

# Farm Products Commission

Annual Report  
**2016–2017**

Farm Products Commission  
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Province of New Brunswick  
PO Box 6000  
Fredericton, NB E3B 5H1

[www.gnb.ca](http://www.gnb.ca)

## Transmittal letter

From the Chair to the Minister

August 15, 2017

Honourable Rick Doucet

Minister of Agriculture, Aquaculture and Fisheries

Province of New Brunswick

PO Box 6000

Fredericton, NB E3B 5H1

Sir:

On behalf of the New Brunswick Farm Products Commission, I have the honour to submit the Annual Report for the period April 1, 2016 to March 31, 2017.

Respectfully submitted,



Robert Shannon

Chair



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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 Products Commission is a supervisory body 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 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 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 body that supports industry development;
- an orderly marketing system will enhance the viability of the agri-food industry within the global marketplace;
- carry out the mandate provided for in the *Natural Products Act* to the common benefit of producers, processors and consumers;
- as a signatory to national Supply Management programs, the commission will act to both protect and promote the interests of those industries; and
- promote transparency both in carrying out its mandate as well as in the operation of the eight marketing boards and two agencies.

To enhance board and agency transparency and to ensure 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 each board and agency holds an annual producer meeting to review financial statements and activities for the previous year and ensure that the boards and agencies do not implement significant changes in policy without consulting its 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.

To ensure 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 this capacity, it is responsible for ensuring all 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;
- cooperate with a marketing board, local commodity board or agency, marketing commission or marketing agency of Canada or of any province in Canada for the purpose of marketing any regulated product; and
- make orders and issue directives consistent with a plan or the regulations as are necessary to enforce the provisions of the Act or any plan.

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

- the establishment and enforcement of marketing conditions that benefit both the dairy products trade and the public;
- license milk dealers, producers, vendors and transporters;
- make regulations or orders pertaining to milk quality, the inspection and classification of milk, and processing of dairy products;
- control milk quality from the farm to the milk dealer;
- make regulations pertaining to penalties on milk that fails to comply with standards of quality; and
- set the price producers receive for their raw milk and set the wholesale and minimum retail price of fluid milk products.

# Commission members

Robert Shannon: Chair  
Dale McIntosh: Vice-Chair  
Léopold Bourgeois  
Katherine Trueman  
Paul Chiasson  
Leigh Mullin  
Hannah Searle  
Robert Speer  
Kevin McKendy

# Commission staff

Anna Belliveau: Interim General Manager  
Danny Draper: Senior Agriculture Commodities Specialist  
Carrie Roth: Acting Regulations Analyst  
Ann McGrath: Administrative Assistant

Commission office  
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# Commission activities

During the period under review, the commission met 12 times and conducted two conference calls to fulfil its supervisory responsibilities of agencies and boards under the *Natural Products Act*. The commission conducted annual reviews of two agencies and all eight commodity boards plus reviewed all boards and agencies' meeting minutes, annual reports and financial statements.

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 Agricultural Alliance of New Brunswick.

The commission is tasked with setting the wholesale and retail prices of fluid milk products. When determining this adjustment, it considers studies on the cost of production for dairy producers and a financial analysis of returns to the New Brunswick fluid milk processing industry. After thoroughly reviewing these reports, the commission decides whether a price adjustment is warranted. While 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.

The commission adjusted the price provided to dairy farmers and announced an increase of slightly less than one per cent in the retail price of fluid white milk in February 2017. The commission determined that a price adjustment was warranted based on several factors, most notably the increase in payroll, energy, packaging and ingredient costs to dairy processors.

The commission also determined that school milk prices would remain unchanged for the current school year. Under the School Milk Program, processors and producers subsidize the price of milk for school children in New Brunswick by about \$1 million per year.

The provincial dairy laboratory was transferred from the Department of Agriculture, Aquaculture and Fisheries to the New Brunswick Research and Productivity Council

(RPC) in 2016. Following this transfer, the commission designated RPC as the official provincial lab for the regulatory testing of raw milk

Dairy Farmers of New Brunswick (DFNB) approached the commission in March 2017 to request amendments to Regulation 2002-86, the Milk Plan Administration Regulation, to allow staggering of at-large director positions. Following the commission's approval of the proposed amendments, commission staff began the process for amending the regulation.

The commission continued to explore avenues to amend its Milk Quality Regulation to accommodate the recent implementation of the national proAction program by Dairy Farmers of Canada, a national framework encompassing best management practices on dairy farms. This exploration is expected to continue in the following year as the commission strives to incorporate the animal care program of the proAction initiative and make the program a requirement of licensing dairy producers.

On Nov. 20, 2014, the Canadian chicken industry announced the signing of a Memorandum of Understanding (MOU) on a new allocation agreement that would see 55 per cent of future growth based on provincial comparative advantage factors. The commission, after consultation with New Brunswick chicken producers and processors, signed the amended Schedule B Operating Agreement of the Federal-Provincial Agreement for Chicken in August 2016.

The Association of Wild Blueberry Producers of Northeast New Brunswick submitted a request to the commission to become a regional board in March 2013. At the request of the association, the plebiscite process was temporarily suspended for the 2014-2015 year. In May 2015, the association made a request to reactivate the process, which the commission resumed. On May 30, 2016, the commission provided its recommendation to the Minister on the association's request. The provincial government rendered a decision on the association's request to become a regional board in May 2017. The government's decision did not support the establishment of a wild blueberry marketing board. However, the

government indicated it would entertain an application for the northeast wild blueberry producers to form an agency under the Act.

The Maple Syrup Association of New Brunswick submitted an official request to the commission to become a provincial board in January 2016. Establishing themselves as a provincial board would give producers the legal framework for marketing, promotion and research. The commission granted permission for the association to begin the process of becoming a regional board. Commission staff conducted the plebiscite process. Based on the results of a plebiscite, the commission determined that support for the creation of a board was insufficient and so did not submit a recommendation to the Minister.

In September 2016, Apple Growers of New Brunswick approached the commission to make a request to change its definition of “eligible producer” as contained in Regulation 2002-61. The rationale for the amendment was to recognize production management procedures. The commission approved the motion to amend the Apple Plan Administration Regulation, 2002-61 in October 2016. Following the approval, commission staff began the process to amend the definition and is awaiting government approval.

The commission also serves as an appeal body for those aggrieved by decisions made by commodity boards. In that regard, the commission held three appeal hearings in 2016-2017 and made arrangements for another hearing in April 2017.

In May 2016, the commission heard an appeal regarding live chicken pricing for production periods A-133, A-134, A-135 and A-136. A panel of two commissioners conducted the hearing. The panel dismissed the appeal and recommended a New Brunswick cost of production formula be developed to be used as a tool to determine the price of live chickens in the province.

The commission held an appeal regarding a blueberry producer who appealed the decision of the board of directors to dismiss him from being a director on the board for failing to attend meetings without reasonable excuses. The commission dismissed the appeal citing the appellant’s absence at the appeal hearing.

On Jan. 12, 2017, the commission heard an appeal of a dairy producer regarding Cattle Producers of New Brunswick’s (CPNB) decisions with respect to levy increases, amendments to regulation, dairy producers being required to pay cattle levies, and how a plebiscite was conducted by CPNB. The panel upheld CPNB’s decision to increase levies and recommended CPNB re-consult its membership on the matters. In this instance, the appellant appealed the commission’s decision to the New Brunswick Court of Appeal and all parties are awaiting a court date.

The commission received a notice of appeal from a dairy producer alleging that Dairy Farmers of New Brunswick exceeded its authority and mandate in implementing the proAction program on March 6, 2017. The hearing date was set for April 25, 2017.

# 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 2016-2017, the commission approved the following orders:

## Dairy industry

**2016-03 Milk Container Order:** Established the legal container sizes of fluid milk and cream products; repealed Order 2014-07.

**2016-04 Rules Governing the Procedures of an Appeal:** Established the requirements for conducting and participating in a commission appeal; repealed Order 2008-04.

**2016-05 Wholesale/Retail Pricing Order:** Established the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2016-02.

**2016-06 Milk Container Order:** Established the legal container sizes of fluid milk and cream products; repealed Order 2014-06

**2016-07 Producer Pricing Order:** Established the price processors must pay dairy producers for their milk; repealed Order 2015-07.

**2016-08 Board-Processor Sales Order:** Established the process for the sale, transport, delivery and scheduling of milk, as well as the process for the use of bulk milk pick-up slips and receipts, payment to the Board and providing the Board with a plant utilization report, repealed 2004-17.

**2016-09 Milk Classification Order:** Established classes of milk for payment purposes; repealed Order 2015-03.

**2016-10 Wholesale/Retail Pricing Order:** Established the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2016-05.

**2016-11 Producer Pricing Order:** Established the price processors must pay dairy producers for their milk; repealed Order 2016-07.

**2016-12 Official Lab Order:** Established the designated laboratory for testing of raw milk in New Brunswick.

**2016-14 Wholesale/Retail Pricing Order:** Established the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2016-10.

**2017-01 Milk Classification Order:** Established classes of milk for payment purposes; repealed Order 2016-09.

**2017-02 Producer Pricing Order:** Established the price processors must pay dairy producers for their milk; repealed Order 2016-11.

# Supply Management

The three pillars of Supply Management are:

- production control;
- authority to price; and
- 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. Commission delegates were present for the annual meetings of EFC, CFC and TFC.

As a supervisory body, the commission has a statutory obligation to oversee the operation of national Supply Management programs, to participate in discussions regarding provincial participation in those programs and to represent the province in federal/provincial regulated marketing and trade agreements. In fulfilling its 2016-2017 obligations, commission staff attended regular meetings of the CMSMC and the Supervisory Body of the All Milk Pooling Agreement (P5) and four P10 Harmonization meetings, seven Maritime Milk Allocation meetings, seven P5 Milk Allocation Working Group meetings and one National Fluid Milk Pricing meeting. Canadian stakeholders continue to negotiate the migration from two provincial pools (P5 and Western Milk Pool) to a single national pool (P10). The commission is an active participant in these negotiations.

Commission staff has been very involved in both New Brunswick and Canadian dairy producers' efforts to implement a national ingredients strategy. This strategy is viewed as an opportunity to modernize the dairy industry and address concerns such as world pricing volatility, structural surpluses of protein, processing drying capacities and the movement of dairy ingredients.

In addition to the aforementioned meetings, the interim general manager of the commission participated in two meetings of the National Association of Agricultural Supervisory Agencies (NAASA). NAASA members recognize each other's jurisdictional responsibilities, and they agree that supervisory agencies should work cooperatively in overseeing the national Supply Management system and that all decisions are fair, defensible and accountable in support of a strong, sustainable, efficient and competitive marketing system.

# Financial information

Account	Description	Expenditure
3431	Civil Service Payroll	\$153,707
3453	Casual Payroll	\$ 43,919
3603-4	Benefits	\$ 6,940
3701	Membership Dues	\$ 187
4083	Computer Maintenance	\$ 160
4500	Business Meetings And Other Services	\$ 4,164
4701	Printing	\$ 2,665
4739	Rentals	\$ 418
4782	Legal Services	\$ 34,737
4795	Translation	\$ 2,673
4796	Interpretation	\$ 12,365
4860	Telephones	\$ 3,605
4900	Travel	\$ 30,668
5739	Other Supplies	\$ 495
6071	Computer Hardware/Software	\$ 571
	<b>Total</b>	<b>\$ 297,272</b>