

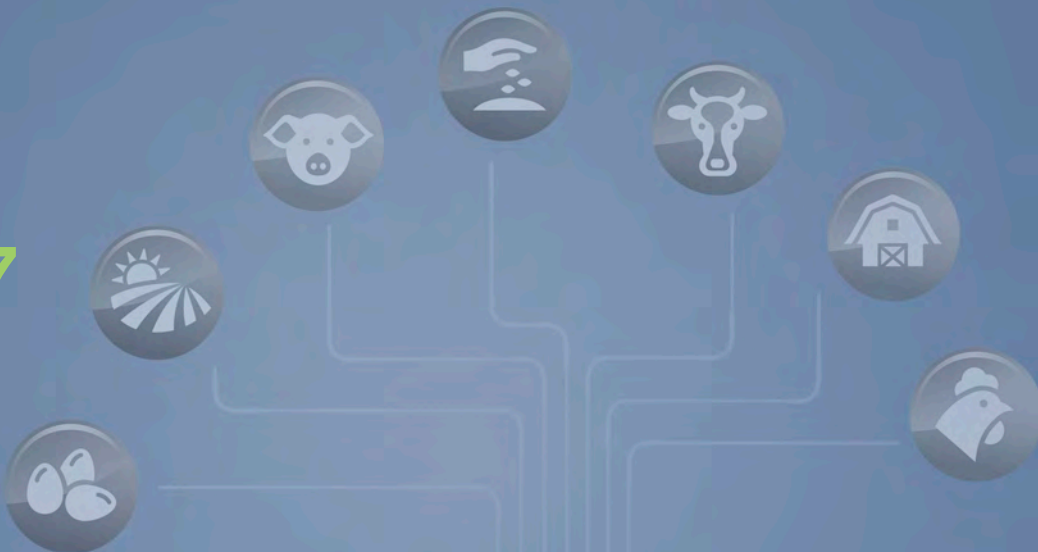


Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

2016-2017

ANNUAL REPORT



FARM PRODUCTS COUNCIL OF CANADA

Canada

Central Experimental Farm
960 Carling Avenue, Building 59
Ottawa, Ontario K1A 0C6
Telephone: 613-759-1555
Facsimile: 613-759-1566
Teletypewriter/TDD: 613-759-1737
Email: fpcc-cpac@agr.gc.ca

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Council Member's Message



This past year, we and FPCC staff were dedicated in upholding the highest standards of public service. Our commitment to the supply-managed egg and poultry industries, and to incremental and constant improvement in all aspects of our work, is more important than ever. This determination to meet the highest standards is equally exhibited in FPCC's oversight of promotion and research agencies.

The drive for continuous improvement stems from the founding philosophy of the supply management system. The principle that producers themselves must have control over the operations of the national marketing agencies – the Egg Farmers of Canada, the Chicken Farmers of Canada, the Canadian Hatching Egg Producers, and the Turkey Farmers of Canada. Farmers demand the best of their agencies.

We can only commend the expertise, experience and dedication that our various colleagues have shown in their work for FPCC. In extending our thanks to current and departing fellow Council members, we thank all those who came before us. Let us say goodbye and recognize the contributions to the work of the Council made by Debbie Etsell and Chantelle Donahue, who both departed earlier this year. FPCC will miss their expertise and down-to-earth perspectives as they return to their respective business activities – Chantelle to her work for Cargill Ltd. and her family's grains business; and Debbie to her turkey and wine-growing operations, and her work with the blueberry growers of British Columbia.

Given these departures, 2017–18 will unavoidably be a year of major change for FPCC. We are, however, certain that the Council has laid the foundations for a seamless transition and a prosperous 2017–18. This is demonstrated by the performance of the supply-managed industries. Consider the last decade: since 2006, per capita consumption of eggs has increased by more than 20 percent¹. For a mature industry in the current economic climate, this is a commendable result.

Canada's Supply Management system is broadly facing both domestic and global pressures, due to changing consumer preferences domestically; market access demands from trading partners; and fluctuating global prices. As a result, supply management stakeholders should look for ways to remain flexible and continue to evolve, in order to turn these potential challenges into opportunities. In the coming year, the last of FPCC's 2015-18 Strategic Plan, all participants in Canada's supply management arrangements will need to be at the top of their games in defending the integrity and benefits of the system. Similarly, it will be important to continue discussions on the promotion and research agency model, which can help support innovation and product promotion.

¹ FPCC calculations based on data from Egg Farmers of Canada and Statistics Canada Table 002-0011 Food available in Canada, annual (kg per person, per year).

FPCC itself has too often been misunderstood. One of our main tasks has been to work with partners of all kinds to help them better understand the responsibilities and activities of the Council, along with the responsibilities and activities of agencies, and indeed those of provincial supervisory boards and marketing boards.

FPCC is better understood now than it was several years ago, but more needs to be done. The lack of familiarity with supply management can only be mitigated by a robust commitment on the part of regulated industries to full transparency. All parties in the FPCC system must continue to work together to ensure transparency and responsibility in the conduct of their work and the decisions they make.

With a fast changing domestic and global environment, the system has to be able to adapt to new pressures such as changing demographics.

However, the evidence shows – and this is strongly supported by the conversations we have had with people throughout the poultry and egg value chain—Canada’s supply management system continues to prove its worth to industry and the public. Supply management can assure Canadians a reliable supply of fresh, high-quality food at a reasonable price. It ensures stability, and it ensures that farmers receive a fair return for their work. It also eliminates the need for subsidies or reliance on taxpayers’ dollars. Supply management allows for healthy, sustainable industries where farmers can reinvest with confidence in their communities and businesses. Supply management has long since demonstrated its value. We feel certain that it will only increase in importance in years to come.

Finally, we could not go to print with this annual report without mentioning Mr. Laurent Pellerin, Chairman of the FPCC from May 2010 to May 2017. We want to commend his contribution to the work of the Council and his efforts in making supply management sectors more transparent and accountable.

Together we have worked hard on behalf of farmers and the public. We hope that our hard work will give rise to many more years of success for supply management and for the advancement of agricultural promotion and research.

Kimberley Hill, Maryse Dubé and Mike Pickard
Council members

“Fundamentally, the supply management systems for poultry and eggs continue to provide Canadians with a reliable supply of fresh, high-quality food, while balancing the interests of producers, processors, graders and consumers.”

*FPCC Chairman
Egg Farmers of Alberta
Red Deer, AB – February 28, 2017*

Bringing Good Management to Market



FPCC helps ensure that all Canadians have affordable and continuous access to the foods they need, and helps maintain fair market prices for farmers.

FPCC is a public interest oversight body that reports to the Parliament of Canada through the Minister of Agriculture and Agri-Food. It oversees the national marketing systems for poultry and eggs, and supervises the activities of national promotion and research agencies for farm products. It provides the Minister with advice and recommendations, collaborates with provincial supervisory boards, and works with other federal organizations.

FPCC administers two federal laws, the *Farm Products Agencies Act* (FPAA) and the *Agricultural Products Marketing Act* (APMA). The FPAA provides for the creation and oversight both of national marketing agencies, which are not subject to the *Competition Act*, and of promotion and research agencies (PRA). The APMA authorizes the delegation of federal authorities over interprovincial and export trade to provincial commodity boards.

Under the FPAA, FPCC is also responsible for hearing complaints lodged by such parties as may deem themselves unfairly affected by the operations of one of the five agencies – the Egg Farmers of Canada, the Chicken Farmers of Canada, the Turkey Farmers of Canada (TFC), the Canadian Hatching Egg Producers or the Beef PRA.

FPCC Profile

Mission

FPCC is an active participant in ensuring that all Canadians benefit from the marketing, promotion and research of agricultural products.

Vision

FPCC is known for its leadership in maintaining and promoting efficient and competitive agricultural industries.



Left to right: Kimberley Hill, Maryse Dubé, Mike Pickard, Laurent Pellerin, Debbie Etsell and Chantelle Donahue.

FPCC Governance



Left to right: *From EFC Stephanie Polianski and Council members Maryse Dubé and Mike Pickard.*

FPCC Governance

The Minister of Agriculture and Agri-Food provides the Chairman with a written mandate, directing work to be done and stating his expectations for FPCC.

The Council is composed of at least three members, including the Chairman, and the number may be as many as seven. At least half of the members must be primary producers at the time of their appointment. All members are appointed by the Governor in Council and serve terms of varying lengths. The Chairman is currently the only full-time Council member.

The Members



Laurent Pellerin is a cereal producer in Bécancour, Québec, and has been farming since 1972. In addition to holding a Bachelor's degree in group management, he was President of the Canadian Federation of Agriculture (2008-2010), the *Union des producteurs agricoles* (1993-2007),

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



Mike Pickard is a resident of Saskatoon, Saskatchewan. Formerly the owner of a broiler chicken operation, Mr. Pickard also served as a director both with the Chicken Farmers of Saskatchewan (2007-13) and CFC (2008-13). He served both on CFC's Finance Committee and on its Consumer

Relations Committee. He is originally from Saint John, New Brunswick and has three children.



Debbie Etsell has been in the agriculture industry for approximately 25 years. Ms. Etsell is a director with Coligny Hill Farms Ltd., an Abbotsford, British Columbia (B.C.) farm where she, along with her husband and two sons, produces turkeys, hay and wine grapes. Ms. Etsell's passion for agriculture

has led her to work with various farm organizations. She has been with the B.C. Blueberry Council since 2007 and is currently its Executive Director. Ms. Etsell has also worked for the B.C. Agriculture Council and the Raspberry Industry Development Council.



Chantelle Donahue is from Biggar, Saskatchewan, where she is co-owner of a family grain and oilseed farm. She is also Vice-President of Corporate Affairs for Cargill Limited. Ms. Donahue currently sits on a number of agricultural steering committees, boards and associations.

She currently serves as the Chair, or in some cases the Co-Chair or Vice-Chair, of several grain associations and Canadian roundtables. Ms. Donahue holds a Bachelor of Commerce (Cooperative Program) from the University of Alberta.

The Members



Kimberley Hill is the President of Bridge Strategies, Inc., a consulting firm in Saskatchewan, which provides a variety of management services to companies and organizations in the agribusiness sector. Over the last few years, she has played an integral part in growing businesses and organizations

through business incubation. Mrs. Hill has extensive experience in the value-added food industry, having worked with the Saskatchewan Food Processors Association, as Program Director/Controller. In that capacity, she was the key driver of the Saskatchewan Made Program in the early 2000s. Prior to her work at the Saskatchewan Food Processors Association, she managed a food processing plant located in rural Saskatchewan. Mrs. Hill resides in Saskatoon with her husband Bob. They have two children.



Maryse Dubé completed her law degree at Université Laval in 1996 and was admitted to the Quebec Bar in 1997. As a lawyer and a partner of *Sylvestre & Associés* since 2004, Mrs. Dubé works in commercial and food law, representing several financial institutions. She also represents small-to medium-

sized enterprises in security law, bankruptcy, commercial litigation and corporate law (manufacturing and agricultural components). Mrs. Dubé serves on numerous corporate boards and community organizations. She was President of the Bar of the Richelieu Division in 2014 and on the Executive Committee of the Quebec Bar.

“As a public policy, supply management is necessarily exposed to public scrutiny, and the national marketing agencies are ultimately accountable to Parliament.”

*FPCC Chairman
Turkey Farmers of Canada
Ottawa, ON –March 23, 2016*

FPCC staff



Front row, left to right: Louise Cantin, Lise Turcotte, H       Devost, Marc Chamaillard, Laurent Pellerin, Nathalie Vanasse, Dominique Levesque, Chantal Lafontaine and Reg Milne. **Back row, left to right:** M       Pruneau, Pierre Bigras, Nancy Fournier, Bill Edwardson, Mike Iwaskow, Joanne Forget and Maguessa Morel-Laforce. (Absent: Steve Welsh, Lise Leduc and Chantal Turcotte).

The Council's Strategic Priorities for 2015-2018

FPCC's [2015–2018 Strategic Plan](#) sets out a number of priorities. Supplementing these are priorities identified by the Minister of Agriculture and Agri-Food in his mandate letter for FPCC, sent to Chairman Laurent Pellerin in August 2016. Here are some key features of FPCC's work on its combined strategic and ministerial priorities in 2016–17:

Priority: Ensure agencies continue to understand our respective roles as we work together to maintain and promote an efficient and competitive agriculture industry.

In 2015–16, FPCC worked with the Chicken Farmers of Canada (CFC) to devise a new differential growth methodology. In 2016–17, the Council provided support as CFC introduced a new operating agreement that incorporates the methodology. All parties approved the agreement in 2016–17. FPCC will review it in early 2017 to determine whether approval is required from the Governor in Council.

FPCC continued to collaborate closely with the Egg Farmers of Canada (EFC) to develop a common understanding of the workings of the Industrial Products Program and EFC's egg for processing quota. Related discussions led to EFC's addition of a forward-looking component to its quota allocation methodology. FPCC staff continued working with the Canadian Hatching Egg Producers (CHEP) to update the Agency's Liquidated Damages Assessment Agreement, which had been the subject of two complaints in 2015–16.

The Council approved a new [Complaint By-Law](#) that strengthens and expedites complaint handling. To draft the by-law, FPCC drew on experience in handling complaints against agency decisions in previous years. To facilitate the designation of inspectors and support the agencies in budget reporting, FPCC also revised its [Agency Inspectors Designation Guidelines](#) as well as its [Agency Auditors and Audit Reporting Guidelines](#).

Priority: Work with agencies to ensure that reports to Parliament are performance-oriented and consistent with the Government of Canada's focus on results, openness and transparency.

FPCC worked closely with all four national marketing agencies to help them provide more contextual and industry-related information in their annual reports. This will ensure that both the Council members and parliamentarians have access to the information they need to assess the operations of agencies.

Priority: Work with agencies to ensure that the details of the operations of the supply management systems for poultry and eggs are communicated to FPCC for public reporting.

FPCC began engaging with provincial supervisory boards and national agencies to gather information on the provincial regulatory and legislative frameworks that support the supply management systems for poultry and eggs. The aim will be to continue to strike a proper balance between fostering transparency, on one hand, and safeguarding commercial and private information, on the other.

Priority: Engage with provincial supervisory boards in maintaining and promoting an efficient and competitive agricultural industry.

FPCC continued to focus on sharing knowledge and information with stakeholders, particularly through the National Association of Agri-Food Supervisory Agencies; this is a forum for sharing information about ways to support the progressive evolution of orderly marketing systems within a globally competitive environment. More broadly, FPCC's ongoing aim is to help national marketing agencies and their provincial boards understand their statutory roles and responsibilities, and abide by them.

Priority: Support the Governor in Council appointment process by developing position profiles for board positions and providing other relevant information to help inform the appointment process.

In line with the Government of Canada's focus on transparency and accountability, and as an example for fellow supervisory boards, FPCC reviewed and revised its [Governance By-Law](#). The by-law now includes updated descriptions of the duties of Council members.

Priority: Continue to promote and work towards the creation of promotion and research agencies.

FPCC is responsible for processing requests for the creation of promotion and research agencies (PRAs). Over the last year, the Council prepared and submitted reports to the Minister of Agriculture and Agri-Food concerning proposals by the raspberry, strawberry and pork industries for the creation of PRAs. The reports followed public hearings on the subject and were released in December 2016 (raspberry and strawberry industries) and January 2017 (pork industry). FPCC also held discussions with agricultural commodity groups interested in the PRA model, as well as with international delegations interested in the role of PRAs in promoting Canadian agriculture. Finally, in fulfillment of its responsibilities for working with AAFC on harmonized research efforts, FPCC discussed the potential uses of the PRA model with various umbrella organizations in the agriculture sector.

Priority: Continue to develop internal expertise and improve administrative and business processes and, where warranted, work with AAFC to assess the potential impact of applicable trade negotiations.

FPCC staff members continued to work closely with AAFC staff on a variety of priorities and issues. These included the potential impacts of trade agreements; a range of administrative improvements, such as new organizational performance measures; and the adoption of various tools for managing information and supporting decision making. New and improved governance tools were implemented such as FPCC's governance and complaints by-laws, procedures related to information management were also developed in order to increase compliance with the Treasury Board Secretariat's Directive on Recordkeeping.



Monitoring Activities of Agencies

Regulatory Framework

Part II of the FPAA provides that the Governor in Council may, by proclamation, establish a national marketing agency where it is satisfied that a majority of producers in Canada favour such action. A proclamation is a federal regulation that outlines how this agency is to be constituted (e.g., membership, means of appointment, location of the agency's head office).

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

The FPAA allows the Minister of Agriculture and Agri-Food, with approval of the Governor in Council, to enter into an agreement with any province or territory so that a national marketing agency can perform functions on behalf of that province (i.e., receive delegated authority from a province). This is known as a Federal-Provincial Agreement (FPA)². In addition, most provincial legislation requires an agreement to delegate authority from such an agency to a corresponding provincial commodity board.

An FPA typically has schedules attached, which include the proclamation and national marketing plan, provincial marketing plans, and the original proposal used during the public hearing process.

² Although the Northwest Territories is a member of EFC, the EFC agreement is referred to as the Federal-Provincial Agreement.

Signatories to the current FPAs include the federal and provincial ministers of agriculture, FPCC (for the egg and turkey FPAs), provincial supervisory bodies, provincial commodity boards, and (except for turkey) the national agency. In Alberta and Quebec, the Ministers of Intergovernmental Affairs are also signatories.

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

The FPAA and Powers of National Marketing Agencies

The objects of an agency, as set out in section 21 of the FPAA, are as follows:

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

In pursuit of these goals, agencies are vested, through their proclamations, with the powers set out in section 22 of the FPAA, including the powers to undertake and assist in the promotion of the consumption of the regulated product; to advertise, promote and do research into new markets; to set production quotas and collect levies; and to purchase, lease, or otherwise acquire and hold a mortgage of a property.

Under section 27 of the FPAA, an agency has an obligation to conduct its operations on a self-sustaining financial basis. Section 29 provides that the accounts and financial transactions of each agency are to be audited annually by an auditor appointed by the Governor in Council, and detailed in a report made to the agency, FPCC, and the Minister of Agriculture and Agri-Food. Pursuant to section 30 of the FPAA, each agency is also required to submit an annual report to FPCC and the Minister. Section 32 of the FPAA provides that any contract, agreement or other arrangement between an agency and any person engaged in the production or marketing of the regulated product is exempt from the *Competition Act*.

The agencies establish, enact and implement regulations for various purposes, including setting quota allocations and collecting levies. It is within those designated areas that FPCC's direct involvement is necessary

since an agency requires statutory authority to implement the terms of its marketing plan.

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

When approving an agency order or regulation, the Council members must be satisfied that the order or regulation is in accordance with and necessary for the implementation of the agency's marketing plan. Agencies typically review their quota allocations and the levy amount on an annual basis. CFC is an exception: it sets quota allocations more frequently, and these allocations require FPCC's approval several times per year.



THE EGG AGENCY



The Egg Farmers of Canada

The Egg Farmers of Canada is the national agency responsible for the orderly marketing of eggs in Canada. EFC was established as the Canadian Egg Marketing Agency in 1972, further to an agreement of the federal government, provincial agricultural ministers and supervisory boards, and table egg producers in member provinces.

EFC members include all 10 provinces plus the Northwest Territories. Its Board of Directors meets several times a year to plan and manage egg production and marketing. The Board's primary responsibility is to set quota allocations and make any changes to levies orders necessary for EFC to cover its operating costs. For changes to take effect, EFC requires FPCC's approval of amendments to the *Canadian Egg Marketing Agency Quota Regulations, 1986* or to the *Canadian Egg Marketing Levies Order*.

Canadian Egg Value Chain

Starting from the age of 19 weeks and continuing for about one year, laying hens lay eggs daily. These eggs, known as table eggs, are collected by farmers and sent to grading stations before being shipped to wholesalers, retailers, and the hotel, institutional and restaurant trade. As market demand fluctuates by season and for other reasons, EFC operates its Industrial Products Program to sell off table eggs produced in excess of table demand. If possible, the surplus eggs are sold as table eggs in other provinces where supply is short. If that is not possible, surplus eggs are sold to processing companies, which use them as ingredients in foods such as bakery products, mayonnaise and frozen omelets.

In terms of the egg industry's performance, egg consumption has risen steadily for some years, as a result of public awareness of the nutritional value of eggs. The trend continued in 2016–17, with increased demand for table eggs as well as eggs for processing.

After a shortage in 2015, EFC successfully increased the supply of table eggs in 2016–17, partly through the addition of a forward-looking component to its quota allocation methodology, along with a change to its production Quota Utilization Threshold. However, with the increase in production, larger quantities of eggs were declared surplus. This increase led to the production of a greater quantity of eggs which are either not suitable for or needed by the table market.

FPCC's Work with EFC and Priorities for the Egg Industry

FPCC Vice-Chairman Mike Pickard, for the first half of the fiscal year, and Council member Kimberley Hill in the latter half, attended all of EFC's open Board of Directors meetings. They also participated as observers in meetings and teleconferences of EFC's Cost of Production Committee and its Service Fee Program Review. The Council members met on several occasions with the EFC Chairperson and Executive Committee to discuss issues of immediate importance.

In a reversal from 2015–16, the past year saw low Urner Barry prices (a commercial reference price for breaker eggs in the United States) and increased quantities of surplus eggs. This combination led to a decline in EFC's Pooled Income Fund, used for purchases of surplus table eggs from provincial commodity boards under the Industrial Products Program. EFC buys surplus eggs and then sells them to processors at international prices. EFC charges a levy to make up the difference between the processor price and the price it pays to graders (equivalent to the cost of production plus four cents).

When the price difference widens, as it did in 2016–17, there can be a decline in the Pooled Income Fund balance. To help keep the balance within EFC's target band – between \$20 million and \$40 million – the Council approved an eight-percent increase in the levy in December 2016 (see Annex).

With FPCC's encouragement, since 2012 EFC has explored new ways to support the system. These have included the elimination of the Nest Run Adjustment Administration Fee in 2013, implementation of price spreads in 2014, and implementation of a service fee on producers. The levy on egg producers will need to be reviewed on an ongoing basis to ensure that Pooled Income Fund balances remain within target parameters. Other measures to stabilize the fund should also be considered.

Quota Allocation

On December 13, 2016, FPCC approved the equivalent of 848,000 laying hens (21,570,245 dozen eggs) in additional quota (see Annex); this was based on the new Quota Allocation Committee Agreement for table eggs. In summer and fall 2016, EFC also presented two ad hoc requests to the Council to amend the federal quota; most of the eggs requested would have been intended for the processing market.

FPCC maintains that the federal quota is for the table egg market. It therefore encouraged EFC to develop other avenues for supporting and directly supplying

the market for processed egg, for instance, through a combination of the egg for processing quota and a price pooling system.

Processors Agreement

FPCC is aware that the processors agreement concerning industrial pricing enters its fifth and final year in June 2017 and that the current agreement has been extended to the end of Period 12 (December 2017) to allow for further discussions and negotiation.

Regulation

The last major amendments to the Federal-Provincial Agreement for the Marketing of Eggs were made 40 years ago in 1976. Since then, there have been vast changes in the industry, along with the introduction of new policies. These include the Quota Allocation Committee Agreement and the production Quota Utilization Threshold, both of which are now used to structure the main workings of the industry without being part of the Federal-Provincial Agreement. At times, it can be difficult for the Council to consider the merits of an amendment based on operational and regulatory challenges. FPCC believes the Federal-Provincial Agreement should reflect current agency practices.

EFC has put in place a committee to review the Federal-Provincial Agreement. The committee met for the first time on January 24, 2017, and will meet regularly in 2017–18. FPCC is pleased that EFC has taken this step, and that it is developing a new information portal to enhance transparency.



THE TURKEY AGENCY



The Turkey Farmers of Canada

The Turkey Farmers of Canada is the national agency responsible for the orderly marketing of turkeys and turkey meat in Canada. Legally known as the Canadian Turkey Marketing Agency, TFC was established in 1974 further to a federal-provincial agreement between the Government of Canada, provincial agriculture ministers, provincial supervisory boards, and turkey producers in member provinces.

Eight provinces are members of TFC's Board of Directors: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. Three additional Board members represent processors: two are nominated by the Canadian Poultry and Egg Processors Council (CPEPC), and one by the Further Poultry Processors Association of Canada (FPPAC). TFC's

Board of Directors meets quarterly to plan and manage turkey production and marketing. This mainly involves setting or adjusting production quota, and setting a national levy to cover TFC's marketing and administration costs. Quota or levy amendments proposed by TFC require the approval of Council members.

Canadian Turkey Value Chain

Turkey farmers purchase vaccinated, day-old turkeys (poults) from hatcheries. Poults are raised in climate-controlled barns. Once they reach market weight (between 11 and 17 weeks of age), and depending on market requirements, they are transported to processing plants. Hens (females) are normally grown for the whole bird market, while toms (males) are typically grown for the further processed market. At the processing plants, the birds are eviscerated, to be sold fresh or in frozen form to the food service, restaurant and retail sectors, or to a processor for further processing (for use in frozen dinners, sliced meats, meat pies, etc.).

FPCC's Work with TFC

TFC's global quota is made up of four quota allocation policies:

National Commercial Allocation Policy: two separate quotas, one for production of whole birds, and another for birds produced for cuts or further processing.

Export Policy: quota allocated to replace birds already exported, and to allow sufficient production to cover planned exports (of processed, further processed or live turkey).

Multiplier Breeder Policy: quota for birds that are used to produce turkey eggs and poults for the industry.

Primary Breeder Policy: quota of birds used as primary breeding stock.

Each year, TFC requests its Board members to agree on the global quota and each subordinate category of quota that it covers, as well as provincial distributions of quota allocated. Then, TFC seeks the Council members' approval of an amendment to the *Canadian Turkey Marketing Quota Regulations*, which sets provincial allocation and the total global quota. Should any adjustments be required due to market changes, as the control period progresses, TFC's Board requests the Council to approve further amendments to the quota regulations.

FPCC's Work with TFC and Ongoing Priorities Regarding Turkey Marketing

The Council member Kimberley Hill first, and later her colleague Mike Pickard, attended TFC's Board of Directors' meetings in 2016-17, as observers. FPCC's Chairman hosted the annual meeting between the Council members and TFC executives in May 2016, and spoke at TFC's annual general meeting in March 2017. This annual meeting allowed the Council to inquire into a number of issues affecting the turkey industry, notably reduced demand for whole birds.

Cuts were made to whole bird quotas in 2016-17, as TFC committed the industry to maintaining the same production target in 2017-18 as a means to control inventories. In the latter half of the year, stocks of turkey for further processing remained high, as the industry grappled with changes in the market for processed meats, and higher levels of imports. Essentially, the preceding year, high U.S. turkey meat prices, due to low stocks arising from an avian influenza outbreak, had discouraged imports from the U.S. This gave rise to an increase in demand for domestic turkey meat in Canada. However, as U.S. production

came back on-stream in 2016-17, imports increased. Turkey meat stocks then accumulated markedly due to a combination of this increase and lower demand.

TFC is confronted yearly with the task of managing the highly seasonal nature of the turkey industry. This seasonality limits the price and supply signals available to turkey producers. Therefore, in 2016-17, FPCC encouraged TFC and the turkey industry to focus on research and promotion to find ways to stabilize production across the year. FPCC also urged turkey producers to be more strategic and long-range in their thinking, and indicated its willingness to support TFC in related analysis and research. FPCC continued to encourage TFC to explore the potential of a promotion and research agency in facilitating research and in promoting increased turkey consumption in Canada.

FPCC was pleased to see how quickly and smoothly TFC implemented the ruling of the March 2016 confidential arbitration process between the Turkey Farmers of Ontario (TFO) and TFC, with respect to a penalty imposed on Ontario due to overproduction of turkey for further processing. In particular, FPCC welcomed TFC's work in implementing a new record audit system across all provinces.



THE CHICKEN AGENCY



The Chicken Farmers of Canada

The Chicken Farmers of Canada is the national agency responsible for the orderly marketing of chicken in Canada. Originally known as the Canadian Chicken Marketing Agency, CFC was proclaimed by the Government of Canada in 1978. Implementation of CFC's proclamation was enabled by an FPA between the federal government, provincial agriculture ministers, and chicken producers in member provinces.

All provinces but Alberta are members of the agency. Each elects a member to CFC's Board of Directors, along with two from CPEPC, one from FPPAC, and one from Restaurants Canada. The Board meets every eight weeks to discuss subjects such as quota allocation, on-farm food safety, animal welfare and regulatory issues.

Canadian Chicken Value Chain

CFC chicken farmers purchase from hatcheries day-old chicks that have been vaccinated to prevent illness. The chicks are placed in climate-controlled trucks and delivered to chicken farmers. After five or more weeks in barns, depending on market requirements, the chickens are transported to processing plants. At the plants, the chickens are eviscerated and sold to the food service, restaurant and retail sectors, or to a processor for further processing (such as the preparation of frozen dinners, chicken nuggets, meat pies, etc.).

In terms of the chicken industry's performance, preliminary data for 2016 indicate that the demand for chicken was strong, up around 4 percent over the previous year. Wholesale prices for chicken remained strong throughout the year. Moreover, market forecasts predict continued growth in demand and prices in 2017–18.

FPCC's Work with CFC and Priorities for the Chicken Industry

The Council member Maryse Dubé and FPCC Chairman Laurent Pellerin both attended the CFC Board of Directors' allocation and industry meetings.

CFC's most important work in 2016–17, strongly endorsed by FPCC, consisted of building consensus among the provinces for amendments to Schedule B of the FPA (the Operating Agreement). These amendments required the unanimous consent and signature of provincial supervisory boards, provincial commodity boards and CFC. They were designed to align the FPA with the Long-term Allocation Agreement for Chicken, an interprovincial entente on integrating new measures of differential growth into CFC's allocation methodology. The final step needed, before all signatures of the amended Operating Agreement were collected, was to agree on how the Atlantic Canada Safeguard Agreement would be implemented. This was completed in February 2017, shortly afterwards the final two signatures (from the *Fédération des producteurs de volailles du Québec* and the *Régie des marchés agricoles et alimentaires du Québec*) were received by CFC.

Subsection 9.03 of the FPA explains the amendment process. First, the provincial supervisory councils, provincial commodity boards and CFC must unanimously agree to any amendments to the Operating Agreement. Next, FPCC must review the amendments to determine whether the approval of the Governor in Council is required. Such a review was initiated by FPCC at its March 20, 2017, meeting, with a decision expected later in the year. The amendments can be implemented only after completion of the review.

Border Controls for Chicken

One item that has engaged a significant portion of CFC's time is the need for border predictability and effective border controls on chicken and chicken products. Therefore, in February 2017, the Government of Canada held preparatory discussions regarding a planned 2017–18 consultation with industry stakeholders regarding potential changes to the Canada Border Services Agency's Duties Relief Program and Global Affairs Canada's Import for Re-Export Program.

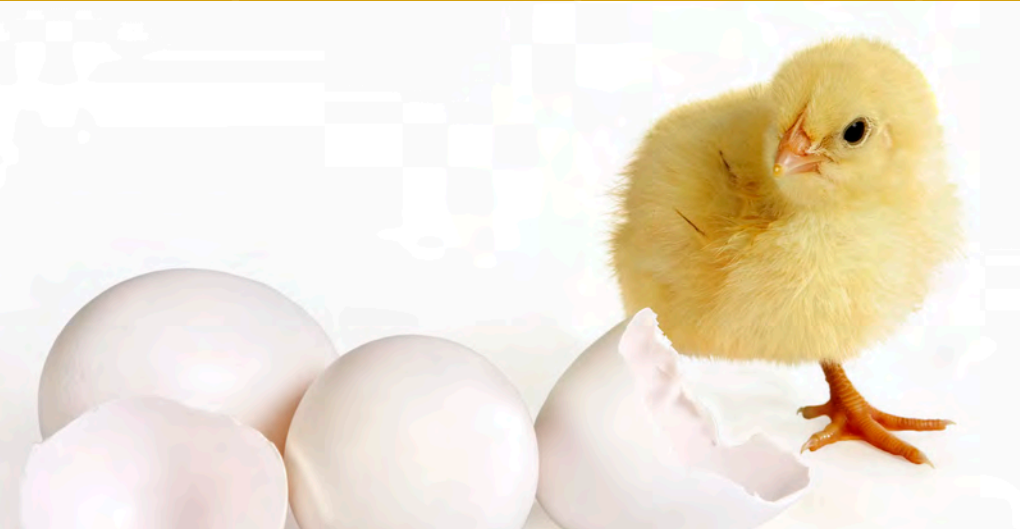
With respect to spent fowl³ imports, the government has agreed to look at specific options regarding certification requirements for imports of spent fowl product, while ensuring that any such requirement would be fully consistent with Canada's international trade obligations. At the same time, government officials are assessing the feasibility of using a DNA test to screen imports of spent fowl at the border. The FPCC has been following the issue closely and engaging with industry and government stakeholders to find solutions.

³ Spent fowl is a by-product of the egg industry. Once the productivity of laying hen declines, they are slaughtered and processed for their meat.





THE HATCHING EGG AGENCY



The Canadian Hatching Egg Producers

The Canadian Hatching Egg Producers is the national agency responsible for the orderly marketing of broiler hatching eggs in Canada. Originally known as the Canadian Broiler Hatching Egg Marketing Agency, CHEP was established in 1986 under the FPAA further to an agreement between the Government of Canada, the provincial agriculture ministers, and broiler hatching egg producers in member provinces.

Commodity boards in six provinces – British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec – are party to the *Federal-Provincial Agreement for Broiler Hatching Eggs*. Producers in each of these provinces elect a representative to sit on CHEP's Board of Directors. Two additional representatives are appointed by the Canadian Hatchery Federation.

Canada's Hatching Egg Industry

Fertilized broiler hatching eggs are sent to hatcheries. There they are placed in incubators to hatch, 21 days later, as broiler chicks. The hatcheries sell these chicks to chicken farmers, who grow them into chickens for human consumption.

In 2016–17, the broiler hatching egg industry saw an increase in production of 2.2 percent over 2015–16. Imports of broiler hatching eggs and chicks increased by 6.4 percent as growing demand in Canada for chicken led to increased domestic production and imports.

FPCC's Work with CHEP and Priorities for the Hatching Egg Industry

CHEP is subject to regular FPCC oversight. In 2016–17, Council member Debbie Etsell and her colleague Mike Pickard, supported by FPCC staff, attended CHEP's Board of Directors meetings as observers. FPCC encouraged CHEP to redraft its Liquidated Damages Assessment Agreement, which FPCC expects to receive early in 2017–18.

In 2016–17, FPCC urged CHEP to deepen its review of the allocation methodology used in Schedule B of the Federal-Provincial Agreement, given that FPCC had received two complaints centred on CHEP's application of Schedule B in 2015–16.





THE BEEF AGENCY



The Beef PRA

The Canadian Beef Cattle Research Market Development and Promotion Agency (referred to here as the Beef PRA) was established by proclamation in 2002 under Part III of the FPAA. The Beef PRA has authority to promote the marketing and production of beef cattle, beef and beef products for the purposes of interprovincial, export and import trade, and to conduct and promote research activities related to beef and beef products.

Every person who sells beef cattle in interprovincial trade must pay the Beef PRA a levy of \$1 per head of beef cattle sold. Each importer must pay the Beef PRA \$1 per head of imported beef cattle or the equivalent of \$1 per head for imported beef and imported beef products. Provinces collect the levies on both intraprovincial and interprovincial marketing, the latter further to a service agreement with the Beef PRA. The levy on imports is collected directly by the Agency, with the collaboration of AAFC, so that the confidentiality of business information is maintained.

The activities of the Agency are monitored by the Council, which reviews the Beef PRA's business plan each year, as well as its annual report.

FPCC's Work with the Beef PRA

In 2016–17, FPCC's Chairman and staff attended the Beef PRA's Board of Directors meetings as observers. At the behest of provincial members, the Beef PRA continued to review its internal organization, under the direction of a new general manager. Besides managing its daily activities, the Beef PRA was active in reviewing the service agreements with its provincial members. This review paved the way for a potential levy increase in 2017–18. The Beef Cattle Research Council manages the Agency's research activities, under the guidance of the Board of Directors. All promotional activities of the Agency, overseen by the Beef PRA, were similarly monitored and reviewed by the Board of Directors.



PROMOTION AND RESEARCH AGENCIES

Regulatory Framework

In 1993, the *Farm Products Agencies Act* was amended to include Part III, which states that the Governor in Council may, by proclamation, establish an agency for the promotion and research of a farm product where it is satisfied that a majority of the aggregate of producers and, where applicable, importers support such action.

The FPAA and Powers of a Promotion and Research Agency

A PRA created under the FPAA has the authority to collect a levy on domestic production, on exports, and on imports of the regulated product when conditions of national treatment⁴ are met. A PRA has no authority to regulate production. It has the authority to implement a promotion and research plan funded by the collection of levies, as described.

Requests for Agency Status Under Part III

The FPAA mandates the Council to work with agencies to further the effective marketing of farm products, as well as research and promotion in relation to the farm products with which the agencies are concerned. As a key part of its scrutiny of the agencies' operations, FPCC reviews their annual business plans and their promotion and research plans. More generally, under Part III of the FPAA, FPCC provides guidance to commodity groups interested in the promotion and research agency model. FPCC has begun the process of improving its guidance materials, particularly to better serve smaller commodity groups; these might benefit from creating a PRA as a means to

⁴ National treatment: treating foreigners and locals equally imported and locally-produced goods should be treated equally at least after the foreign goods have entered the market; the same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. Source: <https://www.wto.org>



organize themselves nationally, and to grow their markets through coordinating promotion and research activities across Canada.

FPCC is responsible for processing requests for the creation of PRAs. Over the last year, the Council prepared and submitted reports to the Minister of Agriculture and Agri-Food concerning requests by the raspberry, strawberry and pork industries for the establishment of PRAs. The reports followed public hearings on the subject and were released in December 2016 and January 2017. FPCC also held discussions with several commodity groups interested in the PRA model, as well as with international delegations interested in the role of PRAs in promoting Canadian agricultural trade. In addition, FPCC discussed the potential uses of the PRA model with various umbrella organizations in the agriculture sector.

Other PRAs in 2016–17

FPCC approved the report of a panel that it had set up to inquire into the merits of establishing a Canadian Pork PRA. The Council then prepared recommendations on the establishment of a pork industry PRA, and submitted these to the Minister of Agriculture and Agri-Food.

In addition, FPCC followed up on its recommendations concerning previous submissions for the establishment of other PRAs. Because a few years had passed since the original submissions, FPCC asked applicants to update their current status. This work is in progress. The FPCC also worked on improving its guidance documents in order for commodity groups to be better tooled and prepared when submitting proposals for the establishment of new PRAs.

FPCC staff continued to provide guidance to commodity groups in various stages of developing proposals. At least one new proposal is expected to be officially presented to the Council during 2017–18.

“We, who are part of this system, have to be able to explain to the public how the system works and demonstrate that it is operated in a reasonable manner.”

*Provincial Hatching Egg
Annual Meetings – 2014*

OTHER FPCC ACTIVITIES

Regulatory Affairs

The integrity of FPCC's regulatory function is a matter of public interest. Providing the public with clear and up-to-date information on FPCC's regulatory activities is essential for transparency. In ensuring the proper application of regulations to regulated agricultural industries, FPCC contributes to the whole-of-government regulatory process established by the Treasury Board. In doing so, FPCC helps limit unwarranted delays in the entry into force of amendments to orders and regulations that affect either marketing quota allocations or levies orders of national agencies. FPCC also works closely with provincial supervisory boards, particularly through the National Association of Agri-Food Supervisory Agencies and provincial commodity boards.

As part of its regulatory role, in January 2017 FPCC began working with its provincial counterparts to compile information on the legal and regulatory framework that underpins the functioning of supply management for poultry and eggs at the provincial level.

Throughout 2016–17, FPCC continued to keep the office of the Minister of Agriculture and Agri-Food informed about regulatory matters related to the administration of the *Farm Products Agencies Act* and the *Agricultural Products Marketing Act* (APMA). FPCC also continued to provide technical regulatory assistance to national agencies, supervisory boards and provincial commodity boards in relation to the two acts.

FPCC also acted as liaison between the national agencies, provincial boards, and several federal departments and agencies involved in regulatory matters, including the Department of Justice Canada, the Treasury Board of Canada Secretariat and the Privy Council Office.

FPCC shares responsibility for administering the APMA with AAFC. It collaborated with the Department in responding to the Parliamentary Standing Joint Committee for the Scrutiny of Regulations, concerning the Committee's inquiries about the status of the various delegations granted under APMA.

Where warranted, FPCC worked with AAFC to amend existing delegations and develop monitoring mechanisms. It undertook these tasks in close collaboration with its provincial counterparts and the commodity groups that receive delegated authority under APMA.



Communications

During this fiscal year, FPCC continued to expand its communications functions to reflect the priorities outlined for the second year of the [2015–2018 Strategic Plan](#). To improve collaboration and outreach initiatives, FPCC worked on developing communications products that explain to stakeholders what the Council does and what its business objectives are.

In 2016–17, FPCC produced and distributed seven issues of the [FOCUS Newsletter](#), now in email format. The newsletter informs stakeholders about the Council's business and decisions. It also carries the latest news, and provides links to documents and publications on FPCC's Web site.

FPCC continued to maintain sections of its Web site, including [Promotion and Research, Acts and Regulations](#), and [Who We Are](#). In the [Publications](#) section, FPCC updated the [Industry Statistical Data](#) pages with the latest information and statistics related to the regulated industries under FPCC's oversight: the egg, turkey, chicken and hatching egg industries.

The Government of Canada's Web Renewal Initiative is creating a single, integrated Web site merging the sites of all federal departments and organizations. Under the initiative, FPCC continued to work on migration and onboarding activities, as well as preparations for moving content to Canada.ca in 2017. In addition, this year FPCC began posting all proactive disclosure reports in the [Open Information](#) section of the Open Government portal. A link on FPCC's [Proactive Disclosure](#) Web page takes readers to the [Open Information](#) section.

AAFC and FPCC introduced the Forward Regulatory Plan on the [Acts and Regulations](#) Web page, with links to the various regulatory instruments.



Also under [Acts and Regulations](#), FPCC updated the text of its Regulatory Interpretation Policy; this outlines the commitments, practices and tools to be applied by the federal government when providing Canadians and businesses with information and guidance on their regulatory obligations. A link on FPCC's [Proactive Disclosure](#) Web page takes readers to the [Open Information](#) section.

ANNEX - 2016-17 FPCC DECISIONS ON QUOTA AMENDMENTS

Agency	Date of Decision	Status	Type of Quota	Applicable Timeframe	New Quota Amount	Comments / Details
Egg Farmers of Canada	May 2016	Approved	Eggs for Processing	June 12 to December 31, 2016	24,473,769 (dozen)	This allocation represented an additional 200,000 layers required by Quebec.
		Withdrawn	Federal Quota	April 17 to December 31, 2016	463,861,528 (dozen)	EFC withdrew this original submission.
	June 2016	Decision Postponed	Federal Quota	June 12 to December 31, 2016	377,393,452 (dozen)	Council required more legal information to be satisfied that the proposed amendment was necessary for the implementation of EFC's marketing plan.
	August 2016	Approved	Special Temporary Market Requirement Quota	August 7 to December 31, 2016	0	Council noted that the draw down criteria had been met.
	September 2016	Approved	Vaccine Egg Quota	January 1 to December 30, 2017	13,335,840 (dozen)	Quota level remained the same as in 2016.
		Withdrawn	Federal Quota	June 12 to December 31, 2016	377,393,452 (dozen)	EFC withdrew the allocation request.
	December 2016	Approved	Federal Quota	January 1 to December 30, 2017	669,758,648 (dozen)	This allocation was based on Quota Allocation Committee methodology and represented an increase of 21,570,243 dozens or 3.3% increase over 2016.
Chicken Farmers of Canada	August 2016	Approved	A-139	September 4 to October 29, 2016	238,011,482 (kg, live weight)	A 4.8% increase over the same weeks in 2015.
		Approved	A-140	October 30 to December 24, 2016	239,767,557 (kg, live weight)	A 4.1% increase over the same weeks a year earlier.
	November 2016	Approved	A-141	December 25, 2016 to February 18, 2017	239,259,262 (kg, live weight)	A 3.2 % increase over the same weeks a year earlier.
		Approved	A-142	February 19 to April 15, 2017	249,983,023 (kg, live weight)	A 4.3% increase over the same weeks in 2016.

Agency	Date of Decision	Status	Type of Quota	Applicable Timeframe	New Quota Amount	Comments / Details
Turkey Farmers of Canada	May 2016	Approved	Federal Quota	2016/2017 Control Period	189,311,576 (kg, evis. weight)	An increase of 1.6% over previous allocation amendment.
	June 2016	Decision Postponed	Federal Quota	2016/2017 Control Period	189,311,576 (kg, evis. weight)	Postponed to allow FPCC staff to review the full arbitration report.
	August 2016	Approved	Federal Quota	2016/2017 Control Period	189,311,576 (kg, evis. weight)	Amendment due to the arbitration report, resulting in redistribution of quota among provinces.
	September 2016	Approved	Federal Quota	2016/2017 Control Period	184,184,521 (kg, evis. weight)	A decrease of 2.7% over previous allocation amendment.
	November 2016	Approved	Federal Quota	2016/2017 Control Period	186,339,969 (kg, evis. weight)	An increase of 1.1% over previous allocation amendment.
	December 2016	Approved	Federal Quota	2016/2017 Control Period	186,597,969 (kg, evis. weight)	An adjustment of 0.14% over previous allocation amendment due to new export policy allocation methodology.
Canadian Hatching Egg Producers	December 2016	Approved	2016 Final Allocation	January 1 to December 31, 2016	675,653,724 (broiler hatching eggs)	Allocations now include any interprovincial quota leased.
		Approved	2017 Initial Allocation	January 1 to December 31, 2017	693,073,832 (broiler hatching eggs)	

Source: FPCC

ANNEX - 2016-17 FPCC DECISIONS ON LEVY AMENDMENTS

Agency	Date of Decision	Status	Applicable Timeframe	Change in Levy Amount	New Levy Amount	Comments / Details
Egg Farmers of Canada	August 2016	Approved	August 7, 2016 to March 31, 2017	0.07 (\$/dozen)	0.2575 (\$/dozen)	An increase in the volume of eggs declared surplus under the Industrial Products Program and a decline in the processor price contributed to a decrease in the Pooled Income Fund.
	December 2016	Approved	January 29, 2017 to March 30, 2018	0.08 (\$/dozen)	0.3375 (\$/dozen)	A continued increase in the volume of eggs declared surplus under the Industrial Products Program and historical lows in processor prices contributed to a decrease in the Pooled Income Fund.
Chicken Farmers of Canada	February 2016	Approved	April 1, 2016 to March 31, 2017	-	0.53 (cents/kg, live weight)	No change from 2016.
Canadian Hatching Egg Producers	June 2016	Approved	June 22, 2016 to June 24, 2017	-	0.0032 (\$/broiler hatching egg)	No change from 2016.
Beef PRA	August 2016	Approved	August 17, 2016 to September 28, 2017	-	1.00 (\$/head or equivalent)	No change from 2016.

Source: FPCC