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# Standing Committee on Agriculture and Agri-Food

EVIDENCE

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Chair: Mr. Kody Blois





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Thursday, November 21, 2024

• (0820)

[*Translation*]

**The Vice-Chair (Mr. Yves Perron (Berthier—Maskinongé, BQ)):** I call this meeting to order.

Good morning, everyone.

Welcome to meeting number 119 of the Standing Committee on Agriculture and Agri-Food.

I will begin with a few reminders. First, I would like to inform you that the sound tests for online participants were successfully completed.

Today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website. The webcast will always show the person speaking, rather than the entirety of the committee. Screenshots or taking photos of your screen is not permitted.

I would like to make a few comments for the benefit of the witnesses. First, members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. If interpretation is lost, please inform me immediately and we will ensure interpretation is properly restored before resuming the proceedings.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. Those in the room, your microphone will be controlled as normal by the Proceedings and Verification Officer.

When speaking, please speak slowly and clearly. When you are not speaking, your mike should be on mute. A reminder that all comments by members and witnesses should be addressed through the chair.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, October 24, 2024, the committee resume its study of fertilizer tariffs.

I would like to welcome our guests for the first part of the meeting.

Before I turn the floor over to the witnesses, I have a few procedural points to discuss with committee members. First of all, I have to leave the meeting no later than 9:30. We will therefore require a substitute for the chair. I need unanimous consent to nominate Mr. Richard Cannings to chair the rest of the meeting. Does everyone agree? I see that they do.

Considering that I am the chair and that I am the only Bloc Québécois member on the committee, I must ask for unanimous consent so that I can also ask questions during the speaking time allocated to the Bloc Québécois, with the promise that I will not exceed it. Do we also have unanimous consent on that? I see that we do.

Just before we go on, I must ask you to approve four budget requests, which I believe you received last Friday.

The first budget request is to study railway-related issues and opportunities in the Canadian agricultural context.

Have all committee members seen the budget? Do they agree to adopt it? I see that they do.

The second budget request relates to the study on the protection of farmland in Canada. I see that all committee members are in favour.

The third budget request is for a briefing on the Minister of Agriculture and Agri-Food's mandate and priorities. I see that all committee members are in favour. Thank you.

Finally, the fourth request relates to the study on fertilizer tariffs, which we are beginning today. I see that all committee members are in agreement.

Thank you very much for consenting so readily, as usual. This is an outstanding committee.

This morning, from the Sollio Cooperative Group, we have Casper Kaastra, chief executive officer; Patrice Héroux, vice-president of finance; and Marc Poisson, director of government and institutional affairs.

You have seven minutes for your opening remarks, since you are the only group of witnesses, after which we will move on to a round of questions.

I will signal when you have one minute left. I encourage you to keep an eye on me at all times.

Thank you in advance for your testimony.

I now yield the floor to our witnesses for seven minutes.

**Mr. Casper Kaastra (Chief Executive Officer, Sollio Cooperative Group):** Thank you, Mr. Chair.

Good afternoon, vice-chairs and members of the committee.

As executive vice-president of Sollio Cooperative Group and CEO of Sollio Agriculture, I thank you for this opportunity to speak to you today. I am accompanied by Patrice Héroux and Marc Poisson, respectively vice-president of finance and director of public and government affairs.

Sollio Cooperative Group has been around for over 100 years. It is the largest pan-Canadian agricultural co-operative with Quebec roots. Sollio Cooperative Group represents over 123,000 members, agricultural producers and consumers in 48 traditional agricultural and consumer co-operatives. We have over 15,000 employees in our three divisions, including Olymel, which specializes in pork and poultry processing, as well as BMR, Quebec's leader in the retail trade of construction materials and hardware.

[English]

Our Sollio agriculture division supports producers in eastern Canada to help them maximize their yields by specializing in the marketing of agricultural inputs and value-added agronomic services. As a federation of co-operatives, ensuring the supply of inputs required by producers for their various production activities at the farm is both the core of our business and an obligation.

We depend on imports, and the large quantities of fertilizer required by producers for their brief spring period cannot all be stored in advance. This explains the maintenance of some of our supply contracts, which were concluded before the sanctions were imposed, in order to honour past orders and guarantee the availability of fertilizer to producers during the key planting period.

Nevertheless, withdrawing the most favoured nation tariff treatment for imports from Russia and Belarus required the payment of a 35% duty on many of our shipments, amounting in total to \$33.5 million. Certainly, the severity of the atrocities committed by Russia—which are ongoing—against the Ukrainian people demanded a strong and severe response from Canada. However, these sanctions must have an effect on Russia, not on Canada. This is why we have undertaken the appeals that bring us here today for three of the shipments, representing seven customs transactions in total, which were in transit to Canada before the sanctions were imposed.

On April 13, 2023, the Canada Border Services Agency approved the modification of the tariff treatment on our first two review requests, which resulted in a refund of \$7.8 million. That was then redistributed in the following weeks, in accordance with our commitment to producers. At the beginning of this year, we were notified of a review of the two decisions that led to the \$7.8-million refund, only to be told last March, 11 months later, that the agency was reversing its decision and that we had to return this amount—already redistributed to producers—adding interest that represented an amount of \$395,000. That is what we did, in order to appeal these seven decisions. To date, there is a burden of \$35.3 million that remains unacceptable for producers in eastern Canada.

It is equally unacceptable, from our point of view, that producers in eastern Canada have been at a competitive disadvantage since March 2022 compared with those elsewhere in the world, including in the United States, given our dependence on imports.

Speaking of the United States, I would like to point out that it still sources from Russia, despite its position against the war in

Ukraine. Unfortunately, the affordable price, quality and quantity available with Russian fertilizers are difficult to source elsewhere. Canada depends on fertilizer imports. We do not produce enough nitrogen to meet our needs, and we simply do not have any domestic production of phosphorus.

Other countries with similar restrictions compete with us in sourcing from markets where available volumes are lower and located in regions with high geopolitical tensions, such as the Black Sea or the Middle East. We are not immune to a destabilizing event that would force us to reconsider Russia as a supplier, whether we like it or not. What needs to be remembered here is that it will be difficult to guarantee supply—given the restrictions, availability and prices—and that agricultural production and food security in Canada could be weakened as a result.

In conclusion, I thank you for your attention and the interest you give to these issues that closely affect producers across Canada.

[Translation]

Thank you.

● (0825)

**The Vice-Chair (Mr. Yves Perron):** Thank you for your remarks.

We will now move on to questions.

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

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

Thank you to the witnesses for being with us this morning.

We know that 40% of the country's fertilizer supply comes from Russia and that those imports were hit with a specific tariff, without consulting the main parties involved. Sollio is the largest fertilizer supplier for all of eastern Canada.

Sources of supply are hardly plentiful. In this situation, were you particularly curtailed in your capacity to supply fertilizer in time for producers in eastern Canada?

**Mr. Casper Kaastra:** Thank you for the question, Mr. Lehoux.

Allow me to answer in English—it's my mother tongue and I want to make sure my answer is clear.

[English]

Yes. In fact, we have difficulty sourcing from various regions other than Russia. There is limited production in regions around the world. Most of the production of fertilizer is concentrated in areas where there are low energy costs. We see, in certain of those situations, instability in those regions.

In particular, the imposition of the tariff in 2022 was challenging for us because it arrived several weeks before we needed to begin our seeding process. Normally, because we import through a large number of vessels into eastern Canada every spring, it takes anywhere from two to three months of preparation. For us, finding alternative sources for the full amount of the quantity of fertilizer that was already in transit was simply not possible.

[Translation]

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

From what I understand, \$33.7 million in tariffs were imposed on you. Of that amount, you said that \$7.6 million or \$7.8 million was reimbursed to you. However, to your great surprise, that amount was clawed back several months later. You returned that money directly to producers, I imagine.

Was it explained to you why you were being asked for that \$7.6 million?

● (0830)

[English]

**Mr. Casper Kaastra:** We don't have the clarity to fully understand what the rationale was for the demand to return the sums that were already reimbursed. However, it is our understanding that it's fully within the rights of CBSA to proceed to that review and ask for repayment.

It is true that we reimbursed the full amount of the funds back to the various networks and producers impacted by these tariffs. It was returned in the weeks following, yes.

[Translation]

**Mr. Richard Lehoux:** Mr. Kaastra, that means that, in fact, it was Sollio Cooperative Group that ultimately disbursed the \$7.6 million.

**Mr. Casper Kaastra:** It's \$7.8 million, plus \$395,000 in interest.

**Mr. Richard Lehoux:** You're talking about the interest that was added on. You did mention that at the outset.

Our American neighbours to the south never applied those tariffs. What impact do these tariffs have on agriculture in eastern Canada and on its competitiveness in markets compared to the main competitors, who are just as affected as we are by the conflict in Ukraine?

How can you explain this situation?

[English]

**Mr. Casper Kaastra:** For sure, the U.S. has maintained the approach of having ready access to Russian fertilizer for importation into their market. North America in total is a net importer of nitrogen and phosphate products. That includes the U.S. and us. It's been like that for quite a long period of time. We're a net exporter of potash products, so there are no concerns about supply security in that case.

What we've seen is that the U.S. has significantly increased their imports of Russian fertilizer since the arrival of the war in Ukraine. They've more than doubled the amount of fertilizer imported from Russia into their country. They've also increased the number of ex-

ports, so there's a lot of trade and commerce going back and forth with no restrictions on full and fair trade.

In our case, on the impact on producers in eastern Canada, we can estimate that there has been an increase in cost to producers as a result of limited access from all regions across the world. However, the bigger risk is an interruption in supply from any other available region of the world. That would put us at significant risk, because the number of options is quite limited. We can think of the conflict in the Middle East as an example that would be a high-risk scenario.

[Translation]

**Mr. Richard Lehoux:** In addition, Mr. Kaastra, that's not counting all the red tape it entails for your company. We got bogged down in red tape instead of taking a truly effective measure with respect to this conflict. I also think that we still need to provide Ukraine with significant support, but I'm not sure we can do that by filling out paperwork.

Do you agree with me on that?

**Mr. Yves Perron:** Please keep your answer brief, Mr. Kaastra.

**Mr. Casper Kaastra:** All right.

Would you like to answer that question, Mr. Héroux?

**Mr. Patrice Héroux (Vice President, Finance, Sollio Cooperative Group):** Certainly.

There was a great deal of paperwork, not only administrative, but also financial. Among other things, those documents had to do with the re-invoicing and redistribution of tariffs. In our opinion, the current measures may not have helped to achieve the goal in terms of sanctions.

**The Vice-Chair (Mr. Yves Perron):** Thank you very much.

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

**The Vice-Chair (Mr. Yves Perron):** Thank you, Mr. Lehoux.

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

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

Thank you to the witnesses for being here.

I don't want to talk about the Russia issue, because I don't think that argument gets us anywhere. The fact remains that it worries me.

Nor do I want to talk about storage capacity, because depending on who you talk to, you find that some people can store fertilizer for a year. In fact, a supplier in my riding prepared for this storage capacity, and is now doing just that.

I think you're here because CBSA initially agreed with you and reimbursed you. Eleven months later, it informs you that a mistake was made and it wants to review the situation. CBSA has the right to do so.

That being said, is CBSA still in touch with you, or have they stopped contacting you?

• (0835)

[English]

**Mr. Casper Kaastra:** We received an indication early in the year—in January, I believe—that it was under review in parallel, because we had submitted requests for reimbursement for three vessels in total, which was seven import permits in total. We had received the reimbursement for two of those and then subsequently applied for the other five. At that moment, or shortly thereafter, we were advised that the first two were now under review.

[Translation]

**Mr. Francis Drouin:** All right.

So the review was under way at that time.

Has CBSA set a timeline? Is it being reviewed and are we going to wait for Santa Claus to come to town?

**Mr. Patrice Héroux:** Actually, we're following up assiduously at the moment. We're sending them numerous applications on this subject, and we're told that they will get back to us quickly.

We weren't given a specific timeline for a final decision on our current applications.

**Mr. Francis Drouin:** Apart from the fact that CBSA is acting within its rights, did it give you a valid reason for reversing its decision?

**Mr. Casper Kaastra:** Mr. Poisson, the floor is yours.

**Mr. Marc Poisson (Director, Governmental and institutional affairs, Sollio Cooperative Group):** In fact, just to provide proper context, there are two executive orders regarding Russia's withdrawal from the most-favoured-nation tariff treatment. There was the initial order, in effect from March 2 to October 7, 2022, that imposed a general tariff of 35% on Russian goods. Then, there was the order in effect since October 7, 2022, which establishes the same measure, but adds an exemption for certain goods.

As a result, Sollio Agriculture is challenging the application of the tariff, arguing that these fertilizers were in transit to Canada before March 2, 2022. However, CBSA interprets the term “in transit” as a direct shipment without transshipment as a registered good in Canada, which is not the case for our fertilizers.

That's a technical explanation, but it essentially boils down to that.

**Mr. Francis Drouin:** I see.

Suppose things don't go well and CBSA remains silent, what other recourse do you have?

Can you turn to the Canadian International Trade Tribunal, or CITT, for example, or the Federal Court?

Is Sollio considering pursuing such remedies?

**Mr. Casper Kaastra:** Given the sizable amounts at stake, we will continue to explore all avenues that would allow us to claim the tariffs paid. As you said, there are potential remedies.

**Mr. Francis Drouin:** I want to make sure I understand, Mr. Poisson.

CBSA is essentially saying that transit is unimportant to them. If the goods have not arrived in Canada, at port or in Canadian waters, CBSA considers that it is not in transit.

Is that correct?

**Mr. Marc Poisson:** Actually, that's not quite accurate.

Of the eight vessels concerned, one was considered in transit, because it was in Canadian waters just before the sanction was imposed.

**Mr. Francis Drouin:** I see.

**Mr. Marc Poisson:** That said, I repeat that there was an exemption for certain goods. The initial order imposed the general tariff on Russian goods, whereas the second order provided a new interpretation.

The rest is highly technical. I won't go into the details.

**Mr. Francis Drouin:** All right.

The reason we're here is that our colleagues have raised certain issues. CBSA officials will have the opportunity to testify a little later. We want to get to the bottom of this. Of course, we don't want things to get worse, and we hope there will be a positive outcome for farmers and for your organization.

Mr. Chair, is my time up?

**The Vice-Chair (Mr. Yves Perron):** You still have one minute, Mr. Drouin.

**Mr. Francis Drouin:** All right.

In light of this order, what do you see as the future for Sollio Cooperative Group?

I believe you partnered with Agromart.

Is that correct?

[English]

**Mr. Casper Kaastra:** That's correct. Yes.

**Mr. Francis Drouin:** You've mentioned the difficulty of sourcing from elsewhere, other than from Russia, and you're worried about the conflicts in the Middle East. From your perspective, you're seeing that the global marketplace is shrinking. The options to look for a source in other places are shrinking. Is that your analysis?

• (0840)

**Mr. Casper Kaastra:** Yes, and I could give you a more concrete example. Phosphate is a clear example.

We saw some hurricanes recently in the Florida area. It's a primary production region. Other key regions include Morocco, and Russia itself. Without Russia as an option, when there is an interruption in supply, then the options become very limited for other regions. Given the time that's involved to—

[Translation]

**The Vice-Chair (Mr. Yves Perron):** Thank you, Mr. Kaastra.

Mr. Drouin, your time is up. That said, you're in luck. It's my turn to speak, and I'll allow Mr. Kaastra to finish his answer.

I would remind you that I had the committee's unanimous consent to participate in the rounds of questions.

[English]

**Mr. Casper Kaastra:** Thank you.

I'll simply say that yes, those are limited options, so we're at more risk of supply shock if any of those regions are shut down for whatever reason.

[Translation]

**The Vice-Chair (Mr. Yves Perron):** You have nevertheless found new sources of supply, particularly in North Africa.

Is that right?

[English]

**Mr. Casper Kaastra:** Yes. Algeria is an example, and Turkmenistan. There are other countries in the world that produce urea, for sure. In those circumstances, we see that the trade balance has evolved and that other countries that are still able to import from Russia, such as the U.S., India or others, are taking up some of that production, which liberates volume that's produced in other regions of the world for us to be able to source directly. It's really changed the trade flow in those cases.

[Translation]

**Mr. Marc Poisson:** Allow me to clarify.

There are certainly other markets where we could source supply, but not in the same quantities. As Mr. Kaastra said in his remarks, we're talking about quality, quantity and price. Those attributes are not necessarily found in those markets.

In terms of how the supply works, ships usually arrive in the St. Lawrence Seaway at a specific time of year, during planting season. These vessels act as floating warehouses, if you will.

We have a respectable storage capacity, but it is ultimately limited if we take into account the huge volumes we import and the fact that we are the largest player in eastern Canada. That has an impact on logistics and it has an impact on our business. We want to ensure we have the right amount at the right time, especially since the planting season is getting shorter and shorter.

This morning, we sent the committee a document. It contains graphs that explain the evolution of the planting period. At one time, the period was about 20 days. Right now, the window is closing more and more. Indeed, we're talking about a few days or barely a week. So this is a critical moment. That shift is definitely having an impact on our business.

**The Vice-Chair (Mr. Yves Perron):** If I understand correctly, you're saying that it isn't viable for eastern Canada. The geopolitical situation is seemingly not improving and will continue in that direction for a while.

Have I understood that correctly?

[English]

**Mr. Casper Kaastra:** The risk has increased with limited options. The more the options of various supply sources are limited, the more our risk increases. The cost is also higher because Russia, to eastern Canada, is a cheaper supply source in terms of transit. Also, as Marc mentioned, it also improves our ability to have the product there when we need it. When we have to source from other regions, it really just increases the risk of availability as well as the cost of supply to eastern Canada.

[Translation]

**The Vice-Chair (Mr. Yves Perron):** All right.

I'd like to come back to the substance of the story, that is, the dispute.

How much do you pay in tariffs on Russian fertilizers?

**Mr. Patrice Héroux:** Total tariffs paid amount to \$33.5 million.

**The Vice-Chair (Mr. Yves Perron):** Of this \$33.5 million, \$7.8 million was waived for you, because the ships had already left Russia when the tariff was introduced. You received the money and redistributed it to your customers who had paid the fee. Now, 10 or 12 months later, the Canada Border Services Agency has come back to tell you that you have to pay these amounts after all, plus the interest accrued for the year. Did I understand correctly?

This procedure, which I find quite appalling, raises a number of questions.

First of all, you were unable to recover the sums you had credited to your customers. This is a direct loss for you.

The second thing is the state of insecurity it puts you in for the future. When you sign a contract, you know how much it costs. There's a set amount, and you sign at the bottom of the page. If the amount changes after a year, you'll have to make forecasts for the future, and this may prevent you from making investments in other sectors.

I'd like you to tell me about the uncertainty this creates for you, and then give your recommendations to the committee.

● (0845)

**Mr. Patrice Héroux:** In fact, we remitted \$7.8 million to our customers within weeks of receiving the initial amount. Eleven months later, the agency billed us again for the \$7.8 million, plus interest. At the time, we were very uncomfortable about billing our customers for this amount again. So, for the time being, Sollio Agriculture is responsible for this portion.

[English]

**Mr. Casper Kaastra:** Then, to add to that, when we talk about Sollio agriculture, obviously it means the producers themselves. They are impacted by that. We're a co-operative, and the producers themselves, as owners of the co-operative, are the ones who are experiencing that cost and that loss.

To answer your second question or to speak to it, I think that a couple of things we've found difficult with the situation were the timing of the decision and the impact that it had on our ability to supply our farm clients just prior to the spring period. The supply chain is so long and extensive that to be able to pivot and find other sources in a matter of week.... At the time, we had eight vessels ordered from Russia. We were able to find replacements for two, but we really had no other choice but to bring in the other six at that point in time. Timing is very important in those cases.

[Translation]

**Mr. Marc Poisson:** I would like to add something, if I may.

**The Vice-Chair (Mr. Yves Perron):** Please be brief, Mr. Poisson.

**Mr. Marc Poisson:** One thing is certain: As Mr. Kaastra mentioned earlier, the real uncertainty for us lies on the supply side. It's the certainty of being able to access the market.

You may recall that, in its report on food safety, a study in which Mr. Kaastra testified, the committee recommended keeping open the possibility of reviewing decisions.

**The Vice-Chair (Mr. Yves Perron):** Thank you, Mr. Poisson.

Apologies. I had promised my colleagues that I would not go over time but I went over slightly.

Don't worry, Mr. Poisson. We'll come back to this question later.

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

[English]

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you.

Thank you for being here today.

I want to clarify a few things.

These are not sanctions. These are the removals of best or most favoured nation treatment. The tariffs go up 35%, so there's a 35% added cost to you and your customers. Is that correct? When you were importing from Russia...?

**Mr. Casper Kaastra:** That's correct. There were sanctions on specific vessel owners and things like that, which limited our flexibility for bringing product in, but it's also true, technically, that we could import fertilizer today with a 35% tariff added.

**Mr. Richard Cannings:** You operate primarily or solely in eastern Canada.

**Mr. Casper Kaastra:** No, actually, if I can respond. We also operate in western Canada. We have a series of distribution and supply chains in that region as well.

**Mr. Richard Cannings:** From the national side of things, on Canadian imports, are there any better opportunities for western

Canada's operators? I'm from British Columbia. Are there Asian options that are available there?

I'm just trying to paint a broader picture here.

**Mr. Casper Kaastra:** It's a very fair question.

In particular, China is significant. I believe it's the biggest user of fertilizer products globally. It's also one of the biggest producers as well, but what we have seen, particularly in the period following the pandemic, is a significant number of export restrictions being put in place, primarily for phosphate and nitrogen products. That limited their ability to supply the regions of the world, but certainly it is an option from time to time to bring product from the Asian market into the western regions of the U.S. and Canada. That's correct.

**Mr. Richard Cannings:** As you said, North America itself, I think, especially for phosphorus, is not a....

**Mr. Casper Kaastra:** There is no domestic production in Canada of phosphorus. Historically, there has been production at times, both in western Canada and in northern Ontario. There do remain phosphate reserves, but they're undeveloped at this point in time. For all farming production and farming activity across Canada, whether west or east, we depend 100% on imports of phosphate.

We are a significant nitrogen producer; however, we are a net importer in total. We don't have enough domestic production of nitrogen for all the farming needs across Canada.

● (0850)

**Mr. Richard Cannings:** There is a big fertilizer plant in my riding. As I understand it, the Teck smelter in Trail does produce nitrogen fertilizers or ammonia-based products. What you're saying is that operations like that within Canada and the United States are not enough.

**Mr. Casper Kaastra:** They're certainly not enough.

I believe the specific production you're referencing would be an ammonium sulfate product. It's a nuance of a nitrogen product. It is nitrogen production, but it certainly would not be enough to supply all requirements.

**Mr. Richard Cannings:** I think I read that Russia traditionally has supplied 40% of our fertilizer.

**Mr. Casper Kaastra:** Into eastern Canada, that is correct, yes.

**Mr. Richard Cannings:** Okay.

You've mentioned that prices have obviously gone up. Have they gone up to match that 35%? Is that how prices have reacted? How much have prices gone up because of the increased demand elsewhere?



**Mr. Casper Kaastra:** The impact on prices fluctuates, as it would in any commodity market, due to a large number of different reasons. At that time, there was a reaction to the replacement cost on fertilizer having gone up quite significantly, even surpassing the 35% that was imposed, but that would have been for a short period of time. It's not specifically reflective of the 35% tariff into eastern Canada any longer.

It really is that we can't depend on supply from Russia, which traditionally has been a lower-cost source. We now have to source from other higher-cost regions, and then there's higher cost of transportation to bring it into our markets.

**Mr. Richard Cannings:** It's not like those other suppliers are charging more; it's just that it always has cost more for the product, plus the transportation.

**Mr. Casper Kaastra:** Yes. Our least-cost option is no longer available, and now we have to go to the next higher-cost options afterwards. That's correct.

**Mr. Richard Cannings:** I have a note written down here on the low energy cost. You're saying that's where.... Is that the driving issue in fertilizer production? Is it that energy cost, that electricity cost, for production?

**Mr. Casper Kaastra:** Yes. I could go into detail on that, but I won't.

In any case, yes, typically, there is an energy requirement to convert nitrogen from the atmosphere to a usable form that plants can take up. Lower costs—gas costs or energy costs—are what influence the construction of fertilizer production around the world.

**Mr. Richard Cannings:** Okay.

Just as an aside, that's why the Teck smelter is in Trail. It's because of—

[Translation]

**The Vice-Chair (Mr. Yves Perron):** Mr. Cannings, your time is up.

[English]

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

I could go on, but I won't.

[Translation]

**The Vice-Chair (Mr. Yves Perron):** I now give the floor to Ms. Rood for five minutes.

[English]

**Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC):** Thank you, gentlemen, for being here.

I want to go back to the shipments and the tariff issue we were talking about.

I come from southern Ontario. We have a lot of farmers who use your services.

You mentioned that you had three shipments in transit. The government approved a refund of \$7.8 million. Did you receive that refund from the government once they approved it?

[Translation]

**Mr. Patrice Héroux:** Absolutely; we received the full \$7.8 million. The same amount was redistributed throughout our networks, in line with our commitment to agricultural producers, in proportion to the rates initially paid.

[English]

**Ms. Lianne Rood:** The government authorized and gave you the \$7.8-million refund, and you in turn gave it back to the farmers, which was the right thing to do.

If I understand this correctly, the CBSA now has asked for that refund back, which you have already distributed to farmers. On top of that, the CBSA is asking you for interest payments, and they're the ones who gave you the authorization for the refund and refunded the money.

Is that correct?

[Translation]

**Mr. Patrice Héroux:** Absolutely.

Eleven months later, we received an adverse notice from the agency requiring us to repay the sum of \$7.8 million, plus interest, which totalled \$395,000.

• (0855)

[English]

**Ms. Lianne Rood:** You are shouldering this burden on behalf of farmers right now, from what I understand. What is that impact on the producers and on the cost of their production right now?

**Mr. Casper Kaastra:** I'll field that one.

Yes, technically our organization is fielding the full amount of the tariff of 7.8%, plus the interest repaid. With our organization being owned by farmers, it means that it impacts their results as owners of the co-operative.

The impact for us is really that it limits our ability to reinvest in ongoing business activity and in improvements to basic business functions, and it limits our ability to try to improve productivity and to invest in technology. Those are funds that we would certainly deploy to better use than what we believe they're being used for today.

**Ms. Lianne Rood:** Obviously fertilizer is an essential input for many crops, especially where I come from in southwestern Ontario.

How have these tariffs contributed to higher food prices for Canadian consumers? What does this mean for food sovereignty in Canada?

I know you alluded earlier to the tariffs contributing to decisions made by your own organization. Is it contributing to decisions by farmers to reduce their production capacity at all, and what does that mean for food price stability?

[Translation]

**Mr. Marc Poisson:** It's an interesting question, because it goes back to the premise of the special permits we got from Global Affairs Canada to bring in four of our ships. We didn't allude to this earlier, but given that some ships were flying the Russian flag, the sanctions did not allow them to dock and unload their cargo. The country's food security was the premise that allowed these ships to dock and unload their cargo. In our opinion, it makes no sense, in a way, to maintain the tariff even though we know that these shipments are necessary for the country's food security. From our perspective, it doesn't make sense.

This is all the more senseless given that, right now, Canada is allowing Russian aluminum to enter Canada. It's a specific grade of aluminum, but there is Russian aluminum coming in to supply the aerospace industry. We need a good explanation of why the aviation industry is more important than food production in Canada.

[English]

**Ms. Lianne Rood:** Thank you. That's a very good point. I would like to ask the same question to the officials in the next hour.

How do the fertilizer tariffs exacerbate the trend of reduced investment in Canadian agriculture, and what does that mean for the sector's future resilience and innovation?

**Mr. Casper Kaastra:** I think the amount that was deployed and paid certainly is a direct impact on funds that could be used for other areas, in terms of either finding alternatives from new technology or helping to reduce reliance on imports from other regions of the world. Those are funds that certainly could be used elsewhere to improve investment, either at the farm level or through the supply chain, for sure.

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

[Translation]

**The Vice-Chair (Mr. Yves Perron):** Thank you very much, Ms. Rood and Mr. Kaastra.

I now give the floor to Mr. Louis for five minutes.

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

[English]

Thank you for being here today. I do appreciate this.

You mentioned in your opening statement that eastern Canadian farmers, especially in Ontario where I am from, are disproportionately affected by these tariffs, and about 85% of the nitrogen fertilizer used in the region is imported from Russia.

Ultimately, today, farmers are looking for predictability, and they're looking for stability in the supply of fertilizers to ensure that they can plant effectively for the future. We mentioned that, again in Ontario, about 40% of the nitrogen comes from Russia, but I just want to confirm this.

Canada produces the potassium we need; we're self-sufficient in potassium. As far as phosphorus is concerned, do we mostly rely on the United States for phosphorus, or what countries would they be?

**Mr. Casper Kaastra:** The major supply sources for phosphorus have been traditionally in the U.S., from the central Florida region. We continue to supply the eastern Canadian and Canadian market from that region. Morocco is a very significant and rising source of imports for Canada as well.

**Mr. Tim Louis:** Today farmers are considering nitrogen products. I want to talk about the nitrogen protection products and procedures that can help, because that's one of the ways we can do this. Farmers are looking for that. Every dollar invested in fertilization should pay off. We're talking about help with volatilization, leaching and denitrification.

Are you working with farmers to help them reduce those uses of nitrogen, which could not only take our reliance off of those fertilizers but also save them money?

• (0900)

**Mr. Casper Kaastra:** Thank you for the question.

That's relevant for us, because we recently invested in a partnership with a firm from the U.S. for a reduced-release technology fertilizer that can be applied to traditional fertilizer products. We recently invested over \$20 million in a coating facility in St. Thomas, Ontario. That's a clear example of the commitment we have to find ways to improve efficiency in fertilizer's nutrient use.

**Mr. Tim Louis:** Do you have numbers or a report you can share with us, as far as the success of that goes?

Go ahead, Mr. Poisson.

[Translation]

**Mr. Marc Poisson:** I just want to let you know that we have a study under way, jointly with McGill University in Quebec, to monitor the reduction of greenhouse gases from these controlled-release fertilizers. At the end of the study, we will be able to share the findings with the committee.

[English]

**Mr. Casper Kaastra:** I would add that there is some public information available indicating that greenhouse gas emissions are significantly reduced by as much as 30% through the use of controlled-release fertilizer products, or nitrogen-inhibited products. Our estimation is that the results of tests we currently have under way should validate this.

**Mr. Tim Louis:** Thank you.

As I said, we're looking to help the farmers in more ways than one. We've talked about this: Sollio, Agromart and others in the industry have obviously been exploring other sources of fertilizer that will reduce our dependency on Russian imports.

What is your long-term strategy to ensure fertilizer supply stability, without relying on politically unstable regions?

**Mr. Casper Kaastra:** There are a couple of key areas.

One, for sure, is what we just mentioned: improving nutrient-use efficiency to ensure that what's applied to the field is taken up by the plants, so it's used and directly inputted into production at the farm level. This reduces waste and benefits the farmers. It benefits everybody by focusing on different technologies and practices in those cases.

We're not a direct manufacturer, but we certainly support manufacturer efforts to have more domestic production of fertilizer products in Canada or in other safe regions of the world, including the U.S. and adjacent countries.

**Mr. Tim Louis:** I appreciate that, and I think everyone at this table is looking out for our farmers, including you.

The stability issues are obviously global. You mentioned extreme weather and geopolitical issues. Are you looking at other countries and companies? Are you working together globally to try to solve this problem?

**Mr. Casper Kaastra:** The short answer is yes.

As I mentioned earlier, there are limited regions of the world where fertilizer is produced and manufactured, which increases the risk for supply wherever it's consumed globally. However, we actively work to find alternative technologies to help minimize that risk, or to find alternative sources globally.

[*Translation*]

**The Vice-Chair (Mr. Yves Perron):** Thank you very much, Mr. Louis and Mr. Kaastra.

It's now my turn to take the floor for two and a half minutes. You may have an opportunity to complete your previous answers by answering the main question I want to ask you: What is the long-term impact of this tariff on food security in the country, as well as on the cost of food?

The cost of production has certainly had an impact beyond the amount, which, in all likelihood, should be reimbursed to you. I imagine that will ultimately be the case, since this request seems logical. There is also the imposition of the tariff on supply change and the imbalance that has created with respect to western Canada, which is a producer.

I'm listening to what you have to say about that.

**Mr. Marc Poisson:** I'll answer the first part of the question, at least. Mr. Kaastra can add to the answer, about western Canada.

● (0905)

**The Vice-Chair (Mr. Yves Perron):** I'll remind you that I don't have a lot of time.

**Mr. Marc Poisson:** Okay.

Basically, you have to look at it differently. We're talking about products. Producers need inputs, and they need to have them at the same price as their competitors. Otherwise, their profit margin is squeezed out. A producer cannot pass on the extra cost of producing their product to the end consumer. However, they are struggling with their profit margin, which is shrinking, as I explained.

That's where the real issue is. It's this kind of unfair competition that eastern producers are currently experiencing.

**Mr. Casper Kaastra:** I don't have anything to add.

**The Vice-Chair (Mr. Yves Perron):** Thank you.

You talked about special permits and Russian aluminum. Do you think there is a double standard? Do you think that agriculture is somewhat taken for granted, that is to say that farmers will figure it out? That is often the impression we get.

You have 45 seconds to answer.

[*English*]

**Mr. Casper Kaastra:** I'll focus my response on the situation that occurred in 2022 with the arrival of the tariffs. I think there was a general lack of understanding of the impact that this would have. If that had been clearly understood at that time, we believe there would have been different decisions taken at that moment in time.

I think that in that case, it is safe to say that we'd been taken for granted.

[*Translation*]

I don't know if Mr. Poisson wants to add anything.

**Mr. Marc Poisson:** I would like to clarify something. In what we defended, we had Global Affairs Canada help us with the four special permits, but I want to make it clear that Agriculture and Agri-Food Canada understood these issues. The problems with understanding the supply chain had to be elsewhere, because we had excellent support from that department. Thanks to them, we avoided a shortage.

**The Vice-Chair (Mr. Yves Perron):** Thank you very much.

We'll now go to Mr. Cannings for two and a half minutes.

[*English*]

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

I will just follow up on that. The removal of most favoured nation status was, I imagine, an attempt to put some pressure on Russia as part of a suite of things Canada and other countries were doing regarding their invasion of Ukraine. The whole aim of it, I assume, would be to eliminate or significantly reduce Russia's ability to sell their products around the world.

Can you tell me how successful that has been? Is Russia now not able to sell those products? I haven't heard any statistics on how much that has been reduced in Canada and North America. How successful has this been? The whole point of these tariffs is not to punish Canadian farmers but to punish Russia and stop their imports.

**Mr. Casper Kaastra:** It is a very relevant question. For sure, little to no Russian fertilizer has been imported into Canada since the imposition of the tariffs in 2022. That has had an impact on Canada in the sense that we no longer have access to Russian fertilizer products.

For their part, it's true that Russia has no access to Canada, but they have no problem finding sources or individuals or countries that would be willing to take their product, including the U.S., which is fully free and able to import from Russia. The same could be said for many countries around the world that continue to import from Russia. The impact to them has been negligible, if anything at all.

**Mr. Richard Cannings:** As you say, the American agriculture industry continues to import Russian fertilizer. There's been no diminution there.

**Mr. Casper Kaastra:** There's been no reduction. In the document that you'll receive afterwards, you'll see statistics on their imports of Russian fertilizer products. They've actually increased very significantly since the invasion of Ukraine.

[Translation]

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

Thank you, Mr. Kaastra.

We have five minutes left, which we're going to split between the Conservatives and the Liberals.

Mr. Epp, you have the floor for two and a half minutes.

[English]

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

I like to start any discussion on fertilizer by reminding everyone that four billion people—one in two in this world—owe their lives and their ability to eat to fertilizer, in particular the synthetic production of nitrogen. That needs to be kept in mind.

Let me add one other quick fact. The three main macro elements for plant life are nitrogen, phosphate and potassium. Canada, from a food security perspective, is blessed to have abundant resources, or the ability to make resources, on two of those three, yet here we are—it's the ultimate irony for me—talking about shooting ourselves in the foot in two of those.

Let's take them one at a time, starting with potassium, because of the 35% tariff. Could you talk about the cost of rail for transporting potash from Saskatchewan, the world's leading exporter, into eastern Canada? Is it competitive now with the 35% tariff? What's the market there?

• (0910)

**Mr. Casper Kaastra:** We've seen no reduction in competitiveness in potash products or in availability. We have historically always supplied the eastern Canadian region from domestic production. Historically, it's actually in Nova Scotia, but more predominantly, it's now from western Canada, so there's been no change in that at all.

**Mr. Dave Epp:** In my past life in farming, I've used more Belarusian and Russian potassium than Saskatchewan potassium on my farm, unfortunately, because of cost reasons. In order to look at that in the longer term, would freeing up rails—because potash doesn't flow down a pipeline that well—add to the competitiveness of using Canadian potash in eastern Canada?

**Mr. Casper Kaastra:** Sure. Rail is key and critical in terms of being able to supply our market reliably. For us, rail is an essential service for supplying other products, yes.

**Mr. Dave Epp:** As for nitrogen, we lack the ability to make it. We certainly don't lack the feedstuffs. How do we make more nitrogen in the eastern seaboard where we need it?

**Mr. Casper Kaastra:** There would be a commitment required to invest in domestic nitrogen manufacturing. I think there are companies that would be interested in pursuing that with the newest available technologies, but that would require the will and support of the various government agencies to help get that off the ground.

**Mr. Dave Epp:** I'd love to support it.

Before I go any further, I want to touch on phosphorus. That's the one we are short of. Are there any discussions ahead? I know Jordanian phosphorus contains cadmium. That's still okay in Canada, but not in the EU, so we're dependent on Florida. What's the outlook?

**Mr. Casper Kaastra:** For sure, there continue to be significant phosphate reserves globally. We'll see continued development of those. Without getting into the number of countries that have phosphate reserves, Canada does itself have phosphate reserves. There are ongoing efforts to develop mines in some regions, and northern Quebec is an example, but there wouldn't be enough domestic production, so we will need to rely on imports.

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

[Translation]

**The Vice-Chair (Mr. Yves Perron):** Thank you very much, Mr. Kaastra.

Mr. Drouin, you have the floor for two and a half minutes.

[English]

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

Obviously, the world is changing. A lot of things are happening. For fertilizer prices, we've seen the peak, obviously. I think all of us heard it in October 2022, when everybody was starting to call us because prices were going through the roof. Since then, I think there's still been a steady decline, generally, of fertilizer prices in the market, in the world. Am I correct to assume that?

**Mr. Casper Kaastra:** That would be fair to say. It's in line with many other similar commodities. That's correct, yes.

**Mr. Francis Drouin:** Okay.

I'm just going to make one ask of you, gentlemen. Keep me posted, please, on the developments with CBSA. I do want to make sure that there's a conclusion, whatever way it goes, and then you can do whatever you need to do, following the next steps. I would appreciate that.

**Mr. Casper Kaastra:** Thank you for that.

[Translation]

**Mr. Francis Drouin:** That's it for me, Mr. Chair. Thank you.

**The Vice-Chair (Mr. Yves Perron):** Mr. Poisson, Mr. Kaastra and Mr. Héroux, thank you very much for the great insights you have given us this morning. We also want to thank you for coming. We are always grateful to those who do. It's a great quality.

Colleagues, I'm going to suspend for a couple of minutes to bring in the next panel.

• (0915) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (0915)

**The Vice-Chair (Mr. Yves Perron):** We are resuming the sitting. We will start the second hour of the meeting.

As agreed upon at the beginning of the sitting, since I will not be able to chair the meeting to the very end, Mr. Cannings will take over for me as chair when I have to leave.

Concerning substitutions for today's meeting, I neglected to mention at the beginning of the sitting that Mr. Dave Epp is replacing Mr. Barlow. My apologies, Mr. Epp. Also, Ms. Marie-Hélène Gaudreau will be replacing me as representative of the Bloc Québécois when I leave the meeting.

I have been informed that the witnesses will not be giving any opening remarks. Therefore, we will move straight into questions.

First, I would like to thank the witnesses for joining us this morning. We are always very appreciative when witnesses appear before us in person.

We welcome two representatives of the Canada Border Services Agency: Charles Melchers, director, regulatory trade programs, and Alexander Lawton, acting director, general trade and anti-dumping programs directorate.

From the Department of Agriculture and Agri-Food, we welcome Tom Rosser, assistant deputy minister, market and industry services branch. I must say that he is quite a familiar face.

Finally, from the Department of Finance, we welcome Michèle Govier, director general, international trade policy division. She has also appeared before the committee previously.

Thank you very much for joining us this morning.

The Conservative Party will kick off the round of questions.

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

• (0920)

[English]

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

Thank you all for being here today.

In the last hour we heard some shocking testimony, and I'm still trying to wrap my head around it because it's just so unbelievable to me that the government would authorize and grant a refund on fertilizer tariffs for shipments that were in transit. It was authorized and refunded, and then taken back after the company had already given the money back to the farmers. Then they had the audacity to ask for interest on top of the money that they were asking to get back. It's just so unbelievable.

I'm curious what power grants the authority for the department to do that. Is this action even legal?

**Mr. Alexander Lawton (Acting Director General, Trade and Anti-dumping Programs Directorate, Canada Border Services Agency):** The Canada Border Services Agency, unfortunately, is precluded from speaking to specifics of individual importers or individual importations due to the provisions of section 107 of the Customs Act.

However, I can speak in general terms about the customs duty regime and how the assessment and reassessment process works.

**Ms. Lianne Rood:** Was it the CBSA that made that determination?

**Mr. Alexander Lawton:** I'm sorry. Do you mean the determination, the assessment of duties, or the—

**Ms. Lianne Rood:** I mean the reassessment—asking for a refund after the refund was given back to Sollio and then asking for the money back.

**Mr. Alexander Lawton:** Again, I really can't speak to the specifics of any individual importer or individual importation. I can speak in general terms about how the assessment, reassessment and refund process works, if that would help.

**Ms. Lianne Rood:** Sure.

**Mr. Alexander Lawton:** The customs duty regime in Canada is based upon self-assessments at its foundation. An importer, upon importing goods and accounting for them, will self-assess the amount of duty owing based on the tariff classification, the origin and the value of the goods. Following that, if they've overpaid, they can seek a refund. If they've underpaid, of course, they can make an adjustment request to pay the difference.

Following that refund, and in general, just as a broad principle, the CBSA maintains a risk-based compliance approach. This involves reviewing both individual self-assessments upon import and also refund requests to determine if they are accurate. On occasion, additional information comes to light that indicates that there may be an issue with any individual importation or any individual refund. At that point, normally, in general, additional information can be requested from an importer. Based on any additional information that's provided, the CBSA will make a redetermination.

Following that, if the importer disagrees with whatever that redetermination is, they have the legislative right to appeal, initially to the CBSA's recourse directorate, which ensures an impartial review of whatever decision was made.

Following that, there are additional levels of appeal, both to the Canadian International Trade Tribunal and to the Federal Court of Appeal.

The ultimate goal of the CBSA in assessing duties and taxes is to ensure the accurate assessment at the end of the day of whatever duties are owing.

**Ms. Lianne Rood:** Does the minister have direct oversight on this kind of decision? Would the minister have made that order in this particular case, when we're talking about fertilizer tariffs?

**Mr. Alexander Lawton:** Again, I can't speak about individual importations or individual decisions.

However, when it comes to duty assessments, reassessments and refunds, as a general rule, invariably the decision-making authority is delegated down to the individual officer level.

**Ms. Lianne Rood:** We're the only G7 country applying this tariff to fertilizers. The EU and the U.S. have tariffs for domestic industry protection, but not as a retaliatory measure, as is the case in Canada.

Why is fertilizers, when there's an exemption for steel and aluminum, for instance?

• (0925)

**Ms. Michèle Govier (Director General, International Trade Policy Division, Department of Finance):** The way it works to withdraw MFN is that it's a horizontal provision. It's done through an order in council and is effective for 180 days. It can only be renewed upon the agreement of Parliament.

For Canada, when you withdraw MFN, a 35% general tariff applies to virtually everything. There's a very narrow set of products that aren't included, like art objects. I don't know the exact ones, but they're not anything significant. Steel and aluminum were also included in this. This is in contrast to certain other countries that might have a more variable rate that applies when they take steps. Of course, theirs are structured differently within their law. It might require legislation, etc.

Part of the reason was simply that it was a horizontal measure done through an order in council and applied broadly.

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

I'm running short on time here.

At last year's G20 leaders' summit in India, all leaders, including Prime Minister Justin Trudeau, signed the G20 New Delhi Leaders' Declaration, which includes a paragraph that I can read. Actually, I'll just summarize it. It's about making sure we have food security and don't apply certain things to food and agriculture.

I'm curious about whether the continuation of fertilizer tariffs directly contradicts our G20 pledge.

**Ms. Michèle Govier:** I'm not familiar with that pledge, but perhaps there are different measures included in that. I can't necessarily speak about that.

I will say at this point that it was initially done by OIC, but was then required to be done through legislation, which was done in budget 2023. It was agreed through Parliament that they would be maintained as a horizontal measure as well.

**Ms. Lianne Rood:** I'll quickly read this paragraph into the record:

Commit to facilitate open, fair, predictable, and rules-based agriculture, food and fertilizer trade, not impose export prohibitions or restrictions and reduce market distortions, in accordance with relevant WTO rules.

Mr. Chair, am I out of time?

[*Translation*]

**The Vice-Chair (Mr. Yves Perron):** There is time for a brief answer.

[*English*]

**Mr. Tom Rosser (Assistant Deputy Minister, Market and Industry Services Branch, Department of Agriculture and Agri-Food):** Mr. Chair, may I quickly respond to that?

Since the invasion of Ukraine, G20 agriculture ministers have been very active in food security issues and in trying to mitigate the shock linked to the Russian invasion of Ukraine.

One of the things that drove up phosphorus prices was a restriction put in place by the Chinese government on their exports in the months after the invasion in February 2022. I think that may be, in part, what the text references.

[*Translation*]

**The Vice-Chair (Mr. Yves Perron):** Thank you very much, Mr. Rosser.

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

During your time, a new chair will take over.

**Mr. Francis Drouin:** I know that you're not leaving because you don't want to listen to me, Mr. Chair, but rather for a good cause, one which I also support.

[*English*]

My first question is for CBSA.

Obviously, we've heard.... I'm not going to speak about a specific case, but I want to make sure I understand CBSA's rationale.

There's a reason that the CRA and the CBSA were once linked, way back in the old days. It might seem unfair to Canadians, but when the CRA owes us money, we never get interest paid. I'm assuming this is the same rationale that the CBSA applies. There's a difference between what a client, a customer, an importer or a company owes. When you apply certain duties.... Let's say you owe  $x$  amount of duties, and you haven't paid those. You should have paid those on that particular day, and now it's 10 months later. Even though you come down with a decision, there would be interest applied.

Am I reading that correctly?

**Mr. Alexander Lawton:** Actually, under the Customs Act, it flows both ways. If a refund is ultimately provided, then the amount that was assessed will be returned. In addition, interest will be paid, and vice versa—

**Mr. Francis Drouin:** By CBSA?

**Mr. Alexander Lawton:** By CBSA, and vice versa. If, ultimately, additional amounts are owing, interest will be assessed.

Either way, the idea is that the ultimate goal is to ensure the accurate assessment of duty and tax as though that assessment was made on the day that it initially should have been.

**Mr. Francis Drouin:** Okay, but the likelihood of... If there's a payment that has to be rendered, the charges are just going to be forgone. Am I right that the interest would be forgone and that you wouldn't actually pay interest on a payment that would be due to somebody?

• (0930)

**Mr. Alexander Lawton:** I apologize. If the CBSA were to issue a refund, the interest would be paid to the importer on that amount.

**Mr. Francis Drouin:** Okay. Well, maybe the CRA should follow that policy, but that's another battle. That's not why we're here.

I know, Mr. Lawton, that I won't be able to ask specific questions, so I'll just move my questions to Mr. Rosser generally.

I want to go in the same vein as Ms. Rood in terms of the issues of food security globally and the importance of... I know this was raised when fertilizer prices were skyrocketing back in 2022 and 2023, but this is a concern that agriculture ministers across the world are discussing at the G20 or G7. This is an issue that they're addressing, that they're discussing, in terms of finding other sources where like-minded countries would be able to trade with Canada, as opposed to Russia, obviously.

**Mr. Tom Rosser:** That's right, absolutely. As I alluded to earlier, in recent years G20 agriculture ministers have been very focused on global food security issues. We have seen instances of global food insecurity increasing by hundreds of millions of individuals in the aftermath of 2022.

In terms of price volatility for fertilizer and fuels, as well as for grain products, we saw dramatic increases in prices in the aftermath of Russia's invasion. For example, urea, a nitrogen fertilizer, was up by 120% in value in May 2022 versus the year prior.

**Mr. Francis Drouin:** In Canada, obviously we have some good producers and great minds. Mr. Epp alluded to this previously with other witnesses. The west-to-east transportation is often an issue. I've certainly had some conversations with companies that to this day would themselves admit that shipping remains the cheapest way of transportation. I think that's the biggest challenge.

With the trade corridor and some investments we're making, do you see some light at the end of the tunnel to facilitate that west-to-east transportation so that it would be economically viable for someone to buy it like that?

**Mr. Tom Rosser:** Certainly we have seen important investments in our rail and port infrastructure to facilitate movement of goods. We at the Department of Agriculture are most familiar with grain transportation, but of course transportation of inputs like fertilizers is an important issue for us. It is absolutely the case that although western Canada produces significant amounts of nitrogen fertilizer, the logistics of utilizing that product in the east are relatively unattractive compared to importing it by ship from overseas.

Certainly, in the aftermath of what happened in 2022, there have been discussions about whether there is potential to increase supplies in eastern Canada or to facilitate transportation. That's ulti-

mately a decision that private investors and marketplaces will make, but it is a vulnerability. As the Sollio witnesses described, eastern Canada is supplied from western Canada with potash, but in the case of nitrogen fertilizer, the fertilizer used in the eastern part of the country tends to be imported from overseas.

**Mr. Francis Drouin:** Okay. Are we—

**The Acting Chair (Mr. Richard Cannings (South Okanagan—West Kootenay, NDP)):** You have 10 seconds.

**Mr. Francis Drouin:** That's fine. Thank you.

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

We'll now turn to Ms. Gaudreau

[*Translation*]

You have the floor for six minutes.

**Ms. Marie-Hélène Gaudreau (Laurentides—Labelle, BQ):** Thank you very much, Mr. Chair.

Thank you to the witnesses for joining us today.

I will speak slowly in French, because I'm thinking of the interpreters. As a result, Mr. Chair, I would ask for your indulgence with respect to my speaking time. When we speak too quickly, the interpreters have a hard time doing excellent work.

My question is for the Canada Border Services Agency. You may tell me that you cannot provide an answer, but I am asking the question again.

Can you explain why the agency reversed its decision to refund Sollio Cooperative Group? The agency asked it not only to reimburse a sum of money, which had already been distributed to its members, but also to pay interest on it. People would like to know why the agency acted in this way.

• (0935)

[*English*]

**Mr. Alexander Lawton:** Regretfully, I have to apologize, but specific details of any individual transactions or of any individual importer are considered customs information, and the CBSA is prohibited from disclosing that.

In general, any time there is a refund request or any other assessment of duties, we use a risk-based approach in our compliance efforts to identify specific transactions, specific importers, who are identified for further verification pursuant to the Customs Act.

Additional information as part of that verification effort can always be requested, and based on that additional information from the importer or from other sources, a redetermination of the duties owing can be made.

[Translation]

**Ms. Marie-Hélène Gaudreau:** That said, I'm appealing to your judgment. I would like to know whether you think it's normal for the agency to reverse its decision. It's a matter of opinion, but we are here to try to shed light on the issue. I'm not asking you to reveal any secrets.

In your opinion, is this a normal way of doing things?

[English]

**Mr. Alexander Lawton:** I would note that the sort of situation you're describing is not normal, but at the same time, it is not unusual.

Over the last three years, the CBSA has received, on an annual basis, approximately 167,000 adjustment requests from importers. Forty-four per cent of those were refund requests. Of that 44%, approximately 5% of refund requests were not accepted, and 5% of 44% of 167,000 is somewhere around 600 to 800 refund requests a year. I think my back-of-a-napkin math is correct.

[Translation]

**Ms. Marie-Hélène Gaudreau:** Do you agree with me that the situation is an extraordinary one? I fully understand that there can be a processing change. However, in your opinion, could this have been processed in a way that accounted for the current context?

[English]

**Mr. Alexander Lawton:** Ultimately the goal of the CBSA, as the administrator of the customs tariff and the duties regime, is to arrive at the accurate determination of the duties and taxes owing. In that regard, we administer the Customs Act as impartially as possible.

[Translation]

**Ms. Marie-Hélène Gaudreau:** My next questions are for Mr. Rosser.

Concerning fertilizer orders, do you feel that the measure was justified, given that the tariffs on Russian fertilizers mainly affected the supply chain in Quebec and the eastern provinces?

**Mr. Tom Rosser:** We maintain a very close relationship with Sollio Cooperative Group, which is a key stakeholder in the agri-food sector.

We do not get involved in a dispute over a fertilizer shipment. Our concern is supply security, and it was our main concern in 2022. Fertilizer is a key input for agriculture. We worked in close collaboration with Sollio Cooperative Group to ensure that the ships transporting urea could enter Canadian waters. We were mainly involved in matters related to supply security, not those related to tariffs, such as who owes what amount for a shipment.

**Ms. Marie-Hélène Gaudreau:** If I understand correctly, you are saying that the measures were justified.

**Mr. Tom Rosser:** The department is not involved in matters related to the Canada Border Services Agency and Canada Revenue Agency. When stakeholders encounter problems, we usually do not get involved.

**Ms. Marie-Hélène Gaudreau:** Now that suppliers like Sollio Cooperative Group no longer have a lot of markets, do you fear that

this measure will drive inflation on food products? We talked about this earlier and heard testimony to that effect. What do you think about this?

● (0940)

[English]

**The Acting Chair (Mr. Richard Cannings):** Please provide a very short answer. We're out of time.

[Translation]

**Ms. Marie-Hélène Gaudreau:** It's already over? Out of respect, Mr. Chair, I will come back to it during my next round of two and a half minutes.

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

[English]

Normally, this would be my time for questioning. I'm going to pass over that but retain the right to ask questions at the end, just to keep things going and so that I'm not trying to watch my own time as well as think.

We will go on to the second round.

[Translation]

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

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

Thank you to the witnesses for joining us today.

My question is for Mr. Rosser, from the Department of Agriculture and Agri-Food.

Were consultations held by the Canada Border Services Agency or the Department of Finance on the possible repercussions on the supply chain, at the moment the initial decision was made?

**Mr. Tom Rosser:** If I remember correctly, the invasion of Ukraine began on February 22, 2022, and I believe the sanctions were announced on March 2, so 10 days later. There were therefore not many consultations held before the decision was made.

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

I understand from this that the Department of Finance told the Canada Border Services Agency to impose these tariffs without analyzing the possible repercussions on the entire supply chain in eastern Canada.

I will put the same question, this time to the official from the Department of Finance.

This decision was made without any thought to the potential repercussions on the procurement of fertilizer, which is important in ensuring food safety in Canada. Did it not occur to the Department of Finance to analyze this aspect, especially since our country was the first and the only one to impose these tariffs?



**Ms. Michèle Govier:** As Mr. Rosser mentioned, there was little time between Russia's invasion of Ukraine and the measure being imposed. Nevertheless, we did look at what our imports from Russia were, to find out whether we depended on it for some of the fertilizers, and we noted that it was the case for some fairly significant fertilizers.

As I stated earlier, because of the way the law is structured, we had to impose a horizontal measure. There isn't really an easy way to exclude any products.

We definitely assessed the impacts of the measure after it was imposed. We knew that there could be problems, but it's something the government decided to put in place fairly quickly.

**Mr. Richard Lehoux:** Why is it still in place?

**Ms. Michèle Govier:** Are you asking why the measure is still in place?

**Mr. Richard Lehoux:** Yes. After two years, it's clear that it has had a direct impact on producers and therefore on our food safety. It's an additional burden.

**Ms. Michèle Govier:** Yes. We know the tariffs led to changes in the supply chains. That was the purpose of this measure. We had the opportunity to examine the situation again when we broadened the measure for the first time. I think it was in the fall of 2022. When it was later integrated into legislation as part of the 2023 budget, we decided to maintain it as a horizontal measure. There weren't any other discussions with department of finance stakeholders regarding changes at that time.

**Mr. Richard Lehoux:** What I understand from this is that Agriculture and Agri-Food Canada did not intervene with the Department of Finance to say that it might want to think about the direct impact of the measure on the supply chain and on production.

**Ms. Michèle Govier:** There were discussions on that, especially at the beginning of the process in 2022, but they are ongoing. People were aware of some of the impacts, but the decision was made by the minister and by parliamentarians.

• (0945)

**Mr. Richard Lehoux:** There doesn't seem to have been a decision about, or thought given to, the impact of the fact that 11 months after giving Sollio a refund, the CBSA went back on its decision and asked for that amount back. Why is it so hard to make a decision in this case? This is despite the fact that things moved much more quickly in other cases.

The CBSA does not seem to be ready to answer this question. We know the request is being processed at the moment—

[*English*]

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

We can allow Ms. Govier a brief answer.

**Ms. Michèle Govier:** I think that was more about the CBSA. I don't think I would weigh in on that one.

**The Acting Chair (Mr. Richard Cannings):** Oh, I'm sorry.

Go ahead, Mr. Lawton.

**Mr. Alexander Lawton:** Very briefly, any decision made by the CBSA with respect to the eligibility or the legitimacy of any refund or lack thereof can be further appealed to either the CBSA recourse directorate or the International Trade Tribunal. Even though the decision is final, there are levels of appeal that could be taken advantage of by any importer.

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

Mr. Louis, you have five minutes.

**Mr. Tim Louis:** Thank you, Chair. I'll be sharing my time with MP Murray as well.

Thank you all for being here.

In terms of today's study, and from what I'm hearing at home, farmers are looking for predictability and stability, emphasizing the need for a predictable, stable supply of fertilizers to ensure that farmers can have a successful future planting season. We're hearing that farmers want to make sure that every dollar invested pays off. We know that fertilizer is the largest on-farm expense for crop producers. I would like to use my time to discuss ways to make fertilizer use more efficient, which makes it more environmentally friendly and helps farmers be productive at the same time.

I'll address my questions to you, Mr. Rosser, as assistant deputy minister of the Department of Agriculture. Do we have government supports that support nutrient management plans, equipment modification and at the same time maybe soil samples and analysis? These are the things that farmers want to do to be more efficient.

**Mr. Tom Rosser:** I appreciate the question.

I would say that over the past several years, the department has put in place approximately a billion and a half dollars of programming in order to allow us to partner with producers to reduce their greenhouse and environmental footprint.

Part of that is something known as the on-farm climate action program. Among other things, that helps farmers to utilize fertilizers in more efficient ways that can reduce both costs and their environmental impact. The Sollio witnesses earlier did talk about some of the technologies they're interested in partnering with. That's the kind of thing we hope to be able to support through some of the programs we have recently put in place.

**Mr. Tim Louis:** Is that part of Sustainable CAP, the Sustainable Canadian Agricultural Partnership?

**Mr. Tom Rosser:** I believe the on-farm climate action fund is outside of CAP, formally speaking, but it is a federally delivered program.

**Mr. Tim Louis:** Thank you.

I wouldn't mind sharing my time with MP Murray.

**The Acting Chair (Mr. Richard Cannings):** Go ahead, Ms. Murray.

**Hon. Joyce Murray (Vancouver Quadra, Lib.):** Thank you.

I want to ask a few questions just to get a sense of the scale of the problem we're exploring here.

My understanding is that the price of fertilizer is incredibly important to farmers. We do have a very strong agriculture sector in British Columbia, so I have their interests at heart. My understanding is that the price of fertilizer has gone down since 2022, despite the removal of the most favoured nation status from Russia's exports.

I wonder if the CBSA could confirm whether I'm correct in understanding that Sollio would have made their own determination of what they owe, but that there are thousands of situations in which an importer's self-assessment of tariff is reviewed but not supported by CBSA, and then an adjustment is made.

Is that how the system works?

• (0950)

**Mr. Alexander Lawton:** Due to the provisions of section 107, and putting aside any company's individual situation, just as a general rule in the customs duty regime, importers self-assess when they account for their goods, and then from there, the CBSA is able to review those self-assessments.

**Hon. Joyce Murray:** In this case, then, the review suggested that the reduction in tariff was not appropriate by about \$7.8 million.

I also heard that Sollio is a very prominent partner in the agriculture sector.

Every dollar that businesses or co-ops have to spend beyond what they need to is difficult for them. I'm trying to understand the scale of the negative impact. It was \$7.8 million. Could the agriculture ministry help us understand Sollio's size in their marketplace? Would this be 10% of profits? Would this be 1% or 0.1%? Just with a broad brushstroke, what is the scale of this extra cost, when the assessment was made that cost Sollio \$7.8 million?

**The Acting Chair (Mr. Richard Cannings):** Give a very brief answer, Mr. Rosser.

**Mr. Tom Rosser:** I will simply say, Mr. Chair, that fertilizer prices are volatile. By our estimates, eastern Canadian producers spent about \$3.6 billion on fertilizers in 2022. That's not for a minute to minimize the significance of millions of dollars to Sollio or to its customers, but in the context of overall fertilizer prices and expenditures, we're talking about a relatively small quantum.

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

[Translation]

I will now give the floor to Ms. Gaudreau for two and half minutes.

**Ms. Marie-Hélène Gaudreau:** Thank you very much, Mr. Chair. Yes, I'll be quick.

Actually, I'm speechless. When I go back to my riding, I'll have to tell my constituents that, while we have very competent people

who they say they work together even in difficult times, as was the case during the pandemic, that's not what we see when we look at the situation afterwards.

In my opinion, food safety is also a matter of national security. Yet, I will have to tell my constituents that work is done in silos. I think that if we looked at what's happening in other countries, we would see that the measure in place should absolutely be done away with.

What should I tell the people in my riding? Help me out here.

You may tell me that you'll work together from now on and show us the fruits of your labour. However, agriculture doesn't come last. It's there right from the beginning, right at breakfast.

You have a few seconds to answer, but tell me, what can I say to the people in my riding?

**Mr. Tom Rosser:** At Agriculture and Agri-Food Canada, we work closely with the Department of Finance and with the CBSA on certain files. Other issues, for example regarding tariffs or taxes, do not fall under our responsibility. However, this doesn't mean that we can't work with other departments and that we always work in silos.

**Ms. Marie-Hélène Gaudreau:** I didn't say that that was always the case. I said you're working in silos when it comes to this measure. It was a horizontal measure that was maintained, and that is what's worrisome to me. It's as if it wasn't important enough.

How is it at the Department of Finance? Is this issue at the bottom of the list? Will it be made a priority?

We have people who came here to tell us about their concerns. I also don't know what I'll tell producers and suppliers in my riding.

**Ms. Michèle Govier:** If people want to send us information about the impact of this measure on competitiveness, we are always ready to examine it and see if changes need to be made.

As I stated, the purpose of this measure was really to stop the purchasing of products from Russia. It was what we were aiming for with this measure, and it worked, in the sense that changes were made to supply chains.

I understand that there may be an impact because other countries do things differently. In any case, the decision was made as part of the 2023 budget and we continue to apply the measure as is. However, if there are changes in the market or concerns about it, we can of course take a look at the situation.

• (0955)

**Ms. Marie-Hélène Gaudreau:** Given what we heard today, I hope that action will be taken, because things can change if we work together.

Thank you.

**Mr. Richard Cannings:** Thank you, Ms. Gaudreau.

[English]

We'll go now to Ms. Rood for five minutes.

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

I'm going to direct my questions to Mr. Rosser, if that's okay, for the second round.

I know I asked you in the first round why there is a tariff on fertilizer, but I'm curious about the departments that were consulted to make that decision.

Decisions were made, again, to remove aluminum and titanium, for instance. Were there discussions about removing the fertilizer? What departments were involved in those discussions?

**Mr. Tom Rosser:** Mr. Chair, I'll try to respond to the question without repeating some of my earlier testimony.

The original decision to apply tariffs on March 2 came very quickly after the Russian invasion of Ukraine. In the weeks and months that followed, we very actively talked with Sollio and other importers and suppliers of fertilizer, modelled our own data and tried to analyze vulnerabilities and impacts. There was active inter-departmental discussion about those issues, but not necessarily in the lead-up to the initial decision to apply to withdraw the MFN status.

**Ms. Lianne Rood:** Were food sovereignty and food security even considered in the decision when this was made? Was that part of the discussions?

**Mr. Tom Rosser:** I can confirm absolutely that as we analyzed what the Russian invasion of Ukraine meant for commodity prices, Canadian producers and global food security, food security in both a Canadian context and a global context was continuously top of mind.

**Ms. Lianne Rood:** Were there any discussions on what would happen to the supply chain for farmers and how this would impact their prices and bottom line, as well as how it would impact the production of food domestically, especially given that the bulk of farmers in the fresh food sector, for instance, are in Ontario and Quebec?

**Mr. Tom Rosser:** Mr. Chair, as I'm sure the member appreciates, we're in active dialogue with producers and their representatives in all parts of the country, and we have heard extensively about concerns related to fertilizer prices, specifically in relation to tariffs.

**Ms. Lianne Rood:** I'm going to ask one more time.

Can you tell me what specific departments were involved in making this decision on fertilizer tariffs? Does anybody have an answer to that? Was it Agriculture Canada? Was it the Department of Finance? Was it ECCC?

**Mr. Tom Rosser:** I'll look to my colleague from the Department of Finance.

**Ms. Michèle Govier:** When the initial measure was taken, we made different departments aware of where significant numbers of imports were coming from, what products they were, and whether they were relevant.

As I mentioned, it was a measure imposed rather quickly to bolster Canada's response. Certainly, in the weeks after that, while tak-

ing stock and seeing whether any adjustments were needed, there were significant conversations, mainly with colleagues at Agriculture and Agri-Food Canada.

**Ms. Lianne Rood:** Was it just Agriculture and Agri-Food Canada? What were the departments involved in those discussions?

**Ms. Michèle Govier:** I believe we also spoke with Industry, Science and Economic Development Canada. It was those that had sectors we were importing into. It was not so much Natural Resources Canada, for example, as we do not import those types of products from Russia. In fact, our imports from Russia are relatively narrow.

**Ms. Lianne Rood:** I'm going to turn back to Mr. Rosser for my last minute here.

Did you accompany the agriculture minister on his recent trip to China?

**Mr. Tom Rosser:** Mr. Chair, I can confirm that I did.

**Ms. Lianne Rood:** Was a meeting secured with government officials prior to the minister leaving for China?

**Mr. Tom Rosser:** There was certainly work done putting together a program for the minister in the lead-up to his departure. As often happens with these things, there were changes to the program once we arrived.

**Ms. Lianne Rood:** You can't confirm that there was a bilateral meeting set up with his counterpart in China before he left for China.

**Mr. Tom Rosser:** I don't believe there was.

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

Those are my questions for now.

● (1000)

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

We'll now turn to Monsieur Drouin for five minutes.

**Mr. Francis Drouin:** Thanks.

I appreciate Ms. Rood's questions, but we're here for the CBSA. Of course, if we want to talk about canola and whatnot, we can always entertain having a meeting at some point. As she knows, our officials are prepared for these particular questions, though I know Mr. Rosser is adept at responding to any question.

[Translation]

I have a question for Ms. Govier.

Earlier, you alluded to the fact that the Department of Finance could of course review the situation if there were major impacts. Let's take the example of fertilizer prices rising significantly, once again. The decision would obviously have to be made at the political level but, as a department, you would conduct an analysis to figure out whether the decision in question would likely lead to major impacts on the cost of inputs for our farmers, for example. Following this analysis, you would be able to make an appropriate recommendation about a tariff to impose at that point, or to say that one shouldn't be imposed because it would have a major impact on our economy.

Have I understood you correctly? Are you constantly reassessing these things?

[English]

**Ms. Michèle Govier:** I'll answer in English, if that's okay.

**Mr. Francis Drouin:** Yes.

**Ms. Michèle Govier:** Yes, certainly, and it was not just with this type of tariff. With all our tariffs, there can be issues that arise that require the government to look at them. There is the power within the customs tariff to grant remission, which is relief from tariffs, whether retroactively or prospectively, which stakeholders request on a fairly regular basis when they have these situations. Perhaps there is short supply in the market or other situations that might arise. It's the type of thing that we do on a routine basis when there are any market disruptions, and we certainly take those very seriously and give them full consideration.

**Mr. Francis Drouin:** Mr. Chair, in the spirit of co-operation, I know that you've signalled that you wanted to ask some questions and that you ceded your time, so I'm done.

Thank you so much for coming before us.

I will cede my time. We're done on our side. Thank you.

**The Acting Chair (Mr. Richard Cannings):** Okay. I was just trying to sort out what was going to happen next.

I'm going to take my time and ask a couple of questions. We've come to the end of the regular rounds.

Many of my questions have already been asked, as you can imagine, but I just want to take a couple of minutes to get some clarification on some of the issues.

I'll turn to Mr. Lawton.

You talked about how you can't answer specific questions about the Sollio case precisely, but from what I understand, you say that Sollio would have self-reported and figured out what they'd have to charge, yet a while later they received a refund for that.

I guess I'm having a hard time realizing that Sollio figured they deserved a refund. Speaking in general now, would companies in general say, "I should get a refund", and then put in something else, or was that something that came to the industry as a whole? Are there companies other than Sollio that are affected by this situation? I'm having a hard time squaring your testimony with what we heard from Sollio.

**Mr. Alexander Lawton:** Speaking in broad general terms, the agency receives thousands of refund requests every year.

Oftentimes, if it's specific to—

**The Acting Chair (Mr. Richard Cannings):** But not for fertilizer.

**Mr. Alexander Lawton:** I don't have the exact numbers for fertilizer, but I'm going to assume that it's a subset of those thousands.

With the decision to withdraw the most favoured nation tariff, there was an exception for goods in transit. Depending on when importers would have self-assessed the duties and on their understanding of how that provision for goods in transit was being administered, it's entirely possible that a company or an importer may have self-assessed the 35% duty and then realized subsequently that their goods actually were in transit, in which case that company would have sought a refund.

I'm not speaking to specifics here. That was a very common situation with respect to the timing right around March 2022. That would have been, potentially, a scenario in which a company would have self-assessed and then sought a refund afterward.

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

I'll finally turn to Ms. Govier about the law that you said was applied very horizontally and went on quickly, and then we made some adjustments for aluminum, etc.

Can you wrap up by saying what the process now is to look at this situation, when of all the G7 countries, Canada is the only one that is being really impacted by paying higher prices? We aren't using Russian fertilizer, but we're paying maybe 20% more than other countries because of what we've asked our farmers to shoulder, and we're having no effect on Russian exports in general.

What's the process there? What is the prospect for relief from this? Where do we stand? As a final statement to Canadian producers across this country, what can they look forward to?

● (1005)

**Ms. Michèle Govier:** I want to make one clarification: There were not exceptions to the most favoured nation withdrawal for titanium, aluminum or other products. Those were sanctions-related exclusions, and they were little bit different. I wanted to make that clear.

In terms of process, though, as I stated, there's a power for the Governor in Council to grant remission on recommendations by the Minister of Finance in exceptional circumstances. If we were to receive the information to bring advice around that, that is something that, as I said, we do on a regular basis at the Department of Finance. There's a high bar, because these types of tariffs are imposed for a valid policy reason. This one, as I mentioned, was endorsed and put into legislation as well, so that reflects a certain will.

There is a high bar for deviations, but we certainly would consider disruptions in the marketplace or what have you. Again, to be able to say, "Yes, please do buy fertilizer from Russia again" is kind of going against the initial reason for not doing so, which is not to say that it wouldn't be considered. I think that it is extremely important to have the market functioning properly, so we would be weighing those considerations.

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

That brings to an end the question time for this meeting.

The next meeting will be consideration of our draft report on the impact of border carbon adjustments.

I'd like to thank the witnesses again for being here today.

We will see you all on Tuesday. Thank you.

The meeting is adjourned.

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