



OVERSEEING

THE SUPPLY MANAGEMENT SYSTEM FOR POULTRY AND EGGS

WORKING

WITH THE SECTOR

WORK WITH THE NATIONAL AGENCIES

Under the Farm Product Agencies Act, the Council is to ensure that an Agency carries out its operations so as to promote a strong, competitive production and marketing industry, and to have due regard for the interest of both producers and consumers.

There are four sectoral agencies: Canadian Turkey Marketing Agency, Chicken Farmers of Canada, Canadian Egg Marketing Agency, and Canadian Broiler Hatching Egg Marketing Agency.

The Council evaluates quota and levy orders proposed by an agency during the year. The Canadian Turkey Marketing Agency (CTMA), for example, generally proposes two quota orders and one levy order per year. After an agency decides to raise an order, the agency sends the proposed order first to the Privy Council Office for “blue star” approval, with a copy of the draft to Council staff. If PCO agrees that the proposal complies with Statutory Instruments Act, it “blue stars” the order. The order then comes to Council, where Council staff evaluate it and brief the Council members on it. Council members then decide whether to give the order final “prior-approval” (i.e. “prior” to the agency implementing it).

Council members and staff attend agency events and Board of Directors meetings, where they regularly update the agency on Council’s activities and answer any questions about Council procedures, powers, and the Farm Products Agencies Act. Agency executive members are also frequently invited to meet with Council to explain initiatives and provide the rationale for their orders and regulations.

TURKEY

The Canadian Turkey Marketing Agency (CTMA) was created in 1973 to manage the supply of turkey in Canada. Its Board of Directors has eight provincial producer members, two primary processors members and one further processor member.

The Council's role and work with the Canadian Turkey Marketing Agency (CTMA) follow the normal pattern of business with a commodity agency. Each year, special issues or projects come up for each commodity agency.

In 1999, Council Chairperson Cynthia Currie congratulated the CTMA on its 25th anniversary at the CTMA's March annual meeting. A big anniversary project for the CTMA

was the complete revamp of its quota allocation policy, including extensive consultations across the sector. Council members had a full briefing from the CTMA at the year's end on the flexibility and stability the new allocation policy will give the marketing system.

Council also worked with the CTMA to incorporate amendments to its Levies Orders. These amendments ensured that the collection of producer levies for marketings of turkey within a province, between province or in export trade are reflected in the Levies Order submitted to Council for prior-approval. This pertained only to the Order, not to the process used to collect and remit producer levies.

Interest in benchmarking in the turkey sector gained momentum in 1999, benefiting from the Council's 1998 initiatives on bench-

marking (the November 1998 workshop, discussion, and related paper in spring 1999). One result is a joint study on benchmarking by CTMA and Canadian Poultry and Egg Processors Council through their Canadian Turkey Federation. This study was examining Canadian and U.S. production and primary processing sectors and was to be ready in January 2000.

Council applauded such initiatives as the benchmarking study that link the producers at CTMA and the processors at CPEPC. Another joint project was the Turkey Tuesday promotional campaign to consumers. The results for the first year of the campaign came out in 1999, showing a jump in visits to the CTMA website and 5.5% higher domestic turkey disappearance in May – October 1999 than in the same period in 1998. Usage and attitude

The NFPC commodity advisors (from l. to r.): Robert Botsford (table and hatching eggs regime, but on job swap at Agriculture and Agri-Food Canada for part of 1999), Jurgen Schiffer (turkey and chicken meat regime), Denis Rhéaume (on job swap at NFPC in Robert Botsford's position for part of 1999)



testing will continue to track more results. This kind of cooperation across the sector brought practical help to the industry and bottom line benefits to all.

CHICKEN

The Chicken Farmers of Canada (CFC) was created in 1978 to manage the supply of chicken in Canada. Its 14-member Board of Directors is made up of farmers appointed each year by provincial marketing boards which are signatories to the federal-provincial agreement that created CFC. (B.C. is not a signatory to the FPA but participates in the supply management system and sits on the board). Non-farmer directors (one from the restaurant industry, one from the further processing industry, two representing the processing industry) are appointed for two-year terms by their respective national associations.

Through 1999, Council kept a sharp eye on how the CFC adjusted the national cap under its National Allocation Agreement (NAA) and how it established provincial requirements for its periodic quota allocations. Several times the Council identified concerns to the CFC. The cap was being set without any supporting analysis. The periodic quota allocations were being set simply as the sum of requests from the provincial producers, which far exceeded the estimated refinements from the downstream stakeholder groups.

Council was pleased that the Agency undertook a review of the NAA during the year, making the refinements necessary to keep the system dynamic.

Council also followed closely the risk that the B.C. and Alberta chicken boards might withdraw from the national supply management system. Alberta served its notice of withdrawal from the chicken Federal-Provincial Agreement to the CFC on December 31, 1999, to take effect on December 31, 2000. Alberta's action was prompted by uncertainty over B.C.'s future participation in the system following conflict between producers and processors concerning B.C.'s export program. This notice can be retracted anytime until the end of February 2000. At the end of 1999, Council stood ready to offer what facilitation might be helpful.

Council was involved in policy discussions about proposed changes to the chicken tariff rate quota (TRQ) system, administered by the Department of Foreign Affairs and International Trade (DFAIT). After several months of consultations, a new policy was proposed, but it was not to the liking of all industry players. In December, this proposal was withdrawn and, as 1999 ended, DFAIT was seeking industry consensus on a new approach. The Council will continue to be part of that work in 2000.

Council met regularly with the Agency's Executive and had regular updates about the CFC's progress in developing its long-term strategic plan. The plan included a major study on consumer attitudes and use of chicken, and ambitious new chicken consumption targets. If the higher domestic consumption target (30 kgs per person) is achieved, that will also make more product available for

export, hence the need to develop export opportunities more strategically.

Progress has also been made in developing a new Federal-Provincial Agreement.

TABLE EGGS

The Canadian Egg Marketing Agency (CEMA) has managed the supply of eggs in Canada since its creation in 1972. Its Board of Directors includes representatives from the 10 signatory provincial and the Northwest Territories (NWT) commodity boards, three representatives from the Canadian Poultry and Egg Processors' Council and one from the Consumers' Association of Canada. It was in 1999 that the NWT became a voting member of CEMA, as discussed in a later section of this Review.

In addition to reviewing and prior-approving CEMA's proposed orders and regulations, the Council identified and encouraged improvements to long-term planning by the sector, and facilitated communications between the national-level CEMA and its provincial signatories.

So, for example, starting from late in 1998, the Council urged CEMA to develop a long-term export strategy upon which to build a consistent, uniform "grow for export" programme. The Council also expressed concern about how CEMA was applying the overbase criteria in its founding Proclamation, when it set quota allocation increases.

The Council also observed increasing unhappiness from the provincial signatories on allocation and other issues. In February,

the Council facilitated a meeting between CEMA, the Ontario Farm Products Marketing Commission (Council's provincial counterpart) and the Ontario Egg Producers to go over Ontario's concerns about CEMA's method of allocating overbase quota. In March, the Council facilitated a meeting between CEMA and Québec's producer board, after the latter withdrew from the national industrial product removal programme and stopped remitting levies.

In light of these developments and its own concerns, the Council suggested that an independent facilitator be contracted to help the agency resolve difficulties. This was done, with a Council representative attending the sessions as an observer. Recommendations from these sessions were adopted in July by CEMA's Board of Directors. One key outcome was a major study of CEMA's export policies and programmes delivered in the fall. Québec

started to remit levies again, but refused to remit the past due levies until more of the recommendations were actually implemented.

Then, in autumn, Alberta stated it did not support the interim formula for overbase quota allocation and raised its allocation demand, as did Ontario and Manitoba. Alberta also withheld its industrial product and its administrative levies from CEMA.



CEMA Executive meet with Council members.



Representatives from CPEPC talking with NFPC.

In November, CEMA was unable to reach agreement on quota allocation for the year 2000, so it sought approval of a two month extension to the existing quota and levy orders while it continued work to reach agreement. The Council reluctantly approved this extension first for the levy order and then the quota order, but identified many allocation and supply issues that the agency still needed to resolve on an urgent basis before it could consider new orders.

Throughout, Council maintained a very active – almost daily – contact with CEMA. Council members and the Council Chairperson met several times during the year with the CEMA Executive.

BROILER HATCHING EGGS

Created in 1986, the Canadian Broiler Hatching Egg Marketing Agency (CBHEMA) manages the supply of broiler hatching eggs in Canada. The seven-member board of directors includes representatives from the five provincial commodity boards (Quebec, Ontario, Manitoba, Alberta, and British Columbia), and two representatives appointed by the Governor-in-Council (positions vacant since 1996 and 1998 respectively).

In 1999, Council's attention was mainly occupied by (1) a formal complaint brought to Council by the Ontario Broiler Hatching Egg and Chick Commission against the CBHEMA and how the latter accounts for imports in its hatching egg allocation, (2) conducting formal hearings into the complaint and issuing its formal recommendations (described more

fully in a later section of this Review), (3) issuing its conclusions and recommendations in a June hearings report, and (4) facilitating follow-up by the sector on the Council recommendations.

In September, Council was not able to prior-approve CBHEMA's proposed quota order for 2000, since it did not conform to the findings and recommendations from the hearings report.

CBHEMA did accept the Council's recommendation to contract a professional mediator. However, despite much work and travel between the players in the autumn, the mediator made no headway and the contract was ended. Council met frequently with the agency through this period and lent its encouragement and advice.

By year end, a tentative agreement was formulated among the five members of CBHEMA's Board of Directors, but not in time for new orders and regulations to be submitted to the Council. The Agency started off the new year without quota and levy orders or other regulations in place, but was readying its new proposals for Council prior-approval.

OTHER PARTS OF THE SECTOR

The Council keeps in regular contact with other organizations in the poultry and egg sector, and includes them in discussions and joint initiatives.

In June, the Council included representatives of the Canadian Poultry and Egg Processors Council (CPEPC) and the Further

Poultry Processors Association of Canada (FPPAC) in the Québec City meeting with the Executive Committees of each of the national marketing agencies. The major topic was the trade position agreed to by producers and processors which was to be advanced to the Government of Canada in respect of the upcoming WTO trade negotiations.

Again, FPPAC representatives Messrs. Robert deValk and Jeff McHaffie joined Council members in November for discussions which included the results of a recent hearing conducted by the Ontario Farm Products Marketing Commission regarding chicken allocation to processors in Ontario, and FPPAC's support for proposed changes in the administration of the chicken Tariff Rate Quota (TRQ) system for the year 2000 and beyond.

Representatives of the Canadian Restaurant and Foodservice Association (CRFA) met with the Council in September to discuss, mainly, the chicken industry in Canada. Specific items addressed included the national chicken allocation system, competitiveness in the chicken industry with particular reference to the method of assigning product volumes to processors in Ontario, and the CRFA's position paper on the WTO agriculture negotiations.

Also in September, Mr. Myles Frosst, Executive Director of the Canadian Agri-Food Marketing Council (CAMC) reported on the mandate, vision and proposed action plan of CAMC.

The Council does joint initiatives with the national agencies and other organizations in the sector, such as the poultry mission to Asia:



André Gravel, Chicken Farmers of Canada, in Shanghai

Dennis Billo, Canadian Turkey Marketing Agency, in Japan



Bob Anderson, Canadian Poultry and Egg Processors Council, in Hong Kong

WORK WITH THE PROVINCES & NWT

The Council also keeps in touch and works with players at the provincial and territorial level within the supply managed system.

Sometimes this is informal, with the provincial or territorial commodity boards. Council members attend most annual meetings of provincial commodity boards to keep in touch with developments at that level. Among other examples of cooperation with provincial-level groups in 1999, the Council was a sponsor of the Union des producteurs agricoles' 50th anniversary media insert, and offered its spot at a community agricultural celebration in Ottawa to the Ontario Egg Producers.

Other times it is formal, longer-term projects with the provincial or territorial governments.

NAASA

The relationship at the national level between the Council and the four commodity agencies (CTMA, CFC, CEMA, CBHEMA) has a counterpart in each province and, now, in the Northwest Territories for table eggs.

The provincial and territorial government supervisory agencies join with the Council in the National Association of Agri-Food Supervisory Agencies (NAASA). NAASA is the main channel by which Council works and consults with the provinces. The Council is an active member, providing much background knowledge, preparing material for joint reports, contributing to joint communications, hosting meetings, and identifying actions needed.

In 1999, there were three formal NAASA meetings, plus many teleconferences.

RENEWED FEDERAL- PROVINCIAL AGREEMENTS

In 1999, a major project for NAASA was encouraging progress towards renewed Federal-Provincial Agreements (FPAs) for each of the supply-managed commodities by the deadline of December 31, 1999, set by federal and provincial agriculture ministers in 1998. These Agreements dovetail federal and provincial jurisdictions to allow the national agencies to regulate effectively the marketing of product within a province, between provinces and in export trade.

The renewal aims to split out from the Federal-Provincial agreements the description of the nuts and bolts details of operations. If these are moved into separate Operating Agreements (OAs), then they can be adjusted using a less cumbersome amending formula. Then, the new Federal-Provincial Agreements can remain largely to describe the legal relationship between federal and provincial powers.

Before any FPAs can be concluded, these new OAs need to be created. In 1998, Ministers instructed that commodity working groups, led by the national agencies, should do this. The NAASA members were to keep in touch with the working groups and coordinate work on the FPAs.

In 1999, progress by the working groups was slow.

At the beginning of the year, all agencies except CBHEMA had activated a working group. In April, NAASA provided the groups and Ministers with draft FPAs. By late spring, NAASA was worried by the slow pace of work and urged the working groups on.

In July, NAASA tabled a progress report at the annual federal-provincial agriculture ministers' meeting in Prince Albert (a meeting attended by the Council Chairperson). Ministers reconfirmed to the working groups the year-end deadline.

In August, CTMA and CFC identified some concerns and requested guidance from NAASA. The Council led a consensus building process among NAASA members to establish NAASA's position on each of the concerns. This was provided to both agencies in September. In a follow-up meeting convened by the Council, the two agencies told the NAASA and Council chairpersons that they needed a face-to-face meeting with the whole NAASA before proceeding. Such a meeting was finally possible in November, hosted by Council in Ottawa. After the meeting, the two agencies pronounced themselves able to move forward on their OAs.

Meanwhile, all the substantive provisions of the new FPAs for chicken and turkey were agreed to, with the only issue yet unresolved being that of Ministerial authority to withdraw a province from the national system for a commodity without concurrence of the provincial producer boards.

In 1999, CEMA and CBHEMA made no progress, as they needed to focus on resolving major internal issues before they could turn their attention to new OAs or FPAs.

In its November progress report to Deputy Ministers, NAASA noted that none of the FPAs would be ready by the deadline, but that work would continue in 2000.

FINAL NWT ENTRY TO EGG SYSTEM

Council took an active role on the final steps confirming entry by the Northwest Territories into the national system as a full and equal member of the CEMA.

Once the NWT government signed off on its marketing plan and regulations in early March, the federal government was able to complete the legal steps to bring the NWT in. In March, the Special Committee of the Governor-in-Council issued its Order to amend the CEMA Proclamation to include NWT. The amendment was registered in April and published in the Canada Gazette in May.

Council took the lead on this process by: tracking each stage, briefing the Minister, preparing the required Cabinet documents, steering them through approvals from the Minister and the Ministerial-level Steering Committee, and ensuring registration and insertion into the Canada Gazette.

By the end of the year, the NWT had appointed a member to CEMA's Board of Directors, but still needed to conclude a service agreement, as required by the NWT's marketing regulations. As a result, CEMA was not yet collecting levies on product produced in NWT and had not implemented an industrial product removal programme.

Keith Wilkinson, the NFPC's Director for Domestic Policy & Programs, with some of his correspondence in 1999 on NAASA and the FPA renewals.



Council Chairperson Cynthia Currie addressing a meeting of the Chicken Farmers of Ontario.



PROMOTING

ALTERNATIVE DISPUTE RESOLUTION

Over the years some parts of the industry identified the need for more effective ways to resolve disputes in the poultry and egg sectors. This was again raised as an issue at the Council's 1998 Profitability Workshop.

The Farm Products Agencies Act (which established Council) gives Council the authority and mandate to deal with complaints about the operation of the supply management system for poultry and eggs. There is a formal process for doing so. While Council has streamlined the process, it is still simpler (and cheaper) if a dispute can be resolved before it enters the formal complaints process. Council has often facilitated meetings to attempt this.

Council decided to build on this approach to address the need expressed by the industry.

In 1999, Council took the lead in exploring recent developments in the field of alternative dispute resolution and how they might apply to the supply management system for poultry and eggs.

As part of this initiative, the Council Chairperson and a staff member attended two workshops on the subject presented through the University of Windsor Faculty of Law. Council staff also organized a full-day orientation and discussion session for the Council members.

Council assembled the results of its investigation in the Discussion Paper on Alternative Dispute Resolution, which was widely circulated in the sector and among the national commodity agencies. It was designed to be particularly useful to the commodity agency working groups charged with drafting Operating Agreements under the revised structure for renewed Federal-Provincial Agreements.

While no conclusions on a new dispute resolution mechanism was reached, the Canadian Poultry & Egg Processors Council developed a discussion paper on a proposed mechanism, which was circulated to the agencies.



NFPC staff member Jurgen Schiffer and the NFPC's Discussion Paper



HOLDING

A COMPLAINT HEARING IN THE HATCHING EGG SECTOR

In June, the Council held an inquiry into a complaint by the provincial-level Ontario Broiler Hatching Egg Commission (OBHECC) against the national-level Canadian Broiler Hatching Egg Marketing Agency (CBHEMA). It is part of the Council's mandate to conduct a complaint hearing whenever an industry player claims to be adversely affected by a decision of a supply management agency.

OBHECC complained that CBHEMA failed to make provincial adjustments for imports in its quota allocation methodology that were consistent with the actual allocation of import permits by the Export and Import Control Bureau of the Department of Foreign Affairs and International Trade (DFAIT).

The Council offered OBHECC and CBHEMA the opportunity to discuss various options for dealing with the complaint, one of which involved mediation by a neutral third party. However, OBHECC did not support mediation, arguing that previous attempts at mediation were not successful. So, the Council's Complaints Committee held hearings.

The Council's Complaint Committee presented its findings on various points of the economic, policy and legal arguments presented at the inquiry. It noted the difficulties OBHECC had over the past years to acquire adequate supplies of broiler hatching eggs. The Committee noted that, by not recognizing the reality of EICB's distribution of import permits, CBHEMA forced itself to develop a number of artificial means (usually involving financial transactions)

to meet provincial market requirements. These additional costs, whether through a short-term quota leasing arrangement or a proposed permanent interprovincial quota purchase program, indicated the need to amend the allocation system.

The Committee concluded that resolution lay not so much in a ruling on the details of these artificial, "band-aid" solutions, but by the parties addressing fundamental problems with

the allocation system. The Committee strongly recommended that a professional mediator be contracted.

CBHEMA did so and work began, under the watchful eye and encouragement of the Council, to the result already described under the Broiler Hatching Eggs section earlier in this Review.



Hearings Secretary Carola McWade, the NFPC's Director for Regulatory Affairs & Operations, with revised Complaint Guidelines.

IMPROVING

COMPLAINT GUIDELINES

Council continues to hear complaints from industry stakeholders against agency decisions.

Section 7(1) (f) of our Act says that Council will inquire into complaints made to it by any person or party affected by a decision made by an Agency. Typically, a hearing is convened and the Council appoints a Complaints Committee consisting of at least two Council members to hear the complaint. After a hearing is held by the Complaints Committee, a report with recommendations is submitted to the full Council for a decision.

In 1999, Council revised its Complaint Guidelines to simplify the process for submitting a complaint to Council. The previous Guidelines were quite inflexible in that a full submission had to be made to the Council at the time the complaint was filed.

The new Guidelines require only that persons or parties write to the Council stating the nature of the complaint, the grounds for filing it, and what they expect from the Council with regard to the complaint. If the Council decides to hold a hearing into the complaint, the complainant will be notified of the date and place for the hearing and the deadline for filing a full submission.

Other revisions included changing the time definitions in the Guidelines from business days to calendar days. Lastly, the Council formally included an encouragement to persons and parties that efforts be made to resolve disputes through alternative dispute resolution before they file a complaint with the Council.