
Farm Products Commission

**ANNUAL REPORT
2019-2020**

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Annual Report 2019-2020**

Province of New Brunswick
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TRANSMITTAL LETTERS

From the Chair to the Minister

Honourable Margaret Johnson
Minister of Agriculture, Aquaculture and Fisheries
Province of New Brunswick
PO Box 6000
Fredericton, NB E3B 5H1

Madam:

On behalf of the New Brunswick Farm Products Commission, it is my pleasure to submit the Annual Report for the period April 1, 2019 to March 31, 2020.

Respectfully submitted,

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

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 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. The Act also permits the formation of promotional agencies.

The *Natural Products Act* also 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 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. Robert was an Accounting Partner at Shannon & Buffett, Chartered Accountants, a Fredericton based public accounting firm. He previously held his current position as Chair with the Farm Products Commission from 1989 to 2001. From 1987 to 1989, Robert was a member of the Board of Commissions of Public Utilities and the Motor Carrier Board of the Province of New Brunswick.

Kevin McKendy: Vice Chair, nominated by the Minister

Victor Somerville: producer representative

Léopold Bourgeois: producer representative

Hannah Searle: nominated by Minister

Paul Chiasson: representing the NB milk dealer's association

Robert Speer: representing Dairy Farmers of NB

Katherine Trueman: representing the interest of the consumers.

Commission staff

Anna Belliveau: Acting General Manager until June 2019
Regulations Analyst as of June 2019

Jim Mockler: Acting General Manager as of June 2019

Danny Draper: Senior Agriculture Commodities Specialist

Carrie Roth: Acting Regulations Analyst until June 2019

Ann McGrath: Administrative Assistant

COMMISSION OFFICE

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Commission activities

During the period under review, the commission met 12 times and conducted 14 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 three cent per litre in the price of fluid white milk for February 2020. The commission determined that a price adjustment was warranted based on several factors, including the increase in cost of dairy production, feed, machinery, labour, and equipment repairs.

The commission also determined that school milk prices would increase by five cents 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 million per year.

The new Dairy Animal Welfare Policy came into effect in April 2019. This Policy is to address dairy animal welfare issues in the province.

The commission agreed to settle matters regarding the Judicial Review application by Minute Maid Company Canada Inc., to which the commission agreed to reconsider Minute Maid's application for a Milk Dealer's licence. The licence was subsequently approved.

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 2019-2020, the commission approved the following orders:

DAIRY INDUSTRY

2019-09

Designated Laboratories for testing Raw Milk Order: Establishes the designated laboratory for testing of raw milk in the province of New Brunswick; repealed Order 2016-12

2019-10

School Milk Pricing Order: Establishes the maximum wholesale price and the maximum student price for milk distributed under the School Milk Program; repealed Order 2015-05.

2019-11

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

2019-12

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

2019-13

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

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 2019-2020 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.

On July 1st, 2020, the new Canada–United States–Mexico Agreement (CUSMA) will come into effect. The big issue in dairy will be the 3.6% increase in access to the Canadian market by the U.S. and the elimination of Class 7 milk. Class 7 is comprised of skim milk components, primarily milk protein concentrates and skim milk powder used to process dairy products.

Financial information

Account	Description	Expenditure
3431-41	Civil Service Payroll	\$ 225,865.59
3453	Casual Payroll	\$ 44,467.54
3603-4	Benefits	\$ 7,156.63
3701	Membership Dues	\$ 1,102.64
4083	Hardware Maintenance	\$ 40.00
4159	Regulatory Milk testing by RPC	\$ 205 090.16
4503	Laboratory Tests	\$ 17,313.75
4491, 4505	Business Meetings and Other Services	\$ 3,537.80
4509 - 39	Other Services	\$ 924.62
4701	Printing	\$ 1,082.36
4703	Graphic Design	\$ 240.00
4727, 4739	Rentals	\$ 965.00
4781	Accounting	\$ 405.59
4782	Legal Services	\$ 104,696.58
4795	Translation	\$ 488.21
4860-69	Telephones	\$ 2,458.50
4729, 4901-4914, 5241	Travels and Meals	\$ 19,912.37
5739	Other Office Supplies	\$ 24.50
6069	Other Office Furniture	\$ 98.87
6071	Computer Hardware	\$ 28.16
	Total	\$635,898.87