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Chair: Mr. Kody Blois





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Monday, June 12, 2023

• (1835)

[English]

**The Chair (Mr. Kody Blois (Kings—Hants, Lib.)):** I call this meeting to order. Colleagues, welcome to meeting number 67 of the House of Commons Standing Committee on Agriculture and Agri-Food.

I'll start with a few reminders. You know the format. This meeting is taking place in hybrid format and the proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will always show the person speaking rather than the entirety of the committee. Of course, taking screenshots or photos of your screen is not permitted.

I have a couple of notes here, colleagues. We have Ms. Hedy Fry subbing in for Ms. Taylor Roy. Welcome to the committee, Ms. Fry.

We also have Mr. Epp subbing in for Mr. Barlow this evening.

Pursuant to the order of reference of Wednesday, May 17, 2023, the committee will commence its consideration of Bill C-280, an act to amend the Bankruptcy and Insolvency Act and the Companies' Creditors Arrangement Act, regarding a deemed trust for perishable fruits and vegetables.

I would now like to welcome the sponsor of the bill for the first one-hour panel, Mr. Scot Davidson, the member of Parliament for York—Simcoe. I do want the record to show, of course, that the MP for Simcoe helped bring some vegetables from the area. We certainly appreciate that—all committee members. I'll leave it for folks at home to see.

Good job, Mr. Davidson. We're all proud of our horticulture sector and I know that it exists in your riding.

Before I turn it over to you for five minutes for your opening remarks, I would be remiss if I did not recognize Theo and Diane Rood, who are the parents of Lianne Rood. They are in the committee gallery in the back.

It's great to have you here on Parliament Hill with us. You should be very proud of your daughter. She's a tremendous member of Parliament.

Mr. Davidson, we'll go over to you for five minutes.

**Mr. Scot Davidson (York—Simcoe, CPC):** Thank you, Mr. Chair, and good evening.

I'm very excited to be here at agriculture committee tonight. I'm very grateful for the unanimous support Bill C-280 received at second reading, and I look forward to further co-operation as we work

to pass this bill. Together we can finally establish a limited deemed trust for our hard-working produce farmers right across this great country.

This couldn't be a more pressing and timely issue right now. Earlier this month a Statistics Canada report showed that there was a significant decline in fresh fruit and vegetable availability for Canadians in 2022. This year also saw a high-profile bankruptcy of Lakeside Produce in Leamington, Ontario, which had crippling financial implications for the entire produce industry.

This was followed up by an in-depth article in the Toronto Star, "Is this the end of lettuce?", where it was reported that more three-quarters of all produce consumed in Canada is imported. This threatens Canada's food security, as access to fresh produce from foreign markets is increasingly being jeopardized by climate change, trade protections and supply chain issues.

According to experts cited in that article, Canada was previously "way more self-reliant in fresh fruits and vegetables—we produced a lot more of what we consumed domestically. And since World War Two, all that has seriously deteriorated, largely because there's very limited policy supports for [produce growers] compared to, say, the grain or the animal sectors."

At its core, Bill C-280 is a recognition of the need to support Canada's produce sector just as we support other agricultural sectors, by ensuring that Canada's bankruptcy laws recognize the particular challenges and demands of growing and selling fresh fruits and vegetables. This is achieved by establishing a limited deemed trust for produce sellers, which would give them priority access to the proceeds of sale, limited to only the inventory, accounts receivable and cash on hand derived from the sale of produce during the bankruptcy proceedings of an insolvent produce buyer. This will help offset the loss of their sold produce.

The mechanism accounts for the especially perishable nature of fresh produce and the typical payment term that exists in the industry, both of which are significant deficiencies of the agricultural protection and dispute resolution mechanisms that currently exist.

There is a clear need for financial protection for Canada's fresh fruit and vegetable growers. This very committee has acknowledged as much on multiple occasions. You might think that no one reads your report, but Mr. Chair, I do. I spend day and night reading agriculture reports and Senate committee reports. It's unbelievable.

Bill C-280 enacts the very protections this committee has recommended the government put in place. It will strengthen an industry whose supply chain supports more than 249,000 jobs in Canada, amounting to \$9.8 billion in wages. It will make our food security more resilient by reducing losses in an agriculture subsector that experiences more bankruptcies than most others. It will enhance the affordability and the accessibility of fresh fruits and vegetables for Canadians.

The reduction in costs for Canadian consumers will save as much as 5% to 15% on their annual fresh fruit and vegetable purchases, and it will open the door to reinstating reciprocal access to the financial protection establishment by the Perishable Agricultural Commodities Act in the United States, which will greatly support Canadians exporters who have been disadvantaged for far too long, despite the significant volume of produce sold to buyers in the U.S. every day.

Here today, Mr. Chair, we have an obligation to support our Canadian farmers. Instead of dire warnings of the "end of lettuce", Bill C-280 represents the beginning of something more. Canada's produce sector can be positioned not only to feed Canada but to feed the world like never before.

Thank you to the committee. I look forward to your questions.

**The Chair:** Thank you very much, Mr. Davidson, for your opening remarks. I think you hit it spot on.

This committee has been calling for this type of initiative, this type of legislation, for quite some time. Frankly, I'll call it bipartisan support across the board, and you saw that reflected at second reading. However, we do want to dig in, ask questions and talk about the impetus for why this bill is coming forward and some of the pieces of the legislation.

Mr. Epp, you're going to have the first chance to take a crack at Mr. Davidson for up to six minutes. It's over to you.

**Mr. Dave Epp (Chatham-Kent—Leamington, CPC):** Thank you, Mr. Chair.

Thank you to my colleague Mr. Davidson, my colleague and friend from the soup and salad bowl.

I believe I have the honour of representing probably the highest vegetable production—in gross value, anyway. Not that we would ever compete or be competitive, but ours has both the greenhouse sector and the processing sector in our ridings.

You mentioned Lakeside Produce. This is just a sampling of the letters that came into my office encouraging us and this committee to look at Bill C-280. I very much appreciate your bringing that forward.

Lakeside Produce had a chilling and devastating effect, so I appreciate your bringing that out. It's been brought out that only 0.1%

of the transactions of the values end up in bankruptcy. That's been one of the challenges of this legislation.

Why is it still needed if only 0.1% of the transactions end up in bankruptcy?

• (1840)

**Mr. Scot Davidson:** Thank you for your question. Through you, Mr. Chair, I would challenge. I think the soup and salad bowl is the largest in the Holland Marsh in York—Simcoe.

This is a needed piece of legislation. First of all, it's going to encourage more growth in the agriculture sector. Just the very nature of having this protection.... I'll let the committee understand this. One of the first things that happened to me during COVID in York—Simcoe was right when COVID hit. I was out in the riding in the Holland Marsh one day, and I had a farmer come up to me and say, "Scot, I don't think I'm going to plant my field." I said, "Ken, why is that?" He said, "I'm so worried about getting paid. I don't know what's going to happen to these big companies, these big distributors." That was all unknown to us.

He said, "I can sit at home and basically pay the taxes on my farm and not plant and, if I do plant, it's going to cost me \$2 million. Scot, if I don't get paid, I'm going to lose this third-generation farm. I'm not here looking for a handout from the government. I'm just looking for assurances that I'm going to get paid for my produce."

That's why this legislation is so important for people like Ken and obviously for people who were affected by Leamington, which was a \$183-million bankruptcy, I believe.

**Mr. Dave Epp:** The Bankruptcy and Insolvency Act allows for 15 days for someone who's not getting paid to make a claim. Why doesn't that work?

**Mr. Scot Davidson:** There are a whole bunch of different things. As I investigated this bill and insurance in different sectors, 30 days was the chosen number of days when we looked at the legislation. We chose that because it does work for farmers. This was about listening to our fresh produce farmers. I'm sure you have spoken to them in Leamington.

You probably do take us on tomatoes, Dave, but that's why the 30 days was chosen.

**Mr. Dave Epp:** Exactly, 15 days.... I know, from the vegetable growers I've represented over most of my career, that you don't know that you're not being paid. Often the terms of sale are extended past the 15 days when your lien protections under the existing legislation have run out.

Other sectors have created financial protection plans where the sellers pool an insurance fund, and I know in the past in the processing sector that it turned into an operating fund for processors. The sector did away with that. I know it exists in some other sectors. Why do you think it wouldn't work in fresh produce? I know it wouldn't.

**Mr. Scot Davidson:** There are a whole bunch of different mechanisms out there, whether we look at grain, pork or dairy. This was a mechanism that farmers who came to me suggested would work best for them.

Through this whole process, I was listening to farmers about what would work the best for them, and it's really the simplest, Dave.

**Mr. Dave Epp:** That's exactly it. It looks like you've looked at all of the alternatives.

As you've brought this legislation forward, have you faced push-back? Where have the roadblocks been pointed out to you, if there are any?

**Mr. Scot Davidson:** I think that, after seeing what this committee has studied.... Members of the committee can correct me if I'm wrong, but farmers have been looking for this legislation for a while. I think this committee has recommended this three times in the past to the government, and I'm just really happy—I have to be honest—that everyone voted for this.

I think we're going to be able to work together. This is a good, robust bill, and I want to see it get passed.

**Mr. Dave Epp:** Can you talk about what this does for us with our largest trading partner, the U.S., and a little of the history of PACA? We call this PACA. Why do we call it PACA?

**Mr. Scot Davidson:** It's a perishable food act. There are a number of things that I think members will allude to if this gets passed. There was a letter relating to this earlier, which was alluded to, that we would get reciprocity with the U.S.

We have to look at this whole bill as giving our fresh produce farmers certainty in the market. That's what they're looking for. I think it's a sector in Canada...and I've talked about this before. You can move a General Motors plant, but you can't move a farm. We are blessed in Canada with the most arable land, and this is one sector that I believe should be...and this isn't a partisan comment.

When I look at the budget, I believe I'm looking for a vision of the country. One of the visions for Canada should be agriculture. That should be something that we're pushing. We should be doing everything we can for agriculture to become number one in the world. From Ontario and Quebec, and right from coast to coast to coast, we should have have that as a vision for the country.

We go into non-OECD countries to teach people how to grow fruit and how to make fresh water. This is an industry that I believe in and that I know everyone in this room believes in. That's why we're all here together.

I think this is a great piece of legislation and we have to try to get this passed.

• (1845)

**The Chair:** We'll keep it at that.

**Mr. Dave Epp:** Thank you, Mr. Chair.

I've used up my 20 seconds that I donated the last time I was here.

**The Chair:** There you go. We're all square now.

Mr. Drouin, you have six minutes.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you so much, Mr. Chair.

Mr. Davidson, welcome to committee. Congratulations on earning the opportunity to present a private member's bill. Not every member of Parliament gets to have that honour in this place. I want to be thankful to you for presenting a bill that I can certainly line up behind. I have just a couple of questions.

Obviously, you mentioned it: The committee has recommended on multiple occasions that PACA should be a bill that we should move forward with. However, oftentimes the dispute resolution corporation has been raised. Why do you feel that particular mechanism does not answer the current needs in the Canadian market?

**Mr. Scot Davidson:** This legislation was drafted after speaking to a number of people and a number of farmers. I know there are going to be experts behind me who are going to be able to nail down exactly what is in the DRC.

However, this was the needed piece of legislation that was the simplest that we could see in the fresh fruit and vegetable sector for some sort of financial protection that would work with the 30-day terms.

**Mr. Francis Drouin:** I think you mentioned, and my colleague Mr. Epp mentioned, the reciprocity in the U.S. and that assurance.... Are we getting that assurance from the U.S. if your bill passes? Obviously, once PACA was passed in the U.S. and the U.S. didn't feel we had a reciprocal agreement in Canada, then it required that our Canadian producers make a deposit, which obviously affects cash flow.

Do we have that particular assurance that, if your bill passes, our Canadian exporters will no longer have to put down that deposit? We can say, yes, we have the environmental regulatory framework in place in Canada to replicate what you have in the U.S. Everybody is assured, and we can give that access back to Canadian producers and exporters.

**Mr. Scot Davidson:** I truly believe that, if this becomes law in Canada, we're going to get that reciprocity. There was a letter that was issued with the previous Congress that they would like to see that.

I think we have a great committee here. I don't see why that would change. It makes sense to do that. This is something that I think would have been nice to see in the new NAFTA agreement. However, I'm confident that, if you send me to Washington, I will get this done. I know that with Kody and everyone—I'm sorry, Mr. Chair—we'll get this reciprocity done.

It is a new Congress. I can't speak on behalf of the United States currently, but there was a letter a couple of years ago that said, if we got this done, that would happen.

With conditions now, given my comments on COVID-19 and the challenges that our fresh produce farmers face, I think even more that it's timely for this law.

**Mr. Francis Drouin:** Okay.

What we heard in this committee previously was that our financial sector was worried about superpriority. Do you have the assurance that this somehow impacts superpriority for...?

Let's be honest: This bill only applies in bankruptcy situations. However, it does provide assurance in case something terrible happens. It does provide the assurance to our producer community and those who operate up the flow chart...

It's not just about producers. It's also about processors who might deal with retailers. They will get the same guarantees through your bill. That's certainly something I heard from the stakeholders you would have been dealing with.

Have you been approached by the financial sector saying they're worried about this, or is there silence?

• (1850)

**Mr. Scot Davidson:** There's silence.

I'm confident that, how it was drafted, it will be strictly for our fresh fruit and vegetable growers if they sell to the distributors.

**Mr. Francis Drouin:** You mentioned that there's similar legislation in the U.S. The banking sector didn't somehow fall apart and everybody didn't go bankrupt because of the similar bill in the U.S.

**Mr. Scot Davidson:** That's correct.

**Mr. Francis Drouin:** Okay.

I have a last question, Mr. Chair. I think I have about one minute left.

You mentioned some particulars in your bill. Can you explain the 30 days for payment back? I've heard from some stakeholders that they're worried about those who might tend to finance their particular operations through accounts receivable. They would be worried about this bill, because that might change their financial agreements with their banking sector.

Are you hearing that, or not at all?

**Mr. Scot Davidson:** I'm not hearing that at all. The 30 days was an established term, from talking to the industry. There were all different terms—15 days, 60 days, 90 days—but it was felt that 30 days worked the best for people and was the most reasonable.

**Mr. Francis Drouin:** I mean, I'd be a liar if CPMA hadn't been on us for the last seven years, since I've been here, anyway...if the

Canadian Produce Marketing Association wasn't trying to lobby us to present a similar bill to what you've presented. Is the majority of their membership supportive of your efforts?

**Mr. Scot Davidson:** Yes.

**Mr. Francis Drouin:** Perfect.

**Mr. Scot Davidson:** The nice thing is that we're going to hear from them today—boots on the ground.

**Mr. Francis Drouin:** That's great.

Thank you.

[*Translation*]

**The Chair:** Mr. Perron, you have the floor for six minutes.

**Mr. Yves Perron (Berthier—Maskinongé, BQ):** Thank you very much, Mr. Chair.

Thank you, Mr. Davidson, for being with us today to discuss this important bill.

As was mentioned earlier, all the political parties are going to vote in favour of the bill and I'm very pleased about that. You know that we are in favour of the bill, so my aim today is to clarify a number of points and determine whether there are any gaps that we could fill to make it the best possible bill, even though we are willing to support it as it stands.

My first question, Mr. Davidson, is about a point that was raised earlier. We are frequently reminded that losses over the past few years have accounted for less than 0.1% of total sales. You gave a brief response concerning this percentage earlier.

Why do you think this percentage is so low at the moment?

[*English*]

**Mr. Scot Davidson:** That's sort of a double-loaded question. I think the percentage is actually higher.

I spoke to the example of Ken during COVID. He said, "Scot, I don't want to plant my fields, because I'm afraid of not getting paid." I told him not to do that, because, as we all know here, that would lead to less supply and less produce. Therefore, it would mean higher prices for the consumers and on and on and on.

In that one instance, and there's more than that, that actual low number doesn't capture all those Kens who are out there, number one. That's why I feel that number is low. This legislation will help a lot of small and medium-sized businesses. How much of that was reported, I'm not sure, but I think that number isn't quite right.

It was interesting to loop around on my last PMB on Bill C-204, the export of plastic waste for final disposal. The other issue was that the government said, “Scot, you know, this happened once or twice. It's not happening. We don't need this bill.” But the fact of the matter was that the *Fifth Estate* went out and tracked shipping containers that were going to Thailand with plastics. They were all operating under the cover of darkness. It was happening.

I think there's a lot captured in those statistics. I have a couple of farmers in my riding, out of that Leamington case, who were and who are currently worried. That's a huge number. They didn't get paid \$200,000 in a receivable. A lot of our small and medium-sized farmers can't take that.

• (1855)

[Translation]

**Mr. Yves Perron:** I'm pleased about the answer you've given me. It's important to air out the criticisms we receive. There are also a lot of losses that are likely not reported because fruit and vegetable growers, without any recourse, are usually willing to quickly settle at a discount with a company in trouble, out of concern that it will go bankrupt. In such instances, they would be paid half or a quarter of what they are owed, and that's not reflected in the statistics. It's important to bring that out and that's why I asked the question.

There's another objection, and it has to do with the banks. People say that a financial protection mechanism of that kind would give produce growers priority over financial institutions, and that might make the banks more reluctant to give credit to clients and produce growers.

What do you have to say about that?

[English]

**Mr. Scot Davidson:** I would think, from the research we've looked at, that it's quite the contrary. It's the same in the U.S. This, again, is going to give more certainty in the marketplace. I suspect, even looking at some U.S. data, that it's actually going to help the industry. It's quite the reverse. That's what I see.

In speaking to farmers and people in that industry.... Let's face it. These companies you sell to, and the distributors, are still limited-liability companies. There is going to be only so much money in the pot. One of the arguments was, “Farmers are going to start selling to companies that are in distress.” Well, they're still limited-liability companies. That doesn't make sense, because there's going to be only so much money available there, at the end of the day. This doesn't become some free-for-all, where you're selling to everyone.

[Translation]

**Mr. Yves Perron:** That's an excellent answer. Once again, we're happy to hear what you have to say.

I'd like to return to some things you said. Earlier, you mentioned a grower who was hesitating about planting his crops. I too have heard the same sort of arguments. I even saw that a number of crops had not been planted because the grower was afraid of not having enough labour for the harvest, owing in part to problems in connection with foreign workers. Unfortunate experiences from previous years have made people cautious.

I've also seen some growers switch to field crops because they require less labour given that the process can be mechanized. We all know that growing fruit and vegetables is extremely arduous. They are subject to bad weather and unpredictable climate conditions. We need to do everything possible to help them. From this standpoint, Mr. Davidson, the bill you are defending, C-280, is excellent. The committee will continue its efforts to have it passed quickly.

Thank you.

[English]

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

**Mr. Scot Davidson:** Thank you.

**The Chair:** We'll now turn to Mr. MacGregor for up to six minutes.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thank you very much, Mr. Chair.

Welcome, Mr. Davidson, to our committee.

It's nice to see Bill C-280 come here. Congratulations on getting such a strong showing of support at second reading. I think that's put a lot of wind into the sails behind this bill. Obviously, from what I've seen with the questioning so far, you're getting a pretty favourable response.

I'm always interested in learning a little about what inspires MPs to come up with their PMBs. You mentioned that particular farmer in your riding. Were there any other examples that led you to take this path?

**Mr. Scot Davidson:** Thank you.

Again, I want to thank the NDP, the Bloc, the Greens and the Liberals for supporting this.

It was funny, Alistair. When I was first elected to the House of Commons, the Honourable Rob Nicholson pulled me aside. He said, “Scot, I came to your riding once, and you had that really black soil. They were growing carrots in your riding.” I said, “That's right.” He said, “Do you know what I have in my riding? It's peaches.” He went on to say, “I'm going to give you a tip. People always ask me why I talk about peaches.” He said to me, “Scot, it's because, if I don't look after peaches, no one else is going to, so you look after carrots in your riding, Scot.”

My riding, of course, is home to.... I call it the “soup and salad bowl of Canada”. I'm very proud of the Holland Marsh. It provides 80% of the fresh produce Ontario consumes. That was my inspiration—I live on a farm myself—to do something for farmers and agriculture.

I think this is an important bill that's going to help our fresh produce farmers right across Canada.

• (1900)

**Mr. Alistair MacGregor:** On that point, I think a lot of Canadians' only experience with fruit and vegetables is being able.... They just want to have access to buy them. They're not necessarily aware of some of the very complex business arrangements that exist in our supply chains. Perhaps you could paint a picture. You brought up the example of the farmer in your riding who was wondering, "Is it worth it for me to plant my field? I'm going to have to put up all this money up front." He was worried about payment.

Can you talk about the journey produce takes to get to its end destination, and also the journey payment has to take to get back to the originator, underlining why this kind of bill is necessary?

**Mr. Scot Davidson:** Number one, it's the perishable nature of fresh produce, whether you want to talk about lettuce or carrots. Why is this bill so important? It's not like you're selling televisions, for example. If someone doesn't pay you for your TVs, you can go back and try to get your TVs back. There's an inventory item there.

When someone sells strawberries or lettuce, those are rotted after 30 days. They're either sold, or they're rotted in the field. They don't have an opportunity to recapture unsold inventory. Again, circling back to my Bloc colleague and you, all the challenges that fresh produce farming goes through are incredible, especially right now with climate change, with getting people to work the fields and with all the things that have to happen at the end of the day to make this carrot and onion happen. There are big farmers, there are medium-sized farmers, and there are small farmers. This bill is so important to help that whole sector.

**Mr. Alistair MacGregor:** You mentioned you are a voracious reader of agriculture committee reports, and I commend you on that. You would be aware of the number of recommendations we've made over several Parliaments dealing with the creation of a limited deemed trust. We've also received some government responses on that. I think some of the frustration is that we've been calling for this for quite some time. The NDP has been running this in our election platform since 2015.

When we get a government response, there's a bit of equivocation where it states things like "Canada's insolvency laws aim to strike the appropriate balance between competing interests of debtors and creditors." It wants to make sure that everyone's being treated equitably, and that any changes have to be evidence-based.

When you hear those types of points being made in a government response to a very clear recommendation that is based on overwhelming witness testimony and submissions to this committee, what are some of the first things that come to mind about how the current process is actually quite unfair and maybe the government response has glossed that over a bit?

**Mr. Scot Davidson:** Thanks for the question, Alistair.

We are all sent here as members of Parliament to represent our constituents. I know that is true of everyone sitting around this table. I think it's frustrating. The current Liberal government had this in its policy platform in 2015. Here we are in 2023. Previously to this becoming a PMB, I tried to get this into the budget implementation act. I basically pleaded with the Deputy Prime Minister to have this included. It would have been a great thing if she could

have included that in a budget. There were a couple of times that opportunity was missed.

Here we are now. I don't think I'm putting words in the mouth of the Minister of Agriculture. The last time she was in front of this committee, she said, I think to you, that she was happy to see this PMB. It was a mechanism through which we could get this done. That makes me positive. We can always talk about the past. I'm here on team Canada, team carrot and team agriculture today to get this done.

I want to move forward for the sector, as we all do, and get this bill done.

• (1905)

**The Chair:** We'll keep it at that, gentlemen.

Thank you, Mr. Davidson and Mr. MacGregor.

We'll now turn to Mr. Steinley for five minutes, please.

**Mr. Warren Steinley (Regina—Lewvan, CPC):** Thank you very much, Mr. Chair.

Thank you to my friend and colleague, Scot Davidson, for being here this fine evening.

You mentioned something in your comments that agriculture producers really don't see that often, and that's certainty. They're looking for certainty in the market to ensure there's money there at the end. Being from Saskatchewan, there's a lot of agriculture in my background. I grew up on a farm as well, and that certainty is there for certain agricultural industries. For example, there's crop insurance, and now there's a western livestock price insurance program.

Do you see this being on the same lines as that certainty for other agricultural producers? Does this make it, as you said, a more level playing field for the fruit and vegetable growers across the country?

**Mr. Scot Davidson:** I think certainty is key now, especially for this market. Alistair alluded to the comments about what farmers go through, at the end of the day, to make this carrot. I think tonight, in the House of Commons, they're debating the hybrid Parliament. There is no hybrid farming. This is a boots-on-the-ground, hard-work industry from five in the morning until eight at night, seven days a week. The food terminal's going. This is a massive job to feed Canadians and to literally feed the world.



Again, this is a sector that I think deserves that financial security, for sure. It's something I want to see. If you look at other industries—again, alluding to dairy, pork, chicken and whatnot—they all have their sort of security, let's call it. I think this is one niche of farming that's never had anything. I think it's a huge growth sector for Canada. As Canadians—and as a vision for the country—we have to get behind and drive agriculture forward.

**Mr. Warren Steinley:** Would this just protect growers, or would it protect wholesalers and other areas of the fruit and veggie industry?

**Mr. Scot Davidson:** No, it's for all fresh produce. You know, it was asked.... The bill's here. I know you're going to be doing a line by line on this committee. This is for fresh fruit and vegetable growers.

**Mr. Warren Steinley:** Thanks.

For some of the people watching the agriculture committee.... As you said, you're a voracious reader of our reports, so I'm sure there are a lot of people who are watching the agriculture committee at this hour as well. To put it in context for agriculture in Saskatchewan, if you unload a truckload of cattle and your buyer ends up not paying you for them, you can still go back and get those cattle back. It's the same if you drop off a load of grain or a semi load of canola. I think what we have to make people aware of is that—you're right—once the lettuce is out of the field and off the truck, you have a week or so to make that sale. If you make that sale and that money doesn't come into your pocket, there's no other way to replace that. I think that's the picture I want to paint for people who might ask why we're dealing with this at this time. It's because there isn't that certainty, to go back to my earlier comments.

To add on that, that's where I would say, when we're dealing with important issues in the agriculture committee—just to make people aware who are watching—that's why we needed something like this. You said earlier that the Liberals had committed to this in 2015. Our friends in the NDP committed to this in their 2015 platform. That was eight years ago, so I think this is the time we can get this done. Your bringing it forward as a private member's bill was the best option for us, as the opposition, to push for that.

Could you give a couple of comments around that?

**Mr. Scot Davidson:** Again, a carrot is not the same as a cow. Blueberries are not the same as a cow. That's why this sector.... A niche sector in farming is our fresh fruit and vegetable growers. We take this whole sector for granted. We go in the store to buy our fresh produce. We go to the farmer's market to pick up our produce. It's always there. This is why this industry is looking for this security, and it's why it's so important.

**Mr. Warren Steinley:** I guess I'll end with this.

You mentioned in your opening comments that three-quarters of our fresh produce is imported. In a country like Canada, where we have so many arable acres and the opportunity to produce our own food, we do have to make some changes so that this opportunity stays in Canada and so that we can have more people who are going to produce food so we aren't reliant on other countries.

• (1910)

**The Chair:** Answer in about 10 or 15 seconds, please, Mr. Davidson. I know you can do that.

**Mr. Scot Davidson:** Mr. Chair, with the gavel, the change starts now.

**The Chair:** There we go.

Mr. Turnbull, I'll turn the floor over to you.

**Mr. Ryan Turnbull (Whitby, Lib.):** I don't know how you follow that. That was almost borderline weird.

I've never seen a man with a carrot in a committee before, but you do a fine job, Mr. Davidson.

Honestly, I really appreciate your being here tonight. I appreciate the efforts you've made towards drafting this bill. I think you're using your private member's bill spot to do something good for the farmers in your community, which I think is a great thing. I drove through Holland Marsh on the weekend when I went up to see my mom for her 80th birthday, and every time I pass through there, I think of how beautiful it is to see that black earth and how much grows there. It's a beautiful place—it really is—and we need to preserve it, so I do appreciate your efforts here.

There's a part of me that wants to take this back and say, "Okay, this is a farmer, a fruit and vegetable grower, who's going through a bad situation—essentially, having to file for bankruptcy and go through insolvency." Essentially, the intention of this bill, if I'm not mistaken, is to make that bad situation just a little bit better. Is that right?

**Mr. Scot Davidson:** Yes, for sure. I'm sorry—I missed that.

**Mr. Ryan Turnbull:** Essentially, this is a bill that makes the bad situation the farmer is going through, which is essentially bankruptcy and insolvency, just a little bit better for them.

**Mr. Scot Davidson:** Yes, a hundred per cent.

**Mr. Ryan Turnbull:** Essentially, they're able to cash in on the value of their produce to pay off the creditors that are standing in line waiting for liquidation of all the assets they have. Is that right?

**Mr. Scot Davidson:** I wouldn't call it "cash in". They're getting paid for all their hard work and the days and nights they've had out in the field.

Let's take a medium-sized farm for example. Whether you want to call it big or little.... We can take the Leamington case. If a smaller farmer in my riding doesn't get paid.... With the way inflation is now, when I talk big numbers like \$2 million, it's not a lot of money. Everyone at the table knows that. Remember, that farmer is also responsible for fertilizer, the corrugate and the fuel. There's a whole supply chain situation that goes on with that farmer and, if he doesn't get paid, none of those other people get paid.

**Mr. Ryan Turnbull:** Essentially, the way I read the bill, though, is that instead of the produce and the sale of that produce being way down the line—in other words not being able to be used effectively to pay off creditors—it essentially puts it at superpriority status right at the front, so they can sell that produce and use the proceeds from that to pay off some of—

**Mr. Scot Davidson:** Yes, they become a secured creditor or preferred creditor. You can call it superpriority, yes.

**Mr. Ryan Turnbull:** That sounds great. I can get behind that. Why should they experience a loss on top of already having to go through bankruptcy and not being able to utilize the produce they worked so hard to produce? It will help make that bad situation just a little bit better.

Am I getting it correctly?

**Mr. Scot Davidson:** In very general terms, yes, they become a secured creditor.

As I alluded to before, if they sell \$10,000 worth of produce and they don't get paid, that doesn't necessarily mean they're going to get \$10,000 back either. It depends what's in that company, but they are going to get priority over someone else.

**Mr. Ryan Turnbull:** Right.

What I like about this is that it's sort of similar to other things we've seen in our Parliament where we've been able to work together across party lines to ensure that creditors in the insolvency process are fair, like for pensioners, for example. We worked on another bill together, which was really great to see. This seems to be another one of those where there's unanimous support. That's a really good sign.

Just for interest's sake, Mr. Davidson, what does the Ontario Fruit and Vegetable Growers' Association have to say about this bill? Is it supportive of it?

**Mr. Scot Davidson:** It's very supportive. I think you're going to hear from them.

Ryan, I know you are, and I am, a big believer of listening to the “boots on the ground” people. I think they are here tonight—various witnesses—so you're going to be able to hear right from them.

• (1915)

**Mr. Ryan Turnbull:** That's great.

**The Chair:** I'm sorry, Mr. Turnbull. We're actually at time. There are maybe 10 seconds left.

**Mr. Ryan Turnbull:** No problem. Thanks, Mr. Chair.

**The Chair:** We'll have to leave it at that.

[Translation]

Mr. Perron, You have the floor for two and a half minutes.

**Mr. Yves Perron:** Thank you very much, Mr Chair.

Mr. Davidson, you were saying that living conditions for fruit and vegetable growers are already difficult. I recently had the privilege of attending an evening organized by the Quebec Produce Growers Association. People were very happy about getting together for dinner and a pleasant evening. However, it ended fairly soon, because they headed home to get to bed early.

Do you know why? It's because the temperature had dropped to -4 Celsius that evening. Most of the people there had been up most of the night, some sleeping for a couple of hours and others not at all. That's because they were out there hosing down their crops in an attempt to save at least some of their crops. Many of the people there told me that they had lost everything and that they would have to replant. But they came anyway. That's what I call resilience.

When we talk about climate change, we're also talking about water management, which is going to become a major problem. We are all aware of the fact that the soil has dried out because of global warming. It's become obvious in our forests and everywhere else. These people are exposed to it all the time, one hundred per cent. That's why I was happy to hear you say earlier that the sector deserves security. Hats off to you for that.

There's something I'd like to emphasize, and that is that there are growers, but also wholesalers. Many small growers go through wholesalers to sell their produce. The bottom line is that protecting our growers is something that needs to be studied more thoroughly. If the act allows the wholesalers who sold the fruit and vegetables to be reimbursed, then it's important to make sure that the money automatically goes to the growers.

Have you looked into this?

[English]

**Mr. Scot Davidson:** First of all, on your comments about fresh produce farmers and their industry, I always say, especially when I take people out into my riding and into the Holland Marsh, “Look at their hands.” I can tell you right now that, if you look at the hands of farmers in my riding, you see that they're all callused. We call it “marsh dust”. That comes up, and when the harvest is on, all you see are the whites of peoples' eyes. These people are literally working until midnight, with the lights on, harvesting. It is a stressful job.

To go back to your comments about climate change and people being worried about how they're going to get the rain they need or how they're going to get.... Once they lose a season, there's no redo. That crop's year is done, so back to—

**The Chair:** Mr. Davidson, I apologize. We have to leave it at that, unfortunately, but I appreciate it.

We'll now go to Mr. MacGregor.

**Mr. Alistair MacGregor:** I have a quick question, Mr. Davidson.

In the 42nd Parliament, we had an individual, Mr. Ronald Cuming, appear before the committee. He had worked with a draft of this law. Did you ever take a look at his draft? Is Bill C-280 in any way similar to what he had come up with? Are you familiar with the work he had done previously?

**Mr. Scot Davidson:** Yes. My office spoke to Mr. Cuming on a couple of occasions.

I think that for this bill that was drafted and that's in front of you, Bill C-280, the first and foremost thing that people have to understand—I think we have a witness here who is going to be able to explain it, if you have those questions, a lot better than I can—is that, under their constitution, the U.S. is set up differently than Canada is. I think that's what Mr. Cuming was referring to: how legislation like this would work in Canada.

That's why we worked with Fred Webber and others to make sure this legislation respects provincial jurisdiction first and foremost. This was written respecting how Canada's Constitution and Canada's law in only federal jurisdiction.... Again, we did consult with him on that.

**Mr. Alistair MacGregor:** Thanks.

Maybe I'll end with a comment. When I was a teenager, I got to work at a local blueberry farm of about five acres. I was the foreman on that operation. You spend all this money getting to a couple of short weeks in July, when all hell is let loose. Anyone who has picked blueberries under the hot July sun can appreciate how quickly they can go bad on the bush, never mind on the store shelf. I'm grateful for the experience.

I also want to add my personal thanks to farmers in my region. I think what we have is an opportunity with this bill. This is a way for parliamentarians to all come together and set up a system that gives them some certainty, and that's kind of the theme word of the day.

Thank you, Mr. Davidson, for appearing.

● (1920)

**Mr. Scot Davidson:** Thanks very much.

Thanks very much to the committee and the members.

Peter, let's get it done.

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

[*Translation*]

Over now to Mr. Lehoux, of the Conservative Party, for five minutes.

**Mr. Richard Lehoux (Beauce, CPC):** Thank you, Mr. Chair.

Thanks to my colleague. As the slogan goes, "everything's going to be all right".

Thank you very much, Mr. Davidson, for having introduced this truly important bill.

My question is about the financial side of things.

Do you think that the legislation will have a positive impact on the people you spoke with and that they will be able to obtain even more credit from their financial institutions?

If there are no guarantees, or if things are relatively unpredictable, financial institutions often become—excuse the expression—very skittish.

Do you think this bill will reassure bankers and give our farmers better access to credit?

[*English*]

**Mr. Scot Davidson:** Yes—a hundred per cent. I think that when there's uncertainty in business.... Let's be honest. We have trying economic times right now, especially for farmers, whether it's increased input costs—again, alluding to corrugate—climate change or different banks being worried about different things with different farmers. I think this is one piece of legislation that would give certainty to creditors, to say, “You know what? That person's receivable is going to be backed by this deemed trust, that Bill C-280”, which we're going to come out with.

I think it is actually going to help the industry immensely. It's something that, again, fresh produce farmers have been waiting for. It's time for this committee to get it done—for sure.

[*Translation*]

**Mr. Richard Lehoux:** Thank you for your answer, Mr. Davidson.

You mentioned at the outset that farming was important and that it should be given more specific attention. That is precisely the purpose of Bill C-280.

Do you think this bill will have an impact on small and medium-sized growers? The trend has often led to preferential treatment for the very big producers. Will this bill have a positive impact on small and medium-sized growers? Will it at least encourage some of them to start up again?

As my colleague mentioned earlier, many fruit and vegetable growers in every province have shifted to grain or other field crops. Do you think this bill could have a positive impact on a possible return to fruit and vegetable crops and enable smaller farms to successfully enter this market?

[*English*]

**Mr. Scot Davidson:** Thanks for the question.

I think definitely throughout Canada it's going to allow our small farmers to possibly become medium-sized farmers and our medium-sized farmers to become bigger.

The world now is so global and so competitive that any little edge that we as legislators can give to our agriculture sector, our farmers here tonight, our fresh produce farmers, as a leg-up is much needed for the industry and much needed for the country.

I think this is one piece of legislation that is going to encourage growth in that sector.

[*Translation*]

**Mr. Richard Lehoux:** Thank you.

Similarly, as was pointed out earlier, small and medium-sized growers are often at the mercy of distributors, retailers, or whatever they might be called, which are more aggressive towards our growers.

Is Bill C-280 really an important step forward? Could some improvements be made to ensure that it is?

• (1925)

[English]

**Mr. Scot Davidson:** I think it will give someone like the farmer I spoke about earlier, Ken, that much-needed leg-up so he will say he's going to stay in that business and push forward instead of giving up.

Again, every little piece of legislation that we can pass in the House of Commons that's going to help any farmer, the little guy, to get a leg-up is going to help them, and I hope it will help a whole bunch of Kens.

**The Chair:** That's great. We will leave it at that.

We now have Mr. Drouin, who is going to lead off.

Colleagues, I'm going to take a little bit of time at the end to ask a few questions myself.

[Translation]

**Mr. Richard Lehoux:** Thank you, Mr. Davidson.

[English]

**The Chair:** Go ahead, Mr. Drouin.

**Mr. Francis Drouin:** Thank you so much, Mr. Chair.

Mr. Davidson, it's great to get a second round of questioning in here. I will be short and sweet.

You previously addressed the supply chain, and the way you have addressed the bill, mentioning suppliers, potentially leaves the entire supply chain open to your bill. Are you in favour of that? I know the intention of the bill was to protect growers and fresh producers, but under the bill, that could actually be opened up so that potentially retailers would be protected.

Was that the intent of the bill, or would you support a friendly amendment to ensure we're truly protecting producers? This is just being left open to interpretation and, for instance, at the end of the day, if this goes to court, we want to make sure that producers are really well protected.

**Mr. Scot Davidson:** That is a common-sense question. This was intended for financial protection for the producers, for the fresh fruit and vegetable growers. That is the intent of this bill. This is a robust bill, but if there is wording that needs to be looked at by the committee, I'm happy to look at that.

**Mr. Francis Drouin:** Mr. Chair, you will be happy to know that I'm already done.

I'll turn it over to you.

**The Chair:** That's great.

Thank you, Mr. Davidson. Again, I support the concept of the intention of the bill, but I have just a few technical questions.

Do you have a copy of the bill in front of you? I appreciate, Mr. Davidson, that we will have a legal technical team in front of us, but this is just so I can be sure of your intent.

Proposed new paragraph 81.7(1)(a) seems to suggest that the supplier—and in this case, as Mr. Drouin was saying, your intention is that it be the grower, so we want to make sure that it's specifically the farmer—would have the ability to have, in their invoice, a clause that would say that, in the case of a bankruptcy, they would want to avail themselves of this protection, or that once the bankruptcy has happened they would have up to 30 days.

Is that your understanding of that provision?

**Mr. Scot Davidson:** Where is that?

**The Chair:** It's proposed section 81.7.

**Mr. Scot Davidson:** Yes.

**The Chair:** It's on page number 1 of the bill, right under “Short title”. In proposed paragraph (a)...

**Mr. Scot Davidson:** Yes, it's “the supplier has included in their invoice a notice”. Is it that part?

**The Chair:** Yes. Just so we're clear as the committee, is the intention there that, if I'm a farmer selling to a retailer, then I could put in my invoice a clause that would say, “in the event of bankruptcy, I intend to use this right that I have”? If it's not included in the invoice, then within 30 days of understanding that a bankruptcy could have happened, a farmer can apply and put in notice that they expect to be paid.

Is that your understanding of what that clause is?

**Mr. Scot Davidson:** It is, yes.

**The Chair:** Okay.

Paragraph (b) would just simply be to say that, after 30 days of invoking that intention in a bankruptcy situation, the purchaser would have to pay the entire amount owing.

**Mr. Scot Davidson:** Yes, it's 30 days.

**The Chair:** What I'm getting tripped up on is paragraph (c) where it says, “the purchaser, trustee or receiver”—obviously, “trustee or receiver” would deal in a situation where there is bankruptcy—“does not pay to the supplier the entire balance owing when it becomes due as provided in the invoice.”

That references the actual piece in a situation of bankruptcy, not just a situation where a purchaser has not paid and is not in a bankruptcy situation. Do you follow me?

**Mr. Scot Davidson:** That's correct.

Yes, I follow you.

**The Chair:** This applies only in a bankruptcy situation, not just when a company may have not paid their bill.

**Mr. Scot Davidson:** This is a bankruptcy situation.

**The Chair:** That's your understanding. Okay, good.

Then the second question I had was around perishable fruit and vegetables. Is it your understanding in the conversations you've had with industry...? I take notice that they're going to be on next, so we can ask them this question as well.

Is there a working definition of “perishable fruits and vegetables”, or is it just common sense, like strawberries and carrots, something that could be perishable? Is there a technical definition? Do you know?

• (1930)

**Mr. Scot Davidson:** If you look under “Definitions” in proposed subsection 81.7(7), it says:

perishable fruits or vegetables includes perishable fruits and vegetables that have been repackaged or transformed by the purchaser to the extent that the nature of the fruits or vegetables remains unchanged.

**The Chair:** If this carrot was cut and repackaged but it's still a carrot, does that apply?

**Mr. Scot Davidson:** It's still a carrot.

If you made soup out of it and now you're selling soup, then it's not. It's an original thing.

**The Chair:** The intent of the legislation is specific just to whole fruits or vegetables that are not otherwise processed in any form.

**Mr. Scot Davidson:** That's correct.

**The Chair:** Okay, that's helpful.

That's all I had in terms of technical questions.

Thank you, Mr. Davidson.

I'd like to make a motion or ask the committee.... We have all of this lovely product from York—Simcoe. I think we should put it together as members of Parliament and take this to the Ottawa Food Bank or some local food bank and donate it. Is that something we should all do?

**Some hon. members:** Agreed.

**The Chair:** Good.

Colleagues, we'll work with the clerks and analysts to do that.

Thank you, Mr. Davidson, for bringing it from, as you call it, the salad bowl of Canada.

**Mr. Scot Davidson:** It's the soup and salad bowl.

**The Chair:** It's soup and salad. I'm sorry. I just thought it was salad.

**Mr. Scot Davidson:** It's all good.

I'll get you the T-shirt. It will have “Gwilly” on the front.

**The Chair:** I would like that T-shirt.

Colleagues, we're going to break for a few minutes. We'll come back with our second panel and our witnesses.

Thank you, Mr. Davidson.

• (1930)

(Pause)

• (1935)

**The Chair:** Colleagues, we're getting back with our second hour. Thank you to our technical team for the quick turnaround.

Colleagues, we have four different witnesses for the second hour of our panel. We have, appearing as an individual, Fred Webber,

past president and chief executive officer of the Fruit and Vegetable Dispute Resolution Corporation. I believe he's joining us online. From the Canadian Federation of Agriculture, we have Keith Currie, president, who is in the room, and Brodie Berrigan, director, government relations and farm policy. From the Fruit and Vegetable Growers of Canada, we have Dr. Rebecca Lee, executive director, and Quinton Woods, both of whom are joining us here in the room.

Welcome, and thank you so much.

[*Translation*]

We are also welcoming Ms. Catherine Lefebvre, President, and Mr. Patrice Léger Bourgoïn, General Manager, both from the Quebec Produce Growers Association.

Welcome to our committee.

[*English*]

We're going to start with up to five minutes each for your opening remarks. We should have enough time for two rounds of questions.

I'm going to start with Mr. Webber.

It's over to you for up to five minutes.

**Mr. Fred Webber (Past President and Chief Executive Officer, Fruit and Vegetable Dispute Resolution Corporation, As an Individual):** Thank you, Mr. Chair and members of the committee, for this opportunity to speak with you regarding Bill C-280, the financial protection for fresh fruit and vegetable farmers act.

As you indicated, I retired as the president and CEO of the Fruit and Vegetable Dispute Resolution Corporation in 2021, having been part of the DRC since its origins and inception nearly a quarter of a century ago. The DRC is currently embedded in the Safe Food for Canadians Act and is a requirement for most firms that purchase and sell fresh fruits and vegetables. I continue to consult with the DRC as needed, and I am available to DRC members as an arbitrator.

Prior to moving to Canada in 2005 and becoming a dual Canada-U.S. citizen, I was at the United States Department of Agriculture, specifically with the PACA, or Perishable Agricultural Commodities Act, branch. My entire professional career has been spent resolving payment issues in the fresh fruit and vegetable sector.

My specific involvement with financial protection for Canadian farmers in relation to insolvent buyers began in the late 1990s as the DRC was being formed. The DRC founders set out to establish a mandatory dispute resolution system, a dedicated inspection service and an insolvency tool such as the one we are discussing today. Today, only the insolvency tool remains outstanding. When a firm ceases to operate, owes money and becomes insolvent, the DRC has no way to help recover any dollars owed. This legislation would provide our farmers with an opportunity to recover at least a portion of their livelihoods.

Frustrating our farmers further is this: Canada and the U.S. had specific programs available to each other for the resolution of fruit and vegetable trade disputes. Canadian farmer rights in the U.S. have been restricted, as the Canadian system does not offer comparable assistance to U.S. farmers. For many, this development has closed opportunities to expand and prosper.

Why has this important risk mitigation tool continued to stall? I believe it is due to misunderstandings and unfamiliarity with the sector. I will offer a few examples as an explanation as to why I believe this tool has been studied for so long.

In the beginning, a study was put forth indicating that the U.S. model of a deemed trust used taxpayer money to pay farmers whose customers became insolvent. It is now well established that no taxpayer money is involved in the U.S. PACA model and that this research was in error.

There was also—as was mentioned previously by Mr. Davidson—a significant misunderstanding with regard to the Canadian and U.S. constitutions. The Canadian farmers were familiar with the PACA model and wanted to follow it closely as a basis for the Canadian model. We now understand that, unlike the U.S. model, familiar or similar legislation in Canada cannot come into play until an insolvency occurs and federal jurisdiction has taken over. That is not a problem for the industry.

It has often been stated that protections for farmers already exist in the Canadian bankruptcy regime. I believe it has now been well established that those provisions simply do not work for produce, given perishability, supply chain, processing and other identity issues.

Another reality we have faced is the lack of viable information. I can verify that StatsCan and the superintendent of bankruptcy have valiantly tried to help. It is unfortunate that their systems lack the granularity to provide the specific insolvency information on fresh fruits and vegetables. Reorganizations and receiverships further complicate the compiling of meaningful data. Extracting unreported business failures has also been unsuccessful.

In my experience, the most compelling reason for this legislation is the number of firms that simply close their doors and walk away from their businesses. This is a regular occurrence. In a typical scenario, there will be several farmers owed money. They do not know who else is owed money, nor do they know whether another creditor has taken the assets. Without this information, they are not able to spend the significant dollars to investigate and place the firm into an insolvency position. With this legislation, a farmer would have some assurance of being treated fairly.

Thank you again for this opportunity, and I look forward to your questions.

• (1940)

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

We'll now turn to the Canadian Federation of Agriculture.

Mr. Currie and Mr. Berrigan, you have up to five minutes.

**Mr. Keith Currie (President, Canadian Federation of Agriculture):** Thank you, Chairman.

As most of you here know, I am Keith Currie, president of the Canadian Federation of Agriculture. CFA represents about 190,000 farm families and farmers and ranchers right across this country, from coast to coast to coast.

I want to be very clear from the outset that we are absolutely in support of Bill C-280. It's a bill for which I personally have been advocating for many years. I want to make it clear that we are certainly in support of it.

While this bill would provide the much-needed financial support to our fresh fruit and vegetable sector, which supports nearly 250,000 jobs in this country, it is about much more than that. Bill C-280 is about preserving the fibre of local and rural farming communities, maintaining the integrity of our food supply chains and supporting Canada's domestic food security.

As a farmer myself, I understand that risk management is a big part of what we do. From the moment that seed goes in the ground or that calf is born, there is a risk that I won't see a crop at the end of the day or see that calf mature into a milker or head to market. However, unlike cash crop, livestock or supply-managed producers in Canada, fresh fruit and vegetable producers carry additional risks and costs that are unique to the production of perishable goods.

These producers typically don't see a return on their investment until the product is sold and payment is collected, long after the farmer has passed on their product. What happens when those suppliers go bankrupt and can't pay the farmer, or simply walk away because they can't turn a profit? The farmer doesn't get paid, and the Bankruptcy and Insolvency Act does not provide effective protection for fresh produce sellers in Canada due to the high perishability of these products and the industry's longer payment terms. You simply cannot repossess spoiled fruit or recover your losses, as we've heard at length tonight.

The government has put forward solutions for other sectors within agriculture. For example, the Canadian Grain Commission holds roughly \$1 billion of financial security from individual grain licence-holders to pay grain sellers in case a grain buyer becomes insolvent. However, no such financial security exists for the thousands of small and medium-sized fresh fruit and vegetable producers right across this country.

Bill C-280 would establish a critical financial protection mechanism for fresh produce sellers in Canada to help secure payment in the case of a buyer declaring bankruptcy. It's a tailored solution to a clear gap in our risk management tool kit for Canadian producers.

We must remember that these farmers play a vital role in supporting and supplying local communities with safe and nutritious food and vegetable products. In a context of escalating food prices, increased costs of production and supply chain dynamics that are threatening Canada's food security, can we really afford to leave these producers exposed any longer?

Our members across the country are strong supporters of Bill C-280 and look forward to this bill being passed as quickly as possible.

Thanks for this opportunity. I look forward to questions.

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

We'll now turn to the Fruit and Vegetable Growers of Canada.

Dr. Lee or Mr. Woods, you have up to five minutes.

**Dr. Rebecca Lee (Executive Director, Fruit and Vegetable Growers of Canada):** Thank you very much, Mr. Chair and members of the committee, for the invitation to appear before you today.

Quinton and I appreciate this opportunity to address you on behalf of the Fruit and Vegetable Growers of Canada. I am Rebecca Lee, executive director of FVGC. We represent growers across the country involved in the production of over 120 different types of fruit and vegetable commodities over 14,000 farms.

We are here today to express our strong support for Bill C-280, the financial protection for fresh fruit and vegetable farmers act. As you all know, the produce sector has been pushing for this for many years. We greatly appreciate the support we've received from the committee members, from all parties, on this initiative. Speaking on behalf of Canadian growers, we strongly urge all parties to see to it that this bill passes swiftly so that it can provide the necessary safeguards to our growers in what is surely a volatile and uncertain time for our industry.

Our sector is quite unique and differs from other commodities in that our products are highly perishable and our window for sales very narrow. This is why the existing protections for agriculture products in the Bankruptcy and Insolvency Act are not adequate. In the event of a purchaser's insolvency or bankruptcy, our growers are left with limited recourse and significant losses.

A key aspect of this legislation is that, once the proceeds from the sale of fresh produce are deemed to be held in trust for the supplier, they are not included in the company's property. This is significant, because it means these assets would be protected, and it does not take away from other creditors' ability to access their claims in the event of a restructuring or insolvency.

This not only provides growers with an additional layer of protection. It is also an instrumental tool in ensuring fairness and equitability in these often complex dealings. Additionally, the definitions included in the legislation consider the realities of our industry. Acknowledging that the fruits and vegetables might be repackaged or transformed, and yet remain the beneficial property of the supplier, is an important detail.

I will now let Quinton Woods, FVGC's trade and marketing working group chair, explain further.

• (1945)

**Mr. Quinton Woods (Chair, Trade and Marketing Working Group, Fruit and Vegetable Growers of Canada):** Good evening.

As Rebecca said, my name is Quinton Woods. I am Fruit and Vegetable Growers of Canada's trade and marketing working group chair, and the sales manager of a root vegetable operation at Gwillimdale Farms. Gwillimdale is a premier grower, packer and shipper of root vegetables, located on the northern tip of the Holland Marsh.

Bill C-280 is a topic about which I am highly passionate. I want to point out that this proposed legislation could pave the way for reinstating the Perishable Agricultural Commodities Act protection for Canadian growers by the United States. PACA had been a crucial protection for Canadian growers, ensuring prompt payment and offering a dispute resolution mechanism. The loss of this privilege in 2014, because of the lack of reciprocity in Canada, dealt a significant blow to our industry, exposing our growers to increased financial risk.

Gwillimdale's operation was directly affected in 2014. Coming out of the recession of 2009, a U.S. customer, with whom we had done business with for many years, stopped paying us. We were left with no choice but to launch a formal complaint against this company through the PACA in the United States. Unfortunately, the day on which we filed the formal complaint, the United States pulled reciprocity for Canadian sellers. That meant we were required to post a bond for twice the value of our claim. At that time, our claim was worth \$100,000 U.S., and we were required to post a bond for \$200,000 U.S. We were not in a position to post the bond at that time and were forced to walk away from our claim. If Canada had implemented a system prior to revocation of reciprocity, we would have been able to continue our formal complaint without posting a bond.

The proposed legislation would be of no cost to the government, as it would not be required to carry financial liability or backstop any losses. However, it will provide significant benefits to growers, and one could argue, it is a form of business risk management, but one that requires no government funding. This legislation offers a framework that bolsters the stability of our industry and promotes fairness in business practices, ensuring the viability and growth of our sector for years to come.

FVGC sees this bill as a game-changer, providing our members with much-needed protections and possibly leading to greater market opportunities. We urge you to consider these benefits as you deliberate on this legislation. Our members depend on it, and the bill will bolster the strength and sustainability of the Canadian produce sector at a time when it is sorely needed.

We cannot forget that the benefits are not restricted to our growers. A more robust and secure Canadian produce industry, backed by these protective measures, would help to address the growing concerns of Canadian food security and food sovereignty.

Thank you for your time and consideration.

**The Chair:** Thank you very much. You were right on time.

[Translation]

We are now giving the floor to the representatives of the Quebec Produce Growers Association.

Ms. Lefebvre or Mr. Bourgoïn, please go ahead.

**Ms. Catherine Lefebvre (President, Quebec Produce Growers Association):** Good evening to the members and the chair.

Thank you for having invited us to take part in this meeting.

The Quebec produce sector covers approximately 36,500 hectares of cultivated land that generated over \$500 million in revenue in 2020. The mandate of the Quebec Produce Growers Association includes providing market access to growers and creating conditions conducive to economic success. We now conduct much of our work at Place des producteurs, in Montreal, one of the largest fresh fruit and vegetable distribution infrastructures in the country.

The growing, harvesting, packaging and marketing of fruit and vegetables generate substantial production costs and require huge capital investments. Not only that, but producers and sellers of fruit and vegetables for consumption by our neighbours to the south face an additional financial risk because of the lack of financial protection if American clients go bankrupt. Approximately half of Quebec's vegetables are exported to the United States. Fresh fruit and vegetables are not like other food products, such as preserves. They are very perishable, meaning that it's impossible to take back the vegetables in the event of non-payment. That's the nub of the problem. The federal government's current rules seriously limit the capacity of growers and sellers to obtain compensation if the buyer declares bankruptcy. Practically speaking, sellers have no protection.

In the United States, if a produce buyer goes bankrupt, the growers and sellers can avail themselves of trustee provisions under the U.S. Perishable Agricultural Commodities Act, the PACA, to obtain payment. Our growers and sellers do not have protection for payment in the event of bankruptcy, which can mean disproportionate financial risks for them. The perishability of fresh produce makes growers vulnerable, particularly in Quebec, where 70% of farms have fewer than five hectares of land. When product buyers become insolvent, vegetables that have not been paid for no longer have any value.

In short, the absence of financial protection puts horticultural growers in Canada in a highly vulnerable financial position for three main reasons. The first is the risk of not being paid for the products they grew, at a time when major production costs have been significantly cutting into the profit margins. The second is the imbalance in terms of trade risk management with the United States. The third is the lack of access to reciprocal preferential protection for exports to the United States.

• (1950)

**Mr. Patrice Léger Bourgoïn (General Manager, Quebec Produce Growers Association):** The bill's implementation would provide priority access to an insolvent client's cash, inventories and accounts to help offset the losses associated with a product that was delivered but not yet paid for. As my colleague Mr. Woods said just now, the introduction of a mechanism that would give Canada some financial protection would open the door to restoring preferential treatment under the U.S. Perishable Agricultural Commodities Act, the PACA, for Canadian companies that sell products to the United States. This preferential treatment was in place prior to 2014, when it was revoked by the United States because there was no reciprocity.

It's essential to protect the supply chain. If one of the links has not received payment, it affects the entire system, right down to the family farm. In such a context, even if the seller is an intermediary, there has to be protection, and growers who sell through a third party depend on a domino arrangement to receive payment.

It's worth mentioning that once the act is enacted, the government would no longer have a direct role to play in the insolvency process and would have no financial responsibility once there is royal assent. So the act wouldn't require the government, and hence taxpayers, to compensate or cover losses incurred by a farmer if a buyer was unable to meet its obligations. Basically, the proposed model in Bill C-280 reflects the parameters of a tried and true model used in the United States. It's a financially achievable solution that would not place any additional burden on the government.

The adoption of Bill C-280 would promote a predictable and more stable market for companies through the safety net that would be established.

To conclude, I would like to underscore the fact that the Quebec Produce Growers Association firmly supports Bill C-280.

Thank you.

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

Ms. Rood, you have the floor for six minutes.

[English]

**Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC):** Thank you, Chair.

Thank you to our witnesses for being here today.



Coming from a produce background myself, I know people in the industry. I've worked with them for years, and they're some of the most resilient people I've met. They're also some of the biggest risk-takers you will ever meet in this country. If we think about it, every person on this planet consumes fruit and vegetables. That's the reality. That's how important this industry is to the people of Canada, to the people of the world whom we feed, and that's why it's so important we make sure our farmers can stay in business. This is another tool they can have in their tool box.

We've heard examples and I've seen examples in industry, and we've heard tonight that not every farmer will claim bankruptcy. They may just walk away, and that also impacts other farmers, because growers tend to work together with other growers, with wholesalers. We sell to folks who resell.

Dr. Lee, I wonder if you could let us know what you've been hearing from the growers out there. Is this bill needed? We've heard a little bit. How will this legislation promote certainty for our farmers in the fruit and vegetable sector here in Canada?

• (1955)

**Dr. Rebecca Lee:** Thank you very much for your question.

I've been hearing right across the country that it's extremely important to have this support for our growers. We did a campaign. Some of you may have received letters from constituents in your ridings. Over 320 have come in. Considering that what farmers do is farm, the number of letters that have come in is quite substantial. That is evidence of the support for it.

It's been mentioned before that the supply chain here supports roughly 250,000 jobs. Having this bill will allow the food system to be much more resilient, and it will provide the financial certainty for, as you mention, an essential sector, essential not only for the economy but also for our health—fruit and vegetables. It's going to enhance the affordability and accessibility of fruit and vegetables to Canadians across the country and, as has been mentioned, it will not cost the government anything.

As we've heard also, it will help reinstate the PACA in the United States so that growers who want to expand or who are doing business in the United States and who depend on that market can also be sure that they will be paid down there as well.

**Ms. Lianne Rood:** Thank you.

I'm going to turn my attention to PACA.

Mr. Woods, you mentioned that when growers are selling into the United States, currently our produce growers have no mechanism for dispute resolution in the U.S. That does affect whether growers may choose to sell to the U.S. They're taking a bigger gamble if they sell a bunch of a high-cost commodity to the U.S. You mentioned \$100,000 on your farm, but that was years ago. Now with price inflation and food inflation and costs, it goes up higher.

Can you elaborate a little bit more on how this will help protect Canadian growers who export to the U.S., since a lot of our produce is exported to the U.S.?

**Mr. Quinton Woods:** Thank you.

One thing we have to realize in today's marketplace is that we continue to consolidate our marketplace. Our receivables and our sales to specific customers get larger and larger.

When I talk about \$100,000, that was in 2014. That claim in today's environment would be well over a million dollars.

Through the U.S. right now, we do have some sort of protection, but we have to post a bond for double the value of our claim. Unfortunately, for most people, when they haven't been paid, cash flow is very tight. A lot of the time, that bond is extremely difficult to post. It could lead to dire situations like ours, where it potentially could have been a lot more harmful than what it was.

A lot of the time, you're doing business of upwards of 10%, 20% or 30% of your total sales to a single customer. If that customer doesn't pay you, it can be very harmful.

**Ms. Lianne Rood:** How many farmers that export to the U.S. would you suggest this would affect?

Do we have a statistic or a number of produce farmers who may export?

**Mr. Quinton Woods:** I'm not sure we have that specific number here today. We can get it for this committee.

Just from looking around in our industry, I would say that most of the packers, marketers and grower-packers would export some sort of volume to the United States.

**Ms. Lianne Rood:** Thank you very much for those answers.

How has the lack of protection impacted sales to the U.S.? Do we have an idea?

Have there been reservations from wholesalers in the United States about doing business with Canadian farmers?

**Mr. Quinton Woods:** I think we have to flip the coin here, and we have to look at the United States.

Fortunately, there's still some access, whether we call that access or not, to the United States PACA system, but we have to look at whether we are actually looked at as a potential market for U.S. shippers. Currently, there is no protection here for U.S. shippers.

We have to look to see if we're a market that attracts interest from shippers in the United States. As Mr. Davidson alluded to earlier, three-quarters of our lettuce comes from outside this country. We have to make sure that we continue to have access to those vegetables from the United States.

• (2000)

**The Chair:** Thank you very much, Ms. Rood and Mr. Woods.

Mr. Turnbull, you have six minutes.

**Mr. Ryan Turnbull:** Thanks to all the witnesses for being here today. This is an important conversation.

Mr. Webber, maybe I'll start with you.

Based on your experience in dispute resolution, how do you anticipate this bill will impact disputes between suppliers and retailers?

**Mr. Fred Webber:** Do you mean suppliers and retailers in the U.S.?

**Mr. Ryan Turnbull:** No, I mean in Canada.

**Mr. Fred Webber:** It's a very difficult question.

The DRC has been set up and operating for a long time. Before I retired, most of the problems that would come up regarding dispute resolution or payment issues between farmers and large retailers were really resolved through informal mediation. It operates much the same way as PACA in the United States does.

These are business people; they'll listen to reason. You have a neutral party in the middle that knows how the game is supposed to be played. If they are confused about what their deal was, well, there are default rules. The DRC has default rules. The PACA has default rules.

I don't think this particular legislation will have an impact on dispute resolution per se. As I mentioned in my opening comments, where the change is going to come is when somebody won't pay and they are just adamant they won't pay, the DRC can take away their membership, which means they can't buy and sell produce anymore. However, they can't enforce any payment.

I hope that answers your question.

**Mr. Ryan Turnbull:** Thank you. Yes, it does.

How will this bill affect the operations of the Fruit and Vegetable Dispute Resolution Corporation, in your view?

**Mr. Fred Webber:** The DRC and PACA have had a long history of working together. In fact, the PACA actually handles a few of the disputes for the DRC. Then we talk back and forth regularly because the systems are so common.

As this reciprocity returns, there will become more U.S. members. There will be more applications to DRC to resolve disputes. That's all good stuff because as Quinton was mentioning, this is not a one-way street. The relationship between the U.S. and Canadian growers is very important. Canadian produce flows south when there's an abundance of Canadian produce. We make up for the shortages during that long, cold Canadian winter with product from the United States.

Overall, it's going to make everything better.

**Mr. Ryan Turnbull:** Thank you for that.

Mr. Currie, if I have any time left, I'll ask you a quick question.

From the CFA's perspective, how will this bill potentially impact the agricultural sector?

**Mr. Keith Currie:** The thing that we need to realize—and it's been spoken about tonight already—is that this is about risk management. That's really what it's about. Growers across the coun-

try... Regardless of whether you're growing livestock or produce crops, from the time you put the seed in the ground, propagate plants in a greenhouse or breed cattle or livestock until that product has matured, there is risk involved, but there's manageable risk. There are tools available to help you minimize that risk.

When it comes to the horticultural sector, once that product leaves the farm, then you are the only risk tool that's available. You have to self-insure the risk. There's a lot at stake for our producers. As I said, I've been involved in this farm advocacy game for almost 40 years now, and I've spent a lot of time in the province of Ontario through the organizations there. It's been something that's been desperately needed for nearly a decade now, so it's very important to our farmers.

**Mr. Ryan Turnbull:** Thank you.

Do you foresee any challenges in terms of the implementation of this bill, Mr. Currie? We're having an open conversation, so if you do, it's okay. We can work through it. I think there's a lot of support for this bill.

**Mr. Keith Currie:** Yes. I think it's inherent on this committee to work with both the industry and Mr. Davidson, the proponent, to make sure that the i's are dotted and the t's are crossed to ensure that the bill is as good as it can be. There are always unintended consequences. However, get it as right as you can, and more importantly, let's get it in place now. We can always fix it afterwards if there are problems that we see going forward with language and whatever, but yes, let's get it done.

• (2005)

**Mr. Ryan Turnbull:** How much time do I have, Mr. Chair?

**The Chair:** You have a minute and a half.

**Mr. Ryan Turnbull:** Oh, perfect. That's more time than I thought. Wonderful. The luxury of time doesn't usually come easily around here.

Ms. Lee, perhaps I'll ask you a question. How do you anticipate that this bill will impact the trade and marketing of perishable fruits and vegetables?

**Dr. Rebecca Lee:** I will actually turn that over to Quinton. He's more of a marketer than I am.

Thank you.

**Mr. Quinton Woods:** I truly believe that this would help promote and increase our trade, both domestically and abroad. This is a bill that would offer people peace of mind and allow them to sleep at night, knowing that they have access to some sort of money at the end of the day.

The reality is that 10% of your payable could keep you living for another day. That's the protection that we don't have now. Most of our growers in bankruptcy are walking away with nothing.

**Mr. Ryan Turnbull:** It's really about risk management and financial stability for our fruit and vegetable growers. Is that right?

**Mr. Quinton Woods:** Absolutely.

The reality is that we're talking high-value crops, the necessities of life, the basic fruits and vegetables. Our growers just want peace of mind and assurance that they're going to get some sort of payment at the end of the day.

**The Chair:** With that, now you are out of time.

**Mr. Ryan Turnbull:** Thank you very much, Mr. Chair.

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

Thank you, Mr. Woods.

[*Translation*]

Mr. Perron, you have the floor for six minutes.

**Mr. Yves Perron:** Thank you very much, Mr. Chair.

I'd like to thank the witnesses who are with us today, whether online or in person. We're pleased to have you here. We all know that other tasks await you on your farms, and that your time is precious.

My questions are for Ms. Lefebvre or Mr. Léger Bourgoin.

Earlier on, I was discussing something with Mr. Davidson and we didn't have time to finish. It was about identifying who was being protected. Mr. Drouin addressed this to some extent when he asked whether it was the growers we really wanted to protect, or rather the distributors. I know that many of you deal with wholesalers.

At what stage in the process does it become essential to ensure that the money gets to the growers when there is a claim and a payment to be made?

**Ms. Catherine Lefebvre:** It's a domino effect. As I was saying earlier, the products that leave the farm are extremely perishable. We don't know what's going to happen in the process once our products have been delivered to the initial buyer, or how important it is in this bill to protect growers first and foremost. The important thing is really to start at the bottom of the ladder.

**Mr. Yves Perron:** We're going to make sure that it's formulated in a way that would ensure this. It's important to specify this concern properly.

I asked Mr. Davidson another question about a matter that is frequently raised by the opposition, which is the fact that the total losses for all creditors in the Canadian fruit and vegetable sector represents less than 0.1% of total sales in recent years. The conclusion was that this figure was artificially low.

Ms. Lefebvre or Mr. Léger Bourgoin, do you have any comments to make on that?

**Mr. Patrice Léger Bourgoin:** Well, like any other entrepreneurs, produce growers analyze their opportunity costs before investing in a new or existing market. The case in point right now is the export market to the United States.

Although the bankruptcy situation exists, there's another situation that I would call "latent". It's similar to what Mr. Woods explained earlier. As soon as a company is in a poor financial position, produce growers can very quickly have the rug pulled out from under them.

Right now, producers considering entering the American market have three options.

The first is to reject the American market and give up potential sales to a population of 332 million, because they feel the risk is too high.

The second is to monitor the client's line of credit very closely, and as soon there appears to be an issue, or a liquidity problem, stop shipments or simply cut business ties.

The final option, which you yourself mentioned earlier, would be to accept partial payment in settlement of the debt because it's impossible to retrieve these highly perishable products.

**Mr. Yves Perron:** Thank you.

Let's return now to the possibility of adopting this bill fairly quickly—we're all hoping for it and things have been going smoothly so far—and restoring protection in the United States as provided in the American PACA act.

There's been a lot of talk in your sector about reciprocity for standards pertaining to requirements and about what can enter the country from abroad. It was pointed out earlier that there were a lot of imports. We have been wondering whether these standards would be the same in Canada.

In connection with financial protection, you already know that American producers are much better protected than you are in the event of non-payment.

Do you feel you are working on a level playing field, given the foreign competition?

• (2010)

**Ms. Catherine Lefebvre:** At the moment, we are definitely not working on a level playing field.

The reciprocity of standards is hurting us, and we don't have the reciprocity provided under the PACA.

As you were saying earlier, that elicits a number of problems in connection with the sustainability of our sector.

We are indeed not on a level playing field.

**Mr. Yves Perron:** So the adoption of this bill would have a highly positive impact.

Do you have any other comments about the importance of passing this bill?

There may be something we haven't yet discussed. There might be concerns about the enforcement of the act if the bill is passed, at least in the initial months.

**Ms. Catherine Lefebvre:** I'll ask my colleague to answer your question.

**Mr. Patrice Léger Bourgoin:** Essentially, action is needed urgently and we need the financial protection mechanisms in Bill C-280.

Production costs have been increasing substantially for two or three years now. Transportation costs, including the price of diesel, to ship products to the United States have increased dramatically. The financial risk for the Canadian horticultural sector is greater than ever.

I might also add the fact, which you yourself mentioned earlier, Mr. Perron, that extreme weather conditions can, from one day to the next, cause considerable losses.

It's unrealistic to think, given the current economic context in our sector, that we can continue to have access to the huge U.S. market without some form of protection.

**Mr. Yves Perron:** Thank you very much.

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

To conclude the first round of questions, I'm now giving the floor to Mr. MacGregor for six minutes.

[English]

**Mr. Alistair MacGregor:** Thank you very much, Mr. Chair.

Thank you to all of our witnesses.

Mr. Currie, I think this is your first appearance as president of the CFA since your inauguration. I want to offer you congratulations. You're certainly no stranger to this table.

I'd like to put my first question to you. As president of the Canadian Federation of Agriculture, you're kind of flying at 30,000 feet, and you have the bird's-eye view of the entirety of Canada's agricultural sector.

You know, there's a lot of support for this bill around this table, but at times we have to play devil's advocate and try to think of what some of the objections would be. I think we've heard a very real and solid case for why this bill is necessary for the fresh fruit and vegetable sector, but some people may ask about other perishable products in other sectors such as dairy, eggs and various meats.

Some of those sectors are under supply management, which has its own ways of doing things. As president of CFA, could you respond to some of the concerns that might be raised about other perishable products in other sectors?

**Mr. Keith Currie:** Certainly there are risks in all aspects of agriculture, no question about it, but in most other industries outside of horticulture there are protection types of assets available to producers in various different types of ways. There are business risk management tools. There's insurance that you can buy. There are options for growers and producers that they can purchase or they can secure to at least minimize the risk of growing that product.

However, with horticulture that's not so much the case. Not only would this bill ensure that financial protection, but let's not lose sight of the confidence that it gives growers to go forward, to not only grow for the year but to look at growing their business, expanding their business. There's the economic input that has, not only for the immediate rural area with further employment but all the communities it's going to support and grow down the road, as well as the food security issue, both domestically and internationally. That's why this bill is important.

You're right. There are other products grown out there, agricultural products, that do face risks, but those other products along the way have some tools available to them that can help support the minimization of that risk.

• (2015)

**Mr. Alistair MacGregor:** Thank you very much for that.

Mr. Webber, I'd like to turn my questions to you and this may allow you to expand on your opening statement.

Our committee in the previous Parliament, when we were looking at business risk management programs, came out with a recommendation, one of several recommendations, to create this statutory deemed trust. In the government's response to that particular recommendation, they said, and I'm going to quote from the response:

Under the Safe Food for Canadians Regulations, fresh produce sellers and buyers who trade inter-provincially and internationally are required to be members of a single dispute resolution body, the Fruit and Vegetable Dispute Resolution Corporation. This in itself provides additional protection for our fresh produce farmers and sellers.

Do you have any additional comments or response to that particular couple of sentences we saw in the government response to our recommendation?

**Mr. Fred Webber:** I think it's an accurate statement, as far as it goes. Certainly, the DRC provides dispute resolution, but this bill is not about dispute resolution. This bill is about getting paid when there's been an insolvency.

I don't have any problem with that statement. The DRC is very important to the industry. It, quite frankly, satisfies part of PACA's requirement to return reciprocity with the United States. Again, the DRC cannot do anything with an insolvent firm.

**Mr. Alistair MacGregor:** If I'm interpreting you correctly, that in itself is not a statement that could be adequately used as an argument against Bill C-280. It's great that it exists, but additional protections are needed through Bill C-280.

**Mr. Fred Webber:** That's correct.

**Mr. Alistair MacGregor:** Thank you for that.

For my next question, just for the fruit and vegetable growers, I know because of how connected our two economies are, Canada and the United States, that you have a lot of contacts down south and that may also involve members of the government in the United States Department of Agriculture and members of Congress. Is there a guarantee that, if we do embark on this path of getting Bill C-280 passed into law, we will regain preferential status under PACA?

**Mr. Quinton Woods:** As Mr. Davidson said earlier, we cannot speak on behalf of the United States. To the best of our knowledge, and what we have been told by the United States, it would definitely open the door to reciprocity again.

**Dr. Rebecca Lee:** Could I possibly redirect that to Fred Webber, because he's been more in contact with the people who would be able to answer that.

**Mr. Alistair MacGregor:** Sure.

Mr. Webber, do you want to jump in?

**Mr. Fred Webber:** Sure. Thank you, Rebecca.

There's no mystery about getting reciprocity back. It doesn't require Congress. It doesn't require anything. The Perishable Agricultural Commodities Act itself provides that, if another country has a system that is deemed to be equivalent to theirs—so the DRC satisfies part of that—and if we had an insolvency tool, it's automatic. Any other country—Mexico, Chile, South Africa—if they want to put in a DRC and come up with an insolvency tool, they too could be granted reciprocity under PACA.

I'm not sure where this idea came from that it requires an act. You're right. I worked at PACA and I know a lot of the people. We've had letters assuring us that if this happens.... It really is a—

[*Translation*]

**Mr. Yves Perron:** I am sorry to interrupt, Mr. Webber, but Mr. MacGregor has run out of speaking time.

Thank you, Mr. MacGregor.

Over to you now, Ms. Rood, for five minutes.

**Ms. Lianne Rood:** Thank you very much, Mr. Chair.

[*English*]

We are set to lose 40% of our farmers in the next 10 years. That's a staggering statistic that we've heard recently. In many cases, the next generations in produce farming are not choosing to be in the business because of the risk associated with this industry. This is going to affect our food sovereignty, but this bill provides another tool in the tool box for our growers, for the next generations who will be growing perishable products.

Now, not all growers sell to grocery stores. Some sell to wholesalers or some sell to brokers. It's common practice in this industry for this to take place, so not all packers of produce are growers.

Mr. Woods or Dr. Lee, can you perhaps tell us why it's so important that this bill should apply to suppliers and not just to growers?

**Mr. Quinton Woods:** Thank you for the question.

I think that's very important. The reality is that the growers are the lowest common denominator on the totem pole. There's been mention made many times over the last couple of years about how a lot of what we do in our business is low margin. As we transact throughout the supply chain, we need to make sure that the next step in the supply chain is also covered. If we are selling to a wholesaler who then sells to a retailer and the retailer goes bankrupt, that wholesaler would need access to ensure that money trickles back to the grower.

I think, as the bill is written—produce growers and sellers—that is a very important statement, and it's something that we would definitely support.

• (2020)

**Ms. Lianne Rood:** Thank you very much.

I'm going to turn my time over to Mr. Lehoux, Chair. Thank you.

**Mr. Dave Epp:** Actually, I'll assume it for the moment.

Mr. Webber, you were finishing a question from Mr. MacGregor. Can you please complete that answer?

**Mr. Fred Webber:** I think I lost my train of thought.

It really was that there's nothing magical about this. It's a stroke of the pen. Do you satisfy the requirements under the PACA or don't you? Right now, we've been told that if we have an insolvency tool, we satisfy it and we get it back.

**Mr. Dave Epp:** That would then also be expanded to other countries that would meet that same threshold. Is that correct?

**Mr. Fred Webber:** In reality, that's not likely to happen.

The U.S. and Canada have had regulatory backdrops for fruits and vegetables for going on a hundred years. No other country, really, has come forward and has done the dispute resolution or had the kinds of grade standards or the kind of co-operation that the U.S. and Canada have.

Yes, it's possible but not very likely.

**Mr. Dave Epp:** Thanks.

I'm going to direct the next question to the panel that's in person here.

In a previous life, I spend some time in the processing vegetable industry negotiating contracts where terms of payment were very important. We examined competing jurisdictions with their own rules, and we found that Midwestern states often had protections for primary producers, where they place them in a superpriority position, not just as unsecured creditors.

Can you talk about the implications? Have the banks pushed back at all here in Canada? Have you had any negative push-back, let's say, because of the superpriority position as you've represented your stakeholders? Maybe we can begin with FVGC.

**Dr. Rebecca Lee:** Thank you for the question.

We have not had push-back. Informal conversations would suggest that certainly, like in the United States, having a strong client is in their interests. That's about all the discussions we've had. We haven't seen any push-back.

**Mr. Dave Epp:** Okay. Thank you.

Is there anything, Mr. Currie, in 10 seconds? My colleague does have one question still.

**Mr. Keith Currie:** Very quickly, in our brief conversations with some financial institutions, this isn't an issue at this point, so it's not a concern yet.

**Mr. Dave Epp:** That's excellent. Thank you.

Go ahead, Mr. Lehoux.

[Translation]

**Mr. Richard Lehoux:** Thank you.

Ms. Lefebvre, you mentioned that about half of Quebec's fruit and vegetable products are exported to the United States, and that 70% of all farms, particularly in Quebec have fewer than five hectares of land.

If the bill were enacted quickly, could it help growers in various ways, including allowing them to expand their farms? Would it help smaller farms become medium-sized farms and medium-sized farms become bigger?

**Ms. Catherine Lefebvre:** Our greatest fear right now is losing farms. If the bill merely guaranteed sustainability in our sector and enabled the farms to survive, we would lose fewer growers.

**The Chair:** All right.

**Mr. Richard Lehoux:** Thank you very much, Ms. Lefebvre.

**The Chair:** Thank you, Mr. Lehoux and Ms. Lefebvre.

Mr. Drouin, you have the floor for five minutes.

**Mr. Francis Drouin:** Thank you very much, Mr. Chair.

[English]

Mr. Webber, I think you've mentioned that it just takes a check mark in a box for the U.S. to recognize Canada's system. I've been around this place for a long time. Well, it's not that long, but I've certainly worked with government for a long time, and I know it's never as simple as just a check mark.

Do you understand the U.S. process to ensuring that we do get the recognition and the reciprocity? I think that's the whole point, or part of it anyway. It's an important criteria for us to support this bill. I think that's what the agriculture community was asking for, because of the unfair treatment they were getting down south.

Do you have any advice for this committee in terms of who we may invite to get assurance that we will get this recognition down south? Maybe former colleagues or...?

• (2025)

**Mr. Fred Webber:** I'm a little hesitant to name names in this forum. I would much rather get back to you, perhaps.

**Mr. Francis Drouin:** We'll summon you—just kidding.

**Mr. Fred Webber:** As you look at my age—and I'm retired—you can imagine that lots of the senior public servants within PAC are people I know very well. One of them rose to a level just below the secretary. It is an administrative decision. I would suggest to you that you could reach out to any senior agricultural person in agriculture, and you'd get that same reassurance.

**Mr. Francis Drouin:** Thank you so much.

Mr. Woods, you've certainly talked about the fact that exporters to the U.S. have to, in some circumstances, double the bond. Can you talk to me about what that means for businesses in Canada when you have to essentially guarantee double of what you're selling down south, and the impact on cash flow?

**Mr. Quinton Woods:** The reality is that you're already in a claim position, because you haven't been paid. Then, for the duration of the claim, you have to post a bond for double the value of your claim. If a claim is \$500,000, you have to post a million dollars. If it's a million dollars, you have to post two million dollars, which then further takes that cash from your cash flow.

I would go as far as to bet that it would be almost impossible for most growers, most marketers and most packers to post that bond in that situation in the current environment. Growers are being forced with high expenses and our profit margins are not brisk by any means. I would say that on cash flow it would be very hard to post that bond.

**Mr. Francis Drouin:** Okay.

Obviously, we've talked about the objective of this bill, and we've talked about the supplier relationship. Do you see any scenarios where retailers could be in a supplier position defined by law? For instance, many small businesses buy supplies from Costco. Would that allow them to be in a supplier position?

**Mr. Quinton Woods:** I think the reality is that in that position the retailer is the point of sale. They're getting their payment at the cashier. I don't see how that would put them in a position to make a claim on a restaurant, a wholesaler, a job or by any means. There could be certain situations in which a retailer could become a supplier. If a large retail distribution centre is providing an independent retailer with vegetables, they most definitely could become a supplier—rightfully so, but those situations are probably very few and far between.

In reality, it is our expectation, as Fruit and Vegetable Growers of Canada, that all produce sellers along the supply chain should be protected under this legislation. If they happen to be a supplier, they should be protected—and rightfully so.

**Mr. Francis Drouin:** From your understanding in reading this particular bill, growers and greenhouse growers would be protected under Bill C-280.

**Mr. Quinton Woods:** Absolutely. All produce fruit and vegetable growers across this country, including greenhouse growers, would be included in that legislation.

**Mr. Francis Drouin:** Thank you so much.

**The Chair:** We'll now go to Monsieur Perron.

[Translation]

Mr. Perron, the floor is yours for two and a half minutes.

**Mr. Yves Perron:** Thank you very much, Mr. Chair.

Ms. Lee, when I asked the people from Quebec earlier, they were unanimous about the fact that growers needed this bill

Is the rest of Canada also unanimous about the need for rapid action? Do all the growers want to see Bill C-280 passed?

**Dr. Rebecca Lee:** Definitely.

The situation is the same in all the provinces. We've also received letters from every province. Growers were talking about it at all the meetings we attended, and at our annual meetings. They definitely need this act.

**Mr. Yves Perron:** Earlier on, the problems being experienced by the growers were raised. Some were no longer planting their fields and others decided to grow something other than fruit and vegetables. They were transitioning to field crops because of the lower risk.

Have you heard any testimony about this? Statistically speaking, do you know whether the number of produce growers is declining across Canada?

[English]

**Dr. Rebecca Lee:** Unfortunately, we don't have the stats on that. However, there are a number of reasons why growers could leave, and there is a lot of uncertainty in the sector, from getting the labour they need to getting the inputs they need to be able to make sure that they are able to sell their product, and all of their product.

We have seen stats on food loss at the farm level. All of those inputs they are not able to get, or people do the harvest, influence the amount of product they end up being able to sell. If they don't have the certainty of being able to get paid, it's just one more aspect they have to worry about.

We can start talking about mental health. That's a whole different story, but it definitely influences there as well.

• (2030)

[Translation]

**Mr. Yves Perron:** Mr. Currie, would you like to comment on that?

**Ms. Catherine Lefebvre:** Excuse me.

Were you asking, me, Mr. Perron?

**Mr. Yves Perron:** I was asking Mr. Currie.

[English]

**Mr. Keith Currie:** Could you repeat the question? They didn't interpret it.

[Translation]

**Mr. Yves Perron:** I was asking you whether you wanted to add something about the problems being experienced by growers and the fact that they were transitioning to field crops.

[English]

**Mr. Keith Currie:** No, I think Rebecca covered it quite nicely. This is an important bill. We need this bill.

[Translation]

**Mr. Yves Perron:** Okay.

[English]

**The Chair:** Mr. MacGregor, take us home for two and a half minutes.

**Mr. Alistair MacGregor:** Thank you very much, Mr. Chair.

I'll save my last question for the fruit and vegetable growers.

I want to read from the government response to our recommendations. I want to note that our recommendations have had all-party support, so that includes Liberal members of Parliament. They have been unanimous. I think our committee's frustration has been with the government. I want to acknowledge that, while legislators, we have been doing our work to try to get this. Our frustration has been with the government.

I want to read a quote. In that response, the government stated:

To date, there has been insufficient evidence provided to support changes to the insolvency legislative framework. Insolvency losses within the Canadian fresh produce sector are small, with total losses to all creditors in fresh produce insolvencies making up less than 0.1% of total sales in recent years.

I'll open the floor to you, because I think this is the crux of the matter of why we're here, depending on a private member's bill.

What is your response to that government response to a clear recommendation?

**Dr. Rebecca Lee:** Thank you.

I think it's been discussed tangentially a number of times how farmers find it easier to just walk away when they're not able to put a complaint through the process. Perhaps Quinton could go more into that.

**Mr. Quinton Woods:** Thank you for the question.

As Mr. Webber said in his opening statement, a lot of the time in this industry, the growers don't know who the other creditors are, so it's hard to form a bankruptcy class. What happens is that, a lot of the time, there are businesses that just go bankrupt and walk away. A lot of the statistics are flawed in the fact that they're not capturing that.

In our township alone, in Holland Marsh, we've seen three instances of that in the last 10 years, so a lot—

**Mr. Alistair MacGregor:** I think Mr. Webber made reference to the valiant efforts. StatsCan has tried to get the correct stats, but when no one reports them, you can't bring them out to the dataset.

**Mr. Quinton Woods:** When there is no true bankruptcy or insolvency, it's hard to report stats. I know of three situations where people just walked away, closed down their business and started again. Those did not get accounted for statistically as a bankruptcy.

There are a lot more bankruptcies within the sector.

**Mr. Alistair MacGregor:** Thank you for clarifying that.

**The Chair:** Thank you, Mr. MacGregor and Mr. Woods.

Colleagues, that brings us to the end of our second panel. On behalf of all of you, I'd like to thank our witnesses for making the time this evening, those who joined us online virtually and those who had the opportunity to be here in the room. Thank you for your respective work in the name of agriculture and our farmers across the country.

Colleagues, on Wednesday, we will be drafting our environmental contribution of agriculture report, version number one. We don't have enough time today, but I would ask.... I know Mr. Barlow's not here, but Mr. Perron, Mr. MacGregor and Mr. Turnbull are here. We need to have a conversation off-line about what next week

could look like. There is some uncertainty with the House proceedings and how long we will be here.

My desire would be that, if we are able to get the report done on Wednesday, we can have a conversation about whether you want to do something next week. Otherwise, we will resume our activities when we come back in September when the House returns.

We can talk about that off-line. Thank you everyone, and good night.

The meeting is adjourned.

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