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# Standing Committee on Agriculture and Agri-Food

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Chair: Mr. Kody Blois





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Thursday, October 10, 2024

• (0820)

[English]

**The Vice-Chair (Mr. John Barlow (Foothills, CPC)):** Good morning, colleagues. Let's get this started.

We have some committee business we need to address before we get into the testimony from our witnesses here today—a couple of things left by our chair, Mr. Blois.

The first one is this. We have a group of representatives from the U.S. House of Representatives' ag committee. They are going to be visiting Ottawa on Tuesday, October 22, and Wednesday, October 23, after we come back from the Thanksgiving constituency week. This will include Chair Michael Burgess of the House Committee on Rules—a representative from Texas—and Representative Michelle Fischbach from Minnesota, who is also on the House Committee on Rules. They will be accompanied by a few staffers. We have invited them to meet with us during our regularly scheduled committee time.

To make that happen, I need us to unanimously approve a motion to have that meeting.

The motion would read:

That the committee meet, in an informal meeting, in camera, with a delegation of members from the U.S. House of Representatives during the week of October 21, 2024; and that the committee defray the hospitality expenses related to this meeting;

Basically, it's saying that we will meet with them and that we will cover the cost of that meeting.

Are there any concerns, colleagues? Is there unanimous consent to do that?

**Some hon. members:** Agreed.

**The Vice-Chair (Mr. John Barlow):** Thank you.

There's one more piece of business.

I haven't had a chance to speak to Mr. Cannings, but the chair and I spoke briefly over the last few days. There is an issue with Bill C-280 in the Senate. It was unanimously supported by this committee and 337:1 in the House. The chair, the NDP and I thought it might be worthwhile sending a letter to the Senate trade committee reinforcing the fact that this was unanimously supported by this committee. We have done a lot of work on that private member's bill, and it was strongly supported in the House. We thought we would send a letter reinforcing this committee's message.

Mr. Perron.

[Translation]

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

I completely agree with your proposal. I also suggest that a letter be sent to the Standing Senate Committee on Foreign Affairs and International Trade regarding Bill C-282. I think you follow the news. This bill is dragging its feet and is being kept in committee deliberately by a few individuals. I think that the elected members of the House must send clear messages when a bill is passed. As you said, only one person voted against Bill C-280. In the case of Bill C-282, 78% of the members of the House of Commons voted in favour.

[English]

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Perron.

The only caveat is that Bill C-282 did not go through this committee. Bill C-280 did go through the agriculture committee. That is the only difference.

If the Bloc wants to do that, you'd probably get support to do it. You may want it to come from the trade committee. I believe it went through that on the House side. That would be my only comment on that.

Are there any concerns?

Mr. Drouin.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** I agree on Bill C-280, but I'm also supportive of Monsieur Perron's suggestion that we should also include Bill C-282 in that. I think it's no secret that, obviously, we've had lots of supply-managed stakeholders come before committee in the past. It's related to ag. I think our ag committee should be united, in terms of putting pressure on the other chamber to pass the bill, as it is the will of the House. I'm supportive of Bill C-280 and Bill C-282.

**The Vice-Chair (Mr. John Barlow):** Thanks, Mr. Drouin.

I think the move from here is asking the analysts to do up that letter and bring it back to us as quickly as possible. Maybe we'll have two letters, or do we want that as one?

Mr. Steinley.

**Mr. Warren Steinley (Regina—Lewvan, CPC):** Bill C-282 went through another committee. I understand it for Bill C-280, but not for Bill C-282. We have our votes in the House, but it didn't go through this committee. For us to send a letter on Bill C-282 would make less sense.

**The Vice-Chair (Mr. John Barlow):** Thank you.

Ms. Rood.

**Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC):** I was just wondering if Bill C-282 went through a different committee in the Senate than Bill C-280 did in the Senate. It does not make sense to comment on a bill that we did not see before this committee and urge the other chamber to pass something when we did not even talk about it here.

It is not that we are not supportive, but it just doesn't relate to this committee.

**The Vice-Chair (Mr. John Barlow):** Thank you.

I see pretty unanimous consent on Bill C-280, so I think we can move with that. The analyst can do that letter.

Do we want to put the letter on Bill C-282 to a vote? We could discuss this all day, but we do have some colleagues here who want to testify on this current study. Rather than debating this around the table, do we want to just have a vote on whether to do a similar letter for Bill C-282 that would go to the finance and banking committee?

Mr. Perron, do you feel that should be the way to go?

[Translation]

**Mr. Yves Perron:** I agree that we should vote. At worst, we'll do two separate letters, but let's vote.

[English]

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Perron.

I think we're good on Bill C-280. We've agreed to that. I don't see any concerns.

Do you want a recorded vote, Mr. Perron, or do you want to just go around the table and see where we're at?

[Translation]

**Mr. Yves Perron:** I call for a vote.

[English]

**The Vice-Chair (Mr. John Barlow):** Looking at my colleagues, I think we're fine. Therefore, we'll do a letter on Bill C-280 and a letter on Bill C-282, with similar messages. There will be two different letters.

Thanks, colleagues. We appreciate everybody's congeniality on that. Now we will go to our business at hand.

I call the meeting of the House of Commons Standing Committee on Agriculture and Agri-Food to order.

I will give a couple of reminders.

I know our witnesses have been here many times before, so this is probably a little redundant. The meeting is taking place in a hybrid format.

The proceedings will be made available on the House of Commons website. Just so you are aware, the webcast will show the person speaking, not the entire committee. Please don't take photos or screenshots.

To our witnesses, we've had some issues with feedback in the microphones, so please keep your earpieces as far away from the microphone as possible to ensure the safety of our interpreters.

I don't think I need to go through too much; I think everyone has been here before.

Mr. Perron, is this on this issue?

• (0825)

[Translation]

**Mr. Yves Perron:** I want to make sure that the sound checks have been done for the online witnesses.

[English]

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Perron.

Yes, everything has been done accordingly. I appreciate your raising that.

Colleagues, I'll introduce the witnesses we have today for this block.

From the Agri-Food Innovation Council, we have Serge Buy, who is online.

**Mr. Heath MacDonald (Malpeque, Lib.):** I don't think Mr. Maloney was tested.

**The Vice-Chair (Mr. John Barlow):** Mr. Maloney, were you tested for sound prior to the start?

**Mr. James Maloney (Etobicoke—Lakeshore, Lib.):** I was not, Chair. I assumed that meant nobody wanted to hear from me today.

**The Vice-Chair (Mr. John Barlow):** That could very well be the case, but we'll suspend for just one minute to test your sound, please, Mr. Maloney.

• (0825)

(Pause)

• (0825)

**The Vice-Chair (Mr. John Barlow):** Thanks for the heads-up, Mr. MacDonald. I appreciate your looking out for your colleagues.

We also have with us, from the Canadian Federation of Agriculture, Mr. Currie and Mr. Ross, who are certainly no strangers to this committee.

From Pulse Canada, we have Mr. Northey, vice-president of corporate affairs. Greg, it is good to see you.

From Association des producteurs de fraises et de framboises du Québec, we have Jasmine Sauvé, executive director, and Stéphanie Forcier, public relations manager, who are both here by video conference.

To our witnesses, you have about five minutes for your opening statements. Because we have so many witnesses today, I will be keeping you to that five minutes as tightly as I can.

Let's start with Mr. Buy from the Agri-Food Innovation Council for five minutes, please.

**Mr. Serge Buy (Chief Executive Officer, Agri-Food Innovation Council):** Good morning, Mr. Chair.

First, let me thank you for having invited the Agri-Food Innovation Council to speak on border carbon adjustments. As we always do when asked to appear in front of a parliamentary committee, we invited our members and stakeholders to provide their thoughts and information. It forms the basis of my comments.

Generally, there seems to be consensus that a border carbon adjustment can be a tool to safeguard the competitiveness of Canadian producers. It can also influence foreign exporters to implement solutions to reduce their own GHG emissions.

However, we also heard that the sector has a lot of concerns. Let me list the main ones.

Until there are transparent and internationally accepted metrics, it will be difficult to impose BCAs on agri-food products. BCAs should not be implemented in a unilateral manner but rather through multilateral trade agreements. At a bare minimum, it should be a North American strategy and not just a Canadian one.

BCAs were initially designed to deal with oil, steel and cement. Agri-food is a complex sector that will require very careful review. There are so many inputs and outputs in the sector that BCAs will be difficult to implement.

BCAs will also increase prices in grocery stores, and that will create an inflationary pressure. Canadian consumers already struggling with the prices of food do not look forward to this. Basically, it isn't the time.

BCAs are also seen as a way for industrialized countries to transfer the burden of environmental policies to lower-income countries. This is contrary to the Stockholm declaration's recommendation 103, and the principle of common but differentiated responsibilities.

Should BCAs be adopted for agri-food products, funds collected should be reinvested to support new technologies and their adoption. The Canadian government should, in fact, provide more support for the adoption of technologies leading to a decrease in GHG emissions and an increase in productivity and competitiveness.

We should also look at reducing “redundancies, gaps and inconsistencies” and support programs “for intellectual property, research and development, and commercialization”, as was recommended by the Standing Committee on Science and Research in November 2023. A national strategy to coordinate efforts on agri-food research and innovation would significantly help.

Let me focus on some of those concerns.

The first one, which you've already heard in previous presentations, is that there are no internationally recognized and transparent measurements of GHG emissions for the agri-food sector. In

Canada, the number—as mentioned by Mr. Tom Rosser from AAFC during his presentation last week—varies between 8% and 10%. However, it should be noted that Canada's agri-food production is both a source and a sink of GHGs, as noted in a 2021 report from The Simpson Centre for Agricultural and Food Innovation and Public Education.

However, internationally, measurements vary significantly, and the manner in which some of those numbers are collected is not as transparent as in Canada. The lack of internationally agreed-on and verifiable metrics makes it difficult to impose such border carbon adjustments.

• (0830)

[Translation]

During a presentation by the Quebec Produce Growers Association, you heard concerns about measures to prevent certain products that don't meet phytosanitary standards from still entering Canada. You can imagine that it will be difficult to verify exporters' claims about environmental production standards when we don't even have international standards.

[English]

There is some strong consensus, at least expressed by our membership and stakeholders in our consultation, that the BCA should not be imposed unilaterally. One of our stakeholders reminded us of the 2023 Bank of Canada report that stated that, in short, there is value in advancing a BCA policy in Canada to prevent carbon leakage and maintain competitiveness. It is imperative, however, that the BCA only be adopted once it has been aligned with major trading partners in order to draw the maximum benefits.

BCAs will increase costs for consumers. I think there would be consensus in most circles that this is probably not the time to introduce measures that will make groceries even more out of reach to Canadian families. If the intent is to turn around and say to Canadians that the introduction of a border carbon adjustment may increase the cost of food but that it is to protect the Canadian agri-food system, from the farm to the food processors, please don't. Invest in further research and the scaling up of existing technologies, and support their adoption. Broaden funding opportunities to be less restrictive and more strategic. This would support the Canadian agri-food sector in its efforts to further decrease its GHG emissions, increase productivity and become even more competitive.

While border carbon adjustments are an option, there is a lot of work to be done before they should be implemented. We would recommend that the government start the work that is needed prior to implementing such border carbon adjustments.

Canada represents 1.5% of the world's total GHG emissions. That's not a high number, but like Mr. Drouin stated in a discussion at a previous meeting, it doesn't mean we can't do more. The question is whether this is the right measure. At this time, and without having addressed the nine issues that I listed earlier, I would say no. There are many other things that can be done that would have a much more positive impact.

Thank you, Mr. Chair.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Buy.

Now we go to the Association des producteurs de fraises et de framboises du Québec.

Madame Forcier and Madame Sauvé, it's over to you for five minutes, please.

[*Translation*]

**Ms. Jasmine Sauvé (Executive Director, Association des producteurs de fraises et de framboises du Québec):** Good afternoon, Mr. Chair and members of the committee.

My name is Jasmine Sauvé, and I'm the executive director of the Association des producteurs de fraises et de framboises du Québec. With me today is Stéphanie Forcier, the association's public relations manager. Thank you very much for the invitation. It's a privilege to speak to you today.

The Association des producteurs de fraises et de framboises du Québec represents nearly 350 businesses of different sizes throughout the province. In 2021, the production sector was worth over \$85 million, making Quebec the largest strawberry-producing province in Canada and the third for raspberry production. In North America, we rank third in strawberry production, behind California and Mexico.

For Quebec strawberry and raspberry producers, reciprocity of standards is a fundamental issue. Imported strawberries and raspberries are in direct competition with our local products. These imports come mainly from California and Mexico, which are regions where production conditions are very different from ours. In fact, strawberry sales from Mexico to Canada have increased by 65% in five years.

When it comes to production conditions for local products, Canada has established strict regulations governing food safety and traceability, guaranteeing Canadians safe food. Among other things, authorized phytosanitary products are rigorously regulated, and we support that regulation. However, it's imperative that imported products meet the same requirements as those imposed on our producers.

Take bifenthrin, for example. Bifenthrin is an insecticide that hasn't been approved for use in Canada for raspberries since December 2017 because it's considered too dangerous and highly toxic for pollinators. However, this product is still widely used to control a number of insect pests and is approved in California and Mexico for the production of strawberries and raspberries. So imported strawberries and raspberries from these regions contain residues from this pesticide. The product was found on samples of imported

strawberries, at a high concentration, by Quebec's ministry of agriculture, fisheries and food.

If Canada considers certain crop protection products to be a risk to human health or wildlife, why does it allow the importation of strawberries and raspberries grown with these substances?

The problem of phytosanitary products doesn't end there. Pesticide residue limits allowed in strawberry and raspberry production in California and Mexico are higher for several molecules. This has a direct impact on the safety of imported berries, but again, Canada allows them to be imported.

In addition to production conditions, Californian and Mexican strawberries and raspberries are produced within a framework of social standards that differs considerably from that applied in Canada. In 2022, the minimum daily wage in Mexico was 172 Mexican pesos, or just over \$12 Canadian. This means that a strawberry picker's hourly wage in Mexico is less than the hourly wage of a strawberry picker in Canada. This is particularly significant for our sector, where 55% of production costs are labour-related and where few, if any, berry production tasks can be mechanized.

These two aspects—the differences in production conditions and social standards—undermine the competitiveness of our companies, especially in a context where strawberry and raspberry exporting regions are resorting to dumping strategies in our market. In periods of overproduction, California and Mexico export fruit at prices below their production costs, particularly to the Montreal market, in order to preserve prices in their own markets. These fruits flood our domestic market and unfairly compete with berries grown to the societal standards we've established. This makes it impossible for our producers to compete fairly and equitably.

With respect to carbon border adjustments, given international competition, differences in carbon pricing can be problematic. Although strawberry and raspberry production generally emits few greenhouse gases, for strawberry producers to be able to compete with fruits and vegetables imported and produced elsewhere in Canada, there must be a symmetry of standards at the border, but also between Canadian provinces. Let's not forget that agricultural producers are stewards of biodiversity and that their actions are part of the solution. This has already been mentioned by witnesses in previous meetings, but mechanisms for compensating environmental services must be more present across the country.

● (0835)

I also want to highlight the importance of promoting environmental sustainability in our sector. Consumers are becoming more and more sensitive to environmental issues. Our producers are meeting these expectations by adopting sustainable farming practices. Food affordability shouldn't be an argument for sacrificing local agriculture by implying that buying local is more expensive.

In conclusion, the competitiveness of Quebec's strawberry and raspberry sector is seriously affected by high social standards and a demanding production environment, without equivalent constraints on imported products. If food can be produced at such a low cost, we have to ask ourselves who has been exploited: Is it the flora, the fauna or the human?

It is essential that we act in a consistent manner by applying the principle of reciprocity of standards, including social standards. The sector needs the support of its elected officials now more than ever.

Thank you for your attention. My colleague and I are available to answer your questions.

**The Vice-Chair (Mr. John Barlow):** Thank you, Ms. Sauvé.

[English]

Now we go to the Canadian Federation of Agriculture and the president, Mr. Currie.

You can now give your presentation for five minutes, please.

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

It's good to be back in front of this committee one more time.

As most of you know, my name is Keith Currie. I'm the president of the Canadian Federation of Agriculture, and I'm an eighth-generation farmer here in Ontario.

I just want to start by saying that Canadian farmers are committed to sustainability, and we do applaud the committee for taking a very proactive approach in studying this emerging issue.

I'll get straight to the point. Our main concern with discussions related to the implementation of border carbon adjustment mechanisms—or BCAs, as I'll refer to them—relates to their potential to establish non-tariff barriers to trade and undermine Canada's competitiveness, if not done correctly.

As an example, Canadian supply chains for inputs such as fertilizers, pest management products, and equipment are highly integrated with the United States. Given the absence of carbon price in the U.S., we are concerned that a Canadian BCA would increase the price of critical agriculture inputs here in Canada. A large portion of farm inputs, supplies and equipment are imported into Canada as manufactured products. Any additional carbon levy or import surcharge on these imported goods would add more carbon-related costs onto primary producers, further reduce farm operating margins, and negatively affect their competitiveness in global markets.

Furthermore, we have been very clear on our ongoing concern regarding the impact the carbon tax is having on Canadian farm

profitability, sustainability and competitiveness. As this committee is well aware, we have always been and remain supportive of Bill C-234, which in its original form would have provided much-needed relief to Canadian farmers across this country. While we do believe measures like BCAs could play a part in levelling the playing field for Canadian farm businesses, the lack of international guidance or standards on this front could result in inconsistent unilateral approaches that establish protectionist non-tariff barriers to trade under the guise of sustainability.

Given these concerns, any consideration of BCAs in a Canadian context can only work if Canada were to form part of a coalition of countries and regions that implement BCAs, including the United States. In addition, we would need to see strong multilateral disciplines, including a rules-based approach underpinned by science-based standards. Without such international disciplines and widespread international adoption, BCAs would have limited value for Canadian agriculture exports, given the lack of developed domestic carbon pricing systems in key export markets.

Were Canada to explore a Canadian approach to BCAs that is not harmonized with U.S. policy, including the level of subsidy supports to affected industries, there is a significantly higher risk that Canadian producers would bear the higher prices. At the end of the day, Canadian producers are price-takers on the international market and do not have the ability to pass on any negative price impact stemming from BCAs or other similar mechanisms. As a result, any consideration of a BCA in a Canadian context would need to be coupled with additional support to help reduce carbon emissions domestically, including investment in research, extension and programs.

We also need to be aware that BCAs are likely to place upward pressure on food price inflation, which has already proven to be quite sticky when compared to other consumer goods, given the number of imports that occur from major emitters like China.

Finally, while Canada already has a well-established commitment to reciprocity when it comes to trade agreements, BCAs are somewhat new and unexplored territory. From our perspective, the same principles that guide our actions from a reciprocity perspective, such as equal treatment, rules-based order, and flexibilities where appropriate, need to be carried forward into any future development and implementation of a BCA.

In conclusion, from our perspective, any consideration of BCAs, whether in Canada or by major trading partners, cannot occur unilaterally or in a vacuum without the support of an internationally supported science-based framework.

Thank you. I look forward to the questions.

● (0840)

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Currie.

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

**Mr. Greg Northey (Vice-President, Corporate Affairs, Pulse Canada):** Thank you, Mr. Chair.

On behalf of Pulse Canada, the national industry association representing over 26,000 Canadian pulse growers and over 100 processors and exporters, I want to thank you for the opportunity to provide our sector's views on this study.

International trade is critical to the success of Canada's pulse sector. Canada represents close to one-third of the global pulse trade and relies heavily on export markets. In 2023, upwards of 90% of our production was exported, meaning that trade barriers or protectionist measures can have significant repercussions for Canadian farmers, value-added processors and exporters.

First, I would like to address the impact of reciprocal standards, particularly how the EU's direction in this area is ushering in a new era of concerning protectionism. The EU is an important market for Canadian pulse crops, and it is actively using and exploring reciprocal standards, or "mirror clauses", as protectionist tools aimed at disadvantaging imported products over domestic ones. Their regulatory and legislative choices are increasingly turning away from international risk-based standards and rules-based trade.

One of the key reasons the EU must turn to reciprocal standards is that their regulatory and legislative choices have removed production options and tools from their farmers, undermining their competitiveness. As a result, the EU must turn to reciprocal standards to protect them. This policy creates a race to the bottom and is not the direction Canada should take. We are a trading nation whose economic security is largely dependent on free and fair trade and the elimination of barriers to trade. No government should actively choose to erode our farmers' competitiveness through regulation, and then look to protectionist measures to fix the issues created.

The EU also happens to be the most advanced jurisdiction on border carbon adjustments; their mechanism has been put in place to prevent carbon leakage and to support and protect the industries that have been rendered uncompetitive by the EU's regulated price on carbon.

The EU CBAM is a prime example of how an effort to reduce emissions has resulted in, and provided cover for, protectionist trade policies and barriers to freer and fairer trade. Putting a price on carbon, either through a regulated approach like an emissions trading system or through a carbon tax, clearly renders certain industries uncompetitive in the global trading environment, and this then leads to a tool like border carbon adjustments.

The EU approach is not a good or relevant example for Canada to emulate in this regard. It is our view that setting a price on carbon, either regulated or through a tax, is not well suited for grain production. Grain production and food supply chains more generally should not be actively rendered uncompetitive and their productive capacity diminished through a price on carbon.

Canadian farmers already produce grains with highly competitive carbon intensity scores. In the case of pulse crops, carbon intensity is often zero or positive. A price on carbon ultimately achieves very little benefit for our sector. This is not to say that grain production does not have a role to play in reducing emissions. There are clearly areas where innovation and technology adoption can have an impact to increase efficiency and lower emissions, as Canadian pulse growers continue to demonstrate year after year.

However, these changes will not be achieved through a policy like a carbon tax, which is a blunt instrument that can simply erode margin, reduce farmer profitability and suppress grain production, all with little impact on grain sector emissions. While the EU's approach to reciprocal standards and the combination of a carbon price and border carbon adjustments are clearly not the right policy choices for Canadian grain production, we must also be clear-eyed on the threat these tools pose to Canadian exports if other jurisdictions adopt them. BCAs, whether enacted here in Canada or as demonstrated in other jurisdictions, would impede our farmers' competitiveness without providing meaningful emissions reductions.

The Government of Canada should focus its efforts on industry-led sustainability priorities supported by farmers and avoid creating unnecessary red tape that would hamper Canada's ability to compete on the global stage.

Thanks.

● (0845)

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Northey.

I appreciate everyone sticking to their time.

We will now start our first round of questioning, with the Conservatives.

[*Translation*]

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

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

I'd like to thank the witnesses for being with us this morning.



Ms. Sauv , you said that Quebec was still a major producer of strawberries: It's the largest producer in Canada and third in the world. With the arrival of strawberries from Mexico and other places in recent years, there's been talk of reciprocity of standards. Do you think it's possible to enforce this reciprocity at our borders in the current context if there's no international harmonization of standards?

**Ms. Jasmine Sauv :** Good morning, Mr. Lehoux, and thank you for your question.

I'd answer that by saying it would be possible to apply that reciprocity if the Canadian Food Inspection Agency were better resourced to inspect food imports. The agency should inspect just as many food imports as it does food exports. Then, I think it would be possible to implement a reciprocity of standards approach.

**Mr. Richard Lehoux:** The whole labour issue is another consideration given that labour costs are probably much lower in Mexico. You talked about it in reference to berry pickers. Ultimately, will it be possible to take that impact into account within a potential reciprocity approach, or would it be too complicated?

**Ms. Jasmine Sauv :** That's a good question. There's no doubt that it could become quite complicated.

However, the idea today is to highlight the unfair competition Quebec's strawberry and raspberry growers are facing. If we were successful in applying food hygiene and safety standards at the border, that, right there, would be a big win for the sector. That would be very important for growers.

I'm not sure whether Ms. Forcier has anything to add.

• (0850)

**Mr. Richard Lehoux:** Ms. Sauv , we could also talk about dumping. That jumped out at me when you mentioned it earlier. It's definitely happening. How could we use reciprocity of standards to control the situation, particularly in relation to Mexico?

It will be necessary to harmonize practices internationally. You said harmonization was possible, but it's probably not something that can be implemented tomorrow.

**Ms. Jasmine Sauv :** Before we get into international harmonization, we should talk about North American harmonization, in my view. That would be a good first step for strawberry and raspberry growers.

As far as dumping goes, one way to help strawberry and raspberry growers in Quebec is to allow only goods produced in accordance with the same environmental and social standards into the country. That would limit the dumping of products from those regions.

**Mr. Richard Lehoux:** I like your answer that we should start with the practices in North America. If we tackle the problem in bite-sized pieces, it makes changes more palatable and easier to accept.

Would Ms. Forcier, your colleague, like to add anything?

**Ms. St phanie Forcier (Public Relations Manager, Association des producteurs de fraises et de framboises du Qu bec):** When it comes to the reciprocity of environmental and social standards, we really want to press the social side. I think, at the same

time, we may see certifications to offset things if the government isn't able to bring in legislation and really examine what's coming into the country. Then the industry can implement environmental, social and governance principles. The new retailer-supplier code of conduct could be another tool if the most important thing at the end of the day is the lowest price for consumers.

That price, however, does not reflect the total cost of producing the food product. I'm not necessarily talking about the environmental considerations. I'm talking more about the social considerations. As we mentioned in our opening remarks, the question is this: How is it possible to produce food at such a low cost? It's about more than just the comparative advantage. It's not a level playing field when you have Mexican workers being paid \$12 a day and our workers, here, being paid \$15.75 an hour.

**Mr. Richard Lehoux:** Thank you, Ms. Forcier.

Thank you both for your comments. They are appreciated.

Mr. Currie, I have some questions for you along the same lines.

When it comes to applying reciprocity, the focus is on this new practice, this tax, but you say it's complicated to achieve. Is it realistic or idealistic to think it's going to happen? Europe has already moved in that direction. At a standards level, are we able to harmonize our practices with Europe's? Our businesses' ability to be competitive is also at stake. I, personally, always see that as connected to the use of our land, here, in Canada.

[English]

**Mr. Keith Currie:** That's a great question. If we're going to be looking at border carbon adjustments, certainly being in lockstep with the United States and their policies around it would be imperative for us, seeing as they're our largest trading partner.

With respect to the European Union, I would be cautious about looking at the way they implement their CBAM. The World Trade Report that came out in 2023, I believe, suggested that there will be a decrease in exports to the EU from high-carbon-intensity economies. I think we have to make sure that any programs we implement are science-based and practical to implement and will not create competitive disadvantages. We need to align with countries like the U.S., which will certainly put in financial programs to help their producers in order to make sure they aren't seeing a competitive disadvantage on their exports.

We need to be very cautious about how we approach BCAs. We need to make sure we are aligned with our biggest trading partners, for sure.

[Translation]

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

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Lehoux.

[English]

Now we go to Mr. MacDonald for six minutes, please.

**Mr. Heath MacDonald:** This is a great discussion. It's a complicated issue, obviously, but a very important one.

It's good to see that the industries and sectors are actually talking about it, because I think it's extremely important. We know, as Mr. Currie just summarized, that if the U.S.—our biggest trading partner—moves in this direction, then we had better be prepared.

I'll direct my first questions based on that.

Mr. Currie, you recently attended the G7 farm organizations meetings. There was likely or possibly some discussion on this. I'm wondering if you can enlighten us to what extent.... Were those discussions on the sidebars or at the general meeting itself?

• (0855)

**Mr. Keith Currie:** Yes, Scott Ross and I attended the G7 meetings in Sicily a couple of weeks ago. Our discussion, which we collaborated on with the G7 farm groups, centred around high-level non-tariff trade barriers.

Certainly, BCAs were part of the general discussion leading up to our declaration that we presented to the ministers in Sicily. Although it wasn't specific to BCAs, they certainly were part of that conversation around the aspect of this being another potential non-tariff trade barrier that we may face. As I mentioned, we need to be very cautious about how we approach BCAs, to make sure that doesn't happen and that any costs aren't borne by producers because of this.

**Mr. Heath MacDonald:** From some of us around this table talking to some people in the United States, I think they're not happy with the EU either. I don't know if that's a good thing or a bad thing, at the end of the day, because we don't want any reciprocity in exchange for geopolitical issues on trade. There's already enough of that. We did see, under the last administration, that it can happen relatively quickly.

We're sitting here discussing this today, and I certainly want to be clear that it's not a government-driven issue to have cross-border tariffs—CBAs or whatever you want to call them. This is something that I think we try to get out in front of, and it's not that often that we bring sectors and industry together. Governments are usually somewhat reactive, which is very unfortunate, but I think this is proactive, and I appreciate all of you guys being here today.

Mr. Northey, you talked a little bit about how the EU has changed their regulations—and maybe this is political in the EU—to see a better fit for cross-border tariffs in the farming industry and sector, maybe to pacify their farmers. Maybe that's not the appropriate choice of words, but I just want to know whether you can

elaborate on some of those changes they made. Maybe we can learn from them.

**Mr. Greg Northey:** Yes. There's one that's active and one that's proposed. The main one that we would deal with is around crop protection products. Jurisdictions across the world use a risk-based approach to how they regulate those kinds of products. The EU uses a hazard-based approach. One of the things we're seeing from them—and this is creating all kinds of issues for Canada but also for anybody else trying to trade into the EU—is that they're eliminating import MRLs. Essentially, if they choose to eliminate a crop protection product for use in Europe, to make that reciprocal, they eliminate an import MRL, so essentially, if you're using that product in Canada, you can't then export to the EU.

They're making choices to remove those products in the EU based on a hazard-based approach, not a risk-based approach, which is a fundamental problem. It then becomes an issue where Canada can't export into the EU because of that, because they're removing an import maximum residue limit. It's not just us that it impacts; it impacts the world.

The second one would be around deforestation. This is a classic “mirror clause”, as they would call it. It was meant to be implemented at the end of this year, but they've delayed it by a year. They are placing deforestation standards on anything that comes into the bloc, which is essentially a pure standard of reciprocity, so anybody would have to meet a standard they're setting. When I say “anybody”, I mean anybody who's looking to import into the EU. They're really setting a high bar for how these things are used for protectionism.

Those are the two main ones.

**Mr. Heath MacDonald:** I know that in his preamble Mr. Buy mentioned what the EU is doing to ensure that their producers are receiving the benefit of cross-border tariffs. Basically, they're again putting us at an unfair disadvantage by subsidizing their farmers by utilizing the revenue generated by cross-border tariffs, which is going back directly to their farmers. Is that the truth? Is that what you're hearing?

• (0900)

**Mr. Greg Northey:** Certainly, the EU has a long history through their common agriculture policy of supporting their farmers in a very unique way across Europe. It's a huge bloc. There's a rural development element that they see agriculture as, sometimes pastoral and sometimes large production. There's a large number of support mechanisms for EU farmers. The WTO has been able to eliminate a lot of the more egregious ones, like export subsidies and these kinds of things. That has been one of the huge benefits of the WTO in the EU.

Certainly, agriculture in the EU is treated very differently than in Canada when it comes to how farmers are directly supported.

**Mr. Heath MacDonald:** Mr. Currie, just quickly, is there anything our trading partners are doing that would put us at a disadvantage based on this? I suspect we're out in front of most farming industries and sectors in the world. Is there something else we should be doing or focusing on?

**The Vice-Chair (Mr. John Barlow):** You'll have to be really quick, Mr. Currie. I know it's tough.

**Mr. Keith Currie:** It has to be about competitiveness.

**The Vice-Chair (Mr. John Barlow):** Thank you.

[Translation]

We now go to Mr. Perron for six minutes.

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

Thank you to the witnesses for being here. Before I forget, if it hasn't already been done, I would ask all the witnesses with specific recommendations for the committee to provide them in writing if there isn't time to mention them during the discussion.

Ms. Sauvé and Ms. Forcier, I'd like to pick up where you left off with Mr. Lehoux. There is no easy answer. At the same time, it's not acceptable to have goods coming into the country when they're grown using questionable phytosanitary products. You gave the example of bifenthrin.

You said the Canadian Food Inspection Agency should be better resourced so it can inspect as many foreign products coming into the country as it does domestic products leaving the country. Would I be correct to assume that's one of your recommendations?

**Ms. Jasmine Sauvé:** Thank you for your question, Mr. Perron.

Yes, that is something we're recommending. The last I heard, 4% of imported food products were inspected. As you said, we have to ensure that products being imported into the country are safe and secure for Canadians, and that means subjecting the phytosanitary products used in their production to reciprocity of standards. Not only is it a matter of competitiveness, but it's also a matter of health and safety.

**Mr. Yves Perron:** That's hard to apply given that the level of support available in other countries, like the U.S., is much greater. It's even worse if we consider Europe, and Mr. Northey talked about that. A host of measures exist.

Would it help if our productive and innovative farmers were better compensated for the environmental services they provide? Would that be a way to make up for the difference in production costs, at least partly?

**Ms. Jasmine Sauvé:** Absolutely.

As I said my opening remarks, producers are stewards of biodiversity, first and foremost. Putting a system in place across the board to pay farmers all over the country for environmental services would definitely be a solution.

**Mr. Yves Perron:** Why is it important to you to maintain domestic production? Staunch free-trade supporters might argue that, if the Mexicans can grow strawberries more efficiently, we should import strawberries from Mexico and grow something else here. Of course, you know I don't believe that, but I'd like to hear your response.

**Ms. Jasmine Sauvé:** I come back to safety and security. We want to make sure that the foods Canadians eat are safe and secure.

Besides that, there's the economic impact of the strawberry and raspberry production sector. Strawberry and raspberry growers are scattered throughout Quebec, so they support the vitality of our regions. They also create jobs. There's a lot of talk about foreign workers, but for every foreign worker who comes to Quebec, two to four jobs are created.

Preserving domestic production is as much about food safety and security as it is about economic impact.

• (0905)

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

There's also a lot of talk about carbon pricing, which is said to reduce competitiveness, among other things. You said in your opening statement not only that Canada and foreign countries have to have equivalent standards, but also that the standards across the provinces need to be equivalent.

Are you worried about what's going to happen in the next few years in light of political news? What could we do to help you in that regard?

**Ms. Jasmine Sauvé:** Yes, we're concerned about that in Quebec, because Quebec's carbon pricing system is different from the carbon tax in place in the other provinces. For the competitiveness of Quebec's strawberry and raspberry sector, the standards across the provinces need to be equivalent.

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

Mr. Currie, you mentioned Bill C-234 in your opening statement. At the beginning of the meeting, we talked about bills C-280 and C-282, and the trouble they're running into in the Senate. Bill C-234 was reported back to the House with an amendment, but it still includes a grain drying exemption.

What do you want to say to the elected members of Parliament? Should we pass the bill as is or send it back to the Senate, knowing full well that it won't come back?

[English]

**Mr. Keith Currie:** That's a loaded question. Certainly Bill C-234 in its original form was something that the agriculture community applauded because of the relief it was going to give to producers, to primary production.

As has been mentioned many times in this committee, producers are price-takers, not price-setters, so any further costs added to their bottom line have to come out of their bottom line. We appreciated what Bill C-234 represented. Then, unfortunately, it was changed incredibly at the Senate and had to go back to the House.

As is, it is better than nothing. However, our preference would be to have it back in the original form it was in. If it needs to go back to the Senate, so be it. It may not last the lifetime of this government to actually get passed if it were to go back to the Senate. Timing is important around this bill, for sure.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Currie.

[Translation]

Thank you, Mr. Perron.

[English]

We'll go to Mr. Cannings for six minutes, please.

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you all for being here today.

I'm going to turn to Mr. Buy.

In your opening remarks, you talked about the complicated matter of having carbon border adjustments in agriculture.

We're here doing this study because the EU is proposing a carbon border adjustment for a number of sectors, like steel, aluminum, fertilizer, etc., but not agriculture in itself. I think the main difference, as we all appreciate, is that in those sectors, it's relatively easy to perhaps come up with a defensible adjustment for steel produced under different situations. We have EU auditors in Canada right now looking at the steel industry, for instance.

You mentioned how some products are sources of carbon and some are sinks. It almost seems like every farm would be different. I'm just wondering if you could comment on that complication and why we may well never get to a carbon border adjustment for agriculture across that sector.

**Mr. Serge Buy:** It's not just the agriculture; it's the agri-food. When we're talking about a border carbon adjustment, it's the agri-food sector that is looked at, from processing plants to everything else. You're correct. The system is so complicated and so different, depending on the production and depending on the type of set-up, that it would be really difficult to gauge which production is better than the other and how we are going to set it up.

Further than that, because Canada would really be setting this up for imports, how are we going to measure it? That's the other issue. How are we going to look at what's happening in other countries? My colleagues here from the Association des producteurs de fraises et de framboises du Québec said it very well. On phytosanitary measures, we're challenged even to look at what's coming in today. Now we're going to be auditing what's going to happen in other countries on farm production. I think that's a little bit utopian.

Unless there are clear international standards that are negotiated in a multilateral forum, as Mr. Currie said, I think we're not there.

• (0910)

**Mr. Richard Cannings:** Thank you.

I'm going to turn to Mr. Northey now.

You talked about various differences in what's going on in the EU, and that's kind of, I guess, one of the centres of our attention

because they're really driving this conversation. You mentioned the hazard-based assessments versus risk-based assessments. Can you maybe explain that to those of us who are not familiar with that terminology?

**Mr. Greg Northey:** Absolutely. In Canada, we take a risk-based approach in how we assess crop protection products. It takes into account both the exposure and essentially how to manage that exposure. There'll be rules around how the product can be used that mitigate the risk of that product. That's an internationally accepted standard. It's what countries use around the world.

The EU does it differently; it just takes the hazard. It doesn't take into account, essentially, the ability to mitigate that hazard. When you take that kind of approach, it is naturally more risk-averse in how you would approach the regulation of these products. It's an outlier in the system, because the reality is that something can be risky, but you manage that risk. We do it all the time in our daily lives. However, the EU doesn't take that approach. What happens is that, when they are regulating their crop protection products or deciding what their farmers have available to them, they do it in a way where products can be removed much more easily. Then, like I said, the impact is that they decide that Canada can't use that product anymore either and they are not going to allow that.

**Mr. Richard Cannings:** You also mentioned the WTO. It has served us well in many ways, but we're having difficulties with it. I sit on the international trade committee, and we're having difficulties with it when it comes to softwood lumber, for instance, because the Americans are not playing ball with the WTO. They're not filling places on panels.

Is that a problem in the agricultural sector as well, especially if we're dealing with the EU?

**Mr. Greg Northey:** With regard to the WTO, there's no dispute resolution process anymore. As you said, the U.S. has pulled away from that, so it's not really functioning. With the EU making its choices, particularly on something like this deforestation element that it's going to bring, as well as its approach to crop protection products, the WTO is a channel to dispute that, and I would suspect that there will be efforts to do that.

However, the reality is that the dispute resolution process is broken. You can put it to the WTO and raise it at the agricultural committee, but the WTO's ability to resolve it is just not there.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Cannings.

Now we'll turn to Ms. Rood for five minutes, please.

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

Thank you, witnesses, for being here.

Mr. Currie, I have several questions, but I'll go back to what my colleague across the way was talking about: competitiveness within Canadian agriculture, especially for farmers who rely on exports. Could these CBAMs disrupt international agricultural trade? What impact would they have on the competitiveness of our Canadian agriculture products in global markets?

**Mr. Keith Currie:** The short answer would be yes. It certainly could impact our trading with the EU or other countries. I think what is needed is reciprocity, and it has to be enforced in trade agreements. As you just heard Mr. Northey say, there are no teeth in the current dispute resolution mechanism at the WTO. It would be incumbent upon our government, should these BCAs come into existence, to enforce the trade agreements with other countries or apply reciprocity measures if needed.

It really needs to be part of our multilateral agreements across several jurisdictions that have clear methodologies when we're talking about measuring on-farm carbon. That is at the crux of this: to ensure that we are being put on a level playing field for this. However, yes, it could have, potentially, some very challenging issues with regard to our export markets, for sure.

• (0915)

**Ms. Lianne Rood:** We've heard a common theme here from several of the witnesses today and on other days when we talk about how the carbon tax is hurting the profitability of our industry, our farmers and our farm families, and it's hurting the sustainability of the industry. I'm just wondering what additional... Knowing that we already have to pay carbon tax and are paying higher prices for everything—fuel, fertilizer, all of the inputs that farmers have—do you have an idea of what the additional cost burden for farmers would be estimated at?

**Mr. Scott Ross (Executive Director, Canadian Federation of Agriculture):** Just to clarify, are you asking about the added cost pressures that would result from a BCA being implemented?

It's challenging because it's still such a high-level concept at this point. The challenge is in understanding the details and complexities that Mr. Currie and others referenced earlier in their remarks. Part of what ultimately makes this so challenging is the lack of international norms and disciplines for structuring what that would look like. In many respects, we would be approaching it somewhat blind, and I think that is the challenge.

At the end of the day, the most concerning element of this, were Canada to implement it, as Mr. Currie said, is that farmers would start seeing added costs on inputs across the board, and that would certainly drive up the cost. It's hard to say at this time what that would look like in practice, though.

**Ms. Lianne Rood:** Do you have any idea how this would affect, let's say, smaller farms versus the larger agribusinesses?

**Mr. Scott Ross:** Our experience is that there would be an outsized impact on smaller operations. Certainly, they still have to have the same sorts of equipment costs and the like, and the smaller-scale you are, the less wiggle room you have within your operating margin to really account for these added costs.

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

I'm going to switch gears and go over to the Agri-Food Innovation Council.

All of us farmers in the room know that farmers are the best stewards of the land, and they don't need more punishing government policy to direct them to take the best course of action to make sure their fields stay healthy and their crops are growing and plentiful. I know the best techniques and the best innovations are used by farmers to maximize yield, even on my farm, and preserve the environment they are responsible for.

I'm curious how the increased costs from these border carbon adjustment mechanisms affect the ability of Canadian farmers to invest in necessary innovations for their sustainability.

**Mr. Serge Buy:** Any added cost, as Mr. Currie and Mr. Ross indicated, would be an issue for all farmers in Canada, as well as for food processors and the whole system. This would definitely have a negative impact. This is why we're saying not to move in that direction at this point but rather move toward funding programs that really support the adoption of some of the techniques and help productivity and competitiveness.

**Ms. Lianne Rood:** In what ways could the implementation of these CBAMs undermine Canada's effort to enhance agricultural innovation and research as outlined in your national strategy proposal?

**Mr. Serge Buy:** The issue is simple. Any cost that you add to farm operations will result in farmers being unable to invest in further adoption. The challenge or the equation is really clear and simple. If you can't invest in new technology, then you're stuck and you're going to have challenges in looking at the future. We're definitely promoting a very different perspective on that, one in which the government should be supporting producers and food processors, etc.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Buy.

Thank you very much, Ms. Rood.

We go now to Ms. Murray for five minutes, please.

**Hon. Joyce Murray (Vancouver Quadra, Lib.):** Thank you for the interesting discussion we're having on this matter.

I can completely understand the various concerns being raised by industry representatives here today, such as the need to be cautious about competitiveness and the impacts on small farms. At the same time, this is not completely a Canadian decision.

If there were to be investments to prepare for potential CBAMs, including in Europe, the United States, etc., where should those investments go? What do you think industry needs to do to prepare and assist your members, and what does Canada need to do to prepare and assist the agricultural sector in Canada in the case this should happen? We can put our heads in the sand and we can say we don't like it—I get that, and I get why—but what should we do to move in a direction that makes us less vulnerable to CBAMs?

Mr. Currie, I'm interested in hearing from you, but also from Mr. Northey and Mr. Buy.

● (0920)

**Mr. Keith Currie:** Thank you. That's a great question.

As my colleague, Scott Ross, indicated, we're still at a very high level on this whole subject matter.

Something we've been calling for, for a long time—and it applies not just to agriculture but to a lot of industries—is that we need to develop a national data strategy, because data is key to understanding how we move forward, how we invest.

Realistically, I think if we're looking at sustainability as a whole, holistically, we really need about \$2 billion, over the next five years, of investment in Canadian agriculture sustainability initiatives to make sure that we're ready to go when carbon border adjustments do come along. I think that would be important, not only for the Government of Canada in terms of making sure that we continue our high export standards, but also for our Canadian producers to be able to be competitive and stay in business.

When it comes to sustainability, I know we want to focus a lot on the environment, and farmers are always willing to do their part, but we can't lose sight of the social aspect of this, more specifically food insecurity. Let's not forget the economic impact, too, because, as this committee has probably heard several times, it's hard to be green when you're in the red. If we can't be profitable while doing this, none of this is going to happen, so it needs significant investment in sustainability, yes.

Thank you.

**Hon. Joyce Murray:** What should the industry invest in and do, or Canada invest in and do, to prepare should this be moved forward by our trading partners?

**Mr. Greg Northey:** If we look at the example of the industries impacted by the CBAM now, they've had a two-year transition period basically to adjust to the data requirements.

Similar to Keith, I would say we need a national accounting system. We need to understand our carbon intensity is better than that of any other country in the world. I would say, whether a CBAM comes or not, that is something we're already investing in, because the reality is that our supply chains want to see that kind of data. They want to understand a pulse and how it works through a supply chain, and what the fractions from a pulse are as far as carbon intensity is concerned.

We're investing in that already, but absolutely, for the government, when you look at all of grain production, that's the focus. There's a win-win there, because the reality is, whether there will be a BCA or not—who knows—that data, that understanding of

what our intensities are, how to account for them, setting the global standard.... Canada should be leading, setting the global standard on that kind of thing and understanding our national inventory report better. Canada can lead in that whole space, and we can basically insulate ourselves against a BCA or other supply chain requirements.

**Hon. Joyce Murray:** Thank you.

Mr. Buy.

**Mr. Serge Buy:** I would echo my colleagues' comments on that, but I would go a little bit further in terms of other specific measures that could be added to support the adoption of measures on the farm to further reduce greenhouse gases and increase productivity. Ultimately, we need to deal with those issues to prepare ourselves for something that, you're correct, may come at some point. It is important to look at all of those things.

It is important, as well, to look at ensuring the success of our innovators on many fronts. I'll give you a quick example. I won't take too long—

**The Vice-Chair (Mr. John Barlow):** I'm sorry, Mr. Buy. Make it quick. We're running tight on time.

**Mr. Serge Buy:** When people are successful, innovators are successful. They go in the public markets and raise funds in the public markets, but then that disqualifies them from getting refundable tax credits to support the development and launch of lower-carbon solutions. Why are we doing this? Why are we not saying, "This is great. You've been successful. Let's support you even more"? Those are issues that we're looking at.

● (0925)

**The Vice-Chair (Mr. John Barlow):** Thank you very much.

[*Translation*]

Mr. Perron, you may go ahead for two and a half minutes.

**Mr. Yves Perron:** Ms. Forcier, I want to revisit the matter of working conditions. It's very hard to do anything on that front. You mentioned the production cost disparity between Mexico and here.

What can we do to balance things out a bit and maintain domestic production? Is more government support needed in some cases?

**Ms. Stéphanie Forcier:** To answer your question, I would say that we talked about California being a major player. Even California, though, is looking to Mexico right now. That means we're going to see more and more Mexican strawberries coming into Canada. The conditions of the workers growing those strawberries are not questionable, but they aren't necessarily in line with the working conditions in Canada.

How can the government help? It could introduce measures to create a level playing field for Canadian strawberry growers. Again, if we look at the private sector, it is possible to visit suppliers on the ground or see how the food is produced in plants. Inspections need to be done, but not just at the border. It's also important to go to suppliers' sites.

Should it fall to the government or retailers? The important thing is making sure that suppliers adhere to certain requirements, not necessarily environmental requirements, but social ones. If a supplier will not commit to adhering to all the requirements or fails to adhere to them, unfortunately for them, their products shouldn't be allowed into Canada.

**Mr. Yves Perron:** Thank you. That's something that could be negotiated at the international level, then.

Mr. Buy, you mentioned in your opening statement that many other policies were available. You started to talk about that, and I'd like to hear your comments. If you run out of time, you can provide additional information to the committee in writing.

I'm eager to hear what you have to say on that, but if there's something else you'd like to bring up, I'm all ears.

**Mr. Serge Buy:** Thank you very much, Mr. Perron. I always appreciate having the opportunity to expand on certain ideas.

Right now, I think it's important to look at this as a proposal for consideration. Obviously, the tariff or policy won't be put in place today, but we are getting ready for tomorrow. Getting ready for tomorrow involves a lot of things. We have identified, and pushed for, nine measures. We will follow up with those in writing, so the committee will have the information.

I think many things can be done when it comes to productivity and the way research and innovation can contribute to productivity. In that respect, it's important to ensure that Canadian farms, food producers and the rest of the supply chain can be competitive internationally. That's the most important thing on that front.

I think it's also important to review how federal funding programs are developed. In 2023, the Standing Committee on Science and Research recommended that the government review the various funding programs for redundancies. The government responded to the report, but did not address the issue through the same lens at all, let's just say.

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Buy.

[*English*]

That's the time.

Thank you very much, Mr. Perron.

Now it's Mr. Cannings for two and a half minutes, please.

**Mr. Richard Cannings:** Thank you.

I'm going to turn to Mr. Currie.

I'm trying to get at the complicated nature of this. You talked about how this has to be an integrated approach, especially with other countries. I couldn't possibly see Canada going into Lithuania

or somewhere and doing an audit on the carbon balance on the farms of Lithuania.

I'm wondering what you see as the possibility of this even moving forward. How the EU approaches these other sectors, could this even work in the whole agriculture or agri-food sector?

● (0930)

**Mr. Keith Currie:** We're at a place right now where we need to be ready. Agriculture is probably not going to have to look at carbon border adjustments in the very near future, but it's coming. Any trade discussions we've had in the last four or five years have included carbon border adjustments as part of future trade negotiations, so we certainly need to be ready.

As I've said before, we need to have the data behind what we're doing. We need to make sure we're collaborating with our most trusted jurisdictions that we trade with to make sure that we're on the same page with respect to how we apply border carbon adjustments.

I think it's imperative that our government makes sure we're ready to go. As an export nation, especially in agriculture products, we need to make sure that we are ready and that we do it as right as possible. We can take our time to make sure we get it right, but we have to make sure we are ready to go when these adjustments are put into place.

**Mr. Richard Cannings:** One of the preparations you just mentioned when you were talking to Ms. Murray was the need for data. I can imagine any calculation of a border adjustment in this case would require a lot of data from the agriculture sector, and that might be easy in some cases.

Can you or Mr. Ross, or whoever wants to take that, elaborate on what we would need to get ready for this?

**Mr. Scott Ross:** Mr. Northey said it quite well: What is really important is carbon intensities and better understanding of what that looks like across the diversity of our sector.

Another key issue at the heart of this is that we also need to ensure that the national inventory report, which we often use for measuring or reporting our emissions, for example, accurately reflects what's actually happening on a farm. We continue to see areas, like the manner in which fertilizer emissions are measured, where there is not a full grasp of the practices on farms and the ramifications in terms of emissions. Critical to this is making sure that our central repository on emissions reporting is accurate from a farming perspective, and that's not a small task, because of the diversity of the sector. We're working in complex biological systems and ecosystems. That's number one.

However, more than anything, it's also about ensuring that, at the sector level, we have that granular insight and understanding of what's happening on individual farms. That's certainly paramount in this.

**The Vice-Chair (Mr. John Barlow):** Thank you, Mr. Ross.

Thank you, Mr. Cannings.

Thank you to our witnesses for being here with us today and for the excellent information.

Colleagues, before we suspend, I need the consent of the committee to knight Mr. Cannings to allow him to take the chair for the second panel. Are there any concerns with that?

Are you having a concern with that yourself?

**Mr. Richard Cannings:** I'm just wondering what the ceremony would look like and what the length of it is. You can make me vice-chair for life.

**The Vice-Chair (Mr. John Barlow):** I just hope you have a dry suit for when you actually take the chair, because there may be a dunking of some sort involved.

**Mr. Richard Cannings:** Oh, I thought there was a sword.

**The Vice-Chair (Mr. John Barlow):** Thank you very much.

We will suspend for a couple of minutes. Don't go far. We'll get the next group of witnesses up as quickly as possible.

● (0930) \_\_\_\_\_ (Pause) \_\_\_\_\_

● (0939)

**The Acting Chair (Mr. Richard Cannings):** I call the meeting back to order.

I'd like to welcome everybody back to the Standing Committee on Agriculture and Agri-Food and our study on the impact of border carbon adjustments and the reciprocity of standards on Canadian agriculture. It's our second panel of the day.

With us today we have Kyle Larkin, the executive director of the Grain Growers of Canada. It's good to see you, Kyle. I know you from the beer industry; you're moving back to the basics.

From the Canola Council of Canada, we have Troy Sherman, the senior director of government and industry relations.

From Producteurs de grains du Québec, we have Benoit Legault, general manager, who's joining us by video conference.

We also have the Producteurs de légumes de transformation du Québec and Pascal Forest.

Welcome all.

We're going to start with some opening remarks. You will each have five minutes to make some opening remarks and then we'll turn to questions.

We will start with Mr. Larkin. Go ahead.

● (0940)

**Mr. Kyle Larkin (Executive Director, Grain Growers of Canada):** Thank you, Mr. Chair, and thank you to the members of the committee for inviting us.

My name is Kyle Larkin. I am the executive director of Grain Growers of Canada. We are the national voice for 65,000 cereal, oilseed and pulse producers across the country. As a farmer-driven association for the grain industry, GGC advocates for federal policy

that supports the competitiveness and profitability of grain growers across Canada.

Canada's grain sector is fundamentally tied to international trade. In 2023, production by Canadian grain farmers resulted in 55 million tonnes of grain and grain products exported to over 150 countries globally, generating \$40 billion in revenue. This trade fuels our economy and is the livelihood of thousands of farm families across the country.

By adhering to and supporting the WTO's rules-based trade framework, we have established long-standing relationships with countries around the world that depend on Canadian grain to meet their food demand needs. These partnerships are essential not only for our agricultural sector, but also for global food security, which highlights the importance of maintaining open and fair trade channels.

As it relates to carbon border adjustment mechanisms, we urge the government to exercise extreme caution for two reasons. First, we are concerned about the mechanism's impact on Canada's international trade. Second, we are troubled about the impacts it will have on input prices for thousands of farmers across Canada.

From an international trade perspective, implementing a carbon border adjustment may be perceived as protectionist by our trading partners, potentially leading to retaliatory measures that could disrupt established trade relationships.

Our partners at the Canadian Agri-Food Trade Alliance, CAFTA, articulated before this committee two weeks ago that, "It is essential that sustainability measures do not become barriers to fairer and freer international...trade or do not serve as cover for protectionist trade policies."

We are in complete agreement with this statement.

Furthermore, the landscape of international trade is already fraught with differing standards related to carbon accounting, which not only complicates compliance for exporters, but also could further strain relations between trading partners. These discrepancies could impose an administrative burden on businesses and other countries.

Any carbon border adjustment mechanism under consideration should be developed multilaterally, ensuring that it aligns with WTO obligations and adheres to rules-based trade principles. Seeing that the United States is our largest trading partner for grain and grain products, it must also align with American policy.

We are also concerned about how a carbon border adjustment mechanism could impact input prices, such as fertilizer and equipment for farmers. When we consider fertilizer, Canada heavily relies on imported fertilizer from other countries. In 2022, we imported over \$3 billion worth of fertilizers, which are essential for growing the crops Canadians and the world rely on.



With a CBAM in place, prices for essential inputs to grow crops could skyrocket, further straining Canadian grain farmers, who are already facing rising input costs, declining revenues and increasing taxes.

Over the past five years, Statistics Canada has reported a staggering increase in the farm input price index. Total farm costs have surged by more than 40 points, from 116 in 2019 to 157 by the end of 2023. Canadian grain farmers simply cannot bear more financial pressure from increased input costs driven by additional costs at the border.

In conclusion, we urge the government to exercise caution and carefully evaluate the potential unintended consequences of implementing a carbon border adjustment mechanism. Any Canadian CBAM should prioritize our global competitiveness and be crafted to align with the standards recognized by our major trading partners.

Thank you. I'd be happy to take questions.

**The Acting Chair (Mr. Richard Cannings):** Thank you, Mr. Larkin. You're well under time, so that's much appreciated.

Now we'll move to Mr. Sherman for five minutes.

**Mr. Troy Sherman (Senior Director, Government and Industry Relations, Canola Council of Canada):** Thank you, Chair and members of the committee, for the invitation to join you today, along with my colleagues.

My name is Troy Sherman, and I am the senior director of government and industry relations for the Canola Council of Canada.

The Canola Council is a full value chain organization, representing approximately 40,000 canola farmers, as well as exporters, processors and life science companies.

As a value chain organization, our goal is to ensure the industry's continued growth and success, and to do this by meeting domestic and global demand for canola and canola-based products, which include canola seed, oil and meal.

Canola's success is Canada's success. Our industry represents almost \$30 billion in economic activity annually, supports over 200,000 jobs across the country, generates \$12 billion in wages and is one of the largest sources of farm cash receipts.

International trade is vital to the success of the industry. Approximately 90% of canola products are destined for international markets, with exports totalling \$15.8 billion in 2023 alone.

Given the significance of exports to the canola industry, trade mechanisms, such as border carbon adjustments, must be carefully considered before being implemented in Canada. While the stated intent of border carbon adjustments is to largely reduce carbon leakage and maintain the competitiveness of domestic industries, the government should proceed with caution as this policy approach is not without risk.

There are at least two key considerations that Canada must weigh, should it consider implementing border carbon adjustments.

The first is the trade implications for border carbon adjustments and their potential impact on Canada's trade policy and international

reputation. As an industry that relies heavily on export markets, we are cognizant of ever-changing trade dynamics and, in particular, measures that could impede market access. Current market and geopolitical headwinds underline this exposure and the importance of market access in key jurisdictions.

Border carbon adjustments and potential corresponding import charges and export rebates, depending on how implemented, could result in countries taking action against Canada at the World Trade Organization, or pursuing unilateral action as a form of retaliation to limit our access to those markets. This would not be an acceptable outcome for the Canadian canola industry.

As a result, Canada must thoroughly assess if any potential border carbon adjustments are compliant with its WTO obligations. Respecting and upholding rules-based trade is central to Canada's trade policy, and any policy mechanism designed to avoid carbon leakage should be aligned with Canada's international obligations.

To this end, the Canadian Agri-Food Trade Alliance, of which the Canola Council is a member, recently developed principles for sustainable trade that could serve as a valuable reference and provide appropriate guardrails for policy development. Among other things, these principles emphasize the importance of alignment with WTO principles, obligations and measures that are not barriers to freer and fairer international agricultural trade. Any deviation from Canada's obligation in this regard would further undermine the rules-based trade system.

The second consideration relates to administrative burden. The administrative burden associated with developing and implementing border carbon adjustments must be weighed against the theoretical benefits of these mechanisms. Specifically, any additional administrative burden associated with carbon pricing mechanisms must be avoided. The canola industry specifically and the grain sector generally cannot afford additional administrative burden in the face of increased global competition and volatility.

Knowing this, it is our recommendation that the government not move forward with the border carbon adjustment policy in Canada until considerations related to international trade and administrative burden are properly studied and addressed.

I would like to thank the committee again for its invitation to appear today. I would be pleased to answer any questions the committee members may have.

• (0945)

**The Acting Chair (Mr. Richard Cannings):** Thank you, Mr. Sherman.

[Translation]

We will now hear from Benoit Legault for five minutes.

**Mr. Benoit Legault (General Manager, Producteurs de grains du Québec):** Thank you, Mr. Chair.

My name is Benoit Legault, and I am the general manager of the Producteurs de grains du Québec, or PGQ. We appreciate being invited to appear before the committee today.

By way of background, the PGQ is a provincial organization that represents some 9,500 grain producers in Quebec, who grow five million tonnes of grain on a million hectares of land. They sell two billion dollars worth of grain, around \$500 million of which is exported. It's worth noting that about \$500 million of the grain we sell supports the pork industry, which exports the vast majority of its production.

I would like to share our findings and recommendations regarding the border carbon adjustments. It's important to keep in mind a few principles the PGQ sees as key. We are in favour of policies that help Quebec's grain growers compete and be profitable. That is a prerequisite for the survival and, of course, sustainability of their businesses. As I said, Quebec's grain farmers rely heavily on international trade, and thus support preserving open and fair trade.

In terms of carbon pricing, Quebec has the carbon exchange system. I must say, it's having a very negative impact on grain growers currently, and it will only get worse with the cost of the credits going up. In no way does the money accumulated under the current system help the grain sector adapt or meet the challenges of reducing its carbon footprint. As you know, these costs can't be passed on to grain purchasers.

Now I will turn to the border carbon adjustments, specifically. We aren't experts on the adjustments previously announced by the government when the carbon policy was introduced. We really have no idea how all this is going to play out when it comes to measuring the carbon footprint of products from various countries, ensuring fairness under international climate agreements—which place more responsibility on certain countries—or managing the revenues associated with the adjustments.

Our observations at this point lead us to believe that the policy will apply mainly to products with a larger carbon footprint. In theory, it won't apply to imported agriculture and agri-food products, and certainly not those we're competing with in export markets. We are therefore calling on the government to be very careful in order to avoid, one, destabilizing international trade with our partners and, two, increasing input costs or access to imported inputs under any policy being considered. As you know, Quebec is extremely reliant on imported agricultural inputs, and we are still dealing with the hardship and costs stemming from the import restrictions on Russian agricultural inputs.

In closing, I want to leave you with another important point. Any border carbon adjustment mechanism should be developed in a multilateral way, in keeping with WTO obligations—which is very important—and rules-based trade principles. In the PGQ's view, that should have been the case when the carbon policy was introduced.

Overall, that is what I wanted to convey at this initial phase. Thank you.

● (0950)

**The Acting Chair (Mr. Richard Cannings):** Thank you, Mr. Legault.

Mr. Forest, you may go ahead. You have five minutes.

**Mr. Pascal Forest (President, Producteurs de légumes de transformation du Québec):** Thank you, Mr. Chair.

Committee members, my name is Pascal Forest. I'm a producer of fresh and processed vegetables in the Lanaudière area. I'm also the president of the executive committee of Producteurs de légumes de transformation du Québec and a member of the board of directors of Fruit and Vegetable Growers of Canada.

I want to thank the committee for giving me the opportunity to speak about issues of great concern to Quebec's agricultural sector and to Canadian producers in general. The committee has fittingly chosen to look at border carbon adjustments at the same time as reciprocity of standards for Canadian agriculture. From our perspective, these are two sides of the same coin.

In principle, border carbon adjustments, or BCAs, involve applying an adjustment, meaning a tax or rebate, to traded goods based on their estimated greenhouse gas emissions. Again, in principle, this adjustment would make it possible to take into account differences in emissions reduction policies around the world. As other witnesses told you, BCAs haven't yet been introduced in any other part of the world and they aren't being considered for agriculture. There are many reasons for this, including the lack of a credible and cost-effective global compliance system.

Closer to home, the diversity of carbon pricing systems, such as Quebec's cap-and-trade system, would make benchmarking difficult or even impossible. We may want to revisit this issue in the future. However, today, if we want to discuss how best to mitigate the market distortions resulting from carbon reduction efforts, we must focus on the far better policy and regulatory regime governing American agriculture.

In their testimony last week, my colleagues from the Association des producteurs maraîchers du Québec already pointed out many differences between the Canadian and American regimes and their impact on our competitiveness. I won't repeat them this morning. I do want to be clear. The competitive imbalance between Canadian and American producers resulting from our countries' respective carbon reduction policies poses a real and growing threat.

American farmers are benefiting from the \$20 billion allocated under the American inflation reduction act to support their transition to net-zero practices. In Canada, we're facing rising input costs brought on by carbon pricing. This imbalance will only get worse. If the issue remains unresolved, over the coming years, Canadian producers will continue to drive innovation to reduce their carbon footprint and production costs, but will see input prices continue to rise. In turn, American producers will boost innovation and reduce their carbon footprint while cutting production costs as a result of the support from their federal government.

If this imbalance isn't urgently addressed, American producers will benefit from cost reductions resulting from technological advances and other innovations. Meanwhile, Canadian gains will be offset by the growing burden imposed by our carbon pricing system. We urge this committee to focus on the real and growing impact of the carbon pricing system on the Canadian horticultural sector, rather than on border carbon adjustments, which currently remain largely theoretical in agriculture.

Thank you. I look forward to answering your questions.

• (0955)

[English]

**The Acting Chair (Mr. Richard Cannings):** Thank you. You were all under time, so that is a good start. We'll now begin the question period.

Mr. Epp, please go ahead.

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

Thank you to the witnesses. It's good to see all of you again.

Indulge me a bit, please. I'm going to come at this a bit from an obtuse direction. We've talked about reciprocity here. We've talked about keeping competitive. We are, from a certain perspective, still in a hypothetical state, but areas of the world are moving ahead with this. I've heard the concerns expressed around competitiveness, around the retaliatory potential trade implications. If areas of the world that we compete with or trade with have higher carbon intensity for the impacts of their own production that they're bringing into Canada or that we're competing with, what is the issue with Canada then—actually, the Canadian taxpayer—subsidizing our competitors with their imports into our own country?

Just think about this for a bit. That would reduce the retaliatory risks. It would lower the input costs to our own farmers if the Canadian taxpayer subsidized the import costs coming in. After all, Canada is only 1.5% of the world's greenhouse gas emissions, and agriculture is only 10% of that amount. A lot of the world that we compete with is putting a lot more greenhouse gas emissions into the air than we are. The Canadian taxpayer actually addresses cli-

mate change by subsidizing imports that compete with our producers. What are your thoughts?

Believe me; I'll circle back.

[Translation]

**Mr. Pascal Forest:** This is a tough question to answer. The idea of taxes for a better environment is highly commendable. I understand the principle. However, we don't have the same regulations governing the same issue and the same government assistance available for products imported into Canada, regardless of the country of origin.

I agree with my colleagues who already expressed the need for caution. Canada often tries to lead the way, without really measuring the final impact on the farm. I'm speaking as a farmer here today. I understand that high-level decisions must be made. However, the decisions must be made carefully for the people who stand to face the economic impact of these decisions and see the effects on their bottom line. I'm really uncomfortable with the idea of making decisions for the future without knowing how things will turn out in the end.

Everyone wants to do the right thing. However, I think that we must remain extremely cautious when making decisions.

[English]

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

I want to hear from Mr. Larkin, Mr. Sherman and Mr. Legault as well.

**Mr. Kyle Larkin:** There are certain products that we import into Canada that are necessary for crop production that we don't produce domestically, like heavy equipment, for example. There are many heavy equipment manufacturers; a lot of them are based in the United States, Japan and other places around the world, and they import into Canada the combines or tractors that are necessary for crop production.

I pointed out fertilizer in my opening remarks. In 2022, we imported over \$3 billion worth of fertilizer into Canada. The three largest importers into Canada were the U.S., Morocco and Algeria, three countries that don't currently have a carbon pricing scheme in place, so a CBAM, in theory, would hit those countries and increase those input costs for Canadian farmers, so that's what we're looking at when we're thinking of this.

• (1000)

**Mr. Dave Epp:** Mr. Sherman, go ahead.

**Mr. Troy Sherman:** The nature of your question speaks to the many known unknowns that exist around this policy, and we're going to see how this will play out internationally as well. As the CBAM in Europe is implemented, and I think there are a couple of other countries that have indicated they're looking at that as well, it'll be very interesting to see how that plays out at the World Trade Organization. I think this speaks to the need for a very thorough study on whether or not this is going to be a policy that will help or harm us here in Canada.

**Mr. Dave Epp:** Mr. Legault, what are your thoughts?

[Translation]

**Mr. Benoit Legault:** I'll echo the comments made by the representatives of Producteurs de légumes de transformation du Québec and Grain Growers of Canada. It all depends on how this new measure takes shape. We gather that it won't have much of a direct impact on imported agri-food products. I would be surprised if the proposed adjustments affect these products. Instead, we're concerned that they'll affect industrial products with a broader footprint and that they'll have a direct impact on agricultural inputs.

We're concerned about how this measure will be implemented, along with carbon measures in general. Of course, these types of measures would be much less concerning if they were implemented around the world.

[English]

**Mr. Dave Epp:** Merci. I'm cognizant of the time.

I want to make one statement and ask one quick question.

Just for the record, I am not in favour of the Canadian taxpayer subsidizing inputs. My point was that if other countries put their own policies in that impact them and make their own industries less competitive in our market, that is their country's responsibility. Similarly, Canada has a responsibility to our industries as it affects us in foreign markets.

Mr. Legault, I have one quick follow-up question. How is the carbon tax regime in Quebec impacting your green industry's competitiveness?

**The Acting Chair (Mr. Richard Cannings):** Give us a very short answer.

[Translation]

**Mr. Benoit Legault:** It affects the cost of fossil fuels, including propane for drying grain and, of course, diesel. Unlike the tax, diesel is currently still being targeted. The same holds true for the rest of Canada. We're talking about thousands of dollars for a company that specializes in grain production.

**The Acting Chair (Mr. Richard Cannings):** Thank you, Mr. Legault.

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

[English]

**Mr. Francis Drouin:** Thank you, Mr. Chair. You're doing a fantastic job.

[Translation]

My questions are for Mr. Forest. However, I would first like to speak to Mr. Larkin and Mr. Sherman.

[English]

What I'm worried about, actually, is the political landscape and what's happening in Europe, the conversations that politicians are having and the pressure that farmers are putting on their politicians. They talk about "mirror" clauses—here we say "reciprocity" clauses—and CBAM is there. The largest economy, Germany, is actively working and pushing the EU to implement a form of CBAM on ag products.

The issue is always, "How do we measure?" That's where I want to take this conversation. What can Canada do to make sure that, if—and I think it's not a question of if but when—countries get this idea that we will.... We are an exporting country. We export over 50% of what we produce so, obviously, if we're not properly equipped we could put our farmers at a competitive disadvantage because they would be slapped with an import tariff, which farmers down there are asking for, in some way, shape or form, by way of mirror clauses or an import tariff. The whole idea is measurement, so what can Canada do to measure data?

We want farmers to participate in carbon credits. I certainly believe that farmers are capturing carbon. They should be rewarded for that. We know there's a lot of work that's being done in universities in Canada. I know that the University of Saskatchewan is doing some amazing work down there on that—not to give a shout-out to my colleague Mr. Steinley, from Saskatchewan. I heard a previous witness talk about a national dataset. Are those things that you would be in favour of? What else could we do?

• (1005)

**Mr. Kyle Larkin:** In the previous panel, Mr. Currie mentioned the data management strategy, and we're certainly in support of that. That's necessary: We don't have the on-the-ground data right now that is influencing government policy. It's a huge challenge when the government is looking to impose policies and regulations onto grain farmers but without clear data that's really influencing that policy.

You asked the question, "How do we measure?" That's a question we ask ourselves all the time as well. In some government datasets they measure carbon sequestration; in others they don't. We certainly measure carbon sequestration. We know that many farmers, especially across the Prairies, have been practising zero till for decades. They've sequestered thousands, if not millions, of tonnes of carbon. It's certainly something that we measure, but we want to see that in government measurements too.

**Mr. Troy Sherman:** I fully agree with my colleague here. I think more needs to be done in terms of data collection and having alignment, not just at the national level but at the international level as well, to make sure that we're using the same sources and methodologies to find that common benchmark across the board.

A big way that I think the federal government can play a role is, in particular, in the research side of things. Research is absolutely core to the mandate of the Canola Council of Canada. It's super important for canola farmers, as you can imagine. Many of the levy dollars that are collected go towards research, and so, to the extent that we will look at the next policy framework, for example, that will be coming up in 2028—those discussions are going to be starting very soon about what that could look like—by the end of this current cycle the agriscience cluster program, for example, will have essentially had stagnant funding over the past 15 years. We are, effectively, trying to do a lot more with fewer dollars as a result of inflation and other pressures in the research domain, and so I think that investing where we can in this will be extremely helpful. Having federal dollars go towards us, along with private sector dollars, will be extremely helpful. We need to have a significant investment from the federal government into research to help get the data, which is exactly what you're talking about.

**Mr. Francis Drouin:** Of course, for you on the grain side—and I'm not going to pick which grain is better, just for Mr. Larkin's sake—we often hear that it's hard to measure how much carbon sequestration there is in the grain sector because if it's a wet season it's different, or if it's dry it's different. I know there are great universities that are doing that—and I mentioned the University of Saskatchewan—working on that delta. Once we find that delta I think we'll have a tremendous opportunity for Canada to sell that to the world and say, “Hey, we have a proper measurement.” I know that our farmers are doing an amazing job at it and, if countries choose to go forward, then I think we would be properly equipped. However, you're right; we do need data management.

I am worried about certain companies keeping data from farmers. When we talk about precision farming, there has to be a share of that particular data, especially the aggregated data. I argue that this data belongs to and stays with the farmers, and if that farmer wants to share that data with researchers, then he's allowed. I am cautious about certain companies not wanting to share that particular data or to have that data owned by farmers, but it's certainly something I'm advocating for.

[Translation]

Mr. Forest, in Quebec, we often hear about reciprocity of standards. In Europe, we hear about “mirror clauses”. Farmers are asking for the same thing. How can these two aspects be reconciled in the global agricultural community?

**Mr. Pascal Forest:** Thank you for the question.

We've been hearing about reciprocity of standards for decades. How can we measure carbon emissions? We shouldn't repeat the approach used in health inspections, for example, where eight inspectors visit farms and ask the same eight questions. We need reciprocity of standards on a global scale. To play against each other, we need the same rules and the same tools.

How do we resolve this issue? I don't have the solution this morning.

**Mr. Francis Drouin:** I agree with you. Sending inspectors to farms doesn't work.

Thank you.

[English]

**The Acting Chair (Mr. Richard Cannings):** We're at time, Mr. Drouin. Thank you.

[Translation]

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

**Mrs. Marilène Gill (Manicouagan, BQ):** Thank you, Mr. Chair.

I want to thank the witnesses for their testimony. I was glued to my chair listening to the answers given to questions. I think that all the witnesses came to the same conclusion. We heard constant references to competitiveness, profitability and the multilateral approach. The word “caution” came up repeatedly too. Mr. Legault, I haven't forgotten you. We also heard about inputs, obviously, and our dependence on the international market and particularly the American market, of course. Above all, I'm hearing that we must be careful and that we aren't ready.

Mr. Forest, I would like to hear more from you. You spoke about caution and, at the same time, fear for the future. You said that the situation will be increasingly difficult for us. Meanwhile, on the other side of the border, the Americans will take over the market share. We won't be making any economic gains. We'll be hurting our own economy. You're basically saying that you want to do the right thing, like everyone else, but that you need the tools to show that you're doing the right thing. Can you provide some more tangible examples of how you see the situation?

What about the farmers' perspective? You also talked about going out into the field. This lies at the heart of my commitment. We work for the people. What do farmers, who often don't have the platform to speak out, have to say? What are their concerns? We don't want people to leave either. What would they need to take part in the parade, without necessarily leading the way?

I know that I asked you many questions at the same time. However, we're talking about the United States, farmers and all sorts of things that can get intertwined. Could you feed us some more information on this matter, no pun intended?

• (1010)

**Mr. Pascal Forest:** Thank you for your questions.

I'll do my best to answer the eight questions that you just asked me.

**Mrs. Marilène Gill:** As you know, you can always send us additional information after the meeting. This applies to all the witnesses. We'll take a look at it later.

**Mr. Pascal Forest:** Okay.

You rightly pointed out that farmers in Quebec and in every province are excellent producers. They have the same goal. They want to make a good living from whatever they grow. This includes grain, canola and vegetables. The objective is still the same. They want to compete on a level playing field. Mr. Drouin asked me the same question, so I'll repeat the same answer. We want the same support. Research is also key, because it will help us move forward. Many questions are being asked today, and we don't have all the answers.

**Mrs. Marilène Gill:** That would be the basic idea. We currently don't even have the necessary data. I've heard this a number of times. Mr. Larkin spoke about it, and so did Mr. Sherman. We urgently need evidence-based data, because we want to look to the future.

**Mr. Pascal Forest:** We need to base our calculations on this. What will we refer to when answering everyone's questions here this morning? We need to know this before we start the process.

**Mrs. Marilène Gill:** The multilateral approach is another key factor. It would be impossible to proceed unilaterally by establishing border adjustment measures. Everyone seems to say so. We hear about reciprocity of standards. I heard it described as two sides of the same coin. I couldn't agree more.

In terms of the United States specifically, you outlined a hypothetical scenario. What's your perspective? How many years would it take to become a reality? I know that many factors are outside our control, of course.

**Mr. Pascal Forest:** The United States responds much more quickly to needs. We saw this during the COVID-19 pandemic. Issues arose and immediate assistance was provided. It was almost automatic. Here, there's often a delay of a year or two.

As I said in another testimony, farming is done in real time. The same must apply to the requests that we receive and the assistance that we need. There can't always be delays. American farmers have received \$20 billion, whereas here we've received nothing so far. There's already quite a gap. This gives you a good idea of what it will take to help us.

**Mrs. Marilène Gill:** There's also the response time. The government could respond quite quickly. It costs money, but we want to preserve our agricultural sector. This could be done quite quickly.

We aren't immune to a crisis. You spoke about Russia and Ukraine. We aren't immune to conflict either.

**Mr. Pascal Forest:** Exactly. The government must be really up to speed and ready to respond quickly. We need significant measures that will help us take action when we have answers to these questions about the method for valuing carbon and other issues. It's vital to act quickly.

**Mrs. Marilène Gill:** The insecurity is already there.

• (1015)

**Mr. Pascal Forest:** Clearly.

**Mrs. Marilène Gill:** The insecurity isn't related to these measures. It's already there.

**Mr. Pascal Forest:** Exactly.

**Mrs. Marilène Gill:** Since the response isn't quick enough, we must do something, in the meantime.

**Mr. Pascal Forest:** Exactly.

**Mrs. Marilène Gill:** We need to address issues such as how quickly the support is provided. You talked about a two-year delay. Support could be provided in real time, as you said. Otherwise, why can't we make forecasts, then obtain data and still have the money to take action and hold multilateral discussions? As you said, we can't resolve this situation on our own.

**Mr. Pascal Forest:** Indeed.

**Mrs. Marilène Gill:** We're talking about reciprocity. On the other side of the border, people must be saying the same thing. They don't want to be duped and lose their market share and they want to discuss the situation. Discussions must be held. It's quite a big process.

**Mr. Pascal Forest:** There's a great deal of work to do.

**Mrs. Marilène Gill:** Yes. In your opinion, how soon could this be done? I guess that it depends on how long the government takes.

[English]

**The Acting Chair (Mr. Richard Cannings):** Madam Gill, your time is up.

[Translation]

**Mrs. Marilène Gill:** I talk a lot. People know me here.

Thank you, Mr. Chair. I'm sorry.

[English]

**The Acting Chair (Mr. Richard Cannings):** Normally we would now turn to the NDP for questions. I'm going to take the prerogative of the chair and ask some questions at the end instead. I think we'll move on to our second round.

Mr. Steinley, you have five minutes, please.

**Mr. Warren Steinley:** Thank you very much, Mr. Chair.

I have a couple of questions. I was listening to my friend from the Liberals talk about the data that we have. The Environment Commissioner, Jerry DeMarco, did a report on the agriculture department last year, and he said there really isn't enough data. The agriculture department doesn't have a set strategy to reach any emission targets. That was what came out in his report.

When we're having these conversations, a fundamental question I ask most people, most witnesses, is what is our benchmark? Does the Department of Agriculture have a benchmark of where we are when it comes to emissions? They focus on carbon, but what about carbon emissions? Do they have any data on how much the agriculture sector as a whole has sequestered? I think that's the question we have with a lot of these discussions around CBAM. Where are we actually at, Kyle or Pascal?

Have we talked to the Department of Agriculture, and do they have those numbers to even get us started? I'm from Saskatchewan. When it comes to zero-till sequestration, the grasslands that sequester when it comes to the cattle that we're raising, do they have an idea of how much carbon is being sequestered in the agriculture sector?

**Mr. Troy Sherman:** I really appreciate your question, so thanks for asking that. I appreciate it because you're asking something that's hugely complex, and even we are trying to wrap our heads around this data question and what government has or does not have. I'll just give you maybe a glimpse into the world of data as it relates to agriculture and emissions within the Government of Canada. This is such a fast-evolving space, but even within the federal family, we have different methodologies and tools that are used. For example, Agriculture and Agri-Food Canada is going to use the Holos model to determine some of the emissions from the sector. Environment and Climate Change Canada has a different team that reports on the emissions reduction plan, for example, that has a different model from what agriculture has. Then there's also a slightly different model for reporting as part of the national inventory report.

It's a hugely challenging and complex space. We are all trying to navigate that. I know that Environment and Climate Change in particular is trying to update our reporting through the national inventory report significantly so we can get to a better level of baseline information that we can import internationally. It is a very large challenge. It's something that we are working with the government on quite actively, and especially the science and technology branch of Agriculture and Agri-Food Canada.

**Mr. Warren Steinley:** I'll jump in for one quick second, and then I'll share my time with Mr. Lehoux.

The Department of Agriculture set a benchmark of 2018 when they started new technology. I know where I'm from that we've done zero-till. We've done crop rotation. Our soil health is probably better than it's been in 30 or 40 years in Saskatchewan.

How are we going to move forward and give credit to the good practices that lots of our producers have been using for years? I feel like the Department of Agriculture right now, under this current government, is not giving the credit due to some of the producers that have been doing the right things and have had great practices for decades.

**Mr. Troy Sherman:** I want to speak to that very quickly. I know my colleague here would like to jump in on that as well.

It is a massive challenge. It's a big part of the discussions we've been having with the federal department, particularly as it relates to the development of the sustainable agriculture strategy. How do we recognize early adopters and the folks who have been doing this for 20 or 30 years?

Part of the challenge with the way we're calculating this is that the government is very focused on additionality. It recognizes but does not look at some of those practices moving forward because they're already being done and they're already being factored in.

I think your question is fundamentally about how we recognize early adopters and how we make sure they can access some of the

programs in place that can reward them for those practices they've been adopting for 20 or 30 years. That's an ongoing discussion we are having, along with my colleagues and others, about how we can make sure the federal government properly recognizes those early adopters.

• (1020)

**The Acting Chair (Mr. Richard Cannings):** Mr. Lehoux, you have 30 seconds.

[*Translation*]

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

Mr. Forest and Mr. Legault, you both spoke about the impact of input taxes. If you don't have time to answer, please send the committee your written response. It would be good to have your perspective on this matter.

What's the impact of these taxes in terms of percentage? My Bloc Québécois colleagues often say that the carbon tax doesn't apply to Quebec. However, we know that taxes apply to all inputs and also to anything produced abroad.

Mr. Forest, could you give us a quick answer? Does it have an impact?

**Mr. Pascal Forest:** Of course it has an impact. When it comes to the percentage, I will ask Mr. Legault to answer you.

[*English*]

**The Acting Chair (Mr. Richard Cannings):** You're out of time, Mr. Lehoux.

[*Translation*]

**Mr. Richard Lehoux:** Please send your answer in writing to the committee, Mr. Legault.

Thank you.

[*English*]

**The Acting Chair (Mr. Richard Cannings):** Now we'll turn to Mr. Louis, for five minutes.

**Mr. Tim Louis (Kitchener—Conestoga, Lib.):** Thank you, Chair.

I appreciate all of our guests being here today; they represent farmers from across Canada. I want to take the time on behalf of a grateful nation to thank all farmers for putting food on our table as we're about to gather for Thanksgiving. Happy Thanksgiving to everyone.

Having you here and having industry expertise is really crucial to shaping agricultural policies, so I appreciate you being here.

We're learning today and on many days that we need to act locally and, at the same time, think globally. In my riding of Kitchen—Conestoga, you can buy local produce from a neighbour's farm, and at the same time, we're also exporting local pork products to the world. Canadian farmers aren't just local; we're international players. We're learning that there needs to be a close partnership globally with ongoing collaboration. Discussions like this are important to ensure smooth cross-border movements of agricultural products. I believe Mr. Currie, president of the Canadian Federation of Agriculture, said in the last hour of testimony that competitiveness is a big factor.

I'll start with Mr. Larkin from the Grain Growers.

What measures right now are the Grain Growers taking to ensure that Canadian grain remains competitive and preferred in international markets? How can government support your industry in ways like investments, research and development, innovation, marketing and business risk management? What can we do to further help you on that international stage?

**Mr. Kyle Larkin:** To answer your second question, there are many things that the government can do to support grain farmers. Lowering taxes and regulations is number one on the list. We talk about the capital gains tax, Bill C-234 and the carbon tax as unfairly penalizing grain farmers. There are a number of regulations and taxes out there that are really penalizing grain farmers. That really hurts their competitiveness.

When you look at the international market, Canada is known for having some of the highest quality grain around the world. We export over 70% of the grain and grain products that we produce here in Canada. It's fundamentally important for the competitiveness and profitability of grain farmers. We need to keep those international channels open.

Our largest worry is protectionist measures by some of our largest trading partners. The top five trading partners right now, or as of last year, in order are the United States, China, Japan, Indonesia and Mexico. Some of them have carbon pricing schemes and some of them don't.

What we know is that our grain farmers are reliant on trade in grain and grain products getting to those markets and another 145 markets around the world. We need to ensure that when we're looking at mechanisms like carbon border adjustment mechanisms, we're truly looking at the global market and how this could impact grain farmers back home.

**Mr. Tim Louis:** Mr. Sherman, from the Canola Council of Canada, to support innovation, to support resilience, to boost productivity, we want to help farmers produce more food and increase profitability, not only for local food sovereignty but also to help feed the world. In order to meet those challenges of improving sustainability in production and increasing resilience in the climate of extreme weather, how can industry and government work together to help with higher yields, greater disease resistance and resilience in cases of extreme weather?

• (1025)

**Mr. Troy Sherman:** That's an excellent question, so I thank you very much for that.

There are two things that I will mention. The first I've already alluded to, which is significant investments in research dollars. We need more federal investment in this space. I think looking at the next policy framework is an opportune time to figure out what kinds of investments can be made for the agriscience cluster program. It's something that we avail ourselves of on behalf of the canola industry. We know there's a significant ROI from the economic perspective of that research, but the research we did 10 years ago is being put into practice by farmers today. That is extremely helpful, so, as we look at the next policy framework, the first thing I would recommend is a significant investment in research.

The second element is on the trade front. As folks may know, the federal government recently announced the last leg of the stool as it relates to gene-edited products and plant-breeding innovation. That is a massive development for Canada. It is going to drive significant investment in research by the private sector here so that we can have gene-edited products that are...so that we can have canola crops that are more heat-resistant and more drought-resistant.

Moving forward, looking at our trade environment, we have to work very closely with our negotiators to make sure that any future trade agreements we're negotiating have the most ambitious language possible as it relates to biotechnology so that, when we do produce gene-edited products here in Canada, we don't have market access barriers when we are exporting them abroad to some of those export markets. We are starting to have those discussions right now with Global Affairs Canada, but having the most ambitious language possible on biotechnology is going to be absolutely crucial for us as we develop and implement gene-edited products here in Canada.

**The Acting Chair (Mr. Richard Cannings):** Thank you Mr. Sherman, and thank you Mr. Louis.

We'll now go to Madame Gill.

[*Translation*]

Mrs. Gill, you have the floor for two minutes and thirty seconds.

**Mrs. Marilène Gill:** Thank you, Mr. Chair.

Mr. Legault, we have not forgotten you, even though you are appearing by video conference. I would like to know if you want to add anything or round out what Mr. Forest said about the eight questions I asked in a row.

**Mr. Benoit Legault:** Thank you.

All eight questions seemed important to me. Since we are doing a kind of brainstorming on the way to approach the issue, I would add one point.

When it comes to Quebec's grain farmers, we see that the challenge is linked to the fact that we often work in silos. We are currently talking about a very specific measure: border carbon adjustments. We are even talking about it on the margins of the whole carbon tax and carbon policy issue.



What I find regrettable is that we are not addressing the whole issue of how Canadian agricultural policy is supported. We often focus on carbon, but we don't understand that it impacts other aspects of agronomy, for example, and the economy. We often work in silos when it comes to agronomy, but also policy, when we talk about these subjects. I think Europe may be performing a little better on that side, in terms of planning for the needs of a sector like agriculture. They look at their common agricultural policy, adjust it and integrate it a bit more into other files, like the one we are discussing now.

I think we have to take it into account because we can't separate the two. They are closely linked, because what we can grant on one side could be compensated for on the other. However, we are currently looking at them separately. So, I'll raise this point for now: We have to study the issue more globally. That means looking at all the challenges affecting the sector, the policies and the agronomic approach to carbon.

**Mrs. Marilène Gill:** We can also talk about those sectors globally. For example, you talked about Europe. At the European Commission, every country is present and can discuss what is happening on their end. Then, they can coordinate. I think they have challenges too, obviously.

It is a bit as though some kind of organization were missing. I don't know how to put it exactly, and I don't want to put words in your mouth. In short, we need an organization. It could be very cumbersome, as we might imagine, but it would help us get the big picture and work from there.

I think that's what you wanted to say, to a certain extent. Everyone's working in silos and we just can't get a big picture of the situation. It's hard to move forward if everyone can't talk to each other. Obviously, even if many things are similar, I can say that what agriculture looks like on the North Shore is not the same as elsewhere.

Thank you, Mr. Legault.

• (1030)

**The Acting Chair (Mr. Richard Cannings):** Thank you, Ms. Gill.

[English]

We're out of time. I'm sorry. Thank you.

It being past 10:30, I'm going to take my prerogative as chair to ask a couple of questions, and that will end today's meeting.

I want to start with Mr. Larkin. You mentioned fertilizer as one of your concerns in terms of increased input costs with a border adjustment, as that is one of the sectors the EU is talking about in their opening round of CBAMs. If they implemented that policy, it would only affect fertilizers going into the EU. If we decided to have reciprocity and a CBAM with the EU and have a new agreement with them, it would obviously affect fertilizers coming from the EU into Canada.

Is that what you're concerned about, or is it more of a broader question of whether we involve the United States and other countries?

I don't see us doing border adjustments with the world. It would be more as trade agreements with groups such as the EU and not with other countries, but I'd like to get your comments on that.

**Mr. Kyle Larkin:** It's a great question. Our worry is that if Canada moves ahead unilaterally with a CBAM or multilaterally with the European Union, it wouldn't help on fertilizer either.

Let me be clear: Canada has a large manufacturing sector for fertilizers, but only certain fertilizers. We're a proud manufacturer of potash, for example, in the prairies, but all of the phosphate farmers require in Canada is imported, and it's imported from places like the United States, Morocco and Algeria. While we may create a CBAM with the U.S.—we're obviously collaborating with our American counterparts on a daily basis—I'm very doubtful that we would include Morocco and Algeria in any of those conversations.

It's a big concern. We import \$3 billion worth of fertilizers that go to grain farmers. That's essential for crop production. Fertilizers, pesticides, seeds and other inputs are essential, and the prices of those inputs are going up on a daily basis. Anything the government can do to alleviate the increase in input costs is something we're in support of. We're certainly not in support of mechanisms or policies that would increase taxation or increase the cost to grain farmers.

**The Acting Chair (Mr. Richard Cannings):** Okay.

I have one last question for Monsieur Forest.

You mentioned benefits to American producers through the IRA. Could you comment on what you think Canada should be doing to offset those or, again, bring in reciprocity? How should we support our agriculture sector to offset those benefits that the American farmers are enjoying?

[Translation]

**Mr. Pascal Forest:** Thank you for the question, Mr. Chair. I will probably repeat the same answer.

I think it is important for the assistance we offer on this side of the border to be on the same scale as what the American government offers to its farmers on the other side of the border. We should have the same percentage of assistance if we want to get the same results. It's the same thing when it comes to investing in research. It's important for us to really know where we're headed and see Canada's interest in agriculture. If our goal, here in Canada, is to have local products coming from local agriculture, and to be able to export our local products, it's important for us to have the same rules and have good conversations so we can move forward equally, because each sector will export part of its products. I think the principle is possible, especially since we basically agree on what everyone will do to improve the situation.

[English]

**The Acting Chair (Mr. Richard Cannings):** Thank you.

With that, is everybody in favour of adjourning the meeting?

**Some hon. members:** Agreed.

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