



Legislative Assembly of Alberta

The 29th Legislature  
Fourth Session

Standing Committee  
on  
Alberta's Economic Future

Impact of the Canada-United States-Mexico Agreement  
on Agriculture in Alberta

Tuesday, November 27, 2018  
6:15 p.m.

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**Legislative Assembly of Alberta  
The 29th Legislature  
Fourth Session**

**Standing Committee on Alberta's Economic Future**

Sucha, Graham, Calgary-Shaw (NDP), Chair  
van Dijken, Glenn, Barrhead-Morinville-Westlock (UCP), Deputy Chair

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Gotfried, Richard, Calgary-Fish Creek (UCP)  
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Littlewood, Jessica, Fort Saskatchewan-Vegreville (NDP)  
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Starke, Dr. Richard, Vermilion-Lloydminster (PC)

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## **Standing Committee on Economic Future**

### **Participants**

Ministry of Agriculture and Forestry

Don Brown, Executive Director, Economics and Competitiveness

Dave Burdek, Assistant Deputy Minister, International Relations, Trade and Environment

Peter Kuperis, Director, Domestic and International Trade Policy



6:15 p.m.

Tuesday, November 27, 2018

[Mr. Sucha in the chair]

**The Chair:** Good evening. I'd like to call the meeting to order and welcome staff and guests in attendance to the meeting of the Standing Committee on Alberta's Economic Future.

My name is Graham Sucha, and I'm the MLA for Calgary-Shaw and the chair of this committee. I'd like to ask that members and those joining us at the committee table introduce themselves for the record, and then I will call for those joining us via teleconference. I'll start with the member to my right.

**Mr. van Dijken:** Good evening. Glenn van Dijken, MLA for Barrhead-Morinville-Westlock and deputy chair.

**Mr. Schneider:** Dave Schneider, MLA for Little Bow.

**Ms McPherson:** Good evening. Karen McPherson, MLA for Calgary-Mackay-Nose Hill.

**Mr. Kuperis:** Peter Kuperis, Alberta Agriculture and Forestry.

**Mr. Burdek:** Dave Burdek, Alberta Agriculture and Forestry.

**Mr. Brown:** Don Brown, Alberta Agriculture and Forestry.

**Mr. Piquette:** Colin Piquette, Athabasca-Sturgeon-Redwater.

**Mr. Coolahan:** Craig Coolahan, MLA for Calgary-Klein.

**Ms Littlewood:** Jessica Littlewood, MLA representing the beautiful rural constituency of Fort Saskatchewan-Vegreville.

**Mr. Dach:** Good evening. Lorne Dach, MLA for Edmonton-McClung.

**Ms Fitzpatrick:** Maria Fitzpatrick, MLA, Lethbridge-East.

**Mr. Carson:** Good evening. Jon Carson, MLA for Edmonton-Meadowlark.

**Connolly:** Michael Connolly, Calgary-Hawkwood.

**Mr. Horne:** Good evening. Trevor Horne, MLA for Spruce Grove-St. Albert.

**Dr. Massolin:** Good evening. Philip Massolin, manager of research and committee services.

**Mr. Roth:** Good evening. Aaron Roth, committee clerk.

**The Chair:** Excellent.

Dr. Starke, if you'd like to introduce yourself for the record, too.

**Dr. Starke:** Well, thank you. Good evening. Richard Starke, MLA Vermilion-Lloydminster.

**The Chair:** We are just double-checking that there aren't any members on the phone. Excellent.

All right. Before we turn to the business at hand, a few operational items. Also, note that there are no official substitutes for this meeting. Please note that the microphones are operated by *Hansard* and the committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. Please set your cellphones and other devices to silent for the duration of the meeting.

We'll move on to the next item, approval of the agenda. Would a member like to move approval of the agenda? Moved by MLA Dach that the agenda for the November 27, 2018, meeting of the Standing Committee on Alberta's Economic Future be adopted as circulated. All those in favour, please say aye. All those opposed, please say no. That is carried.

Mr. Gotfried, would you like to introduce yourself for the record as well?

**Mr. Gotfried:** Yes. Apologies. Richard Gotfried, MLA, Calgary-Fish Creek.

**The Chair:** Excellent. Thank you, sir.

We'll now move to the approval of the minutes for the November 7, 2018, meeting. Are there any errors or omissions to note? MLA McPherson.

**Ms McPherson:** Thank you, Mr. Chair. Under committee members present I'm listed as Ms Karen McPherson. In the minutes themselves I'm listed as Member McPherson, which is what I prefer.

**The Chair:** We'll make a note of that and strive to prevent that from happening in the future.

**Ms McPherson:** Thank you.

**The Chair:** Thank you.

Are there any other errors or omissions?

Seeing and hearing none, would a member like to move a motion to adopt the minutes as revised?

**Dr. Starke:** So moved.

**The Chair:** Excellent. Moved by Dr. Starke that the minutes for the November 7, 2018, meeting of the Standing Committee on Alberta's Economic Future be adopted as revised. All those in favour, please say aye. All those opposed, please say no. Excellent. That is carried.

Moving on to the technical briefing. Hon. members, at the committee's last meeting members requested a technical briefing from the Ministry of Agriculture and Forestry in relation to our inquiry into the impacts of the USMCA on agriculture in Alberta. Today we are joined at the table by officials from the ministry, and we've already had them introduce themselves at the beginning. With that being said, we will invite you to begin with your presentation. You have 20 minutes, and then we will follow with questions and answers from committee members.

Mr. Burdek, you're presenting, I'm assuming?

**Mr. Burdek:** Yes.

**The Chair:** Excellent. Please proceed.

**Mr. Burdek:** Thank you, Mr. Chairman. Just to reiterate, Peter Kuperis, on my left, is our director of international and domestic trade policy. On my right, Mr. Don Brown is our executive director of economics and competitiveness. His team did some of the modelling that we're going to speak about in terms of the impact of recent trade agreements on Alberta's agricultural sector. We're going to put a bit of a focus on supply management but also talk about the impacts of not only the USMCA but some of the other agreements that many of the members or perhaps all members would be aware of.

As has been mentioned, the committee has asked that we discuss the potential impacts of trade on the Alberta agriculture sector. For

this, I think we need to start with a little bit of a discussion on what supply management is. As indicated by the slide, supply management is a system that is designed to ensure a fair return for dairy and poultry producers by establishing an administratively set price and controlling supply to meet domestic demand. Now, that definition goes back to the 1970s, when the supply management system was originally established in the country of Canada. Actually, we lifted that just to show you that it's been a long-standing, durable system, that it has some evolution but many of the principles have stayed fairly static over the last four decades or more.

With respect to supply management there are three main tools that are used to realize supply management's goal of a fair return to producers. These three tools are really referred to as the pillars of supply management, and that's fairly universal. You'll hear that from our supply-managed industry as well as policy officials and government officials when you're talking about those tools that really are foundational to the maintenance of supply management.

The first one of those principles, or pillars, is price-setting, where provincial marketing boards set a minimum price that processors pay to producers. Prices are set based on a cost-of-production calculation. This is usually done at a provincial level, the exception being class 7 in the milk industry, which we'll talk about a little bit later on in the presentation. It's treated a little bit differently, and it is a significant difference.

The second of the pillars is import controls. In the case of import controls, the federal government limits imports through the use of tariffs or quotas to impose tax on imports where appropriate as well as put a limit on the total amount of imports that can actually occur in a given supply-managed commodity.

The third and final pillar of supply management is control of supply, where production quotas are used to essentially match domestic production with estimated demand.

In order to implement and make all of these pillars work, there is a highly developed governing structure or governing system that's in place to help manage the system and implement these pillars. This governance consists of our SM5 groups, which are essentially the groups representing the dairy industry, egg industry, hatching egg industry, turkey industry, and the chicken industry as well as the Canadian Dairy Commission, which is a Crown corporation – it's administered by Agriculture and Agri-Food Canada – as well as the Farm Products Council of Canada, which is synonymous with the role of the dairy council of Canada in the feather industry.

It's also supported by an extremely robust legislative and regulatory framework both at a federal and provincial level, which sets up the supply management boards, gives them their authorities and their ability to price-manage supply, and then works with the governments at both levels to develop policy in the supply-managed areas.

Just a little bit of an idea – to give you a snapshot of what the dairy and poultry and supply-managed industries look like in Alberta, dairy, chicken, and table eggs essentially dominate the supply-managed sector in the province. As a general comment, these farms are really a small but profitable part of Alberta's agriculture industry.

If you look at how Alberta's supply management contributes to the picture nationally, we're relatively small but an important player, roughly about 1,013 supply-managed farms in the province of Alberta. If you take a look at the department's farm fuel eligibility list, there are approximately 39,000 farms in Alberta, again, of which about 1,013 are on the supply-managed side. Nationally, about 6 per cent of farm cash receipts are made up by the Alberta supply-managed industry, milk about 8 per cent, and 9 per cent of the Canadian poultry and dairy industry. Again, we are

a part of the national picture but not necessarily the most significant part.

Supply management: while, as I mentioned, it has had some principles that have stood and been maintained over the last four decades, there have been some changes in the industry. The slide that we've got up now really talks about what has happened to the industry in terms of the number of dairy farms in the province over the last 10 years. Just as a general comment, we've got 18 per cent fewer farms than we had 10 years ago, but our production has grown by 18 per cent.

6:25

We've also seen this kind of consolidation over the last decade not only in our dairy sector but also in our chicken and our egg and our turkey industries as well. Just as a general comment, consolidation is not unique or only a phenomenon that we're dealing with in our supply-managed sector. We're dealing with it in our non supply-managed sectors, whether it's canola, wheat, grain farming, and the beef industry. We're seeing it right through the value chain in agriculture as well, whether it's in farm supply, whether it's equipment dealers, fertilizer dealers. It's a theme and something that supply management has not protected the industry from.

In addition to the consolidation, dairy and poultry face some other unique challenges, and I'll just mention them very briefly. Certainly, dark poultry meat is not fully consumed in Canada, and other markets must be found for it. Consumer preference for chicken is around white chicken breast, but obviously you need to deal with the entire bird. The industry processors have had to look to find products and develop some innovation to deal with things like thighs and legs with the dark meat.

Dairy also faces a challenge of disposing of surplus nonfat milk solids, with a limited ability to actually export these kinds of products. I think most members would be familiar with the challenge that we have with powdered milk, where the demand is really for butterfat on the dairy side of the industry, resulting in some surplus and some challenges around what to do with the rest of the stuff. Certainly, when we start to link, you know, this beginning part of what our supply-managed sector looks like and the concept of trade, all of our supply-managed sectors are now looking at facing increased exports in coming years from various trade agreements that have either been ratified or will soon be ratified.

In terms of pricing, processors pay for milk according to its end use, and that end use is determined by various classes of milk. This is done through a system, as I mentioned, of milk classes. Various classes are highlighted on the slide. The farm-gate price of milk, or what farmers are actually paid, is determined through a blend of these various class prices. In Alberta, regardless of whether your milk goes as class 1, which would be fluid milk, table milk, and would be sort of the highest class in terms of what a producer would get paid, or whether it goes as class 7, which is essentially industrial milk, which would have the lowest value in terms of what processors would pay, all producers would receive the same price regardless of what they happen to produce by class.

How it works in Alberta is that a dairy processor who buys milk from a producer in Alberta would pay Alberta Milk, which is the management board in the province. Alberta Milk would then in turn aggregate all the income through the pool and then reissue cheques to producers minus deductions for things like transportation, promotion, and sort of other expenses that a producer would incur. That way, all producers are essentially paid through a pooling kind of a system.

With respect to class 7 – I think this actually warrants a little bit of specific discussion – class 7 was a very important development and actually led up to some of the challenges that you may have heard, particularly through the negotiations on the USMCA, which we'll talk a little bit about. Class 7 is one of the classes of milk that's actually priced on global markets and is not priced according to the cost of production, that I mentioned a little bit earlier. This is because class 7 is really considered a protein ingredient as opposed to a class of milk. While it's part of the blended price calculation, it's not actually a class that's protected by import controls, tariffs, or TRQ, which are the pillars that I mentioned previously.

Because class 7 is a little bit different and because class 7 was created, a couple of significant things resulted in the dairy industry. The first one was that this new class 7 of milk really stimulated new dairy processing and investment in growth in the dairy sector. Historical growth in the dairy industry has been in the neighbourhood of 2 per cent, 2 and a half per cent or thereabouts, but with the introduction of class 7: double-digit growth over the last few years in dairy, up to 16 and 17 per cent in recent years, a tremendous opportunity for proteins from milk to be used in food, food products, and other uses.

The other thing that the creation of class 7 did was that it displaced or replaced a lot of similar ultrafiltered milk that was coming in from the U.S. When the Canadian dairy industry created class 7, displaced some of that product that was coming in from U.S. dairy producers, that's really what put a target on the Canadian dairy industry with respect to the U.S. administration's position on negotiating the United States-Mexico-Canada trade deal.

Let's move on to recent trade agreements and what they mean for agriculture and agrifood in Alberta. I want to talk very, very quickly about three of them. The first one is the CETA deal, which is the Canada-EU comprehensive economic and trade agreement. The second is CPTPP, which is the comprehensive and progressive trans-Pacific partnership. We refer to that one as TPP 11. The final one is USMCA, which is the United States-Mexico-Canada agreement.

The main benefits from TPP 11 come from new access primarily to Malaysia and Vietnam and improved access to Japan. For agriculture Japan is really the jewel in the crown for that trade agreement as Japan is the second-largest agricultural export opportunity for the agriculture sector in the province, behind the U.S. The USMCA: that agreement will essentially maintain duty-free access to the U.S. and Mexico for most of our products. Concessions on access to Canada's dairy and poultry industry were made in all three of those trade agreements, and that's significant. In terms of key messages from this presentation what committee members may hear going forward is that the dairy industry supply-managed sectors are concerned about each one of these individual trade agreements, but they're more concerned about the collective impact of multiple agreements and potentially the impact of any future agreements beyond the three that I've mentioned and discussed.

It's important to note just the status of where these agreements are at. The CETA agreement is currently in force. Canada has ratified the CPTPP, and it's expected that that will come into force on December 30, 2018. With respect to the United States-Mexico-Canada agreement Canada and Mexico are expected to ratify the USMCA quickly, and the U.S. will do the same by the end of 2019. However, as I think most people would understand, it has been a very unconventional negotiation when it comes to renegotiating GATT, NAFTA, and the USMCA.

The next few slides are really specific to the USMCA and how it differs from the current NAFTA. I've already mentioned some of this, but just to summarize, the U.S. has gained on the import side

increased access to Canada's dairy market. The U.S. has gained secure access to Canada's chicken and egg market. U.S. access for turkey and hatching eggs remains unchanged. We've dealt with a minor trade irritant in grain – that has been resolved – where we had a situation where grain coming from the U.S. into Canada was being graded as feed. The U.S. grain industry said that that was unfair, and now we've reached a resolution in terms of the USMCA so that Canadian varieties grown in the U.S. and sold in Canada will be recognized as a Canadian variety. That's a resolution that the grain industry on both sides of the border are supportive of.

With respect to exports there are some gains that we want to mention. Certainly, Alberta's sugar beet industry has gained significantly with respect to the U.S. sugar market. Sugar manufactured from sugar beets grown in southern Alberta will continue to meet the definition of domestically produced. Essentially, under the USMCA that will give the Alberta sugar beet industry increased access of 93 per cent preferential access into the U.S., which is quite lucrative for our plant down in Taber. As you can see from the slide, cattle, beef, hogs, pork, and other commodities essentially remain on par with where they were under NAFTA.

We have one big unknown, certainly, with respect to the USMCA versus NAFTA, and that unknown is what's going to happen with class 7 milk. As I mentioned, class 7 milk has driven a lot of the recent growth in the dairy industry, and the effects of eliminating class 7 in the agreement and the changes to the way Canada exports protein concentrates and infant formula really can't be estimated until more is known about how the system is going to adapt.

6:35

Given the strong growth in class 7 that I mentioned, it seems very likely that dairy producers in this country will do their best to try and find a way to retain this market. Canada has also agreed to a surcharge on exports for infant formula, about 45,000 metric tonnes, so this could actually result in a loss of one source of growth for the dairy industry going forward. So how the Canadian industry protects the market that it's displaced by the creation of it in terms of U.S. competition and how they'll be able to maintain competitiveness with competition from the U.S. and what was formerly class 7 is a big, big question, which will shape very much the dairy industry's view of this deal going forward.

Agriculture and Forestry has done some analysis on the impacts of various trade agreements. We've used some economic modelling software that Don and his technical staff have worked on. Many of the results I'm going to talk about are based on some assumptions. It's based on the best information that we have. Essentially the analysis shows a slight lowering of prices that producers will receive for dairy and poultry products going forward. The net loss for the dairy and poultry sectors in Alberta is estimated at about \$4.6 million annually, but if we look at the net gain for Alberta's agriculture industry collectively outside of the supply-managed sectors, we estimate a net positive impact of around \$339 million. So we need to take a look at agreements, obviously, on the whole and not just the impacts on one sector.

This table that I've got up now really shows the breakdowns of gains and losses across the commodities that are included in the economic modelling that we did. I want to point out that the USMCA does not change the conditions of trade that exist under NAFTA, really, for most commodities. So we conclude that the gains that are going to come will come mostly from new and improved market access through TPP 11. The loss for dairy and poultry will come through increased imports across the new agreements. We did not have an opportunity to break down these agreements as the new imports under each agreement are being

phased in sort of simultaneously over the next 16 to 19 years. But in fairness to what we hear from the supply-managed sector, most of this increased access will come in the next five to six years, I think something in excess of 80 to 85 per cent of it, and then the balance of it over 15 or 16 or 17 years remaining in the phase-in period.

Agriculture and Forestry also looked at the effect of increased imports in domestic poultry and production. Assuming that we'll get moderate growth in domestic production and domestic consumption, it should be enough to absorb increased imports of dairy and poultry products through the three recent agreements. Now, this is really an important point because if we remove the impact of consolidation that I talked about earlier, if we take a look at the sort of long-term, conservative growth in the supply-managed sector, if we look at the phase-in of these various agreements over time, essentially what has been traded off is the opportunity for growth in the short term, over the next four or five years, six years maybe, for the supply-managed sector. That position was supported by the Alberta milk industry at their recent annual general meeting that I was at in Calgary last week.

Additionally, Agriculture and Forestry also examined the impact that these recent trade deals have on the entire agricultural sector. As I indicated, estimates of the gains for major export commodities such as beef, pork, canola, cereals, and pet food far outweigh estimated losses for dairy and poultry. Estimated net gains for export commodities are going to be somewhere in the neighbourhood of \$339 million.

To move very, very quickly and draw some conclusions, I have a few for the committee. The first is key messages that net gains will outweigh losses by a significant margin. The second is that dairy will be negatively affected, as will poultry, although poultry will be affected to a lesser degree and that future growth in dairy and poultry is likely to be slower as a result of these three trade agreements. However, new and improved access on the whole will be beneficial for Alberta's agricultural sector.

As I did mention, the sector is concerned. The supply-managed sector is concerned about the impact and the competition that will be coming in as a result of deals being ratified. They're also, I would say, as much or more concerned about the cumulative impact of these deals collectively and the potential for future deals to go beyond these . . . [A timer sounded]

**The Chair:** Sorry. We just capped off the 20 minutes. Is this the last slide here?

**Mr. Burdek:** This is my last slide, so with your indulgence, Chairman . . .

**The Chair:** Oh, yeah.

**Mr. Burdek:** I just want to say very, very quickly that work on this file has not ended. The government of Canada has acknowledged that there will be impacts to the supply-managed sector as a result of making these international trade deals. They have made a commitment to look at working with the industry to factor in or figure out what compensation there could be as these deals are implemented. They've announced the formation of two different working groups. One of those will be to mitigate impacts of TPP 11 and the USMCA, and the other will focus on a long-term vision for the dairy industry, looking at innovation and the competitiveness of that sector trying to drive down costs. Those working groups will involve the industry, the government of Canada, the Dairy Farmers of Canada, and they will be entertaining input from the Department of Agriculture and Forestry. We intend to provide that on behalf of

the government of Alberta and work to get the best compensation deal for Alberta's dairy producers.

I'll end it there. Thank you.

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

Mr. Dreeshen, if you'd like the opportunity to introduce yourself for the record as well.

**Mr. Dreeshen:** Devin Dreeshen from Innisfail-Sylvan Lake. Thank you.

**The Chair:** I'll open it up for questions. Just to allow all members to have an opportunity, we'll allow a question and then a supplemental and move on to the next person on the list.

Dr. Starke, followed by MLA Fitzpatrick and then McPherson.

**Dr. Starke:** Well, thank you very much for this analysis. I appreciate it a great deal. You know, I noted right from the early slides that you were saying that the supply-managed sector as compared to the total farm receipts in the province is relatively small. That's not to minimize it in any way. These producers are very important, but in fact the farm cash receipts for the supply-managed commodities are less than 10 per cent of our farm cash receipts.

I have a question that's perhaps a little bit technical, but I'm curious to know what you know about it. Bovine somatotropin, or BST, is allowed in U.S. dairies. It's not allowed in Canada. It significantly increases the production of dairy cows in the U.S., and this was something that was quite controversial going back over 20 years. My understanding is that BST is still being used in the U.S., and I'm curious to know whether that was brought up during the course of negotiations and whether Canadians are aware that an artificial growth hormone is being used in the production of dairy products in cows in the United States?

**Mr. Burdek:** If I could start off very, very quickly, Member, yes, BST is used in the U.S. No, it is not licensed for use in Canada. Yes, the Canadian dairy industry is very aware and made that certainly known as Canadian negotiators were in discussions on the USMCA. I think many consumers are aware as well. With respect to how U.S. milk is going to be dealt with in Canada as a result of the agreement, I'm going to turn that over to Peter.

**Mr. Kuperis:** As luck would have it, I did my graduate thesis on this about 20 years ago.

**Dr. Starke:** Then you've got me beat.

**Mr. Kuperis:** At that time Health Canada and the USFDA both examined milk from cows treated with RBST and determined that it was safe for human consumption. Canada chose not to license it because of its effect on the cow. That was for animal health concerns, not human health concerns. So my expectation under the agreement is that there's no reason for U.S. milk not to come in or for it to be labelled in any pejorative way. Health Canada has determined that that milk is safe to drink.

I did some research on this because this question has been coming up. About 18 per cent of dairy cows in the U.S. are being treated with RBST, so it's not hugely used. It is significant, but it's certainly not right across the dairy herd.

**Dr. Starke:** Well, if I could make just a comment, then. You know, that's right. That's my understanding of it, too, and the conclusion was that milk from BST-treated cows is safe for human consumption. But, as we know, in the popular media and in popular misconceptions that are sometimes propagated for a marketing



advantage, the safety of our food products produced on our farms sometimes becomes a secondary issue and, in fact, can be distorted. I'll be on the record as saying that I think that some organizations and some commercial ventures are in fact distorting some of the information. You know, for example, it is clear that the beef that is produced or the pork that's produced in this province is free of antibiotics, free of additional hormones, and that's despite the current management practices. Yet we know, for example, that many restaurants and food chains are advertising these things.

So my own consideration with regard to the dairy is that I'm curious to know whether there are plans by the dairy industry to make it known that, you know, 18 per cent of the cows in the United States are treated with RBST. Again, no, it doesn't make the milk unsafe. You know, the conscious decision to not treat cows in Canada with RBST was for the benefit and for the welfare of the cow, and given the concern that Canadians have for animal welfare and for sustainable agricultural practices, I would think that that is something that Canadians should be made aware of.

6:45

**The Chair:** Thank you, Dr. Starke.  
MLA Fitzpatrick.

**Ms Fitzpatrick:** Okay. My question is along the same lines as Dr. Starke's. I've been to several dairy farms in southern Alberta several times, and they have all talked to me about the quality of dairy in Canada. They're quite concerned about anything that's coming in. They talked about how we could advertise to Canadians about the quality. I have to say that at each facility I went into, I had special boots on, I had a lab coat on, and things were absolutely spotless. I haven't been to any dairy farms in the U.S., but I do have concerns.

In terms of the hormones I don't care what the current research says. I know that there's been a difference in the development of females in Canada that have had milk that's treated, so as far as I'm concerned, the jury is still out on that.

Can you talk a little bit about how we can better promote the quality of our dairy products and how we can move it forward?

**Mr. Burdek:** Thank you for the question, Member. I think just a couple of sort of comments in response to your general comments. Certainly, these new trade agreements do entitle other countries to import into Canada. Canada has a responsibility to ensure that any food products coming in are going to be safe, so I guess, regardless of our own personal opinion or an individual consumer's opinion as to how, say, U.S. milk would compare to Canadian milk, we need to ensure that it's safe for consumption.

I have no doubt, and we see that now if you look at, say, the blue cow campaign or some of the campaigns that the Canadian dairy industry is undertaking to build consumer awareness around Canadian dairy farms and to build customer loyalty around Canadian dairy.

There may be some challenges in terms of how the system operates. At the end of the day, milk will be bought by processors. Processors will be buying it from various sources, both internally and externally. This milk is pooled in a manufacturing process. I expect that there will be individual processors who will focus on trying to promote sort of locally produced or Canadian-produced milk over U.S. milk. Price for some other consumers, though, is more important than that in terms of determining where they choose to buy or what they choose to buy. At the end of the day, I think it'll ultimately be up to the consumer to decide whether they want to spend on locally produced or domestically produced or whether they want to be more price conscious and price sensitive. The

government's role is really to ensure that whatever that choice is, it's safe for all consumers.

**Ms Fitzpatrick:** Thank you.

**Mr. Burdek:** I'll just maybe ask Peter to make some additional comments.

**Mr. Kuperis:** I think that one thing we didn't put in the presentation but that should be noted is that under the USMCA agreement and the CPTPP many of these imported products are destined for use in further processing, things like Pizza Hut frozen pizzas, that sort of thing. It's not expected that a great deal of these imported products will actually make it onto retail shelves and in front of Canadian consumers.

**The Chair:** Do you want to follow up, MLA Fitzpatrick?

**Ms Fitzpatrick:** No. I'm good. Thank you.

**The Chair:** Excellent.  
Member McPherson.

**Ms McPherson:** Thank you, Mr. Chair. I have a couple of questions. First of all, I think I heard the words "feather industry" during your presentation. For the edification of a lot of the members around the table, I think I know what that means, but can you clarify that for me?

**Mr. Burdek:** When we talk about supply management SM5, we've got dairy, and then the remaining four are the feather industry. So we've got chicken, hatching eggs, turkey, and table eggs.

**Ms McPherson:** Okay. So we're not talking about selling down?

**Mr. Burdek:** No.

**Ms McPherson:** Okay. Good. Thank you very much.

The other question that I had. Something that hasn't been mentioned – and I'm not sure if it's appropriate or not – is aquaculture. We do have an aquaculture industry in Alberta. Will this be affected by NAFTA/USMCA?

**Mr. Burdek:** I'm going to turn it over to Peter after I make a general comment. I don't believe there'll be any significant impact. I do know we have an aquaculture industry, but I'm not aware that we do much or any exporting of production from our domestic aquaculture industry. Most of that is consumed locally.

Peter, any comments?

**Mr. Kuperis:** You won't find the word "aquaculture," I think, anywhere in the text of the agreement.

**Ms McPherson:** Okay. Thank you very much.

**The Chair:** MLA Piquette.

**Mr. Piquette:** Thank you, Mr. Chair, and thank you for the very informative presentation. I appreciate you guys putting that together and making your best guess where it wasn't quite clear. Now, I guess, the first question and maybe a comment. I know that Dr. Starke had referred to supply management as being a small percentage of the overall agriculture market. However, we have a very large market. I'm just wondering: what are the actual cash receipts? If you put that down instead of percentage, you know, what would that be in farm cash receipts for the supply management industry? Six per cent would work out to what in farm terms?

**Mr. Burdek:** Farm cash receipts for Alberta's agriculture sector in 2017 were approximately \$14 billion. If you look at 6 per cent of that, you're looking at roughly \$850 million to \$900 million, which would be farm cash receipts from supply management.

**Mr. Piquette:** Okay. So still a pretty significant amount of money at play, then. Well, thank you for that.

The other thing I'm just trying to get clear. You made a point in your presentation that you were expecting more of an impact – you know, I'm talking specifically about USMCA – on dairy as opposed to poultry, and then you talked a bit about class 7 being up in the air. I'm not quite clear on why you think the poultry impact would be less significant. Maybe that has to do with the difference between how both supply management systems work in those instances.

**Mr. Burdek:** A couple of things. I'll start off and again turn it over to Peter, who's our expert in this area. Again, TRQs and access are a little bit different in dairy versus poultry. I did mention the significance of class 7. Class 7, that displaced a lot of U.S. product out of the Canadian manufacturing market, essentially put a target on the dairy industry and made it a priority for the U.S. administration. Then I think that if you go back to the quotas that were negotiated, going back to the WTO in the mid-80s, poultry was a little bit different than dairy in terms of how incremental access is granted. My understanding is that it will continue to be, I think, 5 per cent of growth, going forward, in the feather industry as opposed to what will happen with the dairy sector.

I don't know, Peter, if you want to make some specific comments.

**Mr. Kuperis:** Yeah. Under the USMCA the U.S. has gained exclusive access across the board pretty much for dairy products, but for poultry products it's gained new and specific access for chicken, new and specific access for table eggs. The turkey and hatching egg access were the amounts Canada granted to everybody under the WTO, and the U.S. hasn't secured anything above that or any secure portion of it. For two of them the increased levels of imports under the USMCA are going to be obvious, and for two of them it's not going to be much different than it is today.

**Mr. Piquette:** Okay. Well, thank you for making that clear. Do I have time?

**The Chair:** I'll put you in the queue for further ones there. Mr. Gotfried.

**Mr. Gotfried:** Thank you, Mr. Chair, and thank you to our presenters today. In your presentation you mentioned that part of the challenges were a constrained ability to export. Obviously, our ability to export today is probably very much affected by the current supply management and the system in Canada. My question is: do you see any potential in a restructured industry down the road for us to actually remove some of those constraints in our ability to export and compete, and in doing so, do you think that that will drive further consolidation in the key supply-managed industries?

**Mr. Burdek:** I'll just make a general comment with respect to export of supply-managed products, specifically dairy. I think that in 2017 Alberta's agricultural exports from the province were in the neighbourhood of \$11.2 billion. If you look at exports of dairy, it was only around \$11.5 million, so somewhere in the neighbourhood of 1 per cent was represented by dairy. Exports of dairy products: not significant in terms of the bigger picture.

6:55

As I mentioned in the presentation, the agreement does put some limitation on Canada's ability to export, particularly when it comes to infant formula and other things going forward. The industry has indicated that that's one of the concerns that they have, that it potentially takes potential growth opportunities, going forward, from them.

Beyond that, I'll turn it over to Peter for specific comments.

**Mr. Kuperis:** Yeah. The WTO ruled some time ago that Canada's exports of dairy products are subsidized exports due to the nature of the way we run the system. Our domestic prices are quite a bit higher than world prices, so if we export out of this system at world prices, it's considered that there's a level of cross-subsidization from the domestic side to the export side. Until and unless Canada gets a different sort of WTO agreement or Canada changes its system so that it's pricing domestically at somewhere around world price, that sort of ruling is going to stand. So that's the main constraint for the dairy industry.

The poultry industry doesn't face the same constraint right now. They're free to export unless somebody maybe would try to take a WTO case against them. But their pricing structure is different, and I'm not sure how that would go. But it's the dairy industry that faces that rather formidable constraint. They do have exporting opportunities in food products that contain dairy products, things like infant formula, as long as the dairy content doesn't get too high. So there are some growth opportunities there, but, to be honest, they are limited.

**Mr. Gotfried:** Just a quick follow-up question. Obviously, we have a smaller industry. We expect to have more international competition coming in. Do you see a point down the road where a restructuring of the industry will allow us to become more productive and competitive from a price perspective in the longer term? I guess that in the short term one of my questions here is: how much do you think the Canadian consumer is going to benefit from some of these changes in the trade rules? Is that going to benefit consumers in western Canada, in Alberta particularly, the changes in the USMCA?

**Mr. Burdek:** Just as a general comment, I think that after you look at the three agreements that I talked about, the Canadian dairy industry will still maintain about 89 per cent of the Canadian domestic market. So while these agreements are significant, the vast, vast majority is still going to be supplied through the supply-managed system. There is no doubt, though, that the Canadian dairy industry will be facing some competition, not only from volumes that are coming in but from the products that are going to be coming in as a result of these volumes.

I spoke about the two working groups that the government of Canada has made the commitment to form. One of them is, really, around sort of the longer term strategic direction of the dairy industry and how they can make the dairy industry and supply-managed industries in general more innovative and more cost-competitive. What can they do to increase the amount of dairy products that Canadian dairy can be used in? If you think about it, if we take a look at long-term growth in, say, the dairy industry, it's essentially tracked population growth in Canada at around 2 per cent with some exceptions. When yogurt became very, very popular, the sector looked at growth of 8, 9, or 10 per cent a year, annually. So if they could come up with a product like that every year or two, you'd see significant growth, and it would really make the impact of these kinds of agreements seem quite, quite small.

Additionally, you look at the growth that happened around class 7, which I think the guys at the dairy AGM meeting told me last week reached close to 20 per cent last year because of class 7. Some of that may be ratcheted back, and to keep it, they may have to sell that class 7 at a lower cost. But if there are more yogourts out there and there are more class 7s out there and there are more products that they can use, say, dairy protein in, certainly they can be far more competitive and continue to grow, and there is a commitment for the government of Canada to make investments that way.

**The Chair:** Excellent.

Mr. Dreeshen.

**Mr. Dreeshen:** Thank you. Just as a quick starting point, the Member for Lethbridge-East said: I don't care about science. She was talking about Peter's research. From my time with the Canadian Food Inspection Agency and Health Canada in Ottawa there are lots of times where ideological statements or beliefs come in, when people start to not look at science and start in making decisions based on assumptions or whatever they are basing their decisions off of. Could you just maybe say why, you know, something proven in sound science actually is what we should be making decisions on?

**Mr. Burdek:** Yeah, I can respond to that. Certainly, I think we need to respect the individual choices that people make and the reasons that they choose to purchase a certain product or a product raised in a certain way. But from a government policy perspective, absolutely, we need to commit ourselves to make science-based decisions and ensure that, really, we fulfill our role around making sure that food is safe, making sure that animals are treated with respect, that we honour animal welfare production practices, so that regardless of what any individual consumer chooses to do, we know that choice will be backed by safe food, quality food, and from animals in production systems that respect the environment and those kinds of things. So science-based decision is really an underpinning of sort of our policy choices, certainly, in the department.

**Mr. Dreeshen:** I know it's kind of hindsight going back now, but were you surprised that Canada kind of went into the negotiations backwards? That it was kind of a do no harm, and that kind of seemed to be the starting point where you had the Mexicans and the Americans saying that they wanted lots of market access and there were very aggressive stances put out by them early on, but in Canada it kind of seemed to be a prevailing push from provincial governments and the federal government that: "We'll just do no harm. If we just don't move from this starting point, that'll be a successful trade negotiation."

**Mr. Burdek:** Again, I'll turn it over to Peter after some general comments. I would say, you know, Peter and his staff had an opportunity to attend many of the negotiation rounds and sit in and be debriefed around progress around the agricultural table. This wasn't only an agricultural agreement. Obviously, there were many, many other things that were in scope, from pharmaceuticals to intellectual property to equivalencies, a whole number of different things. Whether it was the Canadian trade negotiating team, whether it was Alberta's office staff in Washington, I think everyone acknowledged that this was a very unconventional trade negotiation. It was one that was driven by a desire of one partner, the United States, to get a better deal, and I think Canada's position was that the deal we had was fair and wasn't that bad, but we would respect their desire and we would negotiate in good faith.

So status quo was not such a bad outcome in the context that I just described. I think at the end of the day what we've heard is that all three jurisdictions believe that they've got a deal that they can live with, which is a good outcome, but it was, I think, very unconventional in terms of process. Maybe, Peter, final comments on that?

**Mr. Kuperis:** The do-no-harm phrase actually comes out of the U.S. agriculture industry. That was their request of their trade negotiators: don't mess up our access to Canada, and especially Mexico. Agricultural trade among the three under NAFTA grew greatly, and certain U.S. commodities, like pork, soybeans, and corn benefited greatly from access, especially to Mexico.

Canada did come in with a certain level of aggression. On agricultural trade there were some irritants around regulations re inspection of meat in the United States – it's already inspected and shown safe in Canada – some branding practices to permanently identify cattle brought into the United States, which we thought could be eliminated for animal welfare reasons. There are lots of other ways to track animals now.

We simply didn't make any progress on that. This was a very intransigent bargaining partner. They put down a series of demands around auto content, dairy access, eliminating dispute settlement, and other things that were just completely unacceptable to Canada and Mexico. They didn't move off those positions until, I would guess, days before the deal was finally signed.

It was a very difficult and unconventional negotiation. Canada did try to add new chapters, and we did get agreement from our partners on that. There are new provisions around environment, labour. There are provisions for small and medium-sized enterprises. We've done things around digital trade and commerce, which didn't exist when NAFTA was brought in.

So I would credit the Canadian negotiators for doing a really good job considering the people they were negotiating with. They came with a very different approach. They were not the usual trade negotiators. They had a lot to learn as we went through the negotiations, we would say, and we came out with a decent deal. It improves on NAFTA in some aspects. I would say in some aspects it's gone backwards a little bit, but we have a deal that the three of us can live with.

7:05

**The Chair:** Sorry to cut off, Mr. Dreeshen, but Mr. Piquette is next in the line following supplements.

**Mr. Piquette:** Oh, considering the amount of time . . .

**The Chair:** But I do need to test the will of the committee because we are scheduled to finish at 7:15, and we do need to go over the stakeholders list as well. We need unanimous consent, so I'll ask one question: is anyone opposed to us going over time?

**Ms Littlewood:** Opposed.

**The Chair:** Okay. So we'll have to move on to the next item for the agenda. With that being said, I want to thank our presenters for joining us here today. I would ask that if there are any follow-up responses from questions asked by members or any additional materials you wish to provide to the committee, if you'd please provide it to the committee clerk prior to December 15 of this year.

Hon. members, we will move on to our next item for business. As committee members are aware, at our November 7, 2018, meeting the committee directed research services to compile a list of draft stakeholders. The committee clerk has contacted members requesting their suggestions for the list, and the document was

posted on the committee's internal website on November 22, 2018. Are there any additional suggestions to be added to this draft stakeholders list? Mr. van Dijken.

**Mr. van Dijken:** I've got one question. I see under suggestions from NDP caucus – I believe this is the list you're working on – interim AFSC Chief Executive Officer Darryl Kay, possibly. I'm not sure if that's the individual that's important there, or we could name also Steve Blakely, current CEO.

**The Chair:** If you wish to make that addition, we can make that addition on there.

**Mr. van Dijken:** We should do that.

**The Chair:** Okay. Excellent. Any other suggestions or any other questions? Mr. Horne.

**Mr. Horne:** Yeah. Thank you. First I just wanted to take a moment to thank our amazing research services team for preparing the stakeholder list. But I am a little bit curious looking over the recommendations. Is the Ostrich Association an active association here in Alberta? I couldn't really find any information on them recently.

**The Chair:** Dr. Amato, if you don't have that information readily available you can . . .

**Dr. Amato:** Sorry; I don't have that information, but I can get it to you.

**The Chair:** We'll relay that message back through the committee clerk in the coming days. [interjection] Nice joke, Mr. Gotfried. Excellent. With that being said, I'd like to test the will of the room. Are we wanting to have additional time to draft some additional stakeholders for this, or do we want to seek feedback from members in relation to the impacts of the USMCA? Mr. Gotfried.

**Mr. Gotfried:** Why don't we just set a little bit of an extra window from today if there's any additional input or ideas? I'm going to suggest seven days from today, and then cut it off. Not that there wouldn't be an opportunity maybe to squeeze somebody in if there is some oversight, but I think we need to put some closure to it and move ahead.

**The Chair:** Okay. You're wanting to propose a motion to cut it off in seven days?

**Mr. Gotfried:** Yes, sir.

**The Chair:** Okay. Sorry. We're just drafting something quickly here for you. Mr. Gotfried, I just want to confirm this. Would you want to go down the route of having that list approved by the chair and deputy chair as we've done in previous meetings?

**Mr. Gotfried:** Yes. Yes, if that could be included in the motion, Mr. Chairman. Thank you.

**The Chair:** Dr. Amato, if you would like to respond.

**Dr. Amato:** Sure, I can answer the question that was directed to me. I generate the list off of the Agricultural Processing Industry Directory from Alberta Agriculture and Forestry. It's listed there.

**Mr. Horne:** Okay. Thanks.

**The Chair:** Mr. Roth, if you'd like to read it into the record, and, Mr. Gotfried, if you can accept that it meets your intent.

**Mr. Roth:** What I have is that Mr. Gotfried moves that the Standing Committee on Alberta's Economic Future accept the draft list of stakeholders provided by research services in relation to the committee's inquiry into the impact of the USMCA on Alberta agriculture and any new additions provided by committee members by December 4, 2018, with the list to be approved by the chair and deputy chair.

**Mr. Gotfried:** So moved.

**The Chair:** Excellent. So I'll open it up for discussions.

Seeing and hearing none, I will call the question on the proposed motion moved by Mr. Gotfried. All those in favour, please say aye. All those opposed, please say no.

That is carried.

Moving on to other business, hon. members, I'd like to note for the record that research services – oh, sorry. My apologies. Before I move on to the next item, do members wish us to contact the stakeholders following the approval? I just need another motion to follow through on that. I'll test the will of the committee if anyone wants to move a motion, or if we want to meet before we send a request off to the stakeholders. Sorry. Just seeing the looks, we need another motion to be moved, to submit a request for feedback from our stakeholder list.

**Mr. Horne:** So moved.

**The Chair:** All right. Mr. Roth, do we have a motion prepared?

**Mr. Roth:** Mr. Chair, perhaps this might fit Mr. Horne's intention: that the Standing Committee on Alberta's Economic Future invite the individuals and organizations identified in the approved stakeholder list to provide a written submission to the committee in relation to its inquiry into the impact of the USMCA on Alberta agriculture on or before perhaps something in mid-January, January 15, 2019?

**Mr. Horne:** Yeah. I think that that captures the intent.

**Mr. Schneider:** I agree with the motion completely. I just wonder if because we're going to see two weeks on either side of January 1 that are busy probably for most associations and industries, if we would extend that another couple of weeks, maybe to the end of January. Would that make any sense?

**The Chair:** Mr. Horne, since we're still wordsmithing your motion, would you want to do that?

**Mr. Horne:** Yeah. I think that makes sense.

**The Chair:** Okay. So January 30?

**Mr. Horne:** The 30th? The 31st? The 31st is a Thursday.

**The Chair:** All right. Any other discussions surrounding that?

Then I'll test the floor on the motion. Just because we've been wordsmithing it, Mr. Roth, if you can read it in for the record.

7:15

**Mr. Roth:** Certainly, Mr. Chair. Moved by Mr. Horne that the Standing Committee on Alberta's Economic Future invite the individuals and organizations identified in the approved stakeholder list to provide a written submission to the committee

in relation to its inquiry into the impact of the USMCA on Alberta agriculture on or before January 31, 2019.

**The Chair:** All those in favour, please say aye. All those opposed, please say no.

That is carried.

Seeing that it is now 7:15, I will let hon. members know that the

next meeting will be called after the chair has received consent of a time between members. I will have the committee clerk also send you some additional correspondence that I was going to let you guys know about under other business.

Other than that, the meeting is now adjourned.

[The committee adjourned at 7:16 p.m.]





