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Jeff Regier, A/Chair  
British Columbia Broiler Hatching Egg Commission

Michel Maurer, Chair  
British Columbia Chicken Marketing Board

David Taylor, Chair  
British Columbia Egg Marketing Board

John Jansen, Chair  
British Columbia Milk Marketing Board

Shawn Heppell, Chair  
British Columbia Turkey Marketing Board

Dear Chairs:

**I Introduction**

Specialty production and niche marketing are growing and important parts of the British Columbia agri-food sector. Regulation of the production and marketing of specialty products, especially in the supply-managed sectors, has been the subject of controversy over the past several years. One source of controversy was resolved by the Supreme Court of British Columbia when it confirmed the British Columbia Marketing Board's (BCMB) position that all classes and grades of a product defined in a marketing scheme are regulated under the scheme and fall within the jurisdiction of a marketing board.

The BCMB believes and has stated in decisions and in other correspondence that the regulated marketing system must accommodate specialty production:

...commodity boards have a responsibility to maintain a system that operates at a reasonable level of expense for all producers, to ensure a competitive, market-responsive system which provides for development in all segments of the market.<sup>1</sup>

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<sup>1</sup> Pg. 37, BCMB Reasons for Decision, February 25, 2003, *Alfred Reid and Olera Farms v. the British Columbia Egg Marketing Board*

Most of the supply-managed commodities have developed programs and policies for marketing specialty products. However, these programs have received a mixed response from industry participants, sometimes being viewed as prohibitive, ineffective, unresponsive and economically unviable.

With the basic question resolved, i.e. that a chicken is a chicken and an egg is an egg, supply-managed marketing boards and producers are now in a position to examine and refine the programs and policies by which they carry out effective regulation while ensuring the growth of both established and emerging products and markets in their commodity. Accordingly, the BCMB directs that the supply-managed commodity boards carry out a review of policy and programs established for the production and marketing of specialty products. As part of this review, the BCMB will liaise with the Ministry of Agriculture, Food and Fisheries (MAFF) to ensure matters of mutual concern are addressed.

## **II Background**

The *Natural Products Marketing (BC) Act* (the “*Act*”) gives the provincial government authority to pass regulations establishing marketing schemes for the promotion, control and regulation of the marketing of natural products in British Columbia. Where a scheme is created, the government may establish marketing boards or commissions to administer the schemes, and vest in those boards powers considered necessary or advisable to enable them to effectively promote, control and regulate the production and marketing of natural products. The BCMB is an independent body responsible for ensuring that the nine marketing boards and commissions carry out their responsibilities in the public interest.

For the purposes of this review, the following principles and assumptions are to be considered:

- The five supply-managed commodities are regulated nationally and provincially. Coordination of regulation is carried out under federal-provincial agreements. Increases to provincial allocations or changes to allocation policies and categories of quota are subject to negotiation.
  - The *Act* covers all classes and grades of regulated products.
  - Regulated marketing is important to protect the interests of producers, consumers and other members of the value chain (providing orderly marketing; guarding against market disruption; and incorporating necessary requirements for health and safety in the food system).
  - “Specialty” relates to non-standard types of regulated product and production methods (including niche-marketed products).
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- “Niche” products are those regulated products sold through non-standard marketing channels.
- Specialty/niche products are important in BC agri-food because of their diversity (key to resilience in any system) and variety (BC’s unique competitive advantage is an exceptionally wide range of consumer food choices) and because any one of these products may have the same potential and deserves the same opportunities as products currently established in the system.
- Government policies (including those articulated through the Core Review and by MAFF) emphasize support for both the regulated marketing system and specialty agri-food products and niche markets. It is expected that the Economic Development Policies currently being developed by MAFF will be released in the near future. When examining and refining their specialty production programs and policies, the commodity boards should refer to the draft policies<sup>2</sup> that are presently in circulation.

### **III Review Terms of Reference**

With the assistance of assigned members of the BCMB, marketing boards will review and assess their existing policies and programs for specialty production and niche markets against the criteria below. Boards’ written reviews and analysis will be submitted to the BCMB by no later than December 31, 2003.

1. *Public interest.* Do the board’s policies and programs provide adequate opportunities for specialty/niche products and a system that will provide for an optimal number of farm and food businesses based on these products in communities around the province? Has the board considered the balance of supply and demand for its product, including a range of specialty and niche variants?
2. *Affordability.* Are the board’s policies and programs providing the greatest benefit at the most reasonable cost to all producers in its system?
3. *Effectiveness.* When implemented, do these policies and programs increase participation of specialty/niche producers and reduce disputes between producers and conflict between producers and the board? Do these policies and programs effectively respond to the examples set out in the scenarios in Appendix 1?
4. *Efficiency.* How well do the policies and programs work? How responsive are they to emerging market trends and the requirements of producers in those specialty areas? When implemented, do these policies and programs result in minimal processing time in response to any request, and minimal administration?
5. *Process.* Are the board’s principles and assumptions (see the BCMB’s principles and assumptions above) clearly stated? Has the board consulted adequately with its

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<sup>2</sup> Review of Regulated Marketing Draft Economic Policy, March 2003

members and in particular with specialty/niche producers who are or may wish to become members? Has the board taken expert advice, where appropriate? Has the board made publicly available (e.g. on its own and linked to the BCMB web site) its assumptions, background documents, review process and documents?

The above questions are guides to inquiry, as are the scenarios found in Appendix 1. It is anticipated that commodity boards' reports will at minimum include the following:

- A statement of principles and assumptions about specialty production and niche marketing.
- A definition of “specialty” and “niche market”.
- Answers to the following: What are the current specialty production and niche markets in your commodity? What is the nature of those production sectors and niche markets – regional, demographics, etc? What amount of regulated product is being produced and marketing in your commodity? What is its economic value? What is its growth potential?
- A description of program(s) and policies regarding specialty production and niche marketing, including:
  - the intended benefits for and costs to participants
  - how the programs operate
  - results gained to date
  - criticisms received to date
  - gaps in kinds of production covered
  - changes that could be made.
- Any additional ideas for ways to include and support specialty production and niche markets.

#### **IV BCMB Procedure for the Review**

1. The BCMB has appointed Members as “leads” for each commodity. Lead Members will meet with their assigned board to review the issues to be addressed in this review.
2. Each board, in consultation with the BCMB Lead Member, will establish a process to revisit its current policies and programs to support the development of specialty production. The BCMB recognizes that some boards have or are in the process of reviewing the policies and programs to support specialty production. While the process may vary between boards it is important that the terms of reference outlined above be met.
3. The BCMB Lead Members will serve as a resource and monitor the process to ensure adherence to the terms of reference. Each board will prepare a report according to the terms of reference and will submit it to the BCMB no later than December 31, 2003.

4. The BCMB will review the submissions and will publicly report findings and proposed next steps by March 31, 2004.

I will be contacting you in the next two weeks and we anticipate getting the review under way immediately. I am confident that working together we can shape a regulated marketing system that will strengthen BC agri-food in general and supply-managed commodities in particular.

Yours truly,

BRITISH COLUMBIA MARKETING BOARD

*(Original signed by):*

R. Husdon, P. Ag.  
Chair

cc: Jeff Hamilton, Chair  
British Columbia Cranberry Marketing Board

Jerry Gelderman, Chair  
British Columbia Hog Marketing Commission

Marie McKercher, Chair  
British Columbia Mushroom Marketing Commission

John Savage, Chair  
British Columbia Vegetable Marketing Commission

## **APPENDIX 1**

### **Example Scenarios**

1. A 25-year-old graduate of an agri-food entrepreneurship course wants to set up a co-operative organic farm with 4 other producers on a 10-acre site and raise chickens, eggs, vegetables and fruits for local sale by all direct methods - farm gate, local farmers' market, and restaurants. She wants 700 broilers and 150 layers. The broilers will be raised in six cycles a year. The product will have certified organic and regional (e.g. Fresh from the Island) labels. The farm co-op is part of a network in the region that plans to establish farms like this in each of the 10 neighbouring municipalities.
2. An existing part-time farmer currently with 200 chickens – different heirloom and rare breeds – decides to focus on one of the breeds that has been most popular with customers and ship it far and wide. Existing demand suggests he can increase the flock size to 500 birds in 6 months, then to 1000 birds in a year. He will produce the birds over four cycles a year. He is a participant in the BC SPCA Farm Animal program (emphasis on farm animal welfare). The farmer inherited the farm from his grandparents and it has Heritage Farm designation, so the products are labeled Heritage Farm and SPCA Certified.
3. An existing holder of turkey quota decides he wants to switch half his production to organic turkeys. He's going to run half his system organic and the other half as before and see which returns the most benefit in terms of animal health; environmental impact; product taste; and profit. He plans to change the feed and other aspects of flock management in two of his four barns. He is aiming at a specialty BC organic turkey product. He hopes to work out some package deals with cranberry producers and develop a line of specialty stuffings. In the future he is considering adding a flock of 500 ducks for both the eggs and the meat.
4. Three existing organic farmers decide to scale up to supply a regional supermarket chain with local organic chicken and eggs. The chicken producer wants to increase her flock size to 7000 birds per eight-week cycle, and contracts with the broiler hatching egg producer and a hatchery for the chicks. The egg producer wants to increase his flock to 2000 layers. Between them they produce enough volume that they are important customers for a new specialty poultry processing and grading operation in that region. These products have the supermarket name brand, certified organic and regional labels.
5. An existing holder of milk quota has gone through the transition to organic and is producing a very successful line of hard and soft organic cheeses. He has been approached by a manufacturer who wants him to develop cheesecake, for which he

will need a reliable supply of organic eggs. There are no certified organic egg producers within a day's drive. He has a barn he can retrofit and he needs 250 layers.