

Speaking Notes

FPCC Chairman's Address at the AGM of the Chicken Farmers and Egg Farmers of Newfoundland and Labrador St. Johns, NL - April 27, 2016

- Good day to you all. It is always a pleasure to be back in Newfoundland and Labrador, and it is a privilege to be invited to your annual meeting. I was also about to thank you for the famously warm welcome – but flurries and rain on top of the wind? I shouldn't complain too much, because I hear they are having a few snowflakes in Ottawa as well today. It does my farmer's bones well to see, from the forecasts, that we can expect a bit more sun towards week's end! And I take that to be a good harbinger of things to come, for both the egg and chicken industries, both across Canada and in this province.
- First, I wish to update you on what we have been dealing with at FPCC.
- We have just entered year two of FPCC's 2015-2018 Strategic Plan. In line with it, over the last year, I, Council

members and staff, attended many an agency or sectoral meeting, such as this one. We aim, under the Strategic Plan, to help agencies and the FPCC understand their respective roles as they collaborate in maintaining and promoting an efficient and competitive agriculture industry.

- Another part of the strategy is to ensure that allocation-setting processes are transparent and beneficial for all Canadians. This, in turn, enables FPCC to make responsible decisions on quota allocations and levy amendments. Among other duties, this involves fielding complaints regarding allocation-setting and various core elements of the supply-management system. And FPCC fielded a record four complaints this year, including one from the chicken production sector.
- When a complaint is received, as Chairman of FPCC, I first talk over the issues with the parties involved. As a next step, I am normally called upon to appoint Council members to a complaint committee. They oversee the complaint process and, hold informal meetings, as necessary. The complaint committee establishes timelines and rules for the submission

of information. In all cases, FPCC completed these tasks within a month or less, as per the FPCC's Interim Complaint Guidelines.

- As many of you have heard, the chicken complaint was, happily, dismissed. A complaint by the Turkey Farmers of Ontario against TFC was suspended for a period, pending the results of a binding arbitration process, for which a decision was recently brought down. There appear to remain some residual elements to the complaint that FPCC will be examining at its next meeting. The same is true for two related complaints against CHEP, one from the OBHECC and the other the *Syndicat des producteurs d'oeufs d'incubation du Québec (SPOIQ)*. These resulted in a mediation process, which successfully resolved many of the points of contention between the two parties. Again, there remain one or two unresolved issues that FPCC will consider closely.
- Another strategic priority of FPCC is to work towards the creation of national promotion and research agencies or PRAs. Accordingly, we have processed an application from

the pork industry for the establishment of one such PRA, and anticipate good news regarding proposals for the strawberry and raspberry industries. We understand that CFC will be submitting its own proposal for a chicken PRA, and look forward to receiving it.

- So, this is just to give you an idea of some of the key activities of FPCC over the last year, and how our Strategic Plan meshes with CFC's and EFC's activities.
- FPCC greatly appreciates CFC's commitment to collaboration and constant improvement, and its openness at both the Board and staff level to work with Council members and FPCC staff.
- FPCC encourages agencies to provide thorough, accurate, and transparent reporting of industry information and performance. FPCC staff have thus engaged with employees of each agency, including CFC, to ensure that annual reports will provide an ever clearer understanding of the agencies' activities, performance and challenges for FPCC, the Minister and Parliament. Let us be clear that transparency goes beyond

annual reporting, though! As a public policy, supply management is necessarily exposed to public scrutiny, and the national marketing agencies are ultimately accountable to Parliament. Supply management is a privilege, not a right!

- Not that long ago, supply management faced a lot of bad press in the media; its critics are still there. Transparency and improved performance are invariably the best way to pre-empt attacks.
- For instance, egg producers might consider whether a 20-year time frame for conventional cage conversion is adequate. Are enriched cages the way to go? People need to know and be reassured.
- In 2015 and 2016, Watt Global Media asked U.S. egg producers to project the likely breakout by housing system of egg production in 2025. In just 12 months, egg producers went from predicting that 13.7 percent of hens would be housed cage-free in 2025 to projecting that 40.6 percent would be.

- It is the egg industry's responsibility to make it clear to consumers how changes in system housing may affect the costs of producing eggs, since consumers will ultimately bear those costs.
- So I am pleased to see that Egg Farmers of Canada is in the process of developing its new COP survey, to be conducted in 2017 with a release in 2018. Frankly, a new survey cannot come soon enough – eight years between surveys is too long to wait.
- High quality COP data must be made available to the public. Why not take a page from the dairy industry's book and conduct surveys more frequently? Type in "dairy cost of production Canada" in Google, and the first result that pops up, for each of the past five years, is the Canadian Dairy Commission's annual COP study!
- CFC has long shown that it takes transparency seriously, that it recognizes the need to be pro-active both in pre-empting unjustified critiques, and in responding to genuine challenges. It must continue in that vein. As CFC moves forward in

modernizing its approach, especially by introducing a new – and dare I say long-awaited – operating agreement for chicken, media scrutiny will intensify and the public will demand – quite rightly – to know more about what that portends for price and availability of chicken products.

- FPCC will be looking closely at the public reviews that BCFIRB and the *Régie des marchés agricoles du Québec* will each be conducting on CFC's proposed operating agreement amendments.
- Naturally, FPCC will need to conduct its own analysis to determine if the Operating Agreement amendments will require Governor in Council approval. This is part of FPCC's broader role of liaising with agencies to make sure their current operations and policies remain consistent with their legal frameworks, including their federal-provincial agreements (FPAs).
- The last major amendments to the FPA for the national egg marketing system were made in 1976, 40 years ago this year. Rarely since have the terms of the FPA been reviewed. In four

decades, there has only been one amendment, a minor one, in 1984.

- Why has the EFC's FPA received so little attention? Is it because the FPA cannot be improved? There are noticeable discrepancies between what the FPA provides for and how industry operates.
- As it stands, the legal framework for the national egg marketing system makes no provision for *consumers*, even indirectly, to subsidize production of eggs used in processing. The FPA guides the administration of national marketing for table eggs. Period.
- If, following CFC's example, egg producers choose to revise how EFC and its provincial counterparts cooperate and conduct their business, they shall have FPCC's full support. FPCC asks nothing more than that EFC update its legal framework. Let the review begin; let EFC consult with the provincial boards and the provinces!

- If they agree, then we can examine the merits of a system in which “an egg is an egg.” The FPA and Proclamation set out mechanisms under which a *reasonable surplus* can be cleared; no more.
- This means that FPCC attributes no consideration to *gentlemen’s agreements*, such as that for the QAC, as they have no legal force from FPCC’s perspective as the national oversight body.
- It is time to think about modernization of the egg supply management system and the renewal of the FPA, so that the legal framework properly reflects current business practices and market realities.
- FPCC is aware that EFC’s agreement with processors is in its fourth year. I encourage EFC and processors to renew it quickly. There is something, again, to be taken from CFC’s example – I mean that CFC and its sector partners undertook fundamental adjustments when the chicken market was strong. It is far from given that both chicken and egg

producers will continue to be able to increase production while still allowing processors to maintain healthy margins.

- This may have been the case for a couple of years, but conditions can change quickly! For instance, if demand for chicken declines due, say, to another outbreak, or if competing proteins become significantly more competitive against egg protein, implementing changes would be more difficult.
- So be prepared! While the measure of an agency is how it sets allocations in difficult times, proper governance, preparations and provisioning for risk can mitigate future challenges. I feel confident that you are up to the task, provided you continue to seize the moment.
- Congratulations!