

Speaking Notes
FPCC Chairman's Address at the
Annual General Meeting of the Egg Farmers of Alberta
Red Deer, AB – February 28, 2017

(Check against delivery)

- Good morning everyone. It's great to be here in Red Deer to talk to you about the FPCC and what is going on with supply management. I checked the forecast and was happy to see that we would have stable conditions for the duration of my visit. This is a nice change from Ottawa, where temperatures have been wandering up and down like the economic forecasts!

- It is also in keeping with the character of supply management, which ensures stability. I'd like to think that during my seven-year term as Chairman, the FPCC's oversight has served effectively as guarantor of reliability in the system. (You will still have me for a couple of months, by the way – I am due to complete my term at the end of May.) Fundamentally, the supply management systems for poultry and eggs continue to provide Canadians with a reliable supply of fresh, high-

quality food, while balancing the interests of producers, processors, graders and consumers.

- The success of supply management is amply demonstrated by the overall performance of the egg industry. As it stands, for the first time since 1976, more than 25 million layers are authorized for production over the coming year. For more than a decade, overall egg demand has seen steady growth, but there was always a certain shortage. The most recent market shortage has now been filled, due to the most recent QAC allocations approved by Council.
- There have been pressures to renew the systems for some years now. Challenges, which have arisen bit by bit as the systems have evolved, have tended to be met through “gentlemen’s (or gentlewomen’s) agreements”. But these agreements fall outside the strict confines of the FPA. So, as you know, FPCC has been pushing for a review of the FPA for some years. I believe that this is necessary, not just on a precautionary basis, but also, crucially, to better align allocation mechanics with the regulatory framework.

- Transparency and accountability require that legislative and regulatory frameworks reflect realities on the ground – and vice versa! And, while the industry has shown remarkable stability overall, there have been vast changes to it structurally – I am thinking of policies like the QAC and the new Quota Utilization Threshold (QUT). Neither of these, despite now being used to structure the main workings of the industry, are part of the FPA. The industry has to appreciate how difficult it can be, at times, for Council even to consider the merits of an amendment which is based on policies that are NOT part of the FPA!
- So FPCC was heartily glad to see that EFC has struck a committee to review the FPA – a first meeting was held this past January 24th, and another is scheduled in April. I can see that good progress is being made, but FPCC is concerned that, given the challenges to renewing the FPA, EFC may fall under pressure to make its FPA accountable without being fully transparent.

- For instance, EFC's Board of Directors recently resolved to take a quick, surgical amendment approach to the FPA, in which most of the FPA would be left intact but priority areas would focussed on in addendums. But just leaving the FPA intact and adding addendums is the less enterprising and more confusing option. The FPA as a whole has to be reviewed, and adjusted to include necessary changes (in priority areas) across the entire document.
- FPCC will collaborate as best it can – we have identified some 15 to 17 items for review. Some of these include cosmetic changes – adjustment to names and such – but four or five items call for major changes.
- One major challenge is the proposed amendment to the QUT. In 1976 the QUT was set at 95%; in 1984 the FPA was amended, through an addendum, to 97%; and EFC agreed to change the QUT to 100% in February 2016.

- This has created a situation where an addendum has amended another addendum, which in turn amended the FPA. Let me suggest that this approach is a recipe for confusion.
- Council knows that EFC has a lot on its plate. Take the processors agreement: Council is aware that the IP program agreement, with regards to pricing, entered its fifth and final year in June 2016, and that the current agreement has been extended to the end of Period 12 of 2017, to allow for further discussion and negotiation.
- Still, for the good of the egg industry, Council wishes you a prompt settlement that will be beneficiary to all parties, including consumers.
- As I emphasized last year, indeed as Council asserted in writing as far back as 2012, excess eggs destined for the processing market cannot be, must not be, financed solely by consumers. Producers and regulators have to consider more innovative and responsible options.

- EFC has certainly implemented a variety of solutions – e.g. elimination of the Nest Run Adjustment Administration Fee in December 2013; and the implementation of a new price spread in 2014. The fact remains that the service fee contribution to the IP is estimated at \$2.7 million for 2016 and \$1.5 million for 2017, whereas in 2016 the consumer’s contribution to IP was estimated at roughly 50 times that — \$116 million.
- An eight (8) cent levy increase was approved by Council in December 2016 to compensate for a relatively low Urner Barry price, and this is likely to increase the consumer’s already substantial contribution in 2017.
- Clearly, the consumer’s contribution will need to be examined to avoid any excessive budget surplus. Other measures will eventually have to be considered (e.g. an increased contribution of processors’ price, a review of the Urner Barry benchmark, etc.)

- Over-reliance on consumers' contribution has also been reflected in quota allocation. Last December, Council approved the equivalent of 848 thousand layers in additional quota; this was based on the new QAC for table eggs. Still, in 2016, EFC has presented two ad hoc requests to Council to amend the Federal Quota to dedicate additional eggs to the processing market – which would have been financially supported by the consumers.
- Council holds that the Federal Quota is for the table egg market and encourages EFC to develop other avenues to support and directly supply that market, perhaps through a combination of Egg for Processing quota and a pooling price system. Which brings me back to the importance of correctly and transparently amending the FPA! Let me repeat: the objective of supply management, echoing CFC's FPA, is “to work in the balanced interests of producers, industry stakeholders and consumers.” This is also one of the main aims of FPCC oversight.

- What does oversight consist of? To start with, it means sharing information across the supply-managed sector, and, both for Council members and staff, working hard to build insights into the evolution of the poultry and egg industries. Over the last year, this has meant, as usual, having FPCC participate actively at agency and sectoral meetings, such as this one. FPCC is pleased with EFC's development of a new information portal, and with its return to five open board meetings. These were very welcome steps that EFC has taken to be more transparent.
- FPCC wants to assist EFC in this good work. Take our knowledge infrastructure project: in line with instructions from the Minister of Agriculture and Agri-Food (you can see his most recent mandate letter to me on our Web site), FPCC will engage with national marketing agencies, provincial supervisory boards and provincial commodity boards, to develop an ongoing mechanism to generate up-to-date information on the functioning of the supply management system in poultry and eggs.

- FPCC will ensure that the information is updated and properly maintained to enable the tracking of the system's vital signs, thus enabling proper monitoring of its behavior over time. This will help the national marketing agencies and FPCC too, as they work to ensure that allocation-setting processes are transparent and beneficial for all Canadians.
- Such inter-agency collaboration is surely the route to better targeted and more efficient co-management and oversight of the poultry and egg industries. And such collaboration, the very bones of the federal-provincial system which is supply-management, can be extended to other key industry players. I am thinking here, for instance, of the Poultry Value Chain Roundtable that AAFC is setting up (it includes the egg industry). Its first meeting is to be held in March. This can only improve coordination among all players in the supply management systems, and should lead to the consolidation of the industry vision and plan.
- It has been my experience as a regulator, first, that one needs a guiding vision (this is provided by legislation and the FPA);

second, you need the competence to articulate it in a plan, and third, you have to work collegially with colleagues and forbearers to give it purpose through delivery! I feel sure that the FPCC, and our colleagues at EFC, our clientage in industry, have what it takes, now, to deliver on all three steps.

- *[Ad lib suitable concluding comments]*

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