canadian farmers. It was a few years back. It has been a proud moment ever since. That was something we can backstop against.

Where are we now and in the future in terms of economic development for farmers? What are we doing now? That's still ongoing. We had record crops last year, and they were struggling to make them to market, but that's a good problem, I would suggest.

What are we doing in terms of tangible economic benefits for western Canadian farmers specifically?

**Hon. Gerry Ritz:** I think the biggest thing is that farmers are, in some cases, incorporated, but they all pay tax. Overall, we've lowered the tax rates on businesses. We have the red tape review. Of course, farmers are always complaining about red tape, and I was the same. You get done summer following at 10 o'clock at night. You come in, and the last thing you want to do is start filling out paperwork. We've addressed a lot of that through the regulatory side of Agriculture Canada and CFIA. We continue to do that with some major changes in this bill.

Farmers have gone electronic. We're doing a lot of that work too on the mapping, so that when they decide what trace elements they want to put in they actually have access to a satellite to store that and then download it into their sprayers and applicators. There's a tremendous amount of that work being done.

As a government, we continue to build logistics, increasing highways, port facilities, and all those types of things to make sure that farmers have the ability to get those crops out when they're harvested. It never really stops. This concept that old MacDonald's farm is where we should be is ridiculous in the sublime. Farmers are big business now.

I go on a farm now...my nephew is doing all the farming and of course with my job I can't even discuss farming with him, but I drive by and I know what he's growing. I look at the equipment he's running. Boy, I'll tell you; it's like the flight deck on the starship *Enterprise* when you climb in some of these combines and sprayers. I wouldn't know where to start. I'd have fun learning how. I'd want to get out in the middle of a 200-acre field, if I didn't hurt anything. It's amazing the technology that is being used now on the farm.

This whole concept of mapping, we're growing.... When I was actively farming a number of years ago, a good crop of canola was 30 to 35 bushels. Now the norm is 50 to 55 and it's the same ground, but it's all the micronutrients. My nephew talks about a pinch of copper and a dash of sulphur and a little bit of this and that. He's not putting on the tonnage to begin with that we used to do to kick-start that crop. Now it's all about the top dressing with these micronutrients.

It's a tremendous opportunity to showcase what we're doing for the environment. What farmers are doing is unbelievable here in Canada. We're producing almost double what we did 20 years ago, and there's a hungry world out there.

I was just in meetings in China and India. They have large populations. I've been in four cities in China so far that have the population of Canada in one city. They're hungry for Canadian product. They recognize how safe it is, the quality and consistency of supply. There are tremendous trade corridors to be built there, and into India. Then there are other primary buyers, such as Japan and Korea. and so on. We now have a free trade agreement with Korea. We're still working with Japan on a bilateral, as well as through the

TPP structure. We continue to develop those trade corridors which of course will affect a farmer's bottom line in a very positive way as well.

• (1220)

**Mr. Bob Zimmer:** Right. Thank you for that, Minister.

I see the new young farmers. They're ready and willing to get their products to market and to sell in this open market.

Kind of stepping on what my colleague, Mr. Hoback, said, could you give us an update on the status of the grain shipment concerns? We spoke and you said good things are happening there. The grain is getting to market; the ships are leaving port. Could you quickly give us an update? I think we have a fair amount of time.

**Hon. Gerry Ritz:** Well, it's not a perfect world, but at the end of the day we're a lot better off than we were before. There's still lots of work to be done. Transport Canada is the mainstay in that. We continue to be updated as to the performance of the railways. Those are documents we look at all the time.

I know Western Grain Elevator Association has, for the most part, been happy with what has been moving. Is there more to be done? Absolutely, there always will be. It's a moving target. Every year is going to be different. I think what it showed us last year was that's the new norm we're going to shoot for and there has to be a logistics system there to handle that volume of product on a year-to-year basis.

The carry-out dropped almost 10 million tonnes from what it was projected to be. That's good. That means cash in farmers' pockets, and of course, the shippers.... Right now, the last I saw from Mark Hemmes at Quorum, elevators are sitting at about 65% capacity, terminals at about 20% to 30%. There's still room to move that grain out to the coast. There are 20 boats sitting there. The demand is still there. This year's crop is starting to move; last year's crop is still there. Last year's crop was not touched by frost. The protein levels and gluten levels are good. Anybody carrying grain in their bin is seeing this value this year that they didn't get last year.

There's always work to be done. Are the railways tough? Absolutely, and they continue to be. Will we eventually wear them down and show them that good business means they're part of a value chain? Absolutely. We're not going to stop until that happens.

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

I have about two minutes, so that everyone has an opportunity to ask you a question.

Go ahead, Mr. Payne.

**Mr. LaVar Payne (Medicine Hat, CPC):** Minister, you talked about a lot of the farmers and the innovation and stuff going on. An interesting thing and it looks like it's going to happen in my riding is the CCUVS, the unmanned vehicles—

**Hon. Gerry Ritz:** Drones, yes.

**Mr. LaVar Payne:** They're going to try that. I'm just wondering if you have any comments and thoughts around how drones could help farmers out.

**Hon. Gerry Ritz:** Absolutely. There are a lot of those applications going on. Not too many farmers are going to buy their own. Some will, but you can hire agencies to come out and what they'll do is spot pest problems. They can spot colouration changes in your crop to let you know that you're missing a micronutrient. It's amazing.

It used to be the sky's the limit. Now we're taking that over too.

●(1225)

**The Chair:** Thank you very much, Minister. I want to thank you for taking the time to be here, Mr. Lloyd and Mr. Anderson. I'm not sure if you're staying around for the second part, but we do have a number of witnesses coming in.

Thank you, Minister, for staying. We were a half an hour late getting started and actually, you stayed a little longer than an hour, which I very much appreciate, and I know the committee appreciates very much.

We will now break for a couple of minutes while we get the next witnesses in place.

●(1225)

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

●(1225)

**The Chair:** Thank you everyone for being fairly efficient in terms of getting settled. I apologize to the staff that are trying to get everybody's name and everybody organized. Just so that everyone knows, there is another committee booked for here at one o'clock, so we only have about a half an hour.

We have, from the Canadian Food Inspection Agency, Bill Anderson, executive director, plant health and biosecurity, who was here at the last meeting; Veronica McGuire, executive director, program, regulatory and trade policy; Anthony Parker, commissioner, plant breeders rights office.

From Agriculture and Agri-Food Canada, we have again, Rosser Lloyd, director general, business risk management programs directorate, programs branch; and Martin Crevier, assistant director, financial guarantee programs division.

From the Department of Justice, we have Louise Sénéchal, general counsel and deputy executive director on behalf of agriculture and food inspection legal services; and Sara Guild, acting manager and senior counsel.

Thank you all for coming.

Folks, you have six minutes each to present. We'll have three presenters, six minutes each, and then we'll try to get in some short questions.

I'm not sure if we start with CFIA, or do we just go to questions? We'll go to questions.

I'm going to start with Madame Brosseau, for five minutes, please.

**Ms. Ruth Ellen Brosseau:** Thank you, Chair.

There are going to be new licensing and registration systems for feeds and fertilizers. We know there have been changes and some restructuring when it comes to Agriculture and Agri-Food Canada and the CFIA. I was wondering if you could comment on how these changes will be implemented and whether there are enough resources for those departments to manage with the changes proposed in Bill C-18.

●(1230)

**Mr. William Anderson (Executive Director, Plant Health and Biosecurity Directorate, Canadian Food Inspection Agency):** Mr. Chair, I can answer on behalf of the Canadian Food Inspection Agency.

More modern and effective approaches to mitigating the risks related to harmful substances, such as fertilizers and feeds, potentially focus more on prevention and systems approaches of managing the risks.

Right now, currently under the Feeds Act and Fertilizers Act, only the feeds and the fertilizers themselves are registered, not the facilities or operators that are manufacturing them.

The proposed enhancements going forward through the regulation-making authority provide for the ability to license registered operators or facilities that manufacture or sell these products intended for trade and commerce.

The current regulatory environment for feeds applies national standards for composition, safety, and effectiveness on the end product. Our experience in end-product oversight and regulation monitoring is not the most effective way to mitigate risks.

More and more we are seeing countries developing and modernizing the regulatory systems for feeds and fertilizers moving toward a more preventive approach and systems approaches which include hazard analysis, preventive control plans, and licensing as well as incorporating international standards where that can help.

We also see right now some of our trading partners incorporating import licensing regimes regarding feed. The United States has recently released its rules for animal feed production and import under its new Food Safety Modernization Act in which they will be requiring licensed facilities.

**Ms. Ruth Ellen Brosseau:** My question was more in regard to you guys having enough resources. Will you be able to adapt and respond to these changes after seeing Bill C-18?

**Mr. William Anderson:** One of the advantages of having a systems approach is that you do not have to be following the focus and monitoring exclusively on the end product in order to measure compliance. When you can pull back earlier in the system and measure whether preventive control plans or measures that are put in place to mitigate are in fact working, you'll have greater assurances of safety.

**Ms. Ruth Ellen Brosseau:** Thank you.

I was wondering if you can comment on UPOV 91. A lot of our trading partners have adopted UPOV 91. I was wondering if you could comment if there has been a larger capacity for innovation in terms of these new varieties among trading partners that have already adopted UPOV 91.

**Mr. Anthony Parker (Commissioner, Plant Breeders Rights Office, Canadian Food Inspection Agency):** It would be my pleasure to answer that question.

It's very interesting. What we've seen are general trends when countries strengthen their intellectual property protection. Moving from having either no intellectual property protection, or from 78 to 91, some interesting things seem to happen. The level of investment goes up in plant breeding. The diversity of plant breeding for different species and crops also goes up. The number of breeders who are engaged in the activity of plant breeding tends to go up. Interestingly enough, with more competition, prices either level out or go down.

What we assume is going to happen here, and it should be no different from what we've observed in other countries, is that there's going to be more choice for Canadian farmers. We're going to see two streams of new varieties coming to market that increase investment domestically to bring new varieties or innovative varieties to Canadian farmers, but also greater confidence with foreign breeders to release their varieties into Canada with the strengthened intellectual property framework. That's really going to give Canadian farmers a lot of choice in what they can access to use on their farms.

**The Chair:** Thank you Mr. Anderson, Mr. Parker, and Madame Brosseau.

I'll go to Mr. Lemieux, for five minutes, please.

**Mr. Pierre Lemieux:** Thank you for being here with us today to talk about Bill C-18. I started my questioning to the minister just about plant breeders' rights. Interestingly enough, I had met with the delegation of members of Parliament from Taiwan earlier this year. They knew that Bill C-18 was coming and they expressed a concern. They are not a signatory to UPOV, any of the UPOVs actually, but Canada is of course going to be moving from UPOV 78 to UPOV 91. Their concern was whether their plant breeders would be protected if they sold into Canada.

I'll give you the example that we were talking about. Taiwan produces a breed of orchid that has proven to be very successful commercially. They'd like to know if Taiwanese orchid breeders sold into Canada certain traits, whether their plant rights would be protected through doing so because we've moved to UPOV 91. I'm wondering if you could address that.

• (1235)

**Mr. William Anderson:** Mr. Chairman, one of the more notable changes as proposed in this bill is an expansion of the definition of "country of the union". It includes not only UPOV member countries now, but expands to members of the World Trade Organization as well. Once these changes come into force, all citizens, residents, or registered offices within a WTO member country would and could apply for protection in Canada, so that would include Taiwan.

**Mr. Pierre Lemieux:** Excellent, thank you for that clarification. I'm sure they will be delighted to hear your response.

Let me ask a question about the changes to the advanced payment program. Of course, this is a very valuable tool for farmers as it grants them easier access to credit through cash advances, but we're making changes through Bill C-18. One of the changes is talking about increasing the options that can be used to secure advances and allow for new types of repayments. I'm just wondering if, for the committee, you could explain the way things are now and how that might inhibit the freedom of a farmer to either secure a loan or repay a loan and what the change would be under Bill C-18 when it passes.

**Mr. Rosser Lloyd (Director General, Business Risk Management Programs Directorate, Programs Branch, Department of Agriculture and Agri-Food):** I'd be glad to take that question.

With respect to the options, currently a producer-guarantor secures an advance with the product itself once it's produced or with a business risk management program while it's in production. When the grain is in the field, we want to have a business risk management protecting that in case something goes wrong with the product in the field. Right now producers are limited to our business risk management program suite, agri-stability, agri-invest, agri-insurance. What we're noting, though, is that we're seeing more private products come out there in the world to protect producers from risk. We want to make sure that our programs can look at those types of programs as the ability to secure an advance. This provides a producer with not only flexibility as to the risk management product he uses, but should also result in greater dollar advances as well.

**Mr. Pierre Lemieux:** Okay, and how about on the repayment options?

**Mr. Rosser Lloyd:** Currently, a number of changes are going on, but I'll use one example.

A producer must provide a proof of sale when he repays an advance. The intent of the program was it was a marketing program and the producer was to sell the crop and repay the advance. However, we end up with situations that were described earlier, where the producer at the end of the year, for very good reasons, has decided not to market that year: the market is down; the basis is too wide; whatever the point may be, they decided to move into the next year.

With the amendments to our legislation we're allowing an administrator to recognize that their product is still in the bin; the producer has not sold it and not repaid it. The producer would then be able to reimburse the advance from whatever proceeds he may choose to use, should that be the sale of another product, whatever the case may be.

**Mr. Pierre Lemieux:** As of today, if he used corn for security, you're saying in effect to make his repayment he's forced to sell his corn, and it could be under disadvantageous circumstances. Now he can save his corn for sale at a future time, if that's what he chooses to do, but if he has cash from any other crop perhaps, or from anywhere, he can use that to pay off his advance. Is that what you're saying?

**Mr. Rosser Lloyd:** That's exactly the situation, yes.

**Mr. Pierre Lemieux:** Okay.

I have a question about the multi-year agreements. Could you contrast for the committee the difference between the way it is today and the way it would be vis-à-vis a multi-year commitment?

**Mr. Rosser Lloyd:** Right now we take applications from administrators of a program and producers themselves on a year-by-year basis. It's the same application every year. The producer provides the same information every year. It's a burdensome process.

What we're looking for in the future is to recognize that these producers and our administrators are clients year after year. We're looking to those multi-year agreements whereby we would recognize again that these guys are our clients year after year and would simply update the information that we need for that particular year, thus reducing the burden.

• (1240)

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

Now we'll go to Mr. Eyking, for five minutes, please.

**Hon. Mark Eyking:** Thank you for coming here, folks.

I have three questions.

**The Chair:** You still have only five minutes.

**Hon. Mark Eyking:** I've been around this table long enough to know to get your questions in and hopefully they'll answer on time.

The minister alluded that we are going to have a system in place that they already have almost all around the world. Because we're going into this European trade agreement, this new system we're going to have, is a small organic farmer in the Ottawa Valley going to have the same system as a small farmer, say, outside Paris, France? Are we looking at the same kind of system, that both farmers are protected the same way, that they can reuse the seed and maintain their seeds if they're special seeds, heritage seeds, and things like that?

Your minister is talking quite a bit about how we're going to be like the rest of the world. Are our small growers here in Canada going to be like the small growers in France, with the same protections for their seed?

**Mr. Anthony Parker:** Mr. Chair, I'd be happy to take that.

The UPOV level provides a framework for minimum requirements and consistency at the international level, but it doesn't preclude sovereign states that are party to it from putting in additional measures or tweaking it to meet their needs.

On the question of heirloom or heritage varieties, I think we need to be really clear about that. When we talk about the UPOV system and plant breeders' rights, it's focal point of concern is new varieties,

and in fact heritage or heirloom varieties by the very nature of their being in the public domain for a prolonged period of time would never qualify for protection as being new. There is no concern here about developers taking heritage or heirloom varieties and covering them in the scope of a PBR.

Quite the opposite, an interesting thing that happens is quite often a rights-holder will surrender their rights much earlier than the 18 years of protection—we're moving to 20 with the proposed amendments—quite often much earlier, and if it's an innovative or successful variety it falls into the public domain and becomes the heirloom or heritage variety of tomorrow. There's this idea of continuous improvement. Farmers will continue to be protected. They will continue to have choice in what they source in terms of varieties, either PBR or non-PBR protected. It's really entirely up to them.

**Hon. Mark Eyking:** You've alluded that even though the UPOV could be the same in Europe and in Canada, there are countries that could tweak it. That could be a little different; there could be hybrid UPOVs.

**Mr. Anthony Parker:** Absolutely.

There are mandatory, what they call compulsory, articles of UPOV, that in order to accede or ratify a certain convention you must have that in your law. Failure to even have one of those compulsory elements means you don't meet the requirements of UPOV 91. Then there are also what we call optional articles to UPOV 91. The farmer's privilege is one of them. You can have the choice of whether to implement a farmer's privilege or not in your law. In those areas, countries do have latitude in terms of how they implement.

**Hon. Mark Eyking:** The second question is on the pork industry. The pork industry has been through a nervous time in the last few months on the disease with the piglets and what happened in the United States. It was alluded to that some of this disease could have been spread through feed, through feed dust, through supplement feed.

Who can give us an update on whether that was true and what we do about it? What do we have to do to make sure that our hog industry is protected?

**Ms. Veronica McGuire (Executive Director, Program, Regulatory and Trade Policy, Canadian Food Inspection Agency):** I'll endeavour to answer your question.

Although I'm not the expert for disease control and animal health, certainly with the outbreak of PED in Ontario and other provinces, the CFIA has worked very closely with provincial partners, with the United States authorities as well, to investigate the source of the disease, including possible linkages to feed supply.

Our work with partners is continuing. We are working with other experts in Canada and around the world to get a better understanding of the disease and how it affects livestock, and what type of remedial measures and corrective actions would be required in the future. It is a work in progress.

• (1245)

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

Now we'll go to Mr. Dreesen, for five minutes, please.

**Mr. Earl Dreeshen:** I would comment on what great work the CFIA has done, and the provincial partners, with respect to the control of PED. It's doing a great job in that regard.

A lot has changed since the CFIA was created back in the nineties, and a lot has changed since then as far as agriculture is concerned. Our government has made changes with Bill S-11, the Safe Food for Canadians Act. We've fixed some outdated statutes that have been administered by CFIA. Now with Bill C-18 before us, we have a bill that aims to promote a consistent approach to regulations and provide an environment for predictability with stakeholders.

I'm wondering if you could explain how Bill C-18 is comparable in terms of modernizing CFIA legislation and ensuring greater regulatory consistency within that agency while encouraging innovation and ensuring that Canadian industry has continued opportunity for international trading markets.

**Ms. Veronica McGuire:** The CFIA was created about 15 years ago, with the ambition of legislative reform and consolidation of the statutes that existed at the time. As was mentioned, the Safe Food for Canadians Act was enacted by Parliament late in 2012. That represented a major breakthrough in terms of consolidating food legislation and focusing more squarely on prevention and food safety.

Legislative renewal remains part of our overall modernization agenda at the agency. This bill and the proposed amendments to the agricultural inputs statutes build on some of the same thinking and provisions that exist under the Safe Food for Canadians Act.

We'll provide a solid platform for regulatory renewal across the various plant health and animal health programs, and we'll enable our regulatory modernization. We have a very significant and ambitious undertaking at the agency to modernize not only legislation but regulations. Combined with that particular body of work, we are pursuing a program to modernize inspection and how we deliver on the front line.

Bill C-18 represents a very significant element in terms of our overall modernization agenda at the CFIA.

**Mr. Earl Dreeshen:** I want to come back to the plant breeders' rights, the discussion that has taken place. I wonder if someone can take us through and compare and contrast with what we had to do with UPOV 78 and UPOV 91, the various aspects of both of those, and how Canadian farmers can expect to access higher yielding varieties that will thrive in our agricultural environment. Also perhaps you could tie in the advantages that the organic sector will have as well when they are able to access some of the varieties.

**Mr. Anthony Parker:** Thank you for that question. Mr. Chair, it will be my pleasure to address that.

Fundamentally, if you look at the differences between UPOV 78 and UPOV 91, the advantages fall into three key categories. The first is strengthening the intellectual property protection. One of the weaknesses under the current system is that the breeders' exclusive rights only were centred around sale of propagating material or production of propagating material. The breeder is going to be afforded, under UPOV 91, additional protection in terms of exclusive rights over importing and exporting and all other activities

that are really designed to prepare for the purpose of sale, so it's going to create an environment that's more attractive to invest in.

The other element is it falls under the category of facilitating access to the PBR framework, so some key provisions that will encourage users, plant breeders, to utilize the Canadian system, and those ones are really around the definition of novelty. It allows plant breeders to test the Canadian marketplace before deciding to protect. Quite often, to go through the process can be quite expensive, so they can determine the validity of the market before they make that determination of protecting the variety.

The other aspect is provisional protection. Conceptually it's very similar to patent pending. Once they file in the system, and they're accepted for filing, they're afforded all the benefits of protection until grant of right.

Those are two key ones. There's really a third one that is very important and it enshrines certain provisions around balancing interests between developer and farmer and also benefit sharing.

The three of them are mandatory UPOV requirements. There's the breeders' exemption. What that means is you can use any PBR-protected variety to breed a new PBR-protected variety, a new variety. There's a researcher exemption, which means that you can use a PBR-protected variety to conduct research. Also, there's a non-commercial exemption, which means if you are a hobbyist or an amateur gardener, you can use a PBR-protected variety without restriction.

● (1250)

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

We'll go to Mr. Atamanenko, for five minutes, please.

**Mr. Alex Atamanenko:** Thank you very much, Mr. Chair. Two questions in one day is not too bad.

Thank you so much for being here, folks.

We've been reassured by the minister that there's no concern with regard to saving seed.

There has been some discussion, and I'm not quite clear on this in my own mind, between saving and stocking. For example, if I were to make the statement that Bill C-18 allows farmers to save and condition seed, but not to stock it, could you comment on that? I am not clear on what that means.



**Mr. Anthony Parker:** Mr. Chair, one of the concerns that arose out of the consultations was the delineation between the term “storing” and the term “stocking”. Of course, when we endeavoured to draft the legislation, we always considered that the act of storing was implicit. How else are you going to use farm-saved seed but by storing on farm or elsewhere for reuse in subsequent years? Of course, one of the mandatory UPOV provisions is around stocking, and stocking can have a slightly nuanced definition. When we look at stocking, to provide an example, you stock material or foodstuffs in a grocery store. The intention there really is around selling. You are accumulating material of the product to sell.

Through our consultations, as the minister indicated, he will be bringing forward amendments to provide clarity in that regard. But absolutely without question, under the farmers' privilege, a farmer is able to save, reuse, condition, store seed for use in subsequent years. It can be the next year, or it can be many years into the future. Once they have made that qualifying purchase of a PBR-protected variety, they will be able to do that.

**Mr. Alex Atamanenko:** Now stocking and storing are synonymous things for the purposes of this bill.

**Mr. Anthony Parker:** Yes, there are slight nuances, and what we hope is to bring forward amendments that will provide clarity on that aspect.

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

My second question obviously reflects other concerns. I know some have been addressed, but I'd like your take on this.

We talked about the differences between 78 and 91. You brought out some positive aspects of UPOV 91. There are some concerns. The National Farmers Union has some; others have some. They would say that some of the likely changes might include a higher cost per acre of production due to higher seed prices. That's the first one. Others are there will be: lower margins because end-point royalties will reduce potential gross income of sale; fewer and larger farms, because reduced profitability will drive large scales of production; and the loss of independent seed-cleaning businesses as farmers are forced to buy seed directly from PBR holders or their licensees instead of cleaning a portion of their harvest crops for use as seeds.

I'm wondering if you could comment on those points, please.

**Mr. Anthony Parker:** Mr. Chair, it would be my pleasure to respond to that question.

I think the empirical evidence suggests a different story when we look at other countries that have implemented UPOV 91. Even if we look at our own history, the difference between having no internationally based intellectual property regime and introducing UPOV 78.... In fact, many of you might be aware that back in 2002, a 10-year impact study was tabled in Parliament showing some of the benefits of introducing an intellectual property framework. What we saw in Canada was that the actual number of breeding entities increased, both in the public sector and in the private sector. The levels of investment in plant breeding increased, creating a competitive environment. The net result was that actually seed prices, comparatively, went down during that decade of introducing plant breeders' rights than the previous decade before that. That

competitive environment really stimulated businesses driving at trying to provide farmers with the lowest costs.

When we look at other countries, too, when they've introduced... the same things have happened. We expect no different with UPOV 91. We don't expect dramatic increases in seed prices. What we expect is a very competitive environment where businesses are vying for farmers' dollars to provide the best varieties they can.

On the point of end-point royalties, I would simply like to add to what the minister said. There's nothing precluding a farmer today or tomorrow from entering into some sort of bilateral contractual arrangement with a seed developer to say they'd like to pay at the back end of the process as opposed to the front end of the process. I think we've been very clear, government has, from the beginning, to say that if we were to ever implement a system that might place conditions upon this practice of farm-safe seed, something that would be an end-point royalty, it would have to go through a very regimented process and that would be, first of all, on a crop-by-crop basis, identifying what the needs of producers are when it comes to long-term investment.

Also, on examining other practices in UPOV 91 countries, there are different royalty collection regimes. In Australia they have an end-point royalty. In the U.K. they have a farm-safe seed royalty, and they are in fact very strongly supported by the farmer community because they understand that if they make those investments, from that they derive better varieties.

● (1255)

**The Chair:** Thank you, Mr. Parker. We are going to have to move on.

Mr. Payne, four minutes.

**Mr. LaVar Payne:** Thank you to the witnesses for coming today.

It's important to hear the comments that you're making. Certainly, I know the minister talked about how things are changing in agriculture and even talked about drones. My colleague, Mr. Dreeshen, talked about the changes in CFIA, and that's another piece I want to touch on. I want to get some conversation going around incorporation by reference.

As you know, the term, “incorporation by reference” describes mechanisms which allow for third party documents or lists that are not in the text of the regulations be made part of the regulations. I understand this bill will make some changes to incorporation by reference, to the Feeds Act, Fertilizers Act, Seeds Act, Health of Animals Act, and the Plant Protection Act.

I'm wondering if you could explain to the committee the purpose of incorporation by reference. Maybe you could give us three practical examples of how this would benefit farmers and the agricultural industry.

**Ms. Veronica McGuire:** Incorporation by reference is a regulatory tool or approach that is being used more and more at the federal level, but also by other jurisdictions. It is a tool that can be used by regulators, including the CFIA, to expedite regulatory decisions. It is an authority that exists under the Safe Food for Canadians Act. As was mentioned, the proposal is to include a similar authority across the other statutes that are addressed in the context of this bill.

There are benefits associated with the use of the tool, mainly, as I mentioned, around expediting regulatory decisions, which should be advantageous not only for the CFIA from a science-base perspective, but for industry as well. Certainly, we do have regulations on

fertilizers as well as animal feed that have comprehensive and fairly lengthy lists of products and supplements and the like that are covered by the regulation. Currently to update those lists of products is a very time-consuming and slow process. This would provide an opportunity for us to move more swiftly, but in a judicious way, to ensure that product lists and other elements are up to date and remain in tune with evolving science as well as business practice.

● (1300)

**The Chair:** A short question, please. We only have one minute.

**Mr. LaVar Payne:** It's more of a comment than a suggestion. We managed to sign a couple of new free trade agreements which I think are going to be very beneficial to the agriculture industry right across this country. The farmers and ranchers in my riding are absolutely delighted, as am I. I think it's really good that we've been able to get those agreements. I know folks have worked really hard to make sure that the text has been put in place, and that there are protections for our country and for our farmers and organizations.

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

Thank you sincerely to all the witnesses for taking the time to come out. Thank you to committee members.

The meeting is adjourned.

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