



Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

CANADIAN PORK PROMOTION AND RESEARCH AGENCY REQUEST

Panel Report

APRIL 2016

FARM PRODUCTS COUNCIL OF CANADA

Canada

CANADIAN PORK PROMOTION AND RESEARCH AGENCY REQUEST
Panel's Report

TABLE of CONTENTS

| | |
|--|-----------|
| 1. Process Overview | 3 |
| 1.1. Farm Products Council of Canada's Role | 3 |
| 1.2. The Farm Products Agencies Act | 3 |
| 1.3. The Panel | 3 |
| 1.4. Public Notice | 4 |
| 1.5. Submissions | 4 |
| 1.6. Pre-hearing Teleconference | 4 |
| 1.7. Hearings | 4 |
| 1.8. Report to Council | 4 |
| 2. Canadian Pork Industry Overview | 5 |
| 2.1. National Distribution of Production | 5 |
| 2.2. Market Shares of Imports | 5 |
| 2.3. Importers | 7 |
| 2.4. Provincial Organizations..... | 7 |
| 3. Summary of the Applicant's Proposal | 7 |
| 3.1. Rationale..... | 7 |
| 3.2. National Promotion and Research Agency Operations | 10 |
| 3.3. Legal Establishment Plan | 13 |
| 4. Summary of Evidence | 15 |
| 4.1. Public Submissions | 15 |
| 4.2. Public Hearings..... | 15 |
| 5. Panel's Findings | 24 |



Appendix 1. List of participants at pre-hearing teleconference **28**

Appendix 2. Provincial levy rates..... **29**

Appendix 3. Provincial legislation on pork industry marketing plans **30**

Appendix 4. Estimated annual budget for proposed agency..... **31**

Appendix 5. Calculation of domestic levy revenue at 75 cents/head, 2010-14..... **32**

Appendix 6. Listing of HS codes (Harmonized System) for pork and pork products and calculation of levy revenue **33**

Appendix 7. Summary of written submissions received during Public Hearing process..... **34**

Appendix 8. Analysis of pork and pork products importers, 2012-15 **35**

Appendix 9. Pork imports and estimated levy revenue, 2010-14..... **36**



1. Process Overview

This section of the report provides an understanding of the role and responsibilities of the Farm Products Council of Canada (FPCC or Council) following a request received from the Canadian Pork Council (CPC) on July 31, 2015, to establish a Canadian Pork Promotion and Research Agency (PRA). The section highlights the Council's legal obligations that range from holding public hearings to reporting its findings to the Minister of Agriculture and Agri-Food Canada (AAFC).

1.1. Farm Products Council of Canada's Role

When a request for the creation of a PRA under Part III of the *Farm Products Agencies Act* (FPAA) is received, it is the Council's duty to examine the merits of establishing the agency, and make recommendations to the AAFC Minister. In its role, Council remains impartial by holding public hearings and receiving public submissions, allowing for anyone who wishes to comment on the request to do so.

1.2. The Farm Products Agencies Act

Under the FPAA, the Governor in Council may, by proclamation, establish a PRA for a given product, if a majority of producers and importers (if imports are to be levied) are in favour of the establishment of such an agency.

The powers given to the PRA are defined in the proclamation. Section 42 of the FPAA lists potential powers that may be given to a PRA, including:

- implementation of a promotion and research plan, as approved by Council;
- the power to make orders and regulations as it considers necessary to achieve its promotion and research objectives;
- authority to collect a levy on national and imported products; and
- a series of administrative powers to facilitate the PRA's daily operations.

1.3. The Panel

A Panel was appointed by Laurent Pellerin, FPCC Chairman, to examine the merits of establishing a Canadian Pork Promotion and Research Agency under Part III of the FPAA. Two panel members were named, Mike Pickard, as Chair, and Maryse Dubé, as Panel member.

A Panel can conclude after considering the findings, to support the request, in whole or in part; it can recommend that certain powers under section 42 of the Act be included or excluded. Alternatively, the Panel can recommend that some of the changes to the request suggested during the hearings be incorporated by the applicant. The Panel does not make the decision to establish the agency or not. Its mandate is to make recommendations to the full Council.

In the evaluation of the merits of the applicant's request, the Panel's role is defined by the scope of the inquiry. For this inquiry the Panel examined:

- (a) the current structure of the Canadian pork industry and the degree of support among producers and importers for establishing an agency;
- (b) the potential effects of establishing a national agency on the operations of producers and importers;
- (c) the means for ensuring that an agency has due regard for the interests of producers, importers and consumers;
- (d) the degree and nature of federal-provincial cooperation required to implement the proposed national plan, the efficient dovetailing of levy collection under federal and provincial jurisdictions and its consistency with the Agreement on Internal Trade;



- (e) the collection of levies on domestic live hogs as well as imported pork and pork products, including its consistency with Canada's rights and obligations under international trade agreements; and
- (f) whether or not any restrictions should be placed on the activities of a pork promotion and research agency or on any of the powers to be exercised pursuant to section 42 of the FPAA.

1.4. Public Notice

A public notice was published in the Canada Gazette on October 3, 2015, as required under section 9 of the FPAA. The notice gave the purpose and scope of the hearings. FPCC's notice was also advertised in national and regional newspapers, and farm journals across Canada, namely in:

- The Globe and Mail, October 3, 2015
- La Presse, October 3, 2015
- The Montreal Gazette, October 3, 2015
- The (Halifax) Chronicle Herald, October 3, 2015
- The Ontario Farmer, October 6, 2015
- La Terre de chez nous, October 7, 2015
- The Western Producer, October, 8, 2015

1.5. Submissions

Public hearings are conducted to solicit input from stakeholders. This input is used in preparing the Panel's review of the request for Council. The Panel called for submissions by October 30, 2015. A total of 16 submissions were received within the public hearing process. All submissions and letters of opinion are publicly available on FPCC's web site. An analysis of submissions and the presentations made at the hearings can be found in the Summary of Evidence section of this report.

1.6. Pre-hearing Teleconference

A pre-hearing teleconference call was held on November 5, 2015. The conference was attended by 16 participants in addition to the Panel, the hearing secretary, the FPCC's legal counsel, FPCC's staff and two translators. The list of participants is available in Appendix 1. The conference's focus was on procedural matters. No participant voiced any complaint or objection with the information shared by the Panel.

1.7. Hearings

As stated in paragraph 8(1)(a) of the FPAA, "[A] public hearing shall be held by the Council in connection with an inquiry into the merits of establishing an agency . . ." The Panel held two sittings during the public hearing stage of its inquiry, on January 19, 2016, in Calgary, Alberta, and in Montreal, Quebec, on February 16, 2016. The applicant, as well as three interveners, presented their points of view at the Calgary sitting and answered questions from the Panel. At the Montreal sitting, the applicant repeated its presentation, seven different interveners stated their opinions and all answered questions from the Panel, CPC and other interveners. Both sittings were conducted by the Panel with the help of FPCC staff and were webcast live. Transcripts were posted on FPCC's web site shortly after both events. A complete analysis of the presentations made at the hearings can be found in the Summary of Evidence section of this report.

1.8. Report to Council

Pursuant to subsection 8(3) of the FPAA, the Panel prepared this report using the results from the inquiry and its findings on the merits of establishing a Canadian Pork PRA. This report will be presented to the Council for its consideration. Council will consider these findings in preparing its recommendation to the Minister.



2. Canadian Pork Industry Overview

2.1. National Distribution of Production

Pig farming is the fourth largest agriculture sector in Canada following beef cattle, canola and dairy in terms of farm cash receipts¹. Farm cash receipts for hogs reached \$5.1 billion in 2014. However the number of farms producing pigs has declined, from 62,600 in 1976 to 7,050 farms in July 2014. At the same time, herd size has increased, especially on larger farms. Canadian hog production grew steadily to 2007 when it dropped, until 2010 due to lower market returns. Since then, there has been a gradual recovery in production and market returns improved significantly in 2014.

Quebec, Ontario and Manitoba are the major hog-producing provinces (Table 1). In 2014, although Ontario had the greatest proportion of hog farms, Quebec had the highest proportion of producers². In terms of production, Manitoba is ahead of Quebec and Ontario. Together these three provinces had 79.0% of the national production in 2014, on 69.6% of Canadian farms reporting hogs in that year and 89.1% of hog producers.

Table 1. Farms reporting Hogs, Pork Producers and Hog Production (2014)

| Province | Farms Reporting Hogs | Pork Producers | | Hog Production ¹ | |
|----------------------|----------------------|----------------|---------------|-----------------------------|---------------|
| | Number | Number | Share (%) | Head | Share (%) |
| British Columbia | 605 | 21 | 0.36 | 175,417 | 0.69 |
| Alberta | 810 | 400 | 6.78 | 2,764,301 | 10.93 |
| Saskatchewan | 485 | 100 | 1.70 | 1,880,726 | 7.43 |
| Manitoba | 555 | 360 | 6.10 | 7,279,449 | 28.78 |
| Ontario | 2,490 | 1,524 | 25.84 | 6,253,264 | 24.72 |
| Quebec | 1,865 | 3,376 | 57.24 | 6,861,063 | 27.12 |
| New Brunswick | 70 | 30 | 0.51 | 13,766 | 0.05 |
| Nova Scotia | x | 65 | 1.10 | 8,387 | 0.03 |
| Prince Edward Island | 50 | 22 | 0.37 | 59,344 | 0.23 |
| Newfoundland | x | - | - | - | - |
| Canada | 7,050 | 5,898 | 100.00 | 25,295,717 | 100.00 |

Sources: Farms Reporting Hogs - Statistics Canada, Pork Producers - Canadian Pork Council, Hog Production - Agriculture and Agri-Food

x Suppressed to meet the confidentiality requirements of the Statistics Act.

- No significant production

1) Hog production is based on provincial slaughter, by province of origin, and exports. In 2014, total slaughter was 20,335,730 head and total exports of live hogs were 4,959,987 head.

2.2. Market Share of Imports

The industry's value chain extends beyond producers, through processing plants across the country to further processors, which produce pork products for sale through a variety of food service and retail enterprises to Canadian consumers (see Figure 1). Pork cuts are also marketed by wholesalers to the food service trade. Canadian hogs and pork products are exported to over 90 countries, with the U.S. being the major market served. In 2014, live hog exports were around 5.0 million head, with a value of \$491 million, while pork product exports were at 1.2 million tonnes with a value of \$3.7 billion. In comparison, imports of live hogs were only 3,002 head for breeding purposes. Imported pork cuts and products represented 9.4% of the

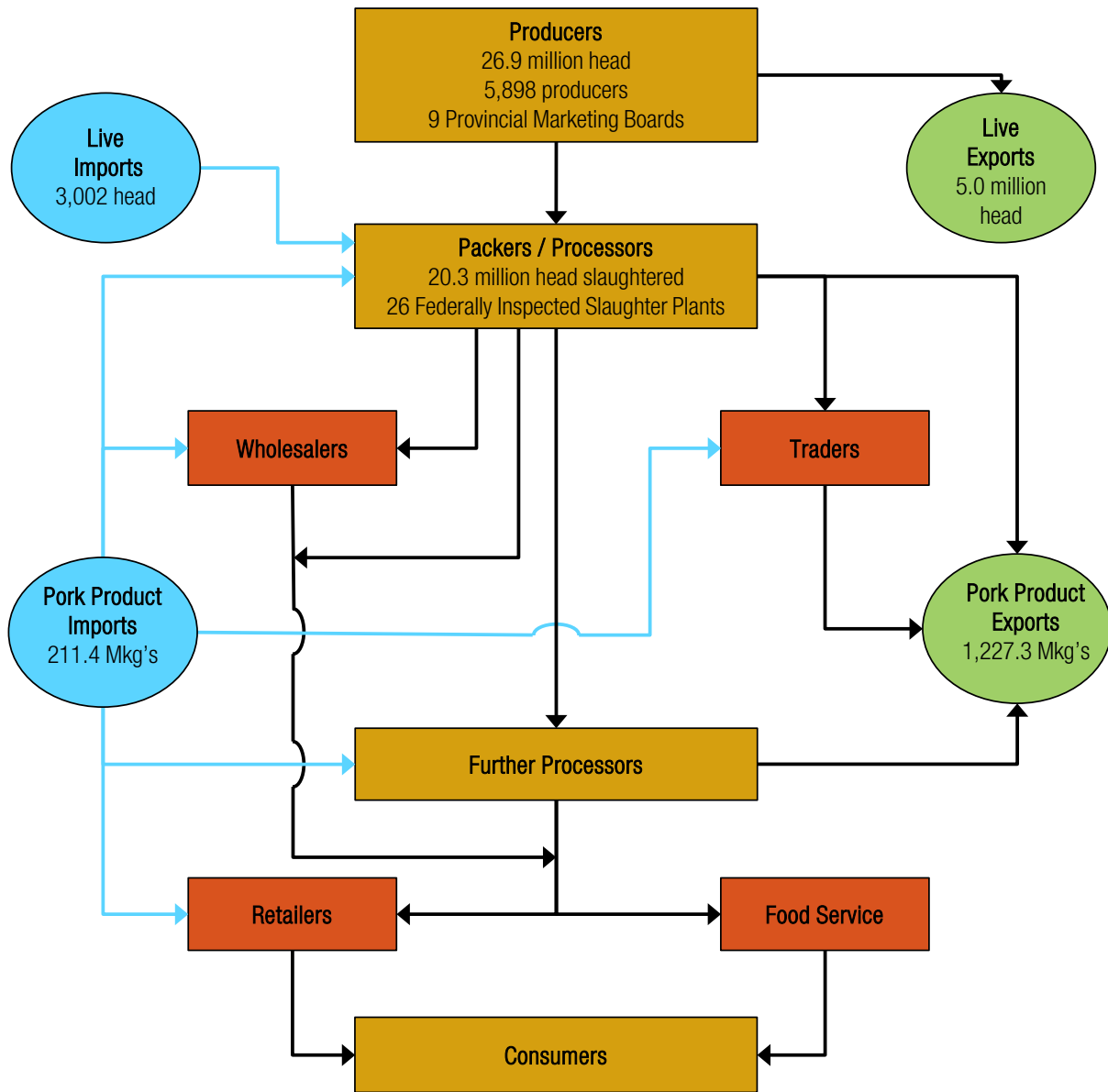
¹ Statistics Canada data

² Farms in Quebec can have more than one registered producer per farm, such as partnerships, contract farmers and other arrangements.



Canadian supply in 2014 (Table 2). Over the five-year period of 2010 to 2014, the imports of pork and pork products averaged 9.5% volume share of the Canadian pork supply. Of note is the proportion imports represent of domestic disappearance (a proxy for consumption), averaging 28.6% over the five years.

Figure 1. Canadian Pork Industry, 2014



Source: AAFC and FPCC



Table 2. Total Canadian supply of pork

| | 2010 | 2011 | 2012 | 2013 | 2014 | 5 Year Average |
|--|--------------------|---------|---------|---------|---------|----------------|
| | (Mkg) ¹ | | | | | |
| a) Total Domestic Pork Supply (b+c+d) | 2,168.1 | 2,220.8 | 2,303.4 | 2,259.8 | 2,238.6 | 2,238.1 |
| b) Beginning Stocks | 44.6 | 38.8 | 56.0 | 58.4 | 64.8 | 52.5 |
| c) Domestic Pork Production | 1,938.2 | 1,975.3 | 2,004.4 | 1,980.6 | 1,962.4 | 1,972.2 |
| d) Pork Imports | 185.4 | 206.6 | 243.0 | 220.8 | 211.4 | 213.4 |
| e) Domestic Disappearance (a less f through i) | 750.1 | 738.5 | 774.9 | 733.9 | 733.0 | 746.1 |
| f) Pork Exports | 1,179.6 | 1,222.8 | 1,263.6 | 1,257.1 | 1,227.3 | 1,230.1 |
| g) Manufacturing | 44.6 | 45.4 | 46.1 | 45.6 | 45.1 | 45.4 |
| h) Waste | 155.1 | 158.0 | 160.4 | 158.4 | 157.0 | 157.8 |
| i) Ending Stocks | 38.8 | 56.0 | 58.4 | 64.8 | 76.1 | 58.8 |
| Pork Imports as a % of Total Domestic Supply | 8.5% | 9.3% | 10.5% | 9.8% | 9.4% | 9.5% |
| Pork Imports as a % of Domestic Disappearance | 24.7% | 28.0% | 31.4% | 30.1% | 28.8% | 28.6% |

Source: Statistics Canada. Table 002-0010 - Supply and disposition of food in Canada, annual

1) Volumes presented represent the carcass weight.

2.3. Importers

According to Agriculture and Agri-Food Canada (AAFC), in 2014 a total volume of 193,000 tonnes of pork and pork products (shipped weight) was brought into Canada by 362 importers³. Of this volume, the top 20 importers accounted for 73%, while 54% was handled by the top 10 importers. Of the top 20 importers, five were in the retail and food service sectors, four were processors and 11 were trading companies. Of the total volume imported, the top 10 trading companies handled 29%, while retailers handled 26%, and 18% was handled by the top four processors.

2.4. Provincial Organizations

With the exception of Newfoundland and Labrador, which does not have any significant production, nine provinces have similar organizations of pork producer boards and provincial legislation with authority to collect a provincial levy on hog production. In most cases the levy is mandatory and non-refundable. In Alberta the levy is refundable. Appendix 2 provides information on the levy amounts and Appendix 3, some details of pork industry legislation in each province.

3. Summary of the Applicant Request

The Canadian Pork Council submitted a detailed and comprehensive proposal to establish a PRA on July 31, 2015, which followed the framework of FPCC's Promotion and Research Agencies Establishment Guidelines. This section summarizes the major points of the proposal.

3.1. Rationale

3.1.1. Product

The proposal is to establish a national promotion and research agency funded by levies on all *domestically reared live hogs presented for slaughter at inspected establishments*, as well as on *all imported pork and pork products* according to specified HS code definitions.

³ Import data in Table 2 are in carcass weight, which is higher than shipped weight.



There would be no production thresholds that would trigger participation in the mandated levy program. Similarly, all live animal and pork product imports would be assessed a levy without any minimum threshold volume or value of imports.

3.1.2 Purpose

The objectives of the proposed national agency are to:

- promote the consumption of pork products in the Canadian market;
- develop export markets for Canadian pork; and
- support technical and market research initiatives.

The overall purpose is to strengthen markets for hogs and pork, optimize production efficiencies, increase domestic consumption and enhance financial returns and benefits for all participants of the Canadian pork value chain.

Producers would benefit from:

- market growth, increased sales and greater economic returns resulting from expanded domestic and export market promotion and market research initiatives;
- improved production efficiencies, economic returns and competitiveness of pork in domestic and foreign markets due to increased and better market-targeted animal science and technical research;
- increased ability to address producer views, concerns and ideas related to the sector's promotion and research activities.
- increased collaboration and cooperation among industry stakeholders (i.e., producers, processors, importers, exporters, distributors and retailers); and,
- improved ability to more quickly identify and adopt sector innovations through enhanced provincial outreach efforts.

Consumers would benefit from:

- increased pork industry understanding of and ability to address consumers' needs and concerns related to nutrition, animal welfare, quality assurance, animal health and environment;
- enhanced education on topics such as on-farm practices and safe product-handling and preparation;
- improved access to current and new technical facts and figures through user friendly web-based information, graphic presentations and communications; and,
- a credible, trusted and accessible source for science-based facts, information and opinion on all matters related to the pork industry.

Importers (including processors and distributors) would benefit from:

- opportunity to participate in the development and expansion of the Canadian market for pork;
- increased ability to bring their perspective on the formulation of research and promotional initiatives aimed at increasing demand for pork;
- access to the results of research sponsored by the proposed national agency; and
- economic benefits from expanding the domestic market for pork.

All pork industry stakeholders would benefit from:

- increased synergies, economies of scale and collaborative/consultative networks built across all sector stakeholders;
- more competitive and market-responsive industry;
- increased incentives to longer-term planning aimed at continued sustainable sector growth;
- more timely identification and adoption of innovative and improved practices;



- improved access to industry funding and expertise, especially for provinces challenged with a limited resource base; and,
- a single-window dissemination point for Canadian research results.

3.1.3 Need

- Through their various provincial groups, Canadian pork producers already fund, by means of a provincial levy, some market promotion, market development and research activities. However, increasing complexity of the issues impacting the sector, their interwoven nature and new marketing opportunities, as well as the escalating cost of addressing them, mean that a more strategic, coordinated and national approach is required.
- In several provinces the current levy being collected and spent on research, promotion and market development is decreasing. A national levy would be more uniform, equitable and stable. Additionally, importers have never contributed towards these activities. An equivalent levy, applied to imported live animals, pork and pork products, would contribute significantly to the proposed agency's funds and activities. The collection of a promotion and research levy on imports would bring reciprocal treatment through the sharing of costs and benefits from market growth for pork in the domestic Canadian market. It would also create a balance since Canadian hog and pork exports to the U.S. have been subject to an import levy for many years, administered by the U.S. National Pork Board.

3.1.4 Support for the Request

Producers

Canadian hog producers, as provided for under section 7(1)(a) of the Act, are requesting the creation of the PRA, through their respective national and provincial associations⁴, as follows:

- Canadian Pork Council
- BC Pork Producers' Association
- Alberta Pork Producers Development Corporation
- Saskatchewan Pork Development Board
- Manitoba Pork Council
- Ontario Pork
- *Les éleveurs de porc du Québec*
- *Porc* NB Pork
- Prince Edward Island Hog Commodity Marketing Board
- Pork Nova Scotia

The CPC is a federation of the nine provincial pork industry associations, whose purpose is to play a leadership role in achieving and maintaining a dynamic and prosperous Canadian pork sector. Support for the creation of the proposed PRA is consistent with this "leadership" mandate.

Pork producers in all nine provinces authorized their provincial organizations' representatives to develop the proposal for a national PRA, to raise funds through a levy system to support more coordinated and strategic activities for the benefit of the Canadian pork industry as a whole.

The proposal reflects the results of several years of work devoted to ensuring that an agreed-upon feasible and pragmatic plan can be implemented with the support of producers at the provincial level. Cross-industry support for the proposed PRA has been obtained, through the following:

⁴ There is no significant hog or pork production in the Province of Newfoundland and Labrador and no services have been provided to producers by the CPC since the province's inspected slaughter facility was closed in the early 1990s.



- Relevant public documents made available through the CPC and provincial pork boards to industry stakeholders;
- Presentations delivered to industry stakeholders at provincial pork boards' annual general meetings and/or board meetings, the Pork Value Chain Roundtable, the Canadian Meat Council (CMC), and Canada Pork International (CPI); and
- The concept of this proposal has been raised at annual general meetings of provincial hog/pork boards, as well as the Canadian Pork Council. As duly elected representatives of their provincial producer memberships, decisions have been left to the powers carried by these boards regarding their support and/or concerns for this initiative. Letters of support were received from all nine boards, as well as the national board. These were appended to the proposal.

Importers

CPC indicated that discussions with the import and export community had been held under the aegis of the Canadian Meat Council and Canada Pork International. Both CMC and CPI have communicated their support by letter for the creation of a national agency. The letters were appended to the proposal.

3.1.5 Production Data

CPC provided a comprehensive review of the status of the Canadian pork industry, including detailed data tables and charts on the major elements of the production, import and exports over the period 2008 to 2014 at the national level. In summary, over this period farm numbers declined, average herd sizes increased, and hog slaughter numbers declined slightly. Farm cash receipts recovered, and exports of hogs declined markedly. While volumes of pork and pork products rose slightly, their value grew. Imports of pork and pork products have remained stable, and their value increased substantially.

3.2. National Promotion and Research Operations

3.2.1. CPC's proposed Promotion and Research Plan

An annual promotion and research plan would be prepared and submitted for the consideration and approval of the agency's board of directors. The plan would include a consolidation of provincial initiatives, coupled with those to be undertaken and managed directly by the national agency. Following such approval and consistent with section 7(1) of the Act, the plan and its budget would be submitted to the FPCC for consideration and approval.

Initiatives would be prioritized within the limits posed by available funding, urgency, and the ability/opportunity to leverage additional resources (e.g., from governmental programs, public private partnerships, etc.).

Promotion activities

The PRA would implement a comprehensive array of activities delivered both through provincial boards as well as through the Canadian Pork Council and Canada Pork International. These would include generic advertising and promotion campaigns; consumer information, education and awareness-building endeavours; participation in international and domestic trade and consumer shows; support for frontline foreign market expertise through Canada's posts abroad; recipe development; and the hosting of technical Canadian pork seminars in foreign markets, as well as incoming veterinary missions.

Additionally, the PRA would focus on greater usage of social media platforms for timely and effective communications in areas such as educating and informing producers relating to best production and marketing practices that would lead to increased sales of pigs, pork and pork products.



Research activities

Scientific and technical investigations would be supported to enhance pork's marketable image through initiatives aimed at raising consumer awareness of quality, healthfulness, food safety, environmental impact and the animal welfare attributes of Canadian pork. Research would also be supported to investigate consumer perceptions and wants, identify challenges (and their potential solutions) which undermine product delivery, retail presentation and the consumer's acceptance of pork products.

Research initiatives would be selected for their contribution to maintaining the industry's competitiveness in domestic and foreign markets. The importance of timely adaptation, innovation and information dissemination of results to producers would be a key focus. The promotion and research annual plan would incorporate provincial extension services in results delivery, education and implementation with links to the pork producers' current National On-Farm Programs mechanism, as well as to Swine Innovation *Porc*⁵ for program delivery.

It is understood that this initial framework would adapt over time as issue areas are resolved and new challenges and science-based technical advancements are identified. A high degree of flexibility and nimbleness, which allows for adaptation in a timely manner, will be essential to maintaining a competitive advantage in the ever-evolving domestic and global marketplace.

3.2.2. Budget

The national PRA's estimate of annual operating expenses (Appendix 4) indicates a budget of \$240,000 per annum, or approximately 12% of the estimated import levy revenue (\$1.8 million). Once fully implemented, a balance of approximately \$1.6 million annually would be available for funding of the promotion and research plan of a national PRA.

3.2.3. Levy Administration

All domestically reared hogs presented for slaughter at inspected establishments would be subject to the levy following current practices in each province. The levy rates and categories of animals to which levies are applied vary between provinces (See Appendix 2). The total provincial levies applied to market hogs range from \$0.80 to \$1.17 per hog (see Table 3).⁶

Additionally, all live hogs, pork and pork product imports would be assessed a levy. The products would be levied on a *pro rata* basis consistent with the product's HS code description, the conversion factors and the national per head levy.

The national levy was identified as the minimum among all the provinces of the eligible levy, the amount used to finance promotion and research in each province. Table 3 shows that the minimum eligible levy is 80 cents per market hog. This has been reduced to 75 cents as a conservative measure. The 75 cents portion of the levy currently collected by the provincial organizations is the *de facto* national levy standard that is suggested for implementation across Canada.

This minimum levy deemed eligible among all provinces of 75 cents per market hog, was also considered as meeting the national treatment requirements under World Trade Organization (WTO) agreements.

⁵ Swine Innovation *Porc* is a not-for-profit corporation linked to CPC, which is committed to facilitating research in the Canadian swine sector. Its main objective is to enhance the profitability and sustainability of the pork industry by supporting the development of the most innovative technologies that will benefit the pork value chain.

⁶ The levy amounts shown in Table 3, as provided by the applicant, have been verified by FPCC as intraprovincial levy rates. In some provinces, the intraprovincial and interprovincial levy rates may differ, however, both levy rates in all provinces are above the threshold of 75 cents.



Table 3. Summary of Levies Charged by Provincial Boards to Canadian Farmers on Market Hogs

| | Province | | | | | | | | |
|---|----------|--------|--------|--------|--------|--------|--------|--------|--------|
| | BC | AB | SK | MB | ON | QC | NB | NS | PEI |
| Total of provincial levies applied to market hogs (\$/market hog) | \$1.00 | \$1.00 | \$0.85 | \$0.80 | \$0.95 | \$1.17 | \$1.00 | \$1.60 | \$1.23 |
| Amount deemed eligible (\$/market hog)* | \$1.00 | \$1.00 | \$0.85 | \$0.80 | \$0.95 | \$0.95 | \$1.00 | \$1.60 | \$1.23 |

Source: CPC proposal

*The levy amounts indicated are for research, development and promotion activities, as defined at the outset of this proposal, and consistent with the Act.

Based on the average annual number of federally- and provincially- inspected hogs slaughtered from 2010 to 2014⁷ of 20.887 million head, the total domestic component of the national levy is estimated at \$15.665 million⁸.

For the import component, the levy of 75 cents per hog would be applied to the various categories of imported pork and pork products, defined by HS codes (see Appendix 6) after taking into account a series of industry-recognized conversion coefficients to convert volume data of imported products to the equivalent on a per head basis. Live hog imports are not included, as their numbers are insignificant. Based on the five-year average volume of Canadian pork and pork product imports for the period 2010 to 2014, and its conversion to an equivalent number of live hogs, the application of the 75 cents per head levy led to an initial revenue estimate of \$2.02 million in the proposal. This calculation was subsequently corrected by CPC in a later submission to \$1.8 million⁹.

In total, the PRA anticipates annual levy revenues of around \$17.5 million, approximately 90% from domestic trade and 10% from import trade.

Provinces would continue to administer the collection, management and allocation of their respective levy funds with the new responsibility to report to the national PRA what promotion and research activities have been funded by the 75 cents portion of the levy and the results achieved. Specific programs and activities of the national PRA would be funded through the import component of the levy. This funding would provide opportunities for leveraging additional funds in shared initiatives with governmental agencies or other specific programs that meet the objectives of the national PRA.

The proposed agency would not collect a national import levy until all nine provincial pork associations have endorsed a legal agreement, which integrates levies at both levels into the comprehensive management structure of the National Promotion and Research Agency.

3.2.4 Annual Reporting

The PRA annual report would include:

- an audited report on the financial statements of the National PRA;
- an action plan indicating how any weaknesses will be addressed;
- reports on progress on the PRA plan (national and provincial activities), approved by FPCC, specific challenges encountered and amendments to the plan for the coming year, as required; and,
- a consolidation of audited annual reports received from provincial boards or associations.

⁷ See CPC proposal: ANNEX E Pig Industry Statistics “Inspected Hog Slaughter” page 7.

⁸ See Appendix 5 for FPCC calculation of the estimated levy revenue, which corroborates CPC’s estimate. CPC did not submit a revised calculation table.

⁹ This revised revenue total was confirmed by FPCC calculation shown in the last column of Appendix 9.



3.3. Legal Establishment Plan

3.3.1. Implementation Plan

Following the proclamation establishing the Canadian Pork Promotion and Research Agency by the Governor-in-Council (GiC), the proposed agency's interim board would:

Within the first three months:

- set out timing, procedure and terms whereby a permanent board and senior officers would be established, engaged and confirmed, as appropriate;
- establish an initial budget for the agency's operations during the first fiscal year; and
- initiate the collection of import levies as mandated by the Proclamation.

Within the first six months:

- implement a promotion and research plan consistent with the terms of the GiC proclamation and the objectives of the Agency; and
- consistent with section 29 of the Act, set out a financial accountability framework and a financial management system that ensure an effective annual audit process.

Within the first 15 months:

- prepare and submit an annual report to the FPCC and the Minister within three months of the end of the fiscal year.

3.3.2. Board Members

The Canadian Pork Promotion and Research Agency's board of 11 members would be comprised of producers and importers:

- The agency's board would emulate the current national producer representatives' structure of the Canadian pork industry, which is weighted by the volume of production in each province. There would be 10 producer representatives, appointed annually as follows: Maritime provinces (1), Quebec (2), Ontario (2), Manitoba (2), Saskatchewan (1), Alberta (1) and British Columbia (1). These appointments would be based on a list of nominees, submitted by provincial pork producer organizations.
- The varying business structures of importers include brokers and traders, domestic-based packers, manufacturers, processors and retailers. From the import and total levy revenue estimates provided earlier, imports would contribute approximately 10% of the total annual levies collected. This would support allotting an additional one full-voting board member on an annual basis to be appointed on behalf of the import community. The national agency would reach out to pork importers in order to solicit their interest in representing their market segment's perspective on the board.

The agency's Board of Directors would be responsible for:

- ensuring due diligence on the part of the agency to meet relevant federal statutes, regulations, standards and procedures;
- approval and implementation of an annual national promotion and research plan;
- review of provincial and national promotion and research plans;
- review of provincial promotion and research program reports;
- review of reports produced by Swine Innovation *Porc* and Canada Pork International;
- usage/disbursement of funds received via import levies;
- review and adjustments to national levy rates;



- approval of the annual audit report and/or address any observations or concerns; and
- preparation and approval of the agency's annual report.

The PRA's organizational structure would include:

- A Chair of the board who would be the Chief Officer of the agency. The Chair would be elected by board members and preside over all meetings of the board of directors.
- The Secretary/Treasurer would be elected by and responsible to board members for reporting in a timely manner on all matters relevant to the financial management of the agency and its programs. Financial operations would be supported and implemented through contracted resources on a negotiated fee-for-service basis.
- The Chair and Secretary/Treasurer officers would initially be appointed by a resolution of the board at its first meeting, following the annual general meeting. Subsequent renewals or new appointments would be at the discretion of the board, as and when it considers appropriate.
- A key objective of the board would be to minimize administration costs and duplication. Best efforts would be made to take full advantage of structures and support resources at both the national and provincial levels.
- The agency, at its own expense, would undertake best efforts to obtain and maintain directors' and officers' liability insurance in amounts to be determined by the board.
- The board would set out in detail those agreed-upon procedural, legal and ethical matters of pertinence to the effective and efficient functioning of its operations and members such as: conflict of interest parameters, quorum requirements, minimum meeting participation rates, etc.

There would be a transitional board appointed consisting of 11 members to reflect producers (10) and importers (1). The transitional board would inaugurate the process of establishing a permanent board. The transition phase is expected to require six to nine months.



4. Summary of Evidence

4.1. Public Submissions

During the commenting period, 16 written submissions were received by the Hearing Secretary; nine were in opposition, four were in support and three submissions abstained from taking a position (see Appendix 7). Of this limited number, eight expressions of opposition were submitted by Canadian citizens who had no direct link to the pork industry. This was reflected in the nature of the comments, which were often not related to the role and responsibilities of a PRA. They made arguments against agribusiness in general, the price of meat products and humane treatment of animals rather than making a case against the establishment of a pork PRA. Three submissions made more critical comments on the decision-making processes of a potential pork PRA, in particular the board of directors' composition and the election process. Other arguments were that it would not benefit the complete pork value chain, and the proposed levy would add an additional cost to importers without providing them with any perceivable benefit. In effect only one of these submissions was opposed to the establishment of the pork PRA.

Although there were fewer submissions received in favour of the proposal, more detailed arguments were generally presented that the pork PRA would benefit all participants in the pork value chain. Specifically, a pork PRA would increase market access, allow further research to improve quality and the environmental sustainability of pork and pork products, as well as provide for the possibility to use collected funds to leverage further private and governmental resources, particularly for research. Some comments were received requesting that the PRA pay attention to importers' interests, and a comment was received from the U.S., after submissions were closed, highlighting the importance of transparency in the process of creation and administration of the PRA.

4.2. Public Hearings

Two hearings were held: one on January 19, 2016, in Calgary, Alberta, and a second on February 16, 2016, in Montreal, Quebec.

Presentation by the Applicant

The Canadian Pork Council presented the main points of the proposal it submitted at both hearings and answered questions from the Panel. At the sittings, CPC included comments on some of the points raised in the written submissions and elaborated more on its consideration of producer and importer support and selection of the importer representative on the proposed PRA board.

CPC explained that it is the national voice of hog producers across Canada. Its members are the nine provincial pork boards. Pork producers in each province authorized their provincial representatives to apply through CPC for the creation of a pork PRA. CPC informed the Panel that there was opposition to the proposal from some producers in the early years over concerns about additional administration, the potential loss of services and local promotion programs. After much communication, interaction and dealing with concerns, all provincial boards are now supportive. CPC sees its role, should the PRA be established, as working closely with the interim board to make the agency fully operational and then separating itself from it within 12 to 18 months.

CPC stated that it had consulted importers through the Canadian Meat Council (CMC) and Canada Pork International (CPI) since it was its view that these two organizations fully represented the interests of the majority of importers. When questioned about importers that were not members of these two organizations, CPC confirmed that none had been consulted since it was believed that CPI and CMC members were the major players.

Of CMC's members, 19 were classified as pork processors with some "importer" element in their activities; 23 members were listed as traders, with "near-all" including pork in their portfolios. CPC indicated that any given trader might be considered as a past, existing or potential importer of pork into Canada. All would have an interest in a potential import levy. CMC had not raised any concerns from its membership. The third category of members -- retailer/food service companies -- has three members. The degree to which this group



imported pork and pork products was unknown to CPC. Their expression of support though CMC, in absence of any objection, was assumed to be positive.

In terms of CPI, the situation described by CPC is similar to that of CMC, with two main categories of members: pork packers and processors (18), and traders (21) that included some importing activity. No issues were raised by CPI. Its letter of support was taken as a sign of no objection.

CPC also noted that the degree of duplication in membership between CMC and CPI should be viewed as positive, given that neither of these two substantive organizations had raised any concerns.

CPC maintained that it had made every reasonable effort to ensure that importer concerns had a full opportunity to be raised through the two industry associations best positioned to articulate and protect their interests. It believed that the “importer consultation test” had been fully met. In response to the Canadian Association of Importers and Exporters’ (IE Canada) submission that it should be the organization representing importers on the PRA board, CPC stated that IE Canada provided no evidence of who it represented as importers of pork, nor the degree to which its membership was more significant than those represented by CMC or CPI. CPC concluded that importer interests were best met by a representative from the importers themselves and that this could be best achieved through building awareness and working relationships with the PRA, once established.

In its response to a question from an intervener, CPC indicated that some retailers beyond those affiliated with CMC, were consulted on the PRA proposal through contacts with a number of provincial pork boards, as well as discussions at AAFC’s Pork Value Chain Roundtable where retailers are represented.

CPC explained that the impact of the levy on imports should be incidental for consumers, at less than 1 cent per kg on imported pork. Given that imported pork accounted for 28% share of domestic consumption of pork, the overall impact on consumers was minor, in its view. To the point raised in the submissions by retailers and importers that the true impact on consumers would include additional administrative costs required to comply with the import levy and that these would be passed on to consumers, CPC argued that importers have already implemented an efficient system for beef imports. The costs of adding pork to this system should be minimal. CPC argued that exchange rate movements and market price cycles dictated by U.S. prices affect consumers more than a minor levy amount.

The applicant presented in graphical form, a historical analysis of the U.S. pork levy converted to a per head basis, using data provided by the U.S. Pork Check-off (collected on a value basis) which illustrated that the proposed Canadian national levy of 75 cents per head, was similar to the trend line for the U.S. levy over the last 20 years. CPC confirmed that it was not practical to apply the U.S. system (based on value of product) in Canada as there is a successful per head levy system already in place at the provincial level. As for the import levy, the system managed by AAFC applied to beef imports will be extended to the pork sector. On a question from the Panel, CPC confirmed that it had discussed its PRA proposal at its regular meetings with the U.S. Pork Check-off and the (U.S.) National Pork Producers Council (NPPC), as well as with NPPC’s trade lawyer who was satisfied that CPC’s proposal would respect national treatment and would essentially mirror the U.S. Pork Check-off. This information was relayed to the United States Department of Agriculture that sent a comment letter to the Hearing Secretary. The letter is on the record.

In response to a question from the Panel, CPC indicated that all provincial levies currently collected are used for promotion and research activities under authorities prescribed in provincial marketing legislations. Each pork board must report back annually to its provincial supervisory board. On this basis, CPC identified the minimum common levy amount used for promotion and research across all provinces as the national levy for the PRA. CPC also clarified that Alberta is the only province with a refundable levy, which, in practice, is barely requested. Nevertheless, Alberta Pork has committed to providing the full levy amount for the PRA activities defined for Alberta in the national plan, regardless of whether any levy has in fact been refunded. CPC believes that this agreement protects the national treatment and the legal authority to collect the import levy. CPC responded to a question raised by the Panel and one of the submissions, about whether pork imports for pet food would be exempt from levy. CPC stated that there would likely be no exemptions, but this would depend on the final set of HS codes that would govern levy collection. With respect to the Panel’s question regarding



CPC's statement that provincial levies may be decreasing and the impact this would have on the national levy and the viability of the PRA, CPC indicated that this was the case a few years back when the pork market was in decline, but that recent market improvements and the exchange rate have stabilized levies and in fact Saskatchewan had increased its levy in order that it could be sure to provide the 75 cent commitment for the PRA. CPC was confident that as all the current provincial levies exceed the 75 cent commitments, the national levy will be stable going forward.

With respect to consultation with provincial supervisory boards on the PRA, CPC indicated that several of its provincial boards have had these discussions and to date no objections or concerns have been received. Some evidence on this point was received later from the limited number of producer representatives who were interveners at the public hearings.¹⁰

CPC responded to the Panel on questions regarding the establishment of the PRA board, that producer members would be nominated by the provincial boards and the board would operate independently from the boards of CPC, CPI and SIP. The importer representative would be selected after establishing a mechanism with AAFC to provide a list of importers' names, communicating with the importers to seek nominations, followed by an election process. The PRA would not itself conduct any of the promotion and research activities. Rather, CPI and SIP would be contracted to implement the programs on promotion and research respectively. CPC added that there might be a need for advisory committees to provide input to the PRA board, as the aim was to maintain the minimum governance structure necessary for the PRA.

When questioned by the Panel on why the proposed PRA would be in the public interest, CPC responded that the national PRA would provide consumers with science-based responses to consumer concerns regarding issues such as animal welfare and environmental impacts, give them reliable information on nutrition, preparation and products that is consistent across the country. In addition, the results of research funded through the PRA, on improved production methods, pork quality and new products would result in more choices and opportunities for consumers to enjoy pork, and strengthen the sector's social licence.

Presentations by Intervenors at the Calgary Hearing

Florian Possberg, Chair, Saskatchewan Pork Development Board (SPDB), Saskatoon, SK, Producer

Mr. Possberg stated that the pork sector's competitive advantage relies on continual producers' investments in market research, and technology improvements, animal health and on-farm food safety. These investments are key to ensuring the long-term ability to meet consumer needs for safe, nutritious, quality-assured and economically priced pork. That is why Saskatchewan farmers are in favour of its national organizations and fully supported and provided input through the entire process that CPC undertook in the development of the PRA proposal. As a result of meetings and producers' guidance, SPDB supports the implementation and governance model for the new agency and passed a motion to this effect in March 2015. Mr. Possberg, affirmed his confidence that the vast majority of Saskatchewan's 165 producers are in favour of the development of the PRA and the collection of the national levy.

Mr. Possberg confirmed that all 165 producers are automatically members of SPDB, since they pay levies as required by provincial legislation. Even for those that send hogs to Manitoba and Alberta for slaughter, as there is no federal plant in Saskatchewan, the Saskatchewan levy is deducted and sent to SPDB.

On the Panel's question regarding the challenge of support from importers, Mr. Possberg stated that the research and promotion benefits all pork that is sold in Canada, including imports and any promotion and research will have cross-border benefits. "We benefit from what the Americans do and they will benefit from what we do."

¹⁰ FPPC note: CPC made a presentation of its PRA proposal to representatives of all provincial supervisory boards at their annual meeting of the National Association of Agricultural Supervisory Agencies (NAASA), Ottawa, 2012



Frank Novak, Chair, Alberta Pork Producers, Edmonton, AB, Producer

Mr. Novak stated that Alberta Pork supported the PRA, as this provided an opportunity for all stakeholders in the pork value chain, including producers, importers and consumers, to work together to ensure a safe, nutritious food supply based on scientific research and extension. The PRA would assist stakeholders to understand any consumers' concerns by providing credible information, in order to rebuild the Canadian domestic market and expand export markets.

On the Panel's question of the level of support among Albertan producers for the PRA, Mr. Novak answered that Alberta Pork and its producers (370 registered producers) were supportive of the agency, as they are extremely aware of the issues and support any activity that can help get the funds to do a better job of addressing them. He also confirmed that his organization had had multiple conversations with the Alberta Farm Marketing Commission, with regards to ensuring it was aware of the initiative, its opinions were sought, and interaction with provincial legislation was examined.

Egan Brokhoff, Prairie Swine Health Services, Red Deer, AB, Veterinarian

Dr. Brokhoff's company provides veterinary support for independent pork producers, colony-based pork production and cooperatives in Alberta, and provides animal health advice to CPC and other pork bodies when requested. He was supportive of the PRA as he believes that the agency would positively impact research and initiatives that support animal health, animal welfare, food safety and public health. It would, benefit the industry, its social licence and act as a voice for producers of a product that is nutrient-dense, of high quality and a wholesome food choice. He stressed that the industry remains constantly at risk of new and emerging diseases, as well as new pressures related to antimicrobial resistance and usage, quality assurance and animal welfare challenges, which need consistent funding for research to find solutions. The PRA could act as a coordinating body in Canada to take on these initiatives at national, regional and local levels.

Presentations by Intervenors at the Montreal Hearing

James Laws, Executive Director, Canadian Meat Council (CMC), Ottawa, ON

The Canadian Meat Council represents Canada's federally registered meat packers and processors as well as the industry's numerous suppliers of equipment, technology and services. CMC has 49 regular members, 13 of whom are identified as pork slaughter companies and 23 in meat-processing; 87 associate members, one of whom is in pork slaughter; and three companies that are retail/food service members.

Mr. Laws confirmed CMC's support for the PRA proposal and noted that its members, some of whom in the processor and trader categories, were also importers of pork were also in favour. CMC believes it is important that import interests share in the cost of efforts to promote pork consumption through consumer research, market development and consumer education. He proposed that there should be a pork processor representative on the PRA board, to bring a marketing perspective, since these companies deal directly with markets, both in retail and food service. This would be in addition to there being importer representation on the PRA board, selected through the open nomination process involving all importers suggested by CPC. Mr. Laws suggested that such an open process could also be used for selecting a processor director and that it would not be necessary to expand the board, as the processor could replace one of the 10 producer seats. CPC noted that CMC processor members would not pay any levy to the PRA, unless they are part of the approximate 35% of production that comes from producer-processors, or they are importers. CMC stressed that it was important to have marketing expertise on the board to ensure relevant investments in promotion programs, rather than relying on CPI's marketing expertise at the program implementation level as suggested by CPC in its proposal. Mr. Laws confirmed that the PRA proposal had been regularly discussed at AAFC's Pork Value Chain Roundtable meetings, where retailers, processors and importers as well as producers were represented.



Jacques Pomerleau, President and Neil Ketilson, Chair, Canada Pork International (CPI), Montreal, QC

Canada Pork International is an organization that unites Canadian pork exporters, provincial institutions and service organizations to promote Canadian pork in a variety of international markets, through services to clients, importers, end-users and consumers abroad. Since 2014, it also runs the Canada Pork Domestic Promotion Initiative, which works on generic promotion of pork to Canadian consumers.

CPI was established in 1991 as a joint initiative of the CPC and CMC. Its 60 members include 21 trading companies, 18 pork packers and processors, and 21 associate members. Of these groups 19, 14 and four respectively are also members of CMC.

Mr. Ketilson opened the presentation by describing CPI's role and particularly the composition of its 12-member board, comprised of six producers nominated by CPC and six from CPI representing packers and traders, which has worked well for generic promotion of pork, both nationally and internationally.

Mr. Pomerleau continued by affirming CPI's support for the proposed PRA due to the need for additional resources to increase pork consumption in Canada that has steadily decreased over the years. In 2014, consumption was 15 kg per person, a 32% reduction since 1981. Pork now has the lowest consumption among pork, beef and chicken. Without robust and adequately funded market development, national nutrition and culinary programs, pork consumption will continue to fall. CPI believes a national PRA with stable funding would allow for the full implementation of a national strategy to increase pork consumption across all provinces in a consistent and coordinated manner that CPI has initiated.

In response to a question from the Panel, Mr. Pomerleau highlighted the main challenge for the industry is the need to increase pork consumption in Canada. Exports are around 65%, while other countries, like the E.U. and the U.S. have exports that are far lower estimated at between 15% to 30% of their production. This is a risky situation for Canada, as the lack of a strong market base at home, would cause major problems for the industry if anything happened on world markets because of disease or other issues.

In response to a question from CPC, Mr. Ketilson stated that CPI had over 20 years' experience of managing funds from the federal government for a range of marketing initiatives. Most recently CPI developed a national pork marketing project funded by AAFC's Agri-Marketing Program, demonstrating that it has the capacity and expertise to implement promotion activities for the PRA. On another point raised by an intervener, CPI clarified that it did not agree that the purpose of the PRA was merely to collect a levy and distribute this to ongoing pork promotion and research programs. Rather the PRA would lead the definition and priorities for the industry and direct its funds to CPI and SIP accordingly.

Stewart Cressman, Chair, John Webb, Director and Abida Ouyed, Manager, Swine Innovation Porc (SIP), Quebec City, QC

SIP had provided a detailed presentation of its organization and research programs prior to the hearing. Mr. Cressman outlined the importance of collaboration in defining research needs and priorities to ensure that benefits accrued across the value chain. This effort would be facilitated by having a national PRA structure, particularly for topics that are national in nature.

SIP's experience had shown the importance of leverage in multiplying the funds for research based on the basic investment from producers' funds, so called demand-driven research, in its research cluster programs supported by AAFC. Based on a Memorandum of Understanding (MOU) with each participating province, SIP receives a 2.5-cent per head payment for its operations and research, and in turn it establishes contracts with researchers for individual projects. CPC facilitates the collection of this payment from the provincial boards and passes it on to SIP, but there is no contractual arrangement between SIP and CPC for research activities. If the PRA were established, the PRA would have a contractual arrangement with SIP to implement research activities. CPC confirmed to the Panel that should the PRA be created, this 2.5-cent per head payment would continue to be collected for SIP and it would be accounted for as part of the 75 cent per head domestic levy assigned to the national PRA.



SIP indicated that a national PRA and its additional resources would also assist in training human resources all along the value chain for the future of the industry and would be able to respond to new challenges that occur, which cannot be handled in contracted research programs that are planned and funded in advance. Dr. Webb highlighted that the PRA and its additional stable resources would provide a major competitive edge to Canada, which already has one of the best swine science capacities in the world. Additional resources would mean the industry could build and broaden its research in areas such as alternatives to antibiotic use in production, understanding emerging animal health threats, meat grading etc. In response to a question from the Panel on intellectual property, SIP stated that this belonged to the researcher who generated it but that SIP retained the exclusive licence for its application. This means the researchers can publish and the industry can benefit from application of the new knowledge.

Jean Larose, Executive Director and Normand Martineau, Executive Member, Les éleveurs de porc du Québec (EPQ), Longueuil, QC

Mr. Martineau made a presentation describing the EPQ, the pork industry in Quebec and its importance to the Quebec and Canadian economy. It has 3,300 producers, 1,905 enterprises in seven regions across the province. Exports are 70% of Quebec's production and 47% of Canadian pork exports. EPQ is responsible for collective marketing of hogs and distributes payments to producers. EPQ has considerable history in funding, promotion and working in development of the pork value chain.

EPQ has been a strong supporter of the national PRA initiative since it began. Mr. Martineau outlined the main reasons EPQ supports a national agency:

- research and development needs continued support at a time when federal funding is declining, and needs to be provided in a more coordinated way building on national organizations, such as SIP;
- a national promotion strategy is required to better compete in local and export markets, again building on national efforts such as Canada Pork at CPI; and
- better balance and fairness in the system is necessary through a reciprocal levy on imported pork, as importers benefit from growth of the Canadian market.

In response to questions from the Panel, EPQ indicated that:

- The support of producers was shown by their acceptance of the Quebec Board's plans at various meetings and AGMs along with their continued support for maintaining budgets for research and development, as well as for promotion and marketing even when financial cuts were being considered.
- The supervisory board had not been formally consulted on the PRA proposal. EPQ plans to meet with the *Régie* when a decision has been made on the PRA's establishment and expects it will be favourable given the precedent set by the beef PRA.
- Importers have not been participants in EPQ's pork value chain activities and were not consulted on the PRA proposal. There has been recent development of relationships with distributors on some of their projects with initial reticence. Efforts to reach importers need to be made.

Joy Nott, President and CEO, Canadian Association of Importers and Exporters (IE Canada), Toronto, ON

IE Canada is a trade association that has existed for 84 years. Its members are not industry/sector specific but represent all aspects of international supply chains including importers, exporters, manufacturers, wholesalers, distributors, retailers and service providers.

Ms. Nott explained that IE Canada would abstain from indicating support or opposition to the pork PRA proposal. She had consulted the full IE Canada membership and held a conference call with 14 members who self-identified as having an interest in the proposal, and found both support and opposition among members on the call. Two large meat companies that import and export were in favour because they supported funding for research leading to increased pork consumption in Canada and reciprocal levy treatment for pork imported into Canada. Those who opposed, mainly retailers, were concerned mainly that the timing was not



good to introduce additional costs, given the current economic and food price situation in the country and they perceived no benefit for them from the levy and a PRA.

Ms. Nott commented on IE Canada's experience as a board member representing importers on the Canada Beef PRA. IE Canada had not opposed the implementation of the beef levy and had worked with Canada Beef staff to develop processes to make sure that beef importers would understand the invoices they were receiving and could pay Canada Beef as quickly as possible. Currently, IE Canada is working with Canada Beef and a range of government departments in efforts to legally authorize the Canada Border Services Agency (CBSA) to collect the levy at the border when all other fees are paid, to streamline the process to match what is done when Canadian beef is exported to the U.S. This approach will be simpler for importers and ensure the confidentiality of their business affairs.

Ms. Nott commented on CPC's response to the first of the seven points in IE Canada's written submission that it should represent importers on the PRA board. CPC stated that there was no evidence of IE Canada being representative of the import community. IE Canada's concern is that there may be processors who are also importers, but there are also importers who are not necessarily processors. There are pure importers, companies who do not process pork in Canada or anywhere else. They are wholesalers and distributors that import products containing pork that will be covered by the proposed levy. IE Canada represents these pure importers, as well as some of Canada's largest pork processors, importers and exporters. Ms. Nott affirmed that as IE Canada is the importers' association it should represent importers on the proposed PRA board. On a question from CPC, Ms. Nott responded that IE Canada would not object if another trade association, that represented importers, was put forward instead of IE Canada, as long as it represented those pure importers and did not duplicate other interests, such as processors that are already represented on the PRA board.

Regarding the third point of the IE Canada submission, relating to the number of directors representing importers on the board, she concluded that an appropriate formula should be established that ensures fair representation. On the fourth point, regarding a separate account for the funds collected from the import levy, Ms. Nott stressed that it was important to track and report on the funds transparently. The next point on spending of the import levy funds being subject to a veto from the importer representative on the PRA board, Ms. Nott responded to a question from CPC, that IE Canada's experience on the Canada Beef Board found that the veto was not effective and this requirement is no longer in place. For the pork PRA, Ms. Nott believed this would also apply, but that some sort of approval process is required, which involves importers on how levy money collected from them is to be spent. The other three points in IE Canada's submission were covered elsewhere in the discussion or were administrative points to be considered.

In response to a question from the Panel, Ms. Nott confirmed that in the teleconference with IE Canada's members on the pork PRA, none of the members mentioned any concern about the amount of the levy the PRA proposed to collect on imports. On another question, Ms. Nott indicated that apart from the 14 on the teleconference, and perhaps a few more, she was not able to identify the specific number of pork importers in IE Canada's membership as import tariff classification is not an identifier in the organization. However, Ms. Nott stated that there are approximately 150 member companies in IE Canada that self-identify as being in the food sector.

Jason McLinton, Senior Director for Government Relations, Retail Council of Canada (RCC), Ottawa, ON

RCC, established in 1963 is a not-for-profit, industry-funded association representing more than 9,000 retail organizations. Its grocery members represent over 90% of the market in Canada.

Mr. McLinton stated that RCC, specifically its grocery members, as Canadian importers of pork and pork products, and also as organizations that interface with consumers and meet consumer needs on a daily basis, do not support the creation of the PRA for pork. He presented the reasons, which had also been included in RCC's written submission for the public hearings:



1. The proposed levy on imports represents an additional cost to importers and retailers and yet another cost to Canadian consumers, making it more difficult to access nutritious food.
2. There is no evidence in the proposal to demonstrate a return on investment or sustainability, particularly when collection, administration and salaries are included.
3. The proposed levy would impact importers disproportionately.
4. The proposed agency would be of little benefit to importers or consumers. Its proposed goals, governance structure and levy system favour domestic producers.
5. There is no indication of importers' support in the proposal. Mr. McLinton acknowledged that new information presented at this sitting had clarified this last point and he indicated he would update his members that some producers as well as processors, who also act as importers, have demonstrated their support for the PRA.
6. There are serious concerns with regards to the collection and handling of extremely sensitive confidential business information on imports such as market share. Mr. McLinton indicated that the information presented at the sitting around CBSA or potentially AAFC being involved in levy collection was positive but he felt this would need to be worked out before the proposal moved forward.

In response to a question from the Panel, Mr. McLinton indicated he did not have the total number of RCC members who were pork importers, but those grocery members he consulted all indicated they were involved, directly or indirectly, in importing pork or pork products. He confirmed that some of these members would overlap with some of these other organizations present, CMC and CPI. On a further question on how these members were consulted to assess their position on the PRA proposal, Mr. McLinton explained the process used. First, an email notice was sent to RCC's grocery members, requesting those interested to identify their contact person. Then there was a series of teleconferences as well as email exchanges. There were no indications of support and the submission reflects the views of the membership .

CPC questioned RCC's concern on the issue of return on investment that was raised in its submission and presentation. Mr. McLinton indicated in his response that it is not a question of the amount of the levy and any additional costs, but rather the return on this investment. CPC asked whether RCC's members had indicated that they are not pleased with the current return on investment from the activities funded by producer levies already taking place to promote Canadian pork within retail stores in some provinces. Mr. McLinton answered that he had not discussed this with his members and was not in a position to comment.

CPC informed Mr. McLinton that producers for many years have been investing in market information, consumer information on proper handling of meat, and other issues that are used in retail stores and it is not clear why importers in the same market would not make an appropriate financial contribution to these programs. Mr. McLinton stated that it was reasonable to expect, that if retailers were being asked to pay into a fund, that they would be consulted and have a say on how it was spent. CPC responded that as importers this would be the case. CPC also asked whether RCC refuted the ample economic evidence from many studies and analysis conducted in the U.S. and Canada suggesting a highly beneficial cost-benefit ratio arising from the use of levy funding which had been cited in the PRA proposal. Mr. McLinton responded that he was not in a position to comment on those studies and that RCC did not see a demonstrated return on investment in the proposal.

On a question from the Panel on RCC's position on the apparent unfair situation that Canadian pork exporters must pay levies to the U.S. Pork Check-off, while U.S. pork is imported into Canada without any levy, Mr. McLinton said he was not able to comment on international trade.



Robert de Valk, Executive Secretary, Canadian Association of Regulated Importers (CARI), Ottawa, ON

The Canadian Association of Regulated Importers (CARI) is a federally incorporated non-profit organization created to represent primarily the interests of importers that are regulated by way of import quotas supporting national agencies created under Part II of the FPAA. CARI members are also importers of other meat products such as beef and pork products.

Mr. de Valk's presentation covered his organization's concerns regarding the model for setting up the PRA as it will act as a template for future PRAs, in particular the lack of consultation with the majority of importers, the need for greater representation for downstream stakeholders on the board, including importers, a double majority vote for approval of expenditures of import levy funds and the need for prevention of access to confidential business information of importer companies in the PRA's operations.

Mr. de Valk indicated that CARI had consulted its importers, who agreed that the PRA should be established. However CARI believed that the proposal did not demonstrate that CPC was serious about bringing importers into the PRA. At a minimum, CARI believed that it must be shown that the majority of producers are in favour and the majority of importers are in favour. [The Panel Chair pointed out that this was not, in fact, a requirement of the FPAA¹¹.] CARI submitted that the test of whether the majority of importers were in favour had not been met because they were not consulted. Mr. de Valk indicated that only an estimated 100 to 200 pork importers were consulted,

Mr. de Valk suggested that the PRA board could go beyond the minimum, so that there was not a dominating group such as the proposal describes to have five downstream stakeholder representatives, including importers of which two seats could be filled by CARI representatives. On a question from the Panel, Mr. de Valk indicated this was not because CARI represented more importers than CMC, IE Canada or RCC, but because it had two highly qualified members for this role. In response to another question from the Panel, Mr. de Valk stated that CARI currently had 32 members with three major pork importers and a few others in meat-importing. He agreed to provide the Panel with the names of these companies. CARI was also critical of the applicant's plan to wait until the PRA is proclaimed before contacting importers to seek nominations for the board, as well as leaving the seat empty for some time until this process was completed. This process could be left to the trade associations representing importers as a more efficient manner of identifying nominees.

CARI is in agreement with others that the import levy should be collected by an independent third party, preferably CBSA, to protect commercial business information. CARI recommended that the levy should be collected on products with a minimum of 50% pork, which it believes is the international protocol.¹²

CPC posed the question that as CARI's core membership are regulated importers, whose business dealing with import restrictions is the antithesis to the way pork industry moves across the border in an uncontrolled manner, why would it seek a seat on the Board product, as an importer. Mr. de Valk responded that in CARI the term "regulated" covers any product created under the FPAA whether in Part II agencies (supply-managed with import restrictions) or in Part III agencies (PRAs). Its members are already importing these commodities and there have been some negative experiences with the Beef PRA. There was interest to become more actively involved in the pork agency .

¹¹ The requirement is that the aggregate of the number of producers and importers is in support of the establishment of the agency (FPAA, subsection 39 (1)).

¹² This would be determined for individual products by the rules described in the Customs Tariff and the classifications of the Harmonized System (HS).



5. Panel's Findings

The Panel evaluated the evidence and information on the applicant's proposal for the establishment of a Canadian Pork Promotion and Research Agency.

Finding #1: The Panel is satisfied that the level of support among Canadian pork producers and importers is sufficient to meet the requirements of the Farm Products Agencies Act for the establishment of a promotion and research agency.

The FPAA requires that the majority of the aggregate of producers and importers must be in favour before FPCC can recommend the establishment of a PRA to the Minister.

The applicant did demonstrate through letters of support from all provincial pork organizations representing all registered pork producers in each province, together with evidence from reports of regular meetings and motions taken at some provincial boards, that few if any producers were opposed to the proposal.

With regard to importers, the evidence of support is less compelling, since the applicant did not consult widely with the pork importing companies in Canada. However, through its own efforts, it did consult with CMC and CPI to assess the degree of support of their pork importer members, which was reflected in their letters of support, submitted with CPC's application and their testimony at the public hearings. Additionally, other organizations with pork importer members, CARI and IE Canada, were not opposed to the initiative (IE Canada had members opposed as well as supportive). Only RCC, specifically its unknown number of grocery members who also imported pork, was opposed. In the public submissions, no other importers registered either support or opposition.

According to data from AAFC, in 2014 there were 362 companies that imported pork and pork products into Canada. The applicant provided the Panel with listings of the members of both CMC and CPI who were identified as importers of pork and pork products. On comparing these lists, CPC and CPI importer members represented 27 of the 362 importers (7.5%). These companies imported 28.7% of the total volume. Of the top 20 importers, CMC and CPI importer members represented nine or 45% of these companies; while in volume these nine companies represent 32.7%. This situation has remained fairly stable over the four-year period, 2012-15 (see Appendix 8).

The Panel finds that there are significant indications of support from importers and much less demonstrated opposition. The FPAA does not require a majority of support from importers rather that the majority of the aggregate of producers and importers must be in support. This condition is clearly met with 5,898 producers and 27 or so importers in favour within an aggregate of 6,260.

Finding #2: The Panel is satisfied that the proposed PRA board composition meets the requirements of the Farm Products Agencies Act.

The FPAA, subsection 40(2) and (3) states:

The number of members of an agency shall not be less than three and not more than sixteen.

Where an agency is authorized by proclamation to exercise its powers in relation to one or more farm products in import trade, the majority of the members of the agency shall be comprised of representatives of the following groups, namely, (a) primary producers of those farm products, and (b) importers of those farm products, and the number of representatives of each such group within that majority shall, subject to there being at least one of each group be in proportion to the share of each such group, in the aggregate of the total intraprovincial, interprovincial and import trade.

The applicant proposed a board with 11 members, 10 representing producers and one representative of importers. Its aim is to minimize governance demands, consistent with the requirements of the FPAA and emulate the producer representation among the provinces that has worked well for CPC's Board. The justification for one of the 11 seats for importers was presented by CPC based on its calculation of the proportion of the annual levy revenue from average imports for 2010 to 2014 at \$0.75 per head equivalent of the total levy applied at the same level on the average domestic production over the same period. This was approximately 11%, hence the requirement for one seat. Although this value-based calculation does not strictly follow the market volume share approach, specified in the FPAA and demonstrated in Table 2, the outcome is the same: the ratio of importer seats to producer seats is 1:10. There was evidence presented that only having producers and importers on the board may not provide the breadth of experience for direction of promotion and research activities, so the applicant should consider ensuring at least that those provinces that have two producer seats have one producer representative with processor and/or marketing experience in addition to advisory committees on promotion and research which can provide input to the board.

The Panel noted that the applicant had not consulted the majority of pork importers and, given a favourable decision on establishing the PRA and following its proclamation, it planned to work in collaboration with AAFC and use its list of importers to contact all importers of record to inform them of the PRA, the import levy and to seek nominations for a representative of the importers to serve on the PRA board.

The FPAA, in paragraph 40(1)(e), stipulates that the proclamation must provide for the manner of appointment of board members. Therefore the applicant must continue discussions with the organizations representing importers, that intervened at the public hearings and consult the majority of importers to identify the most appropriate procedure for selecting the importer director on the PRA board, as well as how this director can ensure adequate communication with the disparate importer community.

Finding #3: The Panel is satisfied that the proposed \$0.75 per head levy on all intraprovincial, interprovincial and import trade of hogs and pork products would generate benefits to all stakeholders in the pork value chain and would have limited financial impact on consumers.

The Panel accepts the work described by the applicant to identify that a national levy amount of \$0.75 per head was feasible and appropriate for domestic production in each of the nine provinces to contribute to the national agency's promotion and research plan and to be committed from the provincial levies which are currently in place. The Panel agrees with the applicant that assessing the same amount of levy on a per head basis on imported pork and pork products, as is already done on domestic production, is more practicable than attempting to use in Canada the value approach employed in the U.S. Pork Check-off.

The Panel recognizes the challenges facing the PRA, if approved, to establish its contractual relationships with each provincial board in terms of tracking the \$0.75 levy commitment, the activities funded as well as results, so that these are coordinated at the national level, together with those of national activities. In this way, all expenditures, activities and results will be consolidated and relate to the national promotion and research plan. This will be a key area for FPCC review of the PRA's annual reports and plans. The Panel believes it will be key for the PRA to regularly communicate its actions and results to its value chain stakeholders so they can perceive benefits of the agency, especially in light of comments at the sittings that return on investment has not been seen yet by some stakeholders in the beef sector.

The applicant estimates that over the 2010-2014 period, the average annual levy revenue from domestic production would have been \$15.67 million, while that from imports would have been \$1.8 million. FPCC has estimated that the range of these revenues on an annual basis would have been \$15 to \$16 million and \$1.5 to \$1.9 million respectively over the same time period (see Appendix 9), so the proposed agency's targets seem realistic. Given the initial budget level of \$240,000 annually, due to the lean administrative structure which is planned for the PRA, the Panel is confident that annually \$1.3 to \$1.7 million will be available for national programs as major new and stable funding for promotion and research activities which will advance the pork



sector. This will more than double the annual budgets that producers provide currently via CPC to CPI and SIP for promotion and research funding (evidence at the hearings indicated their annual budgets were each \$500,000). The availability of such stable funding would considerably enable the PRA to seek partnerships and leverage additional funding from federal and private sector programs, which require producer investment.

At the hearings, the applicant indicated that the import levy would raise the price per kilogram of imported pork by about 1 cent/kg, which if passed on fully to consumers would be minor. FPCC analysis over five years of imports, confirms that the figure would have been less than 1 cent with an average of 0.83 cents/kg. Taking into account that 28% of pork consumption is from imported products (see Table 2) and the annual per capita consumption is 22 kg, CPC estimated that Canadians would spend only six cents more per year if the import levy was fully passed on to consumers. The Panel agrees that this potential increase is marginal when compared with the benefits that could accrue to consumers from investment of the accumulated levies in terms of product choice, quality, nutritional and preparation information as well as scientific progress in animal health and welfare, production methods and environmental impacts.

The Panel was pleased to learn that the applicant had established that national treatment obligations of the WTO had been addressed in the levy collection scheme. A minimum levy of \$0.75 was to be collected in each province on each hog, which matched the import levy to be charged. CPC had also dealt with the situation of Alberta, where the domestic levy is refundable and therefore raises the risk that some farmers may have some part of the levy refunded, which means importers are paying more than these farmers. In order to prevent this occurrence, the provincial board in Alberta has agreed to commit the full levy revenue on its production to the PRA. CPC has stated that this arrangement and the levy commitments of all the provincial boards will be covered by MOUs to be signed between each board and the PRA. It is essential that CPC and its provincial board executives consult with each provincial supervisory board to inform them of the proposed PRA's plans and to ensure that local legislation and authorities are in place to permit implementation of its plans.

At the sittings, the Panel heard several calls for action to establish the Canada Border Services Agency as the collector of the import levy at the border when all other payments are being made, as is the practice when Canadian pork is imported into the U.S. According to IE Canada, CBSA currently does not have the legal authority to collect this type of levy. If this were so, importing companies would be more comfortable paying at this point since their concerns over confidentiality would be allayed. The PRA, if established, should work with Canada Beef and importer organizations to advocate for this change at CBSA, which will benefit these PRAs and those of the future. In the meantime, the system employed by Canada Beef to collect the import levy will be employed by the Pork PRA.

Finding #4: The Panel is satisfied that the establishment of the Canadian Pork PRA will be in the public interest as a means to ensure that national programs in promotion and research, coordinated with provincial programs, would advance scientific knowledge and application of results in the pork value chain. Further, the agency would develop the pork market in Canada for the benefit of Canadians.

The Panel heard evidence that CPC, through its provincial boards and producers, already fund, by means of a provincial levy, some market promotion, market development and research activities. Several interveners strongly advocated the need for increased, more stable funding to deal with the increasing complexity of the scientific issues impacting the pork sector, their interwoven nature as well as competitiveness, marketing opportunities and reliable consumer information challenges. The Panel agrees with the applicant that a national pork PRA will provide a vehicle for a more strategic, coordinated and national approach needed by producers, in collaboration with others, to develop their industry.

While the applicant did not provide a national promotion and research plan in its proposal, an extensive list of potential activities was provided. In addition, the Panel heard from several interveners of important topics requiring attention such as development of pork-grading, emerging animal diseases, alternatives to antibiotics, promotional material on the use of pork cuts by new and young consumers, etc. The Panel believes that the



applicant should decide quickly on the priority topics in its first five-year plan and its first year action plan, together with project budgets and participants at the provincial and national levels, so its plan would be ready for inclusion in the proclamation, if the PRA is approved.

The Panel believes that the establishment of a Canadian Pork Promotion and Research Agency is in the public interest. Hog producers are active across the whole country, and with other participants in the pork value chain, contribute significantly to local economies, the food industry and employment as one of Canada's most important agricultural export industries. Nationally, the PRA would coordinate the development of new scientific and marketing information to strengthen and grow the sector. Canadians overall would benefit from increased access to reliable information on pork production and preparation leading to increased consumption of this nutrient-dense food in new ways, increased employment in a growing value chain and improved animal health and production methods that would have less impact on the environment and less public health risks.



Appendix 1. List of participants at the pre-hearing teleconference



Farm Products Council of Canada
Thursday, November 5, 2015 @ 1:00 p.m.

| NAME | COMPANY |
|---|--|
| Participants to the French teleconference | |
| MELANIE PRUNEAU | Farm Products Council of Canada |
| CELINE TREMBLAY | Farm Products Council of Canada |
| ADIDA OUELLET | Steno Tran |
| Participants to the English teleconference | |
| MARYSE DUBÉ | Farm Products Council of Canada |
| MARTIN RICE | Canadian Pork Council |
| ABIDA OUYED/STEWART CRESSMAN | Swine Innovation Porc |
| AMANDA NEADOW | Canadian Association of Importers and Exporters |
| JOY NOTT | Canadian Association of Importers and Exporters |
| KEITH MUSSAR | Canadian Association of Importers and Exporters |
| BEN GRANT | Conway, Baxter, Wilson LLP |
| CORLENA PATTERSON | Canadian Sheep Federation |
| FRANCOIS BEDARD | Agriculture and Agri-Food Canada |
| PATTY NEGRAVE | Agriculture and Agri-Food Canada |
| GORDON STOCK | Ontario Farm Products Marketing Commission Secretariat |
| GUY BEAUDRY | HyLife Foods |
| JASON MCLINTON | Retail Council Canada |
| JIM LAWS | Canadian Meat Council |
| JORGE CORREA | Canadian Meat Council |
| MIHAI LUPESCU | United States Department of Agriculture |
| ROBERT DEVALK | Canadian Association of Regulated Importers |
| WILLIAM CURLEY | Steno Tran |



Appendix 2. Provincial levy rates (\$/head)

| Province | Market Hogs | Culled Sows/Boars | Feeder Pigs | Enabling Levy Collection | Levy Type | Levy Application |
|----------------------|-------------|-------------------|-------------|--|------------------------------|---|
| British Columbia | \$1.00 | \$1.00 | \$0.00 | <i>Natural Products Marketing (BC) Act</i> | Mandatory and non-refundable | Applied to intraprovincial, interprovincial and export sales. |
| Alberta | \$1.00 | \$1.00 | \$0.25 | <i>Alberta Marketing of Agricultural Products Act</i> | Mandatory and refundable | Applied to hogs slaughtered within or outside of province, and exports. |
| Saskatchewan | \$0.85 | \$0.85 | \$0.23 | <i>Saskatchewan Agri-Food Act --2004</i> | Mandatory and non-refundable | Applied to domestic and export sales of slaughtered hogs and sows, and exports of feeder pigs. |
| Manitoba | \$0.80 | \$0.80 | \$0.19 | <i>Manitoba Farm Products Marketing Act</i> | Mandatory and non-refundable | Applied to raised hogs or weanlings within the province with an exemption producer to producer exchanges. |
| Ontario | \$0.95 | \$0.00 | \$0.20 | <i>Ontario Farm Products Marketing Act</i> | Mandatory and non-refundable | Applied to all hogs raised within the province, whether sold interprovincially, exported or slaughtered. |
| Quebec ¹ | \$1.17 | \$8.39 | \$0.00 | <i>Loi sur la mise en marché des produits agricoles, alimentaires et de la pêche</i> | Mandatory and non-refundable | Applied to hogs slaughtered. |
| New Brunswick | \$1.00 | \$5.00 | \$0.00 | <i>New Brunswick Natural Products Act</i> | Mandatory and non-refundable | Applied to all hogs produced in the province. |
| Nova Scotia | \$1.60 | \$1.60 | \$0.15 | <i>Nova Scotia Natural Products Act</i> | Mandatory and non-refundable | Applied to each hog marketed by a producer. |
| Prince Edward Island | \$1.23 | \$1.23 | \$0.28 | <i>Prince Edward Island Natural Products Act</i> | Mandatory and non-refundable | Applied to pigs sold in the province and exported. |

Source: Provincial Legislation and Provincial Commodity Boards, as of April 2016

1) The levy amount shown for market hogs in Quebec is the portion applicable to programs administered above and beyond the sales function of the organization, primarily hog sales. The sales functions are financed with \$0.31 of the \$1.48 levy, leaving the remaining \$1.17 available for promotion and research, and other activities.



Appendix 3. Provincial legislation on pork industry marketing plans

| Province | Marketing Plan Excerpts -Research and Promotion Activities |
|----------------------|---|
| British Columbia | " The objects of the scheme are: to initiate, support or conduct programs for promoting , stimulating, increasing and improving the economic well-being of persons engaged in the production, processing and marketing of the regulated product; to initiate and carry out programs for the regulating, promoting , stimulating, increasing and improving the market...." BC Hog Marketing Scheme 2(2) a,b |
| Alberta | " ...The Corporation may initiate and carry out programs to: expand market awareness and demand for swine, including the development and promotion of markets and education of consumers; conduct or support studies and research and development relating to the production, marketing and processing of swine and pork; increase consumption by consumers." Alberta Pork Producers' Plan Regulation 6(2) b,c,f,g |
| Saskatchewan | "the specific purposes of the plan are: to encourage, assist and carry out market development and promotion of hogs and pork in domestic and export markets; to conduct, encourage or assist in the carrying out of studies and research" Pork Industry Development Plan, 2013 5(2) b,e |
| Manitoba | "The purposes of this plan are: to support research activities related to hog production, environmental practices, quality assurance and animal welfare initiatives; to encourage programs related to market development, promotion and consumer education." Manitoba Hog Producers Marketing Plan Regulation 2(1) b,c "For the purpose of carrying out its duties.....Council may: Advertise and promote the hog industry in any manner it considers advisable; initiate , encourage, support and conduct programs and research into any aspect....." Manitoba Hog Producers Marketing Plan Regulation 8(2) a, c |
| Ontario | "The collected fees are used for services that benefit the entire Ontario swine industry including research , environment, consumer education, and policy and government relations" Ontario Pork - Role of Ontario Pork section (www.ontariopork.on.ca/About-Us/Legislation) |
| Quebec | "les Éleveurs peuvent...orienter la production du produit visé selon les besoins des marchés et chercher à maintenir un sain équilibre entre la production et la consommation du produit visé; mener des enquêtes en vue de rechercher de nouveaux débouchés, bonifier les débouchés existants; affecter une partie de la contribution des producteurs à l'administration du Plan conjoint à des fins de publicité du produit visé ou, suite à l'autorisation prévue au paragraphe 13, décréter une contribution spéciale à cette fin;" Plan conjoint des producteurs de porcs du Québec 12 (2,3,12) |
| New Brunswick | "The purpose for which the Board is established are: the promotion , control and regulation within the regulated area of the marketing (and production) of the regulated product; promotion of the consumption and use of the regulated product; and research activities pertaining to the regulated product." Hog Plan and Levies Regulation, NB Reg 2003-83 8(a,b,c and d) "The Board is authorized: to use levies or charges for the purposes of the Board, including promotion and research activities " Hog Plan and Levies Regulation, NB Reg 2003-83 12 (1) c(iv) |
| Nova Scotia | This Plan has the following purposes: to control and regulate all aspects of the marketing of hogs in the regulated area; to stimulate, increase and improve the marketing and production of pork and pork products in the regulated area; to provide forums for disseminating information to producers about pork production and marketing." Pork Marketing Plan 3 (a,b and c) |
| Prince Edward Island | " The Lieutenant Governor in Council hereby vests in the Prince Edward Island Hog Commodity Marketing Board all powers necessary to enable it effectively to promote , control and regulate the marketing of hogs" Natural Products Marketing Act- Hog Commodity Marketing Regulations 40 |

Source: Provincial Legislation



Appendix 4. Estimated annual budget for proposed agency

| Description | General | Board Members | Committee | Total |
|------------------------------|-----------|---------------|-----------|-----------|
| Salary Expenses | \$0 | \$0 | \$0 | \$0 |
| Salary | \$0 | | | |
| Employment Benefits | \$0 | | | |
| Management | \$0 | | | |
| Recruiting | \$0 | | | |
| Contract Services | \$152,000 | \$0 | \$0 | \$152,000 |
| Professional Coordinator | \$80,000 | | | \$80,000 |
| Coordinator (travel+) | \$8,000 | | | \$8,000 |
| Secretary-Admin Support | \$20,000 | | | \$20,000 |
| Auditor | \$7,000 | | | \$7,000 |
| Translation | \$10,000 | | | \$10,000 |
| Website Maintenance | \$2,000 | | | \$2,000 |
| Consultancy Projects | \$25,000 | | | \$25,000 |
| Board Member Expenses | \$0 | \$25,000 | \$0 | \$25,000 |
| Committee Expenses | \$0 | \$0 | \$10,000 | \$10,000 |
| Office Expenses | \$15,500 | \$0 | \$0 | \$15,500 |
| Office Rental | \$9,600 | | | \$9,600 |
| Meeting Room Rental | - | | | - |
| Insurance | | | | |
| Directors' Liability | \$1,200 | | | \$1,200 |
| Office Coverage | \$400 | | | \$400 |
| Telephone | \$1,800 | | | \$1,800 |
| Office Supplies | \$1,000 | | | \$1,000 |
| Postage and Courier | \$1,000 | | | \$1,000 |
| Bank Charges | \$500 | | | \$500 |
| Amortization | \$10,000 | | | \$10,000 |
| Website Creation | \$10,000 | | | \$10,000 |
| Contingency Reserve | \$25,000 | | | \$25,000 |
| Total Expenses | \$202,500 | \$25,000 | \$10,000 | \$237,500 |

Source: CPC Proposal



Appendix 5. Calculation of domestic levy revenue at 75 cents/head, 2010-14

| Prov | 2010 | 2011 | 2012 | 2013 | 2014 | Average 2010-2014 | Average National Agency Levy Revenue @ 75¢ per head |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|---|
| British Columbia | 499,317 | 490,521 | 484,602 | 472,952 | 493,772 | 488,233 | \$ 366,175 |
| Alberta | 2,662,056 | 2,507,035 | 2,406,048 | 2,358,033 | 2,509,468 | 2,488,528 | \$ 1,866,396 |
| Saskatchewan | 33,830 | 201,758 | 212,985 | 247,736 | 294,013 | 198,064 | \$ 148,548 |
| Manitoba | 5,322,321 | 5,367,980 | 5,571,767 | 5,427,647 | 5,051,202 | 5,348,183 | \$ 4,011,138 |
| Ontario | 4,432,312 | 4,451,554 | 4,430,997 | 4,232,823 | 4,021,926 | 4,313,922 | \$ 3,235,442 |
| Quebec | 8,120,791 | 8,052,405 | 7,985,426 | 8,006,606 | 7,955,215 | 8,024,089 | \$ 6,018,066 |
| New Brunswick | - | - | - | - | - | - | - |
| Nova Scotia | 50,289 | 24,197 | 26,551 | 11,238 | 8,387 | 24,132 | \$ 18,099 |
| Prince Edward Island | 2,136 | 2,068 | 2,129 | 1,867 | 1,747 | 1,989 | \$ 1,492 |
| Canada | 21,123,052 | 21,097,518 | 21,120,505 | 20,758,902 | 20,335,730 | 20,887,141 | \$ 15,665,356 |

Source: AAFC (Federal and Provincial Plants)



Appendix 6. Listing of HS codes for pork and pork products, and calculation of levy revenue

| HS Code and Description | Average Imports (2010-2014) (kg) | Trade Volumes to Cold Dressed Carcass Weight Conversion Factor | Conversion Factor HS Code Used | Equivalent Live Hog (head) | Levy \$ Collected @ 75¢ per head (\$) |
|---|----------------------------------|--|--------------------------------|----------------------------|---------------------------------------|
| 0203 11 0000-Swine carcasses and half-carcasses, fresh or chilled | 3,290 | 1.1 | 0203 11 00 | 38 | \$29 |
| 0203 12 0000-Hams, shoulders & cuts thereof, bone-in, f/c | 1,404,512 | 1.1 | 0203 12 10 | 16,393 | \$12,295 |
| 0203 19 0010-Swine spare ribs, fresh/chilled | 4,004,287 | 1.1 | 0203 19 10 | 46,737 | \$35,053 |
| 0203 19 0020-Swine back ribs, fresh/chilled | 11,404,441 | 1.1 | 0203 19 10 | 133,110 | \$99,833 |
| 0203 19 0091-Swine cuts, processed, fresh/chilled, nes | 9,053,549 | 1.4 | 0203 19 99 | 134,490 | \$100,868 |
| 0203 19 0099-Swine cuts, fresh/chilled, nes | 75,719,023 | 1.4 | 0203 19 99 | 1,124,800 | \$843,600 |
| 0203 21 0000-Swine carcasses and half-carcasses, frozen | 1,827 | 1.1 | 0203 21 00 | 21 | \$16 |
| 0203 22 0000-Hams, shoulders & cuts thereof, bone-in, frozen | 277,880 | 1.1 | 0203 22 00 | 3,243 | \$2,432 |
| 0203 29 0010-Swine spare ribs, frozen | 1,026,625 | 1.1 | 0203 19 10 | 11,983 | \$8,987 |
| 0203 29 0020-Swine back ribs, frozen | 6,993,140 | 1.1 | 0203 19 10 | 81,622 | \$61,217 |
| 0203 29 0090-Swine cuts, frozen | 12,731,751 | 1.4 | 0203 29 00 | 189,130 | \$141,848 |
| 0206 30 0000-Swine, edible offal, fresh/chilled | 10,273,749 | 1 | 0206 30 00 | 109,011 | \$81,758 |
| 0206 41 0000-Swine livers, edible offal, frozen | 35,659 | 1 | 0206 41 00 | 378 | \$284 |
| 0206 49 0000-Swine, edible offal, frozen, nes | 7,127,810 | 1.1 | 0206 49 00 | 83,194 | \$62,396 |
| 0209 00 1000-Pig fat, lean meat free, unrendered, f/c fr cured | 275,662 | none found | | | |
| 0209 10 0000-Pig fat, lean meat free, n rendered, f/c fr in brine, + | 119,880 | none found | | | |
| 0210 11 0000-Hams, shoulders & cuts thereof, bone-in, cured | 7,012,783 | 1.1 | 0203 11 10 | 81,850 | \$61,388 |
| 0210 12 0000-Bellies, streaky & cuts thereof, cured | 3,332,659 | 1.1 | 0210 12 10 | 38,898 | \$29,174 |
| 0210 19 0000-Meat of swine, nes, salted, in brine, dried + | 3,545,263 | 1.1 | 0210 19 10 | 41,380 | \$31,035 |
| 0210 19 0090-Swine meat cured, nes | 1,569,523 | 1.1 | 0210 19 90 | 18,320 | \$13,740 |
| 0504 00 0012-Sausage casings o swine, whole or in pieces | 1,436,312 | none found | | | |
| 1501 00 0010-Lard, o/t hds, HS 0209 or 1503 | 980,032 | none found | | | |
| 1501 00 0020-Pig fat excl lard, rendered, o/t hds, HS 0209 or 1503 | 93,046 | none found | | | |
| 1501 10 0000-Lard, other than HS 0209 or 1503 | 325,822 | none found | | | |
| 1501 20 0000-Pig fat, other than lard, other than HS 0209 or 1503 | 28,991 | none found | | | |
| 1601 00 9010-Pork sausages | 14,105,303 | 0.85 | 1601 00 90 | 127,217 | \$95,413 |
| 1602 41 1000-Hams and cuts thereof, in cans or glass jars | 348,552 | 1.4 | 1602 41 10 | 5,178 | \$3,884 |
| 1602 41 9000-Hams and cuts thereof, prep or preserved, o/t cans/jars | 5,315,439 | 1.4 | 1602 41 90 | 78,960 | \$59,220 |
| 1602 42 1000-Shoulders and cuts thereof, in cans/glass jars | 505 | 1.4 | 1602 42 10 | 8 | \$6 |
| 1602 42 9000-Shoulders and cuts thereof, o/t cans or jars | 838,614 | 1.4 | 1602 42 90 | 12,458 | \$9,344 |
| 1602 49 1011-Luncheon meat of swine, cans/glass jars | 1,256,601 | 0.5 | 1602 49 00 | 6,667 | \$5,000 |
| 1602 49 1019-Meat/offal, excl livers, nes, incl mixtures, in cans/jars | 387,747 | 0.5 | 1602 49 00 | 2,057 | \$1,543 |
| 1602 49 1020-Prepared meals of swine | 838,372 | 0.5 | 1602 49 00 | 4,448 | \$3,336 |
| 1602 49 9000-Meat/meat offal, excl livers, nes, incl mix, o/t cans/jars | 16,251,536 | 0.5 | 1602 49 00 | 344,880 | \$258,660 |
| Totals | 198,120,185 | - | - | 2,696,471 | \$2,022,359 |

Source: CPC Proposal



Appendix 7. Summary of written submissions received during the Public Hearing process

| Author | Affiliation | Opposition /Support | Highlights |
|------------------|---|---------------------|---|
| Lawrence Buchan | Member of the public | Opposition | <ul style="list-style-type: none"> ● A PRA might increase prices for consumers. |
| Barry Peterson | Member of the public | Opposition | <ul style="list-style-type: none"> ● Humane treatment of animals should be a priority for the pork industry. |
| John Bond | Member of the public | Opposition | <ul style="list-style-type: none"> ● A PRA might increase prices for consumers. |
| James Laws | Canadian Meat Council | Support | <ul style="list-style-type: none"> ● A PRA would be to the benefit of all participants in the pork value chain. ● A PRA would allow for better promotion and research in the pork industry. |
| Barbi Lazarus | Member of the public | Opposition | <ul style="list-style-type: none"> ● A PRA should not lobby governmental officials. |
| Stewart Cressman | Swine Innovation Porc | Support | <ul style="list-style-type: none"> ● Would benefit all participants in the pork value chain. ● Would increase market access for pork. ● Would allow further research to improve quality, environmental sustainability and consumer awareness. ● Would improve the treatment of animals. ● Funds collected could help leverage funds from private and governmental sources. |
| Martha Wilder | Pet Food Association of Canada | Opposition | <ul style="list-style-type: none"> ● Pet foods and ingredients intended for pet food production, both domestic and imported, should be exempted from the proposed levy because neither manufacturers, nor pet owners would derive benefits from any of the stated benefits in the proposal. |
| Robert De Valk | Canadian Association of Regulated Importers | Comment | <ul style="list-style-type: none"> ● The PRA will not benefit the complete pork value chain. ● Importers would not benefit from the establishment of a PRA and would not be represented according to their levy ratio on its board of directors. |
| Rory McAlpine | Maple Leaf Foods | Support | <ul style="list-style-type: none"> ● Would allow importers to share the cost as well as benefit from further promotion and research in Canada. |
| Margo Ahimsa | Member of the public | Opposition | <ul style="list-style-type: none"> ● Humane treatment of animals should be a priority for the pork industry. |
| Pamela Fergusson | Member of the public | Opposition | <ul style="list-style-type: none"> ● There is no need for a PRA. |
| Shan Gordon | Member of the public | Opposition | <ul style="list-style-type: none"> ● Agricultural activities should aim at reducing their carbon footprint. ● Humane treatment of animals should be a priority for the pork industry. |
| Diana Skakavac | Member of the public | Opposition | <ul style="list-style-type: none"> ● More research should be conducted to better understand the nutritional value of pork products. |
| Jason McLinton | Retail Council of Canada | Opposition | <ul style="list-style-type: none"> ● The proposed levy represents an additional cost to importers and retailers. ● The proposed agency would be of little benefit to importers and consumers. |
| Joy Nott | Canadian Association of Importers and Exporters | Comment | <ul style="list-style-type: none"> ● Generally supports the proposal, but demands some changes to the proposed PRA. |
| Holly Higgins | United States Department of Agriculture | Comment | <ul style="list-style-type: none"> ● PRAs be created and administered in a manner that respects international trade commitments and is transparent to all stakeholders, including importers. |

Source: FPCC



Appendix 8. Analysis of pork and pork products importers, 2012-15

| | | Total Represented by CMC and CPI | % of Importers Represented by CMC and CPI | % of Volume Represented by CMC and CPI |
|------|---------------------|----------------------------------|---|--|
| 2015 | All Importers (378) | 25 | 6.6% | 26.8% |
| | Top 20 | 9 | 45.0% | 32.1% |
| 2014 | All Importers (362) | 27 | 7.5% | 28.7% |
| | Top 20 | 9 | 45.0% | 32.7% |
| 2013 | All Importers (327) | 22 | 6.7% | 33.1% |
| | Top 20 | 9 | 45.0% | 39.0% |
| 2012 | All Importers (340) | 25 | 7.4% | 39.9% |
| | Top 20 | 10 | 50.0% | 48.7% |

Source: AAFC, FPCC calculation



Appendix 9. Pork imports and estimated levy revenue for 2010-14

| Pork Imports | 2014 | 2013 | 2012 | 2011 | 2010 | Levy Factor ¹ | 2014 | 2013 | 2012 | 2011 | 2010 | 5 yr avg 2010-2014 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| | Volume (kg) | | | | | (\$/kg) | Levy (\$) | | | | | |
| 0203110000 - Swine carcasses and half-carcasses, fresh or chilled | 16,276 | 0 | 130 | 42 | 0 | 0.00861 | 140 | 0 | 1 | 0 | 0 | 28 |
| 0203120000 - Hams, shoulders and cuts, of swine, bone in, fresh or chilled | 1,352,976 | 929,914 | 997,762 | 2,051,582 | 1,685,624 | 0.00861 | 11,649 | 8,006 | 8,591 | 17,664 | 14,513 | 12,085 |
| 0203190010 - Swine spare ribs, fresh or chilled | 3,686,785 | 2,866,396 | 4,172,858 | 4,657,299 | 4,629,981 | 0.00861 | 31,743 | 24,679 | 35,928 | 40,099 | 39,863 | 34,462 |
| 0203190020 - Swine back ribs, fresh or chilled | 9,729,015 | 10,054,153 | 11,231,240 | 9,361,842 | 16,718,848 | 0.00861 | 83,765 | 86,564 | 96,699 | 80,604 | 143,946 | 98,316 |
| 0203190091 - Swine cuts, processed, fresh or chilled, nes | 5,700,401 | 8,364,005 | 9,856,450 | 10,976,993 | 10,369,895 | 0.01096 | 49,079 | 72,013 | 84,862 | 94,510 | 89,283 | 99,208 |
| 0203190099 - Swine cuts, fresh or chilled, nes | 73,292,875 | 77,280,379 | 87,181,166 | 75,233,726 | 65,539,593 | 0.01096 | 631,039 | 665,370 | 750,614 | 647,749 | 564,284 | 829,578 |
| 0203210000 - Swine carcasses and half-carcasses, frozen | 2,944 | 5,385 | 43 | 763 | 0 | 0.00861 | 25 | 46 | 0 | 7 | 0 | 16 |
| 0203220000 - Hams, shoulders and cuts, of swine, bone in, frozen | 218,767 | 346,743 | 451,951 | 237,200 | 134,740 | 0.00861 | 1,884 | 2,985 | 3,891 | 2,042 | 1,160 | 2,392 |
| 0203290010 - Swine spare ribs, frozen | 338,408 | 1,236,835 | 691,807 | 1,157,766 | 1,708,533 | 0.00861 | 2,914 | 10,649 | 5,956 | 9,968 | 14,710 | 8,839 |
| 0203290020 - Swine back ribs, frozen | 8,574,951 | 8,348,935 | 7,567,583 | 5,962,110 | 4,512,123 | 0.00861 | 73,829 | 71,883 | 65,156 | 51,333 | 38,849 | 60,210 |
| 0203290090 - Swine cuts, frozen, nes | 13,341,678 | 11,957,919 | 16,736,222 | 12,899,165 | 8,724,061 | 0.01096 | 114,869 | 102,956 | 144,096 | 111,060 | 75,113 | 139,515 |
| 0206300000 - Swine, edible offal, fresh or chilled | 4,367,176 | 8,945,825 | 9,593,860 | 12,939,779 | 15,522,107 | 0.00783 | 37,601 | 77,022 | 82,601 | 111,409 | 133,643 | 80,414 |
| 0206410000 - Swine livers, edible offal, frozen | 27,366 | 92,357 | 33,360 | 18,289 | 6,924 | 0.00783 | 236 | 795 | 287 | 157 | 60 | 279 |
| 0206490000 - Swine, edible offal, frozen, nes | 8,740,006 | 7,523,337 | 8,214,834 | 5,289,249 | 5,871,625 | 0.00861 | 75,250 | 64,775 | 70,728 | 45,539 | 50,554 | 61,369 |
| 0209001000 - Pig fat lean meat free, unrendered, fresh, chilled, frozen or cured | 0 | 0 | 0 | 119,282 | 1,259,028 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 0209100000 - Pig fat, lean meat free, unrendered, other | 258,482 | 135,817 | 205,103 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 0210110000 - Hams, shoulders and cuts, of swine, with bone in, cured | 6,310,765 | 7,859,059 | 8,180,876 | 6,697,248 | 6,015,968 | 0.00861 | 54,335 | 67,665 | 70,436 | 57,662 | 51,796 | 60,379 |
| 0210120000 - Bellies, streaky and cuts, of swine, cured | 4,346,125 | 3,368,546 | 5,411,034 | 2,999,431 | 538,116 | 0.00861 | 37,419 | 29,003 | 46,588 | 25,825 | 4,633 | 28,694 |
| 0210190000 - Meat of swine, nes, salted, in brine, dried or smoked | 3,925,348 | 6,261,001 | 7,539,342 | 0 | 0 | 0.00861 | 33,797 | 53,906 | 64,912 | 0 | 0 | 30,523 |
| 0210190090 - Swine meat cured, nes | 0 | 0 | 0 | 4,033,994 | 3,813,620 | 0.00861 | 0 | 0 | 0 | 34,732 | 32,835 | 13,513 |
| 0504000012 - Sausage casings of hog, whole or in pieces | 1,578,714 | 1,386,791 | 1,482,646 | 1,463,621 | 1,269,787 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 1501000010 - Lard, o/t hds 02.09 or 15.03 | 0 | 0 | 0 | 814,202 | 4,085,960 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 1501000020 - Pig fat, excl lard, rendered, o/t hds 02.09 or 15.03 | 0 | 0 | 0 | 189,938 | 275,292 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 1501100000 - Lard, other than of headings 02.09 or 15.03 | 580,642 | 578,061 | 470,406 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 1501200000 - Pig fat, other than lard, other than of headings 02.09 or 15.03 | 9,742 | 27,075 | 108,140 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 |
| 1601009010 - Pork sausages | 15,095,468 | 12,949,957 | 15,621,263 | 13,784,206 | 13,088,424 | 0.00665 | 129,969 | 111,497 | 134,496 | 118,680 | 112,689 | 93,860 |
| 1602411000 - Hams and cuts of swine, in cans or glass jars | 461,751 | 158,990 | 218,887 | 359,746 | 543,384 | 0.01096 | 3,976 | 1,369 | 1,885 | 3,097 | 4,678 | 3,819 |
| 1602419000 - Hams and cuts, of swine, o/t in cans/glass jars | 7,333,726 | 7,959,934 | 4,534,231 | 3,653,375 | 3,096,809 | 0.01096 | 63,142 | 68,534 | 39,039 | 31,455 | 26,663 | 58,248 |
| 1602421000 - Shoulders and cuts, of swine, in cans or glass jars | 2,525 | 0 | 0 | 0 | 0 | 0.01096 | 22 | 0 | 0 | 0 | 0 | 6 |
| 1602429000 - Shoulders and cuts, of swine, o/t in cans or glass jars | 1,396,204 | 1,387,359 | 632,464 | 486,435 | 290,608 | 0.01096 | 12,021 | 11,945 | 5,445 | 4,188 | 2,502 | 9,189 |
| 1602491011 - Luncheon meat, of swine, in cans or glass jars | 1,558,881 | 1,220,768 | 1,526,058 | 1,170,778 | 806,522 | 0.00391 | 13,422 | 10,511 | 13,139 | 10,080 | 6,944 | 4,918 |
| 1602491019 - Swine meat and meat offal, incl mixtures, in cans/glass jars | 271,172 | 613,870 | 391,588 | 354,855 | 304,668 | 0.00391 | 2,335 | 5,285 | 3,372 | 3,055 | 2,623 | 1,515 |
| 1602491020 - Prepared meals, of swine | 1,138,542 | 607,577 | 629,032 | 536,951 | 1,285,942 | 0.00391 | 9,803 | 5,231 | 5,416 | 4,623 | 11,072 | 3,286 |
| 1602499000 - Swine meat & meat offal, incl mixtures, o/t in cans or glass jars | 21,358,063 | 18,706,245 | 16,777,586 | 14,074,778 | 10,340,268 | 0.00391 | 183,889 | 161,057 | 144,452 | 121,181 | 89,028 | 63,601 |
| Total | 195,015,774 | 201,173,233 | 220,457,922 | 191,524,645 | 182,438,450 | | 1,658,150 | 1,713,746 | 1,878,591 | 1,626,719 | 1,511,440 | 1,798,263 |

Source: CatsNet Analytics (AAFC)

Levy factor calculated as volume * conversion factor of trade volume to cold dressed carcass weight (see Appendix 6) ÷ hot-to-cold carcass weight (0.985) ÷ live-to-carcass weight (0.80) ÷ average live hog weight (2010-2014) 121.6kg * levy amount (\$0.75/head)