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

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**EVIDENCE**

**Tuesday, March 10, 2015**

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**Chair**

**Mr. Bev Shipley**



## Standing Committee on Agriculture and Agri-Food

Tuesday, March 10, 2015

• (1530)

[English]

**The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)):** Colleagues, I'd like to call this meeting to order.

First of all, I would like to introduce our witnesses today. In the first hour we have Food Processors of Canada and the Canadian Canola Growers Association.

Because of a conference, there won't be witnesses in the second hour. There's a convention and some had to pull back, but we'll be back here after the break and we have a full schedule ahead of us.

From the Food Processors of Canada, we have Christopher Kyte, president. Via video conference from Winnipeg, Manitoba, from the Canadian Canola Growers Association, we have Rick White, the CEO. Welcome to both of you.

What I wouldn't mind doing, just because technology works most of the time, is to move down to the second on the list.

We'll start with you, Mr. White, for 10 minutes, please.

**Mr. Rick White (Chief Executive Officer, Canadian Canola Growers Association):** Mr. Chair, thank you for the opportunity to testify on your study on promoting domestic trade by reducing interprovincial trade barriers.

The Canadian Canola Growers Association represents 43,000 canola farmers from Ontario west to B.C. on issues that affect the profitability of canola. A key tenet of our work is to ensure open trade for canola and canola products domestically and internationally. Our sector has set an industry goal of producing 26 million tonnes of product by the year 2025 and a strong domestic market is important for realizing this goal.

We would like to extend support for Industry Canada's initiative to modernize internal trade in Canada and specifically to the committee for its study on barriers to agriculture and agrifood trade. A transparent, well-functioning, and predictable internal market is important to ensuring a healthy growing agriculture sector and one where investors are encouraged to locate.

A predictable, barrier-free market has the potential to generate new opportunities within Canada. Eliminating trade barriers, whether domestic or international, is key to farmers' success.

As Canada seeks to expand our international trade agreements, we also need to make sure that our internal markets are as barrier free as our international markets. Open markets foster competitiveness, growth, and jobs.

There are a few key areas where we see that a stronger Agreement on Internal Trade could resolve internal disputes and interprovincial irritants and make Canada a more attractive place to invest.

One area that needs attention is the dispute mechanism of the Agreement on Internal Trade. Stronger language, similar to the binding commitments we make when signing international agreements, and more certain timelines for the resolution of disputes, would bring more certainty to the process.

The case involving Quebec's Food Products Act that was brought forward under the agreement by the Government of Saskatchewan and supported by Manitoba, Alberta, and British Columbia, is a case in point. Although the case was eventually won, last week an appeal panel under the Agreement on Internal Trade upheld the 2014 ruling that Quebec's Food Products Act did in fact restrict the sale and marketing of vegetable oil-based dairy blends, including canola. The timeline between when the case was brought and until it was resolved was long.

Together with a similar dispute and ruling in Ontario in 2011, it took close to five years to secure access for western Canadian vegetable oils in Ontario and Quebec. That timeline is too long to provide industry participants with incentive to invest and innovate. A dispute settlement mechanism and compliance mechanism similar to those in the WTO or NAFTA should be considered as a key part of a modern AIT.

To illustrate the positive impact such changes could lead to, we can look at the opportunities in Ontario and Quebec. These provinces represent two-thirds of the Canadian food market and represent a significant market for growth in food products. As a result of the ruling, there are now new opportunities for marketing and processing of Canadian-grown canola. Increased domestic sales diversify our customer base and keep the economic benefits at home in terms of increased value-added manufacturing and job creation. Equally important, Canadians are increasingly looking for healthier food options, which canola can provide through butter-oil blends and alternative new products.

Another irritant currently faced by canola farmers that could be addressed by an expanded AIT is the growing patchwork of provincial and municipal non-scientific regulatory or quasi-regulatory restrictions. For some time we have seen a move by other jurisdictions away from a science-based approach and guidance provided by expert national regulators. This has resulted in inequities among industry participants, including growers, depending on where they live in Canada. Provinces and municipalities can take decisions of a regulatory nature that are directly contrary to scientific evidence provided by national regulators whose job it is to set standards and safeguard Canada's food and environmental safety.

Measures restricting the use of neonicotinoids, enacting cosmetic pesticide bans, or proposing local bans on genetically modified foods have been taken contrary to evidence provided by national regulators. They are serious impediments to a well-functioning and coherent internal market and send mixed signals to investors, creating uncertainty that leads to underinvestment and a lack of innovation.

● (1535)

A good recent example are the proposed Ontario restrictions on the use of neonicotinoid seed treatments. If this proposal is implemented, it will result in Ontario canola farmers no longer having access to the same pest control alternatives as their counterparts in the rest of Canada or their competitors south of the border. This impacts both Canada's exports, but also the intraprovincial trade in crop protection products and seeds. It is estimated by the Grain Farmers of Ontario that, if adopted as proposed, this regulatory change would cost Ontario farmers \$630 million. It would discourage investment in the province and encourage production and investment to move elsewhere.

More broadly, such initiatives undermine the general public's confidence in the federal regulatory infrastructure and in Canada's food system. It has also had an adverse impact on investment in Canada. Investors are looking for stability and uniformity when calculating their return on investment and determining whether to invest.

An enhanced AIT could be a place where, if agreed to by provinces and territories, disputes could be resolved with a view to making our internal and external agreements work together seamlessly.

The last point I'd like to raise with the committee is the lack of consistency between Canada's international free trade agreements and the Agreement on Internal Trade.

The federal government has worked diligently to secure and open international markets for agriculture and agrifood, and as such, it only makes sense that intraprovincial trade occurs on equal or better terms than those extended through the most ambitious of Canada's free trade obligations. As the vegetable oil industry has recently experienced with its AIT panel ruling, the dispute settlement mechanism process should be made more robust and align with those extended under our other key trade agreements like NAFTA and the WTO. An updated process would assist in reducing domestic barriers to trade and strengthen Canada's ability to compete internationally.

Thank you again for your invitation. I'd be happy to take any questions when the time comes.

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

We'll now move to Mr. Kyte for 10 minutes.

**Mr. Christopher Kyte (President, Food Processors of Canada):** Mr. Chairman and committee members, thank you for inviting me to make a presentation.

Food Processors of Canada is an association representing investors whose companies make such products as pizzas, dinners, entrees; they're all further processed products. We ship interprovincially and internationally. My members range from very small companies that are family run to larger companies, but none of them are publicly owned. They're all privately owned.

Our members' food is certainly blessed with a strong regulatory framework that facilitates and allows us to trade interprovincially and internationally. The rules support the categories so that we don't have problems from one province to another. There's a federal inspection system that is augmented both by retailer and customer inspections, certain audits, and of course in many of our plants, foreign countries come in and inspect as well.

Government standards from our point of view are minimum standards; they are certainly not maximums. Most companies exceed those. When they don't exceed those as a culture, you sometimes read about them in the newspapers. We can't afford that. We don't want to lose the trust of our customers, the retailers—they're unforgiving, as they should be—and more important, our consumers. We know that when companies breach the national regulations and something nasty happens, the whole category will certainly take a big hit and stay a low-profile category for consumers for months, such as we saw with listeria and sandwich meats. The market really holds everyone to account.

The government standards protect consumers and business, so it's important to have strong national standards. All of our regulations are NAFTA and WTO compatible. Imports are supposed to meet the same regulations that Canadian companies do. These set the rules for competition and consumer protection so that a processor knows that his competitor is playing by the same rules. Equal and consistent enforcement provides predictability and it supports investment.

This is kind of an interesting statistic. The Canadian Agri-Food Policy Institute said that on average, further processors buy 38% of farm produce. In Ontario and Quebec they purchase up to 70%. Any time the further processor gets hit in the marketplace, certainly if he has a fairly sizeable market, so do his producers.

From our point of view, if companies say that they can't grow their business because the processed product regulations or the meat regulations are too stringent, I think that if provincial governments feel that those companies are winners, then they should do what other companies have done and invest in their infrastructure and their food safety systems so that they could comply with national and international rules. What we would encourage is, if there are companies that are in a particular region and they can't seem to move to the next level, if provincial governments have faith in those companies, they should invest in those companies. That's one way to get around interprovincial trade barriers.

We certainly do not want to see a lowering of standards because that applies right across the board. Whatever standards we apply domestically, we apply internationally in packaged goods.

There is one thing that I would suggest, and it's a bit of an Achilles heel; it's a bit of a job killer. I think that the Canadian Food Inspection Agency does a good job of how it spends its money internally in regulating and auditing plants, but I don't think that it does a good job at how it protects consumers at the border. There's a large number of incidents of mislabelled, illegal products coming into this country, and that steals jobs from Canadians. If there was one shortfall in our regulatory framework, it would certainly be at the borders.

• (1540)

Mr. Chairman, that ends my presentation. I sent a fuller presentation. I'm willing to take questions at any point.

Thank you.

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

Madam Raynault, for five minutes.

[*Translation*]

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

I would like to thank both the witnesses for being here today to answer our questions. It's a pleasure to have you here.

Mr. White, one witness told us that the agrimarketing program was not adequate for businesses that want to expand locally, given that the program is focused on access to national and international markets.

How would you like us to improve the agrimarketing program to foster the expansion of your business? Mr. Kyte can also answer, if he wishes.

[*English*]

**Mr. Rick White:** Basically, from our perspective, with a substantial crop like canola that we grow, basically we rely heavily not so much on the agrimarketing program but on open and free trade. We need those barriers down whether domestically or internationally. We need tariff and non-tariff barriers reduced. There may be other organizations that use that program. I'm sure it's very valuable to them, but we don't actually do the marketing ourselves, so I'm not in a position to comment on it directly.

**The Chair:** Mr. Kyte.

**Mr. Christopher Kyte:** We don't use the program either. We really don't need any programs to support our businesses domestically.

[*Translation*]

**Ms. Francine Raynault:** Okay.

Mr. Kyte, in your presentation, you said that over 150 food processing plants have closed their doors in Canada. The American multinationals have moved their facilities to the United States. So we are facing a trade loss of \$7 billion.

What would you recommend to reduce this deficit and save jobs in Canada?

• (1545)

[*English*]

**Mr. Christopher Kyte:** I think what we've lost already, we've lost. We're not going to reclaim those jobs. We're not going to reclaim those businesses. We've seen a lot of American multinationals shift the production into the United States. Quite frankly, I expect that the last few will probably disappear over time. It's important to look at the Canadian food industry to see what policies and programs we can put together to nail that investment, keep that investment in this country.

We had a campaign about three years ago. In that campaign we really learned how important a food processor is in any given community. If you look at Leahy Orchards in Franklin Centre, Sun-Brite in Kingsville, or the companies that are around Leamington, those companies are so important not only because they provide jobs, but because they also take in, in Ontario certainly, 70% of the produce. So it's devastating.

What you want to do is you want to grow those companies. What we need as a country is a plan, an industrial strategy that says what it is we need going forward.

The competition for investment is getting more fierce. As the United States gets more competitive, the States are putting together programs to try to attract our investments into the U.S. very actively. About 50% of my board of directors have now either expanded into the United States or are considering expanding into the United States because the cost of production is lower.

We're not saying we have to get ahead on the backs of our labour or on the backs of our farmers. We require that labour, we require those farmers. They're our partners. But there are things we can do in this country to stabilize that investment and drive our costs down other ways.

[*Translation*]

**Ms. Francine Raynault:** You are saying that we shouldn't cut back on the working conditions of farmers.

As a farmer myself, I know that farmers must do a significant amount of work to meet demand and provide a quality product to processing plants.

Mr. White, can you provide us with figures on the losses associated with the interprovincial barriers? Do you have any data on that?

[English]

**Mr. Rick White:** No, I don't have any dollar values. We looked at the restrictions on Ontario and the Quebec milk act, which eliminated the possibility of getting a butter-vegetable oil blend or dairy analogs into the market. Between those two markets, they represent, I believe, about 75% of the food demand in Canada. If you can't get into those two markets domestically, the food manufacturers probably aren't going to develop products for the other parts of Canada with lower populations. When it came to that challenge, we had to get the Ontario and Quebec markets opened up so that those food manufacturers had a sizeable market to go after to develop those products in the future.

Now I guess it's been resolved. We expect that manufacturers will be in a much better place now to offer consumers in those provinces, and in Canada as a whole, more healthy options for consumers to pick and choose as they please from the grocery shelves.

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

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

**Mr. Earl Dreeshen (Red Deer, CPC):** I'd like to start off with you, Mr. Kyte.

In the presentation you gave us, you talked about the rules, tools and access agenda. When you were talking about the access agenda, you were saying that processors need access to competitively priced inputs like those available to their competitors.

I wonder if you could flesh that out a bit so that we have an idea if there are interprovincial barriers that cause that, as our study is in that regard. I know that in some of the other things you were saying it's an international issue you're dealing with, but could you focus on what the interprovincial barriers are for your processors?

• (1550)

**Mr. Christopher Kyte:** We don't really have interprovincial trade barriers in that area.

Supply management is certainly managed provincially, but that isn't an impediment for us. When I make the observation that we need predictable access to competitively priced inputs, we get it, say, in poultry, because there is a program set up so that we can get chicken so that we can compete against imports.

Some chemicals we can't.... Some chemicals that we could use in the cornfields or wherever are used in the United States, but not in Canada, so both we and our growers are at a disadvantage. We need parity on that front.

For dairy there are premiums between 20% and 30% or 40% that we pay on dinners, entrees, and pizzas that our competitors don't pay. If you look at Delissio pizza which comes in from the United States, 43% of the cost of the pizza is the cheese. The United States is subsidized differently and we pay a premium for that. We have to take that out of other areas in our businesses.

**Mr. Earl Dreeshen:** Thank you.

I think the point you mentioned about chemicals as far as corn growers are concerned maybe ties into the point I want to talk to Rick about. It has to do with one of the comments you had made with regard to restriction of use—neonicotinoids, cosmetic and

pesticide bans, and proposed local bans on genetically modified foods—and taking a look at canola and recognizing what this Cinderella crop has meant for Canada and the world. I think that ties into some of the discussions that we have.

I know there have been people who have worked hard to try to make sure the scientific aspect of this is being presented. I wonder if you can take this opportunity, Rick, to help those people know where this is going and the strength we have behind the science aspect of this crop.

**Mr. Rick White:** Right, thank you. It is a very serious issue.

We have the federal authorities in place that do very rigorous testing, monitoring, and assessments before any of these products are released for commercial use. Those tools, like pesticides for example, are used by farmers. That's what helps them to grow these crops we make food from.

With all the science-based backing of all the approval process we have, Canada is a first-rate nation when it comes to relying on that at the national level. What we're worried about is that we see an undermining of that occurring at the provincial level when local pesticide bans are put on for no good reason in terms of science. If there is a problem, everyone is aware of it and more studies kick in. What we're finding is happening more and more is the politicization at the provincial level or the municipal level to go against the science and put a ban in place where there is no scientific rationale for it.

What we're worried about is that it's starting to undermine the credibility of our federal science-based system, and that's the wrong direction to be going.

**Mr. Earl Dreeshen:** Thank you.

Another question is on the other point you were talking about in the Agreement on Internal Trade. You were talking about the language that this required. Your concern was the length of time that it takes for provinces to sort out the issues they have, even compared to what we would see in an international agreement.

Can you give us an idea of what you feel the timeline should be in order to match up? Also, do you think there are ways in which your organization perhaps can work its way into the communication between the different provinces?

**Mr. Rick White:** Right. Well, in terms of timeline, it depends on the issue, but what we really need are clarity, certainty, and predictability through the process. One or two years should be more than sufficient to come to a decision and a binding resolution on the issue at hand. This five-year stuff takes a lot of time, a lot of lawyers, and a lot of money to go through, and at every step of the way there's uncertainty.

Instead of the ad hoc panel approach under which the AIT currently is set up, we'd like to see a more permanent tribunal set up so you don't have to draw in a new panel every time there's an issue and get them up to speed with the issue. Some of those things really drag out the timelines. If we were to have a permanent tribunal in place, with the expertise of that tribunal available for complaints that may come forward, complaints that are not only government to government, but industry to government or individuals to government, whatever the case may be....

We think a more permanent fixture like a tribunal, emulating our experiences at the international level, should be replicated at an internal level through the AIT. It would be more predictable and would have more certainty with regard to the process involved. We think a more permanent tribunal would be a good fix.

• (1555)

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

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

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thanks to our guests. Your organizations represent a lot of food production and food that's growing. You're from different sectors in the food industry, and I guess it gives us a good overall snapshot.

My first question is for you, Mr. Kyte.

You alluded to the CFIA and how they do an adequate job here in this country, but there are a lot of these products coming into our country that they're not really dealing with at the border. I think the United States probably does a more vigorous job with stuff coming in. Can you give us examples of some of the products and what the United States does compared to Canada? If you were in charge of the budget at the CFIA, how would you go about restructuring it?

**Mr. Christopher Kyte:** Mr. Chairman, I'm sure there's somebody here with a tape recorder.

**Voices:** Oh, oh!

**Mr. Christopher Kyte:** I'll be welcomed back any time.

Listen, there are a couple of things.

Number one, I think probably they get graded more on how they inspect plants than they do on putting people at the border.

You can monitor the border in a lot of ways. One is if you license the importers. We've been a big advocate of this for years. If you license importers, then you have some control mechanism over what they do and how they do it.

We have found a number of companies that buy product in the grey market in the United States. What happens is that then they don't want to bugger up the American market, so they ship it into Canada. Well, by the time you get it out of the country, it's been sold. We do have some of those high-profile cases. You have a lot of companies that are discounters, and the products just leach into these discounters all the time. It's taking away jobs.

The other thing is that because the dollar has now gone to about 80¢, many companies shipping into Canada won't do it on a full margin, right? It's fully absorbed cost, so they dump it. Now, you need to have a 38% market share and a lot of time to take these people to court, but there are other ways. You can take a good look at their labels and find infractions easily, especially if they're unilingual.

There are a lot of things, but it's an attitude thing too. The CFIA recently I think changed its mandate, because they used to be the cornerstone for our competitiveness as well. They ensure the marketability of our food, and if our food isn't of high quality and we don't have the right systems in place, we can't ship it anywhere. There should be some quid pro quo.

You're right. The United States is very aggressive. For my guys, if those labels aren't correct, that food comes right back.

**Hon. Mark Eyking:** Are you saying that a lot of packaged goods are coming in and the packaging is not even bilingual and might not even have metric on it?

**Mr. Christopher Kyte:** No.

**Hon. Mark Eyking:** They just come in and they get absorbed in the system.

**Mr. Christopher Kyte:** That's right.

**Hon. Mark Eyking:** What you're alluding to—and I think it makes a lot of sense—is that you have legitimate companies that are registered, so if they have an infraction, they get a warning, and their names are on the line, so there's a channel it has to go through. If it doesn't come through that channel, the border agency will ask who's buying it and they'll say that it's not coming in unless there's a legitimate person who's picking it up. That kind of thing would really hit home.

**Mr. Christopher Kyte:** It's an attitude thing. Now, the agency is very good when I make a complaint. They're very good to jump on it. But when my companies complain, it's not so quick. They have other things to worry about.

But you're quite right: you need accountability. In the United States, if we make a mess, we have to clean it up and we have to clean it up fast. We don't see that same speed. It's really just an attitude thing.

The other thing we have to be worried about is something that came to light just recently. If you're selling something into China and you have a very powerful brand, the number one brand or the number two brand in that category, you soon find out that you're competing against your own product. In other words, somebody else is making it. It's counterfeit.

We worry now that somebody will start manufacturing a product that's not what we expect it to be. It could be a dirty product; it could have something that's contaminated, or something that's illegal, to do harm. There are two problems. Number one, you open the package, and it gets into the food supply and into further processed products, and your whole food supply is contaminated.

If you remember, a few years ago the Chinese shipped in honey that had chloramphenicol in it. It contaminated the whole honey supply. What if somebody had something else that was less nice? It's a security issue here, and we have to worry about that. What happens if you have that product in your marketplace? You wouldn't be able to sell food anywhere. That's why now, with the terrorist activities that are being talked about, we should be thinking about the border.

**Hon. Mark Eyking:** Thank you very much, Mr. Kyte.

• (1600)

**The Chair:** Now we'll go to Mr. Keddy, please, for five minutes.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** I welcome our witnesses.

Mr. Kyte, I want to pick up and expand further on the counterfeiting of products, because when there's counterfeiting of products, we have dispute resolution mechanisms between Canada and China, and we have dispute mechanisms at the WTO. There's a system in place for that, but you're talking about intellectual property, almost, on the ingredients of some of these products.

There should be some attempt from China.... What we're seeing in other products is that the Chinese are more interested in intellectual property, because they have more of it. I suspect that same thing is happening with the counterfeiting of product. Their marketplace is more sophisticated, it's worth more money to them, and they're putting more stringent controls in place because ultimately it's to their benefit. Are you seeing that as well?

**Mr. Christopher Kyte:** Most of my members' brands are not big enough or powerful enough to be counterfeited in China. If you were Nestlé Quik or any of those kinds of brands, that's where you would really see it. Because the enforcement in China is different and is quite lax compared to North America, that's where I worry. It doesn't even have to be made in China. It can be made anywhere. Our whole food supply could be contaminated. My members are smart enough to be very careful about their suppliers, and we audit our suppliers, but I'm not sure that every company is that ethical.

**Mr. Gerald Keddy:** I want to pick up on your comment on licensing importers. For Canadian companies that are importing food products into Canada to then be manufactured into other products, how would that licensing system work? Again, how would it be regulated or governed?

**Mr. Christopher Kyte:** Some of the products are now licensed; importers are licensed. For example, in the fish industry, all of those importers are licensed. That system works really quite well.

All the registered plants where we make food in this country are licensed, de facto. That works out quite well.

Where licensing isn't being used and should be used is where you have biscuits and other kinds of food products that need to bring up their level of surveillance, the level of surveillance should be improved, and if you have like products coming in from the United States or from elsewhere. I think it's a relatively simple mechanism. The benefits are huge because you have a way of knowing who's importing.

It's really interesting. A week ago I sent the Canadian Food Inspection Agency a note asking how many registered plants in the United States are shipping meat-containing products into Canada. They can't tell me yet. How long do I have to wait? That's worrisome.

We should know. Americans know. When we ship in the United States under the new Food Safety Modernization Act or under USDA, we have to be licensed. I think it's a quid pro quo and I think it makes some sense. You want some assurance that those people bringing products in have some idea where those products are coming from and under what conditions.

I don't think it's onerous.

•(1605)

**Mr. Gerald Keddy:** Finally, on food labelling, you commented that CFIA does a pretty good job at making sure our labels are up to

international standards, but they don't do a very good job, in your estimate, of labels on international food products coming into Canada.

Do you have specific examples of that?

Certainly in the fish export business, which I'm very familiar with, when it comes to food labelling, product is turned around all the time if the labels are not absolutely 100% correct. Sometimes you can stop it at the country of destination, but most of the time it ends up being shipped at the shipper's cost all the way back to Canada, re-labelled, and then shipped over again.

**Mr. Christopher Kyte:** Yes, the fish industry does a fairly good job, but that's because all of those importers are licensed and there is a responsibility there and there is accountability.

We've seen cereals from the southern U.S., canned tomato products, BBQ sauces, and all of those kinds of products that get into the Canadian marketplace.

There are two things that happen there. One is this product is sold without accountability, but also, a retailer would say, "Hey, wait a minute. That product is being sold in my competitor's store at a really good price" and he wants the same thing in his store. Product diversion is a huge issue.

I'll give an example.

When you have a price war down in the United States, you might have a lot of inventory left over. Where do you want to get rid of that inventory? You don't want to get rid of it in the United States, so you sell it to somebody who sells it in Canada for you. If it's ketchup or whatever, it goes to one retailer, and the other retailer is saying, "Hey, Heinz, I want my share. I want my product at the same price." That's not fair.

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

Now we'll go to Ms. Brosseau for five minutes

**Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP):** I'd like to thank both of our witnesses for their presentations today.

Mr. Kyte, I have to bring up that this week and about two weeks ago I've been meeting with a lot of stakeholders and they've been bringing up issues about labour shortages.

How many companies do you represent?

**Mr. Christopher Kyte:** We have 100 companies.

**Ms. Ruth Ellen Brosseau:** One hundred Canadian companies. How many workers?

**Mr. Christopher Kyte:** Oh, I have no idea. But I know where you're going and I'd love to get into that conversation.

**Ms. Ruth Ellen Brosseau:** Okay, I think we can talk about it.

Temporary foreign workers is a big issue. Changes that were brought forward make it so that as of April 1, workers that have been here five or ten years are going to be leaving, so we're going to have quite a big labour shortage here in Canada.

Last year I brought up the issue because in my province, in Quebec, we had about \$53 million in losses because of problems with temporary foreign workers.



This is a program that obviously has a lot of problems and it needs to be worked on. I know that some members could probably argue that this isn't the right place to bring it up, but we are talking about agriculture and we are talking about trade barriers and problems and we want to make sure that these companies are able to thrive.

In some of your remarks you said that we have lost American multinational companies and they've moved their production out of Canada. More than 150 food plants have closed their doors, so the trade deficit has soared up to \$7 billion.

I was just wondering if you could maybe talk to us about problems that your members have with temporary foreign workers, and solutions, because I don't think these people who have worked in Canada for seven or ten years are temporary. They have a lot of expertise and it takes a long time to train them and they become experts in their field.

Maybe you could elaborate on the importance of this program and how it is important for maybe the agriculture committee to look at.

**Mr. Christopher Kyte:** There are two sides to this. One is the seasonal labour we require. If you're processing fruits and vegetables, often you will need temporary workers to come in and they have to be there on demand. When the asparagus is ready to be

• (1610)

**Ms. Ruth Ellen Brosseau:** Exactly. It grows very fast.

**Mr. Christopher Kyte:** Yes. For asparagus, peas, tomatoes, or whatever is coming off the field, God makes the decision when it's going to be ready for harvesting, right? You have to be able to get your labour in really quickly.

Now, the producers are able to get temporary foreign workers for seasonal work, but you see many of my processors are not, because on the other end they have lines, and they need people to run those lines. People don't want to work in those plants.

When I talk to HRSDC, or whatever they call themselves today, they will say, "No, you can go and hire these people from Kellogg's, and they will come and work in your plant in Tecumseh." It's not going to work, and they are not going to live in a bunkhouse.

Many of my guys have tried to hire local people. One company put out notice of 100 jobs. People applied for the jobs. They didn't show up for the interviews—or 50% of the people showed up for the interviews. On the first day of work, 35 people showed up. In the second week, nobody showed up. How can you run a business like that?

What happens to the crops? We have to buy the crops even though we can't harvest them. We can't process them. That is a big problem.

Our proposition to HRSDC and the minister was to consider food as part of farming. It's a continuous process. Why shouldn't we consider that as one continuous process?

Some of those people we hire in our plants have been coming for 30 years. They are happy with the work. They know how to do it. They have the expectations. But to rely on people who don't want to work there....

It's right across the country. I was talking to one friend who has a fish plant in Nova Scotia. They built this business up from nothing, and they are very proud of it. He said, "Chris, my three most productive employees are 65 years old and nobody else really cares about working, or I can't rely on them." It creates a huge problem for them because they have invested everything they have in that business.

Then, on the other hand, I have companies, say, in Alberta, where they can't compete with the oilfields, and yet they can find people who want to work. They tried. One of my members who has a business in Alberta was flying people from Trenton, Ontario, every week. They just got fed up. They wanted to go home. They didn't want to work in Alberta, and certainly not for the wages they can afford.

We're competing against Americans, right? American labour is much cheaper than ours. In the United States we, my members, can produce food at between 2% and 30% cheaper than we can in Canada.

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

**Ms. Ruth Ellen Brosseau:** May I ask a few more questions?

**The Chair:** You're out of time.

Mr. Payne, for five minutes, please.

**Mr. LaVar Payne (Medicine Hat, CPC):** I thank the witnesses for coming today on our study on internal trade within Canada. We know there are certainly some difficulties.

In my riding I have one of the biggest beef plants in Alberta, JBS in Brooks. I know they have to meet federal standards and obviously export standards.

I'm not sure, Mr. Kyte, if there are any barriers for them to move their product across Canada. I don't believe there is, but I just wanted to verify that.

**Mr. Christopher Kyte:** No.

**Mr. LaVar Payne:** You talked about some of the other issues we have had. One of the things you also talked about was, I believe, the pizzas—40%. Of course, the funding they get is through the Farm Bill in the U.S. That's correct. They are able to subsidize that whereas we have our board, and I think all members basically support that process. That does make, obviously, some issues for some of your organizations.

I also wanted to touch base on your suggestion in your comments that provinces should invest in companies to meet international standards if they believe those companies can be competitive.

Are you aware of any of these companies that you would suggest provinces should invest in, and which provinces? I wonder if, in fact, you have that kind of information.

•(1615)

**Mr. Christopher Kyte:** From time to time, we're told that a company doesn't like this regulation, doesn't like that regulation, because it's a barrier to their growth. But it's a national standard. We might come back to those companies and say that if they really feel that they're hard done by, then they should do what my people had to do over time, which was to invest in our operation, so that we can compete internationally and interprovincially. Don't lower your standards.

Just on that whole issue of lowering standards, I noticed that there have been some consultations recently. The CFIA is.... I think this is a staff issue where they've said, "Look, we have these standards, so I think we should get rid of them because nobody is using them and they're interprovincial trade barriers or trade barriers."

I'm thinking I have some problems there, so you might be hearing from me on that front. I'm not a big believer in dropping standards.

**Mr. LaVar Payne:** That certainly would not benefit anybody. In Canada we have a good reputation for food safety. Dropping any of those standards I don't believe would be in our best interests or in the best interests of any of the companies.

Mr. White, I want to talk to you about canola. You talked about a couple of things that certainly were interesting, and my colleague, Mr. Dreeshen, talked about neonicotinoids. You said something about, and I didn't quite catch it; is it going to cost Ontario farmers something like \$630 million with the new regulations that are coming in?

**Mr. Rick White:** Yes, that's an estimate from the Grain Farmers of Ontario. Should they go forward with a neonicotinoid ban in Ontario, it's going to affect corn production and certainly canola production as well. It will either be losses due to infestation of flea beetles, for example, because they won't be able to control them nearly as well with some other products that we're aware of. Yes, that's their estimate of the damage to their incomes basically.

**Mr. LaVar Payne:** What would that do to farmers or the canola growers providing investment for new products in Ontario?

**Mr. Rick White:** Well, it starts to affect seed developers in terms of genetics. If you can't get your product into Ontario, you have to start asking if we are going to make these products available in other parts of Canada.

It starts to break apart the supply chain. It starts to pit a grower in one region against another at a competitive disadvantage, and growers in that region against our international market competitors as well.

It does have kind of a knock-on effect in investment which affects everybody in Canada eventually.

**Mr. LaVar Payne:** You also talked about a permanent tribunal panel and that probably has some good ideas in it. I wonder if you have fleshed that out. My next part of that would be, how do you see us being able to get all the provinces on board to eliminate these internal trade barriers?

**Mr. Rick White:** The tribunal concept is to replace a more temporary panel approach that we have right now, so that you can gain expertise within the tribunal. It's up; it's running; it's predictable.

In addition to that, the AIT needs more teeth. That's one point I really didn't hammer home.

Through this experience with Ontario and Quebec, we hold our breath that they are going to comply because there are not very substantial monetary penalties in place. It's better than it used to be, but it needs to have more teeth.

When an agreement like the AIT is contravened, there has to be compliance and a mechanism to ensure compliance through the courts. We need that permanency. We need that history. We need it to kind of replicate what's happening at the international trade level, because those systems do work. There are repercussions. There are teeth in those agreements. Our internal barriers should be treated exactly the same in our view.

How you get the provinces onside is a good question.

**The Chair:** Mr. Allen, for five minutes.

•(1620)

**Mr. Malcolm Allen (Welland, NDP):** Thank you to both of you for coming.

I would have asked you that, Mr. White, but I'm glad Mr. Payne actually opened up that question.

In your document you talk about a number of things. If the federal regulators say it's *x*, then everybody should say it's *x*. This is to follow up on Mr. Payne's idea of how to get the provinces and even municipalities onside since they have jurisdiction.

How do you see that jurisdiction being fixed in a sense of if it's *x*, everybody should say it's *x* without some folks just saying, "Well, I don't want *x*"? How do we work on that piece?

**Mr. Rick White:** I guess it's to make sure at the provincial level that they are making their decisions based on sound science, because they will come up with the same decision as you do at the federal level.

The problem at the provincial level is they are avoiding relying on science-based regulatory processes to allow commerce and products to be developed and used in this country. I think it's a question of how to get the provinces onside to maintain that science-based regulatory approach, which has been so valuable to Canada at the federal level, and it continues to serve us well. The provinces need to get onside with that. How you twist their arms, I don't know. That's a political question.

**Mr. Malcolm Allen:** You'll leave that one for us, will you?

**Mr. Rick White:** Yes.

**Mr. Malcolm Allen:** In your comments today—taking out neonic; I'm not actually interested in talking about that; that's a different issue for me—you talked about the issue about cosmetic pesticides. I think I know where you're going to go with that one, but can you help me?

To be truthful, I used to be a municipal politician. I watched folks put pesticides on their lawn, and then turn on the sprinkler and watch it go down the sewer grate. It's not a good place for it to go. We're not talking about farmers with cosmetic pesticides. We're talking about residential folks, who quite frankly don't know how to use half the stuff unless they get it professionally applied. We have combined storm and sanitary sewers in lots of older parts of Ontario. You get a flood and that stuff goes directly into the lake and the watershed. A lot of municipalities looked at that piece as to why they were getting rid of it, not because they didn't believe that the science was correct—the stuff was good—but the issue was that it was going in the watershed instead of staying on top of the stuff it was trying to take care of.

Is this part of that supply chain you talked about, that there's a need for that and that's why we should....? I was wondering about the cosmetic use, because to be truthful, it's like cosmetic surgery, right? Some folks may think they really need it, but does anyone really need cosmetic surgery?

**Mr. Rick White:** I think on the cosmetic ban issue, it again comes back to what those decisions are being based on. I don't disagree that if you're in a watershed and you get runoff issues with the application of some of these products and it's proven that it's an issue, then maybe in some of those areas you need to do something specific. But an outright ban based on it just being cosmetic and not on anything scientific, if you could scientifically show a runoff problem in a certain area, then that's your science-based decision process there. You might be able to carve out that area. I think it's applied too generally and too broadly, without any basis for it other than to say that we have a little problem here, and therefore we'll take a blanket approach, not based on science, and apply it to a larger area. That's where we see an undermining process starting to happen. We see it as a threat if it's used to any degree and starts to expand, especially into agriculture. That would be a big problem for us.

**Mr. Malcolm Allen:** Okay. I thought you'd talk more about the supply chain in this piece, but I understand what you're saying. There seems to be an erosion of confidence in the sense of what does the science say. I appreciate that. I recognize in the farm industry we do some things that folks who live in urban areas don't quite understand. There are urban decisions made for urban dwellers that really shouldn't be overlaid on the agriculture sector. Let me just state that for the record. It just doesn't make any sense, quite frankly.

The big piece is still a jurisdictional thing. I actually like your idea around a panel that's somewhat permanent in nature for jurisdictional stuff.

Let me ask this question about canola oil specifically. It seems to me this was about a blend of canola oil with a dairy product. The oil itself isn't having a problem moving across boundaries, is it?

● (1625)

**Mr. Rick White:** No, it's the inability to get it into Ontario and Quebec because of the milk acts in play. There are labelling issues and on what you can blend with butter and call it butter. There are restrictions on what you can call cheese if it's not made from cream, for example. Those are areas of the market that the consumer should decide whether or not they want to buy it, not a provincial regulation prohibiting those kinds of things from happening. It's holding back innovation.

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

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

**Mr. Bob Zimmer (Prince George—Peace River, CPC):** I have one quick question and then I'll give the rest of my time to Mr. Maguire.

Regarding the neonicotinoids issue, I'm a little cautious when you talk about tribunals, because we already have a system set in place that is supposed to look at this stuff scientifically and say whether it's good or bad. If it's not bad, then it should proceed; if it is bad, then it shouldn't. It's that simple. We already have a system in place that is supposed to do that. I'm a little cautious about any further deepening of red tape. I don't think we need that, but I think we need the groups that are supposed to have oversight to do exactly what they're supposed to do.

I am concerned though about the interprovincial trade part of this when I see municipalities and provinces stepping into the federal fray.

I have a simple little question for you about the neonicotinoids, because we have heard about this issue for a long time. There are a lot of rumours. The fact is that some other jurisdictions around the world are making this rumour not true, but they think it's true. Are there any studies to back up what they're saying about it being harmful to bee populations?

**Mr. Rick White:** Again, I can't speak to the integrity of scientific research in other countries.

**Mr. Bob Zimmer:** I mean legitimate scientific studies.

**Mr. Rick White:** Our experience, for instance, with canola, is that we need pollinators. We would do nothing to take a chance on killing bees. We need bees to pollinate the crop. There's a symbiotic relationship there that we're well aware of and when you look at say, canola, there are millions and millions of acres where canola is coinciding and in harmony with beekeepers. We use neonics on the seed because we have to.

We don't see the problem and we don't see the linkage. Maybe in certain circumstances there are some linkages, but that's not to say there aren't other things like mites or disease or weather or beekeeper skills. There are a whole bunch of other factors that come into bee colony collapse. It's not just about neonics and we haven't drawn a really clear scientific link that we're comfortable with yet.

I think there are some gaps in the science around that, some gaps in the credibility. Again, I don't have anything specific, because I'm not a bug specialist or a neonics specialist, or a scientist for that matter, so I have to trust the scientists when they speak. I look to our Canadian regulators and our Canadian scientists for credible science here for Canada.

**Mr. Bob Zimmer:** Mr. Chair, I'd like to give Larry the rest of my time.

**Mr. Larry Maguire (Brandon—Souris, CPC):** Thank you very much, colleague.

Rick, you've made very clear your position with regard to the use of science in these whole areas and dispute mechanisms. I appreciate your comments with regard to a more permanent tribunal for presenters and for appeals on these programs, because then you would have some continuity. I think your whole presentation comes down to your seeking predictability. Is that correct?

**Mr. Rick White:** Yes. I just want to make it clear that the tribunal concept relates directly to the Agreement on Internal Trade. That agreement should be handled by a tribunal. I'm not saying that neonics have to circumvent PMRA's science-based regulatory approach.

**Mr. Larry Maguire:** For sure, and I think that's key.

Mr. Kyte, you talked about a lot of these situations from outside the country coming in and that sort of thing. The impact those might have on interprovincial barriers might not be as obvious. If one province has a set of rules that allow that product to come in, and another province has rules that are more restrictive and do not allow it to come into theirs, then you have an internal barrier within Canada, differences in regulations, and differences in rules for these processes.

Your whole presentation is based on the question of where the money to establish these projects will come from. The capital will not go to where there is a deficiency and allow business to move forward under the regulations that would normally be there.

How do you see we would be best able to get all the provinces onside for interprovincial programming, other than through ag meetings, ministerial meetings, premiers meetings, and those kinds of things? If you had to make your presentation to them, what one or two key issues would you tell them about?

●(1630)

**Mr. Christopher Kyte:** I think for the further processed items—the dinners, the entrees, the canned goods—all the regulations allow us to ship interprovincially. The problem arises when somebody in, say, New Brunswick wants to ship to Nova Scotia and their product doesn't meet those national regulations. You couldn't really allow that to be shipped interprovincially. You couldn't lower that standard, because right away doing that would start to affect your international trade. Some people in the United States could then ship to that lower standard. I don't think we want to do that.

If you look at the dairy industry, it has standards with regard to what you can call cheddar and what you can call mozzarella. You don't want to bastardize that and then eventually face something you would rather not.

**The Chair:** Thank you very much, Mr. Maguire, and that's the end.

I want to thank our witnesses very much for coming out, and, Rick, for being on video conference. We appreciate it very much.

There was a question that had come up about the minister, and I think Mr. Keddy may have a comment.

**Mr. Gerald Keddy:** Will we go in camera to do committee business, or will I go ahead?

**The Chair:** Go ahead.

**Mr. Gerald Keddy:** Okay.

We're happy to have the minister come as soon as he can. We'll get him here probably for an hour and then officials in the second hour.

How is that?

**The Chair:** Good.

Thank you very much.

The meeting is adjourned.

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