



Farm Products Council  
of Canada

Conseil des produits agricoles  
du Canada

# 2012-2013

## ANNUAL REPORT



FARM PRODUCTS COUNCIL OF CANADA

Canada

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# A Message from the Chairman



It has been a busy, productive, and exciting year for the Farm Products Council of Canada (FPCC).

In 2012, we celebrated an important milestone, the 40th anniversary of the *Farm Products Agencies Act* (FPAA). In celebration of this great occasion, we reviewed and reflected on how the FPAA has worked for all stakeholders, from producers to consumers, over these four decades.

The FPAA is the backbone of our business and defines Council's mandate and those of the national agencies. There is no doubt it has served the industry and the country well. But it is also true that mechanisms designed 40 years ago need to evolve in order to meet current and future challenges and open up new opportunities. Business practices change. Now is the time to make sure the rules are still relevant and meet the needs of all stakeholders.

While much has changed over the years, the objectives of the supply management and promotion-research systems remain as relevant today as they were at the time of their creation. This anniversary was a great opportunity to look for ways to improve the system, while strengthening our partnerships with stakeholders and the prosperity of our sectors.

The anniversary also coincided with the implementation of FPCC's 2012-2015 Strategic Plan which provides the opportunity to reflect on the fundamentals on which the supply management system was founded. In this annual report, you will find our priorities for the next three years, which form the basis of Council's business planning, operations,

evaluations and reporting activities from 2012 to 2015. This report also provides more insight into the role and mandate of Council.

Over the past year, we kept our focus on encouraging the creation of Promotion and Research Agencies (PRA). This part of the FPAA is a valuable tool to help make industry groups more competitive and responsive to consumer needs.

In 2012, the FPCC initiated the process of holding public hearings as part of its responsibility to inquire into the merits of establishing national marketing agencies as well as PRAs. A first request, received from the Pullet Growers of Canada, was to establish a Canadian Pullet Marketing Agency to be funded by levies applied to Canadian pullets marketed nationally and exported. A second proposal, from the British Columbia Raspberry Industry Development Council, requested the establishment of a Red Raspberry Research, Market Development and Promotion Agency, to be funded by levies applied on fresh and processed red raspberries marketed domestically and imported. Public hearings will continue in 2013, resulting in reports and recommendations to the Minister and we expect new proposals for the establishment of PRAs to be submitted.

As part of FPCC's Strategic Plan, one of the results we hope to see is a better understanding among stakeholders of the meshing of federal and provincial authorities underpinning the system and practices needed to drive an efficient and competitive industry.

This also means the modernization of the agencies' legal frameworks to ensure that they are in line with their current practices. We must all work together to foster coordinated and cohesive approaches to industry challenges. The aim is to maximize the efficiency and functioning of the system.

As such, our work in maintaining efficient and competitive supply-managed industries through proper allocation-setting mechanisms and cost of production models will continue. The Council will also ensure that agencies' reports to Canadians are as transparent as possible. In the coming year, we will be reviewing the agencies' annual reporting practices and bringing forward recommendations to the Minister on how these practices could be improved.

This year we also made solid progress in fostering mutual understanding of the respective roles and responsibilities of agencies and Council. The FPCC continuously strives to improve communications and relationships by increasing information sharing with partners using formal and informal processes at all levels through meetings and correspondence. FPCC also shifted focus from operational and legal matters to more strategic issues by increasing the frequency of meetings with agencies and industry stakeholders.

The FPCC has considerably advanced its work on understanding comparative advantage. We examined how it can be more adequately addressed by agencies in allocating market growth, through development of Guidelines as well as illustrative models that agencies can consider. FPCC also enhanced its capacity to act



as a mediator in assisting the parties to the Complaint by Canadian Poultry and Egg Processors Council against Egg Farmers of Canada to resolve their differences informally and come to an agreement. Another achievement this year has been to build the capacity to organize and run public hearings after a gap of more than ten years since the last process was managed by FPCC.

I would also like to acknowledge the departure of Claude Janelle. After working six years at the FPCC in the role of Executive Director, Claude decided to pursue other interests. His experience in federal-provincial relations and in-depth knowledge of the agri-food sector were assets to the FPCC and the stakeholders with whom we work. During his tenure, he showed boundless dedication and contributed to the improvement of the systems while supporting the Council in its mandate.

I am also very appreciative of the excellent work and support provided by all Council members and FPCC staff, especially during this period of change.

Given today's environment, where some question the legitimacy of supply management, it is critical that we work together to improve all aspects of the system and demonstrate that it still resonates with the public interest. Supply management is not a right, but a privilege; in return for this privilege, producers must be responsible, accountable and transparent if they are to continue to have the support of Canadians.

Looking ahead, we will continue to work together as partners by carrying out proactive approaches that address emerging and future challenges.

This is the best way to strengthen the system. Together, we need to ensure it operates in an effective, flexible, accountable and transparent manner in the best interests of all, from producers to consumers.

We live in times of uncertainty; but it is also true that opportunities are greater than ever for today's agriculture and food industry.

Council members and I are committed to working with our partners within industry and governments and to continue to reach out to all stakeholders. Collaboration will be key to ensuring the success of the industry for the years to come.

Sincerely,



**Laurent Pellerin**  
**Chairman**

# Bringing Good Management to Market



**left to right:** *Marc Chamaillard, Director, Corporate Operations and Regulations, Laurent Pellerin, Deputy Head of FPCC and Council Chairman and Nathalie Vanasse, Council Secretary.*

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The Farm Products Council of Canada works on behalf of the Government of Canada to help ensure all Canadians have affordable and continuous access to the foods they need while maintaining fair market prices for farmers.

FPCC's specific role is to provide oversight of the national supply management agencies for poultry and eggs, as well as to supervise national promotion-research agencies for farm products. FPCC is responsible for administering two federal laws, the *Farm Products Agencies Act* (FPAA) and the *Agricultural Products Marketing Act* (APMA).

# 40 Years of Conscientious Management

The *Farm Products Marketing Agencies Act* (FPMAA) was created 40 years ago in response to the chaos in the poultry and egg markets that existed in the 1960's and early 1970's. An oversupply of eggs in Ontario and broiler chickens in Quebec led producers to seek markets in each other's province. To gain market shares, the eggs and broilers were sold below local prices.

This Ontario-Quebec chicken and egg "war" spread across the country, resulting in a number of provinces passing legislation that restricted the entry of eggs and chicken in their province.

The conflicts ended in 1971 when Manitoba challenged, in court, the seizure of a shipment of its eggs by the British Columbia Egg Marketing Board. The Court's 1971 decision, known as the *Manitoba Egg Reference Case*, ruled that a provincial board could not restrict the entry of products from another province.

Prior to this decision, the federal government, at the request of egg producers across Canada and the Canadian Federation of Agriculture, introduced Bill C-197 in March 1970. This Bill would permit a national marketing agency to, amongst other powers, restrict production and establish an allocation system of production quota for each province. Although Bill C-197 died on the order papers early in 1970 due to significant opposition, it was reintroduced in October 1970 as Bill C-176, the precursor to the FPMAA, later amended to the *Farm Products Agencies Act* in 1993.

Following two all-night sessions and a last-minute amendment, the House of Commons consented to Bill-176 on December 31, 1971 at 6:40 am.

Royal assent was given to the FPMAA on January 12, 1972. The Act established the National Farm Products Marketing Council (NFPMC), which was changed to the Farm Products Council of Canada in 2009. It began its operations on April 1, 1972, and authorized the establishment of national marketing agencies for farm products.

At first, the FPMAA included a definition section and two parts. Part I pertained to the creation of the NFPMC and outlined its duties, powers and the responsibilities to conduct public hearings as well as organizational requirements.

Part II pertained to the national marketing agencies and outlined their requirements such as how an agency would be established, the need for a Proclamation, membership of agencies, their objects and powers, including the setting of production quotas, the collection of levies, as well as financial and reporting requirements.

In 1993, the FPMAA was amended to include a Part III, which enabled the establishment of Promotion and Research Agencies (PRA). Agencies created under Part III of the FPAA have the authority to collect levies on interprovincial, export and import trade but do not have the authority to set production quotas.



# FPCC Profile



## Mission

The FPCC's mission is to work with its partners to ensure that the supply management and promotion-research systems have the flexibility needed to respond to current and future challenges in a flexible, accountable and transparent manner.

## Vision

FPCC is recognized by its partners for its contribution to supply management and promotion-research systems that are transparent and efficient.

## Values

**Collaboration:** FPCC is committed to working constructively with its partners in a manner that is reflective of the spirit in which the supply management and promotion-research systems were created.

**Innovation:** FPCC is committed to fostering innovative thinking so that the supply management and promotion-research systems continuously improve their efficiency and have the flexibility needed to address current and future challenges.

**Fairness and Respect:** FPCC is committed to conducting its operations in a manner which recognizes the contribution and respective jurisdictions of all its partners within the supply management and promotion-research systems and to operating without bias or favoritism.

**Transparency:** FPCC is committed to conducting its operations in an open and transparent manner and to fostering this throughout the supply management and promotion-research systems.

## Powers and Responsibilities

The FPCC's responsibilities, as defined in the FPAA, are to:

- advise the Minister on all matters relating to the establishment and operations of agencies under the FPAA with a view to maintaining and promoting efficient and competitive industries;
- review the agencies operations with a view to ensuring that they carry them on according to their objects;
- approve quota regulations and levies orders, licensing regulations and certain by-law provisions;
- work with agencies in promoting more effective marketing of farm products
- collaborate and maintain relationships with supervisory boards and the governments of all provinces and territories in matters related to the operations of the national agencies, as well as when new agencies are proposed;

- investigate and take action, within its powers, on any complaints related to national agency decisions, and;
- hold public hearings when necessary, such as when new agencies are proposed.

The FPCC is also responsible to ensure that the national agencies meet the requirements of the Statutory Instruments Act (SIA). In addition, the FPCC has also been charged with administering the *Agricultural Products Marketing Act* (APMA) on behalf of Agri-Food and Agriculture Canada (AAFC). The APMA allows the federal government to delegate its authorities over interprovincial and export trade to provincial commodity boards on a wide range of farm products.

The FPCC Chairman also works closely with heads of provincial supervisory boards across the country, participating in their coordinating body, the National Association of Agri-Food Supervisory Agencies, making presentations at provincial meetings and engaging provincial government counterparts in advancing the supply managed sectors and their issues.

Beyond these responsibilities, the Chairman is also responsible for the administration of the FPCC, as Deputy Head of this public interest oversight body, operating within the federal government. As such, FPCC's Chairman is guided by a set of governmental statutes, policies and procedures that must be followed. The Chairman ensures due process in all of the FPCC's operational activities and maintains relationships with several key government departments and central agencies, such as the Treasury Board Secretariat, the Privy Council Office,

Justice Canada, the Office of the Auditor General and the Public Service Commission.

Within this framework, every year, the Minister of AAFC provides a written mandate to the FPCC Chairman which directs the work to be done and his expectations for Council.

In carrying out its responsibilities, FPCC works, through its Chairman, Council members and FPCC staff, on its oversight role of national agencies, complaints and public hearings. The Chairman and staff also maintain relationships with federal and provincial bodies as well as ensuring that the FPCC meets the requirements of federal government requirements relating to performance and financial matters. Ultimately, FPCC is accountable to the Minister, Parliament and Canadians.

# FPCC Governance

## Members

The FPCC is composed of at least three members, and may have up to seven. At least half of these members must be primary producers at the time of their appointment. Members are appointed by Cabinet for terms of varying length. The Chairman is also the Deputy Head of the organization and the only full-time Council member.



*Laurent Pellerin*, Chairman, has been a hog and cereal producer in Bécancour, Québec, since 1972. In addition to holding a Bachelor's degree in group management, he was President of the Canadian Federation of Agriculture (2008-2010), the Union des producteurs

agricoles (1993-2007), the Fédération des producteurs de porcs du Québec (1985-1993), and Agricord, a network of agricultural associations dedicated to international development. In 2005, he was awarded the Ordre National du Québec in recognition of his contributions to agriculture.



*John Griffin*, member, has been President of W.P. Griffin Inc. since 2000, a family-owned and operated farming business in Elmsdale, P.E.I. The enterprise is organized in two divisions: the farming operation, which grows potatoes, grain and hay; and the potato packaging operation,

which specializes in food services, consumer packs, and ready-to-serve BBQ and microwave-ready potatoes. Mr. Griffin is also on the Board of the World Potato Congress.



*Brent Montgomery*, Vice-Chairman, owns a turkey farm in St-Gabriel-de-Valcartier, Quebec, in partnership with his brother. He has occupied numerous positions in the agricultural field, including that of Chair of the Turkey Farmers of Canada (TFC) from

2003 to 2007. He is co-owner of a turkey hatchery in Loretteville, Quebec. A former teacher and school principal, Mr. Montgomery has been Mayor of the Municipality of St-Gabriel-de-Valcartier since 1988.



*Ed De Jong*, member, owns a broiler breeder and dairy cow operation in Abbotsford, British Columbia. Mr. De Jong has held numerous agriculture-related positions, including those of Delegate to the B.C. Federation of Agriculture, Director of the Canadian

Broiler Hatching Egg Producers Association, and Chair of the Canadian Hatching Egg Producers (CHEP).



*Tim O'Connor*, member, obtained an Associate Diploma in Agriculture from the University of Guelph in 1982. Mr. O'Connor has a successful, balanced career in agriculture as a broiler chicken farmer as well as in real-estate, while also serving in various associations,

including the Ontario County Holstein Club and the Durham West 4-H Association.



*Phil Klassen*, member, operates a cow-calf and grain and hay farm near Herbert, Saskatchewan. He has operated the farm in partnership with his two brothers since 1976. Elected as a director of the Dairy Farmers of Saskatchewan for the past seven years,

Mr. Klassen has served as vice-president and as member on many of the organization's committees. Mr. Klassen's tenure with Council ended on March 25, 2013.



*Jim Châtenay*, member, is a retired rancher living in Red Deer, Alberta. He began working the family farm west of Penhold, Alberta, in 1964. Mr. Châtenay is considered a Canadian pioneer in the purebred Charolais industry and held a directorship in

the Alberta Charolais Association for six years. In addition, Mr. Châtenay has significant experience with the Canadian Wheat Board (CWB), having served as an elected director for ten years. He was also a member of the Barley Advisory Committee of the Western Grains Research Foundation. He graduated from Olds College in Alberta, with a diploma in agriculture. Mr. Châtenay's tenure with Council ended on December 18, 2012.



## FPCC staff



**Back row from left to right:** *Mélanie Pruneau, Nancy Fournier, Reg Milne, Lisette Wathier, Hélène Devost, Maguessa Morel-Laforce, Lise Leduc, Mike Iwaskow, Lise Turcotte, Pierre Bigras, Chantal Lafontaine.* **Front row from left to right:** *Nathalie Vanasse, Marc Chamaillard, Laurent Pellerin, Bill Edwardson.* **Absent:** *Claude Janelle, Christine Kwasse and Marcel Huot.*

## Move to Central Experimental Farm

*July 1st, 2012*





# Monitoring Activities of Agencies

## Regulatory Framework

Part II of the FPAA provides that the Governor in Council (GIC) may, by Order, establish an agency where it is satisfied that a majority of producers in Canada favour such action. A Proclamation is a federal regulation which outlines how the agency is to be constituted (i.e. membership, means of appointment, location of the agency's head office, etc.).

The marketing plan, which the agency is authorized to implement, is set out in a schedule to the Proclamation. Typically, the marketing plan would describe the quota, licensing and levy systems to be implemented, provisions for review of the marketing plan and other general items specific to the regulated commodity in question.

The FPAA allows the Minister of AAFC, with GIC (Cabinet) approval, to enter into an agreement with any province or territory so that an agency can perform functions on behalf of that province (i.e. to receive delegated authority from a province). This is known as a Federal-Provincial Agreement (FPA). In addition, most provincial legislations require an agreement to delegate authority from the national agency to the provincial commodity boards.

An FPA typically has schedules attached, including the Proclamation and marketing plan, provincial marketing plans and the original proposal used during the public hearing process.

Signatories to an FPA include the Federal and Provincial Ministers of Agriculture, the FPCC (for eggs and turkey), provincial supervisory bodies, provincial commodity boards and, for all but turkey, the national agency. In the case of Alberta and Quebec, the ministers of intergovernmental affairs are also signatories.

Legally, the FPAA is subordinate to the Constitution, the Proclamation and marketing plan are subordinate to the FPAA, and agency orders and regulations are subordinate to the Proclamation and marketing plan. Subordinate legal instruments cannot exceed the authority of a superior instrument. For example, an agency cannot derive authority from an FPA that has not been specified in its Proclamation.

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<sup>1</sup> *The Northwest Territories is a member only of the Egg Farmers of Canada (EFC), as such the EFC agreement is referred to as the Federal-Provincial-Territorial Agreement.*

### *The FPAA and Powers of National Marketing Agencies*

The objects of an agency, set out in Section 21 of the FPAA, are:

- a) To promote a strong efficient and competitive production and marketing industry, and;
- b) To have due regard to the interest of producers and consumers.

In the pursuit of those goals, agencies are vested, through their Proclamations, with the powers set out in subsection 22(1) of the FPAA. A few examples of those powers are listed below as follows:

- undertake and assist in the promotion of the consumption of the regulated product;
- advertise, promote and do research into new markets;
- collection of levies;
- purchase, lease or otherwise acquire and hold a mortgage of a property, and;
- invest any money in its possession in securities that are guaranteed by the Government of Canada.

Furthermore, subsection 23(1) of the FPAA gives the power to set production quotas.

The agency has an obligation, under Section 27, to conduct its operations on a self-sustaining financial

basis, while Section 29 specifies that the accounts and financial transactions of each agency shall be audited annually by an auditor appointed by the GIC and a report made to the agency, the Council and the Minister of Agriculture. Each agency is also required to submit an annual report to Council and the Minister of AAFC (Section 30). Section 32 states that any contract, agreement or other arrangement between an agency and any person engaged in the production or marketing of the regulated product is exempt from the *Competition Act*.

The agencies establish, enact and implement regulations for various purposes including setting quota allocations and collecting levies. It is within those designated areas that direct Council involvement is necessary since statutory authority is required by an agency to implement the terms of its marketing plan.

Each time an agency requests an amendment to an order or regulation, Council members must review the rationale for the amendment. This includes market and financial statistics as well as the agency's budget.

The Council must be satisfied that in approving an agency order or regulation, it is both in accordance with, and necessary, for the implementation of the agency's marketing plan. Agencies typically review their quota allocations and the levy amount on an annual basis. CFC is the exception, as more frequent quota levels are set requiring Council approval.

# THE EGG INDUSTRY



The Egg Farmers of Canada (EFC), legally known as the Canadian Egg Marketing Agency (CEMA), was established in 1972 under the FPAA through an agreement of the federal government, provincial agricultural ministers and table egg producers in member provinces. In 2012, EFC celebrated its 40th anniversary.

EFC is the national agency responsible for the orderly marketing of table eggs in Canada. Producers purchase 18-19 week old pullets and raise them as laying hens until they are around one year old, during which time they lay eggs on a daily basis. These eggs, known as table eggs, are collected and sent to grading stations before being shipped to retail and food service markets. As egg production is continuous, while market demand experiences fluctuations due to seasonal and other factors, EFC operates its Industrial Product Program (IPP) to sell those table eggs which

are in excess of table demand. They are sold as table eggs in other provinces where they may be needed, or as eggs for breaking to processing companies, who use them as ingredients in foods such as bakery products, mayonnaise, frozen omelets, etc. EFC also administers a separate quota for eggs which are used in the production of vaccines in Canada and follows procedures to ensure that none of these eggs enter the table egg market.

Member provinces and territories are British Columbia, Alberta, Northwest Territories, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador. Each member province and territory elects a representative on the Agency's Board of Directors. The 16-member Board also has representatives of other egg industry stakeholders: one appointed by the Consumer's Association of Canada; one from the Canadian Hatchery Federation (CHF); two from the Canadian Poultry and Egg Processors Council (CPEPC); one from the egg grading sector; and another from the processing sector. The Board of Directors meets 5-6 times per year in order to plan and manage egg production and marketing, which includes setting the production quota, as well as levies requirements for each year to cover the costs of the Agency's activities. This levy is included in the price consumers pay for eggs. The Council reviews and approves any proposed amendment to the quota regulations and levies orders.

## COUNCIL'S WORK WITH EFC

### *Amendments to Levies Order*

Council members did not approve EFC's requests for increases to both the quota and levy proposed for 2012 at their December 12-15, 2011 meeting. In January 2012, Council provided EFC with a detailed letter outlining its reasons for declining EFC's original proposals for levy and quota increases.

Subsequently, EFC revised its financial projections for its 2012 budget and presented a new proposal to Council in February 2012 which included an increase of one cent per dozen to the levy, a considerable reduction from the 2.5 cents per dozen levy increase proposed in December 2011. The additional 1 cent per dozen raised the total levy by 3.1% to 33.75 cents per dozen, the highest level on record. Council members deliberated considerably on their decision at the March 2012 meeting before approving this

amendment. While they had reservations, which were outlined in their decision letter to EFC, Council members agreed that over the short-term the levy increase was necessary for the implementation of the Agency's marketing plan. Council expected that EFC would take action over the 2012 period to ensure the system would not be mainly reliant on further levy increases.

At Council's December 2012 meeting, EFC presented its budget and financial projections for 2013 which showed that no further increase to the levy would be required to cover its expenses in 2013. The associated amendment to the *Canadian Egg Marketing Levies Order* to maintain the levy at the 33.75 cents per dozen in 2013 was approved by Council members at this meeting. Council was encouraged to learn that EFC had begun a process to identify alternative ways to supply eggs to the growing processing market in a more financially sustainable and efficient manner. Furthermore, as it is anticipated that these





improvements would lead to lower costs, Council looks forward to associated reductions in the levy.

### *Amendments to Quota Regulations*

In response to Council's decision at its December 12-15, 2011 meeting not to approve EFC's request for an increase in its quota allocation for 2012, EFC revised its proposed allocation to maintain it at 2011 levels. This amendment was approved by Council at a teleconference held on December 28, 2011.

During its July 2012 meeting, the EFC Board of Directors carried a motion to resubmit the original request to increase the quota that had not been approved by Council on December 12-15, 2011.

At their meeting in September, Council members held a session with representatives of EFC's Executive Committee and staff. A frank, in depth discussion took place on the quota amendment as well as EFC's plans for addressing changes to the IPP. Council members then approved the amendments to the *Canadian Egg Marketing Agency Quota Regulations, 1986*, as proposed by EFC to increase the quota to 585.3 million dozen eggs (0.9% increase), prorated for the period of August 12 to December 29, 2012, a period of 20 weeks.

Council recognized the efforts being made by the Agency to confront the challenges it faced, as it is presently structured, trying to meet expanding market needs, both for table eggs and industrial product eggs with the financial pressures inherent in this industry.

Council members re-iterated their concern that changes were urgently needed so that the two markets, table market and processing market, which are growing at different rates, are supplied in a financially sustainable manner.

EFC expressed its commitment to consider changes at a special workshop in October 2012 with provincial board members in order to reduce reliance on the levy. The Council looks forward to tangible results from the discussions between EFC and provincial board members and to receiving details of progress as part of the rationale for future amendments to regulations.

Council examined EFC's amendment for the 2013 year at its meeting in December 2012. EFC requested that the quota allocation remain at the same level as for 2012, following its Board of Directors approval in November 2012. Council approved this amendment.

At its September 2012 meeting, Council approved an amendment to the quota for eggs to be used for vaccine production in 2013, which is also a component of the Quota Regulations. This amendment will maintain production at the same level as in 2012 at 13.3 million dozen.

### *Complaint from Egg Processors*

In August 2011, CPEPC, on behalf of egg processors, filed an official complaint with Council with respect to EFC's new pricing policy for eggs sold to processors. Principally, processors did not agree to the higher prices or the pricing categories EFC wished to



introduce. As prescribed in its *Complaint Guidelines*, Council facilitated informal meetings of the parties to find a solution. Later, the parties began to meet privately and an agreement on pricing was reached on February 29, 2012 which subsequently led to CPEPC withdrawing its complaint. Council members approved the official closure of the complaint at their May 2012 meeting.

The new pricing policy for eggs sold to processors through EFC's IPP was implemented on May 6, 2012. It will bring about a gradual increase in prices over a five-year period and lead to increased revenue for EFC. Although this new revenue will reduce EFC's reliance on levy to cover its costs, Council believes that it will make only a limited contribution to the costs of the IPP and additional changes are needed to ensure its financial sustainability.

### *Ongoing Priorities*

During the year, Council member John Griffin and a FPCC staff member attended all of EFC's Board of Directors meetings as well as participated in teleconferences of EFC's Cost of Production (CoP) Committee, in an observer role. Council Chair and members also met on several occasions with the EFC Chair and Executive Committee to discuss priority issues, especially related to Council's concerns that EFC urgently take action to improve the financial sustainability of the IPP and identify alternative ways to supply the growing demand for eggs by processors.





# THE TURKEY INDUSTRY



The Turkey Farmers of Canada (TFC), legally known as the Canadian Turkey Marketing Agency (CTMA) was established in 1974 under the FPAA through an agreement of the federal government, provincial agricultural ministers and turkey producers in member provinces. TFC is the national agency responsible for the orderly production and marketing of turkeys and turkey meat in Canada.

Eight provinces are members of the Agency - British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. Each member province elects a representative to the Agency's Board of Directors. The 11-member Board also has three representatives from turkey industry stakeholders: two appointed by the CPEPC representing processors; and one from the Further Poultry Processors Association of Canada (FPPAC). The Board of Directors meets generally four times per year in order to plan and manage turkey production and marketing, which includes setting and adjusting the production quota as well as setting

levy requirements for each year to cover the costs of the Agency's activities. This levy is included in the price consumers pay for turkey. Council reviews and approves the quota and levy amendments proposed by TFC.

## COUNCIL'S WORK WITH TFC

### *Amendments to Levy Orders*

During 2012, TFC maintained the same national levy it has had in place since 2003, of 1.6 cents per kilogram (live weight), following approval by Council members at their December 2011 meeting. This levy amount is added to the provincial levies set by each provincial board which vary from 1.40 to 3.25 cents per kilogram, to bring the total levy to between 3.00 to 4.85 cents per kilogram across the eight provinces.

In June 2012, TFC also sought approval from Council to repeal the *Canada Turkey Marketing Processors Levy Order*, since it had expired on December 31, 2004 and had not been renewed since. This Order was used to collect a levy from turkey processors for a national generic marketing program which was terminated in 2004. Council approved this request.

TFC presented an amendment to the *Canada Turkey Marketing Producers Levy Order* for a 0.05 cent per kilogram (live weight) increase to the provincial levy in Quebec. Council put in place a Levy Committee that is charged with the task of reviewing provincial levy amendments and approving their implementation in the federal regulation. Council's Levy Committee therefore approved this change at its meeting of July 18, 2012.

In December 2012, TFC requested that Council consider its Levy Order for 2013, which again had no change to the national levy, but included an increase of 0.05 cent per kilogram live weight for Saskatchewan. In addition, a request was included to alter the duration of the amendment which would begin on January 1, 2013 and terminate on March 31, 2014. Prior to this change, the fiscal year end (December 31) coincided with the termination date of the Levy Order. In providing a longer time frame for the Order, this change gives some flexibility to both TFC and Council for the preparation and review of any future amendments.

The new Levy Order was duly approved by Council at its meeting of December 11-14, 2012. In reviewing the Agency's 2013 budget, Council members found that the proposed levy was consistent with the requirements of the Act, the Agency's Proclamation and By-Laws. Council was also of the view that the levy would not unduly affect turkey producers' profitability and economic interests or the opportunity for consumers to access turkey and turkey products at a reasonable price. Council also

considered that the proposed levy rate was sufficient to defray TFC's administrative and marketing expenses. Overall, there were sufficient grounds and information for Council members to conclude that the amendments to the Levy Order were necessary for the implementation of the Agency's marketing plan.

In its letter informing TFC of its decision, Council encouraged TFC and the provincial turkey boards to continue working together on improving markets and promoting turkey in Canada.

### *Amendments to Quota Regulations*

In the turkey sector, the quota allocation covers production over the specified control period which runs from approximately May 1 - April 30 over two calendar years, so that production for the peak festive markets of Thanksgiving, Christmas and Easter can be planned in each 12 month cycle. TFC administers four quota allocation policies in partnership with the provincial boards:





1. National Commercial Allocation Policy: quotas for production of whole birds and birds for further processing.
2. Export Policy: quota for replacement of birds which have been exported as well as for production planned for export (processed, further processed or live turkey).
3. Multiplier Breeder Policy: quota for birds that are required to produce eggs and poults for the industry.
4. Primary Breeder Policy: quota for birds that are marketed as primary breeding stock.

The TFC Board of Directors sets an initial quota for each control period according to procedures set out in these policies and requests that TFC seek Council's approval on the total and quota categories allocated by province before the start of each control period as amendments to the *Canadian Turkey Marketing Quota Regulations, 1990*. As the production year advances, monitoring of stocks, production and sales may suggest that adjustments are needed to the initial quota levels and appropriate amendments to the quota allocation may then be submitted to Council for approval. Once the control period is over and final data is available, one last audit is done to determine if any quota levels have been exceeded, so that adjustments are made in the next control period and penalties are charged for over-marketing, where warranted.

In 2012, TFC presented their request for approval to Council of a total quota allocation for the 2012-13 control period (April 29, 2012-April 27, 2013) of 177.4 million kilogram (eviscerated weight) which was 5.3% higher than the final quota amendment for the 2011-12 control period. In terms of categories, the 2012-13 commercial quota for whole birds (76.6 Mkg), the commercial quota for further processed products (70.9 Mkg), and the quota for exports (22.0 Mkg) represented 43.2%, 40.0% and 12.4% respectively of the overall allocation, for a total of 95.6% of the federal quota. The remainder of the quota allocation consisted of the multiplier breeder quota (5.8 Mkg) and the primary breeder quota (2.1 Mkg).

Council members approved this amendment to the Quota Regulations on April 20, 2012, being satisfied that it met the requirements of the Agency's FPA as well as the Agency's By-Laws and that the volumes requested would meet market requirements for all categories of quotas and result in reasonable prices to consumers. Due to lower demand and higher stocks than expected, TFC's Directors, at their Board meeting in June 2012, agreed to revise the 2012-13 allocations reducing the federal quota to 177.1 Mkg, a decrease of 0.3 Mkg, or 0.2% overall. This reduction resulted from a decrease in the whole bird allocation which was offset somewhat by an increase in the further processing, multiplier breeder and export allocations as well as allowances for over-marketing during the 2011-12 control period. Council reviewed and approved the amendment at its meeting of September 17, 2012.

On March 11, 2013, Council approved TFC's initial quota allocation for the 2013-14 period, beginning April 21, 2013, which projected a 1% increase on the global quota.

### *Ongoing Priorities*

During the year, Council member Ed De Jong and staff attended all of TFC's Board of Directors meetings and teleconferences as observers. Council members and the Chairman also met on several occasions with the TFC Chair and Executive Committee to discuss priority issues and arrived at a common understanding on a number of topics. These included a review of specific provisions in the FPAA, draft guidelines for approval of Quota Regulations and Levy Orders and consideration of comparative advantage of production in setting quota. In February 2013, TFC staff met with FPCC staff to discuss details of their quota allocation policies as well as their provincial feed and poult cost monitoring process. This meeting, at the initiative of TFC, was appreciated by FPCC staff for fostering collaboration and mutual understanding.

The FPCC also followed the developments on a number of issues affecting the turkey sector during the year, including considerations of changes to the commercial quota allocation policy as well as strengthening the supplementary import policy due to the increased demand for turkey meat imports during 2012.

With respect to the commercial allocation process, following discussions on a number of changes, TFC Directors agreed to maintain the status quo with the exception of introducing a new formula using

regional whole bird market shares, instead of retail sales in the current formula, as the initial step in allocating any increase in the whole bird quota level. The regional shares are then distributed among the individual provinces according to the regional sharing agreements in place. In addition, some changes were made to timetables and procedures for further processing submissions.

In relation to supplementary imports, TFC and turkey industry staff, together with government representatives, discussed how best to gain accurate industry pricing data for decision-making on supplementary imports, and to clearly identify which turkey products would be acceptable substitutes for boneless breast meat, when considering requests for supplementary imports. These discussions will continue in 2013.







# THE CHICKEN INDUSTRY



The Chicken Farmers of Canada (CFC) was established in 1978 under the FPAA through an agreement of the federal government, provincial agricultural ministers and chicken producers in member provinces. In 2001, the Agency amended its Proclamation and its FPA and all associated statutory instruments to better reflect the way the Agency and provincial chicken boards operate.

CFC is the national agency responsible for the orderly marketing of chicken in Canada. Chicken farmers purchase day old chicks from hatcheries, which have been vaccinated to prevent illness. The chicks are placed in climate-controlled trucks and delivered to chicken farmers. After 5 or more weeks in the barns and depending on the market requirement, the chickens are transported to the processing plants. At the processing plant the chickens are eviscerated to be sold to the foodservice, restaurant or retail sectors or to a processor for further processing (i.e. frozen dinners, chicken nuggets, meat pies, etc.).

All provinces are members of the Agency and elect a representative to the Agency's Board of Directors. There are also two representatives appointed by the CPEPC, one representative from the FPPAC and one from the Canadian Restaurant and Foodservices Association (CRFA).

The Board meets every eight weeks to discuss subjects such as quota allocation, on-farm food safety and animal welfare as well as regulatory issues.

## COUNCIL'S WORK WITH CFC

### *Amendments to Levies Order*

It is necessary to combine the CFC and provincial levies together to ensure that the province collects its levy on interprovincial and export marketing and that CFC collects its levy on intra-provincial marketing. As such, Council's approval is required prior to a provincial board being able to implement a change in either the CFC or provincial levy. There were five separate provincial levy amendments in the fifteen months from January 2012 to March 2013 (Saskatchewan, Ontario, Quebec, New Brunswick and Manitoba) which were approved by the Council's Levy Committee.

During Council's December 2012 meeting, Council members approved an amendment to the expiry date from March 30, 2013 to March 31, 2014. The CFC levy remained at 0.44 cent per kg of live weight. Council was satisfied that the amendment met the requirements of the FPAA, the Agency's FPA and schedules as well as the Agency's By-Laws.

In December, Council also approved an amendment to the Levies Order that was required as a result of a change in CFC's Market Development Policy in May 2011. Prior to this amendment, any product not marketed during the market development commitment period was assessed a levy of \$1.00 per kg. The amendment adds an additional levy of \$0.60 per kg on the live weight equivalent of any chicken that has not been marketed before the end of the period following the current market development commitment period.

With the significant increase in dark meat prices in Canada and the recent high US-Canada exchange rate, the effectiveness of the current levy rate, applied to chicken that is marketed in contravention of the Market Development Policy, is questionable, although no evidence of current or contemplated deliberate abuse was noted.

In the process of reviewing the Levies Order amendment, Council examined the Agency's 2013

budget and found that the proposed levy rate along with cash reserves held by CFC were sufficient to defray CFC's administrative and marketing expenses and costs.

### *Amendments to Quota Regulations*

CFC sets quota allocation for chicken production every eight weeks requiring that during a year CFC makes six amendments to their Quota Regulations. CFC attempts to set allocations at least 13 weeks ahead of each of the eight allocation periods. For example, the allocation for period A-110 was set on December 14, 2011 although the start date of A-110 was March 25, 2012, approximately 14 weeks ahead.

The total and provincial allocations set by CFC, and approved by Council members during the fifteen months from January 2012 to March 2013 began with allocation period A-110 and ended with allocation period A-117, which was approved by Council during its March 2013 meeting.





### *CFC Allocations (in kg live weight)*

	Domestic Allocation	Market Development	Total
A-110 (March 25 to May 19, 2012)	209,608,275	9,814,433	219,422,708
A-111 (May 20 to July 14, 2012)	212,507,888	10,289,510	222,797,398
A-112 (July 15 to September 8, 2012)	210,013,760	9,550,452	219,564,212
A-113 (September 9 to November 3, 2012)	207,280,734	9,006,945	216,287,679
A-114 (November 4 to December 29, 2012)	197,774,089	9,323,383	207,097,472
A-115 (December 30, 2012 to February 23, 2013)	202,181,435	9,289,086	211,470,521
A-116 (February 24 to April 20, 2013)	205,670,575	9,750,519	215,421,094
A-117 (April 21 to June 15, 2013)	217,054,806	9,561,350	226,616,156

After converting the allocation from live into eviscerated weight, comparing the production for the same weeks a year earlier (March 27, 2011 to June 16, 2012), assuming all the allocation was produced, the domestic allocation for 2012-13 increased by 2.3% and the market development allocation by 0.6%, resulting in a total allocation increase of 2.2%.

Council members recognized that the allocations set during this recent period were challenging; CFC had to supply the domestic market with a volume of chicken sufficient to satisfy Canadian consumers while balancing the need of the industry's downstream partners (processors, further processors and the restaurant and foodservice sectors). The producer price rose in response to increases in the cost of feed. The downstream stakeholders, however, were unable to fully capture the increased costs of purchasing chicken in the wholesale prices or menu prices.

### *Ongoing Priorities*

In the chicken industry, comparative advantage of production (CAP) is referred to as “differential growth”. Differential growth describes the situation when provinces are allocated different percentage rates of growth for domestic quota allocation. Currently, the domestic quota allocation in all provinces increases or decreases on a historical market share basis. Some provinces believe that recognition of differential growth is necessary to take into account the changes in market conditions at the regional/provincial levels related to economic and population growth, per capita consumption differences and market shifts by processors or further processors.

CFC currently has provisions for differential growth in Schedule ‘B’ (the Operating Agreement) of the FPA, but they are not used. For some years, there has been mounting pressure from some provinces to incorporate some mechanism for differential growth. In 2008, the issue was included in CFC’s five-year strategic plan (2008-2013).

The Agency has worked intensively on the issue of differential growth since a May 2009 seminar, which was initiated by Alberta requesting that CFC incorporate differential growth into the allocation methodology. Following the seminar, CFC’s Executive Committee was tasked to develop options on how to define differential growth within the context of the chicken sector in Canada and how to incorporate this concept into the allocation methodology.

CFC's Executive Committee prepared a number of options for the CFC Board of Directors. Each linked some measure of population growth (provincial or regional) to differential growth and included a portion of growth to be allocated based on historical production market shares. Each option was dismissed by the Board of Directors for different reasons.

During the summer of 2012, three proposals (one from Ontario; one from Quebec and one from a group of provinces: Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland) were presented to CFC's Board of Directors. The proposals expanded on the work that the Executive Committee had undertaken and included other factors to measure differential growth. Work on these proposals continued during the second half of 2012 with no conclusion.

As a result of the lack of progress, on November 22, 2012, Alberta's Minister of Agriculture sent a letter of notice of intent to withdraw from the FPA for Chicken, effective January 1, 2014. Alberta had an option to retract its notice of withdrawal at any time within 3 months of the date when notice was given (February 23, 2013). After this date, Alberta's notice of withdrawal can only be retracted with the full support of all signatories to the FPA for Chicken. As of March 31, 2013, there has been no further action from Alberta and CFC has not considered any further development on the implementation of differential growth in its allocation policy.

During the year, Council's Vice-Chairman Brent Montgomery and staff attended all of CFC's Board of Directors meetings as observers. The Chairman,

Vice-Chairman and FPCC staff also met on several occasions with the CFC Chair and Executive Committee to discuss, amongst other priority issues, the consideration of comparative advantage of production.

Throughout 2012, FPCC worked on the development of *Guidelines for the Consideration of Comparative Advantage of Production* in the allocation in response to growth in market demand in the chicken industry. These guidelines were shared with a number of stakeholders including CFC. Following the adoption of the guidelines by Council members, FPCC began working on the development of a comparative advantage methodology which could be employed in chicken quota allocation setting.





# THE HATCHING EGG INDUSTRY



The Canadian Hatching Egg Producers (CHEP) was established in 1986 under the FPAA through an agreement among the federal government, provincial agricultural ministers and broiler hatching egg producers in member provinces.

CHEP is the national agency responsible for the orderly marketing of broiler hatching eggs in Canada. Broiler hatching eggs are fertilized and sent to hatcheries where they are placed in incubators to hatch 21 days later as broiler chicks. The hatcheries sell these chicks to chicken farmers who grow them into chickens for human consumption. Member provinces are British Columbia, Manitoba, Ontario and Quebec, all which elect a representative on the Agency's Board of Directors. There is also a representative appointed by the Canadian Hatchery Federation (CHF)<sup>2</sup> on this Board.

CHEP's Proclamation is currently being amended to include, as member provinces, Alberta and Saskatchewan. Both provinces' signatories have signed an addendum to the Agency's FPA for Broiler Hatching Eggs and Chicks. Once the provincial

membership exceeds the current four members, the CHF will be allowed to appoint one additional representative to the Board of Directors.

## COUNCIL'S WORK WITH CHEP

### *Amendments to Levies Order*

During Council's March 2012 meeting, the Council approved an amendment for the extension of the *Canadian Broiler Hatching Egg Marketing Levies Order* of \$0.0029 per broiler hatching egg to be effective from March 25, 2012 to June 23, 2013. In Council's review of the amendment to the Levies Order, they were satisfied that the amendment met the requirements of the Agency's FPA and schedules as well as the Agency's By-Laws.

However, Council members expressed their concern to the Agency regarding the levy for marketing broiler hatching eggs, from unregulated to regulated areas, which increased from \$0.0079375 to \$0.0108375 per hatching egg, a 36.5% increase. The Agency had changed its methodology on calculating this levy from one where the levy equaled the average of all provincial levies to a methodology which averaged the CHEP and provincial levies. The Agency felt that, if producers in a regulated province were required to pay the CHEP levy, producers shipping eggs from an unregulated province to a regulated province should also be required to pay the CHEP levy.

### *Amendments to Quota Regulations*

Within the broiler hatching egg market, supply comes from two sources: domestic production and imports from the United States. Under a 1990 bilateral agreement pursuant to Article XXII of

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<sup>2</sup> The Canadian Hatchery Federation represents the interests of 54 broiler, egg-type and turkey hatcheries in all regions of Canada.



the 1947 *General Agreement on Tariffs and Trade* (GATT), United States broiler hatching egg producers are granted access to the Canadian market for amounts equal to 21.1% of the anticipated domestic production for the current year. This access is split into separate commitments for broiler hatching eggs and chicks of 17.4% and 3.7%, respectively.

Domestic production levels are established by quota allocations. During its July Board meeting, the Agency sets two allocations, the preliminary allocation for the coming year, and the final allocation for the current year. The preliminary allocation gives an indication of the total production of hatching eggs needed for the chicken sector for the coming year (including a breakdown by provinces). The final allocation reconciles the hatching egg production of the current period and determines any overproduction penalties for provinces.

During its November 2012 meeting, Council reviewed the 2012 final and the 2013 preliminary allocations. Council members found that both amendments satisfied the requirements of the Agency's FPA and schedules as well as the Agency's By-Laws. Council approved the 2012 final allocation set at 517,238,185 and the 2013 preliminary allocation at 523,774,911 broiler hatching eggs. Council members recognized that the 2012 final allocation reflected the challenging market conditions faced by broiler hatching egg producers: a decrease

in chicken production from 2011 and an increasing cost of producing broiler hatching eggs as a result of increasing feed costs. Council members were of the opinion that the conservative approach used in setting the preliminary 2013 allocation was appropriate as it will minimize the financial risk to hatching egg producers given current market conditions.

### *Ongoing Priorities*

In November 2011, representatives from the provinces of Alberta and Saskatchewan indicated to the Agency and Council their interest in becoming signatories to the Agency's FPA. Two documents were prepared by FPCC staff to allow Alberta and Saskatchewan to become signatories to the FPA. Firstly, the required amendments were drafted to CHEP's Proclamation to allow Alberta and Saskatchewan to be signatory provinces. These amendments were subsequently reviewed by CHEP and sent to Justice Canada in April 2012. Secondly, FPCC staff prepared the addendum to the FPA to allow for signatures of the provincial signatories from Alberta and Saskatchewan. Once the amendments to the Agency's Proclamation are published in Part II of the Canada Gazette these provinces will become signatories to the FPA. It is anticipated that Alberta and Saskatchewan will officially become members of CHEP during the summer of 2013.





# THE BEEF INDUSTRY



The Canadian Beef Cattle Research Market Development and Promotion Agency (Beef Agency) was established in 2002 under Part III of the FPAA, when its first Proclamation was registered.

The Agency's Board of Directors is composed of cattle producers, importers, beef processors and other downstream stakeholders.

The Beef Agency has authority to promote the marketing and production of beef cattle, beef and beef products for the purposes of interprovincial, export and import trade and to conduct and promote research activities related to beef and beef products. Every person who sells beef cattle in interprovincial trade pays the Agency a levy of \$1.00 for each head of beef cattle sold.

In 2010, the Canada Beef Working Group was formed to investigate and develop a new organizational structure for maximizing efficiencies and effectiveness for domestic and international beef marketing activities. The Working Group's final report, released in January 2011, recommended the merging of the Canadian Beef Export Federation (CBEF), the Beef Information Centre (BIC) and the Agency into a restructured Agency. As part of this merger, the Agency changed its name to Canada Beef.

## COUNCIL'S WORK WITH CANADA BEEF

### *Amendments to Levies Order*

It was necessary to combine the national and provincial levies together to ensure that each province collected its levy on interprovincial marketing and that Canada Beef collected its levy on intraprovincial marketing. Council members' approval is required prior to a provincial board being able to implement a change to either the national or provincial levy.

In March 2012, Council approved amendments to the levy rate for cull cows in Quebec as well as the levy rate in Saskatchewan on residents of the province who sell beef cattle in interprovincial trade. There was also an amendment to the French version of subsection 6(2) of the Levies Order as there was a slight discrepancy with the English version.



### *Ongoing Priorities*

During the year, Council member Phil Klassen and FPCC staff attended a number of Agency meetings as observers. The Chairman, Council members, and FPCC staff also met the Agency's Chair and Governance Committee to discuss amendments to the Agency's Proclamation to reflect the new Board's structure that arose after the amalgamation in 2011 of the Beef Agency with BIC and CBEF.

FPCC and Canada Beef also worked on amendments to the Agency's Levies Order that would allow the Agency to collect levy on imported beef cattle, and beef products. These amendments are expected to

be finalized in May 2013, with the expectation that the Agency could soon begin collecting the levy on imports.



# Other FPCC Activities

## Request for agency status

In July 2012, FPCC received a proposal from the Pullet Growers of Canada for the establishment of a national marketing agency for pullets under Part II of the FPAA. The Chairman established a panel to enquire into the merits of this proposal as required by the Act. The Panel comprises Council Vice-Chairman Brent Montgomery and Council member John Griffin. The public hearing process began in early 2013 with sittings planned for Ottawa and Winnipeg. A report will be prepared for consideration by Council members during 2013.

## Promotion and Research Agencies (PRA)

### *Regulatory Framework*

In 1993, the FPAA was amended to include Part III that states that the GIC may, by Proclamation, establish an agency for the promotion and research of a farm product where it is satisfied that a majority of producers and importers, when applicable, support such action. A Proclamation is a federal regulation which outlines the powers granted to an agency and how the agency is to be constituted (i.e. membership, means of appointment, location of the agency's head office, etc.).

### *The FPAA and Powers of Promotion and Research Agencies*

Unlike a national marketing agency created under Part II of the FPAA, an agency created under Part III has no authority to regulate production. The FPAA has granted Part III agencies the authority to collect a levy on imports of the regulated product. A Part II agency has no such authority.

The object of an agency, set out in Section 41 of the FPAA, is to promote a strong, efficient and competitive industry for the regulated product. This may be accomplished by promoting its sales and consumption and by conducting research activities. The agency must have due regard for the interest of producers and consumers and, where applicable, importers of the regulated product.

In pursuit of these goals, agencies are vested, through their Proclamation, with the powers set out in Section 42 of the FPAA. A few examples of those powers are listed below as follows:

- implement a promotion-research plan;
- purchase, lease or otherwise acquire and hold a mortgage of a property, and;
- invest any money in its possession in securities that are guaranteed by the Government of Canada.

In addition, Section 44 allows for the collection of levies on interprovincial, import and export trade.

As with the marketing agencies established under Part II of the FPAA, a Promotion and Research Agency has an obligation to conduct its operations on a self-sustaining financial basis under Section 27, and Section 29 specifies that the accounts and financial transactions of each agency shall be audited annually by an auditor appointed by the GIC who must provide a report to the agency, the Council and the Minister of AAFC. Each agency is also required to submit an annual report to the Council and the Minister (Section 30).



Each time an agency requests an amendment to a levies order, Council members must review the rationale for the amendment, market and financial statistics as well as the agency's budget. In approving the amendment to the agency's levies order, the Council must be satisfied that it is in accordance with and necessary for the implementation of the agency's promotion-research plan.

FPCC was active in 2012 and 2013 in outlining the benefits of PRA to farmer groups and industry associations. These efforts have brought several producer groups to realize the potential of such an organization. Notably, producer organizations such as those representing pork, strawberries and sheep sectors have voiced their interest in setting up PRAs. These producer groups are at different stages of the PRA establishment process. Some have started to consult their members to assess grassroots support; others have hired a consultant to conduct feasibility studies while more advanced ones are actively preparing submissions to the FPCC.

### *Raspberries*

In 2012, FPCC received a PRA proposal from the British-Columbia Raspberry Industry Development Council requesting the establishment of a National Raspberry PRA. As required under Part III of the FPAA, the Chairman established a panel comprising Council member Tim O'Connor, as Chair, and Council member Phil Klassen. The public hearing process was launched early in 2013 and is still underway.

## **Regulatory Affairs**

FPCC's Regulatory Affairs Section provides technical advice and expertise to staff and Council members with respect to regulatory issues and processes in the administration of the FPAA and APMA.

Oversight and assistance to national agencies, provincial supervisory boards, provincial commodity boards and other stakeholders is also provided, ensuring due process with submissions, revisions and analysis of regulatory documents and instruments.

The integrity of the regulatory functions is a matter of public interest. Improper performance of regulatory functions can undermine the overall process and create unwarranted delays. As such, leadership was provided in guiding and ensuring that regulatory proposals are navigated through the national regulatory process in an effective and timely manner. In addition, inquiries and requests from central agencies such as Justice Canada, Treasury Board Secretariat, and Privy Council Office were addressed effectively.

Over the last year, regulatory advice was provided to AAFC, portfolio partners and the Minister's Office. These partners were kept informed by the Chairman and FPCC staff on all regulatory matters related to the administration of the FPAA and the APMA.

Furthermore, the Regulatory Affairs Section, as subject matter expert, participated in ongoing standing committees, regulatory compliance reviews and federal government initiatives, by providing input as agent of the Crown accountable to Parliament.

Over the course of the year, the Regulatory Affairs Section worked in close collaboration with various FPCC, AAFC and CHEP staff to finalize the regulatory amendment to its Proclamation, as well as on the amendment to the *Beef Cattle Research, Market Development and Promotion Levies Order* that included the addition of an import component. These projects also involved close working relationships with Justice Canada and TBS.

The FPCC also facilitated business processes and provided timely responses and technical input to the Standing Joint Committee for the Scrutiny of Regulations, particularly on CFC's on-going review of their regulatory instruments. It also ensured that all regulatory matters and processes associated with registering amendments to quota regulations, and levies orders and other regulatory processes for all agencies are handled in a timely, efficient and professional manner throughout the year.

In addition, the APMA administrative review is progressing effectively. To this date, of the 84 producer organizations subject to the review, 20 are in the final stages of the review and 18 are in the processing phase.

## Communications

In 2012 and 2013, the FPCC continued to improve its communication functions, outreach activities and to reflect on its communication approaches. The FPCC adapted and modernized its products and tools in order to better suit the 2012-2015 strategic priorities. A new corporate identity was created and its products, such as a banner stand, *FOCUS Newsletter* and presentation templates were introduced.

The 11<sup>th</sup> edition of FPCC's publication *Canada's Poultry and Egg Industry Handbook* also introduced the new corporate image. The section on comparing key indicators between supply managed and non-supply managed sectors was included again this year. This handbook provides data and analysis to all Canadians interested in these industries and clearly illustrates how the poultry and egg sectors contribute economically to each region. It was prepared in collaboration with AAFC and other government departments, the four national feather agencies and industry associations.

In the last 15 months, six issues of the *FOCUS Newsletter* were produced and distributed. The *FOCUS Newsletter* updates our partners on Council's decisions, FPCC's business, news, announcements and publications by federal departments and other organizations. This publication is sent out via e-mail and posted on FPCC's web site. In addition, the FPCC continued its work with the TBS on the upgrade of web standards. The web standards demonstrate the Government of Canada's commitment to delivering web sites that are more accessible, usable and knowledgeable.

## Studies and Analysis

### *Historical Review of Cost of Production Monitoring*

Price setting is one of the three pillars of the supply management system. In order for the supply management system to fulfill its objectives, prices and quantities must be set to ensure that consumers have access to sufficient quantities of the regulated product while efficient producers cover their costs of production and realize a reasonable return. For this reason, the FPCC conducted a historical review of

cost of production monitoring since the establishment of marketing agencies, including guidelines FPCC developed some years ago for reviewing and endorsing the agencies' cost of production models. The results of this retrospective, which were shared with other supervisory bodies, will support future work by FPCC on pricing and cost of production methodologies, with a view to ensuring that there is a link between farm gate prices and production levels. Given the mandate from the Minister, this work will continue in 2013, with the aim of producing a set of guidelines on cost of production methodology that Council will provide to agencies to consider.

### *FPAA Interpretation Document*

The FPAA is the central federal legislation that governs the supply management system for poultry and eggs. As part of its efforts to foster a common understanding of the roles and responsibilities of the partners within the system, FPCC developed an interpretation document of Parts I and II of the FPAA. This document contains a detailed, section by section, review of the FPAA, accompanied by explanations of FPCC's understanding of each article. The document also provides additional information where the interpretation in the French and English versions may be difficult.





### *Comparative Review of Agency Policies*

As part of its duties to review the operations of agencies to ensure that they carry out their operations in accordance with their objects under the FPAA, FPCC conducted a comparative analysis of the four marketing agencies' policies regarding remuneration, travel and hospitality. The analysis outlines the differences and similarities as well as their coherence with the FPAA and the Government of Canada's policies.

### *Agencies Reporting Practices*

The FPCC conducted a review of the information on the supply management system, as made available through its own reporting of information as well as the agencies' reports to the Minister under Section 30 of the FPAA. The purpose of this review was to delineate the information currently available on the operations of agencies and to identify other elements which would be required in order to demonstrate that the supply management system is administered in a sound and transparent manner which can withstand public scrutiny.

### *Levy Structure Evolution*

In 2012, the FPCC prepared a review of the marketing agencies' financing over the past ten years, both at the federal and provincial level. This analysis detailed the various levies collected by agencies and marketing boards, taking into account the powers of the agencies under their respective Proclamations, as well as the farm cash receipts generated by their industries.

### *Comparative Advantage<sup>3</sup> and Differential Growth<sup>4</sup>*

Subsection 23(2) of the FPAA states that in allocating additional quota for anticipated growth in market demand, a marketing agency shall consider the principle of comparative advantage of production (CAP). The exact meaning of this portion of the FPAA and its application has been the subject of disputes between stakeholders as well as formal complaints. FPCC carried out studies in order to clarify this concept and how best it could be applied by marketing agencies when allocating production for market growth.

In the chicken industry, despite numerous attempts at finding a solution and several models that would allow for differential growth, stakeholders have been unable to achieve consensus. The situation culminated in November 2012 with Alberta filing notice of its intent to withdraw from the FPA for Chicken as of January 2014.

While the issue in contention is principally the absence of differential growth, FPCC's analysis of the parliamentary debates that took place at the creation of the FPAA indicated that the principle of CAP is the mechanism by which Parliament envisioned that differential growth would evolve to maintain efficient industries. Through its analysis of the debates as well as the economic theory of comparative advantage, FPCC also concluded that the concept of competitive advantage is closer to what was intended by Parliament than the Ricardian theory of comparative advantage.

In order to assist supply-managed industries in fulfilling the requirements of subsection 23(2) of the FPAA, FPCC developed guidelines for the application of CAP in the chicken industry.



These guidelines provide a framework through which the chicken industry can develop a methodology to assess comparative advantage and detail how Council will satisfy itself that an Agency's allocation methodology is consistent with subsection 23(2) of the FPAA. If necessary, these guidelines could eventually be adapted to other supply-managed industries.

*where they have a comparative advantage.*

*<sup>4</sup> Differential growth refers to a situation where the rate of growth of a given industry varies from one province or region to the next as opposed to a uniform rate applied to historical market shares.*

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*<sup>3</sup> In economics, comparative advantage refers to the ability of a party (usually a country) to produce a particular good or service at a lower opportunity cost over another. The theory generally predicts that countries or regions will tend to specialize in the production of goods*



## Glossary

AAFC	Agriculture and Agri-Food Canada
APMA	Agricultural Products Marketing Act
BIC	Beef Information Centre
CAC	Consumer's Association of Canada
CAP	Comparative Advantage of Production
CBCRMDPA	Canadian Beef Cattle Research Market Development and Promotion Agency
CBEF	Canadian Beef Export Federation
CEMA	Canadian Egg Marketing Agency
CFC	Chicken Farmers of Canada
CHEP	Canadian Hatching Egg Producers
CHF	Canadian Hatchery Federation
CoP	Cost of Production
CPEPC	Canadian Poultry and Egg Processors Council
CRFA	Canadian Restaurant and Foodservices Association
CTMA	Canadian Turkey Marketing Agency
EFC	Egg Farmers of Canada
FPA	Federal-Provincial Agreement
FPAA	Farm Products Agencies Act
FPCC	Farm Products Council of Canada
FPMAA	Farm Products Marketing Agencies Act
FPPAC	Further Poultry Processors Association of Canada
GATT	General Agreement on Tariffs and Trade
GoC	Government of Canada
GIC	Governor in Council
IPP	Industrial Product Program
NAASA	National Association of Agri-Food Supervisory Agencies
NFPC	National Farm Products Council
NFPMC	National Farm Products Marketing Council
PRA	Promotion and Research Agency
SIA	Statutory Instruments Act
SJC	Standing Joint Committee
TFC	Turkey Farmers of Canada
TBS	Treasury Board Secretariat