



**CANADIAN  
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ASSOCIATION**

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October 22, 2018

Senator Raynell Andreychuk  
Chair  
Standing Senate Committee on Foreign Affairs and International Trade  
Ottawa, ON

Dear Senator Andreychuk:

This is to supplement the letter of October 3, 2018 sent jointly by the Canadian Cattlemen's Association, Canadian Meat Council, Canadian Pork Council and Canada Pork International in which we requested,

“that the Senate pursue the objective of reviewing and approving the legislation to implement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on a timeline that will 1) enable Canada to be one of the first six nations to ratify the agreement and 2) bring the agreement into force before December 31, 2018.”

In that letter, we also suggested that,

“To meet this ambitious objective, we recommend minimal to no further witness testimony at the Committee stage. In lieu of further testimony, we would bring to your attention the testimony that the Canadian Cattlemen's Association, Canadian Meat Council, Canadian Pork Council and Canada Pork International have already provided to the Standing Senate Committee on Agriculture and Forestry during its meetings of March 29, 2018 and June 7, 2018.”

We now wish to submit directly to the Standing Senate Committee on Foreign Affairs and International Trade copies of the transcripts of that previous testimony. Attached are:

Appendix 1, Transcript of Testimony by Canadian Cattlemen's Association and Canadian Meat Council before the Standing Senate Committee on Agriculture and Forestry, March 29, 2018; and  
Appendix 2, Transcript of Testimony by Canadian Pork Council and Canada Pork International before the Standing Senate Committee on Agriculture and Forestry, June 7, 2018.

I trust you will find this information useful in your review of Bill C-79.

Sincerely,

John Masswohl  
Director of Government and International Relations

Appendix 1

**Transcript of Testimony by Canadian Cattlemen's Association and Canadian Meat Council  
Before the Standing Senate Committee on Agriculture and Forestry**

**March 29, 2018**

**The Chair:**

We now welcome our witnesses on our new study on the value-added food sector in Canada and how it can be more competitive in global markets. We welcome them here today.

From the Canadian Meat Council, we have Mr. Chris White, President and Chief Executive Officer. From the Canadian Cattlemen's Association, we have Mr. John Masswohl, Director of Government and International Relations.

Thank you for accepting our invitation to appear. As you can see from the last panel, there will be a lot of questions from the senators, so I now invite you to make your presentations.

We'll start off with the Canadian Cattlemen's Association.

**John Masswohl, Director of Government and International Relations, Canadian Cattlemen's Association:** Good morning. It's great to be here again. Thank you for the invitation. I see some new faces, some new senators. It's great to have this opportunity.

The topic of this study is something that we think about constantly. How can we be more competitive? In global markets — and I think I may have mentioned this message in the past — exports really are the lifeblood of the beef industry: We are raising an animal, and we sell it to Chris's members, who then disassemble that animal. For them to be able to pay us the maximum value, they have to be able to sell each piece of that animal to the customer that is willing to pay the most for it.

That customer is often not in Canada. If you think of things that Canadians like to eat, Canadians are great eaters of steaks and roasts and burgers, not so much lungs, kidneys, liver and all those other pieces that have great value. I often use the example of a tongue. In Canada, Chris's members would often sell that, and if they had to sell it only in Canada, it would largely go into pet food. They might get 20 or 30 cents a pound for it. But in Japan they can get \$5 or \$6 a pound for it. A cattle tongue might be four, five or six pounds. You can do the math and see what that adds to the value.

Those opportunities are hugely important for us. I would say things are looking pretty good in terms of how we have opened up access to markets. Job one is to have access to those markets. That means getting rid of tariffs and non-tariff barriers. Last year, we had one of our best years ever on volume, so tonnage. We shipped nearly 380,000 tonnes, which was our best year since 2010. On value, we shipped beef in the box, \$2.41 billion, which was our best year ever on value.

So we've done better on tonnes in the past but never better on value, which means we're getting more money per pound of beef that we sell. That is a positive trend that we want to see continue.

In terms of where we sell the beef, 94 per cent of our exports last year went to five markets. The United States took 74 per cent. The U.S. is usually in that 70 to 75 per cent range. Mainland China and Hong Kong together was just a little under 200 million, or 8 per cent of the total. Japan was 7 per cent. Mexico was 4.5 per cent, and South Korea was 1.2 per cent.

So those markets take up the bulk of what we export. If you drop below those top five, we had some strong growth to the number six and seven export markets, which were Taiwan and the Philippines. There are more opportunities out there.

We're very excited about some of the opportunities that would be available for us under the Canada-Europe agreement, CETA. We're still working through some issues there. There are three tracks that we have to develop there. One is building the demand in the European market. That's a different organization that is associated with us, Canada Beef, and they do the promotion. We have some regulatory issues on the EU that we're still working through. Then there is building the supply. That's really our job. We know that cattle have to be raised a little different for Europe. It's a more costly way to raise them. People will have to segregate those cattle. But it looks like the returns are there.

The average dollar per kilo on what we have been shipping to the European Union is over \$15 a kilo, \$15.78 last year. That's on a little bit, just under 500 tonnes. If you compare that to our next best market, in terms of China, we were \$10.61 a kilo for

the Chinese market and \$7.30 a kilo for Hong Kong. And those other markets that I mentioned in the top five are between \$6 and \$6.70. You have to look at what you get per pound when Chris's members are shipping around the world.

Those are the markets that we're targeting. Of course, the NAFTA negotiations are hugely important for us. We need to keep the access that we have to that 74 per cent of where our beef goes. I haven't mentioned live cattle exports. Most years, we usually ship over a million head of cattle into the United States. I think in 2016, there was about another \$1.3 billion in live cattle exports to the United States.

If we look at these opportunities, the CPTPP agreement is going to be a huge opportunity for us to get a tariff advantage, especially while the United States is not in that deal. Right now it's a 38.5 per cent tariff. Our Australian competitors already have a deal with Japan, so they're in the 26 per cent range. We would certainly encourage the government to present a bill to the house, then have it come to the Senate and encourage swift passage of that because on day one of the CPTPP being implemented, we will match the tariff access that Australia already has into Japan and, of course, we will have that advantage over U.S. beef.

Producers often say, "Our cattle herd has been down. Where is that beef going to come from?" I would say, if you remember that million-plus head of cattle that we shipped to the United States, if Chris's members have better opportunities, tariff advantage to ship that beef into Japan and can afford to pay us more for those cattle in Canada rather than have us ship those cattle to the U.S., that is more value adding and more job creation in the Canadian market. That is what these trade agreements bring to us.

Other priorities outside of the trade arena for us are research and innovation. We have a number of research projects we have been undertaking through our beef science research clusters. We've had two successful multi-year clusters running. We now have an application into Agriculture and Agri-Food Canada for a third cluster. That would bring federal investment of approximately \$21 million.

We leverage that with money that we put in. Every time an animal is sold in Canada, we collect a check-off, and a portion of that is set aside for research. We are in the process of increasing that check-off amount so that we can dedicate more money on our side to research and innovation projects. To rattle off the subject areas, it's for improving efficiencies, forage, animal health projects, genetic improvement, beef quality, food safety and studying animal behaviour in terms of care.

It would be easy to say that a lot of these projects are about increasing sustainable beef production and the environment. Many of them are. It is also, I would say, a happy coincidence or a symbiotic thing where what's good for the environment is good for cattle producers. What's good for the land is good for cattle. If we can raise healthier cattle that grow faster, if they're not sick — sick animals have a higher greenhouse gas footprint. We don't like sick animals. We want to raise healthy animals. We want larger animals.

As I mentioned, we've had these projects trying to produce more beef with more efficient use of resources. That has translated. We've gone back and done the numbers: From 1981 to 2011, we reduced the greenhouse gas footprint of Canadian beef production by 15 per cent.

The United Nations has studied the impact of cattle production around the world on greenhouse gas, and they have come up with a global number that beef cattle produce or contribute about 14 per cent of the world's greenhouse gas footprint. But if you look at it regionally, our footprint in Canada is less than half the global average. The footprint of countries like India, China and some others is well above the world average.

But we have taken this approach. We have natural grasslands — millions of acres of grasslands. If you want to protect the environment, you want to keep grasslands productive. You want to keep them in grass; you don't want to plow them up and put in a crop. You want to keep them sequestering carbon, as natural wildlife habitat and natural. Before we were here raising cattle, the buffalo were on the land doing the exact same job the cattle are doing now. It is a natural state for us to have those animals on those plants.

The last thing I will mention before we go to Chris is an issue that we're both concerned about: the availability of labour in Canada and the agriculture workforce. We have been trying to recruit labour, both to work on farms as well as for Chris's members in the packing plants. They have been non-stop recruiting efforts, and we just cannot get enough people. We absolutely have to have a labour strategy. We have presented labour strategies in the past. The Temporary Foreign Worker Program or a foreign worker program has to be an integral piece of that, and we very much support those programs.

With that, I would turn it over. Thank you.

[Translation]

**Chris White, President and Chief Executive Officer, Canadian Meat Council:** I'm happy to be with you this morning. John Masswohl and I work closely together, because a good number of John's and his colleagues' activities affect our people every day.

I'd like to speak briefly about what we're doing in our area and, more specifically, give you three or four examples.

*[English]*

The Canadian Meat Council has been around for just under 100 years. We're going to celebrate our centennial in 2019. We represent the packers and the processors.

What's really striking about it is that when you look at the food chain that John referenced, there is continuity from the farm to the plant to export and import. I'm quite new to the industry, and I would not have appreciated just how integrated it is. It's really important that both senators and members of Parliament have an appreciation for just how engaged and intertwined the industries are. Whatever happens on the farm, as John referenced, impacts what the plant workers get in terms of value for their product. When John and I have travelled overseas, the messaging we have given to officials at the embassies or the high commissions is that the food chain is completely integrated in Canada in a way that is, frankly, a model to the world.

I'll give you some brief numbers to try and provide some context. The Canadian red meat supply chain generates over \$20 billion toward Canada's GDP and accounts for over 288,000 jobs in Canada, and we represent about \$6 billion worth of trade export.

Canada produces high-quality product. One of the reasons Canada has such a substantive advantage over many jurisdictions and countries we work in is the terrific reputation of the CFIA, the Canadian Food Inspection Agency. The standards and the expectations they have of the sector are critical to the ability for us to export.

Candidly, CFIA causes our members all sorts of frustrations on a daily basis. At the same time, if you talk to our members who are calling me to say how frustrated they are, they wouldn't give up CFIA for anything. We have that classic love-hate relationship with CFIA, but the work they do is invaluable to the success of the industry, and we benefit greatly from it.

The CPTPP deal that John referenced very important, as are all the deals we're doing: CETA, NAFTA, MERCOSUR.

What's really interesting — and I think John alluded to it — is that if we don't get in and if we don't have legislation really quickly on CPTPP, we will lose the ability and the comparative advantages that we could have. The six countries that ratify the soonest will be able to access those markets in a way that Canada won't be able to if we come late to it. For example, when John, others and I have been on the Hill, one of the messages we've been giving to the Minister of Trade and the PMO is that the sooner you get legislation before the house, committee and then the Senate will only help Canadian industry.

As John referenced again, we want to get into those markets, particularly Japan. The fact that Australia has a free trade deal with Japan is to our detriment. The CPTPP is one of the ways in which we could remedy that disparity on the tariff side.

Again, if there's anything you could do to encourage the government to get legislation in front of the house, that's imperative. Our concern is that the longer it lags — you will be into the summer recess and then won't be back until the fall, so we might not see legislation and potentially ratification not much before the end of 2018-19. Who knows what that landscape will look like. Given the volatility of the American administration, it's quite possible the Americans could decide to join the TPP deal, and then the advantage that Canada currently has would be lost.

We work very closely with all sorts of partners, and we're trying to figure out — and I've only been in the role for about a year — what value proposition an organization and association like the Canadian Meat Council can bring both to government and also to other trade associations. Also, how do we maximize the work we are doing both domestically and internationally?

There are two areas we have begun to focus on with our members. One has to do with the temporary foreign workers issue. The mandate letters of the ministers of ESDC and Immigration, Refugees and Citizenship both have in them the responsibility to try and figure out what a path forward looks like. John references that there is a shortage. Right now, many of the packing plants in Canada are not at full capacity because they just can't get the workers. Part of the frustration we have is that when we talk to government, on the one hand, the Minister of Agriculture and the Minister of Trade have been very supportive — they want greater access to markets, and they want to see as many of these plants as possible working at full capacity — but then there's that juxtaposition when you've got the Minister of Employment, Workforce Development and Labour and the Minister of Immigration, Refugees and Citizenship, who, because of their mandates, have other concerns. It's not as easy as we would like it to be.

The frustration in the industry is that you've got a \$75 billion target for the agricultural sector, but you've got industry that can't even, on a day-to-day basis, provide the maximum that it could if it had all the workers that it needs.

And then you look at, for example, what's taking place in the United States with the eradication of a lot of their regulations and the tax cut. This is the concern that we have as an industry, and if you look at plants in some of the rural ridings in close proximity to the U.S. border, what's the incentive to stay in Canada? We have more regulations. We have a higher tax rate, and we can't get workers.

When I talk to government and to decision makers, that's what I'm asking them to try and figure out with industry. We don't want to set government up to fail. I worked on the political side and I'm acutely aware of the challenges at ESDC in terms of the Temporary Foreign Worker Program, but something is fundamentally not working. This is close to a two decades-old problem. When you look at it from the perspective of what is good for the Canadian economy, we need these plants because not only is it a question of bringing foreign workers in, but if you don't bring these foreign workers in and you don't give them a path to permanency, the flip side is that you have the potential of losing these plants.

The Canadian workers currently employed will lose their jobs. It's a lose-lose proposition for the Canadian economy. We're working on that. I would say that's probably one of the biggest challenges we have.

The other thing, more importantly, is at a regulatory level. As I said, with the work we do at CFIA and the regulation they impose on industry, our members would quibble, but they wouldn't push back too much because they know that the CFIA brand of approval opens up all sorts of markets internationally. And without those, they wouldn't have nearly the profits or the potential for profits that they do.

The challenge we have as an industry, and I suspect it's the same for many industries, is when you're dealing with the United States, when you're looking at what they're doing on the regulatory side. It would be really beneficial, as we move forward in the process, if government tried to either marry or mimic what the Americans are doing. For every one regulation you want to introduce, you need to take out two regulations. Have something like that in mind because when we're competing against the Americans, and when they're looking to export their product, it is so much easier for them.

I was at a panel yesterday, and one of the speakers was Michael McCain. He was on the panel with the head of Loblaw and another company. They were talking about the new minimum wage in Ontario. He was saying, "I don't have a problem with a \$15 minimum wage. But what government has to accept is that I'm competing with a state like Missouri that has a minimum wage of \$7. So you want me to do this, but I'm competing with this."

How do you reconcile that? How do you square that circle?

Again it's somewhat analogous to what our industry in Canada faces now that we're competing with the United States, because the markets that Canada is trying to get our product into are the same markets the Americans are competing in. But because of what Trump has been able to do with Congress with the reduction of taxes and the reduction of the regulatory burden, that's giving them a competitive advantage that we just can't replicate currently.

When you marry that with the lack of workers, it's a real challenge for Canadian industry.

**The Chair:** Terrific. Thank you, folks. Those were two excellent presentations.

[*Translation*]

**Senator Maltais:** Welcome, gentlemen. You represent a big part of the Canadian economy.

I have a few simple questions. The quality of Canadian meat exporters is well-known around the world. Are you subject to traceability requirements?

[*English*]

**Mr. Masswohl:** We have been undertaking nearly a 20-year project to improve the traceability of cattle in Canada. It started first with cattle identification, tagging the cattle and having a database. Then we moved from bar tags to radio frequency. Then we moved to some reporting requirements, movement reporting.

Now we are trying to work with the Canadian Food Inspection Agency on getting a full traceability. We came up with a cattle implementation plan, which is our traceability plan. We agreed on that in 2012 with the beef industry, the cattle

industry, the provincial governments as well as CFIA, and we have been working and negotiating with CFIA ever since to implement that.

We all want to get there. It's about the nuances. It really fits into the subject of this discussion. Traceability is absolutely a vital tool that can help us and help our customers feel more confident in our product, but you have to hit the sweet spot between having it as a beneficial tool versus the cost of compliance.

Sometimes with CFIA they think, well, if an ounce is good, then a tonne of it must be really fantastic, and it's not always that way.

[Translation]

**Senator Maltais:** We know that China lifted the ban a year or two ago on the export of beef carcasses. Before, it had to be exported cut into pieces, ready to serve. Have you noticed an improvement in your export activities?

[English]

**Mr. White:** That's a really encouraging development. I was over in Beijing last fall when we were negotiating that.

One of the developments since November has been that more plants that have been put on the list for the ability to export.

The expectation is that it will, senator. The reality is that because it only just took place, that these plants have begun to be listed, nothing has really ramped up, but the expectation is that it will.

[Translation]

**Senator Maltais:** Okay.

I'd like to get back to CETA with the European Union. As it's just beginning, we can't expect immediate results. I'm interested in this free trade agreement, and in several of the countries that I visited, I sensed a certain reluctance, particularly on the part of France, about the arrival of Canadian beef.

Here is the explanation they gave me. They said Canadian beef, especially Angus beef, has an international reputation. It is the beef of choice in America and even in Europe. There has been a war between the consumer and the restaurateur. We know that Europeans eat far more meals in restaurants than we do. We eat restaurant meals when we have to, but the rest we eat at home. Due to the price of Canadian beef, the restaurateur will have to choose between two filet mignons: the one at €3 and the Canadian one at €12. Demand is higher for the Canadian filet at €12. Therefore, the restaurateurs have a lower profit margin on the meal. If they sell it for €12, they will have paid €10 or €11, while they would have paid €3 or €4 for the one that sells for €3.

There's an internal war between consumers and the restaurateurs. I spoke with many people from the chamber of commerce, as well as with restaurant groups and consumer groups, who are demanding Canadian beef. It's a dilemma. Canadian beef costs more, but it's of better quality. Comparing one pair of shoes for \$5 and one for \$100, I think the pair that costs \$5 would be the lower quality pair. How will you adjust your prices as a result in order to retain your share?

[English]

**Mr. Masswohl:** I think you've certainly hit on what some of the challenges are in the European market. Let's be honest, the French beef producers don't want to see Canadian beef in their market. They don't want the competition. We have tried to make sure this agreement also has opportunities for them coming in this direction.

I mentioned the numbers I have in front of me. We shipped just under 500 tonnes of Canadian beef to Europe in 2017. The agreement didn't come into effect until September, and it takes some time, so I would say we're not seeing the impact yet. But Canada did open up its market to European beef in late 2015, and 1,700 tonnes of European beef came into Canada in 2016, 2,800 tonnes of European beef came into Canada in 2017, and the numbers are already increasing in 2018.

We need this to be fair in both directions. Under the CETA, Europe will have unlimited, duty-free access for their beef into the Canadian market. Prior to CETA, they were subject to a quota, and now they are unlimited duty free.

With CETA, we are subject to a quota. We will have access for 50,000 tonnes of Canadian beef that's reserved just for Canada, as well as access to some existing quotas that are open to other countries as well. If you consider that the Europeans eat about 8 million tonnes of beef per year — so about 500 million people eat 800 million tonnes of beef per year, and we have a 50,000-tonne quota — I don't think they need to be overly concerned about the volumes we are going to ship. We're at 500 now, and the 50,000-tonne quota doesn't even come in right away. It is gradually introduced over a number of years.

In terms of the quality, I've eaten in a number of European restaurants, and I feel good about our ability to compete with the quality of Canadian beef. Our Canadian herd is largely built from northern European breeds, like the Angus, the Herefords, Charolais, Simmental and Limousin, so many of the breeds that they are familiar with, in Europe, we do over here.

We have been much more ago over the last 50 years in terms of crossbreeding and taking British breeds known for marbling very well but are quite small and taking the French breeds, which are known for being large, so over many decades we have been able to develop a European-based herd in Canada that is very different from the herd in Europe now.

We have some good advantages. Our research projects helped us with this. We want to continue to improve our efficiencies. We will have to produce those cattle for Europe without growth hormone, without modern technologies that are banned in Europe and have been found illegal at the WTO, but we will do it. If we are paid for it, we will do it, but there is a cost.

*[Translation]*

**Senator Maltais:** I'm going to come back to this point, because it's important. In the past, your main competitor was Scotland. The best beef produced in Europe was Scottish beef, and I think you know that. With Brexit, beef exports from Scotland will be very limited. Doesn't that create an opening for Canada, which produces meat of comparable, if not superior, quality to that of Scotland?

The other risk is tied to the fact that former Eastern Bloc countries dump beef that is of a quality you could describe as ordinary. Couldn't that also be an opening in Europe with Brexit? You're faced with a competitor whose meat perhaps isn't of as good a quality as ours.

*[English]*

**Mr. White:** I think the industry is looking for any export market that is available, frankly, because when you look at where you want to export, you're looking for where you can export quickly.

Senator, you touched on a couple of very good points. Canada has a traceability system that differentiates it from many countries in the world. That gives us a competitive advantage. We have the CFIA brand, which is a competitive advantage. And as John referenced, the quality of the meat is very good, as well.

When John and I and others were at the EU last fall advocating for signing CETA on the part of Canada, correct me if I'm wrong, John, but our sense is that market will never be a substantive one for Canadian export because of the limited quota and because of some of the other challenges. We're looking for other markets, but to John's point, we're not going to absent ourselves from that market, but there are other markets that are perhaps more lucrative that we need to penetrate, and China is one of them for sure.

*[Translation]*

**Senator Maltais:** My last question is for you, Mr. Masswohl. Has Canada reached its capacity in beef production?

*[English]*

**Mr. Masswohl:** Absolutely not. We have so much land that is great land for raising cattle. Cattle tend to be raised on marginal, rocky and hilly land, the land people thought was too difficult to plow up or had a small yield. With modern research, we're finding that new crops like corn and canola are being put in what was once marginal cattle land, but if I look at just about every region of the country, there is opportunity for growth.

The real limiting factor is the mindset of the cattle producer, because it is a long-term investment, and every farmer will look at a piece of ground and figure out what they can do to maximize their return from that piece of ground. If they see that future and the opportunities that trade agreements bring, we are confident they will be optimistic about increasing the beef herd in Canada.

**Senator R. Black:** Acknowledging that this is a value-added discussion, and you mentioned that livestock numbers are decreasing in general terms, is climate change going to allow us to increase our numbers across Canada, which will then allow us to enhance the potential for value-added production?

**Mr. Masswohl:** I'm happy to see a senator wearing a 4-H tie.

We think there are so many opportunities. The general public's concern about climate change and greenhouse gases should be a reason why they want to choose Canadian beef and produce beef in Canada. I'm not saying we're the only country that raises beef sustainably. Certainly, there are others making efforts.

But if you're concerned about the environment and animal care, you should feel very good about eating Canadian beef because we're often fighting this myth that eating beef is bad for environment. But if you want the land to do what it should be doing in terms of contributing positively to the bigger picture of the environment, then you want to keep cattle on grasslands and you want to have more of them.

**Mr. White:** Every packing plant and every processor is acutely aware that there are standards that the government has implemented. There are standards internationally that if we do want to export, they have to be current with.

When you look at some of the work cattlemen have done, it's ground breaking, and on the pork side as well. We primarily represent the beef and the pork side, so everyone is sensitive to it.

The challenge for industry is when government introduces regulations with respect to climate change, sometimes I think there's a frustration that there is a lack of consultation. One day it's this and the next day there is a sense it's going to be that, but there is not enough consultation to ask, "How will this impact you? How much lead time is realistic, and what are the international standards or markets that you are competing with? What are they dealing with? Are you competitively disadvantaged?"

No one is saying we don't want to do this, but is there a more thoughtful way to implement it so that industry is consulted and can be a bigger partner at the table? I think the cattlemen have done groundbreaking work, and you will see and have seen over the last decade or so that industry has reduced their emissions, particularly in some of the plants we represent. That is just a trend that will have to continue, but it does affect the bottom line as well; the profit margins are fairly thin. The trade opportunities are paramount, but we need to get the workers, and we need look at some regulatory loss as well.

**Senator Oh:** Gentlemen, thank you for your great information. One of your charts says that China can pay for high-quality beef. I have received information on the beef promotion in China. You guys are doing a great job — or someone in China is doing a marvellous job — promoting high-quality beef regarding Canadian beef exports.

Value added has everything to do with innovation and new ideas. With the help of blockchain technology, known as being hard to tamper with, the Chinese e-commerce company JD.com has made it possible for customers to look at a detailed history of their steaks, from when the cow was born to what it was eating. It has been working with beef manufacturers from Australia.

Do you use blockchain technology to track the production of frozen beef?

Blockchain has been used successfully to conduct trade in other markets, such as selling canola oil to China. Have the Canadian Meat Council and the Canadian Cattlemen's Association started conducting trade using blockchain?

**Mr. Masswohl:** First of all, I know there are people a lot smarter than I am who understand these technologies better than I do, but I'm very much aware that blockchain is discussed. At a more generic level, I mentioned that our ability to identify and trace cattle has vastly improved over the last 15 to 20 years. We can do things today we couldn't do five years ago, and we know that five years from now we will be able to do things we're very concerned about today.

I think the approach we have been taking with CFIA — and everyone is on side with this — is to do as much as we can with the technology to improve and get full movement reporting and traceability. Then let's come back and review it once the regulations have been in for about three years, and see what more we can do and how the technology evolves.

It's an exciting opportunity, and it will probably be part of what gets implemented.

**Mr. White:** When we look at some companies we represent, they're trying to figure it out. You have a variety; we have some small operations and some large operations. For the large operations, it is very much something within their thought process, because they're looking for efficiencies and for ways they can reduce their costs. It's not just efficiencies in terms of how to get the product out but also how quickly they can get the product out.

These examples are things they are looking at.

They are also looking at best practices internationally. We have a plant just outside of Calgary that is based on the European model, because that's where the market is. Every plant is looking for efficiency and to figure out what it is doing and what plants are doing internationally so that they can take those best practices or, in the instances of a blockchain, build on that to make it a more efficient process for them.

**Senator Oh:** In China, you go shopping in the supermarket, there is an app. You scan it, and you know the history of the beef or steak.

**Mr. Masswohl:** We want to make sure that we can actually do whatever we promise we can do. We hear stories about what is being offered by some retailers, but we're not entirely sure about the delivery sometimes.

**Mr. White:** John and I were at a meeting two weeks ago with Paul Glover, the head of the CFIA, and some of his senior officials, and traceability was a big part of the discussion. It's paramount to the industry. If something goes wrong, the whole industry would be damaged irrevocably, so it's critical that everyone has a clear sense of where the product originated and that it can be traced back.

The way we left it with the Canadian Food Inspection Agency is that we will be working with the Chief Veterinary Officer on a pilot project to make sure there is a capital consideration as well as traceability. There was a bit of a disconnect between government and industry. By that, I mean that everyone agrees traceability is very important, but the issue is the capital value of traceability. John can jump in if he thinks I'm off here, but there was a bit of a supposition on the part of the CFIA that traceability is something industry should be paying for, because it gave them a competitive advantage internationally. From industry's perspective, there is no competitive advantage to traceability in the sense that other jurisdictions don't necessarily have it, so while we think it is important, and we are supportive of it, it's a bit inaccurate to think there is a capital or competitive advantage when we mark our product internationally. As I said, some jurisdictions don't have it at all and don't necessarily see that as something they or the consumer should be paying for.

Is that fair?

**Mr. Masswohl:** Yes. Often in the regulatory development process, not enough attention is paid to what the impact on competitiveness is and the way the industry does business. We invited very senior officials from the Canadian Food Inspection Agency and the people working on this traceability project to come out and see how a cattle auction market functions at the busiest time of year. Don't build a system based on how things work 40 weeks of the year. We have a small window in the fall — we call it the fall run — which is when about 80 per cent of the cattle are moving in a compressed time frame. They're moving in rural areas where Internet and mobile data transmission are not very good. If cattle have to stand around, be read and reread and wait for data to transmit, they will lose weight while they are standing around. That's money out of the farmer's pocket.

So we need a tool that will make us more competitive internationally. The competitive advantage has to be more than the compliance cost, and that's the sweet spot we're trying to get to.

[*Translation*]

**Senator Dagenais:** Thank you to both of our witnesses.

Mr. Masswohl, I'd like to come back to the export of cattle to Asia. Our committee visited China two years ago, and our understanding is that the Chinese are now more open to beef consumption.

In your presentation, you mentioned a price of about \$6 per kilo in Asia. Given all the stakeholders involved, namely the processors, vendors and suppliers of a product that is, after all, perishable over a long distance, do you think we could direct our efforts to countries that are closer, such as the United States and Mexico?

[*English*]

**Mr. Masswohl:** There's always more. Ultimately, the touchstone we always come back to is to sell each piece to the customer who will pay the most for it. Americans are paying in the range of \$6 a kilo, on average. You mentioned China and the number we have for the high quality they pay for, and it's a little under \$11 a kilo. We still don't have access for fresh beef into China, and that's where the good margins and good returns will be.

We're not as concerned about the distances. I understand there is a new direct air route from Edmonton to Beijing that I believe is coming up. There are flights and even ships. Chris will probably tell you about the advancements in food safety and packaging with his customers. In fact, when we ship fresh product in what we call the cryo-vacs — it's vacuum sealed in heavy plastic — while they're on the ship, the beef is aging, and that is actually very beneficial for the quality. When the product arrives, it's a little bit aged. The journey is part of the process.

There's more we can do in China. I had a chart with me. It might be in some of the packages distributed, but this is our exports to Hong Kong and Macao. You can see how it grew, after BSE in 2003, when the market started reopening. We got back into, from those first years, Hong Kong and Macao, which became very good markets for us. China opened up in the 2012 time frame, and we have done better and better in China every year.

And we still know we can do much more when we get access for fresh and Chris's members get approved for export to China. There is a lot of upside in the Chinese market and the dollars per pound are there. We want all the customers, but we want the ones that want to pay more for the product.

[Translation]

**Senator Dagenais:** Mr. White, you've spoken, among other things, about the tax and regulatory advantages of the Americans, which could perhaps cost us jobs. With the protectionist policies of the new American president, we're not telling ourselves that things could be worse, but that prices could rise. Have you identified the places where we're more vulnerable in relation to our American neighbours with regard to trade? In which agri-food sectors and in which regions of the country could we be more vulnerable further to the decisions by our American neighbours?

[English]

**Mr. White:** I think where we feel there is a vulnerability is with the plants that are located quite close to the American border, some of the rural plants. As I said earlier, the concern is that if I'm a Canadian packing plant and I look at my margins, and then I look at some of the challenges that I have, what's the incentive to stay on the Canadian side versus closing the plant and going 100 miles across the border where I know they might give me an incentive to relocate? And once I'm there, I don't have the workforce challenges I might face in Canada. I don't have the regulatory burden we have in Canada, and the tax rate is lower. Those are the challenges.

I don't want to specifically identify this plant or that plant, but when you look at the geographical map of Canada and see where some of these plants are situated, it is not a hard proposition to think that if things continue the way they are, if I'm a business person, that would at least be part of my thought process. When you look at some of the stories in the paper about the brain drain coming from the States that Canada has benefited from in the last 12 to 18 months, we do worry about the reverse. We know that with the American economy, while it's working and it's in pretty good shape, there are always those overtures to Canadian companies. That would be my concern, senator. It's the ones close to the American border.

**Senator Petitclerc:** What I am getting is that our strongest competitive advantage is on the high quality and trust of the product. You just talked about it now and a little bit before. We have those challenges when it comes to workforce, regulations and minimum wage. The way I see it is that because of who we are as a country, I'm sure we can and should improve. But when I think about minimum wage, we will never be as competitive as many countries, and personally, I don't think we want to get there.

Then I also look at trends, and I'm sure you're waiting for the new food guide coming to Canada recommending quality over quantity. The World Health Organization also recommends limiting intake, but quality is important.

Would you say that with those trends and who we are as a country, quality is our strength and competitiveness advantage, perhaps? If so, how well are we doing in informing and maybe even promoting that competitive advantage?

**Mr. White:** I think there are two dimensions. Certainly, the quality is one, but it is also the safety of the product. Those two advantages are also the biggest challenges for industry. As I say, every member is so frustrated by CFIA, but no member would ever get rid of CFIA. How do you find that sweet spot? In fairness to CFIA, they are doing the best they can because they are under so much pressure themselves. It only takes one incident and then the whole food chain is put in peril, and then the Canadian brand is suspect.

So there's that. In terms of the work that Health Canada is doing on the front-of-pack labelling, when the studies come out, it shows that Canadians are moderate in terms of their meat intake. And because the consumption of meat they do ingest is of

good quality, we're not in the same problem areas as some jurisdictions where the quality of the meat is not very good and the intake is voluminous. It's trying to find that balance.

The one area where government could do a better job is when these types of reports come out, they are often so dire and overblown in terms of rhetoric, and it would be helpful if the government said, "On balance, Canadians are moderate in terms of consumption, and we're pleased. And industry is doing a good job in terms of making sure the quality of the meat is very good," those types of things. What I've noticed from the year I have been on the job is that there doesn't tend to be that. It is often, "This is really bad," and that's all the consumer hears. For somebody who is a bit of a layperson in the industry, how do you reconcile what government is telling you to do and what you're hearing versus wanting to make sure your children and family are eating well? It's that conundrum where I think government and industry need to work to be more effective. I've seen some progress, but there is a lot more we could do.

**Senator Gagné:** I'm going to ask a quick question. To build on Senator Petitclerc's question about minimum wage, we know Australia has a national minimum wage of approximately \$18, and I think the processing industry is faring quite well in the world market. Am I correct in saying that?

**Mr. White:** I believe so.

**Senator Gagné:** Minimum wage is perhaps just a factor in the scheme of things pertaining to competitiveness.

**Mr. White:** And the reference I was making to the observation of Mike McCain has to do with food security. It was in that context, but it is certainly an issue.

**Senator Gagné:** If we look at the Canadian beef processing industry, what are the most important key factors for success and what would the success factors be five years from now?

**Mr. White:** I think currently it's that you have highly skilled workers, and the longer you can retain a skilled worker in a plant, the more efficient the plant is because they know what they're doing and you don't have to train them.

In terms of the next five years, the opportunities are to ensure that those plants continue to upgrade, not only for training of the workers but also the internal mechanisms by which they get the meat, process the animal once it comes in, get it ready, cut, packaged, processed and out the door. That would be the area where there is always potential for improvements.

**Senator Gagné:** What about automation?

**Mr. White:** There is a fair bit. I've been to a few abattoirs and plants. It's remarkable how some of them work. There are some plants where it's purely physical labour, but in some smaller plants, because of the chain cycle and how many carcasses, they are fairly automated. That will be part of the challenge. You want a plant that has a higher-speed chain. Eventually, it might get to that point, and that might alleviate some of the pressure with respect to workers.

My understanding of the industry currently, senator, is that we are some ways from that.

John, do you have any thoughts on that particular point?

**Mr. Masswohl:** I don't spend as much time in the processing plants, but I have toured a few. I have seen a lot of automation in European processing facilities. They are much more advanced on automation. Some of their drivers are different. The price of land per square foot where they operate, the price of labour — all of those things — the price of energy is much higher, so they are more inclined to try and do things more efficiently.

I have also heard from some of the processors that whenever they want to change a system or bring something different in, that all has to be approved in advance by CFIA. If you want to bring in a new sort of equipment, CFIA will have to evaluate it to see how it operates in terms of its impact on food safety, the cleaning systems, maintenance and all of those sorts of things.

Again, there's an upfront regulatory component to moving in that direction.

**Senator Gagné:** What about your ability to produce the food or the goods that are currently favoured by the market?

**Mr. Masswohl:** The biggest thing we have going for us is that people love beef. They want to feel good about eating it. As I say, we are fighting a lot of myths out there. Sometimes people don't feel as good as they should about eating beef, but they still love to eat it. So we have that going for us.

I'd also say there are so many different products in the animal. Even if you just like steaks, there's a lot of variety of different steaks: the juicy ones that you can put on the barbecue or ones that are greater value but you have to process them differently

— stew them, cook them slowly or marinate them. Those tend to be leaner. If you're interested in fat, you just go to a different product that will cost you less, and you prepare it differently.

We have a lot of education efforts to help customers know how to prepare beef. A lot of people go to the meat counter and don't really know the difference between various meats and don't know what to do about it. They'll instead get hamburger, a piece of fish, chicken or something else.

So we have a lot of work to continuously do in that area to educate consumers about that.

In terms of the food guide, we were a little disappointed that it seems fairly limited in its dimensions as to what it's getting. One year, they're just focused on fat, or they are focused on something. Beef is the whole package. Even a lot of the fat in beef is the good fat, the omega-3s — it's very high in that, particularly if it's grass-fed. Again, there's learning the difference between grain-fed and grass-fed, and what your objective as a consumer is in your diet. It's also about bringing in things like proteins, zinc and iron. There's probably no more complete a package than eating beef.

You have to eat it in moderation. We're probably not recommending that everyone eat a 16-ounce rib-eye every day. We're okay with that if they do, but I don't think that's going to be in the food guide. But a blanket statement saying that Canadians should eat less meat is fundamentally wrong, and it does not look at the baseline of what the average Canadian is already eating. Many of them are already not getting enough.

**Senator Gagné:** Thank you very much for your presentations. They are really informative.

**Senator McCallum:** Thank you for your presentation. When you look at your areas of concern — foreign workers, regulatory costs and your support for the different areas — would it be safe to say that the foreign workers would be the top of the list?

**Mr. White:** The regulatory burden and the foreign workers are the top two, absolutely, senator.

**Senator McCallum:** When you look at your pathway to permanent residency, what would you recommend? It's a promise right now. What recommendations would you make to push this along?

**Mr. White:** We were advised throughout the latter part of the fall and early winter that ESDC was going to implement a series of pilot projects. There's a recognition that this is an issue, not just for our sector but the fish sector also, for instance. Our sense was that there was going to be a pilot project to try to allay some of the concerns that government had in terms of how to take these temporary foreign workers and give them a path to permanency.

Then about three or four weeks ago, we were told by government that that is no longer on the table. Our frustration is that we had this expectation.

I'm a former chief of staff under the Liberal government at HRDC, so I am acutely aware of the challenges that department has, particularly on this file. But it's also clear that, on the one hand, you've got a government advocating for all these trade deals, and when you look at the economy, we need foreign workers. It was an issue when I was in government on the political side.

The frustration industry is increasingly having is that if they're saying that even a pilot project isn't in play, what is the policy, then, to try and remedy what is clearly a challenge for Canadian industry? That's not clear.

We understand that Rodger Cuzner, whom many of you would know as a parliamentary secretary, is now being tasked with trying to lead the file and figure out some path forward. We have a meeting with him this afternoon.

Our sense is that, when you look at the foreign workers who come in and work in the meat plants, they have a really long retention. There's a misperception on the part of Canadians that if a temporary foreign worker comes in, they can just stay forever. That's not the case, either. There are very strict guidelines in terms of when you come in and when you must leave.

Industry is looking for some type of rationalization to this program. We know that in the past there have been some abuses, and that's not acceptable, but we also know there's a huge void right now. We need for government, from a public policy perspective, to work with industry and get it right.

As I say, if a pilot project is a challenge for government, then that's a big concern, because if a pilot project can't give you some reassurances, what are you looking for? That's not been made clear to us at all.

Finally, there's a bit of a disconnect from what we understand from the industry side. Agriculture Canada and the trade department would like to see these go forward, but then ESDC and the immigration department have competing responsibilities. We sent a letter last year to the ministers to say, "Our sense is that you guys are sucking and blowing at the

same time.” We’ve got a minister saying they want trade and need these deals, but if you can’t get the workers to get the plants working at full capacity currently, how are we ever going to take advantage of that?

That’s the challenge we have, senator. We’re hoping that the meeting with Mr. Cuzner will give us a little bit of hope this afternoon, and maybe he can come and speak to this. It’s a pivotal issue.

**The Chair:** Gentlemen, thank you for being here today. It’s been very interesting, as you can tell from the interest in the questions.

Appendix 2

**Transcript of Testimony by Canadian Pork Council and Canada Pork International  
Before the Standing Senate Committee on Agriculture and Forestry**

**June 7, 2018**

**The Deputy Chair:** Welcome to the Standing Senate Committee on Agriculture and Forestry. Good morning, everyone.

This morning, we have the privilege of having Gary Stordy, Director of Government and Corporate Affairs at the Canadian Pork Council, as well as Martin Lavoie, President and CEO of Canada Pork International. Welcome to you both.

Before getting started, let me introduce myself, Ghislain Maltais, deputy chair of the committee. I will be chairing the meeting today. I will now ask the senators to introduce themselves.

*[English]*

**Senator Mercer:** Senator Terry Mercer from Nova Scotia.

**Senator R. Black:** Senator Rob Black from Ontario.

**Senator Marwah:** Sabi Marwah, Ontario.

**Senator Oh:** Victor Oh, Ontario.

**Senator Doyle:** Norman Doyle, Newfoundland and Labrador.

*[Translation]*

**Senator Dagenais:** Jean-Guy Dagenais from Quebec.

**The Deputy Chair:** Here are a few recommendations before we start. We scheduled one hour for our meeting, so, the shorter your presentations, the more questions the senators will be able to ask you. I would ask the senators to be disciplined and to ask brief questions, and the witnesses to give brief answers if possible, so that we can have at least two rounds of questions.

The floor is yours, Mr. Stordy.

*[English]*

**Gary Stordy, Director, Government and Corporate Affairs, Canadian Pork Council:** Good morning. I'd like to thank you for the opportunity to appear before the committee today to provide the perspective of the Canadian pork producers across Canada. Rick Bergman, our producer chair from Manitoba, sends his regrets. He wanted to be here, but family matters kept him at home.

The meat industry is, by far, the largest component of this country's food processing sector.

Our producers raise animals from coast to coast, with the largest pork production and processing facilities clustered in Quebec, Ontario and Manitoba. Direct farm-gate sales of Canadian pork in 2016 totalled \$4.1 billion and created over 31,000 farm jobs across Canada.

The pork industry is a major contributor to Canada's GDP. Food processing creates more jobs than any other segment of the Canadian manufacturing sector. Providing employment for 65,000 workers, meatpacking and processing plants are often either the primary or major employer in towns and cities located across Canada.

Mr. Chair, members of the committee are no doubt aware that export markets are absolutely critical to the current and future prosperity of the Canadian livestock and meat sector. Meat processors and exporters must identify foreign markets for more than 70 per cent of what our producers produce here in Canada. That 70 per cent is both for the meat, which Martin Lavoie

certainly has responsibility for, moving Canadian pork overseas, but that also includes live animals that are shipped into the United States.

Therefore, it should not be surprising that pork producers have been ardent and steadfast supporters of all initiatives that contribute to opening new markets and expanding access to existing markets.

The Canadian Pork Council and producers welcomed the news that the CPTPP legislation will be presented to the House of Commons before it rises for the summer. Because of improved access to key markets like Japan, the Canadian pork producers can keep doing what they do best, knowing that their livelihood, and that of thousands of other Canadians in rural and urban communities who work in the pork industry, is supported by the latest agreement.

Producers take pride in providing consumers with a healthy, safe and affordable food supply. Producers demonstrate this commitment by voluntarily participating in the Canadian Pork Excellence platform. This platform, developed by producers for producers to use on their farms, adds value to Canadian pork and allows the industry to be more competitive in global markets.

The food safety component of CPE, called PigSAFE, is based on the HACCP management system and provides global customers the assurance that Canadian pork is of the highest quality and a safe product. It provides assurance that the on-farm food-safety-related issues are addressed. It provides the foundation for the implementation of the Canadian Ractopamine-Free Pork Certification Program, which enables product to be exported to China, a market of well over \$600 million last year.

The pork industry's food safety program has a long history, and the first version of the program rolled out over 20 years ago and helped the industry secure existing customers and develop new ones, such as the \$1 billion Japanese market, where food-safety assurance is critical for access.

The animal component of CPE, PigCARE, reflects the introduction of the 2014 code of practice for how pigs should be handled and raised on farms. The code of practice is credible and broadly recognized by government and industry stakeholders as being reflective of the common industry standards. It is our engagement, as an industry, to reflect the animal care practices outlined in the code. By us adhering to this code, public trust and consumer confidence are elevated.

Traceability, the last component of the CPE, PigTRACE, enables the traceability of live animals as an added value to customers. PigTRACE will enable our industry to better manage a potential disease outbreak. Improved response time reduces the economic impact on the industry and avoids costly market disruptions. By quickly containing problems in this way, the pork industry has a better chance of returning to business in a shorter period of time than it would normally without a traceability system.

PigTRACE, operating in conjunction with a strong on-farm biosecurity protocol, gives the Canadian pork industry a competitive edge by offering buyers and importing countries improved production security that is resilient to market disruptions resulting from disease or food-safety problems. This improved security offers pork buyers peace of mind in knowing that they are sourcing pork from one of the most secure supply chains in the world. Canada is one of only a few countries to initiate a national swine traceability system. By being one of the first countries to initiate a program, Canada is securing our position as a global leader.

I would like to take a moment to touch base on innovation. We are pleased that the Canadian government has focused on this area. Thanks to the AgriScience Program, hog producers will be able to contribute to their long-term partnership with Agriculture and Agri-Food Canada in utilizing research to address the fundamental changes in our industry.

Our research efforts are quarterbacked by Swine Innovation Porc. They operate from an office in Quebec City and facilitate research in the Canadian swine sector. Their main objective is to enhance the profitability and environmental sustainability of the Canadian pork industry by supporting the development of the most innovative technologies that will benefit the entire pork value chain.

While the pork sector has benefited greatly from the science cluster, we are limited in resources that we can bring to the table. In 2016, the CPC completed the public process to establish a promotion and research agency. Creating this agency would provide producers with a new source of industry funds that could be used to expand our innovation program. This agency is absolutely critical to our future improvements. We look forward to the Canadian government completing the review of our application and taking the measures necessary to establish this agency.

Before I wrap up, Mr. Chair, hog producers and processors benefit from being competitive with global competitors and having improved market access. However, we can't forget the impact this has on Canadians. Studies regularly show that the top concerns of Canadian consumers are the rising cost of food and keeping healthy food affordable. A globally competitive Canadian pork industry will ensure that Canadians have access to locally produced, high-quality, competitively priced pork

and pork products. However, we can't meet this expectation if we are locked into the domestic market, and we look forward to future trade agreements being completed.

I'd like to thank the committee for the invitation to appear before you today and for your attention. I'd be pleased to answer any questions.

*[Translation]*

**The Deputy Chair:** Thank you very much, Mr. Stordy.

The floor is yours, Mr. Lavoie.

*[English]*

**Martin Lavoie, President and Chief Executive Officer, Canada Pork International:** On behalf of Canada Pork International and our members, I want to thank you for the opportunity to be here today and to talk about the expansion of processed product and value-added product in the pork-export business.

Canada Pork International was established in 1991. We are the export development agency of the Canadian pork industry, so we are now managing the promotion of the domestic market and international market. We are a joint venture of the Canadian Pork Council, representing the hog farmers — Gary represents this organization — and the Canadian Meat Council representing the pork packers and traders in Canada.

The Canadian pork industry exports over \$4 billion every year in export to over 100 different countries. To give you a representation of the volume we're doing, this is 50,000 sea containers every year that we are exporting. Pork is the largest meat industry in Canada, and we're generating a lot of economic activities.

What I decided to do for this presentation is to actually just take the three main topics that you had in the invitation and just talk about them.

First, the competitive advantage of value-added in the Canadian pork industry. I think it's important to understand what value-added is in the Canadian pork industry.

We have value-added products, taking ham, making cooked ham, bacon, sausages, cold cuts and processed product. This is one way to do it. In exports, right now, this only represents, out of \$4 billion, \$320 million. A big share of that is actually not even processed products; it's some ways to ship raw material to Japan. That accounts for large volumes. Canada is a bit underdeveloped as far as exports of processed products.

The biggest item for Canadian pork exports in value-added is chilled pork. Chilled pork means cuts, loins, tenderloins and bellies. With the process and dedication of our exporter, we're able to manage to have a 60-day shelf life. This is why we have chilled pork exports to Japan, and we're very successful. Canada has half of the fresh import market share in Japan, and this is the bulk of the value-added in the Canadian pork industry.

I'd like to talk about value-added in the sense of adding value to the carcass. To me, if we're having access and we're working to have the best access and the best market opportunity on every single piece or cut of pork, this is really adding value to the industry. For example, if we're able to ship the heads to China at \$1.50 a kilo and our second-best option is 75 cents in the other market, this creates as much value as doing fancy products. This is another area that is interesting to understand where we're adding value as an organization and as an industry.

There's also an opportunity to work on value-added at the farm level. If you're having specific breeds, some Berkshire pork, some specific Japanese genetics, you will add value to the product. It is the same thing for the feeding. If you have an ABF program or organic product, this is a different way to add value, and not just at the plant or marketing level.

Canada has a lot of competitive advantages when it comes to value-added product. We're certainly known for quality. Our exporters are dedicated. You can't achieve 60 days of shelf life on product if you haven't worked every single aspect of the value chain. If you miss just one, the product will not be suitable at the end. We have the flexibility. We have smaller plants that can adjust to embrace the value-added approach. We have brand reputation. We have excellent credibility of our inspection services with CFIA. Like I said, we have smaller plants and flexibility.

Basically, for the chilled pork, we have key advantages, which is again the quality of the product and the know-how. There's not a lot of countries, aside from the U.S., who can manage to have the chilled pork exports. This is 30 years of experience of

continuous improvement. I've been in the industry for 20 years, and I've seen the number of days of shelf life going up because guys keep on pushing themselves. We work as an organization through benchmarking to make sure that they always increase the level of quality.

Our geographical situation helps a lot. Right now, for the Japanese market, we're protected from European exports. They can't get there in time and have enough shelf life left. For the key export markets for chilled, like Japan, Korea and China, which is opening soon — I think this has just opened as a follow-up of the Prime Minister's mission last fall — these are also great opportunities coming ahead of us.

On processed products, hams and sausage, Canada right now is lagging behind. We're the leader in fresh, chilled meat. Our main competitors are Europe and the U.S.. The U.S. has a dynamic volume with some brands, Johnsonville, that you will find in pretty much every country in the world. Europe has the ability, with their regional specialties, like the Serrano ham, the Italian product, to be able to sell internationally on some specific niche market high-value products. That's also part of hundreds of years of doing a product a certain way, and there's international recognition for that.

Point two is the capacity to generate value-added product in order to meet global consumer demand while remaining competitive in Canada. Canada has all it takes to increase or further develop our value-added. As I mentioned, we're already leaders in chilled pork, and we think with CPTPP, with the opportunities in China, we have tremendous opportunity to grow that. Our industry has not grown that much in recent years in volume, but we've grown our business in value. We're able to transform frozen meat into chilled meat and add value this way. There's further growth to be done. Quite frankly, the Canadian pork industry is exporting 70 per cent of its production, so exports, value-added, is actually the only way to remain competitive. If we lose that, we will become extremely uncompetitive. In our case, I think it really helps to become competitive. We're facing competition from the U.S. in our domestic market, and also products from Europe. This is the way to remain competitive and make sure our companies are successful and profitable.

Also, to promote that, Canada Pork International, 2016, based on the programs that Gary mentioned, the Canadian Pork Excellence program, PigTRACE, PigCARE, we've built the Verified Canadian Pork brand. We are branding Canada internationally. If you look at the success we had in Japan recently, one of the aspects now is the Japanese consumers are recognizing the quality of Canadian pork and they're able to see it and identify it. It really creates a buzz and some buying intentions — actually, clearly purchases — as we've tripled our chilled pork exports in Japan in the last five years, and this is really supporting this. We are in the process of building a brand that is adding value to the product and for our members. This is a very important component of what we're doing.

Finally, if the support should be provided in the technology, marketing, environmental certification and intellectual property. I'm going to talk about what I think are the four more critical points.

First and always, it's market access. We're seeing it. You have the NAFTA situation right now, but the opportunity that was created with CPTPP for chilled and processed pork. For the first time in 20 years, I'm hearing the Japanese saying they'd like to import bacon from Canada. From this success, we have small processors now selling sausage in Japan with the Verified Canadian Pork brand. We're all building things. The fact that on processed product the tariff will go straight to zero is extremely positive and promising for our industry, and Japan is already a billion-dollar market.

We have the possibility to add to that, eventually through working on China. There are other markets that are very important, and some specific trade agreements that I think it would be great to work on, like Caricom, for example, that could provide a lot of opportunities for processed products in hotels in this part of the world.

The other aspect that is important is the notion that if you want to add value, it takes manpower and technology. There's truly a shortage of manpower for our plants. Whether it's in processed products or simply adding value, if you don't have the labour, you will send the cuts bone-in, so you're not adding value in Canada because of a shortage in manpower. This is extremely important. We need to have our plants to keep the value here in Canada, sell the product as processed as possible, not necessarily just in value-added, but the more you debone and skin the product, the more value you add in Canada and the more jobs you have in Canada instead of other countries. Obviously, it goes in parallel, but we'll need support for technology in plants and in research to support this.

Especially when you talk about a value-added product like chilled pork, the stability for our infrastructure and the labour contract is extremely important. We don't have frozen product that can sit in a warehouse for months. When we're working with fresh product going to Asia, it's really important to have stability in infrastructure, at ports coast to coast and at our rail facilities as well. There are several issues there.

I would add that it's important to get support from the government for market promotion. Right now we have the objective of growing our agriculture exports up to \$75 billion. What we're seeing now is overcommitment in the GF3 in agri-marketing, so our promotion budget is actually being cut so far by \$1 million. We're working on areas there, but I think it doesn't go

together, where we want to go as a country, adding value to more agri-food exports. I think support to export promotion will be extremely important. As Gary pointed out, I think the creation of the check-off on imported products from the U.S. will be critically important to support our industry.

In conclusion, I think there's tremendous opportunity to concentrate our effort on value-added pork from Canada, but the support through market access, trade promotion, manpower and technology is going to be critical to meet the demand of the world market. The world market, despite any opinion or anything we hear about meat consumption, is definitely growing. There's growing opportunity, and I think we have to be in a good position to take advantage of those opportunities.

[Translation]

**The Deputy Chair:** Thank you very much for your excellent presentation, Mr. Lavoie.

[English]

**Senator Mercer:** Thank you for being here.

Mr. Stordy, you mentioned a code of practice. I assume the code of practice is happening on the farm. How does that interpret into the marketplace? Do you talk about the code of practice when you're marketing your pork? How do you do that? If I were a customer, what would the message be from you about the code of practice before I buy pork from you?

**Mr. Stordy:** Certainly the code of practice outlines the way animals should be handled on a farm. It's actually an extensive document that our industry, our organization, then takes and pulls out basically the most important areas and then implements that into our PigCARE program. It's taking that, and then what we do with that PigCARE program, it's essentially the expectation that producers are doing this. It is validated or somebody goes on the farm to ensure they're following essentially these processes or steps in how to treat animals, and they have the protocols. That's one part of it. That's on the farm.

The next step is that we can stand up and say, "This is how we treat our animals." This is an effort to assure the customer, whether it's on the processing side or even just for the consumer who buys the pork every day, this outlines the expectation on how animals should be treated in the care of producers. This is something that is validated and then verified. If there is a situation where maybe something happens or a protocol, this is the corrective action to ensure that that situation is fixed, the producer is informed about what should be happening and then it doesn't happen again.

**Mr. Lavoie:** I might add to Gary's response to say that on the marketing side, this is a solid base of our platform for export promotion. A consumer from Japan sees the Verified Canadian Pork branding. For example, on meat shelves, you have sleeves where you have information or a poster, POP material. We'll have our seven brand promises, including environment, no hormones, CP, and PigCARE is one of the components of the brand promises. So a Japanese consumer may ask, "What am I buying when I buy Canadian pork?" This is one of the seven, so we're really taking that and incorporating it.

We're told, especially by Japanese buyers, that customers are interested in that, and this is something else that the Americans are not promoting, and it definitely puts us at an advantage. As far as perception, there's a clear perception that Canadian pork is better in quality and image-wise, and that really contributes to that.

**Senator Mercer:** You mentioned that research is one of the major functions, of course, of the whole industry to increase profit. What visions have your research brought to the barn or to the market?

**Mr. Stordy:** Linking some of it with your question before, there is how animals are raised. That is an area where consumer preference is indicating that they'd like to have animals not raised in sow stalls, a certain component. Over the past three years, we have a producer base that has used this specific system for several years and believes in it. We needed to find out what the alternatives are, how to go about raising animals in alternative systems, researching what alternative systems are and, frankly, actually reinventing new systems so that producers who move forward, whether it's building a new barn or wanting to invest in this particular system for raising animals, have the most accurate information. They have test pilots on what could be done, whether it's in existing facilities or new facilities. The benefit of that is that was producer-led research, where they paid part of their levy for every animal marketed and reinvested in themselves to adapt and investigate market demands, look into considerations on how other options can be done, and really do it in an efficient and competitive manner. All of that would not have been possible without, essentially, producers' support and interest in research and then, from there, moving forward.

**Senator Doyle:** Thank you for your presentations.

You gave the impression that our pork products are not making big inroads into the European market. Is that because of a need for better marketing on your part or on the government's part? Should government be doing a little bit more to try to get you into these markets today?

**Mr. Lavoie:** You're asking about Europe specifically?

**Senator Doyle:** Yes.

**Mr. Lavoie:** I think sometimes there are market cycles in Europe. Obviously in the world, and gratefully, we don't eat the same parts of the pig. The Asian market likes specific cuts that we don't in Canada. We import bellies and ribs from Europe. Our main target for exports is hams. It would have been a great market opportunity for the last 15 years, but with the market situation right now, it's not that appealing to export hams to Europe versus China, or Mexico, or other markets.

If we look at the opportunity for Europe, it's probably not going to be in processed and value-added products. Europe is one country that is well developed in that they like to have local products. I think the opportunity for Canada is to export specific cuts at a higher value than any other markets, and that will be part of the processed products made in Europe. There will be opportunities. If you look at the volume that we have, it's still fairly small compared to the size of the market, but we have not fully taken advantage of it. It is mostly a market situation. Right now, in the case of Europe, I don't think promotion would help. It would help in other markets, but that's not the situation for Europe right now.

**Senator Doyle:** We hear that CETA could very well improve the value of Canadian pork. Is that a fact? Would you get more for your pork products as a result of CETA?

**Mr. Lavoie:** I definitely think in the long term this is something that is positive. Since its implementation, there hasn't been a whole lot of business that could be done. However, if you look at it realistically, the opportunity with reduced tariffs is 60,000 tonnes. We're exporting almost 1.3 million tonnes. You have to put that in perspective. It has increased, but it's not as much of a game changer as Japan or China could be, for example.

**Mr. Stordy:** Our industry is still a strong supporter of CETA. There were a few hiccups along the way related to understanding the market conditions and how to access the market. That is slowly being worked out. Martin is correct that right now, the market conditions are not favourable for us to be shipping or filling the quota. That could easily change. If something happens in another key market, Martin and some of the traders will be looking for the best opportunities and where they can get the best value or price for that particular product. That's where the EU market may come into play. Today, it's an opportunity market that's there. We're shipping not a lot but some, but that could change a year or two years down the road, and then we will be thankful to have CETA in place.

**Senator Oh:** Thank you for your presentations.

I want to touch a bit on the export markets to Asia. I understand that your pork sector has been getting meat over to the Asia market. For Canadian pork in 2017, your website says that China, Japan, Philippines, Taiwan and South Korea are among the top 10 export destinations. Can you give us an update? I think there is a pilot project going on to China. If you can export \$1 billion worth of value to Japan, China has a huge middle class that depends on good quality, safe products from Canada.

**Mr. Lavoie:** In 2016, we exported \$600 million to China, which is already very significant.

Gary said that sometimes there is a flow of products when markets close. We lost the Russian market, which was an important market for us. After some readjustments, I think China is now the market that is pulling our market.

If you look at graduation of our exports to China, it started with the by-products, that is, the feet, the offal, the heads. This is always the base in China. It has been like that since the beginning. What we've added to get to \$600 million is some cuts for processing. That is a lot of bone-in-hams that are getting deboned and processed in China. This is a higher value item, and we now have the volumes and the value up.

I think the next opportunity with the pilot project is to reach out to the high-end supermarkets in China. The capacity to pay in those markets is just as good as in Japan, if not higher. There is a tremendous opportunity to position Canadian pork as the reference and to bring the experience we have in Japan to make sure that we are further developing this opportunity.

The great thing about China is that it's not exactly the same cuts as in Japan. That allows us to add value to the carcass while having cuts that were not put as chilled products. By adding this fresh value, you're adding more than a dollar a kilo to frozen versus chilled to those market opportunities.

You don't need a lot of marketing support to sell frozen trimmings or fat in a box that you send to South Africa or anywhere. We need the support. That's why the agri-funding component is very important. You need to reach out to educate consumers in China that the buyers have material when you're getting into the value-added market, as we are doing in China.

There are several opportunities in Asia. I mentioned the great success in Japan, namely, over \$1 billion Canadian dollars of export in the last two years. China is there. I think there's great opportunity to get back into Korea. Canada was the leading exporter of pork to Korea seven years ago, before all the other countries started to have an edge on us on FTAs. Now we're catching up. This is a market where we'll need further support. Singapore is a small market but a wealthy place where we could develop some value-added products. Even in markets like the Philippines, there is an opportunity for some frozen but branded opportunities.

We just did our strategic plan. Clearly, we are looking at Asia. When I was talking about growth and meat consumption, there are tonnes of growth left to be happening in Asia, and it is the main target. There are other areas, but this is where I think most of the demand will come for pork from Canada.

**Senator Oh:** This committee has travelled to China, in Shanghai, to the biggest Shanghai food show there. Beef producers were having a big promotion.

**Mr. Lavoie:** Yes, but less volume. More promotion for smaller volume. Was that this year?

**Senator Oh:** No, two and a half years ago.

Do you have a pork processing plan in China for value-added?

**Mr. Lavoie:** We are also part of the trade shows in China, the last two. There were 20 companies from Canada travelling and in our booth.

We also have an office in Shanghai to support sales. We're not there to sell the product for our members but to have marketing support and organizing in-store demos for them promoting Canadian pork.

The needs for promotion are evolving with time. Now China is there because of the chilled opportunity. We're very grateful for that. There are still some things to fix. It's not perfect, but it's definitely an opportunity that we embrace. I think it has a lot of potential.

Right now, the chilled business to Japan is about \$800 million, and \$45 to \$50 million to Korea. That should grow, but China is going to definitely land somewhere between Japan and Korea in the short term. The potential for growth, then, is limitless.

**Senator Oh:** What about the TPP? How will it affect your export market to the region as a whole?

**Mr. Stordy:** It's going to make a substantial difference. It mainly secures a key market that we already have, Japan. It places us at a greater competitive advantage versus some countries that are not included. It also allows us to compete against other countries that have access to Japan. Japan is a billion-dollar market for us. It's been an important market, but they import from other countries, the United States and the EU. The EU has just finished and signed, and it's been implemented. The EU-Japan FTA is in place, so we're competing against some of those favourable marketing conditions for the EU industry.

For us, as Martin has indicated, we will have a reduction of the tariff. We will have a reduction in some other aspects that will improve the potential market access for some of the processed and further processed products. That's incredibly important.

In addition, you're looking at an interesting fit. Japan has been an anchor market for us. We're doing well in China, but with the CPTPP, Vietnam will be an important emerging market for our industry. That's certainly positive.

**Senator Marwah:** Thank you for your presentations.

I want to elaborate on market access. I understand the free trade agreements are positive for you, and that's wonderful. Have you experienced non-tariff barriers in the markets where you are? Some of the other industries that have been here have mentioned that coming up as an issue. While they reduce one side, they increase the other side to prohibit market access. Are you experiencing that with your products in the countries where we have a trade agreement?

**Mr. Stordy:** Absolutely. It is a growing concern for industry. A number of countries, from our point of view, are implementing some of these non-tariff barriers. Whether it's dealing with on-farm production diseases or whether it's delaying inspection of our facilities, taking a long time for them to certify our plants, these are all, in our belief, barriers to accessing that market and that have sometimes happened after an FTA has been signed or during. It is a problem to expanding market access or improving sales, diversifying to some of these countries.

We do understand, first of all, that we have some very hard-working civil servants, whether in CFIA or Ag Canada. There is no doubt that in many cases they are stretched with the demands that industry is placing on them. For us, we do see the need, whether it's more focus on some of the key priorities or more support, or whether it's at the in-country level to deal with other federal governments, because it's only the federal government that can talk to another federal government, from our point of view, and deal with some of these issues.

Increased participation in some of the national global bodies, whether it's OIE or WTO, an increased presence there would certainly be of benefit.

And all this is time, money and resources and the people, and making sure that the people who are there have the history and know-how to be engaged in the discussion. Those three are some areas that we believe could be focused upon to help address some of these non-tariff barriers and understand where it's coming from.

The best example for us would be with the CETA agreement. We are very strong supporters of the CETA agreement. As we started understanding and investigating how to access that market, regardless of the price, there's a requirement to import into the EU called the Health Check. There was a tremendous amount of back and forth trying to understand how to resolve this Health Check matter and understand what the EU expected moving forward. CFIA was, essentially, the lead agency responsible for understanding this and came up their understanding of how this Health Check requirement could be implemented. Unfortunately, it wasn't workable. The situation was eventually resolved, but it took someone in a regional office to come up with a concept to move it through.

I'm going into that long story because this was something that we were irritated and agitated with for over two or three years, and it was resolved just by some dedication and, frankly, by chance further down rather than the national view.

**Mr. Lavoie:** Some countries are clearly using that as a way to control their market. There is the official part, but there are different ways, just by delisting a plant or few plants. I've seen more of that the more we're dealing with Eastern European countries. There was a lot of that in the past, where it's really controlling the flow of the market.

What is important, on top of what Gary was saying, is to be able to communicate well with the industry and just understand what it is. Sometimes there's distraction on the technical side, but if you really understand that this is political, it's a market and linked to pressures from local producers that you're seeing this kind of action, it helps the government to have a better response and sometimes not go out of our way on the technical side to resolve something that is not technical. I think that's a great component, really understanding the market dynamics.

I see some improvement with a lot of players. Some are just not playing that game and never do. For some other countries, then, it's going to be a long battle to change those added, especially when there is some government orientation on food imports.

**Senator Marwah:** From a regulation perspective, I understand that regulation, on the one hand, allows you to enhance your reputation for food quality and safety and gives you your brand, but on the other hand, do regulations prevent you from acting swiftly or dealing competitively? Is domestic regulation a problem? Has it kept pace with technology and where the world is going?

**Mr. Stordy:** There is always room for improvement with technology. E-certification is one area, and the federal government is responding to adapt to some of the new technologies, but sometimes it's not always fast enough.

**Senator R. Black:** Thank you for your presentations. I can tell you are both passionate about the industry and what you do and excited about the present and the future.

Gary, with respect to the platform, the Canadian Pork Council, is it a mandatory participation by producers?

**Mr. Stordy:** It is voluntary.

**Senator R. Black:** What's the percentage of take-up?

**Mr. Stordy:** For all producers shipping to federally inspected plants, they would all be on the program. We have a number of smaller or medium-sized producers that have more local production, direct sales, who may choose not to be on the program. But for all those shipping into federally inspected plants, which are for export, they would be on the program because of the ractopamine-free protocol that is included.

**Senator R. Black:** Do you have to be in it all the way? You listed three modules.

**Mr. Stordy:** Yes.

**Mr. Lavoie:** Virtually everyone.

**Senator R. Black:** If markets open up and exports increase, do we have the capacity to produce and process however further down the road? By the way, thanks for your explanation of value-added and the differences. I appreciated that.

**Mr. Lavoie:** You're welcome. I think we do, and there are major investments that are being done in plants, some enlargements. There are some coming.

One of the biggest challenges now is to make sure that the hog production is going to follow demand. We're definitely getting the signals that there is high demand in Asia. We are in a spectacular spot to take advantage of those opportunities with the reputation of Canadian pork. For several reasons, the appetite to invest and grow, we need to get those market signals back. We need to have conditions that allow a producer to invest. The access to capital for expansion at farms is a key factor that is not as easy to do in Canada versus the U.S. This is why you see a lot of growth in U.S. production and not in Canada.

The part of having more hogs, and there are environmental concerns and city permits, there are all kinds of concerns, but this is a challenge that we are working on now.

**Mr. Stordy:** We are dealing with our industry. It is going through a changeover. With next-generation producers coming in, we want to support that as much as possible and make sure that pork producers have positive views, that they see an opportunity, frankly, to have a return on their investment. No one wants to make the investment, build a barn and not necessarily have a long-term future. We're pleased to see the processing industry making investments into their facilities and free trade deals to have an opportunity for those markets.

We are dealing with labour issues, which will be ongoing. We are dealing with the capacity to find investment to build new barns. There is some changeover where old existing facilities are being essentially replaced. We need, frankly, more barns to come into place.

A big part of it is, in the United States, for those producers that are involved in field crops or even corn production, they want hog production on their land because they want the nutrient-rich manure. Rather than purchasing chemical fertilizer, they use the manure from the barn, and the pigs are a by-production of their field crops. We want more of that type of view to take place. Frankly, I'm looking out West and a number of the field crops that they're involved in.

**Senator R. Black:** Thank you, Mr. Stordy.

*[Translation]*

**Senator Dagenais:** I have two questions. My first question is on NAFTA. The talks are not going so well, and I do not believe that the problems will be solved in 2018. We are talking more and more about a bilateral NAFTA, that is, between Canada and the United States, or between Canada and Mexico. In your opinion, what would be the impact of this on the pork industry?

**Mr. Lavoie:** The impact on trade with the United States is limited. There are no tariffs. Our tariffs are at zero, and it is the same in the United States. That is our current situation. At the moment, our biggest question mark if there is no NAFTA, given all the trade disputes and the absence of an organized structure, is the dynamic between the United States and Mexico. We currently have an idea of a scenario without NAFTA, solely with regard to countervailing duties imposed on aluminum and steel. If they were imposed, tariffs to Mexico would go up to 20 per cent. Therefore, there are a great deal of products that are exported from the United States to Mexico tariff-free that would then be tariffed at 20 per cent, which really changes the market dynamic.

However, both industries are too interconnected for these products to go elsewhere. Mexican importers want fresh, never-frozen products. That would create an indirect, additional opportunity for Canada. However, I believe that the trade is deeply rooted, and would continue, even with a 20 per cent tariff, to absorb. So, according to the market dynamics, if the demand is weak, the American processors will absorb it. If not, the Mexican importers will, and the prices in Mexico will go up, due to the surcharge. Personally, I do not see trade coming to an end in the pork industry.

*[English]*

**Mr. Stordy:** We're concerned about where NAFTA is going. NAFTA is an important trade deal that developed our integrated industry. When I say "integrated," we really are connected with the United States at the hip. In pork sales alone,

there is \$1 billion going both ways. We sell about \$1 billion of Canadian pork into the U.S., and the U.S. sells about \$1 billion of U.S. pork into Canada. That's just on the pork sales.

If NAFTA talks get delayed, fall apart, it creates uncertainty in that integrated market. While pork will most likely continue to move within the North American industry, the consequences of this will be on producers and the producer price they receive. The market price gets jittery when uncertainty falls into place or there is a disruption or perceived disruption in the flow chain, and that trickles down into the price that producers receive, and unfortunately that usually means a drop.

We have been following and been involved in NAFTA as much as we can. We are working with U.S. counterparts and Mexican industry to see what opportunities exist to modernize NAFTA, because the original NAFTA deal did a great service to our industry and how CFIA as well as the U.S. counterpart cooperated and worked together. That has been overlooked over the years. That cooperation allowed the North American industry to become better at what they do and access global markets.

We're really concerned about where this is going. We're watching it. I don't think anyone is going to be a winner if this continues to escalate and we end up with retaliatory tariffs.

*[Translation]*

**Senator Dagenais:** We are talking about the infamous carbon tax. We know that some provinces are imposing it, including Quebec, and we also know that Saskatchewan does not want to impose it. Last Tuesday, in his appearance before the Standing Senate Committee on National Finance, Minister Morneau said that there will be a federal model for all the provinces, including those that do not apply the tax. However, elections are currently being held in Ontario. If, for any reason whatsoever, a Conservative government were elected, we know that it wants to abolish the carbon tax. What impact would that have on your production? Would certain producers not be tempted to move their facilities to provinces that do not apply this tax? It is one thing to say that it has an effect on climate change, but a tax is a tax, and taxes can influence prices. I do not know if this tax would affect pork prices. What do you have to say about the carbon tax? Do you think certain industries will choose to relocate?

*[English]*

**Mr. Stordy:** I would suggest that producers probably won't move from one province to another because of the carbon tax. I think the real factor is how each province or each provincial government, to be more specific, implements a tax and how it is applied to producers. Province A may decide to provide a full return of any funds collected from that producer on the carbon tax, while Province B may decide to invest in something else rather than making that return to the producer. What it would do is create basically not an unfair situation but a competitive disadvantage for Producer A in one province versus Producer B. Chances are, if Producer A is in an uncompetitive situation, they will just end up shutting down rather than moving, because barns are not inexpensive to build. With some of the technology and requirements and the fact that they may be moving their family, they may look for other options. I know for our producers right now, they're really trying to understand what the potential impact is — frankly, the cost — and how it's going to be applied. In many cases, they don't have those answers yet.