

March 10, 2015

The Honourable Rick Doucet
Minister of Agriculture, Aquaculture and Fisheries
Province of New Brunswick
P.O. Box 6000
Fredericton, NB E3B 5H1

Dear Sir:

On behalf of the New Brunswick Farm Products Commission, I have the honour to submit the Annual Report for the period April 1, 2013 to March 31, 2014.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Robert Shannon".

Robert Shannon
Chair

FARM PRODUCTS COMMISSION
ANNUAL REPORT 2013-2014

TABLE OF CONTENTS

Vision Statement	4
Mission Statement	4
Powers of the Farm Products Commission	5
Members and Officials of the Commission	7
Activities of the Commission during the year 2013-14	7
Commission Orders	10
Supply-Management	11
Finances	13

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 which is 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.

In order to enhance board and agency transparency and to ensure that 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 that 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 Farm Products Commission will help expose the agri-food industry to new ways to exploit market opportunities.

To ensure that 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 that capacity, it is responsible for ensuring that 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*;
- Co-operate 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 general 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	Leigh Mullin
Dale McIntosh	Vice-Chair	Hannah Searle
Léopold Bourgeois		Robert Speer
Kathy Briggs		Katherine Trueman
Paul Chiasson		

Commission Staff

Laura Poffenroth	General Manager
Danny Draper	Senior Agri. Commodities Specialist
Anna Belliveau	Commodities Analyst
Ann McGrath	Administrative Assistant

Commission Office

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Commission Activities

The Farm Products Commission met ten times and conducted two 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*

The Commission 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 fulfill 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 Farm Products Commission is tasked with setting the price of milk. In determining this adjustment, the Commission 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. In 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 2014, the Commission adjusted the price of raw milk and announced an increase of 3.1 cents per liter in the price of fluid milk. The Commission 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 remain unchanged 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 inclusively. Prior to the completion of the committee mandate, the processor took a proactive measure by having their milk metering system calibrated which resolved the issue.

The Commission received regular reports from inspection staff on dairy producers who were experiencing milk quality problems, whose premises or equipment were substandard and who were otherwise not in compliance with the regulations. The Commission responded to these reports by communicating its concerns to the producer and encouraging the producer to take corrective action, and failing that, requested the producer to appear before the Commission.

Dairy licence fees changed for the first time in 35 years and came into effect on January 1, 2014. Producer licence fees increased from \$10 to \$50.

Transporter licence fees increased from \$25 for the first licence and \$10 for each additional truck to a flat rate of \$50 per licence. Milk grader licenses increased from \$5 to \$25. Bulk tank milk grader licence fees increased from \$5 to \$50 and vendor licenses increased from \$10 to \$25.

Amendments were made to the *Natural Products Act*, where the definition of “milk” was amended to mean milk from a dairy animal, and the definition of “dairy animal” was changed to include cows, goats, sheep and other species kept for the purposes of milking.

Amendments were also made to the Milk Quality Regulation, as part of the Smart Regulations initiative, in order to raise the standard of milk quality, make it equivalent to the National Dairy Code and address housekeeping amendments.

The New Brunswick Organic Grade Regulation, under the *Natural Products Act*, came into effect in April 2014. This new 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 that is produced, processed and sold in New Brunswick as organic. The Farm Products Commission is responsible for the compliance of this new regulation.

After meeting with the directors of Potatoes New Brunswick and representatives of McCain Foods and with input from other potato processors, the Potato Negotiation Order was updated to facilitate the process between producers and processors when dealing with contract negotiations.

The Potato Administration Regulation was also amended to merge Districts 4 and 5 together and to reduce the Board members from 10 to 9 in order to reflect the changing demographics of the potato industry. Potatoes New Brunswick will also have one board member for each District 1 and 2a and a third member at-large from either of these two districts.

On October 25, 2013, the Farm Products Commission heard an appeal of a dairy farmer regarding Dairy Farmers of New Brunswick’s (DFNB) decision with respect to request for a temporary quota transfer. The hearing was heard by a panel of six commissioners and they decided to uphold the decision of DFNB. The appeal panel did permit the producer to have his quota filled for six months by another producer while he determined whether to sell his quota or begin shipping from his facilities.

On November 14, 2013, the Commission heard an appeal by the Northeast Association of Wild Blueberry Growers on a decision made by Blueberries New Brunswick to not hold an annual meeting in District 3.

The hearing was heard by a panel of two commissioners and their decision was to acknowledge that Blueberries New Brunswick has the right to choose the location of the annual district meeting, and that one location may be chosen as long as the three separate districts can hold their own separate annual district meetings at this location. The panel recommended that the location of the annual meeting rotate each year to a different district.

A request for a milk dealer licence was submitted by Agropur in January 2014 and a hearing was to be held in March 2014, however Agropur retracted their application request before the hearing was held.

A request for a milk dealer licence was submitted by I-Nov Concept to distribute UHT Tetra-Pac products in New Brunswick. A hearing was set for May 6, 2014 for this application.

The NB Cattle Producers and 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. Some producers were asked to appear before the Commission when they continued to contravene the Regulation; all 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 of 2013. Establishing themselves as a regional Board would provide the blueberry producers in Northeast New Brunswick with the legal framework for the activities involved in marketing, production, pricing, promotion and research. The Commission granted permission for the Association to begin the process of becoming a regional Board in September 2013. Commission staff has begun the plebiscite process that includes consultation with affected producers, determining the legislated authority (powers) the Board wants delegated to them, the governance structure of the Board, the creation of a list of eligible voters and conducting a plebiscite of the eligible voters. The plebiscite process has been on hold for several months as Commission staff wait for further information and direction from the Northeast Association.

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 2013-2014, the Commission approved the following orders:

Potatoes NB

2014-02 New Brunswick Negotiation, Conciliation, and Arbitration Order for Potatoes: Establishes the procedures, deadlines, and committees for processing potato contracts and negotiation resolution; repealed Order 2006-03.

Dairy Industry

2013-04 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2013-03.

2013-05 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2013-02.

2013-06 Licence Fee Order: Establishes fees payable by applicants for various licenses in the dairy sector; repealed Order 2004-10

2013-07 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2013-05.

2013-08 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2013-04.

2014-01 Reconstituted Milk Order: Establishes that no person shall distribute, manufacture, or process reconstituted milk unless he has obtained the permission of the Commission.

2014-03 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2013-07.

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

Supply Management

The three pillars of supply management are:

Production discipline
Producer pricing
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. Farm Products 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 2013-2014 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 meet with the goal of negotiating the migration from two Provincial pools (P5 and Western Milk Pool) to a single National pool (P10). The Farm Products Commission will be an active participant in these ongoing negotiations.

In addition to the previously mentioned meetings, the Chair and General Manager of the Commission participated in four meetings of the National Association of Agricultural Supervisory Agencies (NAASA). NAASA members recognize each others' 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.

Finances

<u>Account</u>	<u>Description</u>	<u>Expenditure</u>
3431	Civil Service Payroll	\$199,243
3453	Casual Payroll	\$ 41,175
3600	Benefits	\$ 7,850
4083	Computer Maintenance Service	\$ 120
4500	Business Meeting & Other Services	\$ 3,721
4795	Translation Services	\$ 406
4700	Printing	\$ 1,273
4739	Rentals	\$ 298
4782	Legal Services	\$ 5,990
4860	Telephones	\$ 5,467
4900	Travel	\$ 40,833
5122	Health and Safety Apparel	\$ 139
5739	Supplies	\$ 464
6071	Computer Hardware/Software	\$ 115
	TOTAL	\$307,094