



Farm Products Council  
of Canada

Conseil des produits agricoles  
du Canada

# STRAWBERRY PROMOTION AND RESEARCH AGENCY REQUEST

*Panel Report*

NOVEMBER 2014

FARM PRODUCTS COUNCIL OF CANADA

Canada

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# Strawberry Panel's Report

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## 1. *Process Overview*

This section of the report provides an understanding of the role and responsibilities of the Farm Products Council of Canada (FPCC) following a request from the Association des producteurs de fraises et framboises du Québec to establish a Canadian Strawberry Promotion and Research Agency (PRA). The section highlights the Council's legal obligations that range from holding public hearings to reporting its findings to the Minister of Agriculture and Agri-Food Canada (AAFC).

### 1.1. **Council's Role**

When a request for the creation of a part III agency under the *Farm Products Agencies Act* (FPAA or the Act) is received, it is the Council's duty to examine the merits of establishing the agency, and make recommendations to the AAFC Minister. In its role, Council remains impartial by holding public hearings and receiving public submissions, allowing anyone who wishes to comment on the request to do so.

### 1.2 *The Farm Products Agencies Act*

Under the FPAA, the Governor in Council may, by proclamation, establish a promotion and research agency for a given product, if a majority of producers and importers (if imports are to be levied) are in favour of the establishment of such an agency.

The powers given to the PRA are defined in the proclamation. Section 42 of the FPAA lists potential powers that may be given to a PRA, including:

- implementation of a promotion and research plan, as approved by Council;
- the power to make orders and regulations as it considers necessary to achieve its promotion and research objectives;
- authority to collect a levy on national and imported products; and
- a series of administrative powers to facilitate the PRA's daily operations.

### 1.3 **The Panel**

A Panel was appointed by Laurent Pellerin, FPCC Chairman, to examine the merits of establishing a Canadian Strawberry Promotion and Research Agency under Part III of the FPAA. Two panel members were named, Tim O'Connor, as Chair, and Mike Pickard.

A Panel can support the request, in whole or in part; it can recommend that certain powers under section 42 of the Act be included or excluded. Alternatively, the Panel can recommend that some of the changes to the request suggested during the hearings be incorporated by the applicant. The Panel does not make the decision to establish the agency or not. Its mandate is to make recommendations to Council.

In the evaluation of the merits of the applicant's request, the Panel's role is defined by the scope of the inquiry. For this inquiry the Panel examined:

- (a) the current structure of the Canadian fresh strawberry industry and the degree of support among producers and importers for establishing an agency;
- (b) the potential effects of establishing a national agency on the operations of producers and importers;
- (c) the means for ensuring that an agency has due regard for the interests of producers, importers and consumers;
- (d) the degree and nature of federal-provincial cooperation required to implement the proposed national plan, the efficient dovetailing of levy collection under federal and provincial jurisdictions and its consistency with the Agreement on Internal Trade;

- (e) the collection of levies on imported strawberries, including its consistency with Canada's rights and obligations under international trade agreements; and
- (f) whether any restrictions should be placed on the activities of a strawberry promotion and research agency or on any of the powers to be exercised pursuant to section 42 of the Act.

#### **1.4 Public Notice**

A public notice was published in the Canada Gazette on February 22, 2014, as required under section 9 of the Act. The notice gave the purpose and scope of the hearings. Council's notice was also advertised in weekly newspapers and farm journals across Canada, namely in:

- La Terre de chez nous, February 14, 2014
- The Globe and Mail, February 22, 2014
- La Presse, February 22, 2014
- The (Halifax) Chronicle Herald, February 22, 2014
- The Ontario Farmer, February 25, 2014
- The Western Producer, February 27, 2014

#### **1.5 Submissions**

Public hearings are conducted to get input from stakeholders. This input is used in preparing the Panel's review of the request to Council. The Panel called for submissions to be submitted by March 28, 2014. A total of 29 submissions were received within the public hearing process. All submissions and letters of opinion were publicly available on FPCC's Website. An analysis of submissions and the presentations made at the hearings can be found in the Summary of Evidence Section 4 of this report.

#### **1.6 Pre-hearing**

A pre-hearing conference call was held on March 4, 2014. The conference was attended by 24 online guests in addition to the hearing secretary, the Council's legal counsel and three members of FPCC's staff. The list of 15 guests that identified themselves is available in Annex I. The conference's focal point was on procedural matters. No participant voiced any complaint or objection with the information shared by the Panel.

#### **1.7 Hearings**

As stated in paragraph 8(1)(a) of the FPAA, "[A] public hearing shall be held by the Council in connection with an inquiry into the merits of establishing an agency . . .". The Panel held two sittings during the public hearing stage of its inquiry, one on April 1, 2014, in Vancouver and another in Montreal on April 23, 2014. The applicant, as well as six interveners, presented their point of view in Vancouver. In Montreal, the applicant presented a similar presentation and eight different interveners made presentations. Both sittings were conducted by the Panel chair with the help of FPCC staff and were available via webcast. Transcripts were posted on FPCC's website shortly after both events. A complete analysis of the presentations made at the hearings can be found in the Summary of Evidence Section 4 of this report.

#### **1.8 Report to Council**

Pursuant to subsection 8(3) of the FPAA, the Panel prepared this report using the results from the inquiry and its findings on the merits of establishing a Canadian Strawberry PRA. This report will be presented to the Council for its consideration. Council will consider these findings in preparing its recommendation to the Minister.

## 2. Strawberry Industry Overview

### 2.1 National Distribution of Production

The Canadian strawberry industry is characterized by its seasonal nature. Although the industry has experienced radical changes in the last 20 years, seeing its growing season expand from as low as five weeks to up to five months a year, the very nature of the Canadian climate limits the growth of the strawberry industry. Statistics Canada's Census of Agriculture Data for 2011 showed there were 2,204 farms reporting strawberry production in Canada. Total national production that year was 44,945,180 pounds.

Production occurs in all provinces with more than 76 percent of the Canadian production in Ontario and Quebec. Adding production in British Columbia, Nova Scotia and New Brunswick, the national production proportion is just over 93 percent. The remaining five provinces share less than six percent of the total national production. (See Table 1)

Table 1 - National Strawberry Production

Statistics Canada and Census of Agriculture Data (FPCC)				
2011 Data -Strawberries	Farms Reporting	Hectares	Pounds	Share of production
Saskatchewan	63	56	92,593	0.2%
Newfoundland and Labrador	43	46	194,005	0.4%
Alberta	146	95	200,619	0.4%
Prince Edward Island	38	79	720,904	1.6%
Manitoba	81	123	976,638	2.2%
New Brunswick	86	132	1,798,954	4.0%
Nova Scotia	108	289	2,835,116	6.3%
British Columbia	429	363	3,902,142	8.7%
Ontario	663	1,329	10,429,963	23.2%
Quebec	547	1,974	23,794,248	52.9%
<b>Total</b>	<b>2,204</b>	<b>4,486</b>	<b>44,945,180</b>	<b>100.0%</b>

Source: Statistics Canada-Census of Agriculture, CANSIM tables 001-0009 and 002-0001 and CATSNET.

### 2.2 Market Share of Imports

In relation to imports, the national production is consistent with its seasonal production pattern. Since Canadian strawberry producers are unable to fulfill the market needs 12 months a year, consumers rely on imported fruit when local product is unavailable. This trend has been increasing in the last five years. The national production market share has consistently been declining as summary Table 2 below shows. The national market share was at its pinnacle in 2009 at 15.9 percent. It has been declining since then to its current 2013 level of 13.3 percent. This means that imports account for more than 86 percent of the Canadian fresh strawberry market. Data obtained by FPCC through the Canadian Border Services Agency (CBSA) using the import declaration form B3 and relevant HS codes show that 132 importers supply the fresh strawberry market in Canada.

Table 2 - Fresh Strawberry Domestic Consumption

<b>Summary of Domestic Production of Strawberries and Imports of Fresh Strawberries in Percentage</b>					
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Domestic Production of Strawberries	15.9%	14.7%	14.2%	13.5%	13.3%
Imports of Fresh Strawberries	84.1%	85.3%	85.8%	86.5%	86.7%
Total	100%	100%	100%	100%	100%
<p><i>Source: Production - Statistics Canada CANSIM Table 001-0009 "Area, production and farm gate value of fresh and processed fruits, by province, annual"</i></p> <p><i>Source: Imports - CATSNET Analytics, specific to Hs-10 import codes for fresh strawberries (0810.10.10.00, 0810.10.91.00, 0810.10.99.10, 0810.10.99.20)</i></p>					

### 2.3 Provincial Organizations

The Canadian strawberry organizational landscape is diverse with varying organizational structures. The biggest difference is whether or not organizations have the power to collect a levy from provincial producers. Several provincial organizations (Ontario, Manitoba, Prince Edward Island, British Columbia, Saskatchewan and Alberta) voiced their intent to establish a mandatory levy on strawberries during the public hearings. Only Quebec currently has a mandatory levy system in place. Organizations vary from non-existing in Newfoundland and Labrador to very limited in scope and geographical representation in Nova Scotia and New Brunswick.

## 3. Summary of the Applicant's Request

The objective of a request for the creation of a PRA is to demonstrate support from producers and importers. However, to be considered receivable by the FPCC, the primary stakeholders' support must be based on solid rationale. It is the applicant's duty to present the rationale for the creation of a PRA in its request, which is summarized in this section.

### 3.1 Rationale

The applicant provided a detailed rationale on the need to establish a Canadian Strawberry PRA. In face of declining market share, the applicant believes it is in the interest of Canadian producers to foster a common approach to take advantage of the growing fresh strawberry market. A PRA would be able to better support the needs of national producers by developing a fair and recurrent domestic and import contribution system, and a structured industry funding mechanism. An agency could be used to leverage government funding, and serve as a means to deal with the reduction in public funds for research and promotion.

A strawberry PRA would be a way to bolster promotion and research funds that could be used to develop targeted promotional tools for producers across all distribution channels, including u-picks, on-farm market, public markets, distribution chains, and wholesale. This would also foster a cooperative environment in which to develop a sustainable industry capable of leading its own promotion and research initiatives.

### 3.2 Support for the Request

The following data was provided by the applicant to illustrate the level of support received from producers for the creation of a strawberry PRA. The applicant was unable to contact any representative of a Newfoundland and Labrador strawberry association, noting that is why the province was originally missing from the table. The applicant also noted that New Brunswick and Nova Scotia, although previously stating they were in favour of the request, decided to remain neutral. An overview of the number of producers provided by the applicant is in Table 3, column 5. As for the support of importers, the applicant provided a list of 56 importers to Council. The applicant did not survey these importers to gauge their support for the establishment of a strawberry PRA.

The panel requested further details from *l'Association des producteurs de fraises et framboises du Québec* explaining the discrepancy between Statistics Canada number of producers and the one they have submitted for British Columbia and Nova Scotia. The British Columbia Strawberry Growers Association confirmed that the number suggested by Statistics Canada was over-estimated. Adjustments were made according to the numbers provided by the association. As for Nova Scotia, the panel did not receive any explanation from the applicant; therefore, Statistics Canada's number of producers was used by the Panel in its analysis.

Table 3 - Request Support by Province

1. Province	2. Association	3. Number of Producers (Applicant)	4. Number of Producers (Panel revisions)	5. Producers Association Members 2012
<b>British Columbia</b>	Fraser Valley Strawberry Growers Association	50	50	20
<b>Alberta</b>	Alberta Farm Fresh Producers Association	146	146	120
<b>Saskatchewan</b>	Saskatchewan Fruit Growers Association	63	63	10
<b>Manitoba</b>	Prairie Fruit Growers Association	81	81	69
<b>Ontario</b>	Ontario Berry Growers Association	663	663	150
<b>Quebec</b>	Association des producteurs de fraises et framboises du Québec	547	547	547
<b>New Brunswick</b>	Really Local Harvest / La récolte de chez nous	86	86	(8)
<b>Nova Scotia</b>	Horticulture Nova Scotia	99	108	(24)
<b>Prince Edward Island</b>	P.E.I. Strawberry Group	38	38	30
<b>Newfoundland Labrador</b>	No Association	0	35	0
<b>CANADA</b>		<b>1,773</b>	<b>1,817</b>	<b>946</b>

Note: numbers in parenthesis () in this table were not accounted for in the "CANADA" row.

FPCC staff revised the submitted table to better reflect the number of producers according to Statistics Canada and provincial organizations' data. The total number of producers was altered accordingly, as shown in Table 3, column 4 – Number of Producers (Panel Revisions). Producers from Newfoundland and Labrador were not accounted for in the original table but were added using the number of producers provided by the Government of Newfoundland and Labrador. Furthermore, the support from producers in New Brunswick and Nova Scotia was not counted as in favor of the application because the Panel does not recognize abstention as implicit support.



In summary, seven provincial producer associations, either through their annual general meeting or a resolution by their board of directors, support the request for the creation of a strawberry PRA. They include Quebec, Ontario, Manitoba, Saskatchewan, British Columbia, Alberta and P.E.I. The results in Table 4 show that support among producers across Canada is 52 percent. The panel arrives at this conclusion by taking the total number of members of supporting producers' association (Table 3, column 5) divided by the total revised number of Canadian producers (Table 3, column 4).

*Table 4 – Summary of Support*

Total Number of Supporting Producers	946
Total Revised Number of Canadian Producers	1,817
Percentage of Support	52%

### **3.3 Product and Production Thresholds**

The request submitted by the applicant is for fresh strawberries produced and imported in Canada. The applicant stated that it has no intention to widen the request to include other commodities or derived products, such as processed strawberries. As for a production and importation threshold, the applicant request applies to all production and imports, regardless of the quantity produced or imported.

### **3.4 Industry Fundamentals**

In its submission, the applicant provided an overview of the Canadian fresh strawberry market. On the consumption side, data provided in the request showed a constant increase in strawberry consumption per capita. In the last 20 years, consumption of fresh strawberries has increased from approximately one kilogram per person a year to almost three kilograms per person a year in 2011. Projections made by the applicant using these trends show that this increase in consumption could continue until it reaches five kilograms per person a year. The request also stated that Canadian production represented 14.3 percent of national consumption in 2011. The bulk of imports come from California during the Canadian off-season.

Seventy-three percent of strawberries distributed in Canada are sold in traditional supermarkets (Loblaws, Sobeys, Metro). Most of these strawberries are imported as domestic production is generally not sold in supermarkets. In Quebec, a considerable proportion of domestic production makes its way to local supermarkets but in other provinces, primary markets for domestic strawberries are on-farm sales and public markets. Only small volumes are sold through major distributors, although Ontario and others are increasing the volume of domestic strawberries on supermarket shelves.

### **3.5 Levy Functions**

The applicant stated that it was its intention to collect a levy from producers and importers, based on a levy of \$0.007 per pound of fresh strawberries and it would develop an equivalency scale for different types of production, as needed.

For the national production, the applicant recommends that agreements be put in place with provincial associations so they have the authority to collect a levy on inter- and intra-provincial trade. The strawberry PRA would deal directly with these associations, which in turn would deal with their members. Because of the variability of production, direct collection by the agency is considered difficult by the applicant. The delegation of levy collection powers from the national agency to provincial organizations is judged by the applicant to be the most efficient way to conduct business.

In terms of the collection of the levy for imports, the applicant defines the importer as the person who owns the goods when the border is crossed, as identified on the customs declaration or the document known as the Confirmation of Sale (COS). The applicant states that the import levy could be paid by the importer of record. The fee might be absorbed entirely, recovered in the sale price, or covered through arrangements with foreign suppliers. In this scenario, the PRA would remain neutral and abstain from interfering in supplier-importer arrangements. Different options have been put forward as to how to manage the collection of the levy. The request states that CBSA could work with the PRA to collect the levy. Or, there could be a similar arrangement with AAFC to prepare the invoices to collect the levy from importers as is the case with Canada Beef, a promotion and research agency for the beef industry.

### 3.6 Budget

The budget is based on a levy of an average rate of \$0.007 per pound of fresh strawberries. Using the applicant's data, this would mean an annual budget of \$2,225,675. This amount would come from producers and importers based on 14.3 percent for producers, and 85.7 percent for importers.

The following table shows how the applicant envisioned its budget to be used. The bulk of the spending (70 percent) would go to promotional initiatives; 30 percent would be used to fund research initiatives. Administration of the PRA would account for 14 percent of the budget. In all, 79 percent of the total budget would be spent by the national organization, while 21 percent would be returned to provincial organizations for their use.

*Table 5 - Strawberry PRA Provisional Budget*

TOTAL BUDGET	\$2,225,675	
Administration (14%)	\$311,595	
OPERATING BUDGET	\$1,914,081	
Promotion (70%)		\$1,339,856
General Promotion (79%)		\$1,052,695
Domestic Promotion (21%)		\$287,162
Research (30%)	\$574,224	
National (79%)		\$451,155
Provincial (21%)		\$123,069
General Operational Budget Allocation	79%	
Provincial Budget Allocation	21%	

*Note: Provisory budget provided in the applicant's request.*

### 3.7 Promotion and Research

The documentation provided by the applicant details its plans to promote and conduct research into strawberries in Canada. The promotional part of the plan addresses four areas.

- 1) Health and nutrition: Develop and fine-tune educational material on strawberries to better promote the product.
- 2) Marketing and promotion: Raise awareness among Canadians of the benefits of strawberries as part of a healthy diet and active lifestyle through programs targeting various demographics. This would include the tracking of consumer trends and statistics so the industry could better adapt to market changes.

- 3) Foster networking: Seek out timely and pertinent networking opportunities for PRA members that would benefit the involved parties. This would include the development of sponsorship strategies to improve sectorial recognition as well as fostering governmental representation to access supplementary funding to finance the group's promotional activities.
- 4) Education and training: Provide the produce industry with a tailored training tool to improve domestic and imported strawberry marketing in Canada, such as storage and display inventory management, and training for produce clerks in grocery stores and greengrocers on handling.

As for research, the applicant makes it a priority to align the interests of producers and importers alike. In doing so, it would establish a series of priorities that would benefit both groups, as follows:

- Decrease costs for distributors and production costs for growers, leading to better industry profitability;
- Improve the shelf life of strawberries;
- Enhance and clear nutritional profile for the product; and
- Decrease environmental impacts from production to marketing.

The applicant notes that the development of new tools and technologies may initially pertain to a narrow sector of the industry. For example, the improvement of production techniques will be of more benefit to producers than importers. The applicant points out that benefits will eventually spread more widely throughout the strawberry industry. This point is crucial for the applicant because it is aware that a significant portion of the PRA budget would come from importers.

### **3.8 Board Preliminary Composition**

The request and presentation of the applicant outlined the proposed composition of the board. The applicant suggests establishing a 16-member board along with five observers. The 16 would consist of 11 growers and five importers. Each participating province would be represented, using the growers' seats. The balance of growers' seats is not specified by the applicant. As for the five importers' seats, the applicant is clear on their intended distribution. Loblaws, Sobeys and Metro would each get a seat. One of the two remaining importers' seats would be given to what the applicant refers to as a one-stop store, such as Costco or Walmart. The other would be given to an association of importers. The five observer seats would be given to product and marketing associations: the Canadian Produce Marketing Association, the Quebec Produce Marketing Association, the Ontario Produce Marketing Association, the British Columbia Produce Marketing Association, and the Calgary Produce Marketing Association.

## **4. Summary of Evidence**

The evidence received during the evaluation of the submission for the establishment of a strawberry PRA is twofold. The first part of this summary highlights the submissions received prior to the public hearings. The second part reviews the presentations and interventions heard at two public hearings. In the interest of keeping the text concise, arguments heard from several interveners are not repeated.

### **4.1 Public Submissions**

The FPCC made available through its Website as well as by fax and mail, a platform to receive public submissions from February 22 to March 28, 2014. Submissions received after this time period were not taken into account. Overall, 29 submissions were received; 26 were in opposition to the applicant's request, while three submissions were in support of it. The list of all submissions received can be found in Annex III.

Among the 26 submissions received against the establishment of a strawberry PRA, there were 19 different arguments put forward. The argument that recurred the most was that a levy would increase the price of the commodity for consumers. Another argument that appeared repeatedly was that foreign producers would not gain any benefits from a Canadian levy used for promotion and research, leading to what several submissions called, “taxation without representation”. The burden of additional paperwork created by a new agency was also a recurring argument. Doubts cast on the potential benefits of this agency were also found several times. The rest of the arguments against the request were found once or twice in the submissions and conveyed similar arguments to what was previously discussed. It is relevant to note that several letters received were similar in structure and content. In fact, more than half the submissions could be classified in this category.

Arguments in favour of the establishment of a strawberry PRA were similar to the one put forward by the applicant. Arguments such as the potential for benefits of further promotion and research were present in these submissions. These benefits were not only seen as positive for producers, but for consumers and importers alike. Consumers would gain a better product with an improved shelf life, better taste and would receive additional nutritional information. As for importers, they would benefit by gaining market share. The possibility of multiplying investments in research using governmental programs was a key point in two of the supporting submissions.

## **4.2 Public Hearings – Applicant’s Presentation**

The applicant made a presentation at both the Vancouver and Montreal hearings. Its content was in line with the request received by Council. This section of the report will focus on the interaction among panel members, the applicant’s representatives and interveners.

The Panel confirmed with the applicant that the request was only for fresh strawberries and that there was no plan to extend it to processed strawberries. The applicant confirmed that the national numbers shown in its request represented all strawberries produced in Canada, including self-pick and strawberries marketed on-farm and in local markets. The applicant also pointed out that a levy could still be collected on those operations by creating an equivalency scale. This would most likely be applied by collecting the levy by one of three means: using a standard fee per growing season; by including the levy in the price of a standard container; or by including the levy in the plant price.

Support numbers presented by the applicant were questioned by Panel members. It was noted that all provincial data came from the Census of Agriculture, except for Nova Scotia and British Columbia. In these two cases, the applicant stated that the numbers from the survey were judged to be too high by provincial experts from agricultural departments. The numbers submitted by the applicant were said to better reflect the situation in these two provinces and were approved by their respective provincial producer boards. The Panel also asked for further details on how support was established. The applicant explained that general meetings of provincial organizations, in most cases, voted on the applicant’s proposition. Others held votes by provincial boards of directors.<sup>1</sup>

In terms on levy responsibility, the applicant specified that the levy would be collected by provincial organizations and managed by the national organization. A provincial organization could decide to collect more than the national levy and manage the supplementary income as it saw fit. The standard \$0.007 per pound would be applied nationally on all production types and sizes. There is no production or importation quantity threshold in the request.

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<sup>1</sup> *Table 3 on page 8 provides a summary showing support numbers per province as well as discrepancies between the proposal numbers and the Panel’s revised numbers.*

Some provinces decided to remain neutral or did not respond to the applicant's request. The applicant plans to remain open and integrate them as the agency establishes itself. The applicant understands that it needs all provinces to take part in the system to establish the national treatment requirement in order to levy imports. In terms of the impact of the levy on consumers, the applicant estimated that it would cost consumers six cents a year using strawberry prices varying from \$1.99 a pound for imported strawberries and \$2.49 a pound for local strawberries based on a yearly consumption of 8.6 pounds per person. The potential impact on consumption was judged to be minimal by the applicant.

The Panel was interested to know what the applicant thought about the better shelf life of the California strawberry compared to the Canadian product. The applicant did not know exactly what made the California strawberries last longer but believed that further research conducted by the strawberry PRA would help Canadian producers harvest a longer lasting strawberry similar to the American varieties.

In terms of consumption, the applicant agreed that consumers are sensitive to price variation, especially to deals such as two boxes for five dollars. The applicant also noted that its objective to increase consumption to five kilograms per person per year was based on projections using other fruits and berries and was over a 10-year period. The main reason why consumption has increased significantly since the early 1990s is thought to be year-round availability of the product.

The draft budget presented by the applicant with a 70-30 split between promotion and research, was based on what was heard at stakeholder consultations. As well, this ratio was the most popular among organizations consulted during preparation of the applicant's request. Funds for research would be spent nationally for the benefit of the strawberry industry as a whole. About 10% of the research funds would go back to provinces so they could undertake work on specific regional issues.

The suggested board composition raised several questions. The applicant recognized that their proposal was not in line with subsection 40(3) of the FPAA, but represented its interpretation of the spirit of the law. The applicant mentioned that no opposition was raised against its board proposal during the consultation phase, which included exporters and importers. The applicant held 26 meetings with about 150 stakeholders in attendance. Information bulletins were distributed along with an invitation for comments and feedback. Following criticism expressed during the hearings and in several submissions, the applicant agreed the board composition could be changed to make it consistent with the FPAA as well as with stakeholders' demands.

Finally, the applicant stated that promotional activities would be regionally based as consumer preferences vary greatly across the country. The issue of importer consultation was raised by the Panel, to which the applicant provided a list of 56 importers, defined as importers of record, but these were not directly consulted to gauge their support for the establishment of a strawberry PRA.

### **4.3 Public Hearings – Other Interveners**

#### ***Sharmin Gamiet – B.C. Strawberry Growers Association***

Ms. Gamiet, as the manager of the B.C. Strawberry Growers Association, gave an overview of the province's industry and voiced her organization's support for the request. This provincial organization has a non-mandatory levy on yield in place for all producers that cultivate over an acre of strawberries. The intervener explained how the British Columbia industry slowly transitioned from a processed-based industry to a fresh strawberry market due to global market changes. The financial viability of processed strawberries was declining, which triggered producers to switch to the fresh market. The intervener pointed out that the production region that incorporates British Columbia, known as the Pacific Northwest, also includes the U.S. states of Washington and Oregon. This was viewed as interesting because research conducted for B.C. could also be used in those states.

### ***Michael Dossett - B.C. Blueberry Council***

Mr. Dossett, a researcher for the B.C. Blueberry Council, is doing work on blueberries, raspberries and strawberries. The researcher confirmed that a switch from growing fruits for processing to fresh strawberries occurred in British Columbia. He also confirmed that this trend correlated with the rapid growth of the California strawberry industry in the 1980s and 1990s. The variety cultivated in British Columbia is called Albion, the same one used by California producers. Rapid changes in the industry did not give researchers enough time and resources to better adapt fresh strawberry varieties to the provincial climate particularities. The researcher said currently there is a shortage of programs to help producers cope with challenges facing the industry. AAFC has suspended its breeding programs in Québec and British Columbia. It is up to the industry to replace these initiatives and take the lead in promoting research, but it currently relies on foreign research to improve current varieties. For Mr. Dossett, a national strawberry promotion and research agency would add little cost to berries sold on the market, but would add tremendous capacity to strawberry production in Canada and to international producers that could always benefit from further research.

### ***Mark Sweeney – B.C. Ministry of Agriculture***

Since 1998, Mark Sweeney has been a berry specialist at the B.C. Ministry of Agriculture. According to him, berries have experienced strong market demand and growth along with increased availability, quality and a strong association with many health benefits. A good example of industry association is the U.S. Highbush Blueberry Council, which is collecting levies on its production and conducting productive research using these funds. The Council's board of directors includes national producers, importers, exporters and foreign producers. Mr. Sweeney strongly believes that the benefits generated by the organization extend beyond the U.S. This reflects the need for the strawberry industry to come together and to better organize to be able to gain access to similar benefits. The production challenges facing the strawberry industry across Canada, including pest and disease pressures, quality issues, yield limitations, labour issues, mechanization, limited resources, could all benefit from further research funds provided through a promotion and research agency. The agency could be the catalyst to address these challenges and opportunities and help grow the strawberry market. As for health benefits, financing studies can prove to be expensive, but in the case of blueberries research shows that there is a strong linkage between the funding of health benefits research and the growth in consumption.

### ***Alf Krause – Krause Berry Farms***

Mr. Krause is a producer from the Fraser Valley, where he produces a variety of berries including strawberries, raspberries, blueberries and blackberries. He has seen the market change; he recalls when an import duty was applied to imports during the strawberry season. He describes current times as difficult for a variety of reasons, but the switch from a processed-based industry to a fresh industry has not been easy for him. Interestingly, he sees importations as having a positive impact on the berry market. Making a product available 12 months a year helps raise consumer awareness and makes the local fruit easier to sell when in season. This producer is also indirectly an exporter of strawberries to the U.S. and notes that he pays a state level levy of one cent a pound when he deals with the state of Washington without having a say to what end is levy will be used. Finally, Mr. Krause believes Canadian producers need a strawberry PRA to invest in research to improve quality.

### ***Ed McKim – B.C. Strawberry Growers Association***

Mr. McKim is the chair of the B.C. Strawberry Growers Association and is a producer who has been active for more than 40 years. In order to stay competitive, he strongly believes the B.C. industry needs a new variety. The growing season did expand recently but the industry is still waiting for a better tasting berry that would have an acceptable shelf life. He observed first-hand the benefits of promoting local produce directly at the stores. He is particularly fond of making consumers taste the product, saying he has observed increase in sales by using this marketing technique.

### ***Ray Biln – Importer of Fresh Strawberries***

Mr. Biln is an importer of fresh strawberries, a blueberry grower and a member of the U.S. Highbush Blueberry Council. Based on his experience as a member of an industry board in the U.S., the intervener sees the establishment of a strawberry PRA positively. He noted that promotion activities through the blueberry council are to everybody's benefit, including importers.

### ***Peter Kirby – Representing the California Strawberry Commission***

Mr. Kirby, a Montreal lawyer representing the California Strawberry Commission, led his argument against the creation of a strawberry PRA by stating that the request presented by the applicant could not be amended during the hearing process since its support among provincial organizations would need to be reassessed. Mr. Kirby also pointed out that most issues facing Canadian producers are production challenges, not promotion ones, which means that it should not be the importer's financial responsibility to finance research benefiting exclusively Canadian producers. Mr. Kirby stated that he doubted that the applicant's numbers showing the level of support for its request were accurate. He also pointed to the fact that the proposed board of directors was not compliant with the FPAA. Finally, Mr. Kirby suggested that a strawberry PRA would not be compliant with Canadian NAFTA and GATT obligations.

### ***Christine Christian – California Strawberry Commission***

The California Strawberry Commission represented by this intervener said the commission has members who are importers of record. The Commission opposes the request because it feels it would disproportionately put the burden of financing operations of a strawberry PRA on importers, while benefits would go towards Canadian producers. Mrs. Christian indicated that the commission would not be well represented on the proposed board of directors. The commission also believes that enough research and promotion is already being conducted and further efforts would be futile. Although clearly against the request, Mrs. Christian noted that the applicant did demonstrate that there is an opportunity for Canadian farmers to organize more formally domestically and provide greater opportunities for collaboration with other grower organizations.

### ***Claude Laniel – Quebec Horticultural Council***

Claude Laniel, Director General of the Quebec Horticultural Council, opened his presentation with a general overview of horticultural production in North America. Citing a study conducted by the United States Department of Agriculture (USDA), he noted that it is estimated that by 2023, the U.S. production of fruits and vegetables will not be able to meet the U.S. demand for these products. Specifically on strawberries, Mr. Laniel said that the impact of the \$0.007 levy per pound suggested in the request was almost invisible in the Montreal market price. The intervener also pointed out that innovation initiated by research does not exclusively benefit producers but can also improve all stages of the supply chain. According to him, both producers and importers can benefit from further research.

### ***Yves Desjardins – Laval University***

This Laval University professor currently undertakes research partly funded by AAFC's *Growing Forward II*, and has conducted research into the benefits associated with strawberry consumption. He believes underfunding is common in research and there is a need to develop other means to fund research. Breeding new varieties is at the centre of developing further market share. A better product would go a long way to expanding both production and market opportunities. New production methods could also be explored with further funding available with a PRA.

***Martin Caron – Union des Producteurs Agricoles (UPA)***

Mr. Caron is second vice-president of UPA and a milk producer. Mr. Caron stated that the UPA was strongly in favour of the establishment of a strawberry PRA, noting that it would allow this sector to increase promotion across the country as well as provide the funds to better finance research priorities. The intervener noted that several commodities benefited from similar checkoff programs in the U.S.

***Jason McLinton – Retail Council of Canada***

Mr. McLinton, a representative from the Retail Council of Canada, stated that the proposed levy represented another cost to all constituents in the supply chain and consumers. He added that there is no need for a PRA since the strawberry market is already growing. He also stated that members of his organization are already exposed to a myriad of fees and taxes, including the minimum wage and eco-fees. He did not know if the levy would have an impact on the demand for strawberries or their price.

***Kevin Schooley – Ontario Berry Growers Association***

Mr. Schooley, Executive Director of the Ontario Berry Growers Association, estimated that there were 300 producers in Ontario, a different number from Statistics Canada's estimate of approximately 600. The intervener saw great benefits in further promotion and research, especially since budgets in promotion have been declining in recent years. Producers, who bear the greatest risk by producing a crop, should be able to organize and fund their industry. Mr. Schooley believed the proposed levy is marginal compared with the potential benefits of a PRA. He stated that it was a good opportunity to increase collaboration with all stakeholders, especially when problems facing the industry are not addressed because of a lack of funds. Mr. Schooley confirmed that the organization he represents is currently undertaking actions to make its provincial levy mandatory with a production threshold of a half-acre.

***Valérie Gravel – McGill University***

Mrs. Gravel, an agronomy professor at McGill University, firmly believes in the need to develop research for strawberries such as: developing new breeds better adapted to the Canadian climate; developing new ways to fight pathogens; and developing durable production means. These research initiatives would improve the product quality and benefit everyone in the supply chain. Putting in place a PRA would also be helpful in securing further research funding.

***Anne Fowlie – Canadian Horticultural Council***

Ms. Fowlie stated that the Canadian Horticultural Council, an organization representing producers across the country, supported the establishment of a strawberry PRA, especially for its capacity to increase the availability of research funds.



## 5. *Panel's Findings*

This section of the Panel's report is a summary of the evaluation of the merits of the applicant's request for the establishment of a Canadian Strawberry PRA.

### 5.1 **Support**

Seven provincial producer associations -- Quebec, Ontario, Manitoba, Saskatchewan, British Columbia, Alberta and P.E.I. -- support the applicant's request for the creation of a Canadian Strawberry PRA. The associations secured support through their annual general meetings or by a vote by their boards of directors. This means that 52 percent of producers in Canada support the strawberry PRA. The complete breakdown of the support number is shown in Table 3 – Request Support by Province.

**Finding #1** The Panel is satisfied that the level of support among Canadian producers is sufficient to establish a national strawberry PRA, as shown in Table 4.

The applicant did not survey importers to gauge their support for its request to establish a strawberry PRA. Data obtained by FPCC through CBSA show that the strawberry market is supplied by 132 importers.

**Finding #2** The Panel is not satisfied that the needed level of support from producers and importers has been reached to allow the national strawberry PRA to collect a levy on imports.

The Panel recognized that the level of support for the creation of a national agency is sufficient among national producers but that the national agency's organizational structure will need to be strengthened to function properly. Most participating provinces will need to work with their respective provincial governments to obtain the authority to collect mandatory levies.

### 5.2 **Promotion**

The Panel recognizes that further promotion for fresh strawberries in Canada would be beneficial. A structured national organization would help to put in place a stable and recurring funding mechanism to maintain current growth in the industry. The pooling of provincial levies would help Canadian strawberry producers gain better leverage to access governmental funds available for promotion and research. Furthermore, a cohesive national effort to promote strawberries would help to reduce duplications in promotion efforts across provinces.

Both national and imported products would benefit from further consumer awareness, especially if awareness programs are conducted using research highlighting potential health benefits linked to the consumption of strawberries. The tracking of consumer trends and statistics to better adapt to market changes, fostering networking among industry stakeholders, as well as education and training aimed at retailers are valid ideas to effectively promote strawberries in Canada. Overall, it is the Panel's opinion that Canadian producers and importers would gain further market share with the establishment of a national strawberry PRA.

### 5.3 **Research**

The Panel recognizes that further research would benefit the Canadian strawberry industry, particularly in developing varieties that are better adapted to the Canadian climate and more resistant to pests and diseases. The improvement of the Canadian product's shelf life is also recognized by the Panel as a research priority. These potential gains in production efficiency could lower costs for all links of the supply chain. Improvements

in production techniques and shelf life of the product could also have positive environmental impacts by reducing the environmental footprint of strawberry production in the country.

**Finding #3** The Panel is satisfied that further research for fresh strawberries would be beneficial to all parts of the industry supply chain.

#### **5.4 National Levy**

This national strawberry PRA would obtain the authority to collect a \$0.007 per pound levy on inter- and intra-provincial trade of fresh strawberries without a production threshold. Estimates of the impact on consumers of this levy are six cents a year. The Panel believes this is reasonable and would be properly used by the strawberry PRA in the implementation of its promotion and research plan.

**Finding #4** The Panel is satisfied that a \$0.007 per pound levy on all inter- and intra-provincial trade of fresh strawberries would benefit producers and have a limited financial impact on consumers.

## Annex I – List of Pre-Hearings Participants

<b>Name of Participant</b>	<b>Company or affiliation</b>
Keith Mussar	Import/Export
Jason McLinton	Retail Council
Carole Fortin	Retail Council
Ron Lemaire	CPMA
Caroline Thibault	APFFQ
Jean-Luc Poirier	APFFQ
Peter Kirby	California Strawberry Commission
Claudia Reid	California Strawberry Commission
Sharmin Gamiet	BC Berry
Ian McIsaac	Potatoes
Stephanie Polianski	EFC
Kevin Schooley	ON Berry Growers
Chris Jordan	Prince Edward Island Government
Russ Crawford	Canadian Hemp Trade
Arnie Nabuurs	PEI Strawberry Growers

*Note: The name and company or affiliation appears as stated and provided by the participant.*

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### Annex III – List of Submissions Received

Name - Organization	File Number (PDF)	Comment Type
1. Peter Fournier	<a href="#">APFFQ2013-0001-O-on</a>	Comment in opposition
2. Dr. Robert Audette	<a href="#">APFFQ2013-0002-O-on</a>	Comment in opposition
3. Anthony Mintenko, Provincial Fruit Crop Specialist	<a href="#">APFFQ2013-0005-S-mb</a>	Comment in favor
4. Janet Shanks, Costco	<a href="#">APFFQ2013-0006-O-on</a>	Comment in opposition
5. Doug Grant, Groupe Oppenheimer	<a href="#">APFFQ2013-0007-O-bc</a>	Comment in opposition
6. Guy Milette, Courchesne Larose Ltée	<a href="#">APFFQ2013-0008-O-qc</a>	Comment in opposition
7. George Pitsikoulis, Canada Wide Fruits	<a href="#">APFFQ2013-0009-O-qc</a>	Comment in opposition
8. Jean-François Laverdure, LB Laverdure inc.	<a href="#">APFFQ2013-00010-O-qc</a>	Comment in opposition
9. Vince Lopes, Nutripe Farms LLC	<a href="#">APFFQ2013-00011-O-us</a>	Comment in opposition
10. Jeff Hughes, Gambles Ontario Produce	<a href="#">APFFQ2013-00012-O-on</a>	Comment in opposition
11. Allen Davis, Dole Berry Cie	<a href="#">APFFQ2013-00013-O-us</a>	Comment in opposition
12. Cindy Jewell, California Giant Berry Farms	<a href="#">APFFQ2013-00014-O-us</a>	Comment in opposition
13. Michelle Deleissegues, Red Blossom Sales	<a href="#">APFFQ2013-00016-O-us</a>	Comment in opposition
14. Ted Campbell, Florida Strawberry Growers Association	<a href="#">APFFQ2013-00017-O-us</a>	Comment in opposition
15. Edward Kelly, CBS Farms, LLC	<a href="#">APFFQ2013-00018-O-us</a>	Comment in opposition
16. Joe Lavorato, Fruits & Légumes Gaetan Bono	<a href="#">APFFQ2013-00019-O-qc</a>	Comment in opposition
17. Fritz Koontz, Santa Cruz Berry Farming Co.	<a href="#">APFFQ2013-00021-O-us</a>	Comment in opposition
18. John Russell, J.E. Russell Produce Ltd.	<a href="#">APFFQ2013-00022-O-on</a>	Comment in opposition
19. Jean-Marc Brisson, Agriculteur	<a href="#">APFFQ2013-00023-O-qc</a>	Comment in opposition
20. Andrew Slater	<a href="#">APFFQ2013-00026-O-qc</a>	Comment in opposition
21. Greg Webster, Webster Farms Ltd.	<a href="#">APFFQ2013-00027-O-ns</a>	Comment in opposition
22. Union des producteurs agricoles	<a href="#">APFFQ2013-00028-S-qc</a>	Comment in favor
23. Antoine Dionne, MAPAQ	<a href="#">APFFQ2013-00029-S-qc</a>	Comment in favor
24. Jason McLinton, Retail Council of Canada	<a href="#">APFFQ2013-00031-O-on</a>	Comment in opposition
25. Keith Mussar, Canadian Association of Importers and Exporters	<a href="#">APFFQ2013-00032-O-on</a>	Comment in opposition
26. Davis Yung, Fresh Direct Produce	<a href="#">APFFQ2013-00033-O-bc</a>	Comment in opposition
27. U. S. Department of Agriculture	<a href="#">APFFQ2013-00034-O-us</a>	Comment in opposition
28. Michael Hollister, Driscoll's	<a href="#">APFFQ2013-00038-O-us</a>	Comment in opposition
29. California Strawberry Commission	<a href="#">APFFQ2013-00039-O-us</a>	Comment in opposition