



May 17, 2006

File: 44200-80/VMC REG GRN

DELIVERED BY EMAIL

George Leroux
Chair
British Columbia Vegetable Marketing Commission
207 - 15252 – 32nd Ave
Surrey BC V3S 0R7

Dear Mr. Leroux:

GREENHOUSE SECTOR – REGULATORY REVIEW

I write further to the April 18, 2006 letter of the British Columbia Farm Industry Review Board (“BCFIRB”) in which this board advised the following:

Clearly, the issues underlying this review have divided the B.C. greenhouse vegetable industry. The changes the Commission might consider in changing quota, agency and district boundary regulations to balance the needs of industry are significant and contentious for this sector of the B.C. vegetable industry. The Commission has expressed the view that if changes are to be made, this should take place in a timely fashion to allow stakeholders to engage in effective business planning.

Given the above, and in accordance with s. 7 of the *Natural Products Marketing (BC) Act*, BCFIRB has determined that this situation is one where it is necessary and appropriate in the circumstances for BCFIRB to exercise its statutory mandate in its supervisory capacity.

In accordance with the process laid out in BCFIRB’s April 18, 2006 letter, information meetings were conducted and written submissions from industry stakeholders were received. On May 9, 2006, the British Columbia Vegetable Marketing Commission (“Commission”) forwarded its eight recommended changes (attached) to the Commission’s General Orders for prior approval by this board. BCFIRB reviewed the recommendations at its May 10, 2006 board meeting, considered all submissions received, and discussed the issues with representatives of the Commission.

BCFIRB’s directions with respect to the recommendations are as follows. It is expected that the Commission will amend its General Orders in compliance with BCFIRB’s directions and in

British Columbia
Farm Industry Review Board

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consultation with industry with respect to any specific administrative requirements. It is requested that the Commission bring its draft changes to BCFIRB for discussion by June 30, 2006.

In general, BCFIRB expects the Commission to ensure that it and the B.C. greenhouse industry approach the market in a fashion that realizes the best potential benefits for B.C. growers. However, the quota and agency systems should not be managed in ways that impede B.C.'s ability to be market responsive, innovative and competitive.

1. Lifting of moratorium on new agency applications. BCFIRB approves this recommendation by the Commission. The Commission is to examine more streamlined and business-supportive processes for approving agency applications.
2. Exempt producers to be reclassified as "producer-shippers". BCFIRB approves this recommendation by the Commission.
3. Greater freedom for producers to move between agencies based on commercial contract obligations. BCFIRB approves this recommendation by the Commission.
4. Introduction of Standard Wording in Contract. BCFIRB does not support a standard form contract, though it does recognize the Commission's power to require specific contractual terms in general and as a condition of approving an agency. BCFIRB also supports the Commission drafting general orders which make clear that any agreement between a grower and agency is subject to orders and directions of the Commission that may be issued for the orderly and proper marketing of the regulated product in the public interest.
5. Direction of product. The Commission retains the authority to direct product in accordance with s. 4(2) of the *British Columbia Vegetable Scheme*. As the Commission rightly implies, this power should only be used in exceptional circumstances as determined by the Commission from time to time.
6. Crop Mix Changes (within existing quota level). BCFIRB approves the recommendation by the Commission that crop mix changes (e.g., one type of tomato to another type of tomato) simply be reported. The Commission has also recommended that changes involving specialty crops or changes in crop categories (e.g., tomatoes to cucumbers) be subject to application to the Commission. Although these applications may be made at any time, BCFIRB suggests that if the Commission finds that it cannot establish effective criteria by which it may deny applications involving specialty crops or changes in crop categories, the Commission should re-examine whether all crop mix and category changes should simply be reported.
7. Applications for increases in quota. BCFIRB approves the recommendation by the Commission that increases be subject to application based on demonstrated production and marketing plans and a financial capacity to construct the necessary facilities. Similar

to our comments regarding agency applications and crop mix changes, the Commission should examine how its application and approval processes can be effectively market responsive.

8. Removal of agency sponsorship for crop mix changes or new production areas. BCFIRB approves the recommendation by the Commission that producers should have responsibility for ensuring that they have a marketing relationship before making business decisions to change their crop mixes or production areas.

The Commission has made a significant step toward making the regulation of the B.C. greenhouse industry more market responsive. The Commission's recommendations represent a careful balancing of interests following an intensive review process.

As the Commission itself acknowledges, however, these changes only represent the beginning of a "transition" of a regulatory regime from "control to coordination over the next 2-3 years." To that end, we require the Commission to report back to BCFIRB not later than January 31, 2007 with a detailed review of the implementation of the above recommendations and an update on further transitional issues.

The Commission has not recommended the removal of districts for marketing purposes. It is BCFIRB's view that districts (other than for electoral purposes) are artificial and ineffective mechanisms in today's marketing environment. The Commission is to reconsider and advise on this issue as part of its report due to BCFIRB by January 31, 2007.

Yours truly,



Richard Bullock
Chair

Attachment

pc: British Columbia Vegetable Greenhouse Industry Stakeholders