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**VERBATIM TRANSCRIPT OF  
HOUSE COMMITTEE PROCEEDINGS**

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**COMMITTEE: STANDING COMMITTEE ON AGRICULTURE, FORESTRY &  
ENVIRONMENT**

**Wednesday, February 18 , 2004**

**SUBJECT(S) BEFORE THE COMMITTEE:**

Further consideration of the impact of the BSE crisis and hog crisis on Prince Edward Island.

**NOTE:**

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**COMMITTEE** Wilbur MacDonald, Chair

**MEMBERS PRESENT:** Wilfred Arsenault  
Andy Mooney  
Eva Rodgerson  
Fred McCardle  
Wayne Collins replacing Hon. Mitch Murphy  
Richard Brown  
Ron MacKinley

**MEMBERS PRESENT:** Hon. Robert Ghiz  
Carolyn Bertram

**STAFF:** Marian Johnston, Clerk of Committees.  
Wayne MacKinnon, Department of Agriculture

**STANDING COMMITTEE ON AGRICULTURE, FORESTRY AND ENVIRONMENT**

**Wednesday, February 18, 2004**  
**1:00 p.m.**

**Part I - Bob Perrin, Trade Advisor, Department of Development and Technology**

**Part II - Clifford McKenna and Tim Dixon, Producers**

**Part III - PEI Cattlemen's Association: Darlene Sanford, Duane MacDonald and Gerry Richard**

**Part IV - Milk Marketing Board: Harold MacNevin, Ron Maynard and Ian MacIsaac**

**Part V - Allan and Melvin Ling, Producers**

**Part VI - Dean Baglole, Atlantic Beef Products Inc.**

**Tape No. 1**

**Part I: Bob Perrin, Trade Advisor, Department of Development and Technology**

**Wilbur MacDonald (PC) (Chair):** We'll call our meeting to order. I just want to correct with the committee a statement that—Richard asked last week if we could have a report so I just want to read you, and you're pretty good at the rules, but you missed this one, didn't you?

All reports of the committee shall be presented to the House by a member of the committee standing in its place, okay? All special and standing committees meeting during the Intersession shall report to the House not more than ten sitting days and most important of all, 23 - it is a breach of privilege for anyone to publish or make reference to the contents of the committee report prior to its presentation in the House.

I would take that as. . .

**Richard Brown (L):** First of all, I would never break the rules.

**Wilbur MacDonald (PC) (Chair):** No, I know you wouldn't so I take that as that we can't make an interim report to anything, okay? No, that cuts us out because we are a discussion—whatever discussions we have . . .

**Ron MacKinley (L):** Can an individual member can make an interim report anytime he wants.

**Wilbur MacDonald (PC) (Chair):** To the House?

**Ron MacKinley (L):** No, just make one. Make it up and then release it to the House at a later date.

**Wilbur MacDonald (PC) (Chair):** You're saying a Press Release?

**Ron MacKinley (L):** No.

**Wilbur MacDonald (PC) (Chair):** Okay, anyway we have cancelled tomorrow. We have cancelled tomorrow, February 19<sup>th</sup> which was supposed to be at 10:00 a.m. As you know, most of these people were coming from away. One person, Marian couldn't get a hold of, probably will arrive anyway. We're not sure. He was coming. We were to meet with the Canadian Council of Grocery Distributors, Canadian Meat Council, Co-op Atlantic, Atlantic Wholesalers and Sobeys and two producers.

So we're trying to rearrange a time for those. If tomorrow is a storm, that means Marian won't be in. So we're looking at March 4<sup>th</sup>, is it? The 25<sup>th</sup> is filled up. February 25<sup>th</sup> is filled up so we're looking at March 4<sup>th</sup>?

**Ron MacKinley (L):** Mr. Chairman, why don't you finish that up after the meeting? The gentleman is here.

**Wilbur MacDonald (PC):** Well I know, the only problem we have is some people may have to leave. Okay? Is March 4<sup>th</sup> okay? If March 4<sup>th</sup> is okay, we can go ahead and schedule, March 4<sup>th</sup> then, Thursday, March 4<sup>th</sup>, 10:00 in the morning. Okay? And that will solve all our—do you have a copy of the agenda? Can we have approval of the agenda as distributed? Moved? Seconded? All those in favour, say aye? contrary? Nay. It is carried.

Okay, we have our first presenter. It's Perrin, is it, Sir? Mr. Bob Perrin who is Trade Advisor. Could you give us just a little bit of your history as you

start off, who you're representing and so on. Okay?

**Bob Perrin:** Okay, thank you Mr. Chairman. I am trade advisor with the Department of Development and Technology. A bit of background, my duties are to provide advice on both internal and international trade issues related to trade policy for the department, and the Department of Development and Technology and as well for the Department of Agriculture, and Forestry but primarily the agriculture part of that department. I've had experience for about 20 years in the trade policy area. Most of it related to my employment with the Government of Saskatchewan for 20 years prior to returning to Prince Edward Island a couple of years ago.

I want to thank the committee for inviting me to your meeting to discuss, as I understood it, primarily internal trade issues in relation to your investigation of the BSE cattle crisis and the current depressed hog price situation. Most of--the understanding that I have is related to what I have read and heard in print and television media in terms of the current interest in the internal trade topic and that is--those have, that interest has arisen from various ideas and suggestions that have been made about how governments can best help the cattle and hog producers of Prince Edward Island survive the current low prices for their products.

Just to briefly sort of go over some of those ideas, as I have heard them anyway, they've ranged from providing direct financial assistance to cattle and hog producers to promotion of the consumption, either provincially or regionally, of products produced here or in other parts of the Atlantic region to, I guess, to imposing requirements on retailers to buy local products.

First of all, I'll discuss the international and interprovincial trade situation as it relates to Prince Edward Island and in this discussion, I'll refer to some tables that I've provided to you. I won't go into this in a whole lot of detail. I think that there are some numbers there that would--that you can sort of peruse at your leisure and look at those in detail.

Basically some points that I wanted to make is that PEI is a net exporter internationally. In the year 2000, the Island exported to the world nearly \$700

million worth of goods and imported directly only 30, a little over 30 million.

The second point is that PEI is a net interprovincial importer. That's of all goods, exporting just under \$500 million to other provinces and importing over a billion dollars worth of goods from other provinces. On the services side, PEI is also a net importer of services interprovincially, importing about \$850 million worth of services and exporting about \$362 million.

The internal trade or interprovincial trade statistics are not as precise and are not as easily obtained as those for international trade. That is the reason that the numbers that I'm referring to are for the year 2000 for internal trade. So overall in that year, in 2000, PEI had a combined international and interprovincial net trade balance and goods of about \$150 million. That means exporting more than we import.

If you look at the agri-food products and here I've combined on the internal trade side, fish and seafood products with agri-food products because that was the sort of combination, the only combination that I was able to get interprovincial trade statistics for. But if you look at those products, PEI has a significant positive trade balance, both internationally and with the rest of Canada.

If you look at table 2, you will see that interprovincial exports of agri-food and seafood products were about \$330 million and they counted for about two-thirds of all the interprovincial exports of goods from the province. On the import side, the interprovincial imports were a bit over 250 million and they accounted for about 25 per cent of all the interprovincial imports.

On the international side are PEI exports of agri-food and seafood in the same year in 2000, were slightly less than \$500 million and they accounted for about 70 per cent of all of our international exports and these--and imports were negligible accounting for only about 8.9 per cent of all international imports.

If you look at another table, table 4, you'll see that the net international trade balance continues to increase between the years 1998 and 2002. The lion's share of those international exports of agri-food products are frozen french fries, fresh

potatoes, beef and pork, or cattle, hogs, beef and pork accounted for only about seven million of the nearly \$500 million of international exports. Most of the livestock and meat that is exported from the province is exported to other parts of Canada.

I think one thing to note, on the international side, we show very low imports internationally and that's partly as a result of many international imports coming into other provinces and then being distributed across the country. So they would be recorded as imports in say, Ontario or Quebec or another province, probably BC if they're Asian imports, food imports.

I want to now turn to discussion of internal trade and provide some information on the current commitments that provincial governments have made and this includes the Government of Prince Edward Island with respect to interprovincial trade and removal of internal trade barriers.

In 1994, all provinces and the federal government represented by their premiers and the prime minister signed an agreement known as the Agreement on Internal Trade, referred to as the AIT and in that agreement, government's committed to eliminate as many internal trade barriers as possible and not to create new barriers to trade between the provinces.

So that AIT came into affect in 1995, and it has governed the internal trade relationships in Canada since that time. I've provided a document called an Overview of Internal Trade Agreements that you can refer to for more information. I think for purposes of the topics that are under study by your committee, there are probably two chapters of that agreement that are most relevant. One is a chapter related to agricultural and food products and the other one is related to government procurement.

So I'll turn to just a brief discussion of those two chapters. First of all on the government procurement side, the provinces and the federal government agreed in that chapter to eliminate local price preferences and any bias technical specifications or unfair registration requirements or other discriminatory practices for non resident suppliers. So a non PEI supplier who wants to supply goods or services to the Government of Prince Edward Island and some sort of other government agencies, local government agencies has equal access to that business as a supplier in

Prince Edward Island and vice-versa across the country. That requirement or that commitment has been extended to municipalities, academic communities, school boards, health and social service agencies as well.

In addition to that, the Agreement on Internal Trade, the four Atlantic Provinces entered into what is known as the Atlantic Procurement Agreement that makes similar commitments and in some cases, provides for lower thresholds than the Agreement on Internal Trade. On the good side which is what we're talking about here today, for individual contracts that are more than \$25,000, open procurement, open and competitive procurement is to be practised. For the so-called MAIT, the municipalities, academic institutions, hospitals and so on, the threshold is 100,000. So for contracts over 100,000, they are to be openly, competitively tendered. So that's sort of a basic requirement in the procurement chapter.

The other chapter that I mentioned is the agricultural and food goods chapter and in that, part of the AIT, government's committed to removing or reconciling technical barriers to trade between provinces in, for agricultural and food products, things such as different product and grade standards, plant and animal health regulations. There was a fairly, sort of complicated process used to determine what the chapter would apply to and there were a number of technical barriers to trade that were brought under the coverage of the chapter. They included game farmed and ranched animals, blueberry maggot, UHT and sterilized milk products, semen licensing and livestock dealer bonding and licensing. There were a number of technical barriers that were deemed to have policy implications that were also brought under the coverage of the chapter and that came along a little later. It came in 1997. Things such as shipment of horticultural products in bulk containers; the absence of a Canada No. 1 small potato grade, margarine coloring restrictions and other margarine standards, standards regarding dairy blends, dairy product blends and imitation dairy products and fluid milk products, milk standards and distribution.

Those are the two chapters that are primarily relevant for your consideration in this topic. Just generally, there are sort of six general rules that the agreement is founded on and I just want to mention those. One is nondiscrimination, the right

of entry and exit for persons and goods and services, no obstacles to trade, that they aren't created. There is legitimate objectives recognized, if for some legitimate health or safety objective, a barrier is created, then that can be provided for. The fifth item is reconciliation and that is a basis for reconciling different standards and regulations, and most of this whole agreement is based on transparency. In other words, governments providing, ensuring that information is fully accessible to businesses and individuals. So that's a bit of an overview of the internal trade agreements.

A few comments, PEI has had some experience with the dispute resolution mechanism of the AIT in the farmer's dairy case where PEI was found to be violating its obligations by restricting the distribution of fluid milk. That case was settled by permitting Farmers Dairy to distribute milk to retailers on the Island. Many of the other disputes that have involved provinces are concern agri-food products. In New Brunswick, again it was fluid milk distribution with Farmers Dairy. In Quebec, it's colored margarine, preventing margarine from being coloured similar to that to the colour of butter. In Ontario, it's dairy blends and imitation products and there, Ontario prevents dairy blends and various imitation dairy products from being marketed in the province.

Lastly, I wanted to just make a few comments about how the Agreement on Internal Trade affects how government does business, I guess. When governments consider measures to assist agricultural producers, they should be examining the trade implications, internal trade implications and assess them, analyze and assess them for their compliance with the trade obligations or commitments. In addition to that, the risk of being challenged should measures be put in place whether they're a trade compliant or not.

Just some comments with respect to ideas that I referred to earlier on, sort of on the scale of the internal trade commitments. At least on the surface, the promotion of local food products would generally be compliant with trade agreements. If you were involved in, sort of with trade associations or producer associations with the promotion of local consumption, that's fine. Local preferences and buy local in the case of government procurement are inconsistent with the internal trade government procurement

obligations. If you're involved in mandating buy local at retail stores, those are likely—well certainly they are inconsistent with the spirit of the AIT and any details would have to be examined to determine whether they're not in compliance with the commitment, specific commitments that are made under the AIT.

So a final comment, given the nature of trade and the surplus trade situation or surplus production situation, that PEI is in with respect to food products, what government might do here could be detrimental to the overall industry if in fact, through production or through protection or favouring of local consumption, ends up with your products finding themselves having a harder time getting into markets outside of the province.

So those are, that's another sort of consideration that government and the committee, I expect, would be interested in taking into account and considering what it recommends to government for measures that government might put in place. With that, I'd like to thank you for having me here today and if there are questions that members of the committee would have, I'll try to answer those.

**Wilbur MacDonald (PC):** Thank you very much, Mr. Perrin. Ron, you have a question?

**Ron MacKinley (L):** My question for you is a resolution I put through to the House was right now, your major chain stores, Atlantic Superstore and Sobeys are taking in western beef and it's 100 per cent on the shelves. What I suggested, and the House did approve it, was up to 20 per cent of local beef, like Island beef on the shelves—so in other words, you're not shutting other people out, you're just asking Sobeys and Atlantic Superstore that we want 20 per cent shelf space for local beef. And then the consumers will make up their own minds when they go in, what they want to buy. Would that be against AIT?

**Bob Perrin:** If it was a measure of government, yes, I would say that that would be against the AIT because you are putting in place a measure that mandates a specific local content in the supermarket counter.

**Ron MacKinley (L):** So you could be charged under the AIT under that—there could be a complaint go in. Now how do Ontario do it? Up in Ontario, the Minister of Agriculture and the premier

of the province got together with the Sobeys outfit which owns, I forget the name of the stores, Foodland or whatever it was, and the Cattlemen's Association and the consumers found out it was all this western beef coming in and all of a sudden, Sobeys agreed then to handle only Ontario beef on the whole shelves of these particular stores. Could that be challenged up there too?

**Bob Perrin:** To my knowledge, it wasn't a measure of government. I think that government was involved in meeting with the retailer and/or convincing the retailer of the wisdom of including in their shelves locally produced beef.

**Ron MacKinley (L):** So in other words you say it wasn't legislated?

**Bob Perrin:** It's not a legislated or a regulated, regulation as such.

**Ron MacKinley (L):** You see, we failed with this government here because I asked them a year ago to negotiate with Sobeys and Atlantic Superstores to get up to 20 per cent shelf space, copy pretty well off the Ontario plan. The government didn't seem to get any success with these large buyers, maybe they never went to see them, I don't know. So in other words, if the government went and negotiated with the Cattlemen's Association and the consumers support and also the government set down with the two major chain stores and asked them to do it and they went ahead and did it, then it would be legal, would it?

**Bob Perrin:** There would be no sort of government direction, no requirement to do so. It's simply a way of doing business. You know, I don't know whether the supplier of local beef in relation to various supermarket chains is enough to accomplish the objective of 20 per cent.

**Ron MacKinley (L):** It is on PEI. It is up to 20 per cent. That means 10 per cent; it could be 5 per cent. Secondly, is on PEI, we produce 80 per cent of the cattle in Atlantic Canada and we're exporters of cattle so we'd have more than enough cattle to supply the stores here. I was hoping that would take off and go across Atlantic Canada where then all of a sudden it would take place. Now, you say you can't legislate it.

What would happen if you did legislate it and went

to AIT, who would hear that hearing?

### **Tape No. 2**

**Bob Perrin:** It would go to a dispute panel. It's a panel that's selected by the disputants. It's a three person panel that sort of examines the issue and prepares a report and then it is up to the parties, the governments involved, as to the outcome of the report and the recommendations.

**Ron MacKinley(L):** Do you work for Department of Industry here, Mike Currie's department?

**Bob Perrin:** Yes, Development and Technology.

**Ron MacKinley(L):** Are you like full time there or are you on as consultant?

**Bob Perrin:** No, I'm part-time.

**Ron MacKinley(L):** You're like a consultant on this expertise.

**Bob Perrin:** Yes.

**Ron MacKinley(L):** Alright. So in other words it could be negotiated for, in your opinion, it could be negotiated as long as it's not legislated. Means the government comes down with . . .

**Bob Perrin:** Yes, without knowing all of the facts of the situation, the likelihood of it being negotiated, you know, I can't comment on. But it is, one way of accomplishing the goal would be a combination of governments and producer interests sitting down and talking to the retailer.

**Ron MacKinley(L):** Now another thing, you have, you're a trade advisor on this because of your expertise. Who did you meet with from the Premier's office in this situation and Development Minister's office, Mike Currie's office, to advise them of this.

**Bob Perrin:** Advise them of what?

**Ron MacKinley(L):** Of how to go about to try to get up to . . .

**Bob Perrin:** I haven't been asked or it hasn't been discussed with me.

**Ron MacKinley(L):** Oh, that's fine. You haven't been asked. I just wanted to clarify that. This resolution went on and passed last summer and nobody's even asked the trade representative from Development or the Premier's office a thing about it. It's like you're using motherhood statements. We've got to do something. Well, there's a gentlemen there that has expertise and advises. And there's another thing, you can advise us what we can do and what we can't do in the rules. Now, for instance if you come out and assisted the cow-calf operators with, say \$200 a head hurt money, that could be taken up as a subsidy if it's just wrote out a cheque that way.

**Bob Perrin:** Not necessarily in the internal trade context. International trade—there are international trade rules that affect it.

**Ron MacKinley(L):** Yes, well would that affect it that way?

**Bob Perrin:** It could increase the risk of trade actions. It depends on where that and how much of that assistance is being provided.

**Ron MacKinley(L):** So let's say if we, for instance government decided that we're going to give \$200 a head for cow/calf operator to check out the health of the animals and the calves, so that's a health issue. So if they comply with whatever the government regulations are for that that wouldn't be considered international trade, would it? That's a health issue. Let's say, for instance, like the BSE, so let's say the government comes out with rules and somebody like you writes up these rules and to qualify, A, B, C, you qualified for \$200 but it's counted a health incentive, like to make sure the health is right of these animals. The details could be worked out later. That wouldn't be under the Free Trade Agreement or anything like that.

**Bob Perrin:** Well, the likelihood of it being considered a health incentive or health issue under trade rules is fairly small. It would more likely be considered to be a production subsidy towards the cost of production and depending on the nature of the subsidy it could be trade compliant or not. You'd have to examine the specifics of the program.

**Ron MacKinley(L):** But as you being an expert on this, could you sit down and come up with the

trade rules in order to fit the cow/calf operators into a \$200 assistance program that would look like it's a health reason or whatever?

**Bob Perrin:** Well, the trade rules are there. If your question is could I come up with a program that would be compliant with the existing trade rules, that may be possible.

**Ron MacKinley(L):** Alright. Now, talk about provincial, talking about the procurement agreement, \$25,000, anything over \$25,000 has got to go to tender among the Atlantic provinces, is that correct?

**Bob Perrin:** And more broadly. Atlantic Provinces plus the rest of that (indistinct).

**Ron MacKinley(L):** Yes, (indistinct). So for instance, but under food is it \$100,000? 'Cause we're talking these hospitals and stuff. Where the Premier come out and said we should get our hospitals to provide local and our jails. Under the procurement agreement they have with the three Maritime provinces, certain size order's got to go out for tender, below that doesn't. Is that not correct?

**Bob Perrin:** Yes.

**Ron MacKinley(L):** Yes.

**Bob Perrin:** And if it falls under the Atlantic Procurement Agreement, like an institution that falls under the Atlantic Procurement Agreement, it's \$25,000, the same as the agreement on internal trade.

**Ron MacKinley(L):** But if they bought, say local beef, for these hospitals and providing it was \$24,999 they could buy local beef without going out for the tender system. They would be in compliance with the Trade Agreement.

**Bob Perrin:** Yes.

**Ron MacKinley(L):** So it can be done. So the \$100,000 they're talking about, just what does that mean, the \$100,000? Is that a major work program or like if you build a building?

**Bob Perrin:** No, it would be goods but it refers primarily to municipalities. In the case of the Atlantic provinces, under the agreement on

internal trade it applies to municipalities, academic, like universities, technical schools and hospitals.

**Ron MacKinley(L):** What about paving?

**Bob Perrin:** Construction? It's \$250,000.

**Ron MacKinley(L):** Oh, it's \$250,000.

**Bob Perrin:** But the Atlantic provinces have entered into agreement that has reduced the thresholds in some cases. So the schools, hospitals, universities, are subject to a \$25,000 threshold for goods.

**Ron MacKinley(L):** \$25,000 for goods. Schools, hospitals. So in other words they could put it , providing it wasn't over \$25,000, it would not have to go out to the other provinces for tender.

**Bob Perrin:** That's correct.

**Ron MacKinley(L):** Basically what it says. And each institution would be separate. Like the Queen's County hospital, the Queen Elizabeth is separate from Prince County hospital. They're separate boards.

**Bob Perrin:** I think so unless they are a part of the Department of Health and I don't think we agreed that they are.

**Ron MacKinley(L):** No, they're separate boards. So that could be done. What's your opinion, for instance, if the Premier and them ever get off and the Minister of Development and Agriculture in trying to lobby these major stores—see one of the problems we have is the major stores, the major shopping is controlled by Loblaw's or Atlantic Superstore and Sobeys and if we can't negotiate local beef on the shelves there, that's why I went with up to 20 percent because you're not shutting other people out, you're not shutting the western beef from coming out. You're just saying it should be up to 20 per cent of local beef there—quite obviously they haven't started to negotiate with them yet because they haven't really found out the rules which they should have from you before they went to find out—but if we mandated up to 20 per cent local beef in these two major or all stores like here in PEI, would that trigger an AIT, do you think that that would trigger an AIT? Like, do you think Alberta would come in here or would it be the store, who can trigger that movement?

**Bob Perrin:** It would be the business that would request another provincial government to initiate.

**Ron MacKinley(L):** Yes but what business can request that? Would it be the packers out west or?

**Bob Perrin:** It would depend on who the measure was addressing. If it was the retailer it would be the retailer that is being affected by the measure.

**Ron MacKinley(L):** So the retailer, like Sobeys or Atlantic Superstore could go to IAIP and say this is not right, we're mandated here to carry 20 per cent beef and that would trigger it that way. Is that correct?

**Bob Perrin:** Yes, that would.

**Ron MacKinley(L):** So the only way we couldn't get into it, it would pretty well have to be negotiated like they did in Ontario.

**Wilbur MacDonald(PC)Chair:** We're running out of time, Ron. Just one quick question before I turn it over. There's no reason to say a maximum of 20. I mean it doesn't make any difference, we have 20, 30, 40 or whatever comes off the shelf. You don't have to say maximum.

**Bob Perrin:** It's the question of the measure that is put in by government.

**Wilbur MacDonald(PC)Chair:** It's the measure. It doesn't mean the percentage. If you have beef, if you have shelf space it doesn't matter. As long as it's selling it doesn't matter if it's 20 per cent, 30 per cent, 50 per cent. Andy? And this is going to be the last question because we have a lot of presenters.

**Andy Mooney(PC):** Two quick questions and one is that the list you passed out is basically seeing government record as far as the agreements of internal trade.

**Bob Perrin:** It's public.

**Andy Mooney(PC):** Exactly. So I just want to make the point to the honourable member from North River that any minister that could read could find this out without asking you on a ruling. Would that be correct? Like he wants to portray to people

that we've never inquired, the government.

**Richard Brown(L):** (Indistinct)

**Andy Mooney(PC):** Exactly, right. Anyway I just want to make the point known that some of the ministers we have asked before had said that they had concerns about internal trade because of this.

**Richard Brown(L):** Why did you hire this guy?  
(Noisy, members talking at once)

**Wilbur MacDonald(PC)Chair:** Order. Order please. Let the question be asked.

**Andy Mooney(PC):** Anyway, my next question is, and the reason you would be hiring no doubt is to find ways around some of this basically to help on issues. So when you look right now and I've got grave concerns on our cow/calf operators and I've talked to a lot of fellows out our way and there has to be some way to get money to these people to keep them in and I know you look right now, the federal government has a \$7 billion surplus they're talking. They've put hundreds of millions out on a sponsorship program. This gun registry's over a billion. So I think they've got money to put out.

Is there a possibility that you could maybe accompany a minister to Ottawa if they're on the hunt for money for cow/calf operators to outline ways that we can get money to our operators without breaking any of these rules because the bottom line is, I mean they use every excuse for not supporting our cow/calf operators. They've got money for everything else. The bottom line is our cow/calf fellows are not going to be in business much longer unless there's some kind of support so is that a possibility as far as coming up with some kind of a scheme.

I agree with the honourable member from North River-Rice Point. We've got to get money to the cow/calf operators. They're not going to be in business much longer if things don't change. So I guess my question is, is there a way of writing something up and send you off to Ottawa with one of the ministers to—not blaming Ottawa but they've got \$7 billion and they're throwing money at everything else.

**Richard Brown(L):** You're throwing money at everything else too.

**Andy Mooney (PC):** And the thing is I think that they should put money in something like this because time is of the essence really.

**Richard Brown(L):** (Indistinct)

**Wilbur MacDonald(PC)Chair:** Let Bob answer it and then that's the final question.

**Bob Perrin:** Yes, certainly I am willing to examine, you know, various proposals and provide advice in terms of consistency with trade rules and also the risk, I guess, some estimate of the risk of being challenged under some of those trade rules of, you know, various assistance programs that might be considered. And I can do that, sort of in co-operation with local officials and also with other trade officials that I can also get advice from.

**Wilbur MacDonald(PC)Chair:** I'm going to cut you off, Andy, I'm sorry .

**Andy Mooney(PC):** Okay.

**Wilbur MacDonald(PC)Chair:** Because we're way past and we do have a lot of presenters. Robert, would you be available to the committee for advice at any time?

**Bob Perrin:** Yes, certainly.

**Wilbur MacDonald(PC)Chair:** Okay. Thank you very much for coming, sir. I'm sorry to cut us off but we do have a number of presenters and we have Clifford McKenna and I wonder if Clifford and Tim Dixon would both come to the front. Is that okay? I know you each have a different to present but maybe you both present your thing and then we could ask questions of you both.

## **Part II: Clifford McKenna & Tim Dixon**

**Tim Dixon:** Good afternoon, honourable members and guests. I'm Tim Dixon. Agriculture is the economic engine that drives this province. As agriculture goes so goes the Island economy. The provincial government realizes this and these hearings are a step in the right direction. It shows that they understand there is a problem and I commend them for taking the initiative to start debate on the subject.

Thank you for allowing me this opportunity to

express my opinions on the state of our industry and ways that I think can change the primary producers bottom line in a positive way. I do not think or want you to think that I am an expert on this topic. I am far from it. But I feel as the future of agriculture, that the views of youth should not only be heard but listened to as well.

My presentation will deal with the shrinking profits of the primary producer and ways that I feel we can try to get them back. There will be three main categories; changes to the industry, changes to government and their policies and changes to the consumer.

Changes to the Industry - Like it or not Prince Edward Island is unique and unique in many ways—red soil, blue water, clean air, our rural laid-back lifestyle and environmental conservation. With all these incredible marketing tools we should not and cannot compete with generic products from around the world. We need to market what we have to all of its potential and capitalize on the consumer's desire to have their food come from places as clean and natural as this Island. Spending thousands and thousands of dollars on promotion of our commodities just to sell them for below the cost of production does not make sense. How is this getting anybody anywhere?

I feel there needs to be a change in the thinking of the leaders of our commodity organizations. They have to realize that due to topographical, geographical and political situations we simply cannot compete with other areas of the world in terms of cost of production. We need to seek out high end markets that have higher returns to the producer. Perhaps there aren't enough of these markets for all that we produce. Then perhaps we should cut back. I do not understand how continually selling into an oversupplied marketplace for a price below the cost of production makes any sense.

I recently spoke to a member of the PEI Potato Board and asked him about the advertising campaign for the 2003 potato crop; what were the themes, how much was it costing and what was in the ads that make PEI potatoes different? He replied he could not remember. The days of our products selling themselves are over. Marketing and promotion have to be front and centre in the minds of everyone involved in their respective commodities. We have to make people want to

buy our products. Maybe as a province we should all go natural or go all organic or GMO free. It certainly would give us an advantage in the marketplace.

Changes to Government and their Policies - I don't know where to start here. The federal government's cheap food policy has done so much detriment to agriculture that I don't know if it will ever recover. How could they ever think that we could compete equally with producers from other countries when the governments in these countries provide subsidies of up to 500 per cent per capita greater than that of Canada. All we ask for is a level playing field. It is very disturbing to me how anybody can expect us to overcome hurdles like this. When I hear people tell me to become more efficient I am beginning to think they mean moving to the United States or the European Union where their governments use their tax money very efficiently by subsidizing their farmers.

In regards to the BSE crisis, we all know that it is a political game as the science shows that the risks are absolutely minuscule of someone catching the human form by eating Canadian beef. The price producers are receiving for their product has dropped drastically yet the consumer is still paying high prices in the stores. Currently I believe that some of the processors are under investigation for price gauging and hopefully this won't get swept under the rug as much money has been made on the backs of producers.

The price farmers are being paid for their cull cows is so minimal that many are just not shipping them. The cull cow program announced by the different levels of government should increase the amount paid for each cow in an effort to get rid of most of the older cows that would have been around before the feed ban was put in place.

Having lived through the experience of dealing with the US government on PVYN and the potato wart, I know the delays and hoops that they will put you through before they decide when it is to their advantage to allow us back into their borders. That is why I do not hold out much hope of a complete lifting of the ban on live cattle exports to the US any time soon. Perhaps we should test every animal, remove all animal by-products from feed and get back into the Asian market. We could take over the US market share in the far east as well as get our old markets back. Our prices

would rebound, regular exports would resume and the cost of testing every animal and animal by-product disposal would be much cheaper than the compensation paid out in a loss of income tax revenue due to the reduced farmer's income.

Minister MacAdam has a very good commercial running on television these days. He is absolutely right in saying that we are the leaders in environmental sustainability. However, farms will not continue to be sustainable unless we start to see economic benefits to these changes. We, as stewards of the land, know that we must take care of it. There's no argument there. But the ever increasing requirements put on the landowners to appease the public cost. We are competing in the market place with products that come from areas where people make pennies a day, let alone have the added inputs of buffer zones, environmental farm plans, soil conservation practices, crop rotations, on farm food safety and fencing of streams. The bottom line is, if we don't benefit from these "new realities of farming" then we cannot afford to do them. If the consumer wants them they will have to support them by supporting us.

You as legislators hold a lot of power and your actions dictate the course of this province. Therefore I have five questions I will put to you.

1. There are laws for workers compensation, minimum wage and statutory holidays. Why not for minimum income?
2. Why is it that a night out of entertainment will easily cost \$50.00 and people don't blink an eye. A bag of chips, a chocolate bar or a bottle of pop each cost about a dollars but people expect healthy, life giving staple food like potatoes, pork and carrots to be basically free?
3. What food product other than potatoes can you buy 50 pounds of for \$5.00 and feed a family of four for one month?
4. In the past year or so car insurance rates have risen dramatically and the government took measures to legislate caps on pay outs. Why can't the same be done to legislate shelf space in grocery stores for local product?

Now I realize that question is a little bit mute now because of the last speaker but I'm sure Mr.

MacKinley realizes too that he heard about the Potato Board going to Ontario and trying to get shelf space there and he was told the stores would not take PEI product until the Ontario product was gone. Well, there must have been incentive for them to do that, from the Ontario government. Number five and most importantly.

5. You can give yourselves raises, why can't you give the farmers one?

Changes for the Consumer - Consumers drive change. What they buy is what will be on store shelves. There are less and less farmers and more consumers all the time. We have to get the consumers to understand our plight and get them to fight for us.

We need to educate consumers that retailers and processors have gone from taking 60 per cent of their dollar and farmers 40 to an 80/20 split. We need to let them know that in many cases they are purchasing hamburger from Brazil or asparagus from Peru. We need to educate them that BSE is not found in any of the muscle parts of the animal, only in the nervous tissue and that none of this goes into the food chain. We need to make them realize that the demands they are putting on us to keep their food clean, healthy and environmentally safe cost and therefore if they want to have a perfectly kept backyard they need to pay the gardener. Do we not deserve the lifestyle of the average Islander? That's hardly an unfair expectation.

It is very hard to watch our farm become less and less viable each. The Dixons have farmed in North Tryon since 1916. I am the only one of the fourth generation to take over and I feel tremendous pressure as this is the first time in history there has been financial hardship.

I realize that nothing stays the same and that change is constant. I consider myself as progressive and understand that things have to change to meet today's demands. Where those demands come from and their effects are what bother me and if changes are not made soon as to how food is produced and consumed then these changes will inevitably lead to the extinction of farming in Canada.

Consumers have to realize that they need us as much as we need them. They have the

power-buying power. If they understand that we need changes to survive then they will dictate that in their buying choices. Maybe then, money will talk.

**Wilbur MacDonald(PC)Chair:** Thank you very much, Tim. Clifford, do you want, have you have got a presentation or just oral.

**Clifford McKenna:** I didn't make one up.

**Wilbur MacDonald(PC)Chair:** That's okay.

**Clifford McKenna:** I have some things on my mind.

**Wilbur MacDonald(PC)Chair:** Let's hear them.

**Clifford McKenna:** Before the BSE started we had all kinds of markets for our cattle. The big Holsteins, we were sending them to Moyers in Pennsylvania and other slaughter houses in the United States. At that time we were getting \$14 to \$1600 back out of a Holstein steer. When the BSE issue come the only place we had to send them big, heavy cattle or them cattle that are over 30 months of age is the sale barn in Cookstown, Ontario, or an auction barn of that sort. Then cattle were bringing some producers back two and \$300 a piece. They bought these cattle two years ago. They paid \$600 for them when they were 600 pounds. They fed them for two years and they're getting two or \$300 for them now. And the same as our aged cattle or cattle that have the full set of teeth that the experts say are over 30 months of age. They're bringing 20 and 30 cents live weight where the cost the farmer \$800 to \$1000 whenever he bought them. And they can't go on. You can't keep doing it.

Now the banks have been good to us or to our operation. They give us more money to operate with and that kind of stuff and carry us on but, you know, sooner or later they're going to say enough's enough and we're not doing that any more. And somebody has to do something.

**Wilbur MacDonald(PC)Chair:** Okay. Anything else? Well, maybe as we ask questions and I'll turn it over for questions from the members. Just before you start I think there's two things I want to change, Tim. I do believe there's a law in Canada that you can't put animal waste into food. Is that not true? Isn't that what Bob, the federal minister

said in Summerside that day? So animal by-products are no longer being put into food for animals but there is a possibility I understood that it goes into chickens, is it?

**Tim Dixon:** And hogs as well.

**Wilbur MacDonald(PC)Chair:** And hogs as well. Okay. I think there's a difference between the makeup of a cow and a hog.

**Tim Dixon:** But there still is animal by-product being fed to some animals.

**Wilbur MacDonald(PC)Chair:** To some beef?

**Tim Dixon:** To some animals.

**Wilbur MacDonald(PC)Chair:** Oh, yes, but not to . . . and there shouldn't be to any. I agree with you.

**Ron MacKinley(L):** Wilbur, just a second to clear that, if you go to the Bangor paper, I guess it was in, they tested feed—I was phoned up from down there—they tested the feed in Bangor and . . .

**Wilbur MacDonald(PC)Chair:** Canadian feed?

**Ron MacKinley(L):** Yes, Canadian feed, they tested Canadian feed. Six samples out of eight there was animal blood in the feed or something. What you can do and what you can't do is yet to be seen.

**Wilbur MacDonald(PC)Chair:** Questions to, members. Andy?

**Andy Mooney (PC):** I just wanted to make a comment. I think your presentation is right on the money. I agree with basically everything in it. I don't know what it's going to take to change things but the bottom line is it's, consumers expect, you know, the very best of everything but the bottom line is in order to ensure that people can keep producing they have to pay for it and one comment, to Clifford, there's a producer up our way that had a animal he had shipped to a kill plant which was inspected and this was a bucket fed animal that he knew the exact date of birth, the whole issue and anyway it grew that extra set of teeth a little early and anyway it had to be completely deboned, like the t-bones, everything were gone. And it was a animal that he was

selling custom. When he went to pick it up basically because when the vets inspected they didn't question the age, they just thought because it had the teeth they put her at 30 months and the thing was a lot younger than that so he got virtually nothing for the animal. So there's some of them cases where animals are being shipped and the inspectors inspect them and they stamp her over 30 months and a lot of times they're not. So it's a frustration.

### Tape No. 3

**Wilbur MacDonald (PC) (Chair):** We have Richard, Ron and then Wilfred and then Eva.

**Richard Brown (L):** Thank you, Mr. Chairman. First of all, I want to thank the two presenters.

**Wilbur MacDonald (PC) (Chair):** Can I ask you to keep your questions to the point and not too long?

**Richard Brown (L):** Thank you, Mr. Chairman. First of all, I want to thank the presenter. It was a very good presentation. You seem like a young ambitious person and you're fourth generation, you said. Are you getting pretty discouraged and you're just saying, why am I in this at all?

**Tim Dixon:** Yes.

**Richard Brown (L):** And is there a lot of your buddies your age farming saying the same thing? Like are you ready to say, I'm moving onto something else?

**Tim Dixon:** There's definitely a lot more talk.

**Richard Brown (L):** Is that right? Among your peer group?

**Tim Dixon:** Yes.

**Richard Brown (L):** Well Mr. Chairman, this is the generation that's going to lead us into the next ten or 15 years and if these people are that discouraged at this point in their life and willing to move onto something else, we better be doing something. How much longer do you think before you just say, to Hell with it?

**Tim Dixon:** I don't know.

**Richard Brown (L):** Are you willing to go. . . .?

**Tim Dixon:** I probably would, yeah, I shouldn't but I probably would just because of the history of the farm and that's what I like to do.

**Richard Brown (L):** So you're there more for the history of the farm. . .

**Tim Dixon:** No, I'm not there just for the history of it. I like what I do and I really enjoy it and that's what I want to do. But I probably would stay longer than I should.

**Unidentified Member:** Probably would depend on how good a banker. . .

**Tim Dixon:** Yeah, that's what makes it. . .

**Richard Brown (L):** Thank you.

**Wilbur MacDonald (PC) (Chair):** Ron?

**Ron MacKinley (L):** You're quite right. They were told, the Potato Board there was told that they couldn't get any shelf space when Ontario was done. I know Hayden Produce were told that they couldn't use as many potatoes as they did before until Nova Scotia was cleaned up, like in the same type of markets.

So the bottom line here is the farmers—and it's good on your environment because that's all good stuff - environment, buffer zones, environment, fence cattle out of brooks but the reality is you say we cannot afford to do them. The consumers is, the government in the Province of Prince Edward Island put these rules in and if you watch Alberta which the beef in Sobeys or Atlantic Superstores, they don't have them rules. They don't have to fence their cattle out of brooks.

I was watching TV the other night; it was Saskatchewan and they were advertising about the great area to raise cattle and I saw a fence in a brook and I said, oh they got to fence their cattle out of the brook but it was separating the pastures. The cattle were on both sides of the fence in the brook. So . . .

**Tim Dixon:** I'd just like to make a comment on that. I'm not trying to stick up for anybody in particular here. But I believe that the fencing cattle out of streams is a federal law. It's a federal

fisheries law so that does go right across Canada.

**Ron MacKinley (L):** Well if it's a federal law, how come it's law—we put a law here through the Legislative Assembly and how come they're not charging anybody out in the west and Alberta.

**Tim Dixon:** That's a good question.

**Ron MacKinley (L):** They do the enforcement—I think what's going on, the federal government, if you want to get into it, it is a law. It's been on the books for years. The province does the work and the federal government does the enforcement of those regulations where other provinces aren't.

I'm not saying anything about fencing the cattle out of brooks but the farmers have gone through all these extra costs.

**Tim Dixon:** Yes.

**Ron MacKinley (L):** And you can't even get your beef on the shelves in your local, Island stores, there's something wrong.

**Tim Dixon:** I know.

**Ron MacKinley (L):** I mean, Mr. McKenna, you told me you had to fence some cattle out of the brooks or something. How many cows—you had a cow/calf operation or something?

**Clifford McKenna:** Yes.

**Ron MacKinley (L):** What roughly do you figure that cost you extra just to do that?

**Clifford McKenna:** I don't know, but the cost is going to be maintaining the fences, not putting them up really. Every year, they're going to have to be fixed and mended and so on.

**Ron MacKinley (L):** Timmy, you really got a good report here and it's good to see young farmers coming forward. You got some good recommendations here. But what do you think should be done for this committee is because I put a resolution to the House and the majority of the people in the House supported it, was to look into the prices affecting the beef operators and the BSE. What do you think should be done for the cow/calf operators in the immediate future? I'm not talking these long term plans. But in order to

get you over the hump, what do you need to get over the hump? I'll give that question to Mr. McKenna and Mr. Dixon. What do you think government should be doing?

**Clifford McKenna:** The cow/calf guys, the calves were cleaned up from last fall and they're gone, right? Their turn will be coming this fall because the guy that bought them calves, he was speculating that the border was going to open, right? Like a lot of us, we pay too much and that was when the A's looked like they were going to the 1.50 and 1.55 and whatever, well now they're back down to \$1.30 and they're going to go lower and the feedlot guys say, okay like I can't do this again right? I got to buy them calves cheaper and then next fall the cow/calf guy is going to get hit and he's going to get hit hard. Because if you don't buy them replacement cattle for 40 or 50 or 60¢, to have your three or \$400 margin to finish them, they're not going to do it no more.

They already gambled on it last fall that the border was going to open and things were going to be good and I don't know. And if a compensation package does come out, it can't come out for the slaughter houses like the last one. When the last one came out, the A's were running around at \$1.45 or \$1.48, they announced 350 or \$450 or \$500 a head subsidy, but just boom, the beef dropped down to 45 and 50¢ a pound. So the money went right straight to the slaughter house. The producer didn't get it. And when you do it, I'm quite sure you will come up with some money for us or there won't be any of us left or we won't be around anyway, that you know, it's got to go to the farmer himself. And I don't know how you would go about spreading it out. If you would come out and count how many cattle he's got and give him x amount of dollars or come up with some kind of a program that way. But if it's distributed the way the last ones were distributed, the slaughter houses are just going to take advantage of it and they're going to drop the price of the cattle on the rail and the farmer is going to have no benefit of the money.

The last time that one of those programs came out, they said that they had \$400,000 and they were going back to the first of September. But geez, it was like a phone in contest. Whoever phoned in first and got the number, that's who got the money. Instead of them saying, okay, you shipped 2,000 cattle in that period, instead of

giving everybody \$100 a head, they said, okay, we're giving everybody, whoever phones in first and gets the number, they're getting 350 bucks a head. Them fellows who didn't phone in, that were busy working in the fields or didn't hear the advertisement on the radio or however it came out that phoned in three or four days later, they didn't get any money. And I don't think that that was any fair way of that money being distributed at all. If you happened to be late phoning in, then you didn't get a number and you didn't get . . .

**Ron MacKinley (L):** Mr. McKenna, I requested that list of the 432,000 from the Minister of Agriculture in the House because there was a lot of talk about it, how it was done, just like you're talking about and he said he'd produce the list and then he came back and said, no, he couldn't produce the list but he'd show it to me to verify it because that was right around election time or something when that list—money was given out and anyway, so then the minister came back about a week later and said, oh well, I can't even show you the list. So that's hidden money. He just wouldn't show it. They can refuse to show it. When I wanted. . .

**Clifford McKenna:** It should be public information though, shouldn't it? Whoever got the funds should . . .

**Ron MacKinley (L):** Not with this government, they want everything kept behind closed doors. Cause I asked for transcripts and transcripts of it and he tried to say I was on a fishing trip. Well I wasn't on a fishing trip. I was there because I was picking this up through, right from Tignish to Souris people were asking me where did this 432,000 go and who got it? For all we know, it could have been just a few Tory supporters got it. That's what it sort of looked like to me. I know, but it's a serious thing when you take out that kind of money.

In Ottawa, they missed \$100,000 million and there's a big to-do over it in Quebec. Well you know, there's all kinds of things here that happen the same way and it's just shut down. Like the committee, they shut the committee down yesterday when we wanted to look into Polar Foods. You talk about Mr. Mooney had no money, he had about 20 million for Polar Foods there; you got \$2 million up west in the Call Centres that's going to close down. I could name off millions.

**Clifford McKenna:** Is that list private? Is it a confidential list?

**Unidentified Member:** Yes.

**Wilbur MacDonald (PC) (Chair):** I think it is because of the Privacy Act. You'd have to have permission from each farmer to produce your name. Like you can't phone in and find information on some individual anymore because it's been misused in the past. But I guess if everybody agreed to have their name published, it could possibly be. Under the Privacy Act that was passed a number of years ago. . .

**Ron MacKinley (L):** That Privacy Act doesn't affect that one at all. The minister can refuse to give you the names or not.

**Wilbur MacDonald (PC) (Chair):** Anymore questions, Ron?

**Ron MacKinley (L):** No, that's it for now.

**Wilbur MacDonald (PC) (Chair):** Okay, Eva?

**Eva Rodgerson (PC):** Again I want to thank you for the presentation. I know what you're saying about going to the store and getting a bag of potatoes. When I look at it and see a bag of apples for 4.99 a dozen and you get a whole bag of potatoes. It just makes you feel kind of heart sick. I had an opportunity to work in the . . .

**Tim Dixon:** That's the price that the store is selling it.

**Eva Rodgerson (PC):** Yes.

**Tim Dixon:** We just finished doing 3,600 in 55 lb bags for Russia and we got \$1.65 for 55 lbs.

**Eva Rodgerson (PC):** Yes, but I guess the question that I have and I know this is something I've been struggling with is question no. 5. Have you any suggestions on how we, I know they said how we can give the farmers a raise, now right now with say, whether it's the hog or the potatoes or the beef, I think we're struggling as government because we get different points of view from whoever you talk to. What's the best solution? I'm just wondering if you have any solutions for us and how we can address this?

**Tim Dixon:** No, I know it's a hard problem and I don't know what to do. But it just really bothers me that it just seems to be that small business owners, business owners in general don't seem to have any kind of protection there for them. Like people who work for the government or any other individual, they always have these things to fall back on. We just don't seem to have any.

**Eva Rodgerson (PC):** I know, like if you belonged to an union or a negotiating group. And when I looked at, and I guess I've been dealing a lot with, for example, a lot of potato farmers, my look at—like in 1993, we had 87,000 acres. You know, here in the year 2003, we've got 113 and we don't have any markets for probably 40 per cent of them. Then when I listened, I read your comment there about the Potato Marketing Board and look at the powers they have to try and work with us. I guess I'm even struggling because we're not even getting a direction from them as to how we can even help resolve this. So I guess as a committee, I think we're here looking for some direction too. What is the best way to go? Because we really certainly need the farmers' in this province and this country. And I thank you for your presentation.

**Wilbur MacDonald (PC) (Chair):** Fred and then Wayne?

**Fred McCardle (PC):** Thank you, Tim and Clifford. It's nice to see you today. Tim, you say you got nothing to fall back on. Well when I started farming 28 years ago, there was nothing to fall back on. But today, you have a CAIS program. Will that put some serious dollars in your pocket?

**Tim Dixon:** It won't be serious dollars, no. Especially NISA especially—now CAIS is a little different but especially when you have mixed commodity farms, usually you don't have big enough margin drop for anything to come into affect. I guess what my wish would be if the governments would put as much time and effort and money into trying to fight trade rules and finding markets as they would into these insurance programs, I think that would be much better, well spent.

**Fred McCardle (PC):** Well government does put a lot of money into those programs?

**Tim Dixon:** Yeah, too much.

**Fred McCardle (PC):** That CAIS program is a good program for a lot of farmers.

**Tim Dixon:** But I think if they could just work on getting some of these trade rules opened up so that we can go with some of our markets for there so we're not getting dinged by other countries for having trade violations all the time. We'd be better off. We don't want government handouts. We just want to be able to sell our product.

**Wilbur MacDonald (PC):** Okay, Wayne?

**Wayne Collins (PC):** Thank you, Mr. Chairman and Mr. Dixon, I'd like to make reference to one comment you made and ask you a question about that and perhaps you could expand a little bit further on it for me. We had PVYN. We had potato wart and we now have BSE to cope with. We've seen our major agricultural commodities fall victim to really global circumstances, if you will. A glut of hogs, a glut of potatoes, a disease discovered somewhere which people have the minuscule opportunity of ever coming down with the actual disease and I agree with you too, I think it's a real ruse that's being perpetrated here regarding BSE and its consequences to the human population. I think it's way exaggerated.

However, you did make reference here and I talked about this global marketplace that seems to fail the Island farming community on far too many occasions. You spoke about high end niche markets, selling hopefully product that's been produced in what we would call a safe, sustainable manner. How much thought have you and other young farmers that you speak to, given to this idea? Because we often hear, maybe are we on the (Indistinct) of maybe a real change in the way we conduct agriculture on Prince Edward Island? Do you really see it as more of a dalliance here? Do you see that this move towards a different type of farming, whether it's pesticide-free, antibiotic-free, creating this safe food markets. Is this a pipe dream? Or is there really in your opinion, a viable alternative?

**Tim Dixon:** In my opinion, I think that is the way things are going. As I said in my presentation, the consumers drive the change and that's what seems to be on the consumer's mind these days is to have the best product they possibly can get and I think that that's what, the way we should be moving it. I also mention that maybe our

commodity groups are a little bit slow to move that way but I think if we can stay in farming the young people will be eventually maybe changing their minds a bit.

**Wayne Collins (PC):** You did make that comment under the heading of the commodity representative in terms of the industry, what they should be doing. And I'm wondering, have you brought this idea, you and others, to your respective commodity groups, whether it's the Cattlemen's Association or the Potato Marketing Board and others and what kind of a reception are you receiving if you've done that?

**Tim Dixon:** I've spoken to my representative on the Potato Board and he understood me but I don't know if he's still thinking on my lines or not. The Cattlemen's have been very good to move forward. We've got the Atlantic Tender Beef Classic Program going and that seems to be going very well. It's kind of moving us in that direction.

**Wayne Collins (PC):** Thank you very much.

**Wilbur MacDonald (PC) (Chair):** Okay, Wilfred?

**Wilfred Arsenault (PC):** Thank you, Mr. Chair. First of all, you guys did an excellent presentation here. Tim, I do respect the fact that you've chosen such a profession. I think you're very courageous especially under today's conditions but you do ask some questions here, very good questions and right to the point. But my question is this, if the border opened tomorrow to the U.S., would it be the start of a medium and long term solution to the beef industry?

**Tim Dixon:** You mean in regards to, like all the ill effects of BSE going away?

**Wilfred Arsenault (PC):** Yes.

**Tim Dixon:** Yes, I think so. Clifford, do you?

**Clifford McKenna:** Yes, it would be.

**Wilfred Arsenault (PC):** So that's the real carrier? Okay.

**Wilbur MacDonald (PC) (Chair):** Well I certainly want to thank Clifford and Tim. I think it's really good to hear from the producers and I appreciate very much you taking the time to come before us

and we hope that some of the ideas that you presented will be in our report. I'm really pleased to see you both. Thank you very much.

**Tim Dixon:** Thank you.

**Clifford McKenna:** Thank you for listening.

**Wilbur MacDonald (PC) (Chair):** I'd like now the PEI Cattlemen's Association, Darlene Sanford, Duane MacDonald and Gerry Richard.

**Part III - PEI Cattlemen's Association** - Darlene Sanford, Duane MacDonald, Gerry Richard.

**Darlene Sanford:** I would like to thank you, firstly, for the opportunity to come before you today on behalf of Island beef producers to express our concerns about the issues facing our producers and to present some direction as to where we see our industry going.

**Wilbur MacDonald (PC) (Chair):** Darlene, could you just up the voice a little bit. People at the back can't hear you and they want to hear you.

**Darlene Sanford:** Okay, we will begin today with some background information about our association, how we got to where we are today and where do we go from here and how we plan on getting there. The presentation is being circulated to everyone.

We'll begin with some background information. The PEI Cattlemen's Association was organized in 1976 to represent Island beef producers. The association was incorporated in 1991 and acts as a Commodity Group designated pursuant to the Natural Products Marketing Act. The PEI Cattlemen's Association also represents Island beef producers nationally through membership in the Canadian Cattlemen's Association.

Our current members on our Board of Directors are myself, Darlene Sanford as president. Our vice-president, Duane MacDonald to my left. Our secretary-treasurer, Glenn Campbell, who could not be here today. We have directors, Daniel McLure, Cameron MacDonald and Gerry Richard to my right who are here today. We also have our Industry Development Officer and Staff Person, Rinnie Bradley who is here with us today.

The Mission Statement of the PEI Cattlemen's Association is to provide leadership and support

for the PEI beef industry as it reaches its potential. The association will foster profitable, environmentally sustainable beef production through vigorous leadership, representation, education, co-operation and promotion.

How We Got To Where We Are Today - the PEI Cattlemen's Association was formed to provide a unified voice for Island beef producers. Through its history, it has worked with beef producers to improve the quality of beef products and to ensure a sustainable and profitable industry. The last ten years have seen the greatest amount of change for the PEI beef industry and presented some of its largest hurdles. With beef sales on the decline throughout Canada, the situation in Prince Edward Island was no different. Consumers were choosing alternate sources of proteins for a whole variety of reasons. The lack of consistency at that time approximately ten years ago that we had with our local product was just one more reason to encourage consumers to choose a different protein.

The enjoyable eating experience that's anticipated every time consumers purchase a cut of beef at the grocery store didn't materialize in some cases. The variation in individual feedlot rations was partly to blame for that and the resulting decline in marketing opportunities forced producers to take a hard look at their industry. The formation of the Maritime Beef Development and Marketing Group was a turning point. With representation from producer associations, governments, retail and packers, this group was tasked to research and develop a local branded beef product. After a lot of work and a number of years, Atlantic Tender Beef Classic was the branded product that the group presented.

This branded product aimed to provide consumers with a premium quality beef cut and a fabulous eating experience, not just once in awhile but every time they ate beef. Through brand specifications linked to feed rations, carcass quality traits and specific processing requirements, this was achieved. Consumers didn't want double their money back. There was, the retailer did have a special that if consumers bought a cut of beef, brought it home and cooked it, and they weren't happy, they could have double their money back. Consumers didn't want that. They simply wanted more beef. They wanted more of this branded product. The Canadian Council of Grocery

Distributors agreed with that and recognized Atlantic Tender Beef Classic for its innovation, taste, quality and benefit to consumers with the Grand Prix award for the best new product in the perishables category.

A beef industry poised to grow into a Maritime market where consumers eat more beef per capita than anywhere else in Canada required the infrastructure to provide a supply of cattle to meet this growth. Two co-operatives were formed to help producers meet this challenge. A Feeder Co-operative with the goal to increase the number of cattle on feed and a Cow/Calf Co-operative to increase the size of the production herd.

The announcement by Hub Meat Packers of a business realignment and the discontinuation of beef processing at their Moncton facility threatened the survival of this branded product. Maritime beef producers and their partners were determined not to lose the new inroads they had made into their domestic market and alternate arrangements were made to process the branded product in Ontario.

As producers were dealing with the loss of a local processor, the question of constructing a local producer owned beef plant was raised. The time line of a study to determine the feasibility of constructing such a local facility was accelerated. At several stages through the process, producers were asked the question and they made their intentions clear on every occasion. The process should continue to the next stage and that producers wanted a local processing facility if that was at all feasible. The formation of a producer, retail and government partnership was one step towards the realization of that goal.

Just when the future began to look a little bit brighter for producers and plans for this new processing facility were being put in place, Canada confirmed its first case of BSE and this threatened to destroy an entire industry. Export markets were closed. Domestic markets became completely dysfunctional. Producers were at a loss to make marketing decisions when they didn't have the information on what prices cattle were being sold at. They simply couldn't get the information to make the decisions they needed to, and there was no certainty in the future of the beef industry. Cash flow ground to a halt but in spite of the current situation, producers with some assistance

from government at the time, demonstrated their commitment by purchasing more than the minimum number of hooks required for this project to move forward.

In the year that will be remembered as the year that most any beef producer would like to forget, producers put their faith in the future of their industry, much like consumers put their confidence in Canadian beef products. The preparation done by various Canadian agencies in anticipation of a major disease outbreak and the process that would be followed with such an outbreak, resulted in positive outcomes. The horror stories were quickly smothered with facts and figures from experts in human and animal health.

The resulting gain in beef disappearance figures confirmed that Canadian consumers knew the facts and they had faith in the Canadian beef industry. The partial reopening of the US border to boxed, boneless beef from cattle under thirty months of age was unprecedented. No other country reporting a case of BSE has ever regained export markets as quickly as Canada did this summer with the boneless beef. The pressures applied from both sides of the border and the previous relationships that existed between producer organizations helped to accelerate the legislative process and resulted in a shorter comment period on the proposed rule to reopen the US border to live cattle.

The unfortunate, yet not totally unexpected discovery of a second case of BSE that was traced to a Canadian herd has delayed the process. With the termination of the US investigation and the resumption of the policy making process in the US, Canada continues its efforts to reopen international borders. The strengthening of the Canadian beef industry with increased surveillance and new regulations will make our industry stronger through our acceptance of the responsibilities that come with food production.

**Gerry Richard:** The daunting task of transmitting all of these changes to producers and helping them to adjust falls to provincial producer associations. One of the ongoing issues effecting the work of the PEI Cattlemen's Association, was the lack of funding from within the industry to support initiatives from the association. This industry funding was extremely important in securing additional funding. In order for the

association to fund these initiatives, they voted to have a levy imposed. A producer came a member of the PEI Cattlemen's if he or she had paid a levy in the previous 12 months. In the event that no levy had been remitted, a \$5 membership fee could be submitted. A \$1.50 levy collected by the Cattlemen on slaughtered cattle within the province wasn't sufficient in securing funding from other sources.

So in January, 2001, the membership voted to increase the levy to \$4. Once the new levy system was in place, the Cattlemen was able to secure Transitional funding and ADAPT funding for various projects. Currently, the Cattlemen has access to Beef Development Funding with support of the provincial government, and some of the projects that have been carried out in the past are:

- ~ The development of the weaning weight program;
- ~ The establishment of a free to producer Island-wide dead-stock removal service;
- ~ Bull test stations;
- ~ Premium sires;
- ~ Cattle identification programs;
- ~ The implementation of the PEI Cow/Calf Co-op and the PEI Feeder Loan Co-operative.

Beef Development Funding has enabled the Cattlemen's Association to assist in various research projects such as the:

- ~ The Economic, Environmental and Consumer Impact of Beef Finishing Systems for PEI today and in the future;
- ~ Potatoes in Finishing Rations for Cattle and the effects of Final Weight Carcass Weight;
- ~ Assessment of Ultrasonic Imaging at the time of Weaning as a Predictor of Traits at Slaughter;
- ~ Fatty Acid Composition of Locally Produced Feed Stuffs;
- ~ Beef A Healthy Food Choice.

Cattle production provides opportunities for PEI producers to add value to farm grown grains, forages and potato byproducts which are the result of the environmentally sustainable practice of a three-year crop rotation. In addition, valuable manure is used to enhance the soil for general crop production. Additionally, PEI cattle production results in jobs in all sectors of the economy including: transportation, feed production, herd health, processing, marketing, construction, finance, etc.

## Tape No. 4

### Gerry Richard (continued):

The PEI cattle industry is characterized by the cow calf, background and feedlot sectors. With the availability of grain and the surplus of potato by-products, PEI has solidified its position as the feedlot of the Maritimes.

~ PEI produces 80 per cent of the 22 per cent of the beef consumed in the region. That results in the need to import an additional 78 per cent of our retail beef from other regions of Canada.

~ Consumer confidence remains one of the most important factors in the success of any commodity. The challenges facing the beef industry in this area have continued on a regular basis.

~ The change in dietary habits of the 1980's led to a decline in the consumption of red meat. The beef industry saw a reduction of its share of the protein market in Canada.

~ With the immediate access to media from across the globe, consumers were inundated with views of such events as the devastation of the outbreaks of Foot and Mouth disease in Great Britain, and yet the average consumer has very little knowledge of present day farming.

~ Most children growing up in Canada today have never been to visit a farm with the urbanization of rural Canada this trend will continue. It is because of these shifts in population that the agricultural industry is re-examining agriculture awareness and agricultural education in the classroom. The PEI Cattlemen support the efforts of such organizations as PEI Agriculture Awareness, by sponsoring the annual Open Farm Day which gives the general public a chance to visit Island farms and 4-H which encourages the participation of children and youth in agricultural programs.

PEI beef producers are a resilient group considering the economic and environmental demands placed upon them. In their quest for global markets, they have had to compete with:

- ~ unfair US subsidies;
- ~ high transportation costs associated with their

geographic location;

~ increased economic pressures of becoming an environmentally sustainable province, complying to new regulations regarding buffer zones and fencing livestock from waterways, doing so.

~ The consolidation of retail market purchasing power has left little room for competition in the domestic marketplace.

~ The costs of the current Canadian Cattle Identification System.

The greatest single event ever to impact the beef industry in Canada, without any doubt was the discovery of BSE in Alberta on May 20<sup>th</sup> of last year. The resulting closure of borders to Canadian beef has left Canada with an over supply of beef that has resulted in a drastic drop in price. But this is not the only obstacle producers must face in overcoming BSE.

~ beef from cattle over 30 months of age were not considered acceptable for export, and the ineffective use of dentition has made this process a hindrance;

~ Specific Risk Materials had to be removed from all beef over 30 months of age increasing the cost of processing;

~ live cattle were no longer eligible for export;

~ the loss of export markets to live purebred cattle from the beef and dairy industries;

~ low prices that dropped from \$1.80 in May to 54¢ created cash flow shortages for producers who tried to maintain their herd size;

~ cull cows which had previously been considered a source of revenue for beef and dairy producers, dropped in value and became a burden on the industry, due to the extensive slaughter procedures required in the slaughter of animals over 30 months;

~ rendering from slaughter facilities and dead stock removal services, which previously provided some income to these sectors, suddenly became a substantial expense translating to increased costs to the producers;

~ the pending US election which may be putting pressure on the candidates to keep the Canadian border closed to live cattle;

~ the lack of the use of science in determining the level of risk of countries infected by BSE;

~ an ad hoc program produced by the Governments of Canada and PEI has resulted in further drops in beef prices;

~ the non-mandatory reporting of prices from packers that leaves producers at a disadvantage

when trying to market their cattle;  
~ the uncertainty of when the US border will reopen and to what extent.

**Duane MacDonald:** So that's basically where we are today. Where Do We Want To Go and How Are We Going To Get There - The PEI Cattlemen's Association released its Strategic Plan in 2003. As part of this plan, a Vision Statement for the Cattlemen and the beef industry of PEI was written and states:

*"By 2008, Prince Edward Island will be at the forefront of the North America beef industry, producing premium quality beef in a profitable and environmentally sustainable manner."*

The greatest wish for the PEI beef industry would be to have Canadian borders reopened to live cattle and pre-BSE prices restored for beef in Canada. Will this happen? Not to the degree most of us would wish for. There will be some things that will never be reversed as a result of BSE in Canada. We can't say they are all negative, but many of them will leave an economic impact on the industry.

With regards to environment, PEI producers are not unaccustomed to change. They have had to deal with innumerable changes in recent years. With regards to environmental issues, our industry has taken its responsibilities very seriously. With the continued support of the provincial government through agricultural support staff and funding programs such as AERC, the Island beef industry will continue to lead by example in environmental policy.

As environmental awareness has been raised, the industry has strived to address these issues. This is best illustrated by our actions in the past ten years. Our industry was one of the first sectors in one of the first provinces to implement Environmental Farm Plans. Along with other livestock sectors, we worked on the Manure Management Guidelines.

When the issue of cattle access to waterways was raised, the beef and dairy commodities developed a "Code of Practice for Watering Livestock on Pastures", with the cooperation and participation of both provincial and federal fisheries and environmental departments, and their resources. A process which is still unparalleled in Canada. As

these programs have improved our environment, they have also resulted in an increased burden to our producers.

PEI's beef industry's greatest requirement is to have some stability and normalcy returned to its marketplace. Export markets must be reopened if this industry is to rebound from BSE. Domestic markets alone cannot support an industry of this magnitude. Live cattle must be permitted to move across borders, both for slaughter and for breeding stock. We need our federal and provincial governments to continue an aggressive campaign to have international borders reopened.

Beef over 30 months of age, with specific risk materials removed, has been scientifically proven to be safe for human consumption and must be regarded as such by other nations. International regulations on BSE must reflect this science and Canada must work continuously until such regulations are implemented worldwide.

A feasibility study is currently underway to assess the best avenue for Maritime producers to market their cull cows.

Mandatory reporting of prices and cattle volumes is legislated in the US. It is time the government of Canada regulated mandatory reporting so our producers will have access to this valuable information in order to make their marketing decisions.

An advertising campaign initiated by the provincial government, to buy locally produced products, is important to the development of the local market. Our consumers need to ask for local products in their supermarkets in order for retailers to change their buying patterns. What the consumer demands is what the retailers provide so we encourage the use of advertising dollars for this campaign. We would ask our government to follow Nova Scotia's example by purchasing locally produced beef, when available, for provincial institutions.

The beef industry has generally been self sufficient. Until the discovery of BSE, our industry has seldom required financial assistance from the federal or provincial governments. We want our industry to return to a state of independence where we will not be dependant on government handouts. We have had a good working

relationship in the past and this government has shown its support for the beef industry by standing behind a new plant. Our industry has benefitted from its relationship with the government and we hope it will continue.

Preliminary work on the CAIS Program looks positive for the beef industry. We need to continue to lobby for the coverage of negative margins, fair value for inventories, and the acceptance of letters of credit. The processing of the CAIS applications must be done efficiently and quickly so money gets into the hands of producers.

The Beef Industry Development Fund has been crucial to the development and growth of the Island's beef industry. This funding has been used for invaluable projects and research and it is critical that this government continues to support our industry by maintaining the Beef Industry Development Fund at current or higher levels.

The board of the Cattlemen and representatives from the Department of Agriculture have studied the possibility of providing low interest loans extensively. It was decided to measure the effects of the CAIS Program before any loans would be developed. If the need for such loans remains after the effects of CAIS are known, we will be looking to our provincial government to develop and administer these loans.

The Competition Bureau of Canada has closed its investigation into the pricing of beef at the retail level. The Cattlemen believe this investigation is incomplete and we urge the provincial government to continue to lobby to have this investigation reopened.

BSE has created the need for new regulations and surveillance within the beef industry. Increased testing of cattle will inevitably uncover more cases of BSE. Scientists have been suggesting this since the outbreak of BSE in Britain. The feed ban which was implemented in Canada in August of '97, prohibited the feeding of rendered protein products to ruminant animals. Scientists believe that there are still cattle alive that could have been fed feed which was manufactured before the new guidelines were in place. This knowledge illustrates the potential that more cases of BSE could be found.

The Canadian Cattle Identification System was

developed to trace an animal from its birth to slaughter. This system was crucial to the BSE Epidemiological investigations in Canada and the US, providing the data needed to identify the birth herd, offspring and herd mates of the index animals. Testing for BSE in cattle in Canada will increase to 8,000 animals this year and 30,000 next year. With the likelihood of more cases of BSE being discovered as a result of this testing, we must prepare and have contingency plans in place.

An industry dead stock service needs to be continued to ensure the health and safety of our environment.

The potential of having additional borders closed would signal the end of the Canadian beef industry unless we prepare for this in advance. Plans must be developed to deal with countries who decide to act on political rather than scientific principals when choosing to close their borders. Our governments must be prepared to invite our trading partners into Canada to see first hand the safety measures and surveillance systems we have in place.

New regulations put in place since the discovery of BSE, have added additional costs to slaughtering and rendering. When the final regulations are announced, it is likely that these new measures will result in significant increased costs to producers. If such measures are to be enforced, the beef industry and small abattoir could face financial ruin. The mandatory testing of all cattle destined for export, as requested by the Japanese, is neither feasible or necessary. The Canadian beef industry realizes the issue of consumer safety first, but asks our government to follow good scientific facts when suggesting new protocols and recognize the cost to the producer.

The Maritime beef industry is poised to take advantage of the new market reality. We are a small flexible group of producers who are able to capitalize on our region's advantages and market our products accordingly.

We will work hard to foster a close relationship between our producers and consumers by providing an excellent quality product at a competitive price. This will include a high level of traceability to ensure the highest of food security. Through the development of alliances within the

industry and the marketplace, we are working towards a new way of producing and marketing beef which will provide our farmers a larger share of the retail dollar. Thank you.

**Wilbur MacDonald (PC) (Chair):** Okay, we'll certainly open up now to questions. We probably have about 15 to 20 minutes for questions. Richard?

**Richard Brown (L):** An interesting point on the page there, PEI produces 80 per cent of the 22 per cent of the beef consumed in the region. The result, we need to import 78 per cent of our beef into this region. So right now, close to 80 per cent of the beef that's consumed in the Atlantic Provinces comes from outside?

**Darlene Sanford:** That's correct.

**Richard Brown (L):** So why—and then you mentioned the Atlantic Beef Tenderline program.

**Darlene Sanford:** The Atlantic Tender Beef Classic, yes.

**Richard Brown (L):** Yeah, which is a great program and it's done through the co-op stores?

**Darlene Sanford:** Yes.

**Richard Brown (L):** Why can't we get it into Sobeys and IGA then? Has that been—have we approached them two chains to say, can you put that in your stores?

**Darlene Sanford:** From the producer co-operative, the Atlantic branded beef management who operates the brand now, who's in charge of regulating the brand, I don't believe they have approached these larger retailers at this time. But we're in a situation now with moving these cattle to Ontario for processing and then returning them, that it's just—if consumers were to go to one of these stores and ask for Island beef, it's hard for us to supply it at this stage. Once the new plant is on line and we have a product and can approach these retailers and say, okay, this is what we have. This is how much of it we're going to have, then we feel we'll be in a position to do this negotiating and to work on getting it into Island stores. That's one way that we look at approaching the situation. The other way is by having our consumers through

this ad campaign, having our consumers go in and start asking for the product.

**Richard Brown (L):** I hear a lot of that, asking for the product. But we can't identify the product. Like if I go out to Sobeys right now, and I go in and say, give me Island beef and they'd say, well you know, I don't know, we don't have it or I can't see it. Like so do we. . .

**Darlene Sanford:** That's where the branding would come in.

**Richard Brown (L):** So do you agree on a labeling program for the Maritimes? Like so how much of our beef is sent to Ontario and then brought back? How much of our beef is sent to Ontario to be slaughtered and then sent back? Or is all our beef slaughtered here?

**Darlene Sanford:** At this time, the majority of our beef is being sent to Ontario and then brought back because we have no local facilities other than the small local abattoirs. So unless you're buying freezer beef from your neighbour or something like that, most of the—all the other beef goes to Ontario.

**Richard Brown (L):** But I as a consumer then, how do I go into Sobeys and say, give me local beef?

**Darlene Sanford:** That's where branded products come in. If you go into the Co-op store and you specifically ask for the Atlantic Tender Beef Classic product, you are getting local beef. The new plant that is going up in Borden-Carleton is going to be a brand plant, not specifically Atlantic Tender Beef Classic but the plant will be able to provide different brands for different retailers.

**Richard Brown (L):** Just one more question, two more, I notice one of your other things, the Competition Bureau of Canada has closed its investigation into the pricing of beef at the retail level. In a report we have here, it says cattle slaughterhouse activities, 90 per cent of the slaughtering in Canada is done by four companies. Did the Competition Bureau check out those four companies, whether they were—collusion going on there?

**Darlene Sanford:** I haven't read the report. I'm not aware of what's contained in it.

**Richard Brown (L):** Okay, I think it's a great report and thank you very much. Also I just wanted the committee to know that Alberta which I think has done a good job with opening, they have recently opened an office in Washington, I understand, and it's a political office they call it, not a diplomatic office where they're going to be lobbying the politicians down there directly like the senators and the congress and not go through these so-called diplomatic channels, not go through all these receptions and everything like that. They're going right to the politicians that make these laws, that set up these barriers so maybe we should join in on Alberta in supporting that type of initiative because they're the people that make the laws, not the diplomats. Thank you.

**Wilbur MacDonald (PC) (Chair):** Wayne.

**Wayne Collins (PC):** Thank you very much, Mr. Chairman. Thank you very much for a very thorough and very enlightening presentation. I did appreciate hearing it. You mentioned in there and rightfully so that your organization is on the forefront here when it comes to sustainable practices that you have on your side of agriculture and your association, all your members are to be congratulated for the great effort you've done. What I'd like to see your organization build upon that and the idea of the new plant opening and the potential there for a better and more effective marketing, I find quite exciting and I know perhaps you do as well, what the future might hold here with even within our region. How can we as a government, we in partnership with your association and other industry groups, how can we better capitalize on all of those wonderful environmentally sustainable practices that you're engaged in, in terms of marketing your product when the new plant comes on stream. What do you foresee? What would you advocate be done?

**Darlene Sanford:** I guess one of the things that's ongoing right now is a brand verification study that's being done to see what we need to do, what steps we need to have in place throughout the process so that when cattle leave my barn and go to this plant and then onto the grocery store that there is verification of the claims that we are making and these claims are then—could be used as a marketing tool where we're saying that our beef is produced sustainably. We have the paperwork to back it up, so to speak.

**Wayne Collins (PC):** May I just have one quick follow-up question here, when you're up and running with this plant and I certainly hope for all our sakes, it's a big success, comparatively, how will your price of the Atlantic raised beef compare with the vacuum packed Alberta box beef we're getting right now?

**Darlene Sanford:** Once it's on the shelf in the supermarket, if we are producing commodity beef, we would be looking at—like some of the cuts from these products will have to be sold as commodity beef at a competitive price with Alberta. But one of the things that was referred to earlier this afternoon was niche marketing and trying to sell the idea of PEI, of the red soil and the blue water and all of the good things that we do. If we can brand that and put that into a product, maybe we'll have to call it Anne of Green Gables beef, I don't know.

**Wayne Collins (PC):** If it works, do it.

**Darlene Sanford:** But if gets—whatever works and gets more dollars into producers' hands. But there are many things that we can put in with that beef to market it and then access niche markets on the eastern seaboard of the United States are places where some of these pricier cuts could end up quite easily at a premium place.

**Wayne Collins (PC):** Get a premium price then, even on a local level would be a premium price for that branded verified product. Thank you very much.

**Wilbur MacDonald (PC) (Chair):** Ron.

**Ron MacKinley (L):** When's this new plant opening? October, is it?

**Darlene Sanford:** September 2004.

**Ron MacKinley (L):** So it will be in production in October, correct?

**Darlene Sanford:** No, they're scheduled to do the commissioning throughout August and at the beginning of September, it's open for business.

**Ron MacKinley (L):** Now you refer here to ad hoc programs produced by the Government of Canada and PEI has resulted in further drops in beef, you're referring to the three or \$400 annual

assistance?

**Darlene Sanford:** We're referring to the first phase of compensation which saw a drop of 40¢ in the price and to the second, the cull cow program which caused a similar, not quite as significant but a drop in price.

**Ron MacKinley (L):** You mentioned cull cow, apparently they've taken off just the last day or so, the slaughter section of the cull cows. Will that be a help? Like taking off the slaughter section?

**Darlene Sanford:** It will. It would have been better if it had never been there in the first place. All of these programs that are put into place, if they're not market neutral from the time they are born, cause disruptions in the marketplace and producers are the ones who are the eventual losers in these situations.

**Ron MacKinley (L):** Now getting into the cow/calf one is nine per cent or something of your herd, it's a very small number to start with. But under this other one, the program that the Government of Canada come up with and the Government of PEI, it dropped the price is what happened. What should have been done different for that program? Like how should, like if you as representing the beef industry, how would you liked to have seen that money put out?

**Darlene Sanford:** In hindsight, I guess, about the only way that you could do, that you could run such a program without causing some sort of disruptions in the marketplace, would be to do it after the fact. Unfortunately, with the situation and the cash flow problems that producers were facing, that didn't seem to be an option to wait till say, the end of the year and then go back and look, see how much money producers had actually lost and then go back and fix things that way. But it's very difficult to find a way to do these things, to put them in place so that they are market neutral.

**Duane MacDonald:** There was a couple of other factors that were at play there too. Like they designed these programs under the assumption that that market is free and that there's ready access to markets or cattle as easily and as readily as you want. And we're in the precarious position of shipping our cattle to Ontario and if they decide they don't want any loads from PEI this week, then we can't market any cattle anywhere. So by tying

it to marketing, like we were set at a disadvantage right from the beginning.

**Ron MacKinley (L):** So in other words, if they had of come out with a loan, like I can see your cash flow really going bad from \$1.80 for a dressed weight animal in May to 54¢ because it's an awful difference. That's dressed weight, that 54¢?

**Duane MacDonald:** But it actually only dropped down to a buck 40 and then once the programs were announced, it went down.

**Ron MacKinley (L):** It went down, yeah. So if government was doing it again, they might be better coming out with a loan program would tie you through and then do it at the end.

**Duane MacDonald:** Loans are good if you can pay them back.

**Ron MacKinley (L):** Yeah, but I'm just saying like if you had a loan program and then you have money coming back from that program and that would go with your first option for your loan program would go to pay back your loan you had. If you had it, like cash flow is a big issue to any farmer. So if government had of come out and said, well we'll loan you so many dollars and they would know when they made this program up, not the provincial government here but the feds would know roughly how many millions of dollars they had to spend and what it was going to cost. So if they had of come out with a loan program which would tide your cash over and then at the end, as you say, if the money might of went a lot farther, in other words, it might of kept the price at \$1.40 or \$1.30 instead of going to \$1.54 and then the money from this program when it came back would go against your loan.

**Darlene Sanford:** The only difficulty with that was that we were dealing with the re-opening of the US border which is when we see our markets returning to some sense of a new normal whatever that is and no one can put a time line on that and that makes it very difficult for governments to design programs, even the federal government when they have no time frame to work with.

**Ron MacKinley (L):** So what about—Speller was also on the news there where he talked about the border could open for a short period of time or something, on the US border, like they're working

on that?

**Darlene Sanford:** There's been work all along. I've heard too many predictions to want to repeat any of it but the work is ongoing and there is pressure from both sides to get the border reopened. We have some allies through the producer associations in the US and some of the northern states are hurting as well because they relied on cattle that moved across the border for slaughtering in the US. So there is some pressure, there is some lobbying on the other side as well to get things moving.

**Duane MacDonald:** As well, the onus has shifted a little bit. Now the Americans are considered, or the United States is considered a minimal risk country the same as Canada so any type of regulations they want to impose on Canada as a minimal risk country will more or less be transposed on them by other countries so the bars can (Indistinct) better for us.

**Wilbur MacDonald (PC) (Chair):** Wilfred.

**Wilfred Arsenault (PC):** Thank you. Once the Borden plant is up and running, do you have, does your association have a marketing strategy for that time? And the second question is do you have any plans to work with your counterparts in the other Maritime Provinces?

**Darlene Sanford:** Well I guess I'll begin with the second question. This really is a Maritime initiative. This plant that is being constructed in Borden covers the Atlantic Tender Beef Classic Program which really covers all of the Maritimes. As far as us having a-as the Cattlemen's Association having this specific marketing program for this beef, that really is not our place at this time. This is a company and it's its own entity now. It has its own life and will have its own marketing initiatives. Naturally, we'll do everything in our power to support that and to see the beef industry keep growing in the Maritimes.

**Wilfred Arsenault (PC):** Just a final question - do you have a seat on the Board of Directors of this new plant? Does your association have that?

**Darlene Sanford:** As the Cattlemen's Association, no.

**Wilfred Arsenault (PC):** You don't? Okay.

**Wilbur MacDonald (PC) (Chair):** Andy.

**Andy Mooney (PC):** Just a quick question. The mandatory reporting of prices and cattle volumes legislated in the US, would that basically be any company that buys cattle in one given week have to report the numbers their specific company bought and the prices they've paid?

**Duane MacDonald:** More or less. I'm not sure if it's weekly or if it's daily but where that comes from is there were times this summer where we couldn't find out what the price of cattle was in Ontario because the markets had turned dysfunctional and cattle were trading hands but nobody knew what the price was. That sort of drew into the game a little bit as to, or the suspicion that the processors were undermining our compensation programs and nose diving the prices.

We need to have ready access to the volume and price information so we can put a little bit of a face onto, well the price dropped 5¢ this week. Well the volume's went down or the volume's went up. We need to know that immediately. We don't need to know that next month. That's not going to help us at that point. They have that information in the United States but we don't have access to that in Canada and in fact, the industry through a body they created which is Canfac actually does gather information and they report it back monthly and Stats Canada actually approaches them to get their numbers. And so like, we're just saying like that's not a very good system. We need to have something where we have ready access to those numbers. People or producers could go on the Internet and find out exactly what's happening in the marketplace.

**Andy Mooney (PC):** But do companies right now, either Stats Canada or whoever gathers the information, do companies legally have to give them the information when they ask, so should we legislate it?

**Duane MacDonald:** No.

**Andy Mooney (PC):** Thank you.

**Tape No. 5**

**Wilbur MacDonald(PC)Chair:** Eva?

**Eva Rodgerson (PC):** I just was wondering here, and what I'm interested in is the immediate solution, and when you talked about after each, I'd say each, the producer had their situation assessed in regards to the CAIS program. Now with most farmers they all have different year ends. Like in your association, do you see that somebody may have their assessment done by the end of March, somebody else it might be April, you know. So what are you recommending? That we start immediately on an individual basis or (indistinct).

**Darlene Sanford:** Our recommendation was to look at cases on an individual basis because as you say we do have, everyone has a different year end. A lot of the smaller producers are still using the fiscal year as their year end and with that there also are some complications wherein you have to send away this tax return and you have to wait for Revenue Canada to send it back which, depending on the postal service, sometimes that happens in short order and sometimes it takes longer.

But we would like producers who have specific problems—the CAIS program is not going to address the concerns and situations of all producers because it's very much related to what happens on one individual farm. And there will be cases where, for example, a cow-calf producer who didn't feel that prices last Fall were high enough for his calves has decided to retain ownership of those cattle and now is faced with a new calf crop hitting the ground. His cows are calving in the spring of the year and he still has last year's calves. Where is he going to find the feed to carry all this and to keep the boat afloat, so to speak.

So there are individual cases like that where we would like producers to approach government and like there to be a system there in place who would evaluate these individual cases and see if there is a good reason there, like a good challenge there where you can see that the CAIS program is not going to address everything for whatever the reason, then move into a system of loans and things.

**Eva Rodgerson (PC):** Or support.

**Darlene Sanford:** But we're just cautiously moving into that. I guess we've looked at the situation from as many angles as we possibly can

and with all the uncertainties that we face it's hard to tell producers, yes, sure go out and get a loan and get this money and you'll pay it back next year when we honestly don't know what next year holds.

**Eva Rodgerson (PC):** What percentage of producers belong to your association?

**Darlene Sanford:** To the association?

**Eva Rodgerson (PC):** Yes.

**Darlene Sanford:** Any producer who has sold an animal, either a cull cow or a finished animal within the last year belongs to the association or if they've paid a membership. So we do cover most cow/calf and feed lot producers on PEI. We also cover dairy producers who would market their cull cows.

**Eva Rodgerson (PC):** Okay, so the majority of producers are part of your association. Well, I as well, I'm the person that looks for a little bit of detail and I think you had an excellent report. It pretty well answered all my questions but I was just more interested in what needed to happen immediately for some people. So thank you.

**Wilbur MacDonald(PC)Chair:** Robert?

**Hon. Robert Ghiz(L):** Thanks. Earlier in Tim's presentation as well and then on this presentation and we hear it all the time and I'm just looking for a little bit of an explanation on it, on how they get around trade rules. But you talk about unfair US subsidies and I'm just wondering if you can elaborate on how, in fact, they subsidize their farmers and why it is unfair and how they get around breaking, I guess, perhaps NAFTA. But, in fact, we in Canada obviously can't do that.

**Duane MacDonald:** Well, to be perfectly honest I couldn't go into great detail as to exactly how the subsidies work.

**Hon. Robert Ghiz(L):** But we know they're subsidized, unfairly.

**Duane MacDonald:** Yes.

**Hon. Robert Ghiz(L):** Are we just saying this?

**Duane MacDonald:** No. The agricultural system, in general in the States, is designed, like they put a lot of focus on production and certain things. So focus production on meat, corns, cereals and what happens is they encourage producers to grow those things. So whether it's a profitable crop or not it would be in your best interest to grow corn than stray from the beaten path and try something different. So by doing that they're basically, because they're such a big player, they do depress the price of corn because they're encouraging everybody to grow it. Or they're encouraging everybody to produce grains or whatever commodity you're talking about. Those ramifications, for starters, have been just felt.

**Hon. Robert Ghiz(L):** So they do that with beef. They encourage people to . . .

**Duane MacDonald:** I couldn't say that they would do with all beef in all states but some states would be certainly more supported than others. It's quite interesting out west where the flow of cattle, like we really have a fully integrated herd between Canada and the United States and really the cattle follow the feed. So whatever state, you know, has excess feed that's where the cattle go. So they'll come up to Alberta when there's lots of feed coming from Saskatchewan. They'll move back down somewhere else when there's lots of feed there. So, like in that system it's relatively flexible. But along the big picture it could be, I wouldn't say like it's the same as the way they deal with their boats. You know, no American company can buy a ship that's not built in the United States. Well, I couldn't say for certain that there certainly isn't some degree of that kind of policy in their agriculture production.

**Hon. Robert Ghiz(L):** One more quick question here, and Wilfred brought it up earlier, but I'll go about it a different way. And it was to do with, right now we're dealing with a crisis in the hog industry. We're dealing with too many potatoes and not enough markets. If BSE didn't happen would you guys be sitting here today?

**Duane MacDonald:** No. This industry has potential for growth. We're moving forward. Probably the biggest reason we had so much background in our presentation was to show you that we consider our producers forward thinking and we're trying to be retroactive. We're really on the band guard with the construction of this new

plant in Albany. It's just been unfortunate timing. Plant was closed in Hubs, the BSE, it's just the worse case scenario.

**Hon. Robert Ghiz(L):** So we have to work hard to make sure we get our markets back and then the industry should be okay and then work hard probably, perhaps come up with a plan in case this ever happens again so that we don't have to—a plan before hand for after.

**Duane MacDonald:** That's probably the key, exactly is the point that we're very quick to put in increased surveillance but we don't seem to spend a lot of time worrying about what's going to happen when we find it.

**Hon. Robert Ghiz(L):** With regards to testing, I forget where it was in here but you're not for testing every animal in Canada, correct? Whereas Ralph Kline floated the idea of testing every animal in Alberta.

**Duane MacDonald:** If it becomes the only way we're going to get into, back into our export markets, we're going to have to think about that.

**Hon. Robert Ghiz(L):** But right now I know they're increasing it tenfold, the Government of Canada, the amount of animals that were tested.

**Duane MacDonald:** The industry recognizes that we're a very low risk to begin with. We don't want to give any validity to the fear mongers by beginning to test every animal.

**Hon. Robert Ghiz(L):** Okay.

**Wilbur MacDonald(PC)Chair:** Ron?

**Ron MacKinley(L):** Just a quick question here. The PEI Cow/Calf Cooperative. That's where producers can get money from this program which I think is lent out by Farm Credit, is that correct?

**Unidentified Voice:** Yes.

**Ron MacKinley(L):** Someone told me a producer was going to buy some cows and then I found out later, someone told me that producer said that they had stopped that program or something.

**Gerry Richard:** The Cow/Calf Co-op was froze for about a month. It reopened as of yesterday.

**Ron MacKinley(L):** Oh, It reopened as of yesterday. Alright. That's all I wanted to know.

**Wilbur MacDonald(PC)Chair:** I just have one quick question about the partial reopening of the border. How much beef is moving there now?

**Darlene Sanford:** Through the months of, October and November I believe were the last months that I saw figures for, we were moving the same volumes or a little more than what we were a year before that.

**Wilbur MacDonald(PC)Chair:** And that hasn't increased the price any. Like you say we're moving the same volume before the border was closed.

**Darlene Sanford:** We were moving the same volume of product as we were a year ago.

**Wilbur MacDonald(PC)Chair:** Yes. Okay, the live cattle would be what's down then, the live cattle part.

**Darlene Sanford:** Yes. The live cattle are not moving.

**Duane MacDonald:** As well the whole carcass value hinges on being able to get into, you know, market this part of the animal to the States, this part of the animal to Mexico, this part of the animal to Korea. So if you can't go to Korea and you can't go to Mexico then the carcass value drops.

**Wilbur MacDonald(PC)Chair:** I understand Mexico is moving.

**Duane MacDonald:** Mexico is open too.

**Wilbur MacDonald(PC)Chair:** Is there cattle going to Mexico?

**Duane MacDonald:** What's that?

**Wilbur MacDonald(PC)Chair:** You can't get to Mexico.

**Duane MacDonald:** Well, I don't think they're accepting live cattle. But they opened under the same conditions as the Americans have.

**Wilbur MacDonald(PC)Chair:** Oh, just the same

conditions.

**Gerry Richard:** The problem is you only have three or four plants that you can sell to in Canada and there's no competition among those plants. Should the border be open to live cattle buyers from the States could come up here and bid against those cattle. They're not here not now so only the plants in Canada are bidding on those cattle and they don't have to bid very high because those cattle have to go to them. They have nowhere else to go and they they're going to get there eventually.

**Wilbur MacDonald(PC)Chair:** I most certainly want to thank you. I think your brief was very, very thorough and we certainly got a lot in it for our discussions and our understanding of the whole thing. And I want to thank each of you very much for your expertise and it's certainly great just to sit here and see young people come before us and give us all the information that we need. Thank you very much.

**Gerry Richard:** We hope to be able to stay here.

**Wilbur MacDonald(PC)Chair:** I think we'll take a five minute break before we hear—we have the Milk Marketing Board first.

**Ron MacKinley(L):** No, but four producers, Timmy Dixon, Cliff McKenna, Alan & David Ling, they were up first but you haven't brought them.

**Marian Johnston(Committee Clerk):** That's not the schedule.

**Ron MacKinley(L):** Oh, this is not the schedule. Alright.

**Wilbur MacDonald(PC)Chair:** We go by the Clerk's schedule, okay. Is that okay, five minutes, you can stand up.

(Five minute break)

**Wilbur MacDonald(PC)Chair:** Can we have the Milk Marketing Board, who are the next presenters. They are Harold MacNevin and Doug Thompson and I guess you're right up here. You can sit right in there. And Ian MacIsaac is with them too, I see.

**Fred McCardle(PC):** And Ron Maynard.

**Wilbur MacDonald(PC)Chair:** Maynard. Okay.

**Marian Johnston(Committee Clerk):** Doug is just going to be in the audience.

**Wilbur MacDonald(PC)Chair:** Oh, he's going to be in the audience. Where abouts are you Doug? Okay. First of all I want to welcome you and you can give your presentation and then we'll ask some questions from the members if they have any, which they usually do afterwards. Okay.

**Part IV - Milk Marketing Board:** Harold MacNevin, Ron Maynard and Ian MacIsaac

**Harold MacNevin:** Alright. First I'd like to thank the group for having us here to do our presentation today. You already did the introductions but Ian MacIsaac on my left is the Vice-Chairman of the Board and Ron Maynard is secretary and he's also our Dairy Farmer's of Canada representative as well. So I guess I'll get right into the presentation. I believe you all have a copy.

**Fred McCardle(PC):** What's your name?

**Harold MacNevin:** Harold MacNevin. The aim in this presentation, it's been prepared to highlight the current issues that are negatively affecting the dairy producers in Prince Edward Island. The following pages will document only some of the highest profile issues that are currently affecting the dairy industry. The issues identified are distinguished by the fact that they have been influenced by government action either here or in other countries suggesting that government involvement is required for Canadian producers to compete on a level playing field. This document will go beyond highlighting issues by recommending appropriate government responses to the hardships faced by dairy producers. These actions are not only appropriate for the current situation but are fiscally responsible and will be strong demonstrations of the government's continued support for agriculture.

The current situation—Canadian dairy producers are at the end of a losing streak. In the last five years they have lost all direct government subsidies to their industry. They have lost almost all access to export markets. They have lost battle to protect Canadian borders from imports specifically designed to circumvent our border controls. In the last few months as a result of a

discovery of a single cow with BSE in Western Canada they have lost most of their revenue generated from livestock sales. In the next few months the provincial government and the government of Canada will make decisions that will have a great effect on the dairy industry in Canada. Dairy producers are asking government to help them end the losing streak by insuring there are appropriate resources available to the dairy sector. Dairy producers are not seeking massive government handouts or unsustainable trade policies. However producers need their governments to work towards a level playing field in both domestic and export markets so agriculture can provide a reasonable standard of living for farm families. The following pages provide a series of reasonable requests that should ensure long term stability in the dairy sector. And Ian MacIsaac is going to do the next presentation.

**Ian MacIsaac:** BSE and the Dairy Producer - The discovery of a single case of BSE in Western Canada sent shock waves through the entire livestock industry. Beef producers have seen some signs of recovery with the reopening of the US border to some products sourced from cattle less than 30 months of age. However, the dairy industry sees a much more dismal future for the marketing of its cattle and meat products.

Market Losses - Dairy producers have seen their traditional markets for dairy cattle, red heifers and bob-calves disappear literally overnight. Dairy Farmers of Canada has been studying the impact of BSE since it was discovered last May in Alberta. Their estimates of the financial impact of the disease have been calculated in terms of the increased costs for production of a hectolitre of milk which is a hundred litres. Detailed studies were conducted in Alberta, Ontario and Quebec. And DFC's economics department believes that the Quebec example is closest to the situation in the Maritimes with lost revenues expected to exceed \$4.00 per hectolitre and in a worst case potentially topping \$7.00 per hectolitre. In consumer terms this means that the typical dairy producer has had a revenue reduction of between 4 cents and 7 cents for every litre of milk he markets. This is significantly greater than the \$2.20 per hectolitre price increase granted on industrial classes and the \$3.25 per hectolitre granted on fluid milk products for 2004.

PEI dairy producers do not believe that the

scientific evidence currently available justified the total ban on live animal imports into the US from Canada. This appears to be a ban that is being maintained for economic reasons and is causing considerable hardship in the Canadian dairy industry. This issue is magnified by the fact that the US and other foreign beef products continue to enter the Canadian market even after a case of BSE was identified in the US. Although the cow infected with BSE in the US originated in Canada there is no evidence that it contracted the disease in Canada.

Border treatments are considered unjustified and unfair. PEI producers believe that the government of PEI can support the dairy sector by lobbying the government of Canada to recognize that the market is a North American beef market and to work towards reopening the borders that have been closed to Canadian beef products and cattle without appropriate scientific justification. As part of these efforts the government should establish and maintain improved testing protocols for BSE. The only way to regain losses in meat markets is to ensure that the quality and safety of meat products is above reproach. The way to do this is to establish testing protocols and animal health standards that will ensue all food safety requirements are met.

Cull Cattle Processing in PEI - PEI dairy and beef producers together with the dairy producers from Nova Scotia and Newfoundland and Labrador have commissioned a study into alternative marketing options for cull cattle. Funding assistance has been provided through the ADAPT Council as well as directly from the provincial government. And this is greatly appreciated. However further assistance may be required to implement the actions recommended by the study. It is anticipated that the recommendations of the consultants may require some capital investment. On behalf of the PEI dairy farmers, PEI Milk Marketing Board requests that the government state its support for development of the cull cow processing options in the Atlantic region and pledge to assist with investment in suitable cull cow processing options identified by the cull cow processing study.

Price Distortions in the Meat Sales - Dairy producers need to receive a greater portion of the consumer's dollar spent for beef products. In the current market conditions farm gate prices for beef

products are suppressed while retail store prices have been sustained at or near pre-BSE levels. There's obviously a distortion in the price structure. Producers are often receiving less than \$100 for good quality cows while retailers may receive \$100 for 10 kilograms of the meat from the same animal. The inequity in this situation is obvious and PEI dairy producers request that the provincial government find and implement policies to ensure a better balance in the flow of beef sales revenue from the retailer to the producers in the beef and dairy sectors.

Dead Stock Removal - This is a particularly difficult issue for dairy producers at this time. Producers in this province are encouraged to use a dead stock removal service for several reasons including environment protection. Given that there are very few options for marketing cattle over 30 months of age pressure on this service is increasing. This situation impacts dairy producers and beef cow/calf operations most. As the decision to market cattle is not made based on a cow's age but on the end of its productive life. Producers recognize that the cost and use of this service is increasing. Government support for this service is greatly appreciated but producers are fearful that government support for this service may be reduced even as the need for this service is growing.

Therefore PEI Milk Marketing Board requests that the Department of Agriculture, Fisheries, Aquaculture and Forestry include funding to support a viable dead stock removal service in its budgets for the foreseeable future.

Equity and Compensation - The BSE crisis has triggered limited responses from the provincial and federal governments. Producers recognize that governments must operate in a fiscally responsible manner meaning that the well of public support is not bottomless. After reviewing programs that have been created for BSE relief to date, dairy producers are concerned that past relief programs may not have provided equal benefits to beef and dairy. Dairy producers believe that programs created in 2003 did not provide them with equal access to relief payments even though the BSE situation caused a major drop in their farm gate revenue.

Dairy producers request that the Government of PEI ensure any new program created for the relief

of the BSE crisis provides equitable treatment to all producers in all sectors that are affected. The government should also consider interest free loans in a way to support producers in the current crisis. Many producers could find themselves short of working capital in the near future. With spring approaching these producers may require assistance to get through the cash flow crunch caused by events in the last few months. Interest free loans are a way of providing support to producers who may be short of resources for the upcoming crop season.

**Ron Maynard:** Thank you, Mr. Chairman, I'll continue with this. Government Support of Supply and Management Action - To support supply and management the most important steps that governments in Canada can take to protect the dairy industry—the three pillars of supply and management—are production controls, producing pricing and effective controls of imports. Elected officials and bureaucrats at both the federal and provincial level have often stated their undying support for supply and management. However, the hard action required to give Canadian producers the tools to maintain a viable and workable system have been lacking.

Production Controls - Producers have done their part by developing and adhering to production controls required for providing a stable domestic milk supply. Production discipline is an integral part of the Canadian dairy industry.

Producer Pricing - Production controls make producer pricing necessary to ensure fair returns to producers and a stable and balanced cost structure for processors. Both federal and provincial governments have a hand in pricing process. The methods of determining producer prices are largely based on historical cost of production. The Canadian Dairy Commission, the CDC, determines industrial milk prices based on a detailed cost of production survey that is updated each year. For fluid milk products the PEI Marketing Council looks at all relevant factors in the market place but in the end relies heavily on the same COP calculation for determining Class One milk prices. The CDC calculation does not react quickly to rapid changes in the COP such as the effect created by the recent BSE crisis. BSE has already caused significant reductions in producer cash flow through lost markets of cull cows and breeding stock. However, the CDC

calculation may take as long as five years to fully adjust for these lost revenues. In the case of lost livestock sales such as heifers that are previously sold to the US, the cost of production calculations will not recognize lost revenues at all.

In this province government needs to review the factors taken into account when determining fluid prices. A method of including the impact of a disaster such as BSE or other unusual economic impacts into the pricing calculation needs to be established. Fluid milk revenues to PEI producers are among the lowest in the country which is reflected in the fact that this province has the lowest retail fluid price in the Atlantic region. Producers believe that fluid milk prices should be similar to other eastern provinces in order to provide reasonable compensation. Ideally an equitable method of pricing fluid milk will be established for the key five eastern provinces milk pool which will be acceptable to the Government of Prince Edward Island.

In the industrial milk market the Government of Prince Edward Island should lobby the federal government to direct the CDC to make special allowances in pricing for situations like the BSE crisis. Without effective pricing mechanisms low prices to producers will erode the stability of supply and management.

Effective Import Controls - In the opinion of the Canadian Dairy Producers the Government of Canada is not doing enough to control dairy imports into this country. If producers in this country are forbidden to export because of WTO commitments then imports from other countries should be subject to the same criteria. Dairy products are routinely imported into Canada from countries and trading blocks that continue to subsidize producers.

Other issues is the classification of products. The current classification allows products that may be as much as 49 per cent dairy content such as butter oil, sugar blends, to enter the country as non-dairy products. These products have been designed to circumvent import regulations. This is not effective import control.

The PEI dairy producers request that the provincial government support the dairy sector in initiating a lobby effort to improve border controls. The PEI dairy producers see the viability of

supply/management system as the long term key to ensuring fair pricing. This will lead to a stable dairy industry that can withstand such crisis as the discovery of BSE in Canada. The supply/management concept is under attack from countries that engage in markets destroying trade practices. Therefore federal and provincial governments must ensure that adequate production is provided to producers. The supply/management system relies on fair prices as the only source of revenue for producers. It is designed to provide a reasonable return to producers, processors and retailers while ensuring consumers receive quality products and the system deserves the utmost in government support.

**Harold MacNevin:** Government Organization - Agriculture, Fisheries, Aquaculture and Forestry Portfolio - The PEI dairy producers are concerned with the lack of sole representation for agriculture at the cabinet table. This statement is not made as an indication of the current minister's performance. It is intended to highlight the frustration caused by a single minister being charged with overseeing two of three of the largest economic sectors in the province. When agriculture and forestry are added the minister is simply over task. Producers want the minister to be available for agriculture issues and the conflicting time demands from other parts of his portfolio limit the time devoted to agriculture to an unacceptable level.

PEI Milk Marketing Board believes that the individual economic impact of these industries and the conflicting demands placed on the minister's time is more than sufficient reason to split the current agriculture, fisheries, aquaculture and forestry portfolio into two portfolios separating fisheries and agriculture into different ministers. The Board requests that the government immediately review the efficiency of the existing structure and that this review include a detailed study of the time constraints placed on the minister. The government should consider that the current crisis in many agriculture sectors demands increased leadership and creative input from government as well as industry. This demand cannot be met if the minister's attention is divided across four significant industries.

#### Tape No. 6

**Harold MacNevin (cont'd):** In conclusion, the dairy sector like the entire agricultural industry is currently in a state of crisis caused by events outside of its control. The supply management system has lessened the impact somewhat on dairy producers but it tends to be slow to react and therefore, may delay required changes for dairy producers.

Dairy producers see real government support for a supply management system defined by action instead of promises as a key to long term stability in the dairy industry. They also believe that governments can, and must do more, to react to the BSE situation. The number of dairy producers in this province is continually shrinking. The remaining producers are therefore more important to the province and its economy. Provincial government support through direct action and lobby efforts to overcome federal government inertia is needed to maintain a sustainable system for producers to market high quality Canadian dairy products for Canadian consumers. Thank you.

**Wilbur MacDonald (PC) (Chair):** Thank you. Questions? Ron.

**Ron MacKinley (L):** First of all, I want to thank you for your brief. You not only got problems, but you also have some answers. It makes it easier in our job here because we're not experts in this either, but coming from the industry, you got some answers. But I've been told that roughly 15 per cent of the dairy farmers' gross sales comes from your cows you don't need. I wouldn't call them cull cows but . . .

**Voice:** Cull cows we call them.

**Ron MacKinley (L):** . . . cull cows, alright, cull cows. So for instance, if you did \$100,000 worth of sales, you'd be down \$15,000 in operating—you'd have \$15,000 less.

**Harold MacNevin:** I think they roughly estimate that the cull cow average on a dairy herd is about 16 per cent or something like that.

**Ron MacKinley (L):** Alright, now then I hear you people, you can set your own price for your milk, can't you or can you not? How does that work? Like I was listening to . . .

**Harold MacNevin:** Within the criteria listed already.

**Ron MacKinley (L):** I was listening to Nova Scotia and Nova Scotia's milk is quite a bit higher. Like to buy it from a dairy over there (Indistinct) the province. Actually PEI had the lowest price for milk. Is that because you guys want it lower or is it just you can't get the price out of it? How does that work?

**Harold MacNevin:** We can't get the price. We made a presentation to Marketing Council based on the current issues that agriculture is facing and it was a Marketing Council decision to give us what we got.

**Ron MacKinley (L):** So alright, so that's how. . .

**Harold MacNevin:** We were requesting the equivalent to what Nova Scotia got but we only got \$3.25.

**Ron MacKinley (L):** You got 3.25.

**Harold MacNevin:** It's stated in the. . .

**Ron MacKinley (L):** Alright, and how much, I think you had it there, is it roughly 7¢ a litre more? This 3.25 is per litre, right, milk?

**Harold MacNevin:** Yeah.

**Ron MacKinley (L):** So how much more would you need out of. . .

**Harold MacNevin:** Per hectoliter, \$3.25 per cent per hectoliter increase. Now what that works out per litre is. . . 3.25

**Ron MacKinley (L):** But anyway you got an increase.

**Harold MacNevin:** Yeah.

**Ron MacKinley (L):** But how, you need roughly up to 7¢ increase per litre in order to cover your 15 per cent loss in cull cows, would that be right?

**Harold MacNevin:** That's what the estimates are, between four and seven.

**Ron MacKinley (L):** Yeah, yeah, alright, so you

went to this panel, they wouldn't give you that increase, right?

**Harold MacNevin:** They gave us one cent.

**Ron MacKinley (L):** They gave you one cent?

**Harold MacNevin:** They factored in one cent for the total \$3.25, 3.25 cents.

**Ron MacKinley (L):** Alright, so that's—this is the panel. Because I thought it was strange that Nova Scotia was quite a bit higher. It was on the radio program and I don't know that much about the area, to tell you the truth. But I listened to the CBC radio at noon one day. They had quite a talk about it and I just assumed that the farmers here didn't want to move up the price. But it's not true. You went—you go to this board, alright?

**Harold MacNevin:** Yes.

**Ron MacKinley (L):** Secondly, I brought up for some time and it's no offense to the Minister of Agriculture but you've got a good government organization. You have a good issue here and we have a crisis in the fisheries which we know. We also have a crisis in the fish processing. We have a crisis in the pork. We have a crisis in the beef. We got a crisis in the potatoes and we got a crisis in the dairy business. And one minister, I don't care how smart he is, it's impossible to keep your hands in all these issues.

Now normally, a Minister of Agriculture, you'd be sitting—under normal conditions, if we didn't have the BSE, we wouldn't have the beef farmers in here. If we didn't have the BSE, we probably wouldn't have you people in here. We wouldn't have probably hogs and potatoes. Hogs is a different matter and the potatoes is over supply. So those are two issues. But all of a sudden, we've got five issues on the table there plus normally, this is the first year we got a crisis in the processing industry. Like if you loose Polar, it's 40 per cent of the lobsters are processed through there, plus the herring coming in.

So one thing this committee can do if it wants to and if it will, is recommend that there be one Minister of Agriculture and only one position. We can do that when we report back to the House. And it's no offence to the Minister because I know the Minister was—he had to go to a meeting here.

He was supposed to be here at 1:00 and he never came, for the hogs. He was speaking at a quarter of twelve for a potato conference down at the Delta but still his time must have got taken up there, that he just couldn't make it back to this meeting on time.

So basically, if you look at Community and Cultural Affairs, where say Elmer MacFadyen is, there's very little, there's no crisis in the building compared to all this, where all this load is all on one minister. Even fisheries is a very important industry in the Province of PEI and there should be one minister responsible for agriculture and one minister responsible for fisheries. So I'm—another thing I have a question, this is the last one.

Under—you mentioned there about like margarine (Indistinct) 49 per cent, the longest 49 per cent of it is . . .

**Harold MacNevin:** Is butter, oil sugar blends, actually.

**Ron MacKinley (L):** . . . Yes, not over 50. It can come under the . . .

**Harold MacNevin:** It's classified under a different tariff line than a dairy product. So what's happening is, is the processors or the companies are manipulating these products to get into a specific tariff line so that it comes across the border on tariff.

**Ron MacKinley (L):** On tariff. If it had of been 51 per cent, then it would be considered. . .

**Harold MacNevin:** Yeah, and then it would have been tariff appropriately and then it would not have been able to come across the border.

**Ron MacKinley (L):** And if you were here earlier, I mentioned about the store shelf. There's got to be ways—like these companies hire experts to get around, circumvent the circumstances, I mean, it's as simple as that. And that's what that expert that was here for, Bob earlier was ordered to tell government how you would get around some of these things. But anyway, I think your brief is very good.

**Harold MacNevin:** Just to follow up on that, you're talking about the butter, oil, sugar blends, is displacing the equivalent of PEI's total production

in Canada. That's how big an impact that particular issue is.

**Ron Maynard:** Most of these farms that are circumventing the import controls are taken in by the processor and further processors. It's not in the retail, you won't see it in the retail market. That's not of a concern. It's the large volumes that are coming in and being used in products like ice cream, for example.

**Wilbur MacDonald (PC) (Chair):** Wayne.

**Wayne Collins (PC):** Thank you, Mr. Chairman. Thank you, gentlemen, for your presentation this afternoon. Earlier today, when the Cattlemen's Association were here, they informed us that testing for BSE in cattle in Canada is going to increase to 8,000 animals this year, 30,000 next year, and I believe one of the presenters at the time when asked whether or not we should look towards what Alberta is toying with and that is testing every animal. So if, we didn't want to give people the impression that we got a diseased industry here or something by doing that. But you call here for a step up, I think, and the government should establish and maintain a true testing protocols. Is the current plan for 8,000 this year, 30,000 next year enough or are you asking that more needs to be done?

**Harold MacNevin:** I don't think we're asking for more. I think we're just following protocol that's going to be scientific based, that they can reassure the consumers that the product is healthy and safe.

**Ian MacIsaac:** We don't feel we have near the problem here that the UK has had. What we want to do is do more testing, make sure of just how big the problem is here or how small the problem is here actually and do enough testing so that we know what the problem is, then we can move forward.

**Wayne Collins (PC):** Will the 8,000, then going to 30,000 next year be adequate then to fulfil that, in your opinion?

**Ron Maynard:** Based on science, that's what we're saying. There's an international protocol for these things and that's what we have to base it on, not on fear mongering or trade distorting practices that somebody wants to do for economic gain.

**Wayne Collins (PC):** You mentioned in your presentation that right now there is a study going on into alternative marketing options for cull cattle. Is this a study including PEI, Nova Scotia, Newfoundland and Labrador? What is the status of that study right now? Is it complete?

**Harold MacNevin:** It's, a presentation is going to be made later this week to all parties involved and Nova Scotia and Newfoundland as well.

**Wayne Collins (PC):** You haven't had a sneak preview of it?

**Harold MacNevin:** We've had a preview of the thing but we can't comment on it at this point.

**Wayne Collins (PC):** I see, because it's looking at cull cow processing options. Can you give me an example of what you'd be talking about in a cull cow processing option?

**Harold MacNevin:** The study was initially came to head because of the new kill plant there in Borden, was not going to have a cull line and I think the cow/calf guys and the beef sector as well as the dairy guys with the large amount of culs that we have, we had no option for shipping that out. They still had to go to Ontario or Quebec. So then, I guess, with consultation with the Maritime Beef Products there that whether they were going to put a line in or not, then a study was involved in whether it was feasible or not and the study is to study whether there's actually a market enough there to do this line. If there's no market, it's then just continue on with what we have right now.

**Ian MacIsaac:** I think some of the other options maybe start from a green field and build a whole plant or look at adding onto the plant that is being constructed in Borden too. Like it's not necessarily all in the marketing end. It maybe on the facility itself too.

**Wayne Collins (PC):** And that report then will be released you say, within a week or so?

**Harold MacNevin:** Yes.

**Wayne Collins (PC):** Then we'll all understand what the recommendations are.

**Ron Maynard:** If I may comment, Wayne?

**Wayne Collins (PC):** Yes.

**Ron Maynard:** That's a three part report. The first part is to see whether the market is feasible or there's a market out there for the product. And then if there is market open out there for the product, then it goes into the feasibility of putting, of adding it on to the plant or finding the location that will handle it.

**Wayne Collins (PC):** I see. Regarding your recommendations here for government support for the supply management system, what kind of action steps is your association advocating that government do to support supply and management system beyond what it's doing now. What could be done?

**Harold MacNevin:** I think the import controls is our biggest issue. I mean, producers are supplying the market, just as the milk that we need for the domestic market only and that's not an issue. We're doing that. Price mechanisms are in place. I mean, you know, as we stated earlier there that we're not, sometimes we don't feel we're being justified in getting the price that we should but if we're constantly being undermined by what's coming across the border, that's our issue.

**Wayne Collins (PC):** When Islanders go to their grocery aisle, today and they go by the dairy case and that, can you give me some examples here of what are some of these dairy products that are being imported into Canada from countries and trading blocks that are continuing to subsidize their producers? What would I, would I have to find out, does it say manufactured or made or grown outside of Canada? Would you have to see that right on the label?

**Ron Maynard:** As I mentioned to Ronnie's question earlier on, the majority of the product coming in is product that's coming in, in block quantities and used in further processing people. The making of ice cream, for example, right now there's very little ice cream that isn't made with butter, oil, sugar blends that comes in from the UK actually where a majority of it is coming from and that. So you won't see it. You'll see it, it's modified milk ingredients is something that you might see on the label that kind of indicates that it might be a product. If you look further down, there might be other products that are—you won't see it in the—it's not designated.

**Wayne Collins (PC):** So the solution here really lies with government control as opposed to consumer action then?

**Ron Maynard:** Well I think one of the consumer action things that we do within the Dairy Farmers of Canada is if you look for a dairy product that contains this little blue cow on it, that indicates that it's a Canadian dairy product. So if you don't see that product, then you're sub (Indistinct). You wonder whether it is Canadian dairy products or not. I mean, there is some producers, processors that are producing product that don't use this label. But it is a Dairy Farmers of Canada initiative that all Canadian dairy products will have this label on it to indicate that it is a Canadian dairy product.

**Wayne Collins (PC):** Look for the blue cow.

**Ron Maynard:** Look for the blue cow, yes. Thank you, Wayne.

**Harold MacNevin:** I guess further to that would be what action can we—what action are we looking for? We're looking for the government to have a regulation in place on what the ingredients are in a product so that if you see modified milk ingredients, then it should be stipulated as to what that actually is. You'll see that in a lot of products, modified milk ingredients.

**Ron Maynard:** A comment I might make, the United States, we have 49 per cent access into it. The United States label is 15 per cent. Anything over 15 per cent isn't allowed into the United States and that's something that's been around for quite awhile.

**Harold MacNevin:** It's quite an imbalance.

**Wayne Collins (PC):** Yes, it certainly is.

**Wilbur MacDonald (PC) (Chair):** Anymore questions? Richard, sorry, Eva first and then Richard.

**Eva Rodgerson (PC):** That was one of the questions I had. How long has this been happening and what rationale has been given to you in regards to the different percentages?

**Ron Maynard:** The setting of tariff lines is something that you know, there's hundreds and hundreds of tariff lines for every product and those

tariff lines are difficult to establish. The other thing that's happened is that technology has overtaken the tariff lines. At one time, it wasn't possible to break out, there's a product called casein that's used in the making of cheese. It's in milk. It's an amino acid that's in milk. At one time, it wasn't possible to break that out of milk. Now what we're seeing is that people are mining that out of milk, basically taking the casein out and they're importing it into Canada. It was never, there's no such line in the importation of casein because it wasn't possible five years ago, even seven years ago now I guess, is probably when it became an economically, feasible process. So that's the technology, the regulations kind of haven't caught up with the technology. That's a lot of it there.

**Eva Rodgerson (PC):** So how often should these be reviewed, like every five years, two years?

**Ron Maynard:** Well they should be reviewed ongoingly. The problem kind of is now with the WTO is that it's very difficult to get new tariff lines put in place because it's classed as being trade restrictive. So we're kind of caught between the technology and the regulations that are in place within the WTO.

**Eva Rodgerson (PC):** I guess the way, I think probably I've already got my answer here but it was under action. The tools to maintain a viable and working system have been lacking and I had explained. I don't know if I fully understood, you talked about import controls, do you have any—do you have a list of the things you'd like to see changed there?

**Ron Maynard:** The Dairy Farmers of Canada has a total, has a trade policy and a list of things and once you're getting into—for example, this butter, oil and sugar blends, last year we attempted to have a classification changed that these products, butter, oil, sugar blends were a substitute for butter. And if it was a substitute for butter, then they would be restricted from being imported. But now that had to go through a government process and the bureaucratic—there was some bureaucratic problems at the federal level and it wasn't—it went through several panels and it just didn't come about.

**Eva Rodgerson (PC):** So is that going to be back on the table this year, do you know?

**Ron Maynard:** Well I think we'll, with a new minister, we'll I think one of the problems may have been a little, a lack of drive and initiative by the minister at the time.

**Eva Rodgerson (PC):** And you said the group was what, the Dairy . . .?

**Ron Maynard:** The Dairy Farmers of Canada which is a national lobby organization which represents all 19,000 dairy producers across the country.

**Eva Rodgerson (PC):** Okay, thank you.

**Wilbur MacDonald (PC) (Chair):** Richard.

**Richard Brown (L):** Thank you very much.

**Wilbur MacDonald (PC) (Chair):** That will be the last question.

**Richard Brown (L):** Okay, just two quick questions. I like your little quality milk label. Your advertising budget for Canada, like the 'drink milk'. How much, is it a fixed percentage of total sales or a . . .?

**Harold MacNevin:** I'll let Ian answer that, he's our promotion rep.

**Ian MacIsaac:** We spend about two per cent of our annual sales on promotion. That's split up into partly industrial promotion of cheese. We don't do much on ice cream but we do a lot on cheese because cheese is the product that sells pretty well all the solids in milk and about half of our money goes towards the industrial promotion and then the fluid promotion is done on the provincial. It has been done on the provincial basis all the way along. The eastern five provinces have now joined together to do joint fluid promotion as well as the industrial promotion.

**Richard Brown (L):** So those ads we see on television are the Maritimes and Quebec?

**Ian MacIsaac:** More specific to the Maritimes but Maritimes, Quebec and Ontario are all involved there.

**Richard Brown (L):** Okay, so you get together as a group and these are the ads you pick. Is that

two per cent of gross sales, or two per cent of . . .?

**Ian MacIsaac:** Two per cent of gross.

**Richard Brown (L):** And how much would that be a year?

**Ian MacIsaac:** About 1.1 million for PEI every year.

**Richard Brown (L):** 1.1 million on advertising.

**Harold MacNevin:** That's 75 million national, taking in fluid as well as industrial promotion.

**Richard Brown (L):** So what percentage increase in sales would you say that kind of marketing gets you?

**Ian MacIsaac:** We always aim for one per cent. If we have special promotions, we'll aim for one per cent over and above that.

**Richard Brown (L):** Increase? And contract those increases with each ad?

**Ian MacIsaac:** We certainly do. It's hard to be 100 per cent accurate. But yes, we have certainly have several different research tools to track those ads.

**Richard Brown (L):** And the firm that does that kind of advertising for you?

**Ian MacIsaac:** We have our policy department in Ottawa that does that and they sub that out to different group. We also purchase some retail data from the major retail stores and track out sales that way.

**Richard Brown (L):** So do the major chains work with you in this?

**Ian MacIsaac:** They sell the data.

**Richard Brown (L):** They sell it to you?

**Ian MacIsaac:** Obviously, you don't get anything out there for nothing.

**Richard Brown (L):** Okay.

**Ian MacIsaac:** You've been around the market

too. When you buy your groceries at Sobeys, Sobeys don't stock the store shelves. Sobeys get someone to put the milk on the shelf. Sobeys scan the milk at the checkup. Sobeys charge for shelf space, I assume, and Sobeys sells the tracking data back to us and other research groups. They get paid four times at least for that milk and they don't touch it.

**Richard Brown (L):** Thank you very much.

**Wilbur MacDonald (PC) (Chair):** Thank you very much. That's very informative, the whole presentation. And I notice you have some dairy producers in the audience with you today and I welcome them here too, today and I thank you all very much for taking the time to come to us and I'm sure you're available for any questions after if we need to have some more information. Okay? Thank you very much.

**Ron Maynard:** Note on the back page of your—there's a business card there with our phone number and our manager, Doug Thompson, would be available for anybody's questions and inquiries at any time. Okay?

**Wilbur MacDonald (PC) (Chair):** Very good, thank you very much again. Now we'll have Allan and Melvin Ling come, please. And we have one more presentation after that and that's from the Atlantic Beef Producers Incorporated.

I was talking to Allan at the Potato Expo and he gave me a hint what he's going to talk about today so we'll see if he follows through.

#### Tape No. 7

##### Part V: Allan Ling and Melvin Ling

**Allan Ling:** Thank you, Mr. Chairman for the opportunity to be here today and we'd like to take the opportunity to congratulate this committee on moving forward with a very, very important issue.

What we are going to present to you today is, I guess you'd call it How BSE has affected us as two farmers and back in November we had attended a Cattlemen's Association meeting here in Charlottetown and I came home from that meeting very discouraged and thought that well if you are going to complain, you better try to do something about it. So we took it upon ourselves

and with the help of Ms. Bradley, from the Cattlemen's Association, we put together this letter addressed to Dr. Merv Baker.

Dr. Merv Baker was the person who works for CFIA that had a lot to do with bringing this age factor into the BSE crisis and any other words cattle over 30 months of age are not allowed to be exported out of the country through the box beef program or through the plants...some of the plants can't accept them. So it has created a lot of problems.

So just..and I'll have to read word for word the letter but we've been farming in Wheatley River since in a partnership since 1973 and we farm approximately 1200 acres of land and we produce hay, barley, wheat and soybeans and we ship about 300 slaughter cattle a year and about 1400 hogs. We all do some ....a little bit of other things too, we sell milling wheat and soybeans.

We also have a small cow/calf herd but most of our feeders are purchased from local farmers either here, in Nova Scotia or New Brunswick. Some have come from the Magdalenes as well. We grow pretty much everything we feed except we do use potato waste from a local potato processing plant and of course we buy mineral and salt but that's really the only livestock feed we normally buy. Most of our cattle make the Atlantic Tender Beef program or at least they did prior to May 20<sup>th</sup> and BSE.

I guess we also like to compliment CFIA in the fact that they did respond very quickly to tracing the affected animal down. One of the questions I think we have to ask ourselves as Canadians and as Canadian producers maybe sometimes we want to be the boy scout of the world and maybe sometimes we could just be a little bit too honest. Anything that Melvin or I say here today of course is our own thoughts, it's not ...we don't represent the Cattle industry, just ourselves. We also appreciate the fact that the work that the province has done here and the federal government in moving quickly and we realize that we do have a border partially open quicker than any other country ever did with a case of BSE.

I suppose one of the questions that we have to raise is how serious is BSE. Now I know it was a very, very serious problem in some countries, especially the UK, not so here. We had one animal

that did not get into the food system. Nobody got sick, so really by now we should be back to normal, but of course we're not.

So one of our main concerns now is the 30 months age limit. Process producers and slaughter houses are forced to abide by and the way this program was implemented by CFIA is very unfair. Many of us producers believe it to be a very archaic and inaccurate system. All cattle do not mature at the same rate. Members of CFIA have stated this fact. We believe there are cattle being turned away from our regional slaughter plants because of their teeth and the current ineffective method of dentition. Now in this cattlemen's magazine which was issued in January of 2004, Charlie Gracey, whose anybody in the cattle business would realize or recognize the name. He claims that we may be in error of a considerable amount, in other words, a lot of cattle are coming out with full teeth at 28 months of age rather than 30 so basically we could be giving away two months supply of cattle under this program, okay?

So, the problem, to look at the cattle's teeth is also causing a lot of stress for both the farmer and the animal. Of course, you must put the animal through a head chute and you got to open the animal's mouth and look to see how many teeth are there or what the size of the teeth are. In case anybody wants to understand, that we have a diagram here that indicates that. If the tooth indicates that the animal may be over 30 months of age, then of course you must find another market and that's were we come in here, causing more financial hardship on the producers.

We have enclosed for your information what our shipping situation has been and on October 14<sup>th</sup>, we shipped three animals, one went down to age, two were fine, October 25<sup>th</sup> two aged animals and seven were from a total of seven. It goes on and on there. Basically in that time period from the time it came in until November 19, it was 46 animals. Now then in December, we had four out of 11. So far this year in January, we have shipped 36 cattle and we had 11 of them were aged, 25 were not. Now we have been trying to get rid of some of the bigger and heavier cattle.

Basically, what is happening now is the aged animals are going to the sale in Cookstown. The price is not good. I would ask you to refer to the attached sales receipts indicating the returns we

received from the cattle sold through the sale barn. Many other producers of course are in the same situation as us. As you can see the price discrepancy there between there and what would go through Better Beef.

Now Eastern Canada obviously has more aged cattle percentage then other provinces. In Ontario they are only running two to three per cent and the west, I believe, is less then one per cent. Not sure of what the reason is, it could be the way these cattle are raised as calves, could be the breed, the diet, heavier cattle or maybe even growth hormones.

As you are probably aware our beef is as good as any produced in Canada or for that matter any in the World. The proof is in the award that was won by the Atlantic Tender Beef Canadian Grand Prix Award in May of 2000.

Another fact that we did not realize this tooth identification program was going to be implemented until early October. Why did CFIA not give producers some warning and some lead - in time? This was very irresponsible. If we had known, we would have been trying to ship the heavier cattle. You must realize that since May 20<sup>th</sup>, it has been difficult to market and in some cases impossible, because of the very low price and because there wasn't enough moving--lots of weeks you couldn't ship. We held cattle off the marketing, off the market hoping the situation would improve.

CFIA should have realized the negative impact this policy would have on the industry. A system could have been implemented to allow packing plants to take a reasonable deduction for cattle suspected of being over 30 months of age. A lot of damage has been done to the beef industry because of this rule. Some producers are very discouraged and hurt financially. Our optimism is not what it used to be.

We, as only two cattle producers, strongly urge CFIA and anyone else who can help to implement programs that will help put the beef industry back where it should be today. You must realize that failure to move forward will result in people like us exiting the agriculture industry and wondering who will be willing or able to take our place in the production of food.

So we had passed that on in December. We had a short meeting with Dr. Baker. The situation has not improved. We are still basically in the same situation. Actually if anything the price on those cattle has dropped. We have some results here that I will pass around, there is only two copies so I will send one each way. One is a paper on—is an invoice on Better Beef that shows a price that we get from Better Beef and the other is ones that are going through Cookstown currently.

I guess that's alright, it doesn't matter, that's fine.

One of the people that we talked to lately on the tooth identification system going back to that, thinks there could be a 16 per cent error. Same as Mr. Gracey said, so that leaves a lot of room.

**Wilbur MacDonald(PC)Chair:** Allan, could you explain how you do that with the teeth? Is there a method that you follow.

**Allan Ling:** Yes, you get the animal's head in the head chute, basically and you got to, basically there's two methods. One is you put like a hook in their nose so you can pull the head up a bit and then you got to turn the lower lip down and look inside to see the teeth. Basically if you have I guess, if you see four big teeth then the animal is aged..

**Melvin Ling:** The first two teeth are okay. But if you get a third and a fourth tooth, they are over half grown, they call it aged.

**Wilbur MacDonald(PC)Chair:** The third and fourth tooth.

**Allan Ling:** Yes.

**Wilbur MacDonald(PC)Chair:** I see, on the front here.

**Melvin Ling:** The two in the middle and then the next two beside them.

**Allan Ling:** But these are cattle that before October, before this ruling, they were going through the exact same as the one right beside them and there was no difference. These cattle we're talking about were all "A" cattle you know. They all would of...before October they were all making the Atlantic Tender Beef program.

**Wilbur MacDonald(PC)Chair:** And they were fed

for the Atlantic Tender Beef?

**Allan Ling:** Yes. I guess just a couple of more comments that we'd like to make is. First of all we anticipate the work that everybody has done to get this new plant up and running and we think that's going to be a big help. In all fairness to us as producers, we should not have been in this position, now I knew nobody every anticipated May 20<sup>th</sup> was coming but McCain Foods, when they were operating hogs pulled out very quickly. And I think as good as the Maritimes have been to that empire, they could of did us a big favour by saying okay we'll stay for another year until you get your new plant up and running. I think that would of been a very nice thing for them to do, rather than leaving the production of beef cattle out where it has been.

I guess you can understand the low price, the impact of the cattle that are still, like we are in a terrible situation where we have to ship cattle to Ontario and it's costing us close to \$100 to transport that animal.

Now it's on these aged beef, what are we going to do when the new plant starts up with them? Now in this province we've got a lot of dairy bred steers and again we've raised quite a few of them over the years and a big percentage of them, the way we fed has made A Grade when we are shipping them to Hubs but not the case anymore.

Just an example of where we are at financially. February of last year we were receiving \$1.94 a pound from Better Beef. Just a load of seven cattle averages \$1,324. A load of cattle this year to Better Beef averages \$945.00. A load of Holstein that we shipped to the sale in Cookstown on March 20<sup>th</sup> of 2003, averaged us \$88.30 per pound or \$1,422 per animal. Now we had one that went through the sale here this winter sometime. It was 31. I don't know if he's on that sheet but it was 31 cents a pound. Multiply 31 x 1500 you see the big drop.

So I guess as we move forward, we need to be very careful like the dairy producers have commissioned this study to be done and that's good. But we also need to have a market for this type of beef that has always had a market before, but it's not a good market now.

I don't know if the new plant is probably--can not

handle this age factor as we've set up today. So I believe an alternative market has to be found. We have a plant sitting in Ebenezer that has had, to my knowledge, well over a million dollars spent on it. That's just sitting there, maybe there's something can be done about that. We don't have the answers.

I'd say that as producers, we do need some help on this age factor. Two cattle there that we shipped through to Cookstown, one went through at 17 cents and another at 26 cents and with a return cheque to us was \$402. I think, well that's probably cattle that we paid \$700 for a year ago. Now that was the worst case scenario and there was other ones that went through at a decent price as well. So anyway, anything to add?

**Wilbur MacDonald(PC)Chair:** Maybe some of the members would have some questions? Andy.

**Andy Mooney (PC):** Based on what you've sold yourself, have you been nabbed for many of your own cattle over the 30 months that you know have been much younger?

**Allan Ling:** I'm sorry I didn't...

**Andy Mooney (PC):** Like basically there's a farm up home that shipped an animal that he knew the birth date and with the traceability with the ear tags going on cattle now, I mean there should be, should be able to figure out the birth date on them. And if there's 16 per cent, they are getting nabbed for being over 30 months or saying that they are. Is there anyway of disputing it with their ear tags?

**Allan Ling:** With our own cattle and our own ear tag, yes we could. We are buying these cattle in ..they come into our feed lot anywhere's from 400 to 800 lbs and so at this time we don't have a way of tracing back, but because of this situation, our buying habits are probably going to change, well they have already. We are much more cautious about what we buy, which probably is going to hurt somebody else. Over the years we bought—we didn't really pay a whole lot of attention to the age before. Like if we bought a bunch of cattle that came from a farm wherever it would be, whether it would be PEI or New Brunswick and they come into our farm and they did well on our feeding programs. So if they come in, what they could of been, had some age on them when they come in let's say particular an 800 or 900 pound animal.

**Andy Mooney (PC):** Thank you very much. I appreciate your coming in.

**Wayne Collins (PC):** Just a quick question, Mr. Ling. How many aged cattle are out there? Given now that that 30 month deadline is there now for all producers, like you are facing that or with the bovine dentition program here. You are talking about whether or not there's going to be accommodation for these aged cattle in the new plant and that. I'm just wondering or even opening up the plant in Ebenezer to cope with them. What is the cattle count out there of aged cattle? Any idea? On the Island?

**Allan Ling:** No, I wouldn't know. Even in our own facility, I really don't know what we would have, like normally we would take a load and we ship and we'd have seven or eight on our little trailer and you might have one or two, or three. Now eventually we are going to get that cleaned up but there's always going to be some and we are going to have to go to shipping lighter cattle. We are going to have to, you have some animals that are just poor doers and ...

**Melvin Ling:** I think anything with a mixed dairy bred in it too. You are going to run into that more then straight beef. That's were the breeding comes in but we are in a dairy province you got to remember, too.

**Wayne Collins (PC):** So we'll always have some aged cattle there?

**Allan Ling:** Yes.

**Wilbur MacDonald(PC)Chair:** Anymore questions? If there's not then we want to thank you both for taking the time to come in. We certainly appreciate.

**Ron MacKinley(L):** I just have one question.

**Wilbur MacDonald(PC)Chair:** Ron.

**Ron MacKinley(L):** These aged cattle when you said..the one you said you got 17 cents for. What does the packers do with that (Indistinct) .

**Allan Ling:** Well we don't, as two producers, have the ability to do the traceability. But if something is wrong with one of our animals, there's a traceability right back to us. I'd like to see

somebody take one of these animals and trace it through because in my mind there has to be an awful lot of money made in this country off some of these animals, a lot. Cause we know that there was not a big reduction in the price to the consumer on that particular animal. Maybe this--challenge this committee to do it. It is certainly an issue.

**Richard Brown(L):** Just one quick question, so you are saying, Allan, that if there is a bad steak or something on a shelf, they can trace it back to your farm?

**Allan Ling:** Don't know if they can go that far. Definitely when the animal is slaughtered in the plant, they can. But what happens to it after that I have no idea how that works. But ...

**Wilbur MacDonald(PC)Chair:** You are so right, Allan. When you go down to the grocery store they don't say this beef is over 30 months too.

**Allan Ling:** No, they sure don't.

**Wilbur MacDonald(PC)Chair:** They sure don't. Wilfred, do you have a question?

**Wilfred Arsenault:** Just a quick comment to Allan and is it Melvin?.

**Melvin Ling:** Yes it is.

**Wilfred Arsenault:** We do have presenters coming in that are from the retail sectors, so stay tuned.

**Allan Ling:** Appreciate the opportunity.

**Melvin Ling:** Thank you very much.

**Wilbur MacDonald(PC)Chair:** Take care. We have Mr. Baglole from Atlantic Beef Producers. You can sit in the centre. You are all alone, are you, sir? You have a presentation or oral?

**Dean Baglole:** Just an oral presentation.

**Wilbur MacDonald(PC)Chair:** Okay, that's fine. Go ahead, sir.

#### **Part VI - Dean Baglole, Atlantic Beef Products Inc.**

**Dean Baglole:** Thank you, Mr. Chairman. My name is Dean Baglole. I am a beef producer from PEI, from Freetown up towards Kensington. I run a feedlot, family run operation. I currently sit as the chair of the board of Atlantic Beef Products which is the new beef plant for Prince Edward Island, for the Maritimes. I sit on that in the capacity of representing the Atlantic Beef Producers Cooperative which is the producers, 190 strong throughout the Maritimes how have bought in, bought shares into the plant and enable the plant to get up and running.

Atlantic Beef Products is a plant that is owned by three shareholders, three groups at this time. There are other producers. The producers will own in excess of 50 per cent of this plant. There is Co-op Atlantic. Co-op Atlantic will own around 15 per cent when this is all said and done and right now the Prince Edward Island government is also a shareholder. They came in on side to enable this plant to move forward. They of course have made it clear that they are not looking to be in the beef business for ever and ever. But they've stepped up and given us an opportunity to get this thing up and running.

This plant is situated in Albany, PEI. It's a little over 40,000 square feet. The exterior of the building began, we began construction in late fall of this past year, 2003. The exterior is done. The heat is on inside the building right now and the floor work and everything else is to be completed.

It's kind of funny but one of the rumors that started circulating right into January was that the plant was out of money and done because there was no work being done down there at the time and it was merely to allow it to dry out and thaw out and allow us to do other things.

So Atlantic Beef Products is ...well it came about of course because of the closure of the beef plant in Moncton. Its main role will be to try to find markets and sell products throughout the Maritime Provinces for Maritime product. The three provinces, Newfoundland, haven't been involved in it but Nova Scotia, New Brunswick have producers and then of course producers on PEI. On those 190 producers, the vast majority of them are from PEI, simply because that's where the beef is finished. Most of the finishing happens here and then there are a few from the other two provinces as well.

When I was asked to come today, the question was what has BSE done or how has it impacted Atlantic Beef Products? Listening to some of these presentations, you guys know that it's had a major impact since May 20<sup>th</sup>. The beef industry in Canada and in the Maritimes has been drastically changed. On one side, I think it made producers in the Maritimes realize how bad we needed a plant in the Maritimes. How shipping to Ontario or shipping somewhere else with the cost that is associated with that made us so--it's so unattractive for us, it's not economical. We had to do something. But it's also, you know, BSE has been very negative when the producers--the Ling's that were just here were talking about the lost confidence. I think that's the scarcest thing right now.

For us as producers, we have and for us within the plant, we have producers who have bought in, they've put their money in. They are looking forward to the plant and we're hoping and expecting that the plant is going to do good things for this industry. But they've got to get to the point where the plant is up and running and that's the tough thing right now. As bad as last year was with BSE, I think personally that this year is going to be, could potentially be worse. I think this second cow, the one that was traced back to us from Washington, has had a very negative impact as much on the psyche of the industry as anything else. And it's got a long ways to put fear and concern into those producers. A beef plant might be a good thing or is a good thing, we feel, but there has to be producers there to put product into it.

Somehow we've got to work together to try to ensure that those producers have that opportunity and that's the concern from my personal--speaking personally, not from the plant side but that is my concern right now. There's a lot of feed lots that are down considerably in numbers because the economics just aren't there and there's no idea when it is going to turn around. If we knew when that border was going to open up, it would change things considerably but you know, it's just too difficult.

#### Tape No. 8

**Dean Baglole (Cont'd):** So I think that's the biggest impact BSE is going to have on our plant. It certainly changes everything as well as far as

those aged cattle. The markets that we can go into. We are going to have Co-op Atlantic as one of our main customers. We will be the exclusive supplier for Atlantic Tender Beef Classic which is the brand that they have worked hard on along with a number of producers and members of the Department of Agriculture and that over the last three or five years to get that up and running. And that has been a huge thing for our industry.

I can't sit here today and tell you honestly what's going to happen with cattle that are over 30 months when it comes to this plant. The guys were right again when, you know, before this came in that the 30 month thing was required as far as cattle going to the States. It didn't make any difference how old an animal was, they were still graded by age but they were graded on the color of the bone and the same system has been in place for years and years and years. So these cattle that were A's, they're not being paid for as A's, whether or not they're still A's is something that I can't answer but I'd certainly question whether or not that's so.

Our plant is going to be a plant that's--we are looking at 26,000 cattle a year, approximately 500 cattle a week, is what we look to process. With those numbers, you can tell that we can't go up against the Cardellas Better Beefs of the world that are killing 10, 15,000 a week. Economy of scale will tell you that we've got to be different, if we're going to survive we've got to do something better or different from them. We feel that we have that opportunity. We see a growing demand for local product. I think ATBC in the Co-op stores has proven that and we certainly hope to expand on that through other grocery chains and other opportunities throughout the Maritimes. We see a real opportunity in food service and food services, the other side of the industry that goes into restaurants and institutions and everything else that's there. We feel that we can play a role there as well.

We have already put our general managers in place. We've put in place this week a floor manager, somebody that has 25 years of experience in this industry. We feel that we're trying to give ourselves the best chance to survive and be a viable entity. That is, I think, the biggest thing that the plant can do for the industry is be profitable and be here to give them some place that they know that there is going to be a market

for their product and it's going to give consumers an opportunity to know that they can buy local and buy something that will match up with anywhere in the world. We know that we can do that. We just have to get out and talk to some of these larger chains and make them realize that as well.

The Maritime Provinces is one of the few parts of Canada that actually produced far less beef than they consume. So the opportunities here are very large. When you look at the western part of Canada where it's just totally the opposite, they have to export, we have to import within the country. The opportunity is here. Our business plan tells us that it's here and our business plan probably isn't as pretty as it was before May 20<sup>th</sup>, because BSE has changed a number of things within the rendering side, the inedible product side of the plants and of the cattle. And those are issues that we've got to deal with and we've got to face. But again we're working with different companies, working with Rothsays out of Truro and working with the Department of Agriculture here, Department of Environment looking at alternatives to try to make sure that we can move this stuff on and do a good job.

I'd have to say from the plant side and as a person side, I was very pleased to hear the comments that came out of the Premier's I guess last week in Newfoundland when they started talking about trying to get the government institutions or whatever to buy local product. I think that's very important, not from the beef side anymore than everything else, whether it's pork or whatever. But from a plant side and from a business side, I can't say that we'd be in favor of legislating markets. We feel that we have to be able to go out and compete against everybody and given the chance we think we can do that. We realize that our hands are going to be tied because of our size but we think that if our product is good enough, and we know it will be, that we will be successful.

Like I say, we feel those markets have to be earned. We have to go out there and we have to find them. We've already begun that process and had some very positive discussions through different sectors so far. With these larger companies though, they want to see product. They don't want to just talk about what might be coming down the road in six months or eight months or 12 months time, they want to see it now. So that's one of the roles that we are doing.

We feel that this plant is a tremendous opportunity for producers because they've taken a stake in their industry and they've gone one step further. They just don't sell it out the back door now and have no idea where it goes. They will have much more say and much more input because they are the owners of the plant. They will have a say in the pricing, in the marketing, they will have a say in what type of cattle should be going into that plant. They have that opportunity right now. They have that through the members of their cooperative that sit on that board. That's something that they've never had before. There is speculation that the plants are making all this money right now on these cattle that are too old or these cattle are whatever. And maybe they are, I can't speak to what other plants are doing, and we don't know because we haven't got there yet. But whether it's through an opportunity to give them better prices or whether it's an opportunity to return better dividends to them, they have a much bigger stake in their industry now than they had before and we think that's a positive, positive thing.

I feel it's an ongoing process to keep an industry vibrant. I mean this plant is only one step. When the plant is in place we have to do a better job of finishing our cattle, getting our cattle the right age, getting them the right weight. We have to in turn do a better job of raising calves. I think it will improve the whole industry down the road. If we can do the right job here it will feed back throughout the industry. If the price is good to the feed lot guy, well he can pay more for his calves, it all works back. It's \$100 million industry. The beef industry in the three Maritime Provinces is \$100 million farm gate receipt industry. It's big. So it's important that we keep it alive.

One of the things that I think we do have to look at, and it's more of a federal deal, and that's import permits for product. I would like to see those be restricted in a way that allows us to clean up a lot of this product that is out there, the cow side, you know, being one of the main ones. I know there was discussion today about cows and whether cows are going to go through this plant or not. There's three factors that we feel are important on the cow side. Number one, the cows can't negatively impact the amount of finished cattle that can go through the plant because it was those people that owned the finished cattle that put the money in, so they have to be looked after. They are the share holders to date. You have to be able

to pay enough money to the people who have those cows to make it worth their while to sell them to a plant. You have to get enough money out at the other end to make it worth while for the plant to do it. If all those three things fall into line there is no reason why there won't be cows at this plant as well. I mean that opportunity is certainly there and we certainly exploring it along with the dairy industry and the cow/calf industry trying to look at options and look at ways that hopefully we can help alleviate some of that problem as well.

I'm sorry I don't have a prepared submission for you guys today. We were in fact, I was in meetings all day today talking to equipment suppliers for equipment for this plant. I can tell you that we are still, our start date has been set for the last year at September 1, 2004. We are still on target to meet that. There is work going on, ongoing every day to try to get that to the stage where the middle of August we can test and September 1 we can start putting product through this plant.

So I appreciate that opportunity to talk to you. I know I'd be happy to answer any questions.

**Wilbur MacDonald(PC)(Chair):** Fine, we'll ask Andy to start off. Andy?

**Andy Mooney(PC):** Thank you for coming in. It's great news the plant is on time. I know I was at the Potato Expo here this weekend and there was some cattle fellows there that put the questions to the Premier wondering on the dates, if everything was still on line. So it's good to hear. One question. As far as on aged cattle, Blaine had mentioned that there's, they say there is about 16 per cent cattle going as aged when they're actually under the 30 months. Is there anything that could be done at the plant as far as double checking on an age?

**Dean Baglole:** Not the way CFI regulations are right now. CFI are very specific and they explained, I think he passed around pictures.

**Allan Ling:** Yes I have pictures of that.

**Dean Baglole:** Once that third mature tooth starts to show it's deemed to be too old. And there is nothing we can do about that. Now on the other side, we are actively looking at potential markets because we realize that some of those cattle are

going to end up in this plant. We have to be able to handle those and we have to be able to move them on. But as far as saying, well, you know, unless we start pulling out teeth—I don't know if we're good at dentistry or not but I think I've looked at more teeth in the last two weeks moving cattle than my dentist does. But no, we have to follow CFI rules and guidelines. Unless that changes, that is the only way we can tell.

**Wilbur MacDonald(PC)(Chair):** We have Wayne and Richard.

**Wayne Collins(PC):** Short question Mr. Baglole. Right now we understand 22 per cent of the beef that is consumed in the Atlantic or Maritime Region is from the region, right, 72 per cent imported? You're talking about a through put of 500 head a week. What will that translate to if everything is sold and consumed here in the Maritime region? What will that figure go to?

**Dean Baglole:** I don't have the exact figure but it won't come close to meeting the demand. There is a lot more product consumed in the Maritimes every week, than 500 head. So I mean that opportunity is there for potential expansion or increase down the road.

**Wayne Collins(PC):** I guess my question was if all 500 head is sold and consumed here though, that would be what percentage of the beef that's sold in the Maritimes?

**Dean Baglole:** I'm sorry, but I couldn't give you that exact information. Through the Co-op stores, they're the only grocery chain in the Maritimes that handles Maritime beef. So I mean you look at those other chains and what they're not doing. If we can get a percentage of that it's going to certainly have an impact. But I'd be surprised if it got up to 50 per cent. But I don't have the figures, I'm sorry.

**Wilbur MacDonald(PC)(Chair):** Richard?

**Richard Brown(L):** Thank you. 25,000 head a year, how many does PEI produce?

**Dean Baglole:** PEI alone right now would be in the 20,000 head range I believe.

**Richard Brown(L):** So we'll be able to put all our cattle through that plant.

**Dean Baglole:** They won't all go through that plant. This plant won't suit everybody. They've raised cattle that are bigger than maybe this plant can handle. There is reasons why not all producers will participate.

**Richard Brown(L):** And Atlantic Co-op has contracted to buy everything?

**Dean Baglole:** No, they've contracted to buy everything that they will use for their ATBC spec.

**Mr. R. Brown:** And what percentage of that would that be?

**Dean Baglole:** From the plant itself?

**Richard Brown(L):** Yeah.

**Dean Baglole:** Oh, it would be in the 30 per cent range.

**Richard Brown(L):** What is going to happen to the other 70 then?

**Dean Baglole:** We're going to find markets for it.

**Richard Brown(L):** So with 25,000 head per year, your average plant in Canada does about 112,000 according to this statistic here anyway. So like for Sobey's and IGA and stores like that, you're saying no good talking to them now, or they just talk when you got cattle or when you got something.

**Dean Baglole:** Well you know they're large companies. They've got a strong relationship with the Western plants right now. They're not going to talk to a small plant until they have something that they know they can get access to. We do not have the capabilities to supply all of Sobey's beef. There's not enough cattle in the Maritimes to do that either. So we have to look at the niche side. Can we get part of Sobey's meat counter? Maybe. And those are the things that we have to do.

**Richard Brown(L):** But like in September when the plant opens, and you're going to produce out of this plant like I guess the steaks that go on the shelves and everything, like you can do everything there to take it to Sobey' or IGA to put it on the shelf.

**Dean Baglole:** Well no it's not shelf ready. There is no plants really doing that in Canada right now. It will go out as primals and the stores still have a meat department and they will finish it when it's there.

**Richard Brown(L):** But when that happens, when that plant is up and running, and I think it's a great idea the plant. I think it's great to have it here and then there's no excuse afterwards for Sobey's or IGA to say in October, well you know, the cattle is taken into this plant in Ontario and they're from everywhere. When we produce it at the end of the line there we can't identify it to label it as Maritime beef or Island beef. But from now on, when this plant is open and we go to Sobey's or we go to IGA and say look, this is Island product, here is the labeling. You can now send it to your store and this can be labeled as Island beef.

**Dean Baglole:** That's right.

**Richard Brown(L):** And do we have a plan in place for that?

**Dean Baglole:** Yes, we're working on that right now. We are sitting—our general manager will be sitting down with a marketing person, a sales person with a lot of experience this week, to discuss whether they are going to come on side and work with us. It's an ongoing process and we've had a lot of discussions on food service and touched base with some of the main players in the game. But we have to put that person on the ground and basically got to start knocking on doors. But when we open, when we start killing September 1<sup>st</sup>, you know, if there's sales for 300 cattle there will be 300 cattle slaughtered.

**Richard Brown(L):** Okay.

**Dean Baglole:** And the plan is to have sales for 350 for that week. I can't tell you today that we have 350 spoken for for September 1. That's not in place.

**Richard Brown(L):** So Co-op Atlantic will not be restricting the sale of this beef in any way.

**Dean Baglole:** Oh, absolutely not. No. Co-op Atlantic are merely a customer. They have one seat on the board but there is no restriction on who we can sell our product to.

**Richard Brown(L):** So all we have to do in September, October, is start pressuring Sobey's and IGA and these stores saying look it, there is no excuse now, there's a plant.

**Dean Baglole:** July and August I think is the right time to do it.

**Mr. R. Brown:** There are products coming out, so we'll ask them when they come. They're going to be here in a couple of weeks, to commit to buying from this plant.

**Dean Baglole:** And we've designed this as what we call a brand plant where we can be very specific to what they want. If they want a certain size, if there is a feed requirement whatever. That's one of the things that PEI and the Maritimes have as an advantage over probably the rest of Canada. We're small enough that we can adapt very quickly. So we will, as an industry, we'll change to meet the market. We have to do that, all industry has to if we're going to survive.

**Richard Brown(L):** So like Sobey's out here or IGA or any of those stores, can the local manager buy it or does he have to call Toronto?

**Dean Baglole:** The largest ones, the Sobey's and Superstore, my understanding is they have to call Toronto. There's a buyer. But there's opportunities with that buyer.

**Richard Brown(L):** They have to get a hold of that buyer.

**Dean Baglole:** Absolutely.

**Richard Brown(L):** And what's he, just price sensitive? He doesn't care.

**Dean Baglole:** Well I think that price sensitive was the way it used to be. But I think that if you even just take a walk through your grocery stores or see your flyers, they are far more sensitive to local product than they've ever been. And I think that's very positive for us.

**Richard Brown(L):** There is a lot of committee members are saying we should buy local. But if I go to Sobey's and that, if I can't identify it and the guy behind the counter can't identify it. It's great to say buy local but if I don't know where the bloody cow came from. Could be from Alberta. But after

September, you'll definitely be able to say yes, this is Island beef.

**Dean Baglole:** Yes. The only place that you could do that now is Coop.

**Richard Brown(L):** So, if the province, a recommendation of this committee could be that we should be putting our marketing program together as a province.

**Dean Baglole:** Absolutely.

**Richard Brown(L):** Right now we should encourage the province to use your plant and to use your facilities as a benchmark to say, here's Island product, it's available, we encourage all Islanders, all Maritimers to buy this label.

**Dean Baglole:** I think there is a real opportunity to encourage people to buy from their neighbor and that's who's producing this product.

**Mr. R. Brown:** I can tell you. Once I see the PEI label on it or the Atlantic label on it, I'll buy it. Don't worry about that. But I have to see it. Okay. Thank you.

**Wilbur MacDonald(PC)(Chair):** Wilfred?

**Wilfred Arsenault:** Three quick questions here. First of all, is your plant or what mechanism is in place to regulate what price you're going to pay to produce it?

**Dean Baglole:** There is a pricing committee that was formed through the producer cooperative that has members of the, actual producer members, whose role it is and was to sit down and look at the pricing and see how competitive we can be with the rest of Canada. They have put a formula in place for this plant to start. It has been that the producers know going in what that price is going to be. How we are in relation to Ontario which is the next market to ship cattle. But it's an ongoing process. They will continue to look at that. If there is opportunities to pay more, then that will certainly be brought forward by this committee. So the producer has a direct say in what they're going to receive.

**Wilfred Arsenault:** Now when you buy, you're buying from the hook system.

**Dean Baglole:** That's right.

**Wilfred Arsenault:** I understand what that is. Will you be buying from other producers that have not purchased the hooks or will you be buying products from producers outside of the Maritimes?

**Dean Baglole:** Our goal is to buy from the producers who have put money into the plant and that is through the hook side of it. We had set a number last July when we did our initial hook sales, our share sales. We had set a number a minimum floor that we felt we had to achieve for this plant to go forward. If we didn't have enough producer interest there was no use proceeding. We exceeded that expectation at that time but we didn't sell all the hooks or spaces because we knew we couldn't right off the bat. We knew this was going to be a two or three year process. So we are above what we expected, we're above where we had to be for our year one business plan which was 350 cattle a week. So those cattle will be coming from the people who have put their money into the plant.

**Wilfred Arsenault:** My last question. Do you have any plans for any value added processes in some ways?

**Dean Baglole:** Yes, those opportunities will be evaluated. It will be an ongoing thing. We're looking at that all the time. There is tremendous opportunities in this industry or we feel there are. We are going to strive very hard to be at the forefront. Like I said before, we're small enough that we can change, we can adapt, we can do those things. From my perspective, change is only good if it does the producer good too. We want to be very aware of that. It's relatively easy to say, well we'll produce this kind of product or that kind of product and it might help us get into a new market. But if it's detrimental to the producer, then at this plant we have a chance to say, well that's not going to work for us. We have to find something else. But it's an ongoing process, yes, absolutely.

**Wilbur MacDonald(PC)(Chair):** Ron?

**Ron MacKinley(L):** A question I have for you. You're talking like, as Richard said, most consumers, a lot of consumers buy at Sobey's and Atlantic Superstore. This new plant will be able to meet their requirements for their meat store, right?

**Dean Baglole:** We can't supply all the meat stores.

**Ron MacKinley(L):** I know you can't supply them all because we import 77 per cent of the beef. What I asked you was, can this plant meet their beef cuts, the size?

**Dean Baglole:** Oh absolutely. We can exceed their expectations.

**Ron MacKinley(L):** We know you can't supply them all. That's why I put a resolution up to 20 per cent of shelf space on the floor of the House. Even 10 per cent is better than none. Now, a lot of information in that resolution came from sources I can't reveal, but they were involved with McCain's and Garden Province Meats. We had a box plant here in the province, boxed beef at one time. The reason that boxed beef is really not here, was never expanded they tell me because they couldn't talk to Sobey's or Atlantic Superstore. They wouldn't buy their beef. Now maybe your beef is better now, I don't know. But that's one of the reasons it was. These large corporate stores won't buy from a certain packer and they want so many cuts and they want to come out of head office in Toronto. So you're going to tell me that next year when you come back here, if we're back or we're talking, that at least there will be a certain amount of this Atlantic beef I guess in Sobey's and Atlantic Superstore.

**Dean Baglole:** Well I can't tell you today that they're going to buy. I can tell you that they're talking to us.

**Ron MacKinley(L):** They're talking to you.

**Dean Baglole:** You know they've expressed an interest, let's put it that way. And we are going to pursue that. But no, we can't say that we've got 100 per cent sold today.

**Ron MacKinley(L):** No, I can see that because you don't have any beef or cuts (indistinct) anyway.

**Dean Baglole:** But I mean there is other opportunities besides Sobey's and Loblaws as well. You know there are other places to go. What we are going to be careful of is that we don't oversell ourselves.

**Ron MacKinley(L):** But you have got 70 per cent of this beef, 30 per cent is going to Atlantic Coop. So there is 70 per cent that you got to have other markets for.

**Dean Baglole:** That's right.

**Ron MacKinley(L):** And 70 per cent. Also PEI or Atlantic Canada for that matter are not—there's tremendous opportunities for growth in the beef industry here if we hadn't been hit with this BSE crisis. Because if you've got a plant and you've got a market that handles 80 per cent of the beef that's produced on PEI, so that leaves the other 20 per cent to New Brunswick and Nova Scotia. If you were not self sufficient, 77 per cent of the beef I'm told comes in from other places from like Toronto or wherever. We have a tremendous opportunity there to fill our own markets. The plant I hope works because it will be a stepping stone towards that. So you have talked to their buyers in Toronto then have you?

**Dean Baglole:** Well I haven't personally.

**Ron MacKinley(L):** No.

**Dean Baglole:** But we have people that have made that call.

**Ron MacKinley(L):** And does it seem like good to happen or what?

**Dean Baglole:** Well they're certainly willing to sit down and talk.

**Ron MacKinley(L):** So why will you guys succeed rather than, like McCains couldn't do, which owns Garden Province Meats and Canada Packers was a large corporation which wasn't able to do it and this is coming from information that I got from the people in there. Why would you succeed? Those are the questions. Is it the Better Beef? I know the beef is great at the Coop.

**Dean Baglole:** I think that the biggest difference in this plant compared to even Hub Meat Packers was Hub didn't go out and buy. Hub bought whatever you sent them. Right?

**Ron MacKinley(L):** Right.

**Dean Baglole:** Whatever it was, no matter how big

or how whatever, they took it. This plant has got to be more specific. We've got to accept product that we can sell. If we can come up, and that's where the branding comes in, if we can come up with a product that's consistent, week in week out. That's what Sobey's want, that's what the major players want. They want a T-bone that they can put on the shelf that's the same size basically every week. They don't want one that's twice as big, nobody can buy it. That's what we have to do as well. The producers have come an awful long way in making that happen through the ATBC brand and the work has to be ongoing with the plant and with the cooperatives to make sure that we produce what we can market. That's the key.

**Ron MacKinley(L):** See as a cattle producer myself, we just background cattle. But as a cattle producer myself, this BSE is a problem that we have in Canada but also in Atlantic Canada we're importing. So really why should the farmer like—you base Toronto less the freight. Really we should be based the price in Toronto plus the freight.

**Dean Baglole:** The problem with that is that most of the product that comes in here is not from Ontario it's from the west. The west is traditionally lower than Ontario. There is usually about 10 cents, 12 cents, 15 cents between Ontario and the west. We have...

**Ron MacKinley(L):** You're talking live weight or dressed?

**Dean Baglole:** We're talking dressed.

**Ron MacKinley(L):** Dressed weight. So that's . . .

#### Tape No. 9

**Dean Baglole:** It's not this week but traditionally, Ron, it is. So you have to compete, if you're going to compete for that food dollar, you've got to compete on their wholesale price. You've got to compete against the west.

**Ron MacKinley(L):** But if you look at it another way, like for instance I don't know what the power rate is in the west, but the power rate here is 27 per cent more than New Brunswick. I was talking to a chap back there that was out in Alberta working for a farm out there—farmers out west use

trucks for hauling grain or hay or whatever, there's a big feed bill, hauling manure—they are allowed to use farm fuel out there where here we've got to pay the tax on anything with the farm plate on it that's registered for the road. So I mean there's a whole bunch, when you look at it, you go out west and you look at what—25,000 cattle in the feedlot and not even a place to come inside. Is that correct?

**Dean Bagole:** Yes, a lot of them, yes.

**Ron MacKinley(L):** Yes, the western farmers cow/calf operations run the cattle in the brooks and we can't here. So what I'm saying is how do these farmers who are taking all these environment measures get a return on their investment if we're going to be competing with the western price? That seems to be the problem, number one problem I see is, number one is we've got manure storage—a lot of feedlot operators have put in like the manure storage program. A lot of feedlot operators, their cattle now are on feedlots. I know different ones they're all fenced out of any brooks or streams, etc., etc. Your power rates are high. Your fuel for your trucks are high. Out west—we pay the GST here on your buildings—out west you get the GST back. Well when you're in this margin, and I've been in the cattle business, we've fattened cattle too, and the best of times there's very little money to be made.

**Dean Bagole:** It's tight.

**Ron MacKinley(L):** It's tight. It's, we looked at it, it was good for the land, it was a way to move your hay, your straw, whatever, your grains and of course you like people raising cattle too. There's a thing to it, especially my brother and sister really like it. But the thing is, from a government point I'm looking at, is we have a lot of, you know, we're not only breaking into these stores but also we have all the tax cuts here too.

**Dean Bagole:** Oh, there's no question. I mean, you know, we have disadvantages to other parts of the country. We do have a couple of advantages. I don't know whether they measure out. I mean we have a relatively cheap feed source because of the potatoes that are grown here but this is an industry that's, I think, vital to PEI. You were talking about the manure for the land and, you know, I mean there's the hay, the grain, it's a perfect fit for the potato industry.

**Ron MacKinley(L):** And the crop rotation, the whole thing.

**Dean Bagole:** Yes, it's a very necessary industry. You know, this is like, you know, I said this plant I feel is a very big step in helping but it doesn't cure everything. And it scares me a little bit to be honest when I talk to producers and as tough a time as they're having now they say, oh, just, you know, we get that plant going everything's going to be rosy. Well, the plant we hope, we think, we know will help but the plant won't fix the problems you're talking about.

**Ron MacKinley(L):** No, but government, this committee, can fix some of those problems by saying that you're exempt from PST on your building or farmers can used marked, coloured fuel in their trucks and that. All takes their cost down. That's not your problem. It's your problem as a farmer but we as legislators, it's just a matter of stroke of the pen in doing that if the committee has the will to do it. This is what I think. Even New Brunswick and Nova Scotia gets the GST back over there compared to the province of Prince Edward Island.

**Dean Bagole:** Yes, that's right.

**Ron MacKinley(L):** Like right today times have changed. One time you used to have a half ton truck—I remember taking cattle to the Canada Packers—then we moved to a ton, then we went to three ton. Now what farmers are using is four wheel drives for these cattle trailers. Like you've got to adapt to the change. But if you're a farmer in Nova Scotia and New Brunswick and you're taking your cattle to market, say this plant, the farmers coming over to the plant gets the whole tax back where we've got to pay the tax here. Like there's an un-level playing field that the farmers have here in the province and we've got to make up our minds do we want agriculture or we don't. These are the things our committee can make recommendations to the government. It's just a matter if the political will is there, Mr. Chairman, for it.

**Wilbur MacDonald(PC)Chair:** Okay, thanks. That's Ron's famous speech. Eva?

**Ron MacKinley(L):** It's not a speech.

**Eva Rodgerson (PC):** If we had more time we

could talk a little more about it. But . . .

**Ron MacKinley(L):** You can laugh all you want. It's the facts, only had facts.

**Eva Rodgerson (PC):** He only has facts. He doesn't talk about the regulated gas here in the province and how it's more in Nova Scotia and New Brunswick.

**Wilbur MacDonald(PC)Chair:** Okay, Eva, don't you get into that either.

**Eva Rodgerson (PC):** I just had to get that one little point in.

**Ron MacKinley(L):** Great Liberal initiative that.

**Eva Rodgerson (PC):** Anyway, what I'm wondering about is this 30 month age. This just came in since BSE?

**Dean Bagole:** Yes.

**Eva Rodgerson (PC):** Is this like, like is this the same in all the countries that we import or export or is it just something that . . .

**Dean Bagole:** I can't speak to the other countries. My understanding is that it is.

**Eva Rodgerson (PC):** It is.

**Dean Bagole:** It didn't really come into effect until the Fall. It really didn't have any bearing on the cattle until the cuts, boneless cuts, started moving across the border back into the US and the determination was made that it had to be from animals that were under 30 months of age. And that's when that came into effect. Before that it really didn't have an effect on it. BSE had the effect on the market, not the age.

**Eva Rodgerson (PC):** So you probably don't see that changing. I just wondered again because you said for years they always looked at the bone and whatever to determine, you know, the quality of the meat. So, what was my question there, in regards to that then you don't see it going back to the formal testing, you see it staying at this 30 month range.

**Dean Bagole:** Well, again that's CFIA's

regulations. I think that it will be a determination between the two, you know, from the US and Canada. It's a little ridiculous to look at it as a Canadian problem with the amount of cross border that's gone on in the beef industry. It's a North American problem now but , you know, I think it's more politics than anything else as far as the 30 months right now.

**Eva Rodgerson (PC):** Okay. And I'm wondering, I know like in Prince Country there's three coops. How many does the Atlantic Tender Beef, on the shelves here, is there still one here in Charlottetown?

**Dean Bagole:** Yes, one or two.

**Eva Rodgerson (PC):** One or two.

**Dean Bagole:** There's, I think, around 90 stores throughout Atlantic Canada that sell the ATBC product in the the coop stores.

**Eva Rodgerson (PC):** And how many in the province?

**Dean Bagole:** This province?

**Eva Rodgerson (PC):** Yes. I know there's three in the West.

**Dean Bagole:** Oh, yes, there's a number. I don't know if there's seven or eight or what's here.

**Wilbur MacDonald(PC)Chair:** Oh, there must be.

**Eva Rodgerson (PC):** I thought maybe we should be, some people--now Richard you'll be able to go to the Co-op and shop this week instead of the Superstore.

**Richard Brown(L):** I have to listen to the boss.

**Eva Rodgerson (PC):** Anyway that was my question.

**Richard Brown(L):** We've all got bosses. (Laughter)

**Wilbur MacDonald(PC)Chair:** I just had a couple of questions. As you know I think one of the discussions we have to have is the consumer

dollar. Like we know that the consumer is paying quite a bit for meat and is the farmer getting a justifiable price for the consumer dollar. In other words you go to the store, and we all say that the price of meat in the store hasn't dropped because of BSE or anything, so I think one of the things that, if we can come up with the pricing of meat, hogs or beef.

Just last week we had a gentlemen wrote a letter that he had sold a hog for \$108. He went to the store and used the chart and priced the meat and it was, am I right, \$660. Which would mean that he wasn't even getting one-sixth of the price, of his price from the price the consumer paid. That doesn't seem to be right. Like there's quite a gap. So we were hoping, and I'm sure I'll ask this question—you may not know it—that with the new plant will you know, you will know the price and the cost of processing and your cost sold to the retailer and then we would love to know what does the retailer pay and what does the consumer pay. What's the difference there? Is that a fair price? We know that the processor, and I've been understanding that the cost in the big stores is set in Toronto for meat, for everything. And I know that's not a fair question to you now because you won't be ready to answer that. You won't know your cost until you're ready.

**Dean Bagole:** No.

**Wilbur MacDonald(PC)Chair:** But the other thing, one of the presentations this afternoon talked about the price structure being published. Will you be publishing your prices that will be paid to the farmer weekly or whatever?

**Dean Bagole:** Yes, oh yes. It will be a public price.

**Wilbur MacDonald(PC)Chair:** Okay, that will be a help. I can't remember which one of those presentations but they were asking that the price structure be . . .

**Ron MacKinley(L):** The Cattlemen's Association.

**Wilbur MacDonald(PC)Chair:** Yes, I think it was the Cattlemen's Association. So certainly that will answer that. And the other question is, obviously if the price rises to the beef producers who sell to the Co-op, it may indeed help the cow/calf operator.

**Dean Bagole:** Oh, absolutely. There's no question.

**Wilbur MacDonald(PC)Chair:** There's no question there.

**Dean Bagole:** The feeder price right now is quite depressed because the feedlot guys aren't getting any money. They can't go out and pay the price they should be able to pay for feeders. There's no question.

**Wilbur MacDonald(PC)Chair:** So you anticipate then that the cow/calf price, after the operation of the plant's in place, will probably rise for next Fall.

**Dean Bagole:** We think that, yes. But, you know, we have to realize that the plant has to work within the global.

**Wilbur MacDonald(PC)Chair:** Sure, we understand that part.

**Dean Bagole:** I mean if, God forbid they find something else out there, you know, what's it going to do to the beef industry? But yes, all things being equal, it should be a very positive thing for the cow/calf operators in the Maritimes.

**Ron MacKinley(L):** What about, do you think—I'll ask another question—do you think the cow/calf operators need assistance now to hold them until this price goes up in the Fall or are they all right?

**Dean Bagole:** I don't think that anybody that's getting 60 per cent or 70 per cent of what they used to get for the last number of years could be considered all right.

**Ron MacKinley(L):** Alright. I just wanted to make sure. The Chairman there was sort of like trying to save the government some money by saying in the Fall.

**Wilbur MacDonald(PC)Chair:** I'm just saying . . .

**Ron MacKinley(L):** We know what you're up to. You were trying to save the government some money for the cow/calf producers . . .

**Wilbur MacDonald(PC)Chair:** No, I thought it was . . .

**Ron MacKinley(L):** I've been around this thing 18 years, 19 years. I know how it works.

**Wilbur MacDonald(PC)Chair:** I'm not too far behind you so be careful.

**Ron MacKinley(L):** (Indistinct) You were out for a while too. That's what happened. You weren't listening.

**Wilbur MacDonald(PC)Chair:** Okay, Ronnie. I think you're very excited about the new plant and it certainly brings a bit of excitement to the whole beef industry. I wish you all the success in the world. I hope that down the road any Agriculture Committee will be able to bring in you people. You'll have a very strong source of information for the cattle industry and we all look forward to it. I congratulate you on your work done and your committee within the plant. Hope that everything goes well. I know startup problems will happen, they always happen in everything, but we look very much forward to this plant opening and the continued success.

**Dean Bagole:** Thank you very much. Great.

**Wilbur MacDonald(PC)Chair:** Okay. Committee I don't think we have anything except the next meeting is February 25<sup>th</sup>, which is what, Wednesday, next Wednesday at 1:00 p.m.

Thank you.