

- Farm Products Council of Canada
 - Address by Laurent Pellerin at the EFC Annual Meeting
 - Ottawa, Ontario
 - 2015.03.25
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MR. PELLERIN: ...learn that his voice is tough this morning. That's the way -- things happen when you go in life without good rest.

[laughter]

We need to learn something when we are getting older [indiscernible]

Merci beaucoup de votre invitation de participer encore une fois à votre assemblée annuelle. C'est la cinquième fois que je participe à votre assemblée annuelle. Chaque fois, c'est une belle occasion pour le Conseil des produits agricoles du Canada de partager avec vous quelques préoccupations que nous avons, non seulement dans le secteur des œufs, mais dans les secteurs sous gestion de l'offre dont nous avons la responsabilité de surveiller l'application des différentes actions que vous prenez.

Peter asked me to say a few words. So I never know what I present, sometimes a little bit longer than a few words. You know, gave me a break give me this chance, we have one or two occasions every year to exchange or to discuss with you, except a couple of letters that we send here and there. So we don't have many occasions to share with the farmers of each of the communities. So if I take too much time, I already apologize for that.

Le Conseil a connu quelques changements encore une fois cette année. Il fait plaisir ce matin de vous présenter la toute nouvelle jeune recrue que nous avons au conseil, Chantelle Donahue. Chantelle, stand up, they need to recognize you. Chantelle is from --

[applause]

Chantelle is from Saskatchewan. So you also recognize that we have an unbalance. We have two from Saskatchewan. I don't understand why.

[laughter]

It's not what we call a big province. It's a small province. We have two from Saskatchewan. So you understand that the others need to be very good to rebalance that in that an average manner.

So Chantelle brings with her a lot of expertise. She's young, but she's a Vice-Chairman with Cargill; moved very rapidly in big structures and knows a lot about grain, beef, chicken. She'll be in a lot of files. So we're very proud to have her with us.

On the other hand, we have two members that finished their term -- we can say that. John Griffin, who followed the egg file over the last four years just resigned recently. We heard that he will be running in politics somewhere in P.E.I. It's not a very large province, so probably if you look for him, you will find him.

[laughter]

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He was finishing his seventh year with the Council. I've been there for five years. He was a great supporter from the beginning in charge of the egg file.

Brent Montgomery, I think Brent is not with us this morning. He's probably in the chicken meeting. They have a very serious allocation meeting discussion this morning again. Brent finishes his term at the end of April. So somebody will be nominated to replace Brent.

So, you understand with a lot of new blood, we have to move ahead and we don't know yet where the nomination will come from and when it will be done.

Par la même occasion, je voudrais aussi souligner la présence des autres membres du Conseil qui sont avec nous ce matin pour témoigner l'importance que nous accordons au secteur des oeufs. Je pense qu'à peu près tous les autres membres du Conseil sont présents.

Mike Pickard en arrière de la salle, qui est aussi un membre du Conseil, un producteur, un ex-producteur de poulet.

Tim O'Connor... what we call at home the "new Tim". He ran a Ski-Doo ride to La Tuque, Parent, barrage Gouin, Lac-Saint-Jean for the first time of his life. So he learned that he needs something to protect his skin there.

[laughter]

Debbie Etsell is from B.C.; turkey family production, some wine and other agricultural activities.

And we have some staff with us this morning also. Marc Chamillard is in charge of regulation, staff, finance, government relations, and a lot of other things.

Nathalie Vanasse is our expert woman covering almost every other file that we have to cover: communications, management of the professional team, Secretary of the Council also.

We have staff that look after the egg file. Steve Welsh and Maguessa is taking care of PRAs and things like that.

As I mentioned, I've been there for five years. During those five years, a lot of things changed, moved ahead. We are very proud to share with you this morning a couple of important files that we completely started from scratch, or renewed, or made some progress on others.

The first one is certainly the rebuilding of our public hearing process. We did that with the objective of research and promotion agency coming on the agenda, making sure that we have an open process. But we also use this process, this renewed process for the Pullet Growers' presentation -- more than 80 different participants on the website. Everything's on the Web, all the communications, public hearings, reports -- everything

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is there.

For an organisation that was not involved in public hearings for more than almost 25 years, rebuilding a process like that was a very great job. And we are lucky in one manner because it was an occasion for us to rebuild this process from scratch and with all the modern communication techniques, I think it's also been very interesting to rebuild this process of that kind.

We also worked a lot on the COP. We contracted a study with AGÉCO, a Université Laval lead organisation to develop guidelines for COP. I will come back to that a little bit later. We worked a lot with the chicken farmers to develop the guidelines on differential growth. They finally signed an MOU last year following the withdrawal of Alberta from the federal-provincial agreement. Now, there's certainly enough in this MOU, in this agreement, to bring Alberta back in the deal, hoping that everybody will be happy with that. I'm not sure if it still have discussion and communication.

And the big challenge now is to obtain the signature of the 10 provincial supervisory boards to officialise this new agreement between the 10 provinces. We are very proud with the result of this campaign. We are very proud that CFC for the first time in 40 years will meet the requirement of the *Act* under comparative advantage on differential growth.

Some other files that we developed in the last couple of years are not as visible. Staff improvements, staff quality improvements, staff expertise building. Sometimes it's not always very visible but it's there, and we are very proud of that, too. I think we – for the first time in five years, we have an almost complete team at the Council and we are certainly better equipped to follow up the files with each of the agencies.

Again, with the AI break that happened in B.C., supply management proved that the system was up to speed, ready to act, ready to react, and everybody took the right decision to make sure that this problem faced the fastest resolution as possible and bring everything back to order. And Council was involved in some of those discussions, some of those changes in regulations. We rapidly approved, for example, allocation in the turkey sector to replace production, to make sure the market will not be short. At the Christmas period, we replaced production and by contract from B.C. to Alberta and Ontario. A very, very -- surprising flexibility in the system.

Plus spécifiquement ce matin, je voudrais adresser quelques dossiers dans le secteur des oeufs. On a beaucoup discuté dans les derniers mois d'allocations, d'allocations nécessaires pour répondre aux besoins du marché, autant dans les œufs de table que dans les œufs pour la transformation.

On ne s'entend pas toujours sur les chiffres, sur les besoins du marché, sur la façon de les combler. Une chose est sûre, tout le monde s'entend pour dire que les débuts de l'année 2014 et le reste de l'année 2014 a sûrement démontré une entrée supplémentaire d'importation d'œufs en coquille et pour la transformation au Canada.

2015 a ouvert aussi sur les mêmes tendances. On a vu une augmentation des

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importations à cette période-là de l'année. Habituellement, la période la première... trois mois de l'année, ce n'est pas la période vive des importations. Deux années de suite, on a vu ces importations-là augmenter de façon substantielle.

The analysis we made following those short market two years in a row gave us some indication that the method the egg farmers use, that the method we use to estimate, to calculate the need for the coming market is probably something that needs to be tweaked a little bit.

You know that if we are short in January 2014, if we are short in January 2015, it's because the number that have been requested two years ago was probably not the exact number that we needed. I understand why. This winter, we certainly had the longest skating period on the Canal, in Ottawa. Nobody forecasted that in advance. And we all know that meteorologists are better in forecasting than economists. So how come we cannot predict that the Canal will be open for than 40 days in a row? We know that because our office is just close to the Canal.

I really don't understand if all stakeholders in the egg sector -- the farmers, the processors, the graders -- get together, it cannot be better than the meteorologists who forecast what is needed in the market. You know a lot, your sector, your industry, you know almost everything about next week's sales. You certainly, as a grain processor, you certainly forecast your needs for the next 12 months, your needs for your contracts with the retailers for the next 90 days.

Pourquoi on n'est pas capables d'utiliser ces données-là dans le secteur des oeufs pour mieux prédire les besoins du marché pour l'avenir? I understand that we have a QAC methodology, you have a QAC methodology on the table. This methodology needs to be -- is actually using, in fact, a three-year average, the past three-year average. Perhaps it's too far, it's not close enough to the market, to the actual market. We certainly need -- you certainly need to look at the possibility to add some forecasting, for example, in this case, for 2015.

Within 10 months last year, Council approved 1 million layers. So we can do that very rapidly. One million layers. If you look at the shortage of the market, actually, our calculation says that we are probably 600 layers short. But we only approved 1 million layers last year. If those eggs have been -- if those layers had been in production, it would more than cover the short market that we had in January, February, and March 2015.

As more eggs are required, certainly there's room for discussion there. Last autumn, we opened the door for a special occasion, some type of catch-up allocation with a condition that if we -- and we prepared to look at approving an allocation like that -- we strongly suggested that it must be accompanied by a provincial allocation, a new or special provincial allocation mechanism.

Again, we are prepared to look at the same thing. We know that there is a couple of features in the egg sector that other features need to be looked at and probably tweaked. We mentioned it at several meetings across the country that Council already

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approved close to 1.7 million layers that are in the system somewhere not in production yet for different reasons. And we know that 600-700 hundred of those layers are approved by the Council, but are not in production and are linked with this 97 percent threshold that you have in the system.

This 97 percent number we put in place at a period when the market, the egg market was a surplus market for many provinces. At that time, you made the decision to cut back the quota 95 percent to make sure that the market, that the eggs that you were producing filled the needs of the market, make sure that you don't have too much of a market.

In '84, you moved that number from 95 to 97 because the market was short. Is it time today to look at the possibility to move this 97 number to 100 percent? If we are in a short market --, if we think that we are in a short market, it's probably the right time to look at that. You don't need to do that -- you don't need the Council's approval. Those layers are already approved. They are in the reserve somewhere in your system.

We are prepared to support you tomorrow morning, this afternoon -- at lunch time, if you want -- to approve your decision. It's your decision, Egg Farmers of Canada, to change this number to put those 600,000-700,000 layers in production tomorrow morning -- at least to give the signal tomorrow morning to the hatchery guys to produce all those eggs, to produce those layers as soon as you can. It's your decision.

If you can make the decision around the QAC agreement, which is a gentleman's agreement -- it's not a binding legal document; it's not a binding agreement legally speaking; it's an agreement between yourselves -- it's not following some of the basic rules of the *FPA* but it's in place and that's the way we administer the system for the last 15-16 years, so why not be a little bit more illegal --

[laughter]

-- by moving from 97 to 100 percent?

You have this part of the decision in your own hands. You can do that tomorrow morning, this afternoon if you want. If you come back to the Council with a special allocation request with the same allocation mechanism for the provinces, I'm not sure the Council will move on with that. We are certainly looking at the next QAC calculation, hoping that you will introduce some forecasting factor in this formula. We are more than open to look at that.

Again, the QAC agreement is something that you can change. You don't need the Minister's signature. You don't need supervisory board's signature. You only need an agreement between the stakeholders here. And if you have this agreement to change, to tweak a little bit this formula, we are certainly prepared to support you.

You know, you repeat to the Council the same story quite often, many times the same arguments. But sometimes it's not because you repeat something 10 times that it becomes the truth. It's not only a matter of repetition, it's a matter of flexibility, a matter

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of innovation, it's a matter of aggressive remedy to make sure that those systems work.

Supply management, as I heard from this guy from Nova Scotia -- he's probably a good guy, he's from Nova Scotia, David Fuller -- supply management is not a right, it's a privilege. With privilege come responsibilities.

This system is not to be administered like a private company, with holding information close to the chest of every member there. This is a system based on a public policy, a privilege, a public policy that needs to be transparent.

I looked at your annual report this morning, a very nice report. There's always a good occasion to improve the communication of the material we put on those annual report. Keep in mind that this report is not only going to the Council, to the Minister, but at the end of the process, this report is for the Parliament. It will be provided to the Parliament members. That's the objective. It's a public policy. We report on a public policy.

Need for transparency. Need for cost productions.

We didn't apply very strictly in the past the works around cost of production. Some of the poultry sector almost have nothing to flag a cost production in their sector. As an oversight body, we have big problem with that. How can we guaranty to the farmers in supply management that they cover their costs plus a reasonable return when there is no survey, when there is no method, when there is no model farm to estimate the right cost of production?

In eggs, I said that before -- I can repeat that -- you are certainly the ones who have done the most work on cost production. A regular survey almost every five years, it's a good base -- a very good base. In fact, when we developed the guidelines for the monitoring committee of cost production for each of the agencies, we looked very closely to the egg sector method. In fact, we almost copied what you are doing.

We didn't list a series of restrictive items perspective to build a cost of production. We, rather, developed the process where we required from the agencies to work together to develop the model of the way you will survey cost production in your sector.

One of the paragraphs in the *FPA* is one that we're not prepared to change, one that we certainly put pressure to respect in the next COP survey. This paragraph says that the agency should fix -- determine the price of egg under the constraints of a COP survey. And it's not finished there. There's a little bit of a few words after that: cost of production survey monitored by Farm Products Council of Canada. We will certainly want to apply that in the next survey. We need and we want to do our job. We need access to information. We need transparency to be in a position to do our job.

There is another paragraph in the *FPA* where it says about the 95-97 percent, where it says that the Council -- it says that the agency is to use rate of lay to convert the market requirement, dozens of eggs, in layer. This rate of lay must be approved by the Council. I've been there five years, I don't remember the last time we approved the rate of lay. We will require the approval of rate of lay in the future. To do that, we'll need to have

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access to data, like I explained, the right numbers on the rate of lay.

So that's a couple of things that we are certainly looking at for the future.

We had this week for the first time in many years a full meeting, full members on our side, Council members, Egg Farmer of Canada, a full board. I think that this meeting creates some room for flexibility, some room for discussion. I think that more is to come from that meeting. It was a good meeting. We didn't solve a lot of situations at this meeting, but I believe I think that we opened doors for more discussions, flexible thinking, innovative thinking in the future and we will be more than happy to continue those discussions as soon as we can.

Finally, I want to announce today that -- a couple of you were afraid that, when you heard my name as the one that will follow the egg file, I suspect that it was not your first choice --

[laughter]

-- and it was certainly not the intent of the Chair to follow up each of the files we have to follow up. But I hope that you understand with the changes at the Council, we are in a situation where it's difficult to delegate people to each of the sectors because we don't know the nominations that are coming, we don't know if they will have a link with the egg sector, the chicken sector, the turkey sector, and we try not to put people in a difficult situation, personally and with their company they work with. It's not always easy to move those nominations. But, today, I'm telling you that Mike Pickard will be the Council member following the egg activities in the future.

So, I thank you for your time and attention. I hope that those couple of comments today don't get people too excited, too nervous. We certainly need more discussion. And if you have questions now and the rest of the morning, I will be around. Thank you very much for your attention.

[applause]■
