

February 28, 2013

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

Dear Sir:

On behalf of the New Brunswick Farm Products Commission, I have the honour to submit the Annual Report for the period April 1, 2011 to March 31, 2012.

Respectfully submitted,

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

Robert Shannon
Chairman

FARM PRODUCTS COMMISSION
ANNUAL REPORT 2011-2012

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Vision Statement

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

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

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

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

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

Mission Statement

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

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

- Cooperation and communication between all industry stakeholders is key to the further development of the agri-food industry;
- be an impartial, fair-minded agency that supports industry development;
- an orderly marketing system will enhance the viability of the agri-food industry within the global marketplace;
- carry out the mandate provided for in the *Natural Products Act* to the common benefit of producers, processors and consumers;

- as a signatory to national supply management programs, the Commission will act to both protect and promote the interests of those industries;
- promote transparency both in carrying out its mandate as well as in the operation of the eight marketing boards and two agencies.

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

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

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

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

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

Powers of the Farm Products Commission

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

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

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

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

- The establishment and enforcement of marketing conditions that benefit both the dairy products trade and the general public;

- License milk dealers, producers, vendors and transporters;
- Make regulations or orders pertaining to milk quality, the inspection and classification of milk, and processing of dairy products;
- Control milk quality from the farm to the milk dealer;
- Make regulations pertaining to penalties on milk that fails to comply with standards of quality;
- Set the price producers receive for their raw milk and set the wholesale and minimum retail price of fluid milk products.

Commission Members

Robert Shannon	Chairman	Leigh Mullin	
Dale McIntosh	Vice-Chairman	John Robinson	(outgoing)
Léopold Bourgeois		Hannah Searle	
Kathy Briggs		Robert Speer	(new)
Paul Chiasson		Katherine Trueman	

Commission Staff

Robert Goggin	General Manager (retired November 2011)
Laura Poffenroth	Acting General Manager
Danny Draper	Senior Agri. Commodities Specialist
Laura Poffenroth	Commodities Analyst
Ann McGrath	Administrative Assistant

Commission Office

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Commission Activities

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

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

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

In February 2012, the Commission adjusted the price of raw milk without impacting the price of fluid milk to consumers. In August 2011, the Commission announced an increase of 4 cents per litre in the price of fluid milk. The fluid milk pricing formula in effect across Canada triggered the mid-year price adjustment due to the increase cost of fuel, feed and fertilizer.

The Commission also determined that school milk prices shall increase by 5 cents per serving beginning September 1, 2011. The price of milk that students pay under this program has not changed in seven years. Under the School Milk Program, processors and producers subsidize the price of milk for school children in New Brunswick by approximately \$1.3 million per year. Collaborating with the dairy industry to review the School Milk Program, it was also decided that the chocolate milk offered in the program be changed from 2% chocolate milk to 1% chocolate milk.

The Commission received regular reports from inspection staff on dairy producers who were experiencing milk quality problems, whose premises or equipment were substandard, and who were otherwise not in compliance with

the regulations. The Commission responded to these reports by communicating its concerns to the producer and encouraging the producer to take corrective action, and failing that, requested the producer to appear before the Commission.

New Brunswick continued to work towards equivalency of our Milk Quality Regulation to the National Dairy Code. At the end of September, the Federal/Provincial/Territorial Dairy Technical Equivalency Committee (FPT-DTEC) assigned to determine compliance with the National Dairy Code conducted an on-site audit of Inspection practices in New Brunswick. The audit was to review the implementation of the New Brunswick Milk Quality Regulation with the powers delegated to the Dairy Farmers of NB, Department of Health Inspectors and their functions and the role of the NB Farm Products Commission. The audit went very well with only three areas that need improvement.

The Farm Products Commission convened an appeal hearing between Eagle Transportation System (Appellant) and Dairy Farmers of New Brunswick (Respondent) to determine liability of a contaminated truck load of raw milk. The Commission dismissed the appeal by the Appellant stating that the Appellant accepted the raw milk in a bulk tank on its truck and therefore become liable for the value of the milk that was rejected for visible contamination and subsequently disposed.

The New Brunswick Christmas Tree Growers Association formally requested that the Commission conduct a plebiscite to gauge the level of support for the establishment of a Christmas Tree Growers Agency under the *Natural Products Act*. The creation of an agency would provide the legal means to create infrastructure enabling Christmas tree growers to promote their product and undertake research initiatives for Christmas trees in New Brunswick. In the Fall of 2011, the Commission staff participated in information sessions with the New Brunswick Christmas Tree Growers Association to educate growers on agencies established under the *Natural Products Act* and the plebiscite process. The plebiscite process began in the Spring of 2012 and the results will be known in the next fiscal year.

Work continues among the cattle boards in the Maritime Provinces to harmonize policies and to work collaboratively on issues affecting the cattle industry. To this end the establishment of the Maritime Beef Council as a corporate entity has been approved and the NB Cattle Producers were granted approval to join and hold office on the new Council.

A number of changes have occurred at the Farm Products Commission this past year. John Robinson, a longstanding member of the Farm Products Commission, who represented dairy producers stepped down from that position; he was replaced by Robert Speer. As well, Robert Goggin retired as the General Manager after 8 years in that position; he was replaced by Laura Poffenroth.

Commission Orders

In compliance with the *Natural Products Act*, the Commission may develop orders that authorize boards and agencies to exercise powers granted to them by regulations. In 2011-2012, the Commission approved the following orders:

Dairy Industry

- 2011-05 Wholesale/Retail Pricing Order:** Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2011-01.
- 2011-06 Producer Pricing:** Establishes the price processors must pay dairy producers for their milk; repealed Order 2011-02.
- 2011-07 School Milk Pricing Order:** Establishes the maximum wholesale price and the maximum student price for milk distributed under the School Milk Program; repealed Order 2011-04.
- 2011-08 School Milk Pricing Order:** Establishes the maximum wholesale price and the maximum student price for milk distributed under the School Milk Program; repealed Order 2011-07.
- 2012-01 Producer Pricing:** Establishes the price processors must pay dairy producers for their milk; repealed Order 2011-06.
- 2012-02 Producer Pricing:** Establishes the price processors must pay dairy producers for their milk; repealed Order 2012-01.
- 2012-03 Producer Pricing:** Establishes the price processors must pay dairy producers for their milk; repealed Order 2012-02.
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Supply Management

The three pillars of supply management are:
Production discipline
Producer pricing
Import control

In Canada, the dairy, chicken, egg, broiler hatching egg and turkey industries operate under the national supply management system. The effective control of

domestic production is one facet that helps equate supply with demand, enabling efficient producers to receive a fair market price to cover the cost of production and a return on investment without the assistance of government subsidies. The existence of supply management is also dependent on import controls. Regulating the level of imported products will influence the domestic production required to sustain the market.

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

As a supervisory body, the Commission has a statutory obligation to oversee the operation of national supply management programs, to participate in discussions regarding provincial participation in those programs, and to represent the province in federal/provincial regulated marketing and trade agreements. In fulfilling its 2011-2012 obligations, Commission officials attended four regular meetings of the CMSMC and the Supervisory Body of the All Milk Pooling Agreement (P5) and three P10 Harmonization meetings. Canadian stakeholders continue to meet with the goal of negotiating the migration from two Provincial pools (P5 and Western Milk Pool) to a single National pool (P10). The Farm Products Commission will be an active participant in these ongoing negotiations.

Farm Products Commission delegates were present for the annual meeting and an executive planning meeting of the International Association of Milk Control Agencies (IAMCA), as well as the annual and summer meetings of EFC, CFC and TFC.

In addition to the previously mentioned meetings, the Chairman and General Manager of the Commission participated in four meetings of the National Association of Agricultural Supervisory Agencies (NAASA).

Finances

<u>Account</u>	<u>Description</u>	<u>Expenditure</u>
3431	Civil Service Payroll	\$189,365
3453	Casual Payroll	\$ 35,550
3600	Benefits	\$ 5,856
3703	Tuition	\$ 2,576
4083	Computer Maintenance Service	\$ 80
4500-4662	Business Meeting & Other Services	\$ 3,106
4700	Printing & Copying	\$ 1,160
4730	Rentals	\$ 336
4796	Interpretation Services	\$ 165
4860	Telephones	\$ 4,350
4900	Travel	\$ 44,879
5041-5240	Bottled Water & Supplies	\$ 91
5739	Stationary Supplies	\$ 846
6070	Computer Hardware/Software	\$ 439
	TOTAL	\$288,799