

Farm Products Commission

Annual Report
2018–2019



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Annual Report 2018-2019**

Province of New Brunswick
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Transmittal letters

From the Chair to the Minister

To Honourable Ross Wetmore
Minister of Agriculture, Aquaculture and Fisheries

Province of New Brunswick
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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, 2018 to March 31, 2019.

Respectfully submitted,

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

Robert Shannon
Chair

Table of contents

- Vision statement 1
- Mission statement 2
- Powers of the Farm Products Commission. 3
- Commission members and roles. 4
- Commission staff. 4
- Commission activities. 5
- Commission orders 6
- Supply Management 7

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 Public Safety.

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 their producers. The commission shall supervise the activities of all boards and agencies and provide an appeal mechanism for those individuals who feel aggrieved by decisions made by boards and agencies.

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 the 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 and roles

Robert Shannon: Chair, representing the Department of Agriculture, Aquaculture and Fisheries

Dale McIntosh: Vice Chair until July 2018 (not renewed as a commissioner), producer representative

Kevin McKendy: Vice Chair as of July 2018, nominated by Minister

Victor Somerville: appointed commissioner as of July 2018, producer representative

Léopold Bourgeois, producer representative

Katherine Trueman, representing the interest of consumers

Paul Chiasson, representing the NB milk dealer's association

Hannah Searle, nominated by Minister

Robert Speer, representing Dairy Farmers of NB

Leigh Mullin: resigned July 2018, producer representative

Commission staff

Anna Belliveau: Acting General Manager

Danny Draper: Senior Agriculture Commodities Specialist

Carrie Roth: Acting Regulations Analyst

Ann McGrath: Administrative Assistant

Commission office

PO Box 6000

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Commission activities

During the period under review, the commission met thirteen times and conducted three conference calls to fulfill its supervisory responsibilities of agencies and boards under the *Natural Products Act*. The commission conducted annual reviews of two agencies (Bleuets NB Blueberries, Canneberges NB Cranberries) and all eight commodity boards (Potatoes NB, Apple Growers of NB, Chicken Farmers of NB, Egg Farmers of NB, Turkey Farmers of NB, Dairy Farmers of NB, Cattle NB Cattle Producers, Pork NB Porc), plus reviewed all boards and agencies' meeting minutes, annual reports and financial statements.

The staff of the commission attended the annual and regional meetings of the producer organizations formed under the *Natural Products Act*.

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 seeks to balance 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 announced an increase of 5.0 cent per liter in the price of fluid white milk in September 2018. The commission determined that a price adjustment was warranted based on several factors, most notably the increase in feed and transportation costs to dairy farmers as well as fuel, transportation and labor 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 approximately \$1 M per year.

Commission staff worked with Blueberries NB Bleuets (BNBB) in 2018 to amend its governance structure found in the Blueberry Plan and Administration Regulation 2006-62. Commission staff presented these changes to producers during three provincial meetings. These governance changes were well received by blueberry producers and included the reorganization of districts, modifications to the composition of the Board of Directors as well as changes to the election procedures.

The staff of the commission, Dairy Farmers of New Brunswick, the New Brunswick SPCA and NB dairy processors began collaborating to develop a process to address dairy animal welfare issues in the province in February 2018. The new Dairy Animal Welfare Policy was accepted in December 2018 and will come into effect in April 2019.

Parmalat Canada, a major dairy processor, applied for a Milk Dealer's licence to sell fluid milk in New Brunswick in May 2018. The commission granted a licence to Parmalat in December 2018 enabling them to market 11 new, innovative products in New Brunswick.

Minute Maid Company Canada Inc. (Minute Maid) applied for a New Brunswick Milk Dealer's licence in June 2018 to sell fluid milk products under the fairlife brand. The products are made from milk emanating from the U.S. Following industry consultations on this application, the commission denied the granting of a licence to Minute Maid, citing it did not feel it was in the best interest of the dairy products trade. Minute Maid appealed the commission's decision to deny them a Milk Dealers License in January 2019 to the NB Court of Appeal. Minute Maid withdrew their appeal to the NB Court of Appeals in March 2019 and filed for a Judicial Review at the Court of Queen's Bench. The matter will be heard in May 2019.

Similarly, Saputo requested to have a new product added to their existing licence in August 2018. The product, named Joyya, was approved by the commission in September 2018.

Three days were set aside in May 2018 to hear the continuation of an appeal regarding live chicken pricing for production periods A-147, A-148 and A-149. A panel of two commissioners conducted the appeal hearing, which had begun in March 2018. A decision was rendered by the panel in July 2018. Chicken Farmers of New Brunswick appealed the panel's decision in August 2018 to the NB Court of Appeal. This hearing was held in November 2018 and the Court of Appeal ordered that the matter be returned to the commission to be re-heard by a different panel, citing a lack of justifications attached to the decision.

Subsequently, in February 2019, chicken producers and processors settled on a price for live chicken for production periods A-147, A-148 and A-149, eliminating the need for the matter to be re-heard by a new commission panel.

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 2018-2019, the commission approved the following orders:

Commission

2018-01 Rules Governing the Procedures of an Appeal: Establishes the requirements for conducting and participating in a commission appeal; repealed Order 2017-09

Dairy industry

2018-02 Milk Allocation Order: Establishes how raw milk is allocated in New Brunswick.

2018-03 Delegation Order: Delegates powers to Dairy Farmers of NB allowing them to enter into an agreement with Canadian Dairy Commission and non-milk buyers.

2018-05 Milk Container Order: Designates milk container sizes that are allowed in NB; repealed Order 2016-06.

2018-06 Milk Allocation Order: Establishes how raw milk is allocated in New Brunswick; repealed Order 2018-02.

2018-08 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2017-07.

2018-09 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2017-08.

2018-10 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2018-09.

2018-11 Dairy Licencing Exemption Order: Exempts certain persons from requiring a dairy licence from the commission.

2018-13 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2018-10.

2018-14 Milk Container Order: Designates milk container sizes that are allowed in NB; repealed Order 2018-05.

2018-15 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2018-08.

2019-01 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2018-13.

2019-02 Milk Container Order: Designates milk container sizes that are allowed in NB; repealed Order 2018-14.

2019-03 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2018-15.

2019-04 Bulk Tank Milk Grader License Order: Established the application process to receive a bulk tank milk grader licence.

2019-05 Milk Grader Licence Order: Establishes the application process to receive a bulk tank milk grader licence.

2019-06 Producer Pricing Order: Establishes the price processors must pay dairy producers for their milk; repealed Order 2019-03.

2019-07 Wholesale/Retail Pricing Order: Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2019-01.

2019-08 Board-Processor Sales Order: Establishes the procedures for Dairy Farmers of NB to sell milk to dairy plants and includes procedures on scheduling, delivery to plants, milk receipts, plant utilization reports, and payments to Dairy Farmers of NB.

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 enables producers to match their production with demand, providing efficient producers a fair market price to cover their cost of production and a return on investment without the need of government assistance. Supply Management is also dependent on import controls. Regulating the level of imported products will influence the domestic production required to meet market demand.

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 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 2018-2019 obligations, the staff of the commission attended regular meetings of the CMSMC and the Supervisory Body of the All Milk Pooling Agreement (P5).

The staff of the commission has been very involved in the implementation of the National Ingredients Strategy along with the New Brunswick and Canadian dairy producers. 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.

The new US-Mexico-Canada Agreement was agreed to by all three parties on October 1, 2018. The big issue in dairy will be the elimination of Class 7 milk, and a 3.9 per cent increase in access to the Canadian market by the U.S.

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 work cooperatively in overseeing the national supply management system staff also attended the International Association of Milk Control Agencies in Winnipeg, a body that has representatives from Canadian provinces and the U.S.

Staff attended a meeting of the Atlantic Dairy Policy Committee (Committee) Conference, held over two days in December 2018. The committee is composed of board members from the four Atlantic Provinces, and has been working to harmonize various administrative duties among the provinces. This was the first conference held by the committee whose purpose is to provide information to the many producers who attended as well as to obtain feedback from these producers to ensure the committee is heading in the right direction.

In March 2019, the commission signed the Atlantic Canada Safeguard Agreement (ACSA), which is part of the Federal-Provincial Chicken Operating Agreement, Schedule "B". The ACSA was written to ensure that allocations to the Atlantic Provinces would not decrease disproportionately in comparison with the pro-rata allocation methodology that was in place before the current formula-based differential growth allocation methodology.

Financial information

Account	Description	Expenditure
3431	Civil Service Payroll	\$212,567
3453	Casual Payroll	\$46,836
3600	Benefits	\$8,182
3701	Membership Dues	\$777
4051	Advertising	\$2,658
4159	Other Fees	\$63,806
4503	Laboratory Tests	\$184,294
4500	Business Meetings and Other Services	\$5,422
4509 - 39	Other Services	\$1,441
4701	Printing	\$2,012
4703	Graphic Design	\$248
4739	Rentals	\$2,625
4782	Legal Services	\$69,603
4795	Translation	\$3,518
4796	Interpretation	\$21,991
4860	Telephones	\$3,065
4900	Travel	\$24,108
5730	Office Supplies	\$525
Total		\$653,681