

Annual Report

New Brunswick
Farm Products
Commission

2006-2007

Rapport annuel

Commission des
Produits de ferme
du
Nouveau-Brunswick

September 4, 2007

The Honourable Ronald Ouellette
Minister of Agriculture & Aquaculture
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 honor to submit the Annual Report for the period April 1, 2006 to March 31, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Hazen Myers". The signature is written in a cursive, flowing style with a large, prominent initial 'H'.

Hazen Myers
Chairman

FARM PRODUCTS COMMISSION
ANNUAL REPORT 2006-2007

TABLE OF CONTENTS

Vision Statement	2
Mission Statement	2
Powers of the Farm Products Commission	3
Members and Officials of the Commission	5
Activities of the Commission during the year 2006-07	6
Commission Orders	7
Supply-Management	9
Finances	10

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;

New Brunswick Farm Products Commission

- 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 one agency.

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 agency. 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 agency 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 them 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 and Aquaculture, 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, producer suppliers, vendors and transporters;
- Make regulations or orders pertaining to milk quality, the inspection and classification of milk, and processing of dairy products;

New Brunswick Farm Products Commission

- 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 price of fluid milk products.

Commission Members

Hazen Myers	Chairman	Anne Michaud	Member
Dale McIntosh	Vice-Chairman	Hannah Searle	Member
Larry Dobson	Member	Katherine Trueman	Member
John Robinson	Member	Edward Williams	Member
Leslie Cail	Member		

Commission Staff

Robert Goggin	General Manager
Danny Draper	Trade Relations and Commodities Specialist
Laura Poffenroth	Regulations Analyst
Sharon Albert	Administrative Support

Commission Office

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Commission Activities

In 2006-2007, the Farm Products Commission met nine times and conducted one conference call to carry out the responsibility of supervising the actions and management of the producer boards and agency provided for in the *Natural Products Act*. The Commission conducted annual reviews of all eight commodity boards, as well as reviewed the meeting minutes, all annual reports and financial statements of the boards and agency. Given the recent establishment of the Blueberry Agency, no annual review was held.

In fulfilling 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 Producers Association, the National Association of Agricultural Supervisory Agencies, and the International Association of Milk Control Agencies.

As part of its mandate, the Commission is responsible for setting the price of fluid milk sold in the province. In February 2007, the Commission announced an increase in the price of fluid milk. In determining this adjustment, the Commission considered studies on the cost of production for the province's dairy producers and a financial analysis of returns to the New Brunswick processing industry conducted by an independent firm. After thoroughly reviewing these reports, the Commission concluded that a price increase was justified and decided on the appropriate margins for producers, processors and retailers. In setting the price of milk, the Commission balanced the interests of producers, processors and consumers. This approach allows for competitive prices for New Brunswick consumers while encouraging a viable dairy industry.

In December 2006, the Farm Products Commission became aware of a practice that entailed milk dealers (processors) paying rebates to retailers resulting in fluid milk products being sold to retailers at a price lower than that established by the Commission. The Commission determined that this practice was contrary to the provisions of the *Natural Products Act* and resulted in higher milk prices charged to the consumer. The Commission thereby issued a cease and desist directive to all participants and issued the Milk Price Rebate Prohibition Order to terminate the practice. The Commission also issued a Milk Dealer Records Order which requires milk dealers to provide the Commission with audited disclosure of all rebate practices to demonstrate compliance with the *Act*.

In 2006-2007, 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 complying with the regulation. The Commission responded to these reports by communicating its concerns to the producer and encouraging the producer to take corrective action, and failing that, request that the producer appear before the Commission.

When the *Natural Products Act* came into effect in April 1999, it replaced seven other acts administered by the former Department of Agriculture and Rural Development. Since the creation of the new *Act*, Commission staff has been updating the legislation under the old acts, preparing new regulations, repealing obsolete regulations and amending others.

Commission staff, in consultation with the New Brunswick Cattle Producers and the New Brunswick Cattle Industry Council, began developing legislation that would regulate the transportation of cattle within New Brunswick. The purpose of this legislation is to provide a means to trace the movement of cattle within the province so that, should the need arise, an animal's location during all phases of its lifecycle could be readily and accurately determined.

Commission staff formed a Standard Operating Procedures committee with dairy industry representatives to ensure best practices in milk collection at the farm and delivery at dairy plants are in place.

In July 2006, the Blueberry Plan and Levies Regulation (2006-61) and the Blueberry Plan Administration Regulation (2006-62) under the *Natural Products Act* were proclaimed. The Blueberry Agency is a formal structure that will build a strong New Brunswick blueberry industry. The collection of mandatory levies (check-off) will support on-going Provincial, National, and International market promotional efforts and research for the development and dissemination of new crop management technologies. The creation of the Blueberry Agency, Bleuets New Brunswick Blueberries, provides the legal means to create infrastructure enabling blueberry producers to promote the consumption and use of blueberries and research initiatives for blueberries in the Province.

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 2006-2007, the Commission approved the following 13 orders:

Dairy Industry

- 2006-04 Milk Container Order:** Specifies the sizes of containers that fluid milk may be sold in New Brunswick; repealed Order 2004-01.
- 2006-07 Milk Classification Order:** Establishes the classes of milk that all dairy products shall be defined as for payment purposes; repealed Order 2004-07.

New Brunswick Farm Products Commission

- 2006-10 Milk Dealers' Records Order:** Instructs milk dealers to maintain current records of each retailer to whom they sell fluid milk products or fluid cream products; repealed Order 2004-14.
- 2006-11 Milk Price Rebate Prohibition Order:** Prohibits any payments made by a milk dealer to a retailer that lowers the price of fluid milk or cream below the minimum wholesale price.
- 2007-01 Producer Pricing:** Establishes the price processors must pay dairy producers for their milk; repealed Order 2006-01.
- 2007-02 Wholesale/Retail Pricing Order:** Establishes the minimum and maximum wholesale price and minimum retail price for milk sold in New Brunswick; repealed Order 2006-02.
- 2007-03 Stewardship Fund Levy Order:** Establishes the rate of levy to be collected on specific fluid milk and cream products.

Potatoes New Brunswick

- 2006-05 Potatoes New Brunswick Borrowing Order:** Empowers the Potatoes New Brunswick to borrow money for the 2006 Spring Credit Advance Program.
- 2006-06 Potatoes New Brunswick Borrowing Order:** Empowers the Potatoes New Brunswick to borrow money for operating purposes.
- 2006-09 Potatoes New Brunswick Borrowing Order:** Empowers the Potatoes New Brunswick to borrow money for the 2006 Spring Credit Advance Program; repealed Order 2006-05.
- 2007-04 Potatoes New Brunswick Borrowing Order:** Empowers the Potatoes New Brunswick to borrow money for the 2007 Advance Payment Program; repealed Order 2006-09.
- 2007-05 Potatoes New Brunswick Borrowing Order:** Empowers the Potatoes New Brunswick to borrow money for operating purposes; repealed Order 2006-06.

Other

- 2006-08 Board or Agency Records Order:** Instructs the Boards and Agencies to file specific documents to the Commission; repealed Order 2000-01.

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), Canadian Egg Marketing Agency (CEMA), Canadian Turkey Marketing Agency (CTMA), Canadian Broiler Hatching Egg Marketing Agency (CBHEMA), 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 2006-2007 obligations, Commission officials attended four regular meetings of the CMSMC and the Supervisory Body of the All Milk Pooling Agreement (P5), one Atlantic Signatories meeting to develop an Atlantic position on the Federal Provincial Agreement on Eggs and ongoing P5 meetings to review the P5 Operating Agreement.

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 CEMA, CFC and CTMA.

In addition to the previously mentioned meetings, Commission representatives participated in the Maritime Beef Conference and two meetings of the National Association of Agricultural Supervisory Agencies (NAASA) to help direct renewal of outdated Federal Provincial Agreements and to develop strategy for a regulatory response to potential outcomes from the Doha round of WTO negotiations.

New Brunswick Farm Products Commission

Finances

<u>Account</u>	<u>Description</u>	<u>Expenditure</u>
3430	Civil Service Payroll	\$224,982
3450	Casual Payroll	\$ 37,367
3600	Benefits	\$ 8,000
4500	Other Services	\$ 7,863
4505	Business Meeting Expenses	\$ 3,348
4700	Printing & Copying	\$ 700
4730	Rentals	\$ 1,239
4780	Professional Services	\$ 5,102
4790	Consulting & Research Services	\$ 9,750
4860	Telephones	\$ 157
4900	Travel	\$ 57,843
5090	Subscriptions	\$ 200
5630	Supplies	\$ 262
5730	Stationary Supplies	\$ 948
6060	Office Furniture	\$ 40
6070	Computer Hardware	<u>\$ 3,874</u>
	TOTAL	\$361,675