



Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

2017-2018

ANNUAL REPORT



FARM PRODUCTS COUNCIL OF CANADA

Canada

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Council Member's Message



In 2017–18, the Farm Products Council of Canada (FPCC) continued providing strong leadership to Canada's national supply management agencies for poultry and eggs, as well as to the national promotion and research agencies.

We entered a new period after outgoing Chairman Laurent Pellerin completed his term of office in May 2017. With his departure, the Council was in transition as we awaited the appointment of a new chairperson and new members.

For most of the fiscal year, we had only three members serving on the Council and shouldering a wide range of duties. Among the three of us, we covered the many tasks attached to our position.

With the dedicated support and assistance of FPCC staff, the Council worked diligently to fulfill its mandate. We dealt with important issues, among these were the following:

- approval of amendments to Schedule B of the Federal-Provincial Agreement for Chicken (known as the Operating Agreement);
- a memorandum of understanding between FPCC and Agriculture and Agri-Food Canada concerning their respective roles and responsibilities for the *Agricultural Products Marketing Act*; and
- updated guidelines to stakeholders for establishing a promotion and research agency (PRA), and laying the groundwork for public hearings on the industrial hemp and barley proposals received during the year.

In addition, in December 2017, the Council approved important updates to the *Governance By-Law*. In this revision, the by-law more clearly defines the roles and responsibilities of the Council's Chairperson, Deputy Head and staff. It provides a clearer framework for various aspects of Council meetings. Lastly, it underlines the need for increased transparency, ethics and sound segregation of functions.

As always, Council members continued to work collaboratively with representatives of Canada's egg and poultry industries. We attended meetings of the national marketing agencies and the provincial boards, and connected with producers and processors. We appreciated working closely with industry representatives, and believe that all of us benefited from engaging in frank and open discussions.

With a refreshed slate of members and a new chairperson, we can expect the Council to turn its attention to the challenges and opportunities in 2018–19. These include developing a strategic plan and maintaining and deepening relationships with all stakeholders. In addition to all this, we are sure the Council will successfully work with the industry, helping to ensure that all Canadians have affordable and continuous access to domestically produced eggs and poultry, while maintaining fair market prices for Canadian farmers.

We are grateful for the contribution made by all of FPCC's staff, including those who left the team in the past year. We welcome the opportunity to work with those joining the team as well as those who are continuing from previous years. Together, we look forward to the challenges of 2018–19 and another year of achievements.

Kimberly Hill, Maryse Dubé and Mike Pickard
Council members

Bringing Good Management to Market

The Farm Products Council of Canada (FPCC) is a public interest oversight body that reports to the Parliament of Canada through the Minister of Agriculture and Agri-Food. It oversees the national marketing systems for poultry and eggs, and supervises the activities of national promotion and research agencies for farm products. It provides the Minister with advice and recommendations, collaborates with provincial supervisory boards, and works with other federal organizations.

FPCC administers two federal laws:

The *Farm Products Agencies Act* (FPAA) provides for the creation and oversight of national marketing agencies as well as promotion and research agencies (PRAs).

The *Agricultural Products Marketing Act* (APMA) allows for the delegation of federal authority over interprovincial and export trade in the marketing of farm products to provincial commodity boards. FPCC administers this legislation through an agreement with Agriculture and Agri-Food Canada (AAFC).

Under the *Farm Products Agencies Act*, FPCC is also responsible for hearing complaints lodged by such parties as may deem themselves unfairly affected by the operations of any of the five existing agencies, that is, the Egg Farmers of Canada, the Chicken Farmers of Canada, the Turkey Farmers of Canada, the Canadian Hatching Egg Producers or the Canadian Beef Check-Off Agency.

About FPCC



FPCC Profile

Mission

FPCC is an active participant in ensuring that all Canadians benefit from the marketing, promotion and research of agricultural products.

Vision

FPCC is known for its leadership in maintaining and promoting efficient and competitive agricultural industries.

Governance

The Minister of Agriculture and Agri-Food provides the Council Chairperson with a mandate, setting priorities and expectations for FPCC.

The Council has from three to seven members, including the Chairperson. At least half of the members must be primary producers at the time of their appointment. All members are appointed by the Governor in Council and serve terms of varying length. The Interim Chairman was the only full-time Council member from June 2017 to March 2018.

Members



Note: Mr. Laurent Pellerin continued as Chairman of the Council for the first two months of the 2017–18 fiscal year. His term expired at the end of May 2017, after seven years as Chairman.



Mike Pickard is a resident of Saskatoon, Saskatchewan. Formerly the owner of a broiler chicken operation, Mr. Pickard served from 2007 to 2013 as a director of the Chicken Farmers of Saskatchewan. From 2008 to 2013, he was a director of the Chicken Farmers of Canada, and served on that organization's Finance Committee and its Consumer Relations Committee. He is originally from Saint John, New Brunswick, and has three children.



Kimberley Hill is the President of Bridge Strategies, Inc., a consulting firm in Saskatchewan, which provides management services to companies and organizations in the agribusiness sector. In recent years, she has played an integral part in growing businesses and organizations through business

incubation. Mrs. Hill has extensive experience in the value-added food industry, having worked with the Saskatchewan Food Processors Association as Program Director/Controller. In that capacity, she was the key driver of the Saskatchewan Made Program in the early 2000s. Prior to her work at the Association, she managed a food processing plant located in rural Saskatchewan. Mrs. Hill resides in Saskatoon with her husband Bob. They have two children.



Maryse Dubé completed her law degree at Université Laval in 1996 and was admitted to the Quebec Bar in 1997. As a lawyer and a partner of Sylvestre & Associés since 2004, Mrs. Dubé works in commercial and food law, representing several financial institutions. She also represents small- to medium-sized enterprises in security law, bankruptcy, commercial litigation and corporate law (manufacturing and agricultural components). Mrs. Dubé serves on numerous corporate boards and community organizations. She was President of the Bar of the Richelieu Division in 2014 and served on the Executive Committee of the Quebec Bar.

Members



Left to right: *Kimberley Hill, Maryse Dubé and Mike Pickard.*

Senior Management



Left to right: *Nancy Fournier, Mike Pickard and Marc Chamaillard.*

Staff



Front row, left to right: *Nicole Nash, Lise Turcotte, Mélanie Pruneau, Mike Pickard, Marc Chamaillard and Chantal Lafontaine.*

Back row, left to right: *Reg Milne, Mike Iwaskow, Bill Edwardson, Steve Welsh, Joanne Forget and Nancy Fournier. (Absent: Lise Leduc).*

Key Accomplishments in 2017-18

The 2017–18 fiscal year was the last year of FPCC’s most recent three-year strategic plan. In September 2017, the Council decided to delay developing a new strategic plan to allow the appointment of the new chairperson and Council members. The new plan will set out FPCC priorities for the coming years.

Operating Agreement in the Chicken Federal-Provincial Agreement

In 2014, the Government of Alberta withdrew from the Federal-Provincial Agreement (FPA) for Chicken. The Chicken Farmers of Canada (CFC) and provincial commodity boards responded by developing a new allocation methodology that would allow for differential growth and would be acceptable to all provinces, including Alberta. Amendments were proposed to the FPA’s Schedule B (also known as the Operating Agreement), enshrining the new allocation methodology.

FPCC is responsible for reviewing proposed amendments to the FPA to determine whether they would have an impact on the *Chicken Farmers of Canada Proclamation*. If there is such an impact, approval by the Governor in Council (GIC) is required. Upon receiving additional clarity and proposed actions from CFC, in October 2017 Council agreed that the proposed amendments did not require GIC approval. As a result, the amendments were implemented and Alberta rejoined the FPA for Chicken during CFC’s November 2017 meeting.

Complaints Process

In November 2016, FPCC had adopted a new [Complaint By-Law](#). In 2017–18, FPCC had a first opportunity to apply the by-law when a company in the turkey industry filed a complaint against a decision of the Turkey Farmers of Canada. The by-law proved useful in providing a framework for hearing complaints. FPCC will assess the need for any adjustments to it after completion of this complaint process.

Memorandum of Understanding with Agriculture and Agri-Food Canada concerning the Agricultural Products Marketing Act

In 2017–18, FPCC entered into a memorandum of understanding with AAFC, formalizing the responsibilities of both parties for this legislation. The agreement ensures that FPCC and the AAFC have a shared understanding of their roles, and that they work together in a structured approach on a long-term strategy to streamline regulatory instruments under the APMA. This is particularly important given the high number of regulations to be dealt with under this Act.

Promotion and Research Agencies: Establishment Guidelines

In November 2017, FPCC published and posted on its Web site an updated version of its [Guidelines for establishing a promotion and research agency \(PRA\)](#). This document was the outcome of a collaborative effort between the staff of FPCC and AAFC, and received

the Council's approval. The guidelines provide an overview of the purposes and benefits of establishing a promotion and research agency for farm products under the FPAA. The document also explains the legal framework. Further, it sets out what a proponent must do to prepare and submit a proposal for the creation of a PRA, and the procedure for review of a proposal.

Pork Promotion and Research Agency

After the holding of public hearings in 2016-17, Council members submitted recommendations to the Minister of Agriculture and Agri-Food regarding the Canadian Pork Council's proposal for the creation of a Canadian Pork Promotion and Research Agency. In 2017-18, FPCC worked with the departments of Justice Canada and of Agriculture and Agri-Food to draft a proclamation that would establish the PRA. Once the draft proclamation is complete, it will be submitted to the Governor in Council for approval.



National Marketing Agencies

Four national marketing agencies have been established under Part II of the *Farm Products Agencies Act* (FPAA): the Egg Farmers of Canada, the Turkey Farmers of Canada, the Chicken Farmers of Canada, and the Canadian Hatching Egg Producers.

The role of the Farm Products Council of Canada (FPCC) is to oversee the operations of the four agencies. It works collaboratively with them to ensure a strong and efficient supply management system that operates for the benefit of both producers and consumers. In addition, FPCC advises the Minister of Agriculture and Agri-Food on aspects of the national marketing agencies. It consults with the agencies, provincial and territorial governments, and other federal departments and agencies. It approves the agencies' orders and regulations. It also hears complaints about the operations and decisions of agencies.

Regulatory Framework

Under Part II of the FPAA, the Governor in Council may issue a proclamation establishing a national marketing agency for any farm product if it is satisfied that a majority of producers in Canada favour such action. A proclamation is a federal regulation that outlines how the agency is to be constituted – for example, its members, how they are appointed, and where the agency will have its head office.

The proclamation includes a schedule authorizing the national marketing agency to implement a marketing plan. Typically, the marketing plan describes the quota, licensing and levy systems to be implemented, provisions for review of the marketing plan, and other items specific to the regulated commodity in question.

The FPAA allows the Minister of Agriculture and Agri-Food, with the approval of the Governor in Council, to enter into an agreement with any provincial or territorial government, enabling a national marketing agency to perform functions on behalf of that government (in other words, to receive delegated authority from the government). The accord is known as a federal-provincial agreement (FPA). In addition, most provincial legislation requires an agreement to delegate authority from such an agency to a corresponding provincial commodity board.

An FPA typically has schedules attached, which include the proclamation and national marketing plan, provincial marketing plans, and the original proposal used during the public hearing process preceding the establishment of the agency.

Signatories to the current FPAs include the federal and provincial ministers of agriculture, FPCC (for the egg and turkey FPAs), provincial supervisory bodies, provincial commodity boards, and (except for turkey) the national agency. In Alberta and Quebec, the ministers of intergovernmental affairs are also signatories.

Legally, the FPAA is subordinate to the *Constitution Act*; the proclamation and marketing plan are subordinate to the FPAA; and agency orders and regulations are subordinate to the proclamation and marketing plan. Subordinate legal instruments cannot exceed the authority of a superior instrument. For example, an agency cannot derive authority from an FPA that has not been specified in its proclamation.

How National Marketing Agencies Operate

Section 21 of the FPAA sets out the objects of an agency:

- to promote a strong, efficient and competitive production and marketing industry; and
- to have due regard to the interests of producers and consumers.

In pursuit of these goals, the proclamation of each agency confers on it the powers set out in section 22 of the FPAA, including the powers to undertake and assist in the promotion of the consumption of the regulated product; to advertise, promote and do research into new markets; to set production quotas and collect levies; and to purchase, lease, or otherwise acquire and hold a mortgage on a property.

Under section 27 of the FPAA, an agency has an obligation to conduct its operations on a self-sustaining financial basis. Section 29 requires the accounts and financial transactions of each agency to be audited annually by an auditor appointed by the Governor in Council, and detailed in a report made to the agency, FPCC, and the Minister of Agriculture and Agri-Food. Pursuant to section 30 of the FPAA, each agency is also required to submit an annual report to FPCC and the Minister. Section 32 of the FPAA provides that any contract, agreement or other arrangement between an agency and any person engaged in the production or marketing of the regulated product is exempt from the *Competition Act*.

Orders and Regulations

The agencies establish, enact and implement regulations for various purposes, including setting quota allocations and collecting levies. Within those particular areas, FPCC's direct involvement is necessary because an agency requires statutory authority to implement the terms of its marketing plan.

Each time an agency requests an amendment to an order or a regulation, Council members must review the rationale for the amendment. This involves considering market and financial statistics, as well as the agency's budget.

Before giving approval, Council members must be satisfied that the order or regulation is in accordance with the agency's marketing plan and is necessary for the implementation of the plan. Agencies may decide on a yearly quota and levy amount, but often review and seek changes to the quota and levy during the year in response to market conditions. The Chicken Farmers of Canada is an exception: it sets quota allocations more frequently, and these allocations require FPCC's review and approval several times a year.



THE EGG AGENCY



The Egg Farmers of Canada (EFC) is the national agency responsible for the orderly marketing of eggs in Canada. EFC was established as the Canadian Egg Marketing Agency in 1972, further to an agreement of the federal government, provincial agriculture ministers and supervisory boards, and table egg producers in member provinces. This is the Federal-Provincial Agreement for the Marketing of Eggs (the Egg FPA).

EFC has 15 members: representatives of producers from all 10 provinces and the Northwest Territories; and four downstream stakeholders representing the graders, the processors, the hatchery industry and consumers. EFC's Board of Directors meets several times a year to plan and manage egg production and marketing. The Board's primary responsibility is to set quota allocations and make any changes to levies orders necessary for EFC to cover its operating costs. For changes to take effect, EFC requires FPCC's approval of amendments to the *Canadian Egg Marketing Agency Quota Regulations, 1986* or to the *Canadian Egg Marketing Levies Order*.

Canadian Egg Value Chain

Starting from the age of 19 weeks and continuing for about one year, laying hens lay eggs almost daily. The eggs are collected by farmers and sent to grading stations before being shipped to wholesalers, retailers, and the hotel, institutional and restaurant trade. These are table eggs, that is, eggs marketed fresh to consumers in the shell. They are also called shell eggs.

For a variety of reasons (such as seasonal fluctuations, consumer size preference and geography), the supply of table eggs exceeds market demand. EFC purchases these surplus eggs from provincial commodity boards under its Industrial Products Program. If possible, the surplus eggs are sold as table eggs in other provinces where supply is short. If that is not possible, surplus eggs are sold to companies that process them for use in the food industry as well to hotels, restaurants and institutions in both liquid form and as an ingredient for other food products. These eggs are called breaker eggs.

Egg consumption has risen steadily for some years. The trend continued in 2017–18, with increased demand for table eggs as well as breaker eggs. Along with rising demand, there was an increase in production, and larger quantities of eggs were declared surplus.

FPCC's Work with EFC

During 2017–18, FPCC Interim Chairman Mike Pickard attended most of EFC's open Board of Directors meetings as an observer. He also had observer status at meetings and teleconferences of EFC's Cost of Production Committee and the Integrated Solution Project (ISP).

In March 2018, EFC's Board of Directors accepted the Final Report on a Cost of Production Study. The study collected costs and efficiency data from 2015.

The Integrated Solution Project is a new initiative with the aim of developing principles and guidelines for revenues and expenses of the Pooled Income Fund (PIF). EFC uses the PIF to buy surplus table eggs from provincial commodity boards. The Agency then sells the surplus eggs to processors at a negotiated price which is agreed to by processors and EFC. To finance the PIF, EFC charges a levy that is paid by consumers. This makes up the difference between the price paid by processors and the price that EFC pays to graders. The first phase of the project focused on defining "natural overrun." This is the percentage of eggs produced in excess of requirements for supplying the Canadian table demand. The Council had some concerns on the calculations of the natural overrun. Additional meetings on this subject are due to take place in 2018–19.

Levies Order

Four factors affect the balance of EFC's Pooled Income Fund: levy amounts, domestic production, international breaker egg prices and the quantity of surplus eggs. During 2017–18, there were a greater number of surplus eggs, which had a negative impact on the Fund balance. Offsetting this, was the positive impact of higher production combined with levy increases that Council members had approved in the previous year, as well as a rise in international breaker egg prices. As a result, the balance of the Fund increased over the year.

To help keep the Fund balance within EFC's target band – between \$20 million and \$40 million – Council members approved a two-cent reduction in the levy in December 2017.

Quota Allocation

Under the *Canadian Egg Marketing Agency Quota Regulations, 1986*, EFC allocates production quotas for a set period, usually a calendar year. EFC administers four types of quota allocation:

- The Federal Allocation sets quota for shell eggs to be produced for the table market.
- The Eggs for Processing Allocation sets quota for shell eggs to be produced for the egg processing market at the provincial level.
- The Vaccine Egg Allocation sets quota for fertilized eggs to be produced and sold to pharmaceutical companies for the purpose of producing vaccines, such as the annual flu vaccine.

- The Special Temporary Market Requirement Quota was introduced by EFC to help Canadian egg processors cope with higher import prices caused by the 2015 avian influenza crisis in the United States. Since the crisis had passed, EFC phased out the quota in September 2017.

On December 14, 2017, FPCC approved a 4-percent increase to the Federal Allocation, for a total equivalent of 25,989,382 laying hens (692,605,522 eggs). The Eggs for Processing and the Vaccine Egg Allocations did not change and were set at 1,450,000 and 635,040 layers, respectively.

Processors Agreement

In December 2017, the Canadian Poultry and Egg Processors Council (CPEPC) and EFC agreed on a new industrial pricing structure for processors, to be implemented by June 2018. This agreement will increase prices paid by processors for surplus eggs. It will also reduce the reliance on the levy paid by consumers to finance the purchase of surplus eggs by EFC. The new pricing will be established through a policy and protocol model. It will be introduced in phases over a period of three to five years to give customers time to adjust.

Regulation

The last major amendments to the FPA for the Marketing of Eggs date from 1976, more than 40 years ago. Since then, there have been vast changes in the industry, along with the introduction of new policies. These include the Quota Allocation Committee Agreement and the production Quota Utilization Threshold, both of which are now used to structure the main workings of the industry without being part of the FPA. FPCC believes the FPA should be updated to reflect current Agency practices.

In 2017–18, EFC worked on the first phase of a two-phase approach to renew the FPA. This involved drafting minor amendments to the text of the agreement. These amendments need support and formal approval from all signatories to the FPA. Once all signatories have signed the amendments, work will begin on the second phase of FPA renewal: a comprehensive review of the agreement.

For details of FPCC decisions on quota and levy amendments concerning this agency in 2017–18, see the tables in the Annex.





THE TURKEY AGENCY



The Turkey Farmers of Canada (TFC) is the national agency responsible for the orderly marketing of turkeys and turkey meat in Canada. Legally known as the Canadian Turkey Marketing Agency, TFC was established in 1974 further to a federal-provincial agreement between the Government of Canada, provincial agriculture ministers and supervisory boards, and turkey producers in member provinces.

Eight provinces are members of TFC: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. Each province has a representative on TFC's Board of Directors. Three additional Board members represent processors: two for the Canadian Poultry and Egg Processors Council (CPEPC), and one for the Further Poultry Processors Association of Canada (FPPAC).

TFC's Board of Directors meets at least quarterly to plan and manage turkey production and marketing. The Board's work mainly involves setting or adjusting production quota, and setting a national levy to cover TFC's marketing and administration expenses. Quota or levy amendments proposed by TFC require the approval of the FPCC.

Canadian Turkey Value Chain

Turkey farmers purchase vaccinated, day-old turkeys (poults) from hatcheries. Poults are raised in climate-controlled barns. Once they reach market weight (between 11 and 17 weeks of age), and depending on market requirements, they are transported to processing plants. Hens

(females) are normally grown for the whole bird market, while toms (males) are typically grown for the further processed market, due to their larger size and weight. After processing, the birds are sold as fresh or frozen whole birds, or cut up into parts or further processed for use in products such as frozen dinners, roasts, sliced meats or meat pies. The whole turkeys and turkey products are distributed to the food service, restaurant and retail sectors for marketing to the final consumers.

FPCC's Work with TFC

During 2017–18, Interim Chairman Mike Pickard attended TFC's Board of Directors meetings as an observer. FPCC held its annual meeting with TFC executives in May 2017. FPCC had the opportunity then to inquire into some of the issues affecting the turkey industry, notably the continuing reduced demand for whole birds and the need for focused attention to promote and develop new markets for turkey and turkey products.

Quota Allocation

Under the *Canadian Turkey Marketing Quota Regulations, 1990*, TFC allocates production quotas on an annual basis. The global quota is comprised of four distinct quota allocation policies:

- Under its National Commercial Allocation Policy, TFC allocates a quota for production of whole birds, and another quota for birds produced for cuts or further processing.
- Under its Export Policy, TFC allocates quota to replace birds already exported, and to allow sufficient production covering planned exports of processed, further processed or live turkey.
- Under its Multiplier Breeder Policy, TFC allocates quota for birds that are used to produce turkey eggs and poults for the industry.
- Under its Primary Breeder Policy, TFC allocates quota for birds to be used as primary breeding stock. Together, these quota categories make up the global turkey quota.

TFC Board members yearly determine the desired global quota and component categories, as well as provincial distributions of quota allocated, for a 12-month control period running from approximately May 1 to April 30. In accordance with these decisions, TFC then seeks the Council's approval to amend the provincial allocations and the total global quota set out in the *Canadian Turkey Marketing Quota Regulations*.

If market changes necessitate adjustments during the control period, the TFC Board requests the Council to consider approving further amendments that it proposes.

Reductions were made to whole bird quotas in 2016–17. TFC maintained that year's quota level throughout 2017–18, but further processing and other quota categories were amended to reflect an increase in stocks of meat for further processing as well as changes in export allocations. Overall, the global quota allocation had fallen by 2.5 percent by January 2018, when Council members approved the new quota allocation for 2018–19.

The major factor was a continued slide in the demand for whole birds during the festive season, particularly at Thanksgiving; this was because many retailers did not then offer special promotions to increase sales, as had been done in previous years.

However, the further processed product market continued to grow. TFC reported that during 2017, retail sales of whole birds fell 3.6 percent by weight, while sales of cuts and further processed turkey products rose 2.9 percent.

Levy Order

In February 2018, TFC submitted to the Council an amendment to the *Canada Turkey Marketing Producers Levy Order*, supported by a report on its projected 2018 budget. The amendment provided for renewal of TFC's national levy of 1.8 cents per kilogram (live weight) of turkey meat, and extension of the levy's effective date to March 31, 2019. Council members approved the amendment at their meeting on March 20, 2018.

Complaint

In June 2017, FPCC received a complaint from a turkey processing company regarding changes that TFC had made to a section of its Export Policy. In accordance with the new *Complaint By-Law*, the Interim Chairman held informal discussion with the parties. As a result of these informal discussions in August and September 2017, the complaint was dismissed. In early November, the Council received notice that the processing company involved had requested the Federal Court to conduct a judicial review of FPCC's handling of the complaint.

After further discussions, in December 2017 the processing company requested discontinuance of the court case and FPCC agreed to formally hear the complaint. The Interim Chairman then appointed Council member Maryse Dubé to chair the committee charged with hearing the complaint. The hearing was scheduled to take place in July 2018.

For details of FPCC decisions on quota and levy amendments concerning this agency in 2017–18, see the tables in the Annex.





THE CHICKEN AGENCY



The Chicken Farmers of Canada (CFC) is the national agency responsible for the orderly marketing of chicken in Canada. Originally known as the Canadian Chicken Marketing Agency, CFC was established in 1978 further to an agreement between the federal government, provincial agriculture ministers and chicken producers in member provinces. This is the Federal-Provincial Agreement for Chicken (the Chicken FPA).

All provinces are currently members of the Agency. (After a gap of five years, Alberta rejoined the FPA in 2017–18.) Each province has a representative on CFC's Board of Directors. Four other Board members

represent industry stakeholders: two directors from the CPEPC, one member from the FPPAC, and one from Restaurants Canada. The Board meets every eight weeks to discuss subjects such as quota allocation, anticipated growth rate, on-farm food safety, animal welfare and regulatory issues.

Canadian Chicken Value Chain

CFC chicken farmers purchase vaccinated, day-old chicks from hatcheries. The chicks are placed in climate-controlled trucks and delivered to chicken farmers. After five or more weeks in barns, depending on market requirements, the chickens are transported to processing plants. At the plants, the chickens are processed and sold to the food service, restaurant and retail sectors, or to a processor for further processing (such as the preparation of frozen dinners, chicken nuggets or meat pies).

FPCC's Work with CFC

Council member Maryse Dubé attended the CFC Board of Directors' allocation and industry meetings as an observer.

CFC's most important work in recent years, strongly endorsed by FPCC, consisted of building consensus among the provinces for amendments to Schedule B of the Chicken FPA (also known as the Operating Agreement). These amendments required the unanimous consent and signature of provincial supervisory boards, provincial commodity

boards and CFC. They were designed to align the FPA with the Long-term Allocation Agreement for Chicken, an interprovincial accord on integrating new measures of differential growth into CFC's allocation methodology. After all the provincial supervisory agencies and boards had signed the agreement, the amendments were forwarded to FPCC. FPCC's role is to ensure the amendments to the Operating Agreement do not necessitate amendments to the Proclamation in which case GIC approval would be required.

The Council reviewed the amendments at a meeting on October 31, and determined that it was not necessary to seek approval from the Governor in Council. With the approval of the amendments, the way was open for Alberta to rejoin the Agency in November 2017.

Quota Allocation

Under the *Canadian Chicken Marketing Quota Regulations*, CFC allocates the quota for chicken production over a rolling eight-week period. CFC uses this time frame so that it can adjust allocation quickly in response to market factors. CFC administers three quota allocations:

- The Domestic Allocation covers broilers to be produced for the domestic chicken market.
- The Market Development Allocation aims to encourage expanded use of Canadian chicken and chicken products, while balancing the domestic consumption of white and dark meat.

- The Specialty Production Allocation is intended to facilitate the planned production and marketing of specialty chicken breeds that do not compete directly with mainstream chicken production and marketing.

In 2017, chicken production increased by 4.8 percent over 2016, mainly because of higher demand and tighter border controls on illegal imports of spent fowl. To meet the demand, CFC requested that the Council approve allocations throughout the 2017–18 fiscal year which resulted in an allocation growth of 6.1 percent over production in the previous fiscal year.

Levies Order

In January 2018, the Council approved an amendment to the *Canadian Chicken Marketing Levies Order*, supported by a report on the Agency's projected 2018 budget. The amendment provided for maintenance of the national levy at 0.53 cents per kilogram (live weight) of chicken, effective April 1, 2018.

For details of FPCC decisions on quota and levy amendments concerning this agency in 2017–18, see the tables in the Annex.



THE HATCHING EGG AGENCY



The Canadian Hatching Egg Producers (CHEP) is the national agency responsible for the orderly marketing of broiler hatching eggs in Canada. Originally known as the Canadian Broiler Hatching Egg Marketing Agency, CHEP was established in 1986 further to an agreement between the Government of Canada, the provincial agriculture ministers and broiler hatching egg producers in member provinces. This is the Federal-Provincial Agreement for Broiler Hatching Eggs.

Commodity boards in six provinces – British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec – are party to the Federal-Provincial Agreement. Producers in each participating province elect a representative to sit on CHEP's Board of Directors. Another two directors represent the Canadian Hatchery Federation.

Canadian Hatching Egg Value Chain

Fertilized broiler hatching eggs are sent to hatcheries. There they are placed in incubators to hatch, 21 days later, as broiler chicks. The hatcheries sell the chicks to chicken farmers, who grow them into chickens for human consumption.

Quota Allocation

Under the *Canadian Hatching Egg Producers Quota Regulations*, CHEP allocates production quotas for a calendar year. At their summer meeting,

the CHEP board of directors approves an updated of the current year allocation, as well as the allocation for the upcoming year allocation. CHEP administers two quota allocations:

- The Interprovincial and Intraprovincial Trade quota, which is used to supply the domestic market, and
- the Export Trade quota, which but this is not currently used.

In 2017, the Canadian broiler hatching egg industry benefited from the strong consumer demand for chicken. Broiler hatching egg production reached 747.3 million eggs, an increase of 4.6 percent from 2016. Imports of broiler hatching eggs and chicks (in egg equivalent, that is, eggs and chicks combined) rose by 12.3 percent, to 172.0 million. The supply of hatching eggs and chicks (in egg equivalent) available in Canada in 2017 totalled 919.3 million, an increase of 5.7 percent from 2016.

For the six signatory provinces, in 2017 the Council approved a final allocation for the year of 706.7 million broiler hatching eggs; this represented an increase of 6.7 percent above production in 2016 in these provinces. The Council also approved an initial allocation for 2018 of 738.3 million broiler hatching eggs, an increase of 4.5 percent above the 2017 final allocation for the six signatory provinces.

Levies Order

In 2017–18, the Council approved amendments to the *Canadian Broiler Hatching Egg Marketing Levies Order*. The amendments provided for increases to provincial levies, as well as to the levy rate for eggs marketed from a non-signatory to a signatory province. There was no change to the national levy.

FPCC's Work with CHEP

In 2017–18, Interim Chairman Mike Pickard, supported by FPCC staff, attended CHEP's Board of Directors meetings as an observer. During the year, FPCC encouraged CHEP to redraft its Liquidated Damages Agreement, which sets out the penalties for overproduction and the methodology for calculating them. Council members approved the new agreement in July 2017.

For details of FPCC decisions on quota and levy amendments concerning this agency in 2017–18, see the tables in the Annex.

PROMOTION AND RESEARCH AGENCIES

The Farm Products Council of Canada has the responsibility of working with promotion and research agencies (PRAs) established under Part III of the *Farm Products Agencies Act*. Currently, there is one such agency: the Canadian Beef Check-Off Agency. FPCC supervises its operations, reviews its annual business plan as well as its promotion and research plan, and considers requests for approval of amendments to its levies.

Regulatory Framework

In 1993, the *Farm Products Agencies Act* (FPAA) was amended to include Part III. This states that the Governor in Council may, by proclamation, establish an agency for the promotion and research of a farm product where it is satisfied that a majority of the aggregate of producers and, where applicable, importers supports such action.

Powers of a Promotion and Research Agency

A promotion and research agency created under Part III of the FPAA has similar objects to a national marketing agency created under Part II of the Act: to promote a strong, efficient and competitive industry by promoting the marketing and production of the regulated products and by conducting and promoting research activities relating to them, with due regard for the interests of producers, consumers and (where applicable) importers.

In two important aspects, a PRA differs from a national marketing agency created under Part II of the FPAA:

- It has no authority to establish quotas or otherwise regulate production.
- It has the authority to collect a levy not only on domestic production and exports, but also on imports of the regulated product when conditions of national treatment¹ are met.

The PRA uses the funds that it collects to implement a promotion and research plan. This may include activities such as promotion and advertising programs, consumer information communications, and research on production, product development, quality and markets.

Requests for Agency Status Under Part III

Under Part III of the FPAA, the Council provides guidance to commodity groups interested in the promotion and research agency model.

¹ National treatment: Equal treatment for imported and locally produced goods. The levy on imported products cannot be higher than that on similar products produced domestically. See <https://www.wto.org>.

During 2017–18, FPCC reviewed and updated its publication, [Guidelines for establishing a promotion and research agency \(PRA\)](#) available on its Web site (www.fpcc-cpac.gc.ca). The publication targets stakeholders interested in the creation of a PRA for a specific commodity. It provides information that will better equip them to put together a solid proposal.

The guidelines are particularly useful for smaller commodity groups, which might benefit from creating a PRA as a means to organize themselves nationally, and to expand their markets by coordinating promotion and research activities across Canada.

FPCC is responsible for processing requests for the creation of PRAs. In 2017–18, the Council received requests from the barley and industrial hemp industries for the establishment of PRAs. The Council is expected to consider the requests and hold public hearings during 2018–19.





THE BEEF AGENCY

The Canadian Beef Check-Off Agency helps beef producers expand their markets and increase sales through a national mechanism for the collection of funds for promotion and research activities. Consumers benefit as well from increased access to information on beef products, including their quality and nutritional profile.

Legally known as the Canadian Beef Cattle Research, Market Development and Promotion Agency, the Check-Off Agency was established in 2002 under Part III of the FPAA. It has authority to promote the marketing and production of beef cattle, beef and beef products for the purposes of interprovincial, export and import trade. It also is authorized to conduct and promote research activities related to beef and beef products.

There are 16 members on the Agency's Board of Directors. Producers have 10 representatives: two for Alberta and one each for British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island. Non-producers have six representatives: four named by the Canadian Meat Council to represent beef and veal processors, traders, brokers and exporters; one named by the Canadian Association of Importers and Exporters to represent importers; and one named by delegates at the Agency's annual forum to represent the retail and food service sector.

Every seller of beef cattle in interprovincial trade must pay the Agency a levy on each head of beef cattle sold. Each importer must pay the Agency the same levy on each head of beef cattle imported, or the equivalent of the per-head levy for imported beef and imported beef products. Provinces collect the levies on both intraprovincial and interprovincial marketing, the latter further to a service agreement with the Agency. To keep business information confidential, the Agency directly collects the levy on imports in collaboration with Agriculture and Agri-Food Canada.

FPCC's Work with the Canadian Beef Check-Off Agency

In 2017–18, provincial cattle associations challenged some aspects of the Check-Off Agency's structure. One suggestion was that the Agency's Marketing Division should report to a separate board of directors having marketing experience. No decisions were reached in the year, but the Agency is expected to adopt a new governance structure in 2018–19. FPCC will work with the Agency to ensure that the new structure complies with the FPAA and the *Canadian Beef Cattle Research, Market Development and Promotion Agency Proclamation*.

Interim Chairman Mike Pickard, supported by FPCC staff, attended the Check-Off Agency's Board of Directors meetings as an observer throughout 2017-18.

Levies Order

In 2017–18, the Agency reviewed the existing service agreements with its provincial members. It gave particular attention to the federal levy, charged on beef cattle marketed in interprovincial and export trade, as well as to the import levy, charged on beef cattle and beef products imported into Canada.

To implement an increase to the federal levy from \$1.00 to \$2.50 per head of beef cattle, the Agency negotiated Agency Management and Service Agreements with each signatory provincial cattle association. As of March 31, 2018, all provinces except Ontario and Quebec had agreed to increase the federal levy to \$2.50 per head of beef cattle. Once all provinces have signed the new agreements and increased the federal levy to \$2.50 per head of beef cattle, the import levy will be amended to reflect the new levy amount.

Under the guidance of the Board of Directors, the Beef Cattle Research Council manages the Agency's research activities. The Board also monitors and reviews promotional activities conducted under the aegis of the Agency.

For details of FPCC decisions on levy amendments concerning this agency in 2017–18, see the table in the Annex.



OTHER FPCC ACTIVITIES



The Farm Products Council of Canada oversees the application of regulations to regulated agricultural industries. It helps ensure timely implementation of amendments to orders and regulations under the FPA or the *Agricultural Products Marketing Act* (APMA).¹ FPCC also works closely with provincial supervisory boards, particularly through the National Association of Agri-Food Supervisory Agencies and provincial commodity boards, with respect to regulation at the provincial level.

Throughout 2017–18, FPCC continued to keep the office of the Minister of Agriculture and Agri-Food informed about regulatory matters related to the administration of the FPA and APMA. FPCC also continued to provide technical regulatory assistance to national agencies, supervisory boards and provincial commodity boards in relation to the two acts.

In the process of implementing new and revised regulations, FPCC acted as liaison between the national agencies, provincial boards, and several federal departments and agencies, including the Department of Justice Canada, the Treasury Board of Canada Secretariat and the Privy Council Office.

¹ The APMA allows the federal government to delegate to the provincial commodity boards the authority to set and collect levies for the marketing of agricultural products in interprovincial and export trade. The APMA delegation orders dictate the process to be followed in setting and updating levies.

Through an agreement with Agriculture and Agri-Food Canada (AAFC), FPCC is responsible for administering the APMA. In November 2017, the Minister of Agriculture and Agri-Food decided on a long-term strategy for modernizing the APMA.

Since 2002, there had been concerns that certain federal levies were not being formally updated as required through the federal regulatory system before collection began at the new levy rate; this created a legal risk for the provincial commodity boards.

In January 2018, AAFC and FPCC signed a Memorandum of Understanding that specifies the responsibilities of each in the implementation of the modernization strategy. During 2017–18, of the initial 14 delegation orders identified for priority action, FPCC staff processed 13 and submitted them to the Department of Justice Canada for review. The process was completed for 5 of these, and the amended orders were published in the *Canada Gazette*, Part II.

Also during 2017–18, FPCC collaborated with AAFC in responding to the parliamentary Standing Joint Committee for the Scrutiny of Regulations, concerning the Joint Committee’s inquiries about regulatory instruments made under APMA and FPAA.



ANNEX - 2017-18 FPCC DECISIONS ON QUOTA AMENDMENTS

Agency	Date of Decision	Status	Type of Quota	Applicable Timeframe	New Quota Amount	Comments / Details
Egg Farmers of Canada	September 2017	Approved	Export Market Development Quota	March 26, 2017 to December 30, 2017	-	Removal of Export Market Development Quota category from Quota Regulations.
	October 2017	Approved	Vaccine Quota	January 1, 2018 to December 30, 2018	-	Vaccine Quota remained the same as in 2017.
	December 2017	Approved	Federal Quota	December 31, 2017 to December 29, 2018	692,605,522 (dozen)	An increase of 4.0% from 2017.
		Approved	Special Temporary Market Requirement Quota	December 31, 2017 to December 29, 2018	-	Special Temporary Market Requirement Quota to remain at zero for 2018.
		Approved	Eggs for Processing Quota	December 31, 2017 to December 29, 2018	-	Eggs for Processing Quota remained the same as in 2017.
Chicken Farmers of Canada	June 2017	Approved	A-145	August 6, 2017 to September 30, 2017	257,426,910 (kg, live weight)	A 7.9% increase over the same weeks in 2016.
		Approved	A-146	October 1, 2017 to November 25, 2017	255,710,292 (kg, live weight)	A 6.6% increase over the same weeks in 2016.
	September 2017	Approved	A-146	October 1, 2017 to November 25, 2017	259,175,969 (kg, live weight)	Amendment to A-146 due to increasing demand which brings the increase over the same weeks in 2016 to 8%.
	October 2017	Approved	A-147	November 26, 2017 to January 20, 2018	253,069,403 (kg, live weight)	An 8.3% increase over the same weeks in 2016.
		Approved	A-148	January 21, 2018 to March 17, 2018	256,938,095 (kg, live weight)	An 5.2% increase over the same weeks in 2016.
	January 2018	Approved	A-149	March 18, 2018 to May 12, 2018	263,555,046 (kg, live weight)	A 4.7% increase over the same weeks in 2017.
		Approved	A-150	May 13, 2018 to July 7, 2018	266,638,090 (kg, live weight)	A 7.8% increase over the same weeks in 2017.

Agency	Date of Decision	Status	Type of Quota	Applicable Timeframe	New Quota Amount	Comments / Details
Turkey Farmers of Canada	April 2017	Approved	Amendment to Federal Quota	2017/2018 Control Period	180,622,141 (kg, evis. weight)	A decrease of 3.2% from the previous control period.
		Approved	Amendment to Federal Quota	2017/2018 Control Period	180,622,141 (kg, evis. weight)	An amendment of "control period" definition
	September 2017	Approved	Amendment to Federal Quota	2017/2018 Control Period	182,053,262 (kg, evis. weight)	An increase of 0.8% from the previous allocation amendment.
	October 2017	Approved	Amendment to Federal Quota	2017/2018 Control Period	184,259,941 (kg, evis. weight)	An increase of 1.2% from the previous allocation adjustment.
	January 2018	Approved	Amendment to Federal Quota	2018/2019 Control Period	176,257,093 (kg, evis. weight)	A decrease of 4.3% from the previous control period.
Canadian Hatching Egg Producers	September 2017	Approved	2017 Final Allocation	January 1, 2016 to December 31, 2016	706,686,973 (broiler hatching eggs)	An increase of 6.4% above production in 2016.
		Approved	2018 Initial Allocation	January 1, 2017 to December 31, 2017	738,277,083 (broiler hatching eggs)	An increase of 4.5% above the final allocation for 2017.

Source: FPCC

ANNEX - 2017-18 FPCC DECISIONS ON LEVY AMENDMENTS

Agency	Date of Decision	Status	Applicable Timeframe	Change in Levy Amount	New National Levy Amount	Comments / Details
Egg Farmers of Canada	September 2017	Approved	Date of Registration to March 31, 2019	-	0.3375 (\$/dozen)	Removal of Export Market Development Quota category from Levy Regulations.
	December 2017	Approved	February 25, 2018 to March 31, 2019	-\$0.02/dozen	0.3175 (\$/dozen)	Decrease in levy for Pooled Income Fund.
Chicken Farmers of Canada	September 2017	Approved	April 1, 2017 to March 31, 2018	-	0.0053 (\$/kg, live weight)	Amendment regarding Nova Scotia production for personal consumption.
	January 2018	Approved	April 1, 2018 to March 31, 2019	-	0.0053 (\$/kg, live weight)	Amendment to the expiry date.
		Approved	January 21, 2018 to March 31, 2018	-	0.0053 (\$/kg, live weight)	Increase in provincial levies for New Brunswick and Prince Edward Island
Turkey Farmers of Canada	May 2017	Approved	May 1, 2017 to March 31, 2018	-	0.0018 (\$/kg, live weight)	Increase in Nova Scotia provincial levy.
	March 2018	Approved	Date of Registration to March 31, 2019	-	0.0018 (\$/kg, live weight)	Amendment to the expiry date.
Canadian Hatching Egg Producers	May 2017	Approved	Date of Registration to June 23, 2018	-	0.0032 (\$/broiler hatching egg)	Increase in provincial levies for British Columbia and Ontario as well as the non-signatory levy.
	July 2017	Approved	Date of Registration to June 23, 2018	-	0.0032 (\$/broiler hatching egg)	Decrease in provincial levy for British Columbia as well as the non-signatory levy.
	January 2018	Approved	Date of Registration to June 23, 2019	-	0.0032 (\$/broiler hatching egg)	Amendment to the expiry date and an increase in provincial levy for Quebec, as well as non-signatory provinces.
Beef PRA	May 2017	Approved	Date of Registration to March 29, 2019	-	2.50 (\$/head)	Increase in Prince Edward Island provincial levy.
	September 2017	Approved	Date of Registration to March 29, 2019	-	2.50 (\$/head)	Increase in the national levy of \$1.50/head for Manitoba and an increase in the national and provincial levies for British Columbia of \$2.00/head.
	October 2017	Approved	Date of Registration to June 29, 2018	-	2.50 (\$/head)	Increase in national levy for New Brunswick.
	March 2018	Approved	Date of Registration to June 29, 2019	-	2.50 (\$/head)	Increase in national levy for Alberta and Saskatchewan.

Source: FPCC

GLOSSARY

AAFC	Agriculture and Agri-Food Canada
APMA	<i>Agricultural Products Marketing Act</i>
CFC	Chicken Farmers of Canada
CHEP	Canadian Hatching Egg Producers
CPEPC	Canadian Poultry and Egg Processors Council
EFC	Egg Farmers of Canada
FPA	Federal-Provincial Agreement
FPAA	<i>Farm Products Agencies Act</i>
FPCC	Farm Products Council of Canada
FPPAC	Further Poultry Processors Association of Canada
GIC	Governor in Council
ISP	Integrated Solution Project
PIF	Pool Income Fund
PRA	Promotion and Research Agency
TFC	Turkey Farmers of Canada

