

Farm Products Commission

Annual Report
2014–2015

Farm Products Commission

Annual Report 2014-2015

Province of New Brunswick

PO Box 6000
Fredericton, NB E3B 5H1 CANADA

www.gnb.ca

Transmittal letter

From the Chair to the Minister

October 31, 2016

Honourable Rick Doucet

Minister of Agriculture, Aquaculture and Fisheries
Province of New Brunswick

PO Box 6000
Fredericton, NB E3B 5H1

Sir:

On behalf of the New Brunswick Farm Products Commission, I have the honour to submit the Annual Report for the period April 1, 2014, to March 31, 2015.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Robert Shannon".

Robert Shannon
Chair

Table of contents

- Vision statement 1
- Mission statement 2
- Powers of the Farm Products Commission. 3
- Commission members 4
- Commission staff. 4
- Commission office. 4
- Commission activities in 2014-2015. 5
- Commission orders 7
- Supply Management 8
- Financial information 9

Vision statement

A dynamic and accountable agri-food industry that has a reputation as a supplier of high quality and competitively priced food products

The New Brunswick Farm Products Commission is a board appointed by the Lieutenant-Governor in Council empowered to carry out the provisions of the *Natural Products Act* and any regulations and orders under the Act.

The *Natural Products Act* defines the scope of government regulation in the marketplace as it pertains to the orderly marketing of food and forest products as well as food inspection managed in conjunction with the Department of Health.

The *Natural Products Act* provides flexibility to producer organizations with respect to naming their organizations and establishing commodity development councils to encourage discussion between producers and other sectors of the industry on matters of mutual interest in a recognized forum. The Act also permits the formation of promotional agencies.

In addition to the above, the *Natural Products Act* grants power to the Farm Products Commission to make changes of an administrative nature to marketing board and agency powers and to delegate authority to industry to establish and administer quality and grade standards.

Mission statement

The New Brunswick Farm Products Commission will strive to create an environment within the regulated agri-food sector that encourages stakeholders to focus their efforts on developing their industries.

In carrying out its mission, the commission is committed to the following values and principles:

- cooperation and communication between all industry stakeholders is key to the further development of the agri-food industry;
- be an impartial, fair-minded agency that supports industry development;
- an orderly marketing system will enhance the viability of the agri-food industry within the global marketplace;
- carry out the mandate provided for in the *Natural Products Act* to the common benefit of producers, processors and consumers;
- as a signatory to national Supply Management programs, the commission will act to both protect and promote the interests of those industries; and
- promote transparency both in carrying out its mandate as well as in the operation of the eight marketing boards and two agencies.

To enhance board and agency transparency and to ensure it operates in accordance with the wishes of the producers and in adherence to the regulations established under the *Natural Products Act*, the commission shall conduct an annual review of the operations of each of the boards and agencies. The commission will ensure each board and agency holds an annual producer meeting to review financial statements and activities for the previous year, and make certain that the boards and agencies do not implement significant changes in policy without prior approval of producers. The commission shall supervise the activities of all producer organizations and provide an appeal mechanism for those individuals who feel aggrieved by decisions made by producer organizations.

Under powers granted to it by the *Natural Products Act*, the commission will provide authority and guidance to non-regulated groups of producers who want to collect levies for research and promotion purposes.

The commission will facilitate the creation of industry development councils to foster the development of cross-sector strategies in response to changing market forces. To date, the New Brunswick Dairy Industry Council has been formed to promote sector-wide collaboration to capitalize on market opportunities and resolve industry issues.

In tandem with the Department of Agriculture, Aquaculture and Fisheries, the commission will help expose the agri-food industry to new ways to exploit market opportunities.

To ensure the development of the province's regulated agri-food industry is protected and promoted within national marketing systems, the commission will develop and pursue strategies that are in the best interest of the province. The commission will serve as a signatory to federal-provincial agreements relating to the supply managed commodities, which in New Brunswick include dairy, chicken, turkey and eggs.

Powers of the Farm Products Commission

The commission is responsible for the overall conduct and performance of the regulated marketing system in New Brunswick. In this capacity, it is responsible for ensuring all boards and agencies exercise the powers granted to them in the manner intended.

Through the powers vested in it by the *Natural Products Act*, the commission may:

- investigate, arbitrate, adjudicate upon, adjust or otherwise settle any dispute between producers, processors, distributors or transporters of farm products, or between any two or more of such classes of persons;
- investigate the cost of producing, processing, distributing and transporting any farm product, prices, price spreads, trade practices, methods of financing, management, grading, policies and other matters relating to the marketing of a farm product;
- recommend any marketing plan or the amendment of any plan to the Minister;
- require persons engaged in the production or marketing of a regulated product to register with the commission, agency or board;
- require persons engaged in the production or marketing of a regulated product to furnish information relating to the product, including the completing and filing of reports or returns on a periodic basis or otherwise as the commission or board determines;
- require the furnishing of security or proof of financial responsibility by any person engaged in the marketing of a regulated product and provide for the administration and disposition of all money or securities so furnished;
- appoint inspectors for the purposes of this Act;
- cooperate with a marketing board, local commodity board or agency, marketing commission or marketing agency of Canada or of any province in Canada for the purpose of marketing any regulated product; and
- make orders and issue directives consistent with a plan or the regulations as are necessary to enforce the provisions of the Act or any plan.

The commission also has the power to intervene directly in the marketing of dairy products. Intervention may include but is not limited to the following:

- the establishment and enforcement of marketing conditions that benefit both the dairy products trade and the public;
- license milk dealers, producers, vendors and transporters;
- make regulations or orders pertaining to milk quality, the inspection and classification of milk, and processing of dairy products;
- control milk quality from the farm to the milk dealer;
- make regulations pertaining to penalties on milk that fails to comply with standards of quality; and
- set the price producers receive for their raw milk and set the wholesale and minimum retail price of fluid milk products.

Commission members

Robert Shannon: Chair
Dale McIntosh: Vice-Chair
Léopold Bourgeois
Kathy Briggs (outgoing)
Paul Chiasson

Leigh Mullin
Hannah Searle
Robert Speer
Katherine Trueman
Kevin McKendy (new)

Commission staff

Laura Poffenroth: General Manager
Danny Draper: Senior Agriculture Commodities Specialist
Anna Belliveau: Commodities Analyst (Acting General Manager as of January 2015)
Ann McGrath: Administrative Assistant

Commission office

PO Box 6000
Fredericton, NB E3B 5H1
Telephone: 506-453-3647
Fax: 506-444-5969

Commission activities in 2014-2015

The commission met nine times and conducted three conference calls to carry out the responsibility of supervising the actions and management of the producer agencies and boards provided for in the *Natural Products Act*. It conducted annual reviews of two agencies and all eight commodity boards, as well as reviewed all boards and agencies' meeting minutes, annual reports and financial statements.

To fulfil its supervisory role, the commission attended the annual and regional meetings of the producer organizations formed under the *Natural Products Act*, as well as any other relevant agricultural groups, including the New Brunswick Agricultural Alliance.

The commission is tasked with setting the price of milk. In determining this adjustment, it considers studies on the cost of production for the province's dairy producers and a financial analysis of returns to the New Brunswick fluid milk processing industry. After thoroughly reviewing these reports, the commission concludes whether a price adjustment is warranted and decides on the appropriate margins for producers, processors and retailers. While setting the price of milk, the commission balances the interests of producers, processors and consumers. This approach allows for competitive prices for New Brunswick consumers while encouraging a viable dairy industry.

In February 2015, the commission adjusted the price of raw milk and announced an increase of 1.4 cents per litre in the price of fluid milk. It determined that a price adjustment was warranted based on several factors, with the most significant being the steadily increasing costs of the production, processing and delivery of milk to consumers.

The commission also determined that school milk prices would increase five cents for the current school year. Under the School Milk Program, processors and producers subsidize the price of milk for school children in New Brunswick by approximately \$1.3 million per year.

A milk measuring system committee was formed to look into the high shrinkage between the farm dipstick measurements and one of the processor's milk metering

system from October 2013 to July 2014. Prior to the completion of the committee's mandate, the processor took a proactive measure by having its milk metering system calibrated, which resolved the issue.

A second investigation was opened in August 2014 as high shrinkage was identified between another processor's plant metering system and the dipstick reading. Some of the steps taken by the committee to determine the high shrinkage were the calibration of farm tanks across the province, a comparison of final product output by processor, education on the importance of proper measurements to drivers, research on how the calibration staff is trained and how they calibrate their probes.

The commission received regular reports from inspection staff on any dairy producer experiencing milk quality problems, whose premises or equipment was substandard and who was otherwise not in compliance with the regulations. The commission responded to these reports by communicating its concerns to the producer in question, and encouraging them to take corrective action. When the problem was still not corrected, the producer was asked to appear before the Commission.

Due to the media coverage about animal abuse on farms in Canada, the commission has taken proactive steps to amend the Milk Quality Regulation to incorporate animal welfare provisions and enable it as a requirement of licensing.

The Dairytown/Agropur merger was finalized with more than 80 per cent of the producers who attended the merger meeting were in support of the transaction.

The Northumberland/Agropur acquisition took place in November 2014. For the Northumberland/Agropur acquisition to occur, 75 per cent of the 272 Northumberland Co-operatives shareholders were required to be in favour of the acquisition in order for the vote to pass, which did occur.

The commission discovered that reconstituted milk was being distributed in federal penal institutions without its prior approval as required. The commission sent a letter to Corrections Canada, requesting it ceases this activity until it obtained the commission's approval.

The New Brunswick Organic Grade Regulation, under the *Natural Products Act*, came into effect in April 2014. This regulation requires an organic certificate issued by an accredited certification body that demonstrates compliance with the federal Organic Products Regulation and the Canada Organics Standard for any products produced, processed and sold in New Brunswick as organic. The commission is responsible for the compliance of this new regulation.

The New Brunswick Pullet Growers Advisory group requested that the commission support a national pullet growers agency. Some provinces already have pullet quota allocation, but New Brunswick has never regulated the pullet industry. In the spring of 2014, a request was sent to the federal Minister from the Pullet Growers of Canada to become a national agency. This request was denied.

To standardize the annual reporting by commodity groups to the commission, commission staff developed an annual review template. The template incorporates the responsibilities of boards and agencies under the *Natural Products Act*.

A request for a milk dealer licence was submitted by I-Nov Concept to distribute UHT Tetra-Pac products in New Brunswick. The hearing was held on May 6, 2014, to discuss and evaluate the application. As a result, the

commission approved the request and issued a milk dealers licence to I-Nov Concept for the sale of UHT Tetra-Pac products on May 8, 2014.

The NB Cattle Producers experienced difficulties with dealer licensing. Dealers were operating without the required licence and were neither completing the proper documentation when purchasing cattle from farmers nor remitting the associated levies for purchased cattle, including bob-calves. The cattle board hired an auditor to audit farms for licence and levy compliance. The commission supervised and supported the actions of the board while enforcing the board's orders.

Bleuets NB Blueberries experienced difficulties in collecting levies from some producers. The commission assisted in the enforcement of the legal obligation of producers to remit levies by corresponding with the producers in question. Certain producers were asked to appear before the commission when they continued to contravene the regulation; some producers eventually agreed to pay the levies.

The Association of Wild Blueberry Producers of Northeast New Brunswick submitted a request to the commission to become a regional board in March 2013. The commission granted permission for the association to begin the process of becoming a regional board in September 2013. At the request of the association, the plebiscite process was temporarily suspended for the 2014-2015 year.

Commission orders

In compliance with the *Natural Products Act*, the commission may develop orders that authorize boards and agencies to exercise powers granted to them by regulations. In 2014-2015, the commission approved the following orders:

Dairy industry

2014-04 Farm Bulk Tank Calibration Order: Instructs producers how to calibrate their farm bulk tank; repealed Order 2004-08.

2014-05 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2014-03.

2014-06 Milk Container Order: Establishes the legal container sizes of fluid milk and cream products; repealed Order 2009-06.

2014-07 Milk Container Order: Establishes the legal container sizes of fluid milk and cream products; repealed Order 2014-06.

2014-08 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2014-05.

2014-09 Milk Classification Order: Establishes the classes of milk that all dairy products shall be defined as for payment purposes; repealed Order 2012-07.

2014-10 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2014-08.

2014-11 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2013-08

2015-01 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2014-11.

2015-02 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2014-10.

2015-03 Milk Classification Order: Establishes the classes of milk that all dairy products shall be defined as for payment purposes; repealed Order 2014-09.

Supply Management

The three pillars of Supply Management are:

- production discipline;
- producer pricing; and
- import control.

In Canada, the dairy, chicken, egg, broiler hatching egg and turkey industries operate under the national Supply Management system. The effective control of domestic production is one facet that helps equate supply with demand, enabling efficient producers to receive a fair market price to cover the cost of production and a return on investment without the assistance of government subsidies. The existence of supply management is also dependent on import controls. Regulating the level of imported products will influence the domestic production required to sustain the market.

Domestic supply requirements are set by national agencies: Chicken Farmers of Canada (CFC), Egg Farmers of Canada (EFC), Turkey Farmers of Canada (TFC), Canadian Hatching Egg Producers (CHEP) and the Canadian Milk Supply Management Committee (CMSMC). These organizations consist of producer, processor and government representatives from all member provinces. Commission delegates were present for the annual and summer meetings of EFC, CFC and TFC.

As a supervisory body, the commission has a statutory obligation to oversee the operation of national Supply Management programs, to participate in discussions regarding provincial participation in those programs and to represent the province in federal/provincial regulated marketing and trade agreements. In fulfilling its 2014-2015 obligations, commission staff attended four regular meetings of the CMSMC and the Supervisory Body of the All Milk Pooling Agreement (P5) and four P10 Harmonization meetings, seven Maritime Milk Allocation meetings, seven P5 Milk Allocation Working Group meetings and one National Fluid Milk Pricing meeting. Canadian stakeholders continue to negotiate the migration from two provincial pools (P5 and Western Milk Pool) to a single national pool (P10). The commission will be an active participant in these negotiations.

In addition to the previously mentioned meetings, the chair and general manager of the commission participated in three meetings of the National Association of Agricultural Supervisory Agencies (NAASA). NAASA members recognize each other's jurisdictional responsibilities, and agree that supervisory agencies should work cooperatively in overseeing the national supply management system and that all decisions are fair, defensible and accountable in support of a strong, sustainable, efficient and competitive marketing system.

Financial information

Account	Description	Expenditure
3431	Civil Service Payroll	\$218,836
3453	Casual Payroll	\$ 38,313
3600	Benefits	\$ 8,392
3701	Membership Dues	\$ 257
4083	Computer Maintenance	\$ 120
4500	Business Meetings And Other Services	\$ 4,985
4701	Printing	\$ 364
4795	Translation	\$ 1,842
4796	Interpretation	\$ 2,050
4739	Rentals	\$ 159
4860	Telephones	\$ 4,395
4900	Travel	\$ 33,204
5739	Other Supplies	\$ 12
6071	Computer Hardware/Software	\$ 50
	Total	\$312,979