

MEETING STATUS: PUBLIC

LEGISLATIVE ASSEMBLY

SESSION: 1/62

PRINCE EDWARD ISLAND

Motion No: 1

Year: 2004

**VERBATIM TRANSCRIPT OF
HOUSE COMMITTEE PROCEEDINGS**

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

Thursday, March 4, 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
Wes MacAleer

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

Committee on Agriculture, Forestry & Environment
Thursday, March 4, 2004
10:00 a.m.

Guests: Part I-Hon. Kevin MacAdam, Minister of Agriculture, Fisheries, Aquaculture & Forestry
Part II - Jim Laws, Executive Director, Canadian Meat Council
Part III-Jeanne Cruikshank, Vice President Atlantic Region, Canadian Council of Grocery Distributors ; Eric Baxter, Co-op Atlantic, Director of Meat, Deli & Seafoods: Joe Cartagine, Atlantic Wholesalers, Vice President - Meat, Deli, Seafood, Sourcing and Procurement & Vincent Gallant, Sobeys, Division Vice President - Meat
Part IV-Gilles Lavoie, Senior Director General of Operations, Market and Industry Services Branch & Team Leader for Food Safety and Quality, Agriculture and Agri-Food Canada
Part V -Gordon Lank, Susan MacInnis & Trevor Lank, Producers
Part VI-Gary Renkema, Producer
Part VII- Island New Democrats - James Rodd & Ken Bingham

Tape No. 2

Part I - Hon. Kevin MacAdam, Minister of Agriculture, Fisheries, Aquaculture & Forestry

Wilbur MacDonald(PC)Chair: Call the meeting to order. First is the approval of the agenda. Each one of you have the agenda I think. Can we have an approval? Okay we have a motion by Richard which will be added to number four at the end, under new business. All in favour of the agenda signify by saying aye.

Some Committee Members: Aye.

Wilbur MacDonald(PC)Chair: Okay, approved. And that's with the motion by Richard added to the agenda on number four. Okay our first presenter today is the Minister of Agriculture and I want to turn it over to him right away. The Hon. Kevin MacAdam.

Hon. Kevin MacAdam (PC): Thank you Mr. Chair. First of all I want to thank the committee for allowing me to appear before the committee in regards to what's going on certainly in the hog industry. I had an opportunity to read the submissions that were presented to you folks. I got both in front of me. I stand to be corrected, but on February 26th, at least that's what it's dated as, sorry 25th, from the Income Crisis Committee, from the Hog Industry as well as from the Board itself. I'm not going to get into a whole lot of detail because I think there is a possibility for some question/answer.

We all know there's a serious issue going on within

the hog industry. I guess if I could capsule some of the things that are going on. I guess as a government, as a department, we've been trying to work with the industry for the last number of years, I guess since being elected since 1996 to try and deal with not only the down turn in the market price but I guess some of the realities that we face in Prince Edward Island. We have a production level of about 200,000 hogs.

One of the issues that we have taken since consulting on numerous occasions with the hog industry is that to meet with our provincial counterparts, New Brunswick and Nova Scotia. Collectively if you look at the production levels within this region, we're at about 600,000 hogs. In Prince Edward Island and Nova Scotia, with the exception of perhaps New Brunswick, who has the opportunity to sell to parts of Quebec, Northern New Brunswick, we predominantly are dependent upon one processor. We had an opportunity and I got an opportunity to mention this to you folks when we were dealing with the beef issue.

We had taken it upon ourselves as a region, three Atlantic Provinces to meet with our processor in this region, the McCain family. In fact Scott McCain himself, Michael Detlefsen who is his chief economist came down to Moncton. We met in Moncton and we had an opportunity to ask him what their company's long term vision for the industry was here in Atlantic Canada and I guess

on a provincial level, certainly for Prince Edward Island. They were very specific and they told us that as a company, I guess if I put my hat on from their perspective, they're looking at it saying they're in the business of doing business and making money but at the same time, trying to have a sustainable industry.

Now Mr. McCain told us that obviously their objective, and I'll just give you a little bit of history of this company., they have 1.8 million hogs themselves as a company across the country, predominately in Western Canada. Objectively, they have a corporate policy where they would like to see the industry throughout the country that they support, buy in to their program which is known as Signature Pork. Presently in Atlantic Canada the way the board structure is here, they have done it as a board, elected representative of the entire industry negotiating prices for all farmers. Mr. McCain was very clear in that their concerns were that they would like to have the Signature Pork model bought into. I guess from a provincial perspective, what we look at is there is an elected board here. They operate under the Natural Products Marketing Act and certainly we want to deal with the board as it is now. It's not the business of government telling the board how to run their business, but it's certainly our objective to work with the elected board to try to deal with the issues as they continue to evolve in the pork industry.

Having said that, one of the questions that I asked Mr. McCain, and the reason I give you some of his background is to try and find out why our producers are getting less money in this province than perhaps in some of the other parts of the country, let alone our own region. I was led to believe or told very specifically that unless the Atlantic Region was to buy into this Signature Pork model which is a corporate model or agenda perhaps of our process from this region that they felt they could not market our pork products at anything less than that of a commodity. Their objective and their main marketing approach is to get into the Asian or the Japanese market place.

Now some of the questions that I had an opportunity to ask Mr. McCain was that Prince Edward Island, perhaps more so than any other province in this country, as a pork industry that has rationalized its industry. We have some of the best producers in the country. They have efficiencies

and I've seen that throughout the reports whether it be from the Income Crisis group or from the board itself, that have literally explained in great detail how they've rationalized and created these efficiencies. Even Mr. McCain admitted that perhaps of all the provinces in this region, no province other than Prince Edward Island particularly because of feed efficiencies can match that of what we have here in this industry. But having said that, we also have the best genetics, I would argue, within the country. We have a lot of disease free status and he tells me that they cannot market our prime cuts. Having said that, he also would say that he wouldn't prove to us that he wasn't selling our prime cuts into the Asian market.

I'm going to move back and forth to a couple of issues that I think are relevant. What we did as a government was we approached a company, and I had an opportunity to meet with Minister Bob Speller, in fact I talked to him about ten days ago and hope that a meeting is possible next week with him in regards to a initiative that the federal government put in place. I'll leave a copy of this for the committee. It was regarding traceability with the BSE issue being what it is in the beef industry, but also the issue of trace ability in pork.

At that meeting with the Mr. McCain and his associates, it was explained to us at that time that they had launched and they had accessed federal dollars to put in a traceability system within the pork industry. Food safety has become a critical component of dealing with the ongoing concerns and needs and I think it's been more heightened considering the fact that we found BSE within the beef industry in this country. Having talked to some people we felt that beef and pork being two very important issues in this province that we would need that traceability program or a system put in place here in this province. The program that was announced and launched probably about ten days after the meeting that we had with the McCain family, was that...and he told me specifically that the program that they put in place and they were to announce, would be implemented primarily within their own infrastructure, meaning their 1.8 million hogs. That they had hoped, I stand to be corrected, but somewhere three to five years they would have that in place. After that program was put in place that it would ultimately be then sold to the rest of the industry across Canada and that would specifically mean this area.

I was looking at it I guess, as was my colleagues from the region saying, why should we wait three to five years to find traceability, why should we wait three to five years to see if we can access an important market which is the Japanese market place or the Asian market place and not truly know what the value of our cuts are here on Prince Edward Island. Because as I say, we have the best genetics arguably, we have the best feed production costs and where would that product be sent to. Anyway, we took it upon ourselves I guess as a department to meet with some players in the international community. We met with a company, it's called Identigen from Ireland and they were in the province a couple of weeks ago, in fact probably about two weeks after we met with the McCain family and we put a proposal together that I presented to the federal minister. I talked to him as I say about ten days ago hoping that we could implement our own system. As I understand it talking to, and I don't want to sound like a tabloid here, but there was an individual from CFIA that attended the meeting with us and we were told that the primary focus of our major processor in this province was that of marketing. Our focus if we were to be able to get this traceability program put in place, both in beef and pork here in this province without waiting five years to purchase it off our major processor, would be something that would be based on food safety. That would allow us hopefully, looking at the model that the board has negotiated through with the processor, through Summerside Pork to perhaps see some direct marketing with contributions from the province and the industry to some of the market place.

If we look at the industry the way it's set up now, we're sitting there waiting for the processor to tell us and we have no proof and have to respect they're in business and they are a good company and they do business. But there is no onus on that particular company to prove or show to us that our particular pork products are not going to the lucrative market and that money is not being filtered back to the hands of the farmers who desperately need it. So what we're saying is and we've talked as I said to the federal government, we are prepared as a government to work with the federal government. They announced \$91 million in traceability research and program studies. We have put our application in, and as I said I will leave both of these reports with the committee here today, hoping that we can access that federal dollars and that we will be able to implement these

programs here in this province. Perhaps as an industry here in the province, again using Summerside Pork as an opportunity to purchase our product back at the cost of production to do our own direct marketing. We can't wait five years and reading the reports of the industry people, they are in a desperate situation. They are in a situation where . . . and reading some of their comments, they're not here with their hands out, they're not here asking for handouts, they're not begging. They are in a situation where it's going to be a survival or non-survival situation.

I guess as a government what we've been trying to do is work with the industry. There is a number of programs that are in place. In fact since 1998, we presently have about eight different programs in place. They're financial packages, they're loans. In reading the submissions both the hog board as well as that of the—which is obviously members of the hog board—the Income Crisis group, there is an indication that yes they are finding themselves in a situation where that their assets are shrinking in the sense that they have no capital and they are being more and more entrenched in government loans and that.

This week I had an opportunity as I did about two weeks ago to meet with our own caucus or cabinet colleagues and there is a package that we sent to Treasury Board yesterday. I'm not at full liberty to disclose everything to you folks here today but I will sort of give you a thumb nail sketch. Looking at some of the requests that were made under short term solutions by the Income Crisis group, the change in the threshold, the repayment threshold from \$1.60 to \$1.90, I am here to tell you folks today and the industry people that sit behind me, that we are prepared to look at that. As I said there is a series of options that are going forward.

The question of whether or not the government would support a letter of credit from financial institutions—I want to let the committee here know today and the industry players know today that under the CAIS Program which is a new national program that's been announced to replace the NISA Program particularly, what we have is a number of provinces that are outstanding that have to sign on to the letter of credit and the negative margins. Our province of Prince Edward Island has already signed on to those two initiatives. In fact I'm working with Minister Speller to discuss that and I have discussed it on a number of occasions

now with my counterpart in Nova Scotia and New Brunswick. They have yet to sign onto it. The province of Manitoba has yet to sign onto it and I believe Saskatchewan is in the process of discussing it.

So from a provincial perspective because it is part of a national program, the Safety Net Program, the new Safety Net Program, our province has already signed a documentation in fact about three months ago, in support of negative margins and/or letters of credit to financial institutions. As well, one of the requests is that the province through the support of the hog producers and obviously it's in this part of their presentation, talked to the federal government to talk to our financial institutions to look at deferring loan payments and we're prepared to do that. In fact I'm prepared and I have talked to Minister Speller about that and I will go as far as to . . . we're looking for a meeting hopefully next week with the minister to discuss a number of initiatives. I think it's appropriate that at today's meeting that I will let the board know and the industry players know that I will put a letter together, I'll provide that letter to this committee as well as the industry groups and present that to the minister and to discuss them taking their initiatives to talk to financial institutions other than outside of government programming.

As a province, what we are looking at—there is a number of loans or I guess situations where the board itself has negotiated payments and checkoffs I guess for lack of a better analogy. Part of our discussions at cabinet and Treasury Board, and things will be confirmed next week, we are looking at doing a number of initiatives—looking at interest payments, looking at reducing interest payments, looking at consolidating all the loans that presently the board have to make one check off over a longer period of time as opposed to doing the various check offs that they presently have.

We understand and appreciate the fact that the industry is in a position where they are financially strapped. If you look at the CAIS Program and the way that it's established right now or the criteria that's established under it, it takes a five year average. Well you only have to look at the report and anybody that knows anything about the hog industry you can go back for the last number of years and there is no history financially to go back to because they've been in a financial deficit for

the last number of years.

So as a government, what we are trying to do and are prepared to do and will do, is hopefully this time next week you sit down with the board as a government to address some of the initiatives that are put within both of their recommendations and to move towards dealing with some of the issues that are there. To look at the government borrowing rate as opposed to prime plus one. To look at initiatives as I said, changing trigger points from \$1.60 to setting a specific cap, whether that be \$1.90 or something in there or in between.

Presently and I guess I'm not going to take issue with some of the comments that are in some of these reports, but government has made a significant commitment to this. I remember seeing within this report that the Hog Stabilization Program was eliminated and it was eliminated. I guess since 1998 when you take 1998, especially 1998 to 2000 when there was probably the hiatus of the crisis within the hog industry. We as a government and our predecessors and as a government as a whole have tried to deal with things in a number of ways. Presently we have in the vicinity and I'm just looking at some round numbers here, 11 to \$12 million dollars through eight programs that are eligible for the hog industry to access and they are loans.

As I say what we're trying to do and hopefully we'll do with consultation with the industry next week, is sit down and take what we're looking at and say how do we modify this to make it better for you as an industry. I'll be very blunt and very frank. As a government, if financial institutions were to look at a case by case basis of each individual farmer in the hog industry in this province or in this region perhaps even in this country, they wouldn't lend them a nickel because that's the way the financial situation is. But as a government we've made a policy decision since 1998 that we need and we want and we have to have an industry here in this province.

I look at the numbers and they're very accurate from both reports by the Income Crisis Committee as well as by the Hog Board. The industry is worth about \$30 million to this province. The producers are not receiving the cost of production. There is a whole host of reasons. If you talk to the processor who buys their product, who pays for the people that have to obviously work at the plant and there

is a lot of jobs out at Garden Province Meats and I'll go back to, if it wasn't for the government of the day and my predecessors dealing with Garden Province Meats and the McCain coming in there and they acquired 51 percent of the plant, we wouldn't have a processing plant here. We were faced with a situation where we would not have a processor here in this province. We would not have 100 plus jobs sitting out there. The government has made policy decisions, not financial decisions. Because as I say, on a case by case basis, most financial institutions would probably not deal with a lot of these individual cases. It's the government of Prince Edward Island, myself as minister who is here to sit before you today to tell you that, we as a policy decision need, want and must have an industry here. We're doing our best to try and work with the industry. Hopefully as I say this time next week, when we sit down with their executive or their whole board or the entire industry, we can put some proposal before them and we want to work with the industry to try and deal with the interest, the repayment schedule. If it's necessary to wave payments and what have you not, we'll do that. We're prepared to look at everything. We're going to put everything on the table. As I say we have a number of initiatives that I'm not completely at liberty to explain here today because they have to go back to Cabinet next Tuesday but they will be made available to this committee and certainly to the industry.

I'm going to close by saying that the money that we have provided, and again it is loans, but I think it's an important component. I don't say this to be in a negative perspective but I think it's something that we have to understand, reinforces our issue or our statement that it's a policy decision on the part of government to want to have an industry here. If I look at the eight programs that the government has instituted since 1998 and I take the 11 to \$12 million that is available under a number of these programs, this government has not asked for any collateral for any guarantees on access to any of these funds. God forbid that any one of our farmers, and we can't afford to lose one of them and I hope that that doesn't happen, but if a farmer that has access to any one of these programs was not able to repay one of these tomorrow, we have absolutely and have asked for absolutely no collateral for any one of these programs. That is a commitment thus far that the government has been able to provide since 1998. There are other

things that we have to do and we are prepared to do that and hopefully as I say, when the initiatives are taken to Cabinet next week and we have an opportunity to sit down with the industry as a whole, we can try and negotiate better terms, better repayment schedules and perhaps some new initiatives. We're very open to that.

So, Mr. Chair, I'm open to any questions that may be here from the floor.

Wilbur MacDonald(PC)Chair: Thank you very much Mr. Minister. Ron?

Ron MacKinley (L)Chair: You refer to the processing plant here, Garden Province Meats. When did they start processing? I knew they were doing some . . . taking bones out of shoulders and that, but I thought they were a kill and chill plant. That's not processing—kill and chill, they cut them up and send them away to be processed out of the province. Is that correct?

Hon. Kevin MacAdam (PC): You are correct, honourable member, but . . .

Ron MacKinley (L)Chair: Another question I have for you. We did process beef over here and put it in to boxed beef. What happened Garden Province Meats that they had to get out of the boxed beef line over here? Do you know that?

Hon. Kevin MacAdam (PC): Well when we talked to the McCain family, honourable member, they've made a decision that as a corporate entity that they wanted to do their finished products in the Larsen's plant. So . . .

Ron MacKinley (L)Chair: We're not talking pork, we're talking beef.

Hon. Kevin MacAdam (PC): I'm talking about both sir, you asked the question.

Ron MacKinley (L)Chair: No, but I'm on to beef.

Hon. Kevin MacAdam (PC): Well okay, I think we're here to talk about pork today. But anyway . . .

Ron MacKinley (L)Chair: You brought up the cow/calf thing. It's all on the table.

Hon. Kevin MacAdam (PC): I'm just saying that as the only player in the region, certainly the only player in this province and we've talked to them and we've asked them why. . . because, and in their own admission, because we have the best genetics because we have the best feed efficiencies here why can't our products be marketed at a higher value and would you try and prove to us where those products are being processed? Whether they process them here or whether it's a kill and chill, the fact of the matter is, Island pork is going somewhere within their system and is being marketed, we think and we feel and I think the industry feels the same way, at a much higher value to their own major market place which we're told is the Japanese and the Asian market place. I guess the question we , if they're making a profit at the efficiency and the lack of cost of production that our farmers are getting here, how come some of that money cannot be filtered back to our farmer?

Ron MacKinley (L)Chair: Now, let's go on to the cattle processing box (indistinct). Larsen's, how many cattle do they process a week over there, Mr. Minister?

Hon. Kevin MacAdam (PC): I really couldn't tell you.

Ron MacKinley (L)Chair: You don't know. Do they process any? You don't know.

Hon. Kevin MacAdam (PC): I'd rather find out and give you the specifics.

Ron MacKinley (L)Chair: Why did the boxed beef processing line we had here that bought cattle in the Province of PEI shut her down? Now you're going to the McCain family and that. Have you ever talked to the staff out there at Garden Province Meats?

Hon. Kevin MacAdam (PC): Yes I have.

Ron MacKinley (L)Chair: What do they say, why they closed down?

Hon. Kevin MacAdam (PC): Pardon me?

Ron MacKinley (L)Chair: Why did they close them down?

Hon. Kevin MacAdam (PC): Why did they close what down?

Ron MacKinley (L)Chair: Well, we had a boxed beef processing for cattle and they obviously just got rid of it, they just closed it down. There is a reason. Why was the reason?

Hon. Kevin MacAdam (PC): I can't explain that honourable member other than the fact that . . .

Ron MacKinley (L)Chair: You don't know. I'll tell you the reason. Because they couldn't get it into Sobey's or Atlantic Superstore when they boxed the beef. They wouldn't buy it and that's where their major markets are. They had too much problem with . . . that's one of the reasons. Now like that's one of the reasons. Do you agree with me? Like that's one of the reasons. there's some other reasons too. So I'm going to tell you that one. Now number two, you talk about the CAIS being no good for our hog producers. Is that correct?

Hon. Kevin MacAdam (PC): What I'm saying is, if you look at the formula because it was just signed . . .

Ron MacKinley (L)Chair: Is it any good for the hog producers in the situation they are in now, yes or no?

Hon. Kevin MacAdam (PC): The question, if you would allow me to explain, do you have a minute?

Ron MacKinley (L)Chair: I got all the time in the world.

Hon. Kevin MacAdam (PC): Well that's good. I'll try and explain it to you. What happened as I said to you, is that because it's a new program, it was just signed on to, it's a new national program. They take a five year average and drop the high and they drop the low.

Ron MacKinley (L)Chair: Well I know that.

Hon. Kevin MacAdam (PC): Okay, well then if you're asking the question and you know the answer then, if you'll allow me to talk.

Ron MacKinley (L)Chair: I'll give you the (Indistinct) answer. Why did you sign this

agreement when you knew and your department knew that it was no good to these hog farmers in the situation they're in? You signed it, you signed this deal with the federal government. Why didn't you and your department bring this up as an argument before you signed the deal? Coming in here like you're some innocent person that just got back from the Dominion Republic and you just realized, you know, your mind's gone (Indistinct). Why didn't you tell the people why you signed the deal knowing that the hog farmers weren't going to be protected? Tell us that.

Hon. Kevin MacAdam (PC): Okay honourable member, I'll tell you exactly what happened. In fact there were three provinces that, if you recall, did not sign the original agreement. The province of Ontario, the province of Saskatchewan and the Province of Prince Edward Island. The agreement had been originally signed on to. I don't know the exact dates. But of all the provinces that were eligible, the three provinces, two major provinces with the number of agriculture producers, Saskatchewan and Ontario and Prince Edward Island did not sign because the industry associations, including the Hog Board, told my predecessor at the time, do not sign until we can get two further agreements, which was a letter of credit and the negative margin. Hence, when I became minister back in October, I went to meet with the Federation of Agriculture, I met with the NFU, I met with the Hog Board, I met with a number of organizations and it was I that asked permission of them whether or not to sign on to these particular agreements. I was given a blessing and an approval by those associations to go forward and sign the agreement.

So don't make it sound like we were sitting there knowing something that wasn't going to happen and wasn't going to fit. It's not a perfect program. It certainly isn't the program that was sitting there before. The fact of the matter it was a national program and the two things because the industry of Prince Edward Island was a pioneer and I think they were stalwarts in standing out to make sure that letters of credit, which is in both of the presentations here, and negative margins would be covered. I would be applauding Prince Edward Island farmers and applauding Saskatchewan and Ontario farmers, because those three provinces held out and guess what. As a result of that, those provinces that already signed on to the existing CAIS Program are now having in front of them two

additional amendments which is a letter of credit and a negative margin. The province of Prince Edward Island was one of the first provinces to sign on to both of those issues.

Tape No. 3

Ron MacKinley (L) Well the thing is what happened there and I know I questioned the House. Ontario and Saskatchewan wouldn't sign. You told me that they were going to sign. I asked you why you signed. Then you signed. And now you are the first to sign on

Hon. Kevin MacAdam (PC): No, we signed before then honourable member. . .

Ron MacKinley (L) Yeah, I know you signed before them. They held out. They held out. They needed a certain percent of the province's population to sign on now. But so what you are telling me, you and your department didn't know that this CAIS Program was so bad--not bad, but no good for the hog industry situation as it is. It just slipped by you, is that what you are saying? You didn't realize . . .

Hon. Kevin MacAdam (PC): No, I didn't say that at all.

Ron MacKinley (L) Well what did you say? Why did you sign a CAIS Program when--you wouldn't expect the hog people to know whether the program was going to be any good for them. They wouldn't know what the program hardly was. Your job and your department. . .

Hon. Kevin MacAdam (PC): Are you suggesting that the federal government when they introduced this program through negotiations with the provinces didn't have discussions with industry players?

Ron MacKinley (L) Well don't start blaming them. You're the Minister of Agriculture.

Hon. Kevin MacAdam (PC): No, I'm asking you, it's a national program.

Ron MacKinley (L) I know what the federal government did.

Hon. Kevin MacAdam (PC): You're the one that is suggesting. . .

Ron MacKinley (L) You're the minister representing us at the federal table. You are there to protect the farmers.

Hon. Kevin MacAdam (PC): That's right.

Ron MacKinley (L) Well did you know that it was no good for the hog producers at that particular time or did you know?

Hon. Kevin MacAdam (PC): I remember I guess....

Ron MacKinley (L) It's either yes or no.

Hon. Kevin MacAdam (PC): It's not a yes or no.

Ron MacKinley (L) Oh, you don't know.

Hon. Kevin MacAdam (PC): I do know if you--you are a potato farmer.

Ron MacKinley (L) I'm also a cattle farmer too.

Hon. Kevin MacAdam (PC): Well obviously you were involved perhaps if you went to any of the meetings, I don't know if you did or didn't to information sessions.

Ron MacKinley (L) No I didn't.

Hon. Kevin MacAdam (PC): I would hope you would as an elected member and also a member of the industry but that's beside the point, to find out what these new programs are, a new national program and the program as it was outlined and as it was negotiated was the new National Safety Net Program. The initiative behind it, and if I was to analyze it after that, is the be-all and end-all--no. it's not. Considering what the United States as a government has put in for subsidization for its industry and I've heard it from our own players, whether its potatoes, hog, pork, beef you name it, cold crops or you talk to--even the processors and just to illustrate my point. When I have the McCain family telling me that part of their objective or part of their initiative is to lobby our present federal government. To put a public relations campaign and say how can we compete with the subsidization the Americans have considering they're doing business in our country. This is a major food processor. This is the processor of pork in this part of the country. They can't compete

because of the US subsidization. I can't control that. But we have talked about it on a national level.

All I'm saying is when the CAIS Program was to be signed, we have to deal as a minister, as a government we have to deal with organizations, and we asked for the permission from the federation, from the NFU, from different farm organizations in this province, should we or shouldn't we sign that particular agreement? And the answer was yes.

Ron MacKinley (L) So you asked the Hog Board?

Hon. Kevin MacAdam (PC): What's that?

Ron MacKinley (L) You asked the Hog Board and they said, yes.

Hon. Kevin MacAdam (PC): I asked the association. I've talked to the Hog Board, yes.

Ron MacKinley (L) They said yes, sign it?

Hon. Kevin MacAdam (PC): I was given permission to go and sign it.

Ron MacKinley (L) Now another question is \$20 per market hog, this committee asked in 2003, do you want a \$20 per hog marketing. What was--you didn't mention that in your--what you were looking at, you were looking at a few motherhood statements there, the threshold loan thing is a good idea, raising that. Writing to banks and asking them to take--not to foreclose. That's questionable whether they will listen to you or not, you know they might..

Hon. Kevin MacAdam (PC): I understand that.

Ron MacKinley (L) But the \$20 per hogs that these farmers are asking for an one time shot for the year 2003. What's your decision on that? They need cash and they need cash now.

Hon. Kevin MacAdam (PC): Well honourable member, I guess on a couple of things and I will be very frank, we don't have the money to put into \$20 a hog right now and I'm being very frank and very honest with you as a committee and with the industry. But what we are prepared to look at, as I say, is the programs that are there, the interests on payments, the repayments of loans, looking at

a longer term payback, getting more preferential interest rate, and it's interesting you mentioned something. In fact I remember looking and I made a note to myself when I read the report from the Income Crisis Group. The loss of the Hog Stabilization Program, in fact, I think you were a member of the government, I think somebody else here had a significant role in government, family rise. .

Hon. Robert Ghiz (L): I was 14 at the time. So I didn't have too much (Indistinct) .

Hon. Kevin MacAdam (PC): No, I know and I'm not going to hold that against you. But all I'm saying is (Indistinct)

(Too many speaking at once)

Hon. Kevin MacAdam (PC): My point is this. That program was eliminated. It is gone but having said that and again I can only go back to the fact that since 1998 to 2000, that a number of programs have been put in place. Are they are the be-all to end-all, no I'll be the first to admit that. But what we are trying to do as a government is to sit down hopefully after we passed through discussions this week, both Tuesday and Wednesday with the industry and the board next week to say how can we try and figure out to have a better repayment schedule, to have more preferential interests rates and to hopefully erase the trigger mechanism that will allow them to keep more capital in their pocket (Indistinct) .

Ron MacKinley (L) I've just got a couple quick questions. Number one I'll take the--yes, I was a member of the Liberal government when Joe Ghiz met with the hog farmers and (Indistinct) but you were also probably a member of the PC party under Brian Mulroney in Free Trade. The orders were from down the tube that you couldn't subsidize anything and Mulroney was dancing with the President Reagan, I believe at that time and we were being run by the United States and we are still being run by them. But if you look at United States right here, I won't bother going up but they have problems in the sheep industry, so they directed \$19 million just to help the sheep industry. In other words, your federal--Pat Binns, your Premier of the province was there and enforced the Free Trade and caused the problems, if you want to go back far enough. But that's not going to help the hog farmers. And if you want to go after

Robert Ghiz who was 14 years old at that time, that's fine too. If you want to go after children at that time so my question goes to you. Well he was at that time.

Richard Brown (L): But he was a smart child.

Hon. Robert Ghiz (L): But the minister was only 19, so he probably was only a young Conservative.

Ron MacKinley (L) Yeah, but he was. . .

Wilbur MacDonald(PC)Chair: Question, please.

Ron MacKinley (L) The question is, is this. The hog farmers asked for \$4 million. They have taken a \$20 million loss since this thing happened. They said if they had \$4 million in their pockets to pay the feed companies, to pay the bills, this is short term. The grocery stores are long term. The McCain family--everything--that's all long term. We got to save to these hog farmers now. You're saying we don't have any money for them. But is not the industry worth three to four million dollars to save this industry. You blew millions on fish plants, you blew millions on, go out to Stratford, two million gone there without even, what, eight weeks it lasted, eight months. I can show you millions of dollars your government wasted and all of a sudden you are saying you got no money. We are sitting in Public Accounts, you are handing out millions of dollars in tenders, un-tendered contracts. You think the federal government's bad in putting out federal contracts. It's nothing really compared to PEI with 137,000 people. We sat in here and saw millions of dollars wasted in the Department of Highways.

So how can you come here, Mr. Minister? I know you just got back from a good, sunny trip and everything and you relaxed down there. But how can you face these hog producers? I can--you can face me, because you do it all the time in the House when you make up all reasons and everything and of course everybody knows you don't have to answer the questions in the House, here you do. How can you face these hog producers and tell them you don't have three or four million dollars to--a \$200 million industry on PEI (Indistinct) jobs? We got Garden Provinces Meats out there, over 100 well paying jobs. But yet you give money to call centres for \$7 an hour jobs or 8 and they are shutting down. Now where's your

priorities? I know your priorities hasn't been with agriculture, but isn't it time you priorities came to agriculture and how can you sit here and justify those statements that you don't have the money? That will be my last question for you, unless you want to get back 30 years ago.!

Hon. Kevin MacAdam (PC): Well actually you raised a lot of interesting points honourable member, and I have a lot of respect for you as a farmer but I know that you like to play politics . . .

Ron MacKinley (L) I'm not playing politics.

Hon. Kevin MacAdam (PC): You do, as much or more as anybody in this room but having said all that, if I can try and address some of the issues. I think if you talked to people in the hog industry considering and I know you hate to go back in the past, but our government has tried to work as much or more with this industry and the commitment to the industry and I will go back to the point that if we had not worked with the industry, those 100 jobs and yes you are right, they're important jobs. There would be no 100 jobs out there unless our government had of worked with the industry and to get a processor out in that particular plant. There was costs we paid for that but ..and they were investing in that.

As I said from 1998 to year presently 2004, we had a lot of money on the table, unsecured loans and we're trying to work with the industry. It's not as simple as putting money out there and saying that it's going to be the be-all and the end all-as far as the answer.

Our government and if you want to look at it on a national level honourable member and you like to throw barbs, whatever and that's your prerogative. Guess what? The federal government has done nothing on a national hog industry approach or perspective to dealing with the prices that we have across this country. But as a province we have been trying to work collectively with the industry to try and find answers and as I said I can go back to all the programs and I can look at the money that is outstanding. I told you we are sitting here looking at a whole package of information that we are prepared to take and will be taking to Cabinet and to sit down with the industry to make sure that we can try and resolve some of these short term answers.

Ron MacKinley (L) Just one quick question before I go. You brought up ..and I'm not going to bother with the federal stuff. We can't do anything with the federal government down here. That's up to the people . . .

Wilbur MacDonald(PC)Chair: This is the last question then.

Ron MacKinley (L) Yes, I don't blame you, it's getting long here. I'll ask the last question. You made a statement here that you loaned all this money to these hog farmers, and they didn't have to put any equity or any collateral up. So what you are telling me is they can dissolve the company they got, not bother paying you guys back, and just open up the next day and all that money is wrote off. Is that what you are telling me?

Hon. Kevin MacAdam (PC): That's exactly what I'm saying.

Ron MacKinley (L) So they can do that, just take their company. . .

Hon. Kevin MacAdam (PC): I'm telling you right now . . .

Ron MacKinley (L) So they owe the Lending Authority, say \$300,000. If they just set up another company, transfer their assets into another company, they got no liabilities or anything tied up and they are away. Maybe that's the answer to--that's even better than the preferred loans you gave Polar and some of these people. So that's what they can do. Is that what you are saying?

Hon. Kevin MacAdam (PC): You know honourable member . . .

Ron MacKinley (L) Can they do it or not?

Hon. Kevin MacAdam (PC): I don't know if you are being serious or being crass.

Ron MacKinley (L) Well, you said it.

Hon. Kevin MacAdam (PC): All I'm saying to you is that what government has done is we've invested money through a number of programs. In fact there's eight different programs. And we've asked--because it's not an economic decision, as I said if financial institutions were looking at some

of this, they probably would not even let some of our farmers, God bless them, as hard as they are working and as efficient as they are trying to be, but because of market (indistinct), they wouldn't lend the money. But the government has sat down and put programs in place and again I don't pretend it's the be-all the end--all. But the programs that we have put in place are unsecured. It's something and as I say again, God forbid, if something was to happen tomorrow, the government is responsible for those losses.

Wilbur MacDonald(PC)Chair: I want to thank the minister. We do have a large agenda today. We have people come in from out of province and I thank you very much for coming.

Richard Brown (L): I want to object to cutting this off so quick. This is a major problem here.

Wilbur MacDonald(PC)Chair: We can have the minister back at any time. We can't have these people...

Hon. Kevin MacAdam (PC): I can stay as long as you need. But that's. . .

Ron MacKinley (L) We can take the minister back.

Wilbur MacDonald(PC)Chair: We can take the minister back . . . These people are here from away. (Indistinct)

Hon. Kevin MacAdam (PC): Mr. Chair, I think in light of what the honourable member said, are you leaving? The--anyway in light of what--as I said what we suggested was that it may be appropriate to come back. As I said, we are bringing a series of initiatives to the industry, hopefully next week to sit down and discuss. I'm not suggesting at the end of the day that it's going to solve all the problems. But on a policy level, government is more then prepared to work with the industry to try to make this a viable functioning industry. So perhaps it would be appropriate to come back (Indistinct) .

Wilbur MacDonald(PC)Chair: Thank you very much for appearing. We go now to the group presentation from Jeanne Cruikshank, Jim Laws, Eric Baxter, Joe Cartaginense, Tom DeBlois, and Vincent Gallant. Okay, if you people would all come up front. We appreciate very much taking

the time. I'm sorry Richard for cutting you off, but. . .

Richard Brown (L): No problem.

Part II: Jim Laws, Executive Director, Canadian Meat Council

Wilbur MacDonald (PC) (Chair): I want to particular thank Jim Laws for coming back. He had come, I think, to Halifax the day of the storm and we were unfortunately unable to get a hold of him until (Indistinct) .

Now does your committee have a spokesperson? Jeanne is going to be the spokesperson.

Jeanne Cruikshank: Mr. Chairman, we are very pleased to have a return invitation, particularly with such improved weather. I am Jeanne Cruikshank with the Canadian Council of Grocery Distributers. My co-presenter today is Jim Laws, Executive Director from the Canadian Meat Council of Ottawa. I have the benefit of having with me seated here: Eric Baxter, Co-op Atlantic, whose the Director of Meat, Deli, and Seafood from Moncton. Seated beside him, I have Joe Cartaginense, Loblaws Company Limited, President of Meat, Deli, Sourcing and Procurement out of Toronto. Vincent Gallant, Sobey's Division Vice President of Meat out of Stellarton, Nova Scotia as well as the benefit in the audience of Robert Lemoine, Co-op Atlantic, who is Vice President of Food Merchandising out of Moncton, New Brunswick; Dirk Romyn, Atlantic Wholesalers, Vice President of Marketing from Halifax, and Tom DeBlois, DeBlois Foods, General Manager, from Charlottetown.

The procedure we'd like to go through is to share the perspective as we arose to is the impact on BSE. Starting first with the packer, processor perspective that Jim Laws will now take you through. And at the end of that, we'll move to a presentation that covers retail. Obviously, there are very competitive members with the Canadian Council of Grocery Distributers and we'll endeavor to answer your questions in the collective industry manner, rather than specific, cooperate answers and do our best to address your needs. Jim.

Jim Laws: Okay, thank you very much. Well first of all thank you again for inviting me back to PEI. When I was on my way a couple of weeks ago, I

thought wow this is really stretching it, but I have to admit when I saw the television afterwards I said you guys certainly know how to have a storm and you certainly beat us guys in Ottawa. So thanks for having me back and it was a good thing that you cancelled the meeting.

So what I'd like to do is just explain who is the Canadian Meat Council, what do we do and who do we represent. I work for them. We represent the federally inspected packers and processors of red meat in Canada. And in terms of the beef packing industry in Canada are major members includes such members as Cargill in High River, Alberta; Lakeside IBP Tyson in Brooks, Alberta; XL Foods in Edmonton, Alberta, and they have plants in Calgary and Saskatoon; St. Helen's Meat Packers in Toronto; Better Beef in Guelph, Ontario; Delft Blue in Cambridge, Ontario and they're veal packers; Bellivo Transformation in Ste-Angèle-de-Prémont in Quebec; and Levinoff Meat Products in Montreal.

All of our members do operate federally inspected plants that have invested heavily in order to comply with strict federal regulations. We as an organization, we do support one single federal system of food inspection for all of Canada. We employ full time quality control managers and a federal veterinary inspection staff are present at all times during slaughter. I toured the Garden Province plant yesterday after I came in yesterday afternoon and I can tell you there were four inspectors on site and a veterinarian, they're there at all times, examining each and every animal.

Of course, recent interventions by these companies have based on approximately \$1.5 million per plant. New investments are acquired all the time. I just want to give you an overview of generally the market in Canada, and the market for cattle and beef in Canada is a competitive free market. That's the way it's been working. Now prior to the closure of international borders with the discovery of one case of BSE in Canada, the market was a fully integrated one. It was marketed with United States, of live cattle, beef and veal and it was truly at least a North American market and an international market as well.

I've been on this job since January 5th in Ottawa and I've had lots and lots of questions come to me and it's--I better clarify some of the situations because in Canada there are really four different

markets for beef and the first market is for young feeder cattle. Farmers and ranchers sell animals six to 12 months of age averaging 600 pounds. They sell them to feedlot operators to finish them. That's one market. Of course, the slaughter cattle market, the prime animals, ages 18 to 24 months, the fed heifers, and steers with an average live weight of 1500 pounds and it's from these animals that the prime cuts are obtained. Then there's the cow market, of course, the older dairy cows and the beef breeding cows market, D1 through D5 cows typically over the age of 30 months and most of the meat from these animals goes to stewing beef, ground hamburger, and further processing.

Then there's an interesting marketing in Canada for veal calves and I will talk about that later on as well. But they are aged 18 to 20 weeks and they go to slaughter at an average of 525 pounds. Now in Canada what's happening right now, the markets are functioning, fat cattle and cows are being actively bid on and purchased. Meat is being sold to packers--buy packers and plants are operating right now, the federally inspected plants at near capacity.

How do the packers in Canada market beef? We don't sell meat directly to the consumers. The meat goes to retailers, further processors who make sausages and luncheon meats et cetera, restaurants, food service distributors and wholesalers and we are only one part of the chain. The major retailers in Canada, they purchase meat from federally inspected plants so that they can move meat between provinces. It is important for them to do that because they operate in different provinces and they have to be able to do that. At the same time they can assure their customers that they've got meat from the highest standards of plants in Canada that are accredited under a Hazard Analysis Critical Control Point and get consistent quality from plants that are recognized internationally as well.

So a little chart here just to show you again that the cow/calf operator can sell to the feedlots or they sell their cows and animals to the packers. The feedlots sell to the packers and the packers sell to the further processors and both the packers and further processors sell to the restaurants, to the distributors and retailers who in turn sell to the consumer. So we are one part of the chain, of course, a very important part of the chain but again we are only one part of the overall chain.

How do they market? Then how in turn how do the packers market? Well they do, consumers typically purchase about 50 per cent of the beef and veal packed and consumed in Canada. So of that meat consumed in Canada, 50 per cent is approximately, it depends on what goes on, but sold to producers directly, buy it directly from--the rest comes through restaurants and further processors, et cetera and retailers do buy the cuts that customers are looking for. And the market does move continually to meet demand and supply and locations, quality and it is based entirely on a free market system.

So what happened? If you go back to May 2003, when you look at the whole industry in Canada, live animals and meat in Canada represents 70 per cent of the entire industry. Now compare that to the Americans where about 10 per cent of their entire industry was focused on export. Canada was 70, when you take into consideration live animals and meat.

So Canada's industry was scaled and has been scaled for many, many years for that international market, and that created a disastrous situation for the farmers, for the packers, for everybody in the whole chain. There was huge amounts of product that was backed up in the system. At the time, our members estimate that they had about \$12 million worth of beef and beef products stranded in Japan and Korea. The product was, of course, going over on ships in frozen containers and still to this date--I got it down here, nine months later, we have--these are our latest figures, 691 tonnes of beef and beef products stranded in containers in Korea. And we are working on a regular bases, companies are trying to either get it back to Canada or to have it destroyed there. Because we are trying to get the markets opened up again for these export markets. In order to do that, we got to get rid of the product that's been there before.

It's in refrigerated frozen containers that cost a lot of money to keep these containers running and these are costs that are ongoing. So they're estimating that since this disaster they've had--with the \$12 million worth of product that had to be devalued whatever and other destruction costs, \$18 million. The whole cost of the industry at the beginning of the crisis for the first few months was estimated at \$50 million. Now that's in terms of devaluation. They had cattle that was pre-purchased at pre BSE prices. The packers honour

those prices and included all the other costs that they were faced with. They had--there were huge layoffs across the country. Packers operated at less than capacity for several months and lots of plant and equipment costs, overhead costs didn't go away, of course.

Now not only that, but I think a lot of Canadians probably don't realize because this is a huge industry, that over the years various federal packers had developed a significant market in Canada for these other body parts that Canadians don't have a lot of value in. So if you look at things like kidneys, tripe, tongues, feet and tails, that had significantly more value in Korea and Japan. In fact I'll use one example here, they talk about short ribs, that product was so highly valued in Korea that it used up the entire North American production of short ribs and now the short ribs that used to go there are being used for trim. We are only getting 20 per cent of what we use to get for those products overseas.

Now the Canadian Beef Export Federation and Organizations out of Calgary, Alberta and they put together a chart of different parts of the animal that had different values, much more value in Korea and Japan and it works out to about \$192 per head on average for these extra body parts. Now it's difficult to see but--and these are in order of value, if I take an example of one thin meat called the (Indistinct) plate that was worth \$29 per head, now worth only \$9 here in Canada. Tongues that were worth \$18.78 are now worth about \$1.05 in Canada, the list goes on and on. Short ribs, inside skirts, liver, three pages worth of product here and the total \$192.71. It's real, these are certificate markets that were developed by these packers over the years and it's a good thing that we had these markets because it allowed the packers in Canada to use all the product as best as possible. It would have been a huge environmental issue if we didn't have these other markets and it allowed the industry in Canada to bid higher for the cattle that they were having.

Now at the same time it took a long time for people to develop these markets. One of our members, many of the members have offices over in Japan and Korea and to use an example for instance, since the markets have been closed to us since May, well the Japanese, 100 million people I believe it is, something like that, they consume a lot of beef. The Australians and New Zealanders

step in to fill those markets. We are starting from ground zero again. Even if the market was to open up to us again, tomorrow we would have to work again to start rebuilding these markets to get the markets back to us. And it is estimated as well, just another little bit of information that during the first, back in May, that packers gave away 1.5 million pounds of meat to Food Banks across the country.

The other part of the equation is, of course, rendering credits have been lost, packers use to get a rendering credit and now what's happening is because there is so much more product going to renders, renders have lost some of their markets as well for meat and bone meal is that given the difference between the cost or the credit we use to get and the cost in send stuff away to the renders is about \$40 a head also.

The other important, a very important factor that's affected all Canadian exporters of all kinds of goods and people have failed to think about this in the equation but the exchange rate has a huge effect on the market in Canada and the Canadian dollar has strengthened considerably and I talked to a group out of Calgary. I talked to another group out of Guelph and I said, listen what do you think became I'm--what do you think would of happened if there had been no one case of BSE in Canada and the case in Washington and everything else had been the same. What do you think the affect would of been on the price of live cattle in Canada? What's your best guess? And they're telling me, they estimated between 17 and 20 cents per 100 weight, live weight. And that's about \$20 per head, that's what would of happened, given the strengthening. Because not only are packers now getting less for the boneless meat that is heading to the United States because if their price went down slightly but that's in term of American dollars and when you convert it back to Canadian dollars, it's fewer Canadian dollars at the end of the day and that's a real effect for us.

Here's a chart that I pulled of the internet showing the significant drop in the American dollars strength and the subsequent strength, of course, the strength in the Canadian dollar. Another issue is that prior to BSE , it's a minor issue but it is another, certainly another issue that we've been trying to get equivalency in grades in Canada-United States, AAA verse Choice. We don't have that equivalency yet. That's also having a slight

affect on prices as well.

Slaughter capacity - what's happening? We have the capacity in Canada at federally inspected plants to slaughter about 70,000 cattle per week and of course immediately following the event, the slaughter capacity fell to 30,000 per week and then it's back up to 45,000 and at the request if the so called Beef Round Table Industry Committee and the Federal Standing Committee on Agriculture, the Canadian packers were asked to get the slaughter back up to capacity. Do what you can, programs were put in place to get the slaughter back up to capacity and capacity is back up now to about 65,000 cattle per week, so it's fairly close to capacity.

This is a chart that I grabbed off Agriculture Canada's beef supply at a glance just showing the fed cattle slaughters so that doesn't include the federally inspected cow slaughter but just the fed. But you can see the affect in May and June and how it finally got back up to where it was prior to. These big packing plants across Canada, people say well you know your big packing plants, it's pretty bad but they've got a lot of money invested in these plants. Several of the plants in Alberta has about \$220 million each invested in plant equipment in these plants and all together we are estimating about \$800 million.

In the beef packing industry alone in Canada and employing some 10,000 people across the country and I was at Better Beef in Guelph last month, I was at Garden Province plant yesterday, I can tell you that people who work in those plants it's cold. It's very difficult work; it's dangerous. They're working with knives. A lot of people are standing up all day, it's physically demanding and it's repetitive work and it's not an overly pleasant working environment from that standpoint. It's tough work and for packers in order to pay people and get them to stay in the plants, you have to pay people properly to work in these plants. It is serious business. There's lots of plant equipment tied up in here and that's a pretty serious issue for us.

Now then, of course there are other issues. In July 2003, because we-- a couple of months after the discovery of BSE in Canada--one case of BSE. We learned a lot from what happened in Britain where they had some 140,000 cases, I believe it was, of BSE compared to Canada's one case that they

realized through extensive research that the prions that cause this disease are typically concentrated in certain, specified risk materials in certain parts of the animal and they are not found in the meat. So Canada put in place at the federally inspected plants, put in place new rules and packers were faced with having new rules for the removal of these specified risk materials to improve safety for Canadian consumers. So that meant for a certain set of rules for cattle aged 30 months and older and for those 30 months, under 30 months. So they have to remove a whole bunch of other parts that they didn't have to before.

Tape No. 4

Jim Laws:(Cont'd) So that meant a certain set of rules for cows aged 30 months and older and for those under 30 months. So they have to remove a whole bunch of other parts that they didn't have to before. There's extra processes in the line and there is some extra person now in line that has to examine every animal coming through, through dentition to determine the age of that animal. What happens is, of course, that as the animals are over a certain age then other teeth come in. That's how they do it. There are extra costs involved in this process. Some plants have had to declare themselves youthful plants only. The plant in Guelph is now the youthful plant, they will only slaughter animals 30 months of age and younger. So that adds extra segregation costs to the plant as well.

I have quite a few slides talking about the veal industry. I'm not going to go through them all individually and read them all but I'm just going to give you my summary of it. What happened was, the veal industry in Canada, I think they're pretty well concentrated in Quebec and Ontario but just as an example of it, have a totally North American integrated market. These fellows over time, they own the farms, they contracted the farms, they own the processing facilities; many of them also have their own feed mills and they own those types of operations on both sides of the border.

So what's happening now, one of our members in Canada, they used to source a lot of calves coming out of Northern Vermont and New York State. Now they can't even get these animals and they want young male Holstein calves. Of course for them, the price of those calves in Canada has

doubled, so they're faced with huge extra costs. At the same time one of them had a whole bunch of animals that they had to have slaughtered at a certain time because he couldn't get the meat across the United States earlier on. He had to contract out to a bunch of other slaughter houses. That cost him a whole bunch more money. So I mean this is interesting situation. These guys are faced with a whole bunch of other situations. Because the animals have to be of a certain age before they . . . if they get any older, they're no longer classified as veal and their farms are designed to have these smaller animals and not designed to have older animals. So when it comes time now to, they've got to go to slaughter, as well now we haven't been able to import into Canada these young animals even though the science show us that we really should be able to, there is not much risk with these animals, that pretty soon, I think it's in the month of May, they're all going to be in deep trouble because they can't access enough. They're going to have to start laying off people and they're going to . . . so that's an interesting dichotomy for these particular people. So I'll just flip through here.

Now as well, we know that new regulations are coming around the corner for tracing and we welcome that. But that will mean new costs for us, much more costs in terms of software development and computers and stuff. Many of the members are always upgrading plant and equipment and you have to keep upgrading. We are federally inspected plants. We comply with the toughest rules in Canada but we will not compromise on any of our costs. We will ensure no matter what that we comply with a stringent, the most stringent rules that we can make sure that product going to our consumers is safe.

The markets currently are scaled to a North American scale and that's the way it's been for man, many years and if things don't happen, if the borders don't open soon there is going to have to be some adjustment within the Canadian system somewhere. What our packers do now, I know there is a packer in Edmonton who had plans, he's got some expansion plans that are opening soon. But there is a whole upheaval in the industry that has affected everybody puts everybody's position uncertain. I heard this morning, I had a voice mail confirmation that it's pretty well 99 percent sure that now Mexico has reopened the border to American boneless meat and of course we were

benefitting the last few months from the Mexicans having closed out the Americans and Canadian meat was moving in there. If we didn't have that boneless meat market going into the United States right now, we would be in even a lot more trouble.

We need to get the borders open, we got to have the border open for a movement of live cattle. We've got to get it back to where it was before. We're pretty sure the Americans have got the message from the Japanese and the Koreans that listen guys, you guys are fully integrated. There's been a lot of Canadian cattle moving down there over the years. We've got to get this thing back. I know that people from Ag Canada have been very busy in Washington trying to get that message across and we're hearing different messages. We don't know when the border will reopen whatever, but we really need that to happen. What I tell people as well, it's absolutely essential, the packers have to make a profit, they have to stay in business. There has been a lot of packers over the last decade in Canada who have gone bankrupt. We can't afford to have any more packers in Canada out of the loop. We need them there. Everybody is in the business to make some profit. We've got to keep going until this situation resolves itself.

Thank you very much.

Wilbur MacDonald(PC)Chair: Are you open now for questions?

Jeanne Cruikshank: It would be preferable I think since this is one piece. I'll now take it a little closer to the grocery stores.

Ron MacKinley (L): You're with this gentleman here?

Jeanne Cruikshank: Oh he's with me and I'm with him.

Ron MacKinley (L): So like you and these people are representing the chain stores is it?

Jim Laws: I met her this morning for the first time.

Jeanne Cruikshank: To give you the progression . . .

Ron MacKinley (L): No I just mean like, you're a lobbyist or you work for . . .

Jim Laws: Jim Laws is with the Canadian Meat Council.

Ron MacKinley (L): Yeah, you work for all the, like Better Beef.

Jim Laws: I do yes, that's right.

Ron MacKinley (L): Tysons. All them people.

Jim Laws: I do. Yes.

Ron MacKinley (L): You're the organization for them. Just so I'm clear. And you belong to the organization for the grocery stores, is that correct?

Jeanne Cruikshank: That's right. And the retailers are with me and we'll get a little more detail on that in a minute.

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

Ron MacKinley (L): I would like to, if it's . . . in all fairness. You don't represent his group, you represent the grocery stores?

Jeanne Cruikshank: Absolutely. I represent grocery distribution.

Ron MacKinley (L): So I'd like to start with the meat packers first.

Wilbur MacDonald(PC)Chair: Is that okay with you people? Do you want a few questions then?

Jeanne Cruikshank: You're the Chair.

Wilbur MacDonald(PC)Chair: Okay, what I'll do now, I'm going to restrict each person so that everybody has an opportunity for questions. I'll give you five minutes each and then if there is any extra time, okay.

Ron MacKinley (L): That's fine. Or at the end of the meeting.

Jeanne Cruikshank: The only thing, Mr. Chairman, I think we miss is there obviously is a continuant here between the packer through to the grocery store.

Ron MacKinley (L): We'll find that out later.

Jeanne Cruikshank: We may in fact cover some ground twice.

Ron MacKinley (L): You know like the farmers are losing a lot of money and is the grocery store making too much or is the packers. Like, let's start with the packers. So start with the packers first. The rail grade price let's say is \$1.40 for a Canadian AA. Tell me this—a Canadian AA cattle federally inspected in the province of PEI, New Brunswick, Nova Scotia, Alberta, is that all the same beef? Is that the same beef?

Jim Laws: It's my understanding that it is.

Ron MacKinley (L): That's good. That's my understanding too. You wouldn't have a different grade system for all Canada, just so we know. Now when a farmer sells to Better Beef for instance, they buy them at rail grade prices. Let's say the price is \$1.40 dressed weight for Canadian AA, just do that example. They kill that animal and when they kill that animal, they pay the farmer hot weight and they sell it to the chain stores on a cold weight. Is that correct?

Jim Laws: They sell it on a what weight?

Ron MacKinley (L): Well you sell them on a hot weight, it's just killed. So a hot weight carcass like this here, when it's hot, just killed, weighed. When it's cold there is a 2 ½ to 3 percent shrink. Do you know what I'm talking about?

Jim Laws: I do know what you're talking about when I toured the Garden Province plant yesterday, they told me they were able to get their shrink way way down to well less than .02 . . .

Ron MacKinley (L): But they don't kill beef though.

Jim Laws: No, but I'm just using it as an example and I don't have . . .

Ron MacKinley (L): Let's say the average is 2 ½ percent shrink. So you'd have to add 100 to 2 ½ percent to the cost the farmer is getting. That's actually costing the packing plant. Like I'm getting to the end results.

Jim Laws: Yeah.

Ron MacKinley (L): And then I am told when you take an animal like this Canadian AA or A or AA, like the Superstores were talking about it, chain stores. They want them boned, like the shoulders, the bone taken out and that. So you're basically buying almost prepared meat, but they do some work to them. So they tell me, when you take the shrink weight and you take like the weight, I would call it weights, I don't know what you're doing with it, there is about 33 percent between the bone, the fat, whatever you get rid of, no, stuff you don't need. So basically you're going to add about . . . they're paying a farmer \$1.40 a pound, then you got to pay the farmer. . . basically that is costing that packer for that animal about a \$1.30 or \$1.40 plus 33 cents on top of that. See you get your shrink and your weights. So let's say we add \$1.35 or you lose 35 percent between hot weight and the stuff that they're not going to sell out. Now would that be correct?

Jim Laws: Well, I don't know the exact details.

Ron MacKinley (L): This is what I'm told.

Jim Laws: The system has been in place for many years, the weighing.

Ron MacKinley (L)Chair: I've been told by experts this is basically it. If you sold the bone in these shoulders and that and the stores they want to take the bone out and take the waste, but you guys take the waste. What I basically want to get down to, it's costing . . . how much does it cost per pound to your packing houses to butcher that animal and have the order ready for, let's say Sobey's and Atlantic Superstore? Like the orders there, there is all kinds of examples where the deboned, loins, steaks, ribs, stew meat, you name it. It's basically meat is what you're getting, unless you get into hamburg and that's got the fat contents. What does it cost, say Better Bee, to take in the animal from butchering it and having it ready for sale to her group that she's representing? We already got the cost up to about \$1.94 just on the shrink, say \$1.94, what would it cost now for the butchering and that, you know, preparing it?

Jim Laws: Again, I don't have detailed costs from all my members and what it costs.

Ron MacKinley (L): No, but let's say you have an average.

Jim Laws: The entire system in Canada, it's a free market enterprise . . .

Ron MacKinley (L)Chair: I'm not arguing that.

Jim Laws: . . . entirely a free market place and packers bid for their animals, they can only bid enough so they can cover their costs.

Ron MacKinley (L): I know that. But listen, what is basically . . . the cost in Alberta might be almost the same cost when certain, say Better Beef is in Ontario, they handle a lot of beef. Somebody in Alberta, big processing plant, I know the bigger you get probably the cheaper it is to do it.

Jim Laws: Absolutely.

Ron MacKinley (L): But basically would it be 50 cents a pound to kill that animal, cut it up and have it ready to be shipped out? Is it 55 cents a pound? See what we're . . . the question here is and the consumers are bringing it up, I'm not blaming anybody sitting in front of me, I'm just telling you. The consumers are bringing it up. The stories are in the news that the farmer is getting very little for their animal or way down and we got to keep the same grade, like an AA. So they're probably getting 30 to 40 per cent less. But then the argument goes, the stores hasn't dropped that price. Now we know, and I agree with you, your variety of meats such as your tongue, hearts and all that, I'm told makes up about 2 per cent of the total animal. So if you threw that all away you'd have to add 2 per cent on to this. What I'm trying to do is get to the costs. So you don't know the average cost per animal, per pound for your association across Canada. You couldn't give me an average cost and I don't care if you're out 10 per cent. I just want an average ball park cost of the regulations that are in place now.

Jim Laws: What I tried to do was put it on a per head basis because you know it goes back to trying to explain what are the revenues that we're no longer getting and what are the extra costs that we're facing and the effects of the exchange rate that has a significant effect on how much we can offer per head.

Ron MacKinley (L): How much does it cost per head then?

Jim Laws: I can tell you that we've lost \$192 per

head for the . . .

Ron MacKinley (L): Is that (Indistinct) plant or is that distributed to the Japanese (Indistinct) market?

Jim Laws: That's for the Japanese market. We've lost that market so effectively that's . . .

Ron MacKinley (L): Korea and Japanese market with that, is that your cost delivered? Like there is one guy here, one Cabinet minister here, sorry he wasn't a Cabinet minister then, he decided he was going to get in to small potatoes. He spent about 300,000 getting these small potatoes ready.

Richard Brown (L): He got a grant for that.

Ron MacKinley (L)Chair: Oh, it doesn't matter. He's a Cabinet minister now, he runs the government, no wonder we're in such a mess. But what they forgot about was—he could get 50 cents a pound for those small potatoes—but he had to rent a U-Haul trailer and put 25 to 50 bags and drive to Boston to get it. Anyway the cost of getting there, it's not economical.

So what I would like you to get back to this committee if you can, is I'm not worrying about what you're losing, I got to know what your costs is, like your costs is and I want to know . . . and you can give me back an average. I don't want to know Better Beef costs, I want an average cost and then we can get your cost established. Then we can go to the chain stores and we can look up like, you know, stew meats \$3.69 then we can get a percentage. I know your steaks are going to be more. All you got is what you lost.

Jim Laws: You know when you look at those costs and if you're going to talk about what were the costs over the last 12 months when you're operating at half capacity, what were those costs. What are the cost of lost markets, what are all the extra costs of segregating materials. So it's not just a cost of slaughtering that. You've got all kinds of overhead costs built in, depends on which plant and where it was, over what time period, et cetera.

Ron MacKinley (L): You talked about \$12 million, 18 million of product they lost or something they lost, the product that they already had. Do they not have a bunch of product on the wheels or on motion or in their freezers when this BSE hit?

And I think you used the figures 12 to 18 million roughly.

Jim Laws: Yeah.

Ron MacKinley (L): So the packing houses lost that all across Canada.

Jim Laws: Yeah.

Ron MacKinley (L): Now the federal government came in with \$50 million to assist them. The federal government to assist that. Now I know Better Beef only got half of their costs. Better Beef, apparently they applied and they only got half back of what they applied for.

Jim Laws: And many of my members are recording that as well, to date.

Ron MacKinley (L): Well some of them, the others, the one that's doing the ones in Quebec there, I just forget his name, the plant. He got 100 per cent of his back. But there was 50 million put on the table to cover your beef plants which you lobby or work for all across Canada, yet you said there was an \$18 million loss.

Jim Laws: Well they had \$50 dollars of loss, all told given, running at lower capacity et cetera, et cetera.

Ron MacKinley (L): No you said you were talking meat.

Jim Laws: Well that's the meat that was stranded in Korea and Japan.

Ron MacKinley (L): So the federal government came through with \$50 million to help you out with that. Right?

Jim Laws: My members are saying that they've only got, many of them only got half of what was given to date so far.

Ron MacKinley (L): But there was 50 million put there?

Jim Laws: I heard 30 million myself but . . .

Ron MacKinley (L): But anyways, I'm not going to get into that, I'm not going to get bogged down on

that. So there was assistance from the federal government for your plan, there was no assistance that went and I'll ask other people later, I don't think they got any assistance for them. So I'm just talking to you guys. See it's hard to get this narrowed down to just what your costs and my member here he'll bring up another one . . . what was it, Tysons, you represent Tysons don't you?

Jim Laws: Yes.

Ron MacKinley (L): Yeah, I'll let him bring that up later. So it's hard, you have got a market there, you got some of the most shrewdest people in Cana, and maybe the world, that own these plants because if they weren't smart they wouldn't be there. And everybody is going to take a buck when they get one including myself. We're all the same. So then our job her, as members of the Legislative Assembly, is to try to make sure farmers get their fair share and the consumers aren't being gouged. You know what I mean.

Jim Laws: Absolutely.

Ron MacKinley (L): And this is our job. So you haven't got any answers on that. You're going to get back to me . . . like I figured up, if it's costing \$1.94 for Canada AA with the shrink and with the bone loss and everything and add 53 cents a pound on for killing, cutting it up or whatever, getting it ready. That comes to \$2.47 a pound, actually that side of beef is costing, no matter what they payed for the animal, that's what it's costing to put it out. So I'd like you to get back with the cost.

Jim Laws: I'll try and get back to you with some average costs. Over the last year though which will include all the costs of having not operated at full capacity for many months.

Ron MacKinley (L): Well then if you're going to get back the average cost over the last year, give it to me the last five years of what you're average cost was. That would be great because you need a window to look at. So your plants are still losing money are they?

Jim Laws: Right now the plants are operating at profit. They have to . . . absolutely, they can only afford to pay, you have to keep in business. That's (Indistinct)

Ron MacKinley (L): I'm not arguing the fact. They need a profit. Anyway I want to thank you.

Wilbur MacDonald(PC)Chair: Okay, Richard.

Richard Brown(L): Thank you, Mr. Chairman.

Wilbur MacDonald(PC)Chair: And then followed by Wayne and then Robert.

Richard Brown(L): We've been presented a book by the Department of Agriculture in the province here and one of their charts is federally inspected cattle slaughter plants. The chart goes to say from 1994 to 2002 the average kills have gone from 47,000 to 112,000. But the most important statistics for me is that the top four plants in the country, in 1994 they processed 66 per cent of the product, or the slaughterer that went through and the year ending 2002 went up to 89 per cent. Could you list those top four plants?

Jim Laws: For beef?

Richard Brown(L): Yeah.

Jim Laws: Yeah I think I had them listed here before. It's probably Excel Foods out of Edmonton, Cargill, IBP Tyson and Better Beef in Guelph. Those would be the four largest.

Richard Brown(L): In Alberta, the Consolidated Beef Industry Action Plan, they produced a report and in their report, the average packer gross margin for the period of September 22 to February 16th 2004 is \$431 per carcass. The line that concerns me the most, in other words, packers margins are 200 per cent higher then one year ago, we're 107 per cent higher than was currently the case in the US. What do you say to that statement?

Jim Laws: Well I say to that, when I looked at that I believe what they're doing is they're comparing the price of live animals to the price of the boxed beef cut out report which is the price of the meat that goes to retailers, the prime cuts, et cetera. But it doesn't include the extra costs that we've incurred for rendering. It doesn't include the revenues that we've lost for export markets for the other body parts that I've listed to you. So I conclude that you cannot take that data and equate it to profit at the end of the day because you can't do that. I think as well the George Morris

Center out of Guelph was quoted as saying, just the other day on CBC News, that you can't use that report and equate it to total profit (indistinct)

Richard Brown(L): So can you come back with a report, what your difference is to what this report is?

Jim Laws: I've outlined that today, I've explained the changes in the prices, I've explained the impact of the exchange rate in Canada, what it's doing to us in terms of . . . look at 70 per cent of our market was exported. We're scaled to exports in Canada for many, many, many years. It's a significant impact, it's a huge impact and this has been a terrible situation for farmers in Canada as it has been for packers. There is a lot of uncertainty. Canada has never been faced with this situation before.

Richard Brown(L): Okay, there is another chart in this book also and I'll give you a copy of it right here. We hear that 70 per cent exports . . . supply and disposition of beef 2001. It says cattle to the slaughter house 4.4 billion and beef exports are 2.5 billion. Then the end product, you're getting your beef according to this chart for 4.7 billion, you're sending 2.5 billion out of it. But in the end, you're selling it to the domestic market supply, 6 billion and then the consumer price is 10 billion. So you take the exports out of it, we're going from about 3 billion to 10 billion in sales. Could you take this chart and come back to us and update it for the current period? Or is that wrong or it that chart right or?

Jim Laws: I've never seen this chart that's there before my eyes.

Richard Brown (L): It's Statistics Canada.

Jim Laws: So I could look at it and comment to you later.

Richard Brown(L): Okay. Just one final question then. You said you represent Tyson Foods, a court order was issued out of the Middle District court of Alabama on Tyson Foods for an award of \$1.281 billion, I'll give you that. Can you explain what that was about, that claim?

Jim Laws: Yes, this is a claim in Alabama in United States, I'm certainly not an expert on Alabama law, but I guess they're talking about

how that particular company has affected the market price of cattle.

Richard Brown(L): And what was the claim on?

Jim Laws: The claim is that they have had sufficient control of the supply that they did have an influence on final pricing.

Richard Brown(L): So we're down to four major companies processing 90 per cent of our beef in Canada. So are we getting into the same place as Alabama is at?

Jim Laws: No I don't believe that we are.

Richard Brown(L): Is there enough competition between us?

Jim Laws: I believe there is lots of competition. Farmers in Western Canada, for instance, often have .all those four major packers bidding on their animals, the three in Alberta and the one from Ontario. A lot of it is done by sealed bid and the feedlot operators accept the highest bid. There is no price collusion going on in our members. I had the Competition Bureau in my office last week. We met for a couple of hours, we're happy to answer any and all of their questions.

Richard Brown(L): So they're investigating your organization?

Jim Laws: They are looking at the situation because of this particular . . .

Mr. R. Brown: Tyson case.

Jim Laws: . . . Tyson case as well and concerns and our members are very happy to disclose their information confidentially to the Competition Bureau.

Richard Brown(L): Mr. Chairman, just one final question. Out of the Alberta report, the Cattleman's Association or the beef industry recommend immediate action number one, stabilize the cattle market through temporary minimum pricing at the slaughter level for 18 months. Does your organization agree with that?

Jim Laws: If that were to be put in place without some type of price guarantee for us, then we

certainly don't support that. So effectively, no we don't support this type. We believe there is competition in the market right no, that farmers do have options. It's their option to sell to whom they want to as well at any time also. If you look at Ontario also, I represent the federally inspected plants, but Ontario has some 143 provincially inspected plants. Certainly their volume is not what ours is but there are options, there are other players who are slaughtering in the market.

Richard Brown(L): I really want to see like, my honourable member was questioning too, is a break down of the supply chain here. Who's getting what in the supply chain? I got a report here that says 4.7 billion and this is in 2001, this is before prices plummeted to 10 per cent of what they were now, 4.7 billion. Let's estimate that that's down by half even, 2.7 billion say and we're still going at the super market side, 10.2 billion.

Jim Laws: Prices plummeted to 10 per cent of what they were?

Richard Brown(L): No, down 10 or 20 per cent, I don't know how far down it's gone. We've indicated here that the farmer is getting much, much less, \$500 a head down to about 100, something along those lines.

Wilbur MacDonald(PC)Chair: Depends on what area you're talking about. Cull cows.

Richard Brown(L): Yeah. My point is, this is before BSE and the margins look pretty good here. So post BSE I'd like to see that chart.

Jim Laws: Again, it's a highly competitive market in Canada and it's all many, many private companies and this data, we'll see what we can do to get you the data. But there are lots and lots of costs right now. I forgot to check the internet last night but I heard that cattle were selling for some pretty good prices yesterday in Alberta, getting close to 90 cents. Last years high was \$1.15. I think a lot of people, I think it's five out of every six animals sold is a fed steer or heifer and we're not talking half of the price that they were before. Because 90 cents is getting awfully close to \$1.15. When you look at exchange rates, you know, been hearing quotes that it might have been 17 cents per live pound based on just the exchange rate alone. Well that would have brought the rate down close to \$1.00. So we're talking a \$1.00 versus 90.

We're getting pretty close to last years price.

Ron MacKinley (L): That 90 cents though, is that feeder prices, back ground cattle or is that . . .

Jim Laws: Fed slaughters.

Ron MacKinley (L): Fed slaughters.

Jim Laws: Yeah.

Wilbur MacDonald(PC)Chair: Wayne?

Jim Laws: Which is five -sixths of all animals that are going to slaughter houses.

Wayne Collins (PC): Good morning Sir. Welcome Mr. Laws. What do you think of the Canadian Boxed Beef Report? Are you familiar with that? It's something new now that's come up.

Jim Laws: I am familiar with it. I have been on this job since January, I've been trying to get the details of them all about what's going on in there. From what I understand of it, I've said, well who is providing you with these actual contracted prices between the packers and the next customer in line. Our members have been disappointed in that report so now we're going to voluntarily, starting April 1, we will start reporting some information on that boxed beef report.

Wayne Collins (PC): You think you've been treated unfairly by what's been out in the reports recently? They talk about gross packer margins.

Jim Laws: Again, I don't think they're taking into consideration all of our lost revenues and all of our expenses. I think if you look at other industries across Canada, how many other industries are reported on in terms of what did they sell their products to the next level at. I don't think there are very many. So knowing, we don't feel this information is as good as it should be so we're going to help.

Wayne Collins (PC): They do have a foot note saying gross margins do not include killed, cut and packaging costs. They don't talk necessarily about the awful and loss of markets there in the rendering issues and things of that nature.

Jim Laws: I'm pretty sure again, I haven't been

given them all and I've asked for it, but I think all they're doing is comparing live cattle prices to this boxed beef cut out which includes all the better, all the specific cuts in here. But it doesn't talk about all these international markets.

Wayne Collins (PC): Would you agree or disagree with this statement then. This is from the March 1st report. It says—"Despite the stronger cut out beef packer gross margins continue their steady downward decline last week. Estimated gross margins for a representative packer were approximately \$250 a head, down \$30 from last week and down by about \$200 from earlier this year"—down by almost \$200 from earlier this year. "Packers are likely still in the black but depending on operating costs net margins may be nearing break even. Last year at this time, gross margins were less than \$100 per head." Do you agree or disagree generally with that statement?

Tape No. 5

Jim Laws: Well, again I don't believe and our members don't believe that those figures are as good as they should be. Because it's not a, .again we don't know where they're getting their source of data from. They are not getting all of our members who are providing the data and what we want is to somebody to—because a lot of the packers in Eastern Canada is private enterprise, it's family businesses—and because our members are very concerned, they've very concerned about this issue, they don't want even a semblance of any type of price collusion. So voluntarily giving the prices to which you've sold to your next customer that's getting pretty close to saying, you know, why are you sharing that kind of pricing data? So that, you know, it makes us a little bit of nervous. But we are going to voluntarily give it to a third party who we will have confidence in, will not divulge any private information to anyone else, that will average the information based on the volume of the cuts because that's important and I don't know which packer is providing the data.

Wayne Collins (PC): The Prince Edward Island Cattlemen's Association and their presentation to this committee recommends mandatory reporting of prices in cattle volume as is legislated in the United States. They say it's 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. Your council agree or disagree?

Jim Laws: Our members are going to voluntarily participate in this effective April 1. But again we will say again that if you look at many other industry in Canada, you can pick anything you want, but I mean how many other industries in Canada are forced to do that? I think you will find there probably aren't very many.

Wayne Collins (PC): You mentioned earlier that now slaughter is up, you got the numbers up to I think you said 65,000 a week, is that where it's at now did you say or day?

Jim Laws: Per week. Between 65,000. Capacity is about 70,000 per week.

Wayne Collins (PC): Right, but it's 70 percent of the meat that's produced in Canada was going to export right?

Jim Laws: Yes.

Wayne Collins (PC): And the top figure. . .

Jim Laws: The beef and live cattle

Wayne Collins (PC): Where is all this meat going then?

Jim Laws: We have quite a bit of—it's boneless—the boneless cuts have been moving into the United States since early September and we have up to probably today enjoyed significant improved access to Mexico since the Americans were blocked out just before Christmas time. But we will probably lose that to the Americans once they get it back but that's where it's been going. And Canadians have been, we've very fortunate Canadians have been eating a lot more beef.

Wayne Collins (PC): Mr. Laws, as you well know the Canadian Food Processing Sector has been pretty profitable especially through the 1990's. In a report for the Research and Analysis Directorate of Agri Food Canada, looking at this issue of profits within the Canadian food processing sector, it says that food processing sector is certainly more profitable than the manufacturing sector through the 1990's taking on average rate of return of 11.6 per cent compared to 7.5 per cent rate of return for the manufacturing sector. I'd like to know today sir, if you can tell us that despite all the

problems with BSE and the extra costs that the big four, if you can call them that, of your major beef processing companies have been involved with, are they making money today?

Jim Laws: Yes, sir, they are making money today. They have to make a profit to stay in business.

Wayne Collins (PC): Well so do farmers, sir.

Jim Laws: And we agree with that. We understand that and it's a terrible situation but . . .

Wayne Collins (PC): You said earlier that free enterprises, this is a free enterprise business, right and I'm just wondering about where that mixes in with kind of social responsibility here. If your people are making money and the farmers are saying they are not making money, what the dickens are you going to do to ensure that these people are going to be around to continue to make you profitable down the years?

Jim Laws: Absolutely correct. Our members did present to the House of Commons Standing Committee last week in Ottawa and they did say we need the farmers to be there to help, to provide supply and we are very pleased that the provinces and the federal government have put in place support and disaster payments for farmers. We're hoping and we've been hoping since May that the borders will be open. Get these borders back open that's the problem, we got to get them back open.

We have no idea how long it would go on. We had no idea there would be another animal discovered in Washington just before Christmas time because if that hadn't of happened I think things would be moving a little bit quicker here. But that's, the packers as was mentioned here before received some government assistance, but that's not very much on a scale of thing. We have \$800 million tied up in plants and equipment and we have 10,000 employees working at these plants across the country. You know, are we going to say okay let's . . . we can't all say alright we are going to all lose money and all go out of business. That wouldn't be good for anybody.

Wayne Collins (PC): You could share some of the profit by paying a better price to the farmers.

Jim Laws: Well there is competition in packers, bid amongst themselves and they are paying . . . you know, if there was more profits to be made on a certain , if they could sell some more tails to Korea then that packer would outbid the other in order to get the supply. That's the nature of a free market system. That's the way we currently operate, it's not supply managed in Canada. We know that is not in the beef sector right now and that works differently but that's what I meant by free enterprise, that's the way it works. Our members do not share pricing information. There is no price collusion , it's competitive. If I get a quote for something at the office I get three quotes. I'm pretty happy with that.

Wayne Collins (PC): One final question, if I may. There has been word, and it's sort of only on the grapevine, that some farmers because they've criticized the packing houses for their practices or prices paid, have been cut out of the loop in parts of Canada. Is that true? Have packers been vindictive to farmers who have spoken out?

Jim Laws: That question was asked to us as well in Ottawa and one of our members was furious. He said listen . . . he moved over from Holland, came over and had nothing. He started his packing business. His door has been open for 35 years, his phone number is there, call him and everything. He was furious that does not happen. He knows that he needs farmers to supply to his packing plant and that's heresy . Bring . . . he said come . . . said if they are over the age of 21 call me, talk to me if you are a man, talk to me. We can't respond to heresy.

Wayne Collins (PC): Alright, thank you.

Wilbur MacDonald(PC)Chair: Fred, followed by Eva and Wilfred.

Fred McCardle (PC): I'm going to pass.

Wilbur MacDonald(PC)Chair: You are going to pass. I'll go to Eva.

Eva Rodgerson(PC): Okay. Wayne asked a couple of my questions and that was good. But what I'm wondering—imports, what percentage of beef do we import to Canada? Is that part of your statistic?

Jim Laws: I should know that bit of data, and

again, I can certainly get it for you. But Canada does allow a certain amount of meat to be imported from Australia and a few other countries. I don't know if it's 700,000 tonnes or what the exact figure is. I'm sure

Gilles Lavoie: 76,000 (Indistinct) .

Jim Laws: 76,000 tonnes are permitted and that's under Canada's trade obligations as well. But in terms of a percentage of what it represents in the total production perhaps Gilles knows that one as well.

Gilles Lavoie: (Indistinct) .

Eva Rodgerson(PC): And so when we import, I'm always wondering like we have pretty stringent, you know, restrictions on how our beef is produced and all that. Is it similar, the guidelines, when meat is coming into Canada?

Jim Laws: Canada does have agreements with various other countries and absolutely they go down and they certify their inspection process to ensure that it does have some type of equivalence with the Canadian system to make sure that it is safe for Canadians, absolutely.

Eva Rodgerson(PC): And so on the average the, can we import our meat cheaper than, you know, what we can produce it here?

Jim Laws: Well it depends on what the type of meat is, what time of the year it is. My understanding even now that some of the trim, some of the meat that is coming in from Uruguay, whatever, the Canadian prices been well below that world price for a commodity like hamburger and trim it's been below that for . . .

Eva Rodgerson(PC): So it would be below what we could probably purchase it for.

Jim Laws: But that, again, that's one example of one particular cut at a certain time and perhaps there are other people who (Indistinct) can add to that question further today. Our members don't import . . .

Wilbur MacDonald(PC)Chair: Okay, we are going to hear Wilfred and then we are going to turn it over to Jeanne okay. Wilfred, you have a question.

Wilfred Arsenault(PC): I'll be brief. Good morning, Mr. Law. Your members have been exporting some meat so you are satisfied some of the export market, obviously the domestic market as well, could you comment on the ratio as far as those markets prior to BSE and today?

Jim Laws: Well I guess. I should of brought that information with me. I don't have that information memorized yet, but there is a lot of meat that is boneless meat that is moving into the United States and I think its been pretty good amount that's been going into the United States since September and I think it's a similar amount to what it was last year, but we have lost significant markets and we've lost all the access to Japan and Korea for those products. And again I can get back to you on the specifics of that. I believe . . . it's a good thing it was because if we didn't have those American markets for boneless meat it would be a really, really bad situation for farmers in Canada and packers would be in deep, deep trouble. So that's a good thing that we did.

Wilfred Arsenault(PC): Just another question. My own question. There's producers and there's also producers representatives certainly in this part of the country that don't really believe that there is going to be any significant movement to the American border from where we are today until they have their election? Do you agree with that?

Jim Laws: Again, my personal opinion is probably not very relevant because I don't know, I have no idea. We are hearing that they are going to have another comment period and I don't even know if, I haven't heard yet where they've actually made it official yet and we've heard that it was a short comment period—that might be good news—a comment period that the American will issue in terms of reinstating importation of Canadian live animals but again my guess is not very relevant to this. I would be very, very hopeful that it will happen because that would be great.

Wilbur MacDonald(PC)Chair: Okay. I think we will turn it over to Jeanne now. I know you will still be available for questions as we go along. So we turn it over to you.

Part III - Jeanne Cruikshank, Vice President Atlantic Region, Canadian Council of Grocery Distributors

Jeanne Cruikshank: Thank you, Mr. Chairman. This will now, it's our intent to share with the perspective from retail.

The Canadian Council Grocery of Distributors with whom I'm employed represent the National Trade Association, 80 per cent of the \$64 billion industry. We employ in Canada 380,00 people. We represent grocery wholesalers, retailers and food service distributors and our offices are located in Halifax, Montreal, Toronto, Calgary.

Getting closer to home, grocery retailers are major contributors to your Island's economy. Atlantic Wholesalers, Co-op and Sobey's have \$275 million in sales. About 30 stores, distribution centre wholesaler, which would be well known to those who shop locally, 200,100 employees and basically have about 20,000 items. So obviously we are clearly an integral part in the agri food business of this Island. As mentioned in Jim Laws presentation we are one link in the supply chain. We add value at the end of the chain—pass on pricing to the consumer that's passed on to us.

Here are some of the facts and these are good news issues. Grocery retailers have supported beef and the agriculture industry on PEI. The good news from an Atlantic Canada perspective is, as Jim Laws also mentioned, Atlantic Canada beef sales are \$142 million, 20.7 million kilograms and we have increased movement of tonnage nine per cent over a year ago.

Canada is the only post-BSE country that has ever seen an increase in movement of beef. And I think that speaks well not only to the efforts of retailers in doing so but the Canadian consumer that continued to have confidence and continue to support the sector.

I think it's also notable that the price per kilogram of beef is down 12 per cent on an average in Maritime grocery stores as compared to a year ago. Promotion of beef—I noticed Mr. MacKinley had some flyers with him—certainly up front on frequency and promotion in the flyers. The other exceedingly good news thing is that the sales of chicken and pork in kilograms in Atlantic Canada are up 1.4 per cent and 4.3 respectfully during the last 12 months because obviously at the meat case consumers have a number of choices.

We'd propose that movement of product, the

sustaining of the beef industry despite those challenges is because of the aggressive featuring and promotion that retailers have done. And if you look at some of those flyers that come to your homes on a regular basis we support the Canadian beef concept and are offering half price as compared to a year ago. When there was excess in cuts during a time of year when they would not normally have been on sale, the members across Canada also aggressively moved those doing things like two for one sales which gave 50 per cent savings for consumers and we know that consumers responded to that. That's what contributed to the 9 per cent increased tonnage movement.

Then the membership also Co-op Atlantic, Atlantic Canada owned and operated have a particular branded program, the Atlantic Tender Beef and they too in this competitive place provided deals to consumers as they came to them.

We also wanted to make sure we did this at the same time not to the detriment of pork. As I told you that was accomplished. So we had pork and beef ads on the front page. Our business is about providing variety and options to consumers.

Ground beef is at a lower price than a year ago and you'll quite often as in this flyer see it is less than \$2.00 a pound. We also did a cross promotion with the Beef Information Center and I understand that information to consumers is an important part of this. So there was a collective industry effort to move product, have consumers have happy choices, happy eating experiences and continue to have confidence in beef in this country.

The education on how to deal with some of this—we also understand that aging demographics and whatnot are such that we sometimes need to remind people of how to cook the product that they have so that they have that enjoyable eating experience, time pressured that they are. And what would not have been the norm for anyone, but obviously it wasn't a summer of norm, was to have roasts on special in the summer and fall. Obviously ahead of what we normally be doing, but that's what was . . . an over supply and that's what came to retailers with the challenge of moving them along.

Pork, chicken, seafood pasta, all aspects within

what our retailers operate were also featured so it was not to the detriment of any of those sectors and of course we had to promote Atlantic salmon and ground beef. Doing so was 60 per cent lower price than last years ground beef and again offering variety and choice in other protein options.

Chicken—again we have a viable Atlantic Canadian chicken industry, one that is important to keep and pork. And what have we been doing? Since May 20, that turning point in the calendar, retailers across this country have promoted food safety to enhance consumer confidence and that has been achieved as demonstrated in the numbers I had mentioned to you. We responded as Canadian Council Grocery Distributors to over 500 media interviews. This is an issue that has intrigued the media and they play an important part, I think, in getting the correct information out. We provided supportive messages to encourage beef sales, promoted cuts that were in over supply and our members across this country continue to work on the beef industry round tables to recommend and implement new inspections and processing steps at both federal and provincial levels.

We have been open and transparent to answer questions about beef pricing to all stakeholders since May 20 demonstrating our appearance before the Federal Standing Committee a result of which was the prices of certain cuts did come down. We also were before the Quebec Ministry of Agriculture, a summary of which was that the Quebec consumers were not unfairly treated. We've also had discussions with the Competition Bureau and within your packages is the report on this that would of been just prior to our originally schedule time together which says there is no reason to believe that *Competition Act* has or is about to be contravened and as has been mentioned earlier the George Morris Centre, a creditable national agriculture think tank, their analysis is nobody is gouging anybody.

What are our pricing practices for retailers? They still apply post December 2003. We pass on the pricing to the consumer that is passed on to us from the packer whether that price be up or down. Our retailer profit margins average one to two per cent and retailers will continue to make a fair return. The consumer keeps our pricing competitive.

What does the future look like, which I guess is

the task before all of us, and does the pricing from pre December 23 still hold true today? While the markets dynamics are different and Jim Laws has gone through some of those more obvious ones no change to date at retail. Price was already down and is just starting to rise and in fact as we've heard with reasons that we now, I would hope, understand better packers are stating that some cuts are in fact more expensive from the packer today than pre BSE due to those different market factors.

Looking at just past February, beef pricing was lower than last year and we certainly continue to put out the foods safety education message as you will see in both flyers and in your meat case and 30 per cent savings during February. We continue to promote chicken and seafood and prices remain down versus one year ago, by as much as 40 per cent.

In summary we continue as retailers to support the Canadian beef industry in Prince Edward Island and across Canada. Are we meeting the needs of the consumers—yes. Are we working with our industry partners to support the beef and agric good industry—yes. Are we making a profit—yes. And are we passing on price declines past on to us by the packer—yes, absolutely.

So now I think we are at section where there may be some questions.

Wilbur MacDonald(PC)Chair: Richard?

Richard Brown (L): Thank you very much, Mr. Chairman. Thank you for coming today. Maybe I'd like you guys to come back with an updated chart on that too from the federal government. Interesting slide. An interesting last comment. We pass on the pricing to the consumer that is passed on to us from the packers. So you are not . . . whatever the packers price gives to you, you're passing it on.

Jeanne Cruikshank: Correct.

Richard Brown (L): So the problem in the chain, you're saying, is the packers?

Jeanne Cruikshank: No, we're saying we pass along the price that we get from the packer.

Richard Brown (L): But the original chart there

showed the packer and then you guys and the consumer. The beef farmer, the packer, the stores and then the consumer. So we've taken you out of the chain because you pass all your costs on and your savings on from the packers, so we're moving back to the packer.

I guess what I'm saying is earlier the packer indicated we are taking substantial losses in Korea and Japan. So what we are saying is that Island farmers are paying for those losses in Japan and Korea?

Jim Laws: What we are saying is that packers in the past took the whole picture into consideration when they are bidding on cattle. They have to look at all their sources of revenue for everything and they have to look at all their expenses. That's the way any business runs when you are bidding on your raw materials and that's what we've done. Of course we can't bid as much for cattle as we used to because we don't have the revenues at the other end. It's as simple as that. But when people say to me, oh the price at the store hasn't gone down and I've seen Stats Canada data, I've see Jeanne's data. I do the shopping for my household on weekends. I've see lots of specials for meats. So I don't agree. I can't . . . it's not really fair to say that there's been no sales at retail, because it's not true. And we all know that when meats on sale a lot of it moves. And a lot of consumers, I'm sure you do the same thing, you buy it and stick it in your freezer in large quantities.

Richard Brown (L): But the grocers have said the average price has gone down 12 per cent. So what has the average price to the cattle farmer gone down in the last year?

Jim Laws: I guess you could say between 20 and 25 per cent for fed steers and heifers.

Richard Brown (L): That's the price as at reduction?

Jim Laws: If you look at the price . . .

Richard Brown (L): Your input costs?

Jim Laws: No I'm not saying that. I'm saying . . . you asked the price of live cattle was?

Richard Brown (L): No, your input costs.

Jim Laws: That's not the only input cost. We've got all kinds of labour, electricity, plant and equipment. There's lots of. . .

Richard Brown (L): And what percentage is that? Just your raw cattle off your total costs?

Jim Laws: Again I wish I had been in this job a little bit longer to answer more of your questions because I don't have the data on what percentage represent of the total.

Richard Brown (L): Can you table a model in this Legislature that says this is the average plant and these are input costs?

Jim Laws: I can see what I can do.

Richard Brown (L): Electricity, labor, whatever you have there, across Canada to say here is the breakdown?

Jim Laws: I can see what I can do.

Wilbur MacDonald(PC)Chair: Okay. Wilfred?

Wilfred Arsenault(PC): Thank you, Mr. Chair. A comment on your price flyers. I acknowledge what you are saying. I've seen your prices advertized in these specials. Now I have an impression, and I want your comments on th, I have an impression, you know, that those specials and they are on for a few days, so forth. What I guess I would like you to clarify is since BSE . . . I guess I don't expect the prices have been reduced by 50 per cent since BSE. We've had sales, sales that have come on for a weekend, et cetera, but what have the price reductions been, percentage wise since BSE compared to prior BSE?

Jeanne Cruikshank: Minus 12 per cent in Atlantic Canada would be the reduction. Now we're talking across the entire sector.

Wilfred Arsenault(PC): Okay, Atlantic Canada. What about on the national level? Is it 12 per cent as well?

Jeanne Cruikshank: I would propose that it's probably better in Atlantic Canada than elsewhere in the country and I can only share that because we are also working on a presentation for the west right now. I guess one of the things that with the

folks that represent retailers in Atlantic Canada can certainly attest was a very competitive market. I think we've got a number of significant advantages in Atlantic Canada. One of which we have a confident consumer buying the product and the numbers indicate that there was an increase in sales in beef. There was not a decline. in fact it was a incremental increase for poultry and pork as well and in fact prices did go down. So what I thought was more appropriate to give you was Atlantic Canada's numbers which probably are better than other regions in the country.

Wilfred Arsenault(PC): Would you say that those percentages are even throughout the country as far as consumption is concerned. Are they relatively about the same as they are here?

Jeanne Cruikshank: Well my colleagues might be able to help me. They are the meat experts but it is my understanding that Atlantic Canada does have the distinct advantage of being a more meat and potatoes population. I believe we do consume more protein and remembering that as we go across the country, protein is not necessarily the recognizable chicken, pork, beef. It can be total and other alternatives as well, but within Atlantic Canada we continue to be a basic meat and potatoes society. Unless there is anything from my colleagues that would add to that.

Joe Cartaginese: No, I think you're fine. It varies by region but Atlantic Canada is (Indistinct) per kg capital consumption.

Wilbur MacDonald(PC)Chair: Ron?

Ron MacKinley (L): Yes, thank you very much. Your slides are very interesting and every Sunday, and I get all the flyers in the mail, and afternoon I normally read them. You know it's very interesting.

The question I have for you is we know you have like stores but you have these loss leaders or you put on sales before the BSE. Like as long as I've been picking up your flyers there's been sales. But if you look at, you say your stores make two per cent, roughly one or two per cent and everybody's got to make a profit, but what the consumers can't figure out, for instance in one of those flyers you have there, you had steak \$8.99 a T-bone steak. Now I know you had it cheaper in another flyer. But on the corner of the flyer was T-

bone steak \$8.99, it was \$19.81 kg. So that's a bit of a price because steak goes from 15 to \$21.00 a kg. So there's quite a mark up on that. Even though you had some loss leader on there. You people know your business and I'm not arguing that and I have found that your sales, like for instance I wouldn't mention any names, there is prime rib roast \$4.97 a pound. I think that's a really good deal. But mostly that's 15 to \$19.00 kg but it's \$10.96 kg. That's a good deal for people to go in and buy beef because that's boneless. I'm not going to use any floor names but

(Uproar).

Ron MacKinley (L): No, I'm just saying the bone's out of it and everything. That's good. But the thing is, what people can't figure out is you also have in these flyers you were showing us and I know, you get ten pounds of potatoes and the potatoes have a price too, \$1.99 and you are paying the farmers 65 cent a bag and he's putting them on the shelf.

Unidentified Member: Forty five cents.

Ron MacKinley (L): No, delivered to the store . . . you're paying the farmer for instance, had this wrote down, I'm glad you got it. You are paying the farmer roughly 65 to 70 cents a 10 pound bag washed, delivered to the store and put on the shelves. You are selling them anywhere's from a . . . I don't mean particular stores, I'm just saying your organization because you are selling them anywhere's from a 1.79 to \$1.92. That's a lot more than two per cent profit. I know you got lights, heat and everything else like, but it doesn't add up. Then if you look at your . . . just on your potatoes alone. And if you look at this flyer here you got potatoes \$1.99 a bag each, 10 pound bag of potatoes on PEI, 10 pounds, product of Canada. Yet that farmer got probably 65 to 75 cents delivered. That's quite a mark up.

Unidentified Speaker: That's not 12 per cent.

Jeanne Cruikshank: Well . . .

Ron MacKinley (L): Like it's here and I . . .

Jeanne Cruikshank: My task today was to talk about BSE impact so I have the folks who understand . . .

Ron MacKinley (L): No, but I mean the whole thing is . . .

Jeanne Cruikshank: . . . but as explained we sell more than, we do sell more than beef, we do sell more than potatoes.

Ron MacKinley (L): No, but you represent them all.

Jeanne Cruikshank: Absolutely.

Ron MacKinley (L): Yes, it's all here and I mean we have a price crisis. I know that maybe Loblaws in Ontario—I was talking to a person up there, a friend of mine who just got a job up there and they're working on Bay Street—and they couldn't believe it, but they were so happy about it, but anyway they said that apparently, I might get along . . . one of the super stores, one of the stores in Ontario is now selling potatoes at 89 cents for 10 pounds. And I think that's pretty close to their costs that the stores are paying for them. They might have a two per cent mark up there. Because the farmer's probably getting 55 cents, then they're sprayed and stripped and everything else.

But if you look at the prices on the beef. I also went to another store that had steak on sale for \$5.97, I thought that was pretty good T-bone, but they only had four T-bones there when I got there and I haven't seen any more since.

Jeanne Cruikshank: Because other consumers thought it was a good deal.

Ron MacKinley (L): This is your organization nothing to do with these stores there.

Richard Brown (L): So they only had four left.

Ron MacKinley (L): It's possible. There was only four there at the meat counter (Laughter) And it has nothing to do with the two stores, gentlemen here.

Jeanne Cruikshank: Actually we have three stores. This is just to clarify. With me we've got Co-op Atlantic, Atlantic Wholesalers and Sobeys's.

Ron MacKinley (L): Oh, Co-op Atlantic was the store I went at the end of it. It was Co-op I went. Anyway I didn't realize they were here. Which

ones is Co-op?

Jeanne Cruikshank: Eric Baxter.

Ron MacKinley (L): Anyway the thing is there seems to be an awful mark up and the gentleman from Ontario, what was your name again?

Jeanne Cruikshank: Jim Laws.

Tape No. 6

Ron MacKinley (L): Jim, I'm sorry, but I didn't recognize you. But Jim, you want to say, Mr. Collins brought it up that there is some farmers, if they complain about dark colors, there's too many or something, they are being for instance Better Beef I think it is, is black balling them and they're not--they won't buy from them. They got to put their names on other people's cattle in other people's names and I've heard that. The reply that came down from Ottawa, I stand to be corrected, but I thought I was watching Soprano's story or something when I flipped the TV. The answer that came back was if the person's got the blank you know what, I can't say it here, it's not parliamentarian. Right off the bat you get a sexist remark there because there is more than men farming, there is also a lot of women that are just as involved in farming. I watched this. If you look at, follow him, he's the only buyer apparently, the major buyer. If I got my number, I believe it's in the phone book, he said. He phoned me up and he's over 21. I sort of took that as a threat to whoever happened to be watching. That's how I took that one. I didn't take that as, oh yeah, come on in.

Jim Laws: Obviously he was taking a back and he was frustrated, but he was saying, listen, have them call me. This is all heresy. Actually he denies it whole heartedly sir.

Ron MacKinley (L): You don't come from nowhere's and make as much money in excess of those people. I get frustrated over remarks like that at a meeting. I seen that and I just thought that I had miss-channeled and there was the running of the Soprano's but it's not until the 7th of May. That's what it looked like to me, almost--but then I realized you guys were there.

Jim Laws: He's inviting to them to talk to them at any time.

Ron MacKinley (L): I heard, but anyway's I'm just telling you. So the problem is, number two is and you have nothing to do with it, is there is all kinds of prices. I'll take that two to one. Now I'm not an expert but that two to one deal, normally they'd jack the price up on that, yeah the price is jacked up. You can basically go to another store of the same thing and buy two for one or you can get it at a lower price. It's about the same thing, I watched that. I will say that these other things--the two for ones I wouldn't recommend that. Now I'm not going to go much further on this. I just want to say, one of the biggest problems I have as a Member of the Legislative Assembly, is there's no problem with Co-op Atlantic, they handle Island beef, Maritime beef, Atlantic beef, whatever. But our major stores, Sobeys's and Atlantic Superstore get all western beef.

Jeanne Cruikshank: Well actually that's not correct. All three members would sell . . .

Ron MacKinley (L): No, I'm just talking. Agri Co-op Atlantic apparently sells Island beef, alright. Or they sell . . .

Jeanne Cruikshank: As do Sobeys's and Superstore.

Ron MacKinley (L): They sell Island beef? Like beef, you go in buy a roast, an Island roast there at these stores? You can go in and buy steaks, Island beef steaks?

Jeanne Cruikshank: Sobeys's, Loblaws and Co-op buy from federally inspected plants. As you know, federally inspected plants are not located within Prince Edward Island.

Ron MacKinley (L): There is one now, there use to be two, Garden Province. See they couldn't sell--now listen.

Wilbur MacDonald(PC)Chair: Ron, let the lady answer.

Ron MacKinley (L): Well I want to finish this.

Wilbur MacDonald(PC)Chair: No, but let the lady answer the question.

Ron MacKinley (L): Well she asked me the question, was there any federally inspected plants.

There's none here. She made a statement so she's wrong.

Jeanne Cruikshank: Actually what I was going to comment and finish, was that for the federally inspected plants to meet the needs of Sobey's, Superstore and Co-op, they are located outside Prince Edward Island. So these members sitting beside me from Sobey's, Superstore and Co-op do sell Island beef in their stores. It is not necessarily coming back to Prince Edward Island stores as there isn't, as you heard from the minister earlier, a way to track that. But I think what's of more importance is that Island beef is being sold across Canada to consumers. That should really be the point, not where it's sold.

Ron MacKinley (L): Well my point is this. Island beef is not being sold in our local stores. There was a federal inspector. There used to be two federally inspected plants. There was Garden Province Meats which couldn't sell to either one of them in the Island stores. I can't talk for New Brunswick and Ontario. I talked to a supplier the other day and one of the large chain stores phoned him when he was in the federally inspected plant, it wasn't Garden Province Meats, and ordered beef on Saturday. They had run out. Now this going back a few years ago. So he gets together, gets people in and he gets the order together. Then he goes back to them and says well, he was looking for to sell them. No we're not looking for the whole shelf space, 10, 15 per cent, that's consumers' demand. So he said, oh no, we can't buy from you. You're not on our list. Like you're not on our list. Now we know that Co-op Atlantic would sell beef that's not all Island beef. We know they're selling Maritime beef or maybe Ontario beef through this tender thing that's going on because our cattle go up to Ontario and that's why we got our own plant building here.

So one of the problems I see though is the large stores, and they're good for the produce. I'll give them credit for that, local produce and that. But our Island beef doesn't seem to be able to find a shelf. This plant we're having coming is going to start running and I wouldn't expect it all, but when you go in and buy one of these roasts that probably came from Alberta because in Ontario there was a company, one of the stores that's going to be here apparently they bought out some other stores in Ontario. The Minister of Agriculture, the Premier of the Province, the Cattlemen's

Association went because it was all Western beef coming to these stores in Ontario and they got them lobbied and they finally got Ontario Canada beef into it.

Jeanne Cruikshank: But I think we need to talk about volume. Because 90 percent of the Island beef is already procured by one of the members I represent. There really isn't a lot of Island beef left to be sold in the other members stores, is there?

Ron MacKinley (L): Yes, there is.

Jeanne Cruikshank: If 90 percent is already being procured?

Ron MacKinley (L): You're saying, Atlantic Canada, PEI farmers produce 80 per cent of the beef in Atlantic Canada.

Jeanne Cruikshank: No I'm saying....

Ron MacKinley (L): No, I'm just telling you this now, this 80 per cent--so you're telling me that 80 per cent of that beef, 90 per cent of that is already going through Co-op stores and have no room to expand. Is that what you're telling me?

Jeanne Cruikshank: Well Co-op are here and they can speak that directly, but as I understand, 90 per cent of the beef is already spoken for under the branded program.

Eric Baxter: That meets the grades that are needed within the retail operation.

Ron MacKinley (L): You're taking 90 per cent.

Eric Baxter: That meets the grade.

Ron MacKinley (L): That meets the grade. So when the new stores open up, this new killing plant, you can handle all the beef that is going to be produced then.

Eric Baxter: That's based on the numbers that are being produced today.

Ron MacKinley (L): No, there is going to be new numbers coming out. This is what I'm looking at down the road.

Eric Baxter: That's where going into it that the

plant will definitely have to find other markets. Just to say, we will buy whatever is out there and is available in the market place providing it's competitive and so forth (Indistinct). And we will support definitely (Indistinct).

Ron MacKinley (L): Now, do you pay more for Island--say when this new plant goes, I mean we use to get them killed in Moncton, we can't control it now. But let's say the Island farmers and they use better environment regulations here, more stricter than Nova Scotia and New Brunswick and Ontario. When that beef goes to the stores, do you pay a premium for that Island beef because of these regulations that we have here? Or is it considered the same. Like is PEI beef the same as New Brunswick and Nova Scotia?

Eric Baxter: They're all treated fairly with what's in the market place in a competitive market.

Ron MacKinley (L): But you don't give them extra money because they're following all these environment regulations that the government brought in?

Eric Baxter: See at Co-op Atlantic, we don't directly deal with the producer that has actually gone through ie: when the Atlantic Beef Products Company is up and running. That pricing is controlled for them. They offer a competitive price over the market place.

Ron MacKinley (L): So there has been a number of years--and even if we could get 10 or 15 per cent, just some Island beef on the floor, at the shelves, in these major stores, and let the consumer decide what they want.

Jeanne Cruikshank: Well, can you convince me that it isn't there now? I mean all three members are buying from federally inspected plants in Ontario that handle Prince Edward Island cattle, albeit 90 per cent of them are already addressed. Is it not quite conceivable that the product coming back could be Island beef?

Ron MacKinley (L): No, what you're telling me, for instance Sobey's, Loblaws, their beef is Ontario beef that is being sold here at our stores?

Jeanne Cruikshank: Sobey's and Loblaws purchase from some of the same federally inspected plants.

Ron MacKinley (L): No, but are you telling me that it's Ontario beef coming down here? You just said, how do we know the difference.

Jeanne Cruikshank: Could be.

Ron MacKinley (L): Alright, so you guys are buying your beef from Ontario and that's what is coming in and being sold here in the province. See we heard this story that you were buying it from Western Canada. So what you tell me if that's true then when this new plant gets up and rolling we'll see Island beef in the stores or Atlantic Canadian beef.

Jeanne Cruikshank: You'll see beef in the grocery stores that meets the specifications and is there in volume. I think when you speak to being only four t-bone, there is a reality. The fact that 90 per cent more tonnage move was through aggressive promotion of product, certainly when a retailer puts something in a flyer you have to know that you have the supply there. We are dealing with a limited supply, 90 percent of which is already secured. And as that grows and meets specifications, I know it's something to look at in the future, but the volume is not there to address it with the three members. . .

Ron MacKinley (L): Well the volume wouldn't be there for Atlantic Canada, the volume might be there for PEI, I'm not sure but I could find out. If for instance, I believe there is still a federally inspected plant operating on PEI, I'll have to check into it. I don't mean the one out in Ebenezer, I mean another one. So what you're saying, if I met with these people and they could supply a certain amount of volume of Island beef, because they buy local from the farmer, to your stores, like your two major stores, that there would be no problem selling there, is there?

Jeanne Cruikshank: It's all depending upon the proper specifications and price competitive issues.

Ron MacKinley (L): Well an AA is a AA, a prime rib roasts or loins are all the same. You got all the specifications there, you can (Indistinct). That's why I asked you earlier, an AA is the same beef in PEI as it is in Western Canada.

Jeanne Cruikshank: That's right.

Ron MacKinley (L): So the specification is there.

You need so many sirloins, ribs, loins, chunks, hips, whatever. They're all the same, it's all there. There is no difference once they're graded. Now you were going to (Indistinct) One last question, you brought me up that hamburger, that hamburger you got for, what was it 99 cents you have on your. . .

Jeanne Cruikshank: Some days, yes.

Ron MacKinley (L): No, but you said it was on (Indistinct).

Jeanne Cruikshank: Yeah.

Ron MacKinley (L): Yeah, now was that extra lean, lean round beef, medium or regular?

Jeanne Cruikshank: It would be regular.

Ron MacKinley (L): Regular, that contains 30 per cent fat.

Jeanne Cruikshank: Yes, that's what the federal (Indistinct) is.

Ron MacKinley (L): Like regular, the maximum fat rate is 30 per cent. So you're putting out this waste what he referred to, you're just throw it away, the fat. You don't sell the fat. So you're putting it in and you're cutting the price down but you're getting rid of your fat. You're up to 30 per cent content. It's not 10 per cent, it's not 17, it's not 23. There's rules and regulations.

Jeanne Cruikshank: Absolutely, the rules and regulations for regular ground beef are the same in every province and have been for a number, so there is a definition. That definition is equally well known to the consumer. So they know what they're buying.

Ron MacKinley (L): Well I never knew it before.

Jeanne Cruikshank: That's what's important with information.

Wilbur MacDonald(PC)Chair: Eva, we'll ask Eva for our next question. Eva, followed by Fred then Wayne.

Eva Rodgeron: Two or three of my questions have been answered there. I know again, for

example, we had an old file and I didn't bring it with me today, I guess I should have. Some local people have told us that they went and asked where has this meat come from and one quote was well it came from El Salvador. I'm sure, well, I guess that's why I asked earlier how much we import because there seems to be a perception out there that we're not using meat within Canada as opposed to bringing it in and that's affecting the farmers as well.

Jeanne Cruikshank: And would that have been ground beef?

Eva Rodgeron: Yes.

Jeanne Cruikshank: Yes. Which would be--in order to provide that product in that volume that wasn't available domestically, it may well have been. But I think the important piece there is understanding, and as you said in the information, really it's a small piece of the puzzle and where the domestic supply doesn't exist and to meet a particular volume demand.

Wilbur MacDonald(PC)Chair: Fred.

Fred McCardle (PC): I would like to ask Mr. Gallant, will your store be buying beef from our new plant on Prince Edward Island?

Vincent Gallant: When there was a federally inspected plant in Atlantic Canada, we were supporting that plant, prime beef in many various forms. Providing specification, providing weight, providing size, providing grades, all of those criteria are met to our Sobeys specs, there is a great opportunity to buy beef locally.

Fred McCardle (PC): So you're looking forward to dealing with our new plant that we hope to open in September?

Vincent Gallant: Providing all the criteria are met, we can't see no reason to say why not.

Fred McCardle (PC): Do our beef farmers know what you want in an animal?

Vincent Gallant: I wouldn't think so. It's government regulations with regards to grading system especially. We are on a AAA program and that would be a specification that we would require.

Wilbur MacDonald(PC)Chair: Okay, Wayne.

Wayne Collins (PC): So just to continue with that line of questioning, any reason to think that we wouldn't meet those criteria, in your opinion?

Vincent Gallant: There is no reason to think that you would not. It all depends how well we can finish beef prior to bringing it to the slaughter plant. Because again, weight and grade are extremely, extremely important.

Wayne Collins (PC): Have you or your offices had any formal discussions at this point in time with representatives of the plant?

Vincent Gallant: We have not been approached by absolutely nobody from the plant.

Wayne Collins (PC): And what do you think of that?

Vincent Gallant: What do I think?

Wayne Collins (PC): Would you like to meet with them soon?

Vincent Gallant: Certainly, by all means.

Wayne Collins (PC): I appreciate that, very encouraging. Because one day they were in here at the time, they feel they have a very fine quality product and they're looking forward to seeing it consumed by many more Atlantic Canadians in the near future. And we certainly hope that Sobeys will be on board in that effort. I know a lot of Islanders shop at Sobeys and they would like to be assured that buying Island beef right there in their own store.

Vincent Gallant: Well I'd have to say that Sobeys built its empire supported by the local industries.

Wayne Collins (PC): Ms. Cruikshank, if I may, I want to first of all, say thank you for your presentation this morning and I do want to again come back to the fact that the grocery retailing sector in this country is among the most efficient and certainly among the most profitable sectors of our Canadian economy. Again, I'm going back to this report, it's a separate report from the Research and Analysis Directorate of Agri-Food Canada analyzing the performance of the food

retailing sector in the Agri-Food chain 1990 to 1998, at which time it says, the average rate of return for the large grocery stores was 14.61 per cent. And that's quite phenomenal in any business, especially during that same period when the rate of return for non-food retailing sector was barely 7 per cent.

But I'd like to--wonder if you could comment a little bit of how the efficiencies within your business, within major super markets has really been able to contribute to your people being able to offer lower prices for food, because I find this very interesting. This study indicates that over that over that decade there was really a real price of food, a decline in the price of food. They wondered why that was happening and they were saying that decreasing costs had to be the driver here, decreasing costs through increased efficiencies, better managerial skills or the leverage of market power.

I find it quite interesting how today as soon as something is scanned across the check out, it's immediately--someone is notified somewhere there is a jar of pickles gone missing and you better get another jar of pickles out there. And they'll even get it down to the very sophisticated demographics and they know the trends, which way things are going. Could you comment a little bit about the efficiencies of your industry related to the cost of food at the check out?

Jeanne Cruikshank: Sure. Well I think within the retail industry you've got an excellent combination of great management skill complemented by the technology. As you said, when it scans at check outs, you will now also see signage there that talks and conveys to the consumer the transparency and the scan accuracy. Those are the things and the minister spoke earlier about traceability initiatives. The in-council grocery distributors was part of the founding groups putting forward this traceability. We deal regularly on food recalled basis. So an inventory management movement of goods, but a retail and distribution we didn't do it alone and I think that's what's very important is that we also met with our partners on this in the agriculture and the supplier community to make sure that those efficiencies were there at every step, because retail we are the final step and the interface before the consumer.

So there is a great many players before us that

have to be of equal efficiencies so that we can pass along those efficiencies, and technology has very much expedited it but never accounts for the human ingenuity either.

Wayne Collins (PC): I understand from previous submissions this morning that Mr. Laws and the Meat Council, these people deal very directly with the farming community. At your level, do you have much direct consultation, discussion with the farming community, the people that you represent?

Jeanne Cruikshank: Well it certainly varies I guess. I've had the benefit of being around for 12.5 years. So over that time frame, and I cover the Atlantic Provinces, so by issues, whether it be through a previous group called the Agri-Products Competitiveness Council, I think there has been a lot of good interface and in a lot of cases, opportunities such as the Island is going to offer in April 2 and 3, when all the players Gate to Plate can sit down and understand a little bit more about each other business. And where that has happened and where the information sharing and within the ingenuity in the room then can come up with some solutions. It's where you work in isolation that it isn't as effective.

Wayne Collins (PC): How does your group feel, you know, have you sit and talked about this at all as a collective body, as an organization when you hear that the Canadian farm, the receipts are down in all sectors for the first time in years and years in this country, that here on Prince Edward Island is just one small example. Our three major commodities are potatoes, our hogs--you know everything is going down at the one time. Either personally or as an organization, how would you comment on that? How do you feel about that?

Jeanne Cruikshank: Well I think in this industry, it's pretty tough to separate the personal from the business aspect. But I mean the members I represent operate in every community, not only in Atlantic Canada but across the country. We need to have a viable economy, whether it be in the agricultural commodities or whichever, to be viable in that community and well employed, or they won't be buying groceries in our stores. I mean it is a collective community effort. And to that, it's why whether it was the food to the food bank, there is that not only professional efficient operation, but these people are very much part of the community and you know who works there and

you know the store managers.

Wayne Collins (PC): Does your organization have any ideas to put forward to try to strengthen the base industries of agriculture in this country today?

Jeanne Cruikshank: Well I think one collective industry that we're working on, our ultimate consumers are all the same, whether you're a hog farmer or beef farmer or retailer, our test at the end of the day is the consumer. So initiatives like traceability that address food safety, on initiatives that we at the council tried to move forward in technologies like radiation, what is going to secure the food supply in this county both effectively, efficiently and safely to continue to delivering it to our consumer. Those are the collective efforts that we work on all the time.

Wayne Collins (PC): Thank you very much.

Wilbur MacDonald(PC)Chair: I have Richard and then Fred and then we'll call....

Richard Brown(L): Thank you, Mr. Chairman. I want to thank you for coming too. It's been an interesting meeting. PEI depends substantially on agriculture. We're not like Ontario with a bunch of car plants. We're not like Alberta with oil, although we're looking for it all the time. We're not like BC with all kinds of wood. We depend on agriculture. Even on the first quarter as my honourable colleague just said beforehand, we're down 21 per cent in the first quarter over last quarter on agricultural cash receipts for the province, and that affects government because if they're not paying taxes we have to charge--go into deficit or charge more taxes to the other people in the province.

My question is, the US now is going with US labeling or they want US labeling, the senators down there, I know it's election year for them and they're all running around with their own ideas. But a couple of these senators that are promoting this is pretty powerful senators. If they get US labeling, what will that do to our markets in the United States?

Jim Laws: Are you talking about country of origin labeling?

Richard Brown(L): Yes.

Jim Laws: Yeah okay, so they want all products to

be identified with the country of origin it comes from. Well I understand they just got a delay on that for another two years. So our members are happy that that's the case. But it could play to your advantage as well I suppose. If you can identify you got a selected advantage knowing that you got some tracing system that's better than the Americans and we know right now it is, that if there is a Made In Canada sticker on it, in many cases it could be to our advantage. So on the other hand, if--you know even a lot of the processors down there don't necessarily support it either.

Richard Brown(L): So you guys (Indistinct) the Canadian labeling?

Jim Laws: Well in general we do, but that country of origin labeling, it makes it difficult because our customers down there, I mean farmers in Canada that move live cattle down to there and it's processed through American packing plants which a lot, a lot of animals have been in terms of live cattle and pigs. Well that puts them, they're in a bit of a--does that mean that collectively for that product would it be shut out? A lot of unknowns. So it's not an easy answer to the thing.

Jeanne Cruikshank: If I could make a quick comment. I nationally deal with labeling on a broad range of things. I would advise you to proceed very cautiously in the consideration of labeling. One of the things you really need to determine, does it really make a difference to the consumer when they're making that buying decision? If it's on a product that has the integrity that that labeling distinguishes it, then certainly proceed. But we know that of the six top factors that influence consumer purchases, price is the first one.

So that's what they're looking at, putting labels on may be an extra bell and whistle but is it really going to move that product and there is a cost to put that labeling on. So I would think the homework needs to be done to make sure it's a product that has that distinctiveness that its location, or distinctiveness is important enough on the label to make that difference in a consumers' mind.

Richard Brown(L): Okay, thank you, Mr. Chairman.

Wilbur MacDonald(PC)Chair: Fred.

Fred McCardle (PC): I have a question for Jim. When you say 70 per cent of our Canada's beef is exported. Does that include live animals?

Jim Laws: It does, yeah, absolutely.

Fred McCardle (PC): What portion of that is live animals?

Jim Laws: Oh boy, I wish I had the further breakdown. You guys asked great questions today. I wish I had it before I came because I could have done more research for you, but. . .

Fred McCardle (PC): There's a lot of live animals leave.

Jim Laws: There were a lot of live animals leaving Canada, absolutely. And that represented a pretty good market for Canadian farmers. I mean especially last year when they were getting American dollars for those live animals.

Fred McCardle (PC): Yeah, but it's like shipping raw logs out of BC or bulk potatoes from PEI, why isn't there more processing in Canada?

Jim Laws: Well again, I mean that's a very good question. Because even this whole Tyson question that was raised by this gentlemen earlier was that, well what's going on? We get questions, some of the packers have feedlots, why are they are doing that? Well maybe part of the reason is because they've got to somehow get some supply promises because otherwise, I mean if all the Canadian farmers, if the price was so good down in the States, they'd put up these \$225 million plants if all the animals are heading down to the States because they get such a better price and our members are running at much less than full capacity. You know it has a significant impact on us.

So that's the trade off and that's why some of them have had animals under contract or in their own feedlots and that's been part of the whole equation. So it's a catch 22. Do you try and get some guarantees from the Canadian farmers, that listen, okay if we double our slaughter capacity here in Canada will you promise us that you'll stop selling live animals to the United States? Well if there was that kind of guarantee, then packers could commit to improving or increasing the slaughter capacity. But you know, it's a free

market.

Fred McCardle (PC): Is the capacity of our slaughter going up? Is it increasing?

Jim Laws: There is a member out of the Calgary plant based out of the headquarters in Edmonton that I believe that got a portion of the plant that's going to increase their capacity by another 1200 animals per week, shortly. That is going to come on stream shortly. But other than that I don't know of any further--I mean again, if there was some guarantee of further markets and guarantee of supply in some form or other, then packers would make the commitment to. . .

Fred McCardle (PC): Well the Americans are buying our cattle, processing them and selling them internationally, right?

Jim Laws: The Americans were buying our live cattle. They haven't had any of our live cattle since May.

Fred McCardle (PC): I mean, that's what they're doing with our cattle. They're processing them and selling them in the world market.

Jim Laws: That's what they were doing with them.

Fred McCardle (PC): Yeah, well why don't we lead the Americans, why don't we process more of our animals in Canada?

Jim Laws: Because so many were moving to the United States that you could only--you can't commit and put up a big, huge expensive plant and have it sit idle. You got to have a return on your capital and because the border has been open, and there's only--if I suppose, both the Americans and the Canadians had doubled their export markets through whatever, but we've got competition from Uruguay, Brazil, New Zealand, Australia, so if they knew there was some more markets, if China was, the population got a little bit wealthier and they were eating more meat, well then it would provide more opportunities.

Wilbur MacDonald(PC)Chair: Okay Ron, final question.

Ron MacKinley (L): Yeah, just, Jeanne, I will say you guys are--your stores are doing well promoting whatever you're doing. But you're also, you're

almost like in the Canadian Tire business too, like every time you go to the store, there is not only produce or food, there is furniture and everything else. But anyway that's also in there, and if a business is making money, well corporatively they've got, they expand their business and they watch that they pay all their corporate taxes in government or they'd be out of business, and the federal government would be wasting millions up there so they might as well hold it themselves and try to do what they can. But I just noted that you said a 9 per cent increase in beef in Atlantic Canada. My take on that is, yeah you stores played your part of the--but also the media and CFIA did too. Because when this--and I'm a cattle farmer and I'm only a small cattle farmer compared to the people that--I'm more into potatoes.

But when you look at, the CFIA moved so quick to get the situation, I said oh my land, this is just desperate. But the consumer's confidence came right back and they started buying beef. We even eat more beef ourselves because every time you turn on the news and the media there was a story on the beef farmers. In Atlantic Canada a lot of people are very sympathetic to the agricultural community. So I think like the media, the consumer and your stores all made a part maybe in that increase in beef. Your flyers you use there for different prices, your job is to get people inside the stores.

We also know that in the summer for instance, your steaks moved more than maybe they would in the winter. So that means you're going to have some other cuts, they're going to be harder to move. But in order to get the steaks, you got to move the other cuts. So in the summer everybody wants the steaks and everything and I believe that--I don't know what stores, but your association, some of your members were importing beef from United States this year, in the summer months. I don't mean your stores, but somebody from your stores. Is that true? Were they importing boxed beef in the United States for this?

Tape No. 7

Jeanne Cruikshank: Certainly when domestic supply isn't there and you want to address a volume to move it to your customers, you source the supply from where you can get it within the specs and the competitive price.

I would comment that it is not only grocery stores certainly that—while I'm proud of the role that was played—it was a collective responsibility and people did rally around. I don't think consumer confidence returned—I don't think we ever lost it. And that's something that I don't think we should lose sight of. Canadian consumers, because CFIA did their part, because retailers did their part, because media did their part and all of those players, I think that was the key to it. I certainly, while I'm proud to say what retail did, I wasn't proposing we have any exclusivity on the good that . . .

Ron MacKinley (L): No, I never said that. I just wanted to explain it. I think there was a . . . I know in my own thought was there was day or three days there that I sort of thought but then once the information started coming out they're right back on.

Did the States . . . a lot of these cuts and everything are to do with the time of year too like if you got . . . and I checked out with the grocery stores and they said they didn't have enough steak, couldn't supply enough steaks because there was so much of this other product to move and that's why they had to import the steak cuts in the summer months from the USA.

Now, one thing I do agree with you whole heartedly. The government here is trying to promote, like PEI has very strict environment rules. Cattle are no longer allowed in the brooks et cetera, et cetera. Farmers, their potatoes, you can't go near the water, you have to be back so many feet and everything. But when your association buys that, and I agree with you 100 percent on this one, when my wife goes to the store and she buys a roast of pork and one of the stores, I don't know which one it was had it on for \$5.50 a kg. and she bought three or four of them because she thought that was very good. But I asked her did you ask them where it came from. That could of came from the United States where they have very poor environment regulations.

Now this is not your problem, this is just what I'm saying. Even though we handle, the strictest environment regulations probably anywhere's in the world, is on PEI that doesn't put other stores, your association, PEI is a small area so you know you got to market across Canada. Can we see better, more prices for our product here when it's sold across Canada because our quality is up?

Jeanne Cruikshank: Well I think in part you answered it maybe even in your household. Is there a value perceived value or a true communicated value because in the consumers mind perception sometimes is reality. That the location or the particular pristine environment in which a product is raised, is that something that's going to garner a loyalty from consumers? We don't see it play out while consumers may say so.

Ron MacKinley (L): I know. You see, Ann, she goes and she looks at these roasts and it just happened to be Kennedy or somebody had a story down in the States where all the pig manure is going into the rivers, not like our hog farmers here where they have so many acres of land to make sure the manure, they have the proper manure storage, et cetera, et cetera and you look at that and I'm wondering, you know, when my wife went in or any consumer, myself, would you think oh, where you don't look, you look at the quality is the same and the price is the lowest, that's where you'll probably buy it and that's supply and demand. Anyway thanks.

Jeanne Cruikshank: And even the consumers.

Wilbur MacDonald(PC)Chair: I want to thank you very much for coming today. I know some of you have come from quite a distances and I want to thank each one of you individually. But I want to make just one comment if you don't mind.

You've indicated to us today that the packers make money, you've indicated to us that the retailers make money, you've indicated that your workers in the packers are very, very important and indeed they are and indeed they are within the retail industry. But I want to say to you that the farmers are not making money and when you publish the prices, Jim, I want you to let them know that in that price structure there has to be a profit for the farmer too. He is the one who spends a year or two years raising the live stock for you people to take. So somewhere's in this system—I don't know where it is in this system but that is what we are trying to find out—how does the farmer make a decent living? You people are all players in this system, each one of you. You are players in some part of that system. Some how or another we've got to change that structure. I don't know how.

So that, you know, this is a great country of ours,

it's a wonderful country. The breadbasket, it used to be called the breadbasket of the nation and maybe we're not no more. We're not quite as much as we were but I just ask you to think about that. I'm not going to ask you for a comments because it's hard for us. We're thinking of trying some how or other to coordinate with the federal department who is having an investigation in Ottawa, which you indicated you'd been there. Alberta is doing the same thing. We're all after the same thing. How do we increase the price to the farmers so he can survive?

Ron MacKinley (L): Lowering the taxes.

Wilbur MacDonald(PC)Chair: Well that's one way of doing it. I suppose, lowering taxes. But we don't . . . we recognize that the consumer price is high, it's not low and we think that the farmers somehow or another should have a little more of that consumer price. I don't know how we do that, but that's our aim and we thank you very much. I know that, Jim, you came twice and I think we appreciate that very much. We appreciate the fact that you are all here today and you recognize and understand the situation that we are trying to look into and we hope that we all come out and I hope you all continue to make a profit. But I do hope that the farmer does too. Then everybody will be happy.

So thank you very much for coming, we certainly appreciate it. We'll give you a few minutes to take your equipment down because you will want to take that down and then we will hear from Gilles Lavoie and then Gordie Lank and Gary Renkema and The Island New Democratic Party in that order. So we will take 10 minutes for you to get your equipment up and so on. Thank you very much.

Jim Laws: Thank you very much.

(10 minute break)

Part IV - Gilles Lavoie, Senior Director General of Operations, Market and Industry Services Branch & Team Leader for Food Safety and Quality, Agriculture and Agri Food Canada

Wilbur MacDonald(PC)Chair: Thank you, sir for coming. We have you scheduled for 15 minutes. I don't know whether we can do it in that time. I guess that's up to you and I I know you have a

flight scheduled out, so we'll not going to leave you in Charlottetown over night. Okay if you would like to star, sir, and there may be some questions.

Gilles Lavoie: Thank you very much, Mr. Chairman. Good afternoon. I am very pleased to be here and to have this opportunity to share up to date information on the various actions that our department, Agriculture and Agri-Food Canada has taken in cooperation with many partners to address this difficult situation created by the discovery of two cases of BSE in North America.

I am Gilles Lavoie, I am the Senior Director General of Operations with the Market and Industry Services Branch and Team leader of Food Safety and Quality within Agriculture and Agri-Food Canada and I have been associated very closely with this BSE case since May the 18th.

From day one, we have based our response on a joint industry-province-federal-government-agreed advocacy strategy. We continue to work with the Beef Value-chain Roundtable and the provinces to share information and coordinate our efforts. The underpinnings of our joint strategy remain very straightforward. It simply asks that decisions be made on the basis of good science, and we are making progress. In spite of the December BSE discovery in US, there has been no further disruption of our trade with the U.S., Mexico and other trade partners.

The discovery of the BSE case in Washington state in December subsequently traced to Canada has been catalyst for a lot of activity on this file. Much of it is positive in that it underlines the need to manage BSE on a North American basis and the need to work together to reopen international borders. Upon the close of the U.S. investigation, the U.S. subcommittee, whose members were essentially the same person as the international team of experts that reviewed Canada's case, unambiguously concluded that BSE is a North American problem. While we continue to work aggressively in all markets it is understandable that regaining access for live cattle to the U.S. remains our priority. This would allow a return to a more normal market situation and relieve the immense hardship many sectors of our cattle and other industries continue to suffer.

Since the beginning of September, the U.S. has allowed imports of boneless beef under a permit

system which, in effect, has reintegrated the Canadian and U.S. markets for beef, although not for live cattle. In early November, the U.S. published a rule to allow the importation of youthful live animals for immediate slaughter that, at the time, many producers hoped could be finalized in the first quarter of this year. The U.S. published this rule with a 60 day comment period ending January 5th, 2004. And indeed Canada did prepare (Indistinct) response and with absolutely extensive consultation with processors and in the industry.

This situation especially did a lot of changes in U.S. policy in regards to BSE and I would like just briefly to mention the U.S. decision to remove Specified Risk Materials (SRM) and somebody made allusion to that before, from the human food chain because it has strengthened the arguments we set out in our comments on the proposed rule. You will recall that SRM's are tissues that, in BSE infected cattle, that are believed to contain the agent that may transmit the disease. Canada has been removing SMR since last July and the U.S. is now implementing the same measure which further supports our position that the 30 month age restriction for cattle and beef imports in the proposed rule is not appropriate.

On February 9th, 2004, the U.S. announced that it had finished its investigation. We anticipate further steps toward finalizing the proposed rule are imminent, likely the reopening of the comment period for a 30 day period. This will reinvigorate due process to finalize the rule that had been stopped by the discovery of BSE in the U.S. Once the new comment period closes, under U.S. law, USDA will have to analyze and respond formally to all the comments received in the publication of the final rule. The length of time this takes depends largely upon the seriousness of the concerns that are raised. While our prospects for progress are very positive, it still remain premature to talk about exactly when the border will open for live cattle. We are continuing to work with industry, the provinces in cooperation with their counterparts at all levels to get the border open to all markets.

In addition to the U.S. and Mexico, it is worth mentioning that Antigua and Barbuda, Barbados, Grand Cayman Island, Jamaica, Trinidad and Tobago and the Philippines have all partially reopened their borders to various beef cuts. Minister Speller participated in a mission to Asia

on January 12 and 13 to meet with his Korean and Japanese counterparts in an effort to address their concerns about importing Canadian products.

As outcome, Korea agreed to continue technical discussions and information sharing both positive steps to regaining access in this market. Japan committed to begin bilateral technical discussions to examine ways to re-establish Canadian beef exports to Japan as soon as possible. Canada has retained the services of Dr. Norm Willis, former Chief Veterinary Officer for Canada and Chairperson of the Office International des Epizooties (OIE) which is the world bodies dealing with animal health issues, to work with Japan and other regional countries in the area to bring them a better understanding of Canada's BSE measures and to assist in resolving any market concerns that they may have. Japan's Minister Kamei also committed to work with Canada at the World Organization for Animal Health (OIE). This supports Canada-United States-Mexico initiative that was formalized in September of last year to develop a more practical risk-based international approach to trade.

Looking at North America, a bilateral meeting between Prime Minister Martin and President Bush on January 13, resulted in a commitment by the U.S. President to coordinate U.S. efforts on BSE with Canada and Mexico. Minister Speller's mission to Washington later that same week culminated in a trilateral meeting with U.S. Secretary Veneman and Mexican Secretary Usabiaga. In their joint statement the ministers confirmed their willingness to manage BSE on a North American basis and to return to a normal market situation as soon as possible. It was also agreed that maintaining consumer confidence in beef is fundamental to the management of the BSE issue and that it will remain a top priority in future discussion to improve the international approach to BSE. Each government agreed to designate a sub-cabinet level official to coordinate the ongoing interagency efforts toward a resumption of exports based on a harmonized framework and since that time this group has met on many occasions and (Indistinct) Minister Speller continues to have the direct and frequent contact with the Secretary Veneman.

On January 9th, the Government of Canada announced \$92.1 million of funding to enhance Canada's measures for identification, tracking and

tracing, and increasing BSE surveillance and testing. This measure will build on what is already one of the strongest food safety systems in the world and demonstrate the commitment of this government to address the issue of BSE and to support our Canadian industry.

We continue to work very closely with industry. We host calls at least weekly with the chairman of the Beef Value Chain Round Table working groups as well as other key industry leaders to continue coordinating our efforts.

We appreciate the severe hardship the import bans have caused as well as the uncertainty of not knowing when the border will open. Last June, federal and provincial government developed the BSE Recovery program. This program has made \$520 million available to Canadian cattle-beef industry. PEI has received \$4.2 million, the federal share was \$2.5 million. In November, a Cull Animal Program was put in place to help producers who have been receiving very low prices for their older animals. Two weeks ago, Mr. Speller announced the removal of the requirement to sell for slaughter in response to needs expressed by cattle producers. Farmers have up to March 16 to register their herd and it is estimated that the payment to PEI will be around \$1.2 million, with the federal share of \$720,000.

Mr. Chairman if I may. There have been some questions about the predication export/import levels that have been asked by some of the members of the committees. I know that Mr. Laws submitted on the food chain basis, live cattle translated into carcass equivalent. When we do that . . . I have 2001 data, it may be slightly different today, but it gives you an order of magnitude. The predication was 1.6 million tonnes of beef equivalent live and in carcass form. The imports were 353,000 tonnes. The (Indistinct) what seems to have been used in Canada, 979,000 export 994 which means that on that basis the export in relation to our predication is around 61 percent. (Indistinct) you would have slightly different number if you take only meat as opposed to all the sectors. Last year we did export around, a little bit more than 1.7, this is 2002, not 2003 because 2003 has been disrupted in terms of live exports. But the last full year it was a little bit more than 1.7 million head of live cattle that have crossed the border on their legs to U.S.

It is important because, and why it is important that is one reason that we want the border to open because it does generate a higher, a more competitive market when it comes time to bid for an animal. Because you have . . . the Canadian packers are in direct competition with the U.S. packers for the same animal. In general in a normal year we will export one million head live for immediate slaughter and in 2002 the balance was 700,000, a little bit more, were feeder cattle and pure bred. Feeder was higher than normal because of the drought in western Canada. They didn't have enough feed to care for their animals and they are being sold.

Thank you very much.

Wilbur MacDonald(PC)Chair: Andy first and then Fred.

Andy Mooney: Thank you very much for coming. I guess my question would be, you are saying that there's been no SRMs in our feed systems since last July, for certain?

Gilles Lavoie: Yes, the announcement was made on the 18th of July and it came into force all across the country on August 23rd. I believe.

Andy Mooney: So is there any talks being done with the U.S. officials to even let our animals that have been born that month and on, so you'd have eight month old cattle and younger, at least our feeders could go across the border. Like is there any talks on that and as the months go by I mean we'll hit all ages but it would even help like our cow/calf people especially it would get feeder prices up considerable?

Gilles Lavoie: It is also that t recommendation that we have made to their rules on January 5th. We believe that there is no sense to exclude these animals. We believe and they agreed, they said that they agreed with us that we are going to integrate the North American market. If that is the case there is no rational sense (Indistinct) to exclude one product or the other.

They are telling us that they are studying the situation. We hope, you know we don't know when they republish their rules for additional common period whether or not they will republish them exactly as they were in November or if they will modify them. This we don't know.

Andy Mooney: So, just one further quick question. So I guess in a nutshell if they do open the border, will it be right across the board or do you think they're going to start with younger animals?

Gilles Lavoie: At the moment it's already open for meat from young animal below 30 months of age. Whether or not they will go by stages or all together it is not known. There are all types of descriptions. Of yesterday we do push for a complete opening of the border. But there are other considerations of yesterday that will have to be taken into account.

Andy Mooney: Thanks very much.

Wilbur MacDonald(PC)Chair: Fred followed by Robert.

Fred McCardle (PC): If there is a million cattle going across the border, then there must be a lot of Americans out of work?

Gilles Lavoie: Yes.

Fred McCardle (PC): Those processing plants?

Gilles Lavoie: Yes. I don't know if . . . we have calls into the U.S. press on a regular basis of packers complaining that the situation has forced them to lay off a portion of their employees or that they are losing business and so on. These people, I guess they are good alias for us in Washington in terms of pressuring the issue out there.

Fred McCardle (PC): Is that where they are going, to Washington State?

Gilles Lavoie: Not Washington State, to Washington D.C.

Fred McCardle (PC): No, but I mean the cattle? Are they going across the border or are they going . . .

Gilles Lavoie: Just across the border. You have a (Indistinct) plant in Washington state but you also have Oregon, you have . . . the border states do import live cattle quick significantly.

Fred McCardle (PC): Do you know if they're using our cattle then to export internationally?

Gilles Lavoie: Normally yes, because there is no distinction. When the cattle leave the abattoir or the packing plant there was no segregation of the origin of the cattle. It is the same cattle. The same breeds, the same technique of raising the animal or feeding them. There was no distinction made.

Wilbur MacDonald(PC)Chair: Robert, followed by Wayne.

Hon. Robert Ghiz (L): Thank you very much. We heard a lot earlier from the packers discussing how important the Japanese and the Korean markets are to them. Any indication on how long you think that will be away before we can get back into those markets? Is it more difficult than the United States like for example even if we get back into the United States we're going to still have, we still need all our markets back. I'm just wondering if you can let us know where we stand?

Gilles Lavoie: Yes, it is difficult on all markets usually, sir. But at the same time it's likely easier in U.S. because we have this group of (Indistinct) that reaffirm what we were saying that we are a North American integrated market. Consequently this obviously reinforces our own arguments. In other countries like Japan, obviously they have had their own unfortunate experience with BSE themselves. The scare, the situation out there was completely different of the situation in Canada in terms of the time of exposition that they had to imported feed that happened to be contaminated feed.

We did not have this type of situation here in Canada. Then they have some domestic issues to address at the same time. Then this will make the negotiation there a little bit more difficult. But we are pretty confident that with the presence out there of Dr. Norm Willis, who is very well respected in Japan—he has been as I mentioned the Chair of the World Organization on Animal Health and he is very, very, very creditable person out there—we hope that he will be able to explain to them using their own language between veterinarians and so on of what has been done in Canada and why the situation in Canada is different and why our beef is very, very safe. And also he will do the same type of work in Korea and other countries and hopefully this will result positively as soon as possible. But it will be pure speculation to try and put a date on it.

Hon. Robert Ghiz (L): Mr. Laws also discussed about how even if we get open the borders to Korean and Japan whether or not our markets are there is another question because you know Australia is filling in a lot of that so, you know, even if it does up in a year it might be two or three or five years before we even get it back. I'm just wondering within the US, will we have difficulty getting our markets back within the US when the border fully opens? Like have other countries come in and helped fill the void or did U.S. just been producing more?

Gilles Lavoie: Doesn't seem to have had any serious difficulties globally. You have some either processor or packers that had some mentionable difficulties because their customers went to somebody else to get their supply. But in general, we have heard a little bit, but in general there has been no, not too much complaints and at the moment we do export as much of meat, boneless meat to U.S. and Mexico that we were last year.

Then in this regard the market seems to be functioning relatively well at the moment. September was quite hectic, yes, before (Indistinct) you have your order to fill, you get used to the new permit system and all that type of stuff and just the age of the animal has created some, you know, difficulties initially. They only accepted international lettered by the dentition, you know, it's an additional step in the process and so on then before everybody was comfortable that this was properly done and so on. But since mid-October the trade has resumed quite well.

Hon. Robert Ghiz (L): One other just quick question. I'm sure you've studied other countries around the world with regards to the measures they put in place to make sure that their beef and their cattle is safe for consumers. Where would you rank Canada within the world, are we probably the safest or . . .

Gilles Lavoie: Yes, we were the safest before and we do remain the safest.

Hon. Robert Ghiz (L): Are there other experts around the world saying that, though? For example in the U.S. do they stand up and do they say, is there someone there to say that, you know, well Canada is the safest or do the U.S. stand up there and say well Canada is obviously not safe now? So is there propaganda working against us?

Gilles Lavoie: Yes, there are likely other countries that will also claim that they are the safest, likely Australia, for example, New Zealand.

Hon. Robert Ghiz (L): Does UNESCO or United Nations or, not UNESCO, but is there any worldwide body that can come out and say in fact Canada is the safest?

Gilles Lavoie: Not that I know of, no. It's a question of . . . when we do try to get the access to another country, they will send inspectors, experts to verify our system. How do we kill the animals? How the cuts are being, you know, taken out of the carcass and they follow the animal all through the food chain up to their country. How do we transport the animal? Do we follow for example the . . . are we sure that it's properly kept at the right temperature all along the transportation system and so on. They do inspect all of that and it is only when they are satisfied that we meet the standard, their standard and normally the standard that the importation for this type of countries are relatively high standards. And it is only when they are satisfied that we meet the standard that they do authorize us to export. We are one of the largest exporters around the world in the meats centre.

Wilbur MacDonald(PC)Chair: Okay we are going to hear from Wayne, Ron and Richard and I'm going to ask you to ask one question if you please.

Wayne Collins (PC): Thank you, Mr. Chair. Just one question Mr. Lavoie. You talk about this integrated North American market. Over the years, you know, have live cattle gone back and forth since the discovery of BSE in the United States? Are we accepting live cattle from the United States into Canada.

Gilles Lavoie: Not at the moment, no.

Tape No. 8

Wayne Collins (PC): You talk about this integrated North American Market. Over the years, have live cattle gone back and forth?

Gilles Lavoie: Yes.

Wayne Collins (PC): Since the discovery of BSE in the United States, are we accepting live cattle from the United States into Canada?

Gilles Lavoie: Not at the moment.

Wayne Collins (PC): Not at the moment. Thank you.

Wilbur MacDonald(PC)Chair: Ron.

Ron MacKinley (L): Yeah, I'm just--your heading here, food and safety and quality. I don't know if you're the proper guy to ask questions, the previous slaughter house representatives here said about all the product they were losing of an animal. I had a picture of one I can get, but you're familiar with it. Under the new regulations in order to ship in Canada and export to the United States, I would say a 650 pound carcass, say the weight is dressed weight, what per cent would they lose now that would go into, let's say the garbage? How much more per cent of the animal would be thrown away from the slaughter houses, percentage?

Gilles Lavoie: In terms of percentage exactly, I would not know. There are some products that had a market before that now are not rendered particularly in the (Indistinct) can these (Indistinct) tongues and this type of stuff. But I don't know exactly what is the percentage that this--where it would present in terms of the market. Because what we do export to US is (Indistinct) primal cuts to a great extent. We do export also some offal, but the offal is also in the good demand in Mexico.

Ron MacKinley (L): So no, but I'm saying like, alright. I'm talking about, in order-- they got to take a certain bone out of the cow or something now to ship it. What percent of the carcass would that be? Out of 650 pound carcass, 2 per cent, 1 per cent? Like before apparently, it shifted, now the federal inspector said no, you got to get rid of this particular bone or whatever it is.

Gilles Lavoie: When you start with a live animal, you will market cuts to be used by restaurants or retailers, around 60 per cent.

Ron MacKinley (L): Around 60 per cent of the carcass, so we got 650 pounds in that carcass.

Gilles Lavoie: And then at retail, you will with the trimmings and all the other stuff and waste, you will cut by another 30 percent.

Ron MacKinley (L): Pardon?

Gilles Lavoie: Thirty per cent would be cut. But this is not to say all--what is cut at the, out of the carcass, some of that could be sold, right above the livers and that could be sold.

Ron MacKinley (L): The livers, the hearts would only make up out of a 650 pound carcass, would it make up 1 per cent of the total weight of that carcass?

Gilles Lavoie: If you include all the usage and all the stuff, I think it's likely around 20 per cent.

Ron MacKinley (L): Pardon?

Gilles Lavoie: It's likely around 20 per cent of usage is including in the (Indistinct) usage you have the hide for. . .

Ron MacKinley (L): Yeah, you have the hide well, yeah, but all I'm talking about is you take a carcass that's--you kill out 65 per cent or 60 per cent average. That's--let's say 650 pounds of meat, and out of that 650 pound dressed meat, the farmers pay for the hot weight and the retailer pays for the cold weight and they buy it from the packers. There's probably 2.5 per cent shrinkage there. And then there's your waste would be another probably--like I'm talking bones, debone the shoulder and all that, it would be probably another 20 or 30 per cent would it? That's 30, say 30, that would be 32.5 per cent is what can be considered waste. So you add that on to the top. Now...

Fred McCardle (PC): What's your point?

Ron MacKinley (L): Well my point is this. If the animal was 650 pounds and they were supplying this before the BSE hit or whatever and they're deboning all this animal and everything and putting out so many, you know, whatever they do, to say these large stores, if a farmer is getting \$1.40 you'd probably have to add about 135 per cent to that, that's basically what that's worth. Now, what I want to know is, since these new rules come in, what more per cent would be thrown out or discarded over the 32.5 percent? Is it 3 per cent more of that cattle they're losing, is it 10 percent, I don't know.

Gilles Lavoie: No, I don't know. We can average (Indistinct) of that made and we can share that.

Ron MacKinley (L): Yeah. It all depends like--honourable member, you buy an animal and a side of beef, you're going to get the bone and everything in it, you're going to pay for it. But if you go to some of these stores you don't pay it, so you're going to pay more for the bone, or with the bone out. The thing is, when do you expect your Director General of Operations with the market--when do you expect that this is brought up, this age, this teeth from the animals, I've heard about it. Apparently if an animal is graded A, B or whatever, so the inspector grades it. It wouldn't matter if they had four extra teeth. It would be graded in certain areas. So have they changed that grading system now that. . .?

Gilles Lavoie: No.

Ron MacKinley (L): . . . so they're still grading the same way?

Gilles Lavoie: Yes.

Ron MacKinley (L): So there has been no change in it.

Gilles Lavoie: No. And we continue to market as was mentioned previously. The large margin of cattle, the steers, the fed cattle that are marketed in Canada, are between 18 and 22 months of age.

Ron MacKinley (L): So that's 18 to 22 months. So let's say before this happened, if somebody had these extra teeth in the animals that's over 30 months, well let's say they had the extra teeth and they went through the slaughter houses, would they be downgraded to what because of that?

Gilles Lavoie: They will be either ungraded or downgraded to--if it's a female, it would be in the D1, D2....

Ron MacKinley (L): No, let's say it's a steer.

Gilles Lavoie: C.

Ron MacKinley (L): So go for C, automatically go for C.

Gilles Lavoie: C or B, I don't know for sure but it would be downgraded.

Ron MacKinley (L): So then, even though the

carcass would automatically go to C and that happened before, like before the BSE. So basically, it's still happening then, am I right? So there is really no change there is there on that?

Gilles Lavoie: No. Where there are some, we hear some farmers at times believe that they had an animal younger than 30 months that was considerably older and vice versa as well. Because a dentition is not an exact science. You would have some variation and the genetic is involved here, the feeding factors and all that kind of stuff. But in general the people that believe they have not being properly served by that are pretty few, based on complaints we have received from farmers.

Ron MacKinley (L): Yeah, I'm getting some myself and I'm trying to figure it out--I should know but I don't. If an animal is over the same thing at 26 months, they got three extra teeth. Well I assumed before they would go thorough the grading stage and then they had the extra teeth and they graded it at AA and it would automatically be stamped AA. They wouldn't look at the teeth. They always looked at the teeth before too, did they?

Gilles Lavoie: To grade an animal, no.

Ron MacKinley (L): Pardon?

Gilles Lavoie: To grade an animal, no. They were not necessarily looking at the teeth to grade the animal before.

Ron MacKinley (L): So now, alright, an animal before it could have the extra teeth, then that's what I'm trying to say, they got their extra teeth, but could still go through as an A1. But today there is not possible way they could go through as an A1.

Gilles Lavoie: It would be segregated at the entry of the abattoir, of the packing plant.

Ron MacKinley (L): Yeah, so, the inspectors don't even get to look at that, do they?

Gilles Lavoie: Exactly.

Ron MacKinley (L): Or who looks at their teeth?

Gilles Lavoie: It is an inspector.

Ron MacKinley (L): So the inspector looks at the mouth. So he doesn't go--so the grade has changed? Because if you had an animal going through with these extra teeth that we're talking about--do you remember Mr. MacDonald what it was, was it four teeth, was it?

Wilbur MacDonald (PC) (Chair): Yes.

Ron MacKinley (L): The upper teeth, whatever, and there was animals like them that were going through the slaughter houses, the inspector looks at the animal he grades it AA, so it's sold as an AA.

Gilles Lavoie: It's still AA, but the person that does the grading has not seen the one that was discovered because its dentition (Indistinct) there is an impact.

Ron MacKinley (L): No I'm going before this BSE crisis hit. So the guy--when they're going through the animals, so I don't think that people in the plant looked at their teeth before the BSE crisis.

Gilles Lavoie: No.

Ron MacKinley (L): They'd automatically go through the line.

Gilles Lavoie: Yes.

Ron MacKinley (L): So that inspector stamps it AA.

Gilles Lavoie: Yes.

Ron MacKinley (L): So now before it gets to that inspector it's brought out of line and just discarded as a C or something. Is that correct?

Gilles Lavoie: Yes.

Ron MacKinley (L): And who stamps them?

Gilles Lavoie: The (Indistinct) the inspector that is there.

Ron MacKinley (L): The inspector stamps them. Alright.

Wilbur MacDonald(PC)Chair: Richard, final question.

Richard Brown(L): Thank you Mr. Chairman. Just one quick one. The Consolidated Beef Industry Action Plan that was tabled in the Alberta Legislature, one of their recommendations was develop a Cattle Inventory Management Plan to be implemented if the border is to remained closed. One of things they're indicating here is the inventory is stacking up at the 30 to 40,000 head per week, that's not going through the plants. Does your department support that? Will they put money into a program like that?

Gilles Lavoie: We have not, as far as I know we have not looked to the proposal there. We do have a working group of the Atlantic National Round Table, beef round table that is looking at various options, including options, what happens if the opening of the border is further delayed. We all hope that it happens pretty soon but we don't have any evidence of a date, then we have to look at various issues there. They will have options for consideration by the Atlantic National Round Table at the next meeting, I believe it's around the 22nd, 23rd of March.

Richard Brown(L): Thank you. Could we also have a copy of your chart there that shows how everything works.

Wilbur MacDonald(PC)Chair: Could we have a copy of your presentation too for the Clerk.

Gilles Lavoie: Yes, Mr. Chairman.

Wilbur MacDonald(PC)Chair: Thank you very much. I appreciate the fact that you're coming and we thank you very much, sir and have a good trip back to Ottawa. It's Ottawa you're going back to?

Gilles Lavoie: Yes.

Wilbur MacDonald(PC)Chair: Okay, thank you very much.

Gilles Lavoie: Thank you very much.

Wilbur MacDonald(PC)Chair: Next presenters is Gordie Lank and perhaps somebody with him. No? You can talk to the Clerk, she'll look after you.

Tape No. 9

Part V - Gordon Lank, Susan MacInnis, Trevor Lank

Wilbur MacDonald(PC)Chair: Welcome Gordie. You can introduce the people with you and you can give us your presentation. Do you want to pass them around, Gordon before?

Gordon Lank: No, I'll give them to you after. You'll only be reading them. I have with me my daughter, Susan MacInnis and my son, Trevor Lank.

First, I appreciate you taking your time to meet with me. There are four subjects I would like to address and I'll try and do it as quickly as possible. The BSE crisis, the BSE effect on the hog industry and the hog industry, and as I think, the subject of Lank Farms has come up here. I want to address that before I leave.

The BSE disaster I guess it is, I first want to say that the government money that was given to the farming industry was certainly helpful. I know there was a lot of criticism and there was profit taking and there was this and there was that but it was given in haste and probably could have been a better job done of it but it did disrupt the market. But farmers would have not survived without it, I'm sure of that. So I think going back there and spending a lot of time on that is a waste of a whole lot of people's energy right across the country.

Some of the challenges that were faced when the BSE came in - Canada had no price discovery system. Our price as well was based on the American market. When the border closed, there was just no way of discovering the price here. Some of this information I'll give you. Since that the Canadian cattlemen are doing some work and we do have a boxed beef report and I think you'll find this interesting of how some of the things that are being done to establish a price within Canada. We don't have enough carrying capacity, export markets were lost, we needed to sell cuts to Canadians that they would not normally buy because we couldn't export them and we have no ability to kill or process our cull cows or to make the amount of hamburger that was needed in the country. So there was a shortage of Canadian cuts and no sale for the non-Canadian cuts. The

traditional market we had was really turned upside down.

Our processors, retailers and consumers responded to this crisis very positively, in my view. If they hadn't, they proved that Canadian beef was safe. They continued to eat it in unprecedented quantities and without all the cooperation of these people, it would have been much worse. Did some make money? Yes, some did. Some did very well on it. As you read these documents you should be aware that in the meat industry, somebody makes money all the time. Sometimes it's farmers, when the price is away high, we make money and others loose. And it's alright to point fingers at individual times but you have to look at the long term. I don't think we ever make enough, but sometimes we make while others loose.

Unfortunately the positives that got us through till September when the borders were open to boneless beef exports we seem to be losing. There is a lot of good headlines in the country, particularly for politicians. Retail prices too high, farmers and consumers getting ripped off. This kind of talk is extremely negative for the meat industry. Just think about it. If somebody is telling you everyday that you're getting ripped off, are you going to go out and buy meat? It's not very likely. I hear this everywhere. I hear people refuse to buy, no, it's too dear. People come and say, oh what I paid for a crown roast, it's awful. I'm not buying it. I spent a week in Alberta last week, same story out there. We're getting very, very negative on the meat industry because you're saying it's too high.

Now, you know it's been said here, stores should be legislated to give 20 percent of their meat counter to Island beef. I mean if there could be a foolisher idea I don't know where it would ever come from. I just talked to Eric Baxter and I just got the figures last night of how many cattle we have that met the specs that these stores would be requiring. We have barely enough for him. I mean they're like the dog chasing the car, if you got them space you wouldn't have anything to put in it. My question is where would you get the beef? We've got a major challenge ahead of us when this plant opens to produce the quality of beef that we can sell. We just don't have it. We're just not getting there.

If it was Island beef in the store and I think these people alluded to it here, like you got to sell beef

no matter where it is. What difference would it make to buy a price as a farmer if you sold Island beef separate in the stores? If somebody could explain that to me it wouldn't--I mean you're spending a whole lot of time and energy trying to do something--If you're an Agriculture Committee which you're suppose to be, some days I think you're a consumer committee's because you're always trying to beat the price down. Food Freedom Day was February the 8th last year, I think some days you fellows want to get it back to January the 31st. Beat the price up from the bottom. If you're going to spend energy, spend it on something that's helping.

Beef is too dear! The fact is I doubt if many of the people who are talking, it's not only you people, it's people right across the country, know what they paid for a certain cut last year and what they're paying this year. I doubt if any of you could answer that. I doubt if any of you know what I'm getting for cattle today, what I was getting last January or the January before. I'm saying we got to have sound stuff if you want to talk. If you're an Agriculture Committee put a positive spin on food. Food is a bargain; meat is a bargain. Nobody is getting ripped off that eats in this country. They get fed damn cheap. I don't care whether the packer is making money, the store is making money, it's still cheap. February the 8th, I'd be happy if it was June the 30th, Food Freedom Day.

So let's put a positive spin out there. If there is a problem with the farmer not getting his fair share, don't beat this price down, let's find out what the problem is and get it up. Push it up. All the efforts, because the popular efforts beat them. Get it up. The farmer is the one being ripped off likely and it's partly his own fault. As I said, right now in beef, we have a very poor price discovery system because we had absolutely none. And it's the same thing in a lot of the commodities because in the States, packers have to report what they get for beef and that's how our price is really established. In Canada, we're too lax. That's a federal problem, not much you fellows can do. And please don't believe everything you're told. Ask the hard questions. It's easy to come up with these simple solutions that sound good in the paper.

I'll go back...I was reading the paper, one of the papers--these over 50 papers I can read them now. They have this terrific girl with Consumer

Affairs in Ottawa, she had a whole lot of letters after her name. She was writing in it about pork. She said baby back ribs, I wouldn't eat them. My husband loves them but I wouldn't eat them. They come from the small pigs and lots of times they have a whole lot of medication in them and everything else. Not fit to eat, I wouldn't touch them she said. So (Indistinct) only missed a few letters, FBS after her name (Indistinct).

So I phoned her and I said, I'm just interested where they're killing these little pigs for these baby back ribs, who produces them. She didn't know. I said, dear, you know where baby back ribs come from? Yes, little pigs. Well I phoned Bobby Clow and phoned Garden Province Meats and baby back ribs are the small ribs off the big pigs. This is the expert. So ask the hard questions, that's all I'm saying. And she writes this and people believe it. So you can believe everything they write. I mean this was her own article in the paper. Just make sure that you're putting the positive spin on agriculture and not listening to everybody.

Now the hog industry and BSE. Our hog price is set in the US. Because Canadians ate nothing but beef last summer, our exports to the US put 1.3 more production into the United States. It added on to their production 1.3 per cent, it's estimated. That doesn't sound like very much but that 1 per cent one way or the other in the price--there is a huge difference in the price down there. So that affected our price for hogs here, lowered our price. In the retail down there, I'm told that there was tremendous competition between the stores to sell beef and their beef was extremely high but they never put the price up to where it should. So a lot of their beef counter profit was made off pork. It was cheap and they kept the price of it up so people continued to eat beef down there and didn't eat the amount of pork they should.. That's changing some now. So that affected our price in Canada. I just want to make that connection that the beef farmers have been compensated to a great deal, but we took the penalty too, with this crisis in the hog industry and we got no consideration or government help, but it did affect us.

Now just to touch base around our hog industry here and I want to go over some of the positives we have. We have a killing facility that I think is now is very well managed. I wouldn't say this over the years, I don't think it was. We have good sales

for our products in the Maritimes and New England States, I am told, and I only touched the list with the consumer people this morning, that a large, large, large percentage of pork that's in the stores in the Maritimes is Maritime pork, far more than the 20 per cent we're looking for. And if it's Maritime, a large percentage of it is Island. We have processed products that consumers in the Maritimes are very loyal to, like Larsen's and Hubb's have developed over the years and I guess that's the main reason why Maple Leaf bought them companies is because the brand names come with them and you see them everywhere, the Sunrise, the Larsen's. You can't go into a store anywhere in the Maritimes and not see them products. So a lot of our product is in them processed products too.

Producers here receive a price for their product that is generally competitive with other Canadians, could be higher, could be better, could be closer to Nova Scotia (Indistinct) it's not perfect but it is generally, I say, competitive. Our production facilities on the Island are relatively new, modern and in good condition. This is the most important one. In PEI, we have reached a goal 45, over 4000, around 4500 hogs a week, this was a goal long sought after since 1986 since the plant was built. We have somehow got there and that is important to the well being of our industry if we can stay there.

The problems I see, government producers and processors are not working together. Producers are being denied the right to take advantage of opportunities such as signature pork and things like that, that we have not been able to take advantage of that we expected to when we built our new unit. The *Natural Markets Practicing Act* in this province has been very poorly administrated back to 1993. In my view, the Hog Board has been acting outside the scope of the Act, got in debt, was up to--if they had of carried on, it would have been 750,000 a year in industry check offs, the highest check offs in Canada. There is no way our industry could have afforded that.

As you probably heard, I have been in many battles with this, cost me a lot in legal fees, but I think some of that is being remedied. But I think there is a very, very important role for your committee, your Legislature here. I think the Act is terribly outdated. I think you should talk to Marketing Council, you should have them in. They

have an excellent new person looking after it, in Murray Miles there. I think it needs to be rewritten, modernized, it's an Act that was set up when we had hundreds and hundreds and hundreds of producers. I think it never, again should be allowed not to be administered in a proper manner. You are given tremendous powers to few people and they're given by the Legislature and they should be watched by the Legislature and this is lax, very, very lax in my opinion. I strongly urge you to ask at least their Chairman and Murray Miles to come in and talk to you about that because it's an Act that should be through the Legislature this year and amended. That's my vew. Others may disagree with me.

I think our production is lower than being achieved by other producers in the rest of Canada. You might want to ask Trevor some questions on that later. He's recently traveled out West and we met with a bunch of producers since he's been out there and I think they kind of bared their bones and we are not reaching our potential in production here that we could.

I think we're spending far too much time trying to reinvent the wheel. Summerside Pork and things like that they're great but if you're going to sell 200 pigs to Summerside Pork or 500, and you're selling mostly loins which is 17 per cent of the market, how much impact, no matter what the hell you get for them, you're going to have in 4600 pigs going through the plant, almost nil. So that--perhaps we could do a better job of helping the marketers we have.

We do have to get, whether it's with help from the government money or a more efficient plant or less money coming off our pigs, we do have to get the true dollar value of our pigs closer, higher, the dollar take home to the farmer because I hear just lately that wieners are starting--feeder pigs are starting to move off the province to be fed in New Brunswick or in Nova Scotia or some other place where the dollar coming back to the farmer is a little better. That's unfortunate and that will impact on our plant, so we have to be conscious of that.

Possible solutions - We should re-evaluate all our government programs I think and using the money directly to benefit hog producers at this time that direct money into their pocket at this time and give up perhaps some of the things that were the niceties that government is trying to do. I think we

have to reduce our Hog Board marketing check off. Some might disagree with that. We have to allow the producers to take advantage of any bonuses processors are willing to offer. Government, processors and producers work more closely together to improve efficiencies of the plant and prices to producers. If we're going to maintain what we achieved on 4600 hogs a week, government will need to make a one time retroactive payment to producers to stabilize the industry.

Due to market conditions caused by the rapid rise in the Canadian dollar and the BSE crisis, two things hit the hog farmers especially hard at this time. Never before has the Canadian dollar rose that fast and every day it rose, we got less money. Over time, I'm not saying we should have a 20 cent dollar in Canada or anything like that, but over time farmers get advantages from a high dollar. We buy equipment cheaper; we buy stuff cheaper and over time we do get advantages. When it rises that quick, we get hit right hard now, every week. Every week it goes up a cent our price goes down.

So that's why I'm saying government has to come forward at this time, use the money they have. I know it's not easy times, it's never easy times. But at least use the money they have and add some money too—a lot to loose what we already gained in this 4500 hogs. If we have to loose that, government will either have to let the industry go or they'll have to reinvest again down the road to get it back up to that. Because we can't have an industry much below that in PEI.

The long term solutions - we have to improve our production methods, we have to improve our genetics, we have to lower our cost of production. If our cost of production is not in line with what it costs to produce in the United States and other places where our market is set, where we're dead, we might as well quit anyway. But I think we can do that. We have to track the industry very closely and try and get the people, keep people in it to maintain that number at 4,000 to 4500 hogs per week if we're going to have an efficient industry and our processor is going to be able to pay us the kind of money we need to stay in it. We have to develop long term goals together with retailer, processors, producers and government. We have to be the best and not just think we're the best. Just because the pig is grown on PEI don't make it any damn better than a pig anywhere else.

You know, we go through this all the time on PEI with the idea our foxes are the best, our seed potatoes are the best, our table potatoes are the best. We keep telling ourselves, patting ourselves on the back until one day, like the seed potatoes were the best till Leslie MacKay broke the law and brought other potatoes in here, then they weren't any good any more.

God, let's be enough to look at it. Like I heard a piece once, the ancient astronomers, I think that's the fellows that look at the sky, right? But when they invented the telescope, they wouldn't look through the telescope because they were scared of what they thought was not right. And I think that's the case with us. We have to look through the telescope and make sure that we're doing what's right.

Now before I start on my last subject, if you have any questions on that--so we don't muddy the waters.

Wilbur MacDonald(PC)Chair: Any questions from the committee members? Okay, start with Ron and then Fred.

Ron MacKinley (L): You talk about the hog industry and your (Indistinct). How much do you think the government--like the hog organization that came before us wanted \$20 per hog, which amounted to \$4 million. What would you think should be put in? Are you in agreement with that number?

Gordon Lank: I was out of the province when all this happened, I don't know what their rationale was for that. If that's what they asked for, perhaps that's what they think. What you want, what you need and what you get, is a totally different thing. All I'm willing to say is that I think, if at all possible, the government could make a cash infusion at this time. It might save us from going back to 2800 hogs and having to build it up again. That's all. What that infusion is, is for better minds than mine.

Ron MacKinley (L): We had Kevin MacAdam, don't know if you were here or not, and I asked the minister that about the--actually what the hog producers is looking at is for \$20 for market hogs in 2003 and they're looking for 2000 hogs if it was produced would be. . .

Unidentified Member: 200,000 hogs.

Ron MacKinley (L): 200,000 hogs would be \$4 million. That's what they came up with. I asked Kevin about that today, Cabinet has already looked at that and their answer was no, we got no money. I'm agreeing with you on this one that we need a cash infusion into these hog producers or we're going to lose everything we got. But have you got it figured, and you think. . .

Gordon Lank: No, I don't want to argue with anyone's figure but I think any amount of money would be helpful. Four million dollars is perhaps for the government out of the question. It would be a good figure though.

Ron MacKinley (L): Another question, you talked about shelf space and basically the resolution went through for the beef industry and then the hog industry asked to get their names put on the resolution. We have got, over a number of years that you're familiar with and I've been told, is that Garden Province Meats couldn't sell to the major chain stores here in the province. If we had--I know there is a new plant coming and everything is coming up there, but this has been going on--.I talked to Waldron Ford last night, he told me he used to be able to sell hogs (Indistinct) and then he couldn't sell. Like if PEI here, your smaller stores are disappearing. We've got to get the Island beef. I'm looking at the beef, we got to get that Island beef. If consumers had a choice I think they would pay more for Island beef if they went in or just as much.

Gordon Lank: I think the lady here gave a good answer this morning what people say they'll do and what they'll do is totally two different things. They shop for groceries. The problem is, Island beef is--the worst thing it will do is market an Island product. If it's a branded product like we do through the Co-op, that's fine because it's produced a certain way. If you start selling Island beef on the shelf, making them take it and it's only as good as the very worst, very worst animal you produce. And that is not going to stay on the shelf very long.

So you have to--the marketing people coming along now for the new plant, we're confident they can sell to these people. It's a federally inspected plant. You have to put your bids in every week and it's a very complicated thing. They put specials on and they do this and they do that. We would not have the numbers, but we have to work into the

food service into these markets, we have to earn the markets. We have to earn the markets. If you don't earn the markets you're not going to have them. You have to be competitive, learner and prove you can do a good job. I

t's just like at Garden Province, Sobeys order loins and they were sending the loins to Berwick to get them cut exactly right for Sobeys order. They are trying to get them cut right out here. If they're not exactly right, you send a whole bunch of loins in and they open one box and it's wrong, they send them all back. This is tough business and we can do it, but we can't do it by that kind of actions is what I'm saying. It won't do us any good in the long run. (Indistinct) our market, you won't have it. We have a big job ahead to get the farmers to produce. We're not producing enough cattle to meet their spec. Their spec is basically the same as Co-op's. If the animal is outside that spec, you don't sell it to them, simple as that, whether it's Islander, it's legislated or whatever, they don't want it in their damn store.

Ron MacKinley (L): No, we're talking about the tenderloin beef, like Ontario, or your Co-op beef here.

Gordon Lank: You know as I say, I gave you the number that we had last year that met that spec. The (Indistinct) there, Eric Baxter, I just talked to him there. I told him the number because I only got it last night and we barely had enough to meet his. We have got to improve our quality. Look through the damn telescope.

Ron MacKinley (L): So you're saying Island farmers got to improve...

Gordon Lank: If they want to sell to that market.

Ron MacKinley (L): But if you talk to the beef representatives here, they say an AA cattle killed in PEI is the same as an AA killed out West.

Gordon Lank: Just as good, and they'll buy it just as good. But it has to be a certain weight and it has to be a whole lot of certain things. What I'm saying, we didn't have the cattle that met the spec. Try to understand that.

Ron MacKinley (L): I understand that. But there is no market if we did meet the spec. There was no market here.

Gordon Lank: What?

Ron MacKinley (L): Waldron Ford was turned down by those stores. Garden Province Meats told me they couldn't sell into those stores here. So you got to have a market to keep that spec.

Gordon Lank: I'm saying to you that I'm involved in the plant. If we can get the kind of cattle I think we can sell them.

Tape No. 10

Ron MacKinley (L): Alright. When do you expect that plant to be going. How come there is nobody-- people are phoning me now, and saying how come there is nothing going on up there?

Gordon Lank: It's moving as fast as we can. It's problems with equipment, but it's still on schedule.

Ron MacKinley (L): Are you waiting for equipment or something?

Gordon Lank: Well waiting to get a proper price.

Ron MacKinley (L): Because I had Billy Hayden into see me the other day. He had a bunch of cattle going and he said he'd hold them till June, but he can't hold them til next September.

Gordon Lank: People should not hold their cattle for this new plant because they won't be able to sell them then. They won't fit. They will be too big.

Wilbur MacDonald(PC)Chair: Fred and then Wilfred, Andy and Wayne.

Fred McCardle (PC): Gordie, the *National Farm Product Marketing Act*, where do you see its weakness serving the industry?

Gordon Lank: Well, I think it's years since it's been touched and, like it's open to interruption in so many places. And I think as I say, I think you should talk to Kenny and Murray on it.

Fred McCardle (PC): Too vague?

Gordon Lank: Yes, unclear, yes and it needs changes, as anything does over time, but it need management too.

Fred McCardle (PC): One other question. Are our beef farmers aware of what the specs are for these animals that are going to be required and are they doing it? You're talking a breed of animal, are you?

Gordon Lank: No, like it's more production methods and breeds, yes. They are trying to move as fast as they can, the Co-operative and to get someone on the road to start to get these cattle ready. To get people to have the cattle for the plant when it opens, the kind of cattle they need. You are up against tough competition, like as I said, I just came back from Alberta and I pulled into a fellow's feedlot there. It was 3:30 in the afternoon and he was loading 188 cattle, four (Indistinct) of cattle to go down to High River, to Cargill, an hour and a half drive down and they were all going to be killed that day and they were like peas in a damn pod. They average 1250 pounds and everyone of them looked the same, I couldn't see any difference in any of them and that's the kind of competition you are against. So you got to face it.

Fred McCardle (PC): Should our government being helping our cow/calf people get the right breeds of animals?

Gordon Lank: I think we have to work on that, yes. We really do. We really have to look through the telescope and say, if we want, like there's a perception out there like holding cattle for this plant and this plant is going to be a be-all and end-all. This plant is going to have to run very efficiently, very competitively, have a very good product. It's going to have to break into markets so somebody else doesn't want to let go. And it's got all them obstacles ahead of it. It's not a be-all and end-all.

Fred McCardle (PC): Mr. Gallant from Sobeys said they are ready to buy if we meet the specs.

Gordon Lank: Meet the specs, you can bid on it, yes. That's my understanding. But you got to meet the specs.

Fred McCardle (PC): But we should be talking to the cow/calf people to make sure that they produce . . .

Gordon Lank: As I say we are working--they're trying to do this. We are moving as fast as we can. Ernie Mutch is in charge of supply, he's trying to get this stuff in place.

Wilbur MacDonald(PC)Chair: Andy.

Andy Mooney: A couple of questions, you had mentioned that our production is not quite as efficient as elsewhere in the country. But in talking to some hog growers, they are basically saying that different places may use different formulas to figure out their yield on hogs, like wieners, per sow per year and different things. Like what I'm asking point blank is their production off very much from western Canada?

Gordon Lank: Trevor can answer that.

Trevor Lank: Our production isn't off that much. We are probably running above Canadian, our average is probably running about Canadian average. But I think there is some areas that we can definitely improve on if we can identify the factors that are influencing that and that's being worked on at the present.

Andy Mooney: And as far as genetics like, maybe it is just like Gordie was saying but I was always been led to believe that there's been a lot of work being done on genetics here on the Island and our strain of pigs are as strong as anywhere, whether it be. . .

Trevor Lank: We've probably slipped back a little bit and that's being worked on as well.

Andy Mooney: The final point is Gordie mentioned that the--we have to bring our cost of production in line with U.S. producers, well I would say that that's next to near impossible due to this U.S. Farm Bill, they pile a lot of money into their farms down there. It's indirectly getting to them if they're subsidizing the grains and oil seeds.

Gordon Lank: If you do a lot of reading as I do--what their break even is down there, they have problems too. With our dollar and everything else, you take it all into affect, like how close can we be to them? Perhaps we can't be right there, but if we're off a hundred miles you know, we are not going to survive long term. But we have survived long term. The situation is not changed and I think we can--but they are getting better all the time and we got to get better all the time is what I'm saying.

So we can't just sit here and say--you know, when we had this Hog Stabilization Program, nothing was done, because you got a cheque every so

often from the government and when the price went under a certain amount, when they took that away--I don't agree with the way it was taken away all of a sudden without any adjustment, but people did adjust. They got better, but we can get better, but we have to again look through the telescope and make sure we are doing everything we can.

Trevor Lank: Every region has its advantages and disadvantages. The mid west and the U.S. is always going to have a feed--not always but will generally have a feed advantage over us but they have disease challenges because of pig density that we don't have and right now, I think. I was at the Banff Pork Seminar and the word is that the cheapest place to produce wiener pigs is in Manitoba; the cheapest place to grow them out is in Minnesota. That's changed from even two years ago, so . . .

Gordon Lank: A general comment that you read quite often is Canada is the cheapest place to produce meat, United States is the cheapest place to kill meat. They have an advantage on the kill and a disadvantage on the grow. Canada as a whole, I'm just talking about PEI, anyway.

Wilbur MacDonald(PC)Chair: Wayne.

Wayne Collins (PC): Thank you, Mr. Chair. Gordie how are you?

Gordon Lank: Good.

Wayne Collins (PC): You talked about feeder pigs being, I think--are they being sold or just raised off Island right now?

Gordon Lank: Well they are being produced here, but some of them are starting to move off Island to be fed and like, we don't want that to happen.

Wayne Collins (PC): Would the ultimate destination be somewhere other than Garden Province Meats.

Gordon Lank: Probably Berwick.

Wayne Collins (PC): Alright, so given that situation and given the present state of affairs in the hog industry and we've heard a great number of people come to this table and painting a very woeful picture, if nothing is done at all, can we stay at 4500 weekly and if not, when will the bottom

come out of it?

Gordon Lank: Yesterday is a good answer! It will start to come out pretty soon I think but like the prices and (Indistinct) and it depends on what lenders do, what feed companies do, and it depends on what happens. Maybe more people will survive, but a lot of people are pretty discouraged, like if we don't know what the price is going to do. Because of the chicken flu and all this stuff affects it, right, in the states. Everything affects the damn price but if the price would start .like people are probably now thinking in June, they would get a fairly good price. If that price were to deteriorate, I think the bottom of it would come out of it very, very quickly.

Wayne Collins (PC): You mentioned about Signature Pork, I wonder--I take it this is the McCain's sort of brand is it, this Signature Pork is that right, a Maple Leaf brand?

Gordon Lank: Signature Pork is an agreement to supply and an agreement for them to buy and it gives you bonuses for loin, so on and et cetera, and these are things that the industry have talked about and there was always one reason or another. It never comes to pass. But to use a case in point, the last time we came close to an agreement, the lawyer came in and he had more reasons why he shouldn't sign this Signature contract, which was basically the same as thousand and thousands that farmers had signed across the country. If they would of just had our lawyer in them other places, there never would of been a Signature contract.

Wayne Collins (PC): What do you view as the rewards of this Signature Pork Program? Would all hog farmers selling to Garden Province Meats have to become part of the program, it's an all or nothing issue?

Gordon Lank: Well I would hope not for the ones that wanted to, but it depends how, in most places, there are several different contracts that people can take for different weights, different grids, different things. But loin eye is something like in they are offering a \$1.50 for bigger loin, because loin is the most valuable part of the pig and in some places, as I understand, the bones for loin eye is as high as \$5 and this is on top of. . .

Wayne Collins (PC): So ultimately then, you can

get a premium price for your products through this program if you adhere to it all.

Gordon Lank: Yes, we are spending a fortune trying to get a premium on Summerside Pork and here we don't take a premium when someone is offering us a premium. We can't take advantage of it. At Lank Farms when we built it, we had it built into our business plan that we would have premiums on the bottom of our price of somewhere perhaps \$3 between what the government was given and what the loin eye and everything else and they ended up this winter with a -\$1.75 because of what the Hog Board and everything was taking off so you add three and \$4.00 per pig and you have 16,000 pigs a year and you just--like it adds into a lot of money.

Wayne Collins (PC): The minister was here earlier this morning, I don't know if you were here at the time.

Gordon Lank: No.

Wayne Collins (PC): He talked about getting involved in a traceability program and he mentioned that instead of waiting the four or five years in purchasing a program from say, Maple Leaf Foods or McCain people that we would embark perhaps independently with assistance and the federal government for our own traceability program and that hopefully would ensure us ultimately an entrance into some of the more lucrative markets for our product. What do you think of that?

Gordon Lank: Let's make sure that you are not going to spend a whole lot of money and end up with the same price. Traceability is a big thing. But is it a nice thing or is it going to put more money in their producers' pockets to get our cost of production and our return for pig in line so we can stay in business? You'd better be very careful.

Wayne Collins (PC): What do you think? That's what I'm asking.

Gordon Lank: I don't know whether or not we are not already behind, Trevor could answer that.

Trevor Lank: There is seven Traceability Pilot Projects going on across Canada right now. One of them is being done here. The contract was awarded to the ABC Inc. to do it. It's being done

presently and Maple Leaf's is one of those projects that was funded nationally.

Wayne Collins (PC): Is this something that you could do independently like that, as I say the Hog Commodity Marketing Board or something, outside of the major sort of marketers of the product like Maple Leaf Foods and that? To find those lucrative markets?

Trevor Lank: I don't think you are going to catch them . Because they're already, they're ongoing now, there's seven of them going on across the country now. So one of those is CFIA is going to take it and that's going to be their program that they want to use.

Wayne Collins (PC): I see that will be the benchmark, that's is.

Trevor Lank: And it's--and the BSE crisis has pushed this up unto us.

Wilbur MacDonald(PC)Chair: Okay, Robert. Final question from Robert.

Hon. Robert Ghiz (L): Your Lank Farms is it mainly, are you 100 percent just growing the pigs up to their 35 pounds and then you sell them off?

Gordon Lank: Yes, 40 pounds.

Hon. Robert Ghiz (L): And what per cent do you sell to the New Brunswick producers?

Gordon Lank: None.

Hon. Robert Ghiz (L): I thought you mentioned that you sold some.

Gordon Lank: I say Island business.

Hon. Robert Ghiz (L): Some Island sells ...

Gordon Lank: Yeah, I said, I don't want to be misquoted, I hear that some Island pigs are starting to move off Island.

Hon. Robert Ghiz (L): Okay. But you aren't?

Gordon Lank: No.

Hon. Robert Ghiz (L): Okay, you mentioned a lot

about the free market and you wished we would stop complaining about the price of the food and get some people out there in the stores buying our products and meats and that you wished that Food Freedom Day would be around June 30th . I'm just wondering. You heard the presentations before from Mr. Laws and from the grocery stores.

Gordon Lank: Just part of it, yes.

Hon. Robert Ghiz (L): Yes, I'm just wondering ,who do you think is making the money or making too much money and how can we filter that down to the farmers? Because we do have to get involved to filter down, if we just let the free market go out there and do what they are doing and they do raise the price in the grocery stores, I still think the grocery stores and the packers are still going to gouge the farmers.

Gordon Lank: As I say, when I'm getting \$2.20 for a pig, who's the gouge then? If you want to look at it. When I'm getting \$2.20 a kg. Sometimes then the packers don't make any money, they loose money. There is some material in that will show how packer margins jump around and as I say unless you have the information of who's gouging who, but it's an industry--they've always had, particularly the pork industry, there's never a time everybody makes money at the same time.

Hon. Robert Ghiz (L): When was the last time you were at \$2.20?

Trevor Lank: 1997.

Hon. Robert Ghiz (L): Okay, so you think just by going from the market that we will--the good prices will return?

Gordon Lank: We hope so. What I'm saying is your committee, if you can invent ways to push that price from the bottom. If we push it from the bottom, then the--nobody will buy your product over time if they are not making money. The country operates on profits, let's face it.

Hon. Robert Ghiz (L): Yes.

Gordon Lank: So our price discovery in Canada is not as good as it should be. But that's not anything you fellows can do anything about. But it is not as good and the Canadian Cattlemen are recognizing that and it's something we never

worried about because the Americans did it for us. If the border was closed for pork tomorrow, we wouldn't know what to pay for them the next day.

Wilbur MacDonald(PC)Chair: Although the--Jim Laws said that the packers are going to start July 1st, June 1st voluntarily going to get the price up.

Gordon Lank: Yes. In the United States a lot of it is legislated, they have to do it. So ...

Wilbur MacDonald(PC)Chair: Could we legislated it here?

Gordon Lank: The Canadian government could, yes, to a more established but--like that boxed beef report you see in that paper that I gave you. That's brand new, we never had before, right, like there is more information being done by the Canadian Cattlemen.

Wilbur MacDonald(PC)Chair: One more question.

Hon. Robert Ghiz (L): Just one more quick question. So if the prices stay where they are now, if the dollar doesn't change, well how can hog producers survive is my question to you?

Gordon Lank: With great difficulty.

Hon. Robert Ghiz (L): Can they? Without government somehow finding a way to subsidize?

Gordon Lank: I don't think, I think over at a \$1.50 pork or over time many of them would quit, but government can't subsidize this indefinitely. There has to be improvement and people will--are getting the same price other places and the production we hope will eventually go down. Although we haven't, we don't seem to see a lot of that, but we never seem to see it and the price all of a sudden will like. . .

Hon. Robert Ghiz (L): We can't control what they're producing though, is a problem.

Gordon Lank: No, ...

Hon. Robert Ghiz (L): We're still a small player in the whole.

Gordon Lank: We are so small--we don't even

show on the radar screen. But what we have to realize if we are going to have a hog industry here and we are going to maintain a plant if that is our vision, then we have to somehow commit ourselves to having that 4,000 hogs a week. That's all I'm saying and if everybody across the country subsidizes everybody staying in business. Eventually all. . .

Hon. Robert Ghiz (L): Have you looked through the microscope?

Gordon Lank: I've looked through it a good bit.

Hon. Robert Ghiz (L): And tell us what you see?

Gordon Lank: I see a lot of things that other people are unwilling to see. As I say, we always keep. . .

Hon. Robert Ghiz (L): Do we have a viable hog industry?

Gordon Lank: We have a hog industry, yes, I believe so, I've been in for 40 years. I think. . .

Hon. Robert Ghiz (L): Is it viable in the future though, the way it currently is?

Gordon Lank: I think if we do every thing right, yes. We have a hog industry. If we do things wrong. . .

Wilbur MacDonald(PC)Chair: Gordie, will you finish up?

Gordon Lank: I finish up? Okay I just want to touch on my farm.

Wilbur MacDonald(PC)Chair: Is that the last page of your book?

Gordon Lank: I'll be very quick. Lank Farms in 1996 the industry was running out of numbers and like it was in bad--it was going down hill. The plant, you know, we weren't going to, it wasn't going to survive. We had very little government support. Ronnie's Liberals had taken away the Stabilization Plan and everything seemed to be being cut and . . .

Ron MacKinley (L): You were leading the party then.

Gordon Lank: Dr. Hernick developed a model which include an 800 sow unit and would supply six independent feeders and he talked to us about it and just--this very brief, Dave Loggie had a study done on the hog industry and it didn't look very good for the future of it, and he presented that to government and we were willing and Dan Hernick presented his. We decided we were going to try this 800 sow unit. It was new to the Island, a unit that size, you all remember it. That's why Lank Farms came to be. If you want to know a lot about Lank Farms, I think I made about a two or three-hour presentation to a Standing Committee on January 2nd, 1998, to tell how it was financed and everything else about it, no secret, no secret.

But personally, we, us, David and my other son, we are getting tired of MacKinley accusations, and tired of news media that can't get the facts straight. Now that may be the way the Liberals operated, where you went to the politicians to get everything. You know, you went, they give, they lent the money. Like Martin had to fire most of them up there because that's what they were doing.

All our dealings with government have been done with the proper people in the department, not with politicians. Never ever, ever, government, got it! Straight.

My daughter did most of the work. She dealt with the people in the department. I would not badger my friends to do something wrong or to do something special for me. Government decided to let Lank Farms go because they saw an industry that had been let go by the previous government and were going no way, and that's why they did it in my view.

Now at the back of that book I gave you there is a press release there and it clearly explains, clearly what Lank Farms did, last page. Soon you can all read it.

Lank Farms has not cost the government or the taxpayers of this province one red, friggig cent. Got it? Got it? Not one cent.

Ron MacKinley (L): We'll find out!

Gordon Lank: Good. It's not like McKay and Hughes and Abegweit Foods where you just threw the money away. You threw so much of it away, you couldn't even pay your--meet the payroll with

that money.

Ron MacKinley (L): Where was that?

Gordon Lank: That was PEI government couldn't meet its payroll. Lank Farms might fail; they might go broke. A lot of hog farmers have told you they might go broke. Right? If we go broke, I know where the cheering section will be. I know exactly where it will be. You know there is a story about Islanders that fell down a well and they said one fellow near got out, but we pulled him back in. I know who'd be pulling him back in.

I got four young, three young farmers with me. Young farmers are a rare breed on the Island. They are insulted, they are hurt. Would you not be if you read the paper, the falsies that were in it yesterday. Everybody is looking at you, each one of you. You go home tonight and you see if you can count in your districts, ten farmers under 40 years of age. And yet some of you will come in here and say, oh the farms, the numbers of farmers are going down. Well I tell you I'm going to die and you have hardly any under 40. They are going to go down. Sure as shooting, and they'll especially go down if you insult them and because their father was a God damn politician, 20 years ago. They can hang it on them, Sick of it, sick of it!

News media, you're going to report it, get it damn straight. It's like I said about the lady with--about the baby back ribs. That's BS, maybe it suits behind some people names, enough.

Wilbur MacDonald(PC)Chair: You got a question.

Ron MacKinley (L): Gordie, your familiar with how government works. The Auditors Report brought this to our attention that--and this is where the question was developed was the Auditors Report that the Enterprise PEI Lending Service recommended a 20 per cent contribution by the borrowers, that's your company, was standard practice. Executive Council approved 100 per cent when it was sent to Executive Council. So that puts up a red flare.

Now that was never much that I know was made of the--I sat on that committee when you people applied for the permit and everything we found out at that committee was above board and your permits--I was on that. I asked questions. Then everything was going good, now I'm explaining

where it comes from. Then all of a sudden--we're not blaming you, I mean this government is very secretive. In this here--investments in private company preferred shares, 495,000 . We didn't know that was your Lank Farm Incorporated and all I'm saying is when we got these figures that creates a red flare. We got to ask questions about it. Regardless of who it is, I mean that's just the way it is.

Gordon Lank: Absolutely.

Ron MacKinley (L): So there is.

Gordon Lank: Absolutely, and how did it come out? How did it come out? We got another 495,000 on top of the 1.225 million. That's how it came out.

Ron MacKinley (L): No, you were (Indistinct) ...

Gordon Lank: Ask anybody that read The Guardian. Jeez, it's not hard to know.

Ron MacKinley (L): How I seen it come out. Just wait I let you talk. How I saw it come out was that you applied for an--in the Immigrant Investment Fund you got to have a buyout you know. So you went then to lending institutions and you could get so much at the lending institutions. Then the Lending Authority took preferred shares in your business. So in other words, your 1.2 million, you borrowed so much money, the Lending Authority took preferred shares for the rest. That's how I understood it came out. And that's, we're there now. And then when we ask the Lending Authority about it, that Wilson fellow, what other farms got this and he says, none. So that puts a red circle up, that's why it was--actually, it wasn't this committee as much as the Public Accounts Committee.

Gordon Lank: Lets just go back. We created Lank Farms for certain things and granted that Lank Farms started up and they struck the worst five years they ever could. We had 2.25 million to pay back to the government. We got 1.225 million to pay back to the government and we only ended up that--we had pulled 120,000 into that company regardless of what we were required to put in. But we put 120,000 in and the best we could come under the conditions of the market at that time was let the place go bankrupt, give back to government or we could pay the government \$730,000 which

we did.

We said you got to wait for the rest, you are going to have to wait for it or there's other consequences. There's only two issues. So the way they wait for it is put it into preferred shares, whether it's a loan at the Lending Authority or preferred shares. It was not my choice but that's the way they wanted to do it. The result was the same whether preferred shares or a loan at the Lending Authority. I'm just making it clear what the amounts are. We have reduced government exposure from 1.225 million down to 495,000 and just one other thing while I'm talking.

Tape No. 11

Gordon Lank: (cont'd) I think in this country when a person in politics or they run for politics , if they lose, shoot them because they're guilty forever. John Griffin and my daughter Dawn, one share in the company, but we don't shoot them with a gun here, we shoot them with words in the paper. Damn shame, young people, hurting nobody. One share.

Wilbur MacDonald(PC)Chair: That was to form the company. You had to have so many shareholders.

Gordon Lank: No, because they were family we decided we'd put it up and everybody have a little part of it. Shoot them, shoot me. A politician, a Cabinet minister for three and a half years, a farmer for 40, but every time I do anything I'm a damn Cabinet Minister. I must have been a dandy.

Ron MacKinley (L): In all fairness, I'm still asking questions. So I explained that out to and I can give you the documents. But that's where, you know in government that's where the questions come from. It didn't so much came from this committee it came from our Public Accounts Committee. Now when you go on to say about shares, the information we have, then we go to Lank Farm Incorporated, and we look it up and we notice Griffin's got one. Now I'm just going by the piece of paper in front of me. Maybe you shifted this.

Susan MacInnis: One share.

Ron MacKinley (L): Yes, Mr. Griffin's got one.

Who's Griffin (indistinct)? It's on here too.

Susan MacInnis: One share.

Ron MacKinley (L): And what's John Griffin got?

Susan MacInnis: One share.

Ron MacKinley (L): Well how come his name's on different? I was just saying. It's all here.

Susan MacInnis: How many shares does Susan MacInnis have?

Ron MacKinley (L): PEI Lending Authority, how much have they got? How many shares?

Gordon Lank: They're preferred shares.

Ron MacKinley (L): Yeah, but how many preferred shares?

Gordon Lank: I don't know, I couldn't tell you.

Ron MacKinley (L): You don't know. Alright you don't know how much they got, \$435,000 worth. Anyway, it's all here.

Wilbur MacDonald(PC)Chair: Okay.

Ron MacKinley (L): If anybody is going to be going to government and using government assistance, whether it's me or anybody else, when the Auditor goes in or somebody else goes in, there is questions going to be raised about it. If you don't want your name, and this goes to anybody as far as I'm concerned, if you don't want your name or any business raised, well then stay on the couch or stay in the porch and don't do anything. Because once you go to government and you use government funds, or borrow government funds their names will be raised. Simple as that.

Susan MacInnis: There is no problem. Lank Farms and shareholders have no problem being in the public with what we have done. We would like the truth.

Wilbur MacDonald(PC)Chair: Andy, do you have a question? One question from Andy and we'll close the thing.

Andy Mooney(PC): I agree with Gordie. When

you look across my own district up home, there's very few young farmers left. I mean I've sat at the table with a farmer that joked one day when his son was acting up a little bit. He said Patrick old boy, you better wise up or I'll leave you the farm. He thought it was a threat you know because farming is a tough business and the bottom line is, I commend you for having four of your kids go in to farming and I don't envy you for the position that the Opposition has been putting you in here. The bottom line is, I just want to make the comment that it's a few that want to throw stones but I tell you, you should be proud of your family for wanting to get into farming.

Wilbur MacDonald(PC)Chair: Okay, I'm going to call it. Thank you very much for coming. I appreciate very much your input to the situation.

Part VI - Gary Renkema (Producer)

We now have Gary Renkema. Here he is, Gary is right here. Welcome Gary and we appreciate you taking the time out to come.

Gary Renkema: Good afternoon. My name is Gary Renkema and I'm from Wheatley River. I thank you for the opportunity to speak here. I'm a pig farmer but the last couple of years it feels more like I'm running a charity. No matter how hard you work or how innovative I am I'm always going against the stream, especially the last couple of years. There is no money to be made in farming. I think the situation in the hog industry is very urgent. It's not five minutes before 12 but it's one minute before 12. I don't like any government bailouts or handouts. I'd rather work hard for my money and be proud and make it myself because it feels like you're inadequate.

Sometimes it seems that a supply and demand doesn't work in our industry and I blame it partly because of the consolidation and the retail sector. We basically have two big retail stores there and they don't bite each other. I think there is a lot of unfairness in our market share. If you, let's say a pig for a producer over the winter was roughly, we were getting roughly \$100 to \$120 and the same pig was sold for \$650 in the store, I mean some money is being made somewhere's along the line. That \$120 was sold for a loss too. I would like to see a fair share of our markets and I think we can talk our heads off but I don't believe that retailers do that voluntary and I believe that the government

should raise their taxes on processed food and on the fast food restaurants. The tax system is in place, it's very easy to implement and this money can be funneled back to the farmers very easily too because you have existing farm programs which could be capped off.

For the long term, I would see a quota for production because beef farmers, we chase our own tail. We produce more and more all the time and I don't know what's there first, the chicken or the hen. But sometimes it seems like we have to produce more to make more, but when you make more we get less, so there is no end to it.

I would like to see a quota on manure produced. It sounds a little bit weird maybe. But if we put a manure quota on, in a relative short time we will see our livestock production at zero growth, no growth at all anymore, the demand will keep on rolling in. So because of that zero growth, we probably would see a natural increase of prices and we will keep the price a little bit higher than it is now. Another added benefit would be environmental concerns. I mean these farmers, it seems that we produce CO2 gases, I'm not sure about that, I'm not the specialist in that. But maybe it can work out for the benefit of the farmer. Because a lot of new federal programs are there in place to curve the CO2 production and maybe we can benefit from it by getting any money back if we don't improve our production anymore. I believe there is some government programs in place. I didn't do any investigation about it, I didn't have the time for that.

I believe that both of these things can be implemented nation wise but maybe also province wide. Production, quota production should be done nation wide regardless because as you see in the West large hog farms going up with 10,000 sows and more, I mean we never ever can compete with them anymore. As a farmer I'm looking forward for a financial healthy future. That's all I'm asking from you. I'm not asking any bailouts, handouts, but I like to have a living without any financial stress.

Thank you very much. If you have any questions?

Wilbur MacDonald(PC)Chair: Andy and then Fred.

Andy Mooney(PC): I'd like to thank you for

coming in. Have to say, I think I've more and more started to agree with your comment as far as on a small food tax that would support farms. Because I personally think unless our farms are supported in the same way that US farmers—well we're in the same market place—we're not going to be in it very long unless something is done. So I'd just like to . . . I certainly agree with you.

Gary Renkema: Because I believe that the retailer will never going to give up their share of their marketing. You have to take it.

Andy Mooney(PC): But I also think there should be a close investigation on who's making the money. It's just like you're saying, a hog farmer is making \$120 below the cost of production and they're selling that same hog for \$650. The money is going somewhere. I mean there should be something looked at.

Wilbur MacDonald(PC)Chair: Fred and then Wes.

Fred McCardle (PC): Thanks for your presentation, Gary. The quota thing is not as simple as you might think.

Gary Renkema: I realize that.

Fred McCardle (PC): I represented PEI five years in Ottawa. We were trying to get potatoes designated under the *National Farm Products Marketing Act* similar to eggs and milk. It took us five years from day one, like in 1978 Eugene Whelan said there is no more money for stabilization. He wanted us to go that route. It was 1983 before we had an agreement among the provinces on how we would share quota. Eventually it was thrown out for nothing. It didn't fly at the end of it. But I mean with a cyclical industry like pork, it's similar to potatoes in its cyclical nature. But it's a big, big issue. Then you got the US/American border, we export a lot of pork to the United State. Well, that's going to pinch somebody's toes. Its not easy and it's beyond the scope of this government anyway. It's an amendment to the national *Farm Products Marketing Act* that you need.

Gary Renkema: I realize that. But I mea, and I realize to that it is not something that you can do in one or two months. It's probably a time consuming thing, but we can't keep on doing what we are

doing, expanding, producing more and more and more than the demand is. I think we've come to a point now that's, say well this is it.

Fred McCardle (PC): Well your industry is hurting and we hear you.

Wilbur MacDonald(PC)Chair: Wes?

Wes MacAleer (PC): Yeah, Gary, I appreciate you making your presentation and I know that the industry is hurting. I think for your benefit and the benefit of those on the committee, you should not leave here without the understanding that the province in fact has put some resources behind this industry. I wouldn't want to be exact on this but the province has approximately \$50 million invested in the hog industry and annually has eight programs which contributes in excess of \$3 million a year. So we're not a idle onlooker on this industry currently. And to think, you know, that the province isn't investing in the industry I think would be incorrect and I just wanted you to leave here with some understanding that there is considerable commitment already on the part of the province to the industry.

Gary Renkema: But on the same token, I mean someone asked me before, like you think how the situation of the hog industry is. Will the bottom fall out? I think a lot of farmers are just waiting for what kind of . . . how the government programs will work out and make a decision after. So this is why a lot of farmers keep on farming till that's known. And then maybe you will see the bottom falling out of the farming industry.

Wilbur MacDonald(PC)Chair: Wilfred?

Wilfred Arsenaault: Thanks for coming in Gary, for the presentation. A quick question. Do you have a ball park figure as far as what revenue could be generated if an additional sales tax was or an additional tax I'll call it, was placed on the fast food industry?

Gary Renkema: It's a little bit hard to say because I don't know what the turn over of the fast food industry here on the Island is or nation wide. So I mean . . . but if you have a simple hamburger, I'm not sure what you pay for it, say \$4.00 and you put a 5 per cent extra tax on it, it would give you just a little bit extra for . . . I don't know what the figures are, I never worked it out.

Wilfred Arsenaault: There is a lot of hamburgers sold.

Gary Renkema: I think so. And I think you still could sell a lot of hamburgers if the hamburgers would be \$4.00 or \$4.25. I don't think it makes any difference.

Wilbur MacDonald(PC)Chair: Gary, what is your operation? What size is your operation?

Gary Renkema: We have 350 sow farrow to wean.

Wilbur MacDonald(PC)Chair: Farrow to wean.

Gary Renkema: Yes.

Wilbur MacDonald(PC)Chair: Okay. Thank you very much sir for taking the time to come. We appreciate it very much.

Part VII - New Democratic Party: James Rodd and Ken Bingham

Wilbur MacDonald (PC) Chair: Next we have the New Democratic Party. We have James Rodd and Ken Bingham. I understand that the Leader of the New Democratic Party is not feeling well today.

James Rodd: That's correct. He sends his regrets to the standing committee.

Wilbur MacDonald(PC)Chair: Well you send our condolences back to him and wishing him well.

James Rodd: Will do so.

Wilbur MacDonald (PC) Chair: Of course James Rodd has been a farmer and been around quite a bit over the years. Who's going to be the Leader, you Ken?

Ken Bingham: James is going to be.

Wilbur MacDonald(PC)Chair: Okay. I thank you very much for coming.

James Rodd: Mr. Chairman, we have been bumped a little bit as far as time.

Wilbur MacDonald(PC)Chair: Yes I'm sorry.

James Rodd: We were, I won't say guaranteed by the Clerk, but certainly we were given a time of half an hour.

Wilbur MacDonald(PC)Chair: Well we'll certainly give you time, half an hour.

James Rodd: Wonderful. Thank you very kindly.

Wilbur MacDonald(PC)Chair: I understand the equipment has to be ready for Summerside. We'll give you half an hour.

James Rodd: May I start?

Wilbur MacDonald(PC)Chair: Yeah, you can have a half hour.

James Rodd: Well good afternoon everybody. The PEI NDP is pleased to make a presentation to the Select Standing Committee on Agriculture Forestry and Environment on the crisis on agriculture on Prince Edward Island. The current array of factors and events affecting a broad band of the Island agriculture sector is nothing less than a perfect storm. These consequential factors threaten the foundations of the most important sector of the Island economy currently and in the foreseeable future. The PEI NDP recognizes that there is a farm financial crisis, that the Island economy has been affected and that this is a very complex problem. To say that three major sectors of Island agriculture, namely beef, hogs and potatoes are all depressed and in crisis, at the same time would be an understatement.

The PEI NDP understands that the Standing Committee has heard from previous presenters. You have heard from primary producers—those greatly affected by the BSE crisis in the beef sector, those receiving record low prices for hogs and the potato producer is suffering from low prices attributed to the glut of potatoes. These stories are severe and heart wrenching and yes, something has to be done to avoid a complete, a complete collapse of the family farm in Prince Edward Island.

But we are not here today to simply add our voice to what has previously been said about the need for immediate assistance to farmers in crisis. We are here primarily to make the case that immediate

assistance must be tied to immediate steps toward a longer term vision, a vision of policy and strategy and effective implementation towards a sustainable agriculture system. As sympathetic as taxpayers are to the plight of farmers, they are frustrated that they as taxpayers are being asked yet again, for a bail out. These same taxpayers are increasingly aware that one sector is making a lot of money off of food production. Trans-national corporations, chemical suppliers, feed companies, farm machinery companies, oil companies, food processors, food distributors, food chain stores are reaping huge amounts of dollars in profits. They control all of the before, the during and the after production inputs and outputs and this corporate sector is the major player in the very system, Mr. Chairman, that is bankrupting farmers. Farmers need a greater share—their just share of those food dollars and changes must start now.

We know that this situation is not an isolated event peculiar to Island farmers. Farmers globally have been affected by BSE, Avian flue virus outbreaks and the over production of potatoes. Every aspect of farming has been globalized. It could be said that the globalized farm is in crisis. This globalization has affected our food security as a nation. Industrial agriculture, a faulty paradigm. The dollars and cents and the economics of the conventional mode of industrial agriculture coupled with globalized economic stagnation are cause to make farming a losing bet at every turn for farmers. The linguistics involved in allowing this food production machine to function are and will be increasing untenable in the pending crunch of a diminishing supply and cost of critical energy supply needs. The NDP argues, that the logistical economic and ecological factors influencing industrial agricultural practice on Prince Edward Island have led, as in other agricultural communities, to market failure.

The NDP acknowledges that the paradigm of conventional industrial farming is the current production model. It's features include capital intensive investment and applications, monoculture, large scale and exported oriented production objectives and the so called ideal is efficient productivity of a high yielding monoculture. Recently, there has been an accelerated profit margin being taken by the food dollar that borders on a flagrant disregard for the primary producer, the farmer. While many families have no profit at best or negative equity returned

at worst, cash receipts for corporations are often in the double digits for profits and equity returns.

The following are examples of corporations and their financial positions: McCains, \$6 billion in revenues in 2003; Cargo Incorporated, said profit for fiscal second quarter rose 65 percent on the strength of its grain and food products. That was in *The Globe and Mail* December 13th of 2003. H. J. Hynes, 32 percent return on investments, that's from the Hynes Annual Report 2004. Archie Daniels, 27 percent return on investment, Deere and Company, more than doubled it's first quarter profit, that's from the *Wall Street Journal*, February 18th. George Weston, Loblaw's, for the 13 thirteen weeks ending December 31st, 2003, and I might add that's when Canadian farmers were facing the most difficult time with the BSE crisis, their profits rose from \$231 million the previous 12 weeks to \$252 million. That was as a result of *The Globe and Mail*, February 25th of this year.

These corporation activities seem to be in conflict with farmers. When Cargo may be involved in growing genetically modified organisms such as GMO soybeans in one market, guess what? It grows and sells non-GMO soybeans in another market. That's according to the December 18th issue of *The Globe and Mail*, 2003. Or when Tyson Foods gets fined by the US Anti-Trust Law for \$1.2 billion for suppressing the price of beef in the United States in 2003 and that's according the *Wall Street Journal*, the credibility then of these corporate entities has to come into question. New Democratic's assert that in the corporate farming system transnational corporations have claimed decisive advantage over farmers and over the minds and hearts of governments as well. The corporations now hold exclusive control of the market and have made the market and governments irrelevant to their corporate agenda.

The NDP argues that if farmers are to survive there must be a shift in the paradigm so that the industrial model is no longer the predominant model. In the conversion to a farmer friendly, ecological friendly system, government will have to be involved in the transition. New Democrats came to this solution based on recent observations of a number of factors, not a complete list by any means, but affecting Island farmers and agriculture practice in general. They include factors of food safety, energy depletion and economics.

Food Safety - In terms of food safety, the sophisticated infrastructure of the industrial production model does not seem to handle breakdowns very well. BSE has crippled the beef sector. Avian flus are causing distress in the poultry sector and here on Prince Edward Island a glut of potatoes threatens an ecological disaster according to *The Guardian* in February of this year. On February 16, 2004, *The Globe and Mail* reported that a load of genetically modified organisms, GMO pigs in the Quebec City area were to be destroyed by incineration. However these pigs were rendered instead and then sent to a number of feed mills in Quebec and in Ontario for use as chicken feed. The Canadian Food Inspection Agency, it was reported, had to move fast to recall this product. By the way, Mr. Chairman, the NDP asks since when have GMO pigs been in the Canadian production system, experimental or otherwise? In terms of food security, the confidence of the general public in the industrial production model is brought into question when such incidences occur. The NDP advises that these examples are far from being a complete list of public concerns over food safety issues.

Energy Depletion - In terms of agricultural methods, there is no aspect of the industrial production model that can function effectively without abundant readily available cheap energy supplies. From the fuel tank to electrical power in the barns and warehouses, to natural gas feed stock for nitrogen fertilizer to the silage bale wrap, there is no end to the impairments that are pending for the industrial production model from a wide spread energy crunch. And energy shift is now on the minds of energy experts. New Democrats are not convinced that farmers are factoring that energy crunch into their planning yet. However, their corporate exploiters are already reacting.

Two years ago, potato processor J. R. Simplot closed it's Idaho fertilizer operations to escape the \$5.00 US cost of domestic natural gas. That was a one million British thermal unit of natural gas. The enterprise opted instead to access \$1.30 US for the same unit in Trinidad. That was reported February 17th in *The Globe and Mail*. Royal Dutch Shell recently lowered it's proven oil reserve estimates by 20 percent. They are investigating alternative energy capabilities. Industry leaders acknowledge that natural gas production has peaked and is in decline. Oil inventories are at 30

year lows in the United States. The energy crunch will increasingly impair the function of the industrial production model. This impairment will hold surviving farmers in an even greater dependency upon corporate support partners because of the strangle hold on energy supplies held by this industrial sector. These so called partners have the market power to forestall the early stages of a long term energy supply decline, however, it is unreasonable to expect them to make this conservation move.

The NDP urges all citizens and governments to accept the evidence and begin the planning of a transformed mode of food production. The needed shift will have long term sustain ability and be able to weather the inevitable energy supply crunch and decline. Let there be no doubt, there are no easy solutions to the energy depletion phenomenon. Low supplies of natural gas will affect nitrogen availability and thus yields. The list of consequences will be extensive.

Economics - Perhaps the most immediate and decisive factor affecting the industrial production model is the economic dynamic. New Democrats understand that the industrial model is very much linked to globalization. In fact, most of the stress in international affairs could probably be linked in one way or another to the needs and motivations of globalized agriculture. In general, most industrial sectors are being affected by the same market factors—over production, deflation, lack of savings and debt burden. In the United States, investment in expanding the capacity to supply the market has lead to a glut of over capacity. Added to this, is that the United States is suffering from a serious trade deficit. The US trade deficit coupled with a massive domestic budget deficit and high personal and corporate debt levels threatens to create its own perfect storm.

All of the above factors are the hallmark of the current economic situation in the United States which unfortunately sets the stage for producers and citizens here in Canada.

Tape No. 12

James Rodd: (cont'd) Canadian Agriculture Policy has been hitched to the wagon of the U.S. Agricultural Trade Policy and we are being seriously affected by this disastrous relationship.

So what impact might this have on Island production here? Well for starters, higher competition of global sales for US players or from US players; US border barriers to stall, discourage, and stop imports, our PEI exports; reluctance of leaders to support borrowers; over supply driving down prices; deflation for some; stagnation for others. Most of this can be seen at play, ladies and gentlemen, if we are paying attention.

Agriculture in conclusion. Agriculture is at a critical point on Prince Edward Island. Different approaches to farming and food production are urgently needed. Present day agricultural policies and practices are unable to prevent a range of negative environmental problems nor have they been able to prevent the loss of family farms, and further disintegration of rural Island communities.

The source of most farm related problems, resides on the economic structure of agriculture and the government policies which continue to support that structure. This structure based on an industrial production model makes farming on Prince Edward Island unsustainable. And in the long term, economically unviable for farm families.

Attempts to address a myriad of social, economic and negative environmental problems related to farming will only be successful if they are designed to address the systemic source of those problems. Implementing stop gap measures will not suffice. Industrial, agricultural production is energy intensive.

In the 40's, in the 1940, one calorie of input it is estimated to have produced two calories of food energy. Today, the estimates have skyrocketed. It is estimated that an average of 10 calories of food energy are involved in the production of one calorie of food energy. In that is included the before, the during and the after factors of inputs and outputs of production. Such a system, ladies and gentlemen, is clearly unsustainable.

The PEI NDP believe that a long term objective of government should be to secure a market environment that enables farmers to achieve a more reasonable share of the food value purchased. This will enable farmers to re-establish savings and retain earnings in their operation; provide for maintenance and replacement of machinery; provide for productivity, investment, and provide for sustainable expansion. Given the

degree of power and control which agri business has, this will not happen without carefully crafted government leadership and government regulations.

The accepted conventional mode of food production as practiced on Prince Edward Island is founded on one central premise, for all stages of the process, that all necessary forms of energy will be readily available in abundance supply at an inexpensive cost, when wanted.

There are signs that we are facing a global energy crunch within the next 15 years. There are signs that the crunch has started at least in North America. Domestic natural gas production, for example, is in decline. The decline in petroleum supply will have far reaching and strategic consequences for the industrial agricultural model. Certainly within the next century, this form of food production will have ended, having been found too expensive to sustain or because there is no readily available abundant supply of the resource.

How many more farmers, Mr. Chairman, how many more farmers can Prince Edward Island afford to loose? How many more farmers can Prince Edward Island afford to loose? The present rate of family farms leaving the land is unsustainable, enough already. Rural communities, farm labourers, and farm families deserve better rewards for their efforts. The Island New Democrats believe that government must choose another pathway, a shift in agricultural policy for truly sustainable farms, for truly sustainable communities and for a truly sustainable economy.

It is now up to government and political will to choose this direction. It was political will that got Island farmers started down this road of unsustainability with the Comprehensive Development Plan of some 35 years ago. It is now time for political will to turn Island agriculture to a more sustainable direction for the sake of an agricultural future and for the sake of farmers present and for farmers of the future.

The PEI NDP thanks the Select Standing Committee on Agriculture for this opportunity to present to you today. We have some recommendations for you:

The PEI NDP recommends that the Prince Edward

Island government and its departments adopt the following realities and criteria for a progressive development of agricultural policy, strategy and implementation. The industrial production model has failed Island farmers and other citizens. A new paradigm is needed to sustain a future for agriculture on Prince Edward Island. The need to have more farmers, not fewer. The primary reason for the decreasing number of farms on Prince Edward Island has been numerous farm financial crises. The primary cause of the farm financial crisis has been the inability of farmers to receive a fair return in the marketplace for what they produce in the marketplace. The status quo is not an option.

The PEI NDP recommends that the Prince Edward Island government create new directions to address the needs of all farm families currently struggling to produce healthy food, protect the environment and make a decent living.

The PEI NDP recommends that the Prince Edward Island government develop a strategy for change that contains real choice for farmers.

The PEI NDP recommends that the Prince Edward Island government regulate matters between the corporate support infrastructure and farmers so that there will be a level playing field.

The PEI NDP recommends that the Prince Edward Island government's direction for PEI agriculture build on the recent government policy on sustainable development: by extending the crop rotation to four years instead of three in order to build up organic matter in the soil to four per cent or greater;

By selecting investment programs and technologies that do the most economic good while minimizing potential environmental problems, exercising control over the direction of such an investment with strings attached;

By developing components of such financing to factor in medium and long term strategies for redirecting the emphasis in Island agriculture away from the industrial model of agriculture to a concept related to a sustaining and self reliant model.

The PEI NDP recommends that the Prince Edward Island government immediately address the

urgent, deepening, financial crisis, debt crisis facing Island farmers. Thank you Mr. Chairman. I have copies here available for the Clerk.

Wilbur MacDonald(PC)Chair: Thank you. We have to have some copies cause that's very detailed and we will get the Clerk – oh you have some with you?

James Rodd: Yes I do.

Wilbur MacDonald(PC)Chair: Okay, we are open for questions. Wayne.

Wayne Collins (PC): Thank you very much for your presentation. Mr. Bingham, Mr. Rodd, thank you. You talk about a reluctance of lenders to support borrowers at one point, I believe, was a quotation from your presentation. Earlier this morning Minister MacAdam was here and he was talking about various loan programs that this government has offered to Island hog farmers, to the industry as a whole, and I think his figure at the time was an estimated right now 11 to \$12 million out there in various types of loan packages and with no collateral, no personal collateral being asked or required. Do you think that that's sufficient support? In terms of a loan package at the moment, to sustain the hog industry?

James Rodd: I'm going to turn that question to Ken.

Ken Bingham: I guess one of the things that we've heard from the minister this morning as well was the fact that in a lot of instances, and I think we heard another person here at the table talking about the fact that if you took any individual hog farmer and took him to a bank that those banks are not going to be lending them any money. So what is happened with the Island government? It has become the lender of last resort to the industry. We have some inefficiencies in the market, the main one being that simply these people are not making any money and so it's a difficult question to put a dollar figure on it. But certainly in developing, in supporting the hog farmers we feel that we need to be involved as a province, probably as a region, in trying to make a market that sustains these farmers and how do we get a fair return for their production inputs.

Wayne Collins (PC): Another item you talked about . . .

Ken Bingham: So part of it maybe, sorry, maybe yes, immediately that you are going to have to put some money into--if we are going to have hog farmers, we're going to have to do that. But we are also going to have to become involved in developing some sort of a mechanism so that these farmers when they are going into the market are receiving a return. A hundred years ago, a farmer was getting about 40 per cent of the consumer dollar, the before's and after's were getting 60 per cent. In the United States anyway by the end of the 20th century that was 10 per cent to the farmer and 90 per cent to the before's and after's. So that's another part of this, so we can keep on giving them money, but it's going to go down a dark hole.

Wayne Collins (PC): I don't disagree with you. I think the system right now is quite askew. But you talk about in the presentation as well, not wanting any more stop gap measures here.

James Rodd: Yes.

Wayne Collins (PC): But we do have a proposal, an idea offered by the people of the Income Crisis Committee, looking for \$20 a hog in 2003. We've estimated at like a \$4 million cash infusion to the industry, were government ever able to afford that. Would that come under a heading of a stop gap measure in your opinion? Is that addressing the real problem?

James Rodd: Let me first say that the whole question is very complex. We've identified that. I think that government has to make the decision as to the kind of agriculture that they want on Prince Edward Island and then the next answers will be easier to deal with. But stop gap measures without, like I mentioned in the brief, the taxpayers see that there is a lot of money to be taken out of the food dollar, but the farmer isn't getting it. There are lots of organizations and companies that are reaping huge benefits from the production of food. But it's not the farmer that is getting it.

So why not sit down and collaboratively work for a solution that hasn't been done only stop gap measures have been given in the past and here we are again. What is going to stop our situation if the borders haven't opened up in two years times? Will we be back again, Mr. Chairman? Making a presentation about a stop gap measure without looking at the kind of agriculture we want here on

Prince Edward Island. And if I might add to Mr. Collins question. It was brought up in this morning. I believe and correct me if I'm wrong, that it's cheaper to grow pigs in Manitoba. Is that the kind of agriculture we want for this country.

It was mentioned that we were, I believe, Mr. Chairman, by yourself that we were once called the bread basket of the world. Well do we want just hogs in Manitoba and potatoes in Saskatchewan. When we go to the First Minister's Conference, Mr. Chairman, when the Minister of Agriculture goes to the First Minister's Conference, the agriculture issue should be on the table and subheading should be looking at a different model so that all levels of government can be involved in the transition. But for here on Prince Edward Island, we definitely need to look at what kind of agriculture we are going to have before we start putting huge amounts of sums into it.

Wilbur MacDonald(PC)Chair: Okay, Eva and then Ron.

Eva Rodgerson(PC): Yes, thank you again for your presentation and as living in a farming community or--all my life and working with farmers, and you talked about again retaining farmers, you know being able to keep farmers sustainable here on Prince Edward Island.

For example last year when we put in the three-year crop rotation, I contacted probably every farmer in my district, well, I didn't get them all. I had 38 and over the course of the years there's been--whether it's fathers and sons or brothers or whatever it might be, they've all come together in one form or another trying to be more efficient and when I talked to them about a three-year crop rotation, everybody says yes, we should do it. Half of them said, but I can't afford to do it. I'm at the point now where I might not make it this year, and they said, if you fellows force a three-year crop rotation on me, I'm gone. So out of those 38, there's about half of them that were saying because of a lot of factors that has happened over the years, I'm going to be gone. It's not that I don't want to do it, I can't afford to because the banks wouldn't let me. They want to approve my operating for this spring; they give me a whole host of things.

So this is the challenges that we are up against when we are saying that, yes, we have to do

something different. Yes, we want farmers, we don't want to loose farmers. So I think we haven't got here in a short time, and you are right, we do need to look at things different. I've also heard in the presentations overall, if you took us off the map whether it be beef, hogs or pork, we wouldn't be missed in the global economy. You know, a lot of times we are sitting here, we think we are big in this whole mix of things.

Ron MacKinley (L): (Indistinct)

Eva Rodgerson(PC): No, but now, this is the reality of that I'm facing out there, I know in my community and we are right across Prince Edward Island. So I think the challenge is it's good to say we should do it, but I'm trying to get some input, how do we get there? How do we get from being reducing now with say, for example a four-year crop rotation if they're saying we can't stay in here and farm with a three-year. How are we going through a four?

James Rodd: May I?

Eva Rodgerson(PC): That's just an example.

James Rodd: Yeah, well there's not a dairy--and Freddie perhaps can correct me here, there's not a potato farmer on Prince Edward Island that wouldn't love to get into a farm that has been dairy or beef for 25 or 30 years and grow potatoes solely on that land. Because they know, number one that the disease is less, the crop yields are tremendous, and the crop yields for the last two, three years without very much tinkering. So they know, I believe the potato producers and other farmers know the value of organic matter in the soil.

Eva Rodgerson (PC): Oh, sure they do.

James Rodd: Water retention, humus, all the good things, but the way the industrial production model is that the efficiencies that you talked about, farmers are being more efficient for whom? For their bottom line or for the bottom line of Loblaws or the bottom line of the McCains or the bottom line of Deere and Company or whomever is out there providing the inputs and the outputs for farmers. And when you mention about if we were taken off the radar screen globally, well true enough, we are just a grain of sand. But take us off the radar map on Prince Edward Island and tell

me where we are?

That's what this government has to look at, we have to look at--35 years ago we were a subsistence farming community basically, in the 60's and the Task Force on Agriculture in 1969, the J.J. Greene Report was the prelude before the comprehensive plan. We bought into that model of production. We've had 35 years to make a place for farmers and what has happened, we have decreased since 1966 in this province 17 per cent of our farming population. I don't call that being efficient.

Eva Rodgerson(PC): No, but I guess what I'm trying to is to see if you have anything--how do we get from here to there? Cause when you talk to farmers that are there, the only ones that are left out there and they are all--like you say, we don't have many young farmers left.

James Rodd: Mr. Chairman, to answer that question. We don't have the time today. But the PEI NDP would be glad to sit down and talk on a collaborative way to address the very question that Eva is raising.

Wilbur MacDonald(PC)Chair: Okay. Good, Richard and then Ron and Fred. Then we will have to cancel it because we need some. . .

Richard Brown (L): Thank you, Mr. Chairman. I'll be quick. Another excellent report by the NDP. They're well presented and well researched, I must say.

There was a report, a Farm Crisis Report done in 1999 which came to all the same conclusions and one of the big things was in that report, an entire producer to consumer chain needs to be examined at each step. That hasn't been done. Hopefully, when this report comes out it will be done and maybe we can work together.

Just in the depletion of the energy crisis. Every 20 or 30 years, the oil companies tend to create a crisis in order to up their prices. Do you think there is really an energy crisis?

Ken Bingham: Mr. Chair, as far as the former CEO of Shell Oil Company is concerned as of yesterday afternoon when he lost his job because they had to cut by 20 per cent the estimate of the reserves of the Royal Dutch Shell Oil Corporation.

I think he'd say there's an oil crisis. The CEO of EnCana who actually at one point was undertaken, was under a contract with Prince Edward Island to sell natural gas is saying, among other things, that the cost of \$2.50 a unit for gas, those days are gone. If there are back fleeting, in the United States they are flirting with \$5 plus natural gas.

We are seeing spikes again in oil supplies in the oil inventories in the United States. They are under a lot of pressure. One of the pressure points there is trying to actually which is expanding its industrial base and they are putting demands on energy. There is a lot of rivalry and also there is a lot of estimates like this investment in oil business in Canada because we're at the verge of depletion in our oil supplies. And these companies are looking other places to try to keep their stocks up the way they are. Increasing their oil supply is by--either through shallow gas or oil wells or by purchasing other companies. It's not from making huge stocks of energy. You know that pesticides and fertilizers are related to natural gas and other fertilizer uses, let alone farm tractors and as I talked to grain farmer in western Canada on the weekend, in the early 80's he was paying \$90 per tonne for fertilizer, it's now \$400 and the cost of his grain has not kept up with that type of a price increase.

Richard Brown (L): Okay, thank you.

Wilbur MacDonald(PC)Chair: Ron.

Ron MacKinley (L): A quick question there, Ken, you are like the deputy leader of the NDP, is it?

Ken Bingham: Former, I'm the Treasurer.

Ron MacKinley (L): Treasurer, alright anyway, I knew James there quite (Indistinct). The problem, one of the problems we're facing is, and the hog producers tell us they need a quick fix to get this--to stay in business. Do you and the NDP government support them that the Standing Committee of Agriculture we recommend that they get this \$20 a pig for one year, like the 3 to \$4 million. You as an NDP, do you people support us if we come out on side. . . ?

Ken Bingham: (Indistinct) .

James Rodd: A carte blanche?

Ron MacKinley (L): Well we got to make a

decision sometime very shortly and one of the reasons I have there is a quick--they need cash right away. Gordon Lank said he didn't--at the end, he said it too, everybody got talking and looking down the pipe, they need cash right away. We have got to decide as a committee to make a recommendation to the House. We got to do something very quickly. The NDP doesn't have anybody elected, so my question to you people, if we on the committee--give me that there piece, I'll read it right to you.

The Hog Strategy Program. So here's what they ask for. Number two, secondly, we ask that the government make a direct infusion of cash into the hog industry payable to producers at \$20 per hog. For hogs marketed 2003 that amounts to 200,000 hogs roughly \$4 million give or take a few dollars, and this is what they are saying they need it right away. The Minister of Agriculture was in here saying he's got no money. He wasted it everywhere else. Well they can always find money, we know that. Now if we, as a committee make these recommendations to the House, do you support us, our committee that that's a good idea or it's not. I'm not talking long term. I'm talking to make sure these hog producers don't go broke.

Ken Bingham: We do have a position where we can borrow. This is--we have. . .

James Rodd: Indistinct.

Ken Bingham: Yeah, we could do it.

(Too many speaking at once).

Ken Bingham: The interest rates in North America and the markets are at historical lows. You could borrow \$200 million on a 30-year bond for approximately \$11 million, that would be about one per cent of your budget increase.

Ron MacKinley (L): That's the federal government. You're talking provincial.

Ken Bingham: Provincial government, about five, you could probably get about 5.5 percentage points on a provincial bond issue, easy. So we've had a lot of talk about encouragement from the bond rating agencies about a good credit rating in the province. So we had that market power and no one has. . .

Ron MacKinley (L): The question I have though for you is, would you support it if we make that recommendation to the Legislative Assembly which then would make it to Cabinet? Do you, as an NDP government support that as their spokesman? I mean, how would, if government get's it that's going to be up to them in Cabinet. Now do you support that, yes or no? Do you support that or not?

Ken Bingham: If the government is going to use its spending power to gain, to buy change with that money as well so that the pork industry becomes more independent, it's not coming back to government at this. . .

Ron MacKinley (L): They're not going to buy change with it. It's just an--so many cash dollars going directly to producers to pay their fertilizer bill, their light bills, or their mortgage or whatever it is I don't know what they will do it. But it is a direct infusion of cash into their pockets before next May, becoming operational, some of it will go to feed mills, or --do you, if we recommend that, as a committee, will you people--do you people support that? That's what I'm asking.

Ken Bingham: We've had this discussion before.

Ron MacKinley (L): Do you support it or not?

Ken Bingham: We would support it with the condition that government is going to be involved and it will be allowed by pork producers in--after that in term so that they start to get more sustain ability in the industry on a financial basis.

Ron MacKinley (L): So you would support it on a short term though? Since government is going to be involved, the money got's to come from the government. It's not coming from anybody else but government which is generally the taxpayers, whatever. So you do support em?.

Ken Bingham: Yes, with. . .

Wilbur MacDonald(PC)Chair: Fred and then Wayne and that'll be it then.

Fred McCardle (PC): Did you want to say something, James?

James Rodd: Well I was going to say, thank you, Fred. Mr. Chairman, the way that Mr. MacKinley

has presented this is that it's for the lights and the telephone and the mortgage payments and so on. We recognize that reality. I recognize that reality. But for us to simply say, yes go and find \$4 million without the commitment of government to answer or at least look at what Ms. Rodgerson has indicated here, the change. If government, because the potato farmers are looking for 15 to 20 million and the beef farmers, if the borders don't open up what will they be asking? Now it's not an easy question to answer because if there's a bail out to the potato farmers and they go back in the spring and plant the same amount of acres that they planted last year, then we are going to be back here again, Mr. Chairman.

Ron MacKinley (L): We are not talking potato farming. We are talking hog farmers.

James Rodd: No we are not, Mr. Chairman, but we are talking about government bailing out farmers.

Tape No. 13

Wilbur MacDonald(PC)Chair: Okay, I'll ask Fred and then Wayne.

Fred McCardle (PC): James, you said in 1969 things started as a result of a report.

James Rodd: Yes.

Fred McCardle (PC): Well it was a result of the National Farmers Union organizing farmers to rise and block traffic, I mean it was farmer driven it wasn't government driven.

James Rodd: No, you're wrong Mr. McCardle. If I may, Mr. Chairman, the J. J. Greene Report was commissioned by the Liberal Government at that particular time in the late 60's, mid 60's to look at agriculture in the 90's. One of the main tenants of that particular report was to reduce the amount of farmers in Canada to two-thirds by the 90's. They were very good at their work because we had lost well over two-thirds of our farmers by that time. But it was a report that wasn't very well publicized and it was as a result of that lack of publicity that the National Farmers Union more in part respond.

Fred McCardle (PC): Okay, one other question. You're preamble was good, you had a lot of research in it. Then I made notes when you got to

the recommendation part, okay. You said, new paradigm for farmers, you need new directions. Well what new directions? Strategy for change. Change what? Regulate matters. What matters are you going to regulate and how are you going to regulate them? Sustainability. You addressed the debt crisis for farmers. Are you going to give them money? Like you came up short. Your presentation was great until you got to the recommendations and then you like, where do you go from there? As a legislator I was looking forward to your recommendations after your preamble but you came up a little short at the end.

Wilbur MacDonald(PC)Chair: Okay, Ken.

Ken Bingham: I think that the scope of this hearing that doesn't allow for specifics. But if you want to get into one specific--one program that allowed Canadian wheat farmers in the 20's and 30's to actually get some money was the development of the Canadian Wheat Board, a single desk selling agent for Canadian wheat farmers who were being taken advantage of by the commodity traders and their Winnipeg exchange. We've heard it said here today, that the price of pork is being set on the Chicago Mercantile Exchange. The main players in that, Smithin, Oscar Myer, probably Tysons now, Cargill, Archer Daniels, four or five companies are setting the price. It worked for a number of years in Manitoba for hog farmers, a single desk seller. So that is one solution. The other one.....

Fred McCardle (PC): That's (Indistinct) 25 years in the potato business Ken. At least 25.

Ken Bingham: Well, we're not talking potato business. I was talking about hog business. It may not work in the potato business. What we see though, you asked for solutions, one of them that has worked for farmers in the past is that model. We don't have that in the hog industry now. When they took that model away in Manitoba, hog farmers aren't making any money anymore.

James Rodd: Maple Leaf Mills.

Ken Bingham: Maple Leaf got their concession.

Wilbur MacDonald (PC) (Chair): Okay, Wayne, last question.

Wayne Collins (PC): Just a final comment, I think

your presentation here should be mandatory reading as a preface for anyone getting involved in the fundamental rethink of agriculture that's upcoming on Prince Edward Island. I'm looking forward to that. I would be interested to see how others will fill in some of those specifics in terms of the recommendations that Fred was hoping for. I'm sure those great ideas are out there. I know Prince Edward Islanders gathered together with one common purpose to fundamentally rethink what we're doing with our (Indistinct) generating industry of agriculture. Or we can do it better for the betterment of all, not just for the strengthening of a pocketbook, but for the strengthening of Island life and I look forward to it and I thank you for your presentation today.

Wilbur MacDonald(PC)Chair: Thank you very much. We certainly appreciate you coming in and taking the time to come before us and we look forward to further ones down the road.

Committee we have some work to do, a little bit here. Where are we? Richard had a

Richard Brown(L): What about my resolution?

Wilbur MacDonald(PC)Chair: Okay.

Ron MacKinley (L): So let's have a look at it. Are we in favour of increasing the threshold to \$1.90. You guys met (Indistinct) here.

Fred McCardle (PC): Well the minister this morning. . .

Ron MacKinley (L): We're not the minister. By the way the Finance Minister has not been around either. He used to be the Minister of Agriculture. Mr. Chairman, can you speak with the Premier and him because if Mr. Murphy is the finance minister and he's hiding from these meetings and he should be here. These are very important meetings.

Wilbur MacDonald(PC)Chair: I'll speak to him.

Ron MacKinley (L): And he's a former Minister of Agriculture.

Wilbur MacDonald(PC)Chair: Wayne.

Ron MacKinley (L): And he keeps pushing in Mr. --I'm not done yet. Mr. Collins comes in his place

well that's fine. I'm not arguing that, that Mr. Collins would sit in. But I noticed Mr. Murphy was only probably here once and then he put his tail between his legs and went and hid. We want him here. He's the Minister of Finance and he's the former Minister of Agriculture. So I just wanted to bring that up, if you could bring it up to his attention.

Wayne Collins (PC): Well Mr. Chairman, while we're at that, I mean, we could say the same thing about the Member for Crapaud-Hazel Grove who has appeared in only one meeting of Social Development. . .

Ron MacKinley (L): She's not on the agriculture committee.

Wayne Collins (PC): . . . because she's been too busy teaching. She is a member of the Social Development Committee. You're criticizing one of our members for not being here.

Ron MacKinley (L): He's a Cabinet Minister.

Wayne Collins (PC): He has his hands very busy right now working on a budget.

Ron MacKinley (L): He's hiding.

Wayne Collins (PC): You know I would think that your member from Crapaud-Hazel Grove could have taken time off teaching and would best serve this Legislature and her members more fully. If you want to get critical about this but I did want to raise a point here.

Ron MacKinley (L): Mr. Chairman. I'm telling you, listen Mr. Chairman.

Wayne Collins (PC) (Chair): Who has the floor, Mr. Chairman?

Ron MacKinley (L): I do. The light is on. Now the thing is this, Mr. Chairman, is this.

Wilbur MacDonald(PC)Chair: I'll recognize Wayne. You've had your. . .

Ron MacKinley (L): You're going to recognize Wayne?

Wayne Collins (PC): I wanted to pose this question prior to the intrusion there with the Motrin

headache remarks about the honourable Treasurer. But I did want to say, this morning we were going to discuss this resolution in an In Camera session at 9:00 o'clock to which the member did not attend. Now are we in open session or are we In Camera to discuss this motion?

Ron MacKinley (L): No, we're in open session. You want to go behind closed doors.

Wayne Collins (PC) (Chair): My question is when we. . .

Ron MacKinley (L): Open session, we're not. . .

Wilbur MacDonald(PC)Chair: We can't discuss a recommendation.

Ron MacKinley (L): Just a minute, Mr. Chairman, I've got the floor. Here you got the plant that is shoved in here for Mr. Murphy saying he wants to go in behind closed doors, which is just--Mr. Murphy hid. The question is this, (Indistinct) we don't have to go behind closed doors. You people want to come and meet behind closed doors all the time. What we want to do is find out what was....

Wayne Collins (PC): Where were you at 9:00 o'clock?

Ron MacKinley (L): You were hiding.

Wayne Collins (PC): Where were you at 9:00 o'clock this morning?

Ron MacKinley (L): What did you do? Nothing, absolutely nothing.

Wayne Collins (PC) (Chair): You never showed up just like the member from Crapaud-Hazel Grove. She never shows up.

(Too many speaking at once)

Wilbur MacDonald(PC)Chair: I'm going to get some direction from the Clerk. It's my understanding we go behind closed doors to make recommendations.

Marian Johnston (Committee Clerk): When we're discussing our final report.

Wilbur MacDonald (PC) (Chair): When we're

discussing our final report.

Ron MacKinley (L): But this is not our final report.

Wilbur MacDonald (PC) (Chair): We'll it's going to be part of the final. . .

Ron MacKinley (L): Oh, so this is going to be a final report?

Wilbur MacDonald(PC)Chair: No, but this can be part of our final report.

Ron MacKinley (L): Well make up your mind, no or yes. Is this going to be the final report of this today?

Wilbur MacDonald(PC)Chair: Well that's something that we can discuss.

Ron MacKinley (L): Well then if it's not going to be the final report, we can open it to the public. You people want to go behind closed doors every time an issue comes up. Run and hide. Your Minister of Agriculture head down to the Dominion Republic, came in here and told us absolutely nothing. Your Minister of Finance, the former Minister of Agriculture doesn't even have the decency to show up at these meetings when he should be here. It's as simple as that. No offense to you Mr. Collins, you can come to the meetings also, the same as anybody else. Mr. Collins said he tries to take on some person that can't even defend himself that's not even in Cabinet. We're looking for Cabinet Ministers. Whether you know it or not, Cabinet (Indistinct) writes your speeches for you. They more than write your speeches and tell you what to say. You should be able to think for the farmers and the taxpayers of PEI. (Cell Phone) There's Mr. Murphy right now.

Wilbur MacDonald(PC)Chair: I think one thing you shouldn't have is a telephone on.

Ron MacKinley (L): I know.

Wayne Collins (PC): Mr. Chair, first of all I want to make it quite clear to the Member for North River-Rice Point, that no one writes my speeches. I write my own speeches, sir. Also, I do want to also make this point as well, I believe it was originally Mr. MacKinley's idea to discuss this motion in an In Camera session at 9:00 o'clock this morning.

Mr. MacKinley didn't have the common courtesy to show up to discuss his own motion this morning. Now he wants to grand stand here in his one man band fashion, this (Indistinct) of sound that makes no sense at all and he wants to parade around for the benefit of the media so he can get a nice clip on *Compass* tonight. And I just think that's cheap politics and really doesn't do much service to the good people who came in here and wanted a decent discussion of this issue by this committee and further more, I would say that our discussion of this motion comes under the heading of deliberation of a report. And if you look into the rules, when this committee goes to deliberate on its report, it does so in an In Camera session.

Ron MacKinley (L): Now, Mr. Chairman, I knew this bunch of Tories ganged up on the meeting tomorrow and they're going to do nothing. They're going to use the Minister of Agriculture's excuse to do nothing.

Wilbur MacDonald (PC) (Chair): No, No.

Ron MacKinley (L): And that's what you did to this meeting earlier today for this report. You did absolutely nothing. I know what you did. You did nothing. The whole committee did nothing. So we're here to do the motion now.

Wilbur MacDonald(PC)Chair: No, you made a motion last week that we would go In Camera at 9:00 o'clock this morning. We all agreed, we were here. Unfortunately. . .

Ron MacKinley (L): You made a motion that we go In Camera

Wilbur MacDonald(PC)Chair: No I think if you look it up in the transcripts.

Ron MacKinley (L): No, you can look it up in the transcripts. Have you got the transcripts ready?

Marian Johnston(Committee Clerk): No, they're working on them.

Ron MacKinley (L): Well how come--this has been over a week, why don't you have the transcripts? Anyway the thing is this, Mr. Chairman. You were the one that said you'd go In Camera. I agreed you can go in, that's fine because we got the motion on the floor and that's fine. But the things is, I also found out through the

sources, your MLA's can't even be quiet, that they were going to set the whole thing up and wouldn't do anything to Minister MacAdam when he came in. So I don't waste my time and I have so many people phoning me about your health tax and the mess you're doing, I was lucky to get in here at 10:00 o'clock.

Wilbur MacDonald(PC)Chair: I see. Well that's your problem. It's not ours, if you can't be here. So we'll move to Richard's motion this morning. Richard made a motion that we agreed to discuss later, after and that's where we are right now. So Richard.

Richard Brown(L): I guess the motion this morning was, Mr. Chairman, is that we contact the federal committee and you make a presentation to the federal committee recommending that the supply chain be investigated.

Wilbur MacDonald(PC)Chair: Okay, you've all heard that motion.

Richard Brown (L): Is that a recommendation to committee?

Wilbur MacDonald (PC) (Chair): Are we still in agreement to that motion?

Some Committee Members: Yes.

Wilbur MacDonald(PC)Chair: We'll ask the Clerk to follow up on that, okay. Our next meeting will be. . .

Ron MacKinley (L): Now what about this motion? You said you did this work. Did you agree to \$20 per hog that. . .

Wilbur MacDonald(PC)Chair: No, we didn't.

Ron MacKinley (L): Oh you didn't!

Wilbur MacDonald(PC)Chair: No.

Ron MacKinley (L): Did you agree....

Wilbur MacDonald(PC)Chair: Didn't agree on anything.

Ron MacKinley (L): No, you agreed to nothing, there you go.

Wayne Collins (PC): The mover of the motion wasn't even present.

Ron MacKinley (L): You people did nothing on it. You just came in and sat here in the House.

Wayne Collins (PC) (Chair): You can't approve a motion that hasn't even been addressed by the mover.

(Too many speaking at once)

Wilbur MacDonald(PC)Chair: I'll entertain a motion for adjournment.

Wayne Collins (PC) (Chair): So moved.

Wilbur MacDonald (PC) (Chair): This meeting is now adjourned.