

BRITISH COLUMBIA VEGETABLE MARKETING COMMISSION

Vancouver Island Supervisory Review The Future of Regulated Vegetable Production on Vancouver Island Agency Application Process

Panel Recommendation On The Number And Identity Of Vancouver Island Agencies For The 2017 Crop Year NON-CONFIDENTIAL DOCUMENT

COMMISSION PANEL:

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APPLICANTS:

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(IVCA)
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1. Issue Requiring a Recommendation to BCFRIB

1. On June 8th, 2016 the Commission issued a recommendation to BCFRIB to continue regulation of the Vancouver Island vegetable industry. Included was a proposal on the method to be used to determine the exact number and identity of Vancouver Island agencies. Each agency was instructed to re-apply to have their agency licence renewed for the 2017 crop year.
2. On June 15th BCFRIB issued a decision supporting continued regulation on Vancouver Island and pre-approved the Agency Application Process.

3. The Agency Application Process was launched in early July 2016 and available to any group of growers interested in submitting an application.
4. The deadline for agency applications was November 4th, 2016. The Commission office received three applications, one from each Vancouver Island agency that is currently licensed for the 2016 crop year. All three applications were received by the deadline and met the minimum criteria required to qualify for consideration.
5. The panel has reviewed the written applications that were submitted by each applicant and applicant interviews were completed on November 28, 2016. The panel now needs to decide on a recommendation regarding:
 - The appropriate number of Vancouver Island agencies
 - The identity of the Vancouver Island agency or agencies; and,
 - Whether any existing Vancouver Island agency licenses should be revoked.
6. All applications are evaluated to determine how each contributes towards achieving sound marketing policy and the vision for regulated vegetables on Vancouver Island.
7. The strategic direction recommended by the panel will also take into consideration the placement of specific conditions on an agency's licence.
8. The panel presents its recommendation to the Commission for approval.
9. The Commission approved recommendation on the agency structure for Vancouver Island is submitted to BCFIRB for review and a supervisory decision. (This document was submitted to BCFIRB December 23rd, 2016)

2. Background¹

10. In September 2014 the BC Vegetable Marketing Commission requested that BCFIRB consider a supervisory review of Vancouver Island's regulated vegetable industry.
11. The request to launch a supervisory review was based on the need for the Commission, BCFIRB, and producers to take strategic action to resolve ongoing issues with regulated vegetable production on Vancouver Island. The objective is to evaluate how Vancouver Island vegetable production should continue to be regulated and, if so, what that should look like.
12. In September 2015 the supervisory review was launched by the Commission as a multi-stage consultative process.

¹ For additional detail on the background refer to the BC Vegetable Marketing Document titled Supervisory Review; Future of Regulated Marketing on Vancouver Island, Decisions & Recommendation issued June 8, 2016

Stage 1: Initial Input and Vision Building (September to December, 2015)

13. A discussion paper was published that provided background information about the issues, detail on the current regulated marketing system, and a set of questions to assist respondents in providing feedback. It was advertised and circulated with industry stakeholders and members of the value chain. It was also available to stakeholders on the Commission website.
14. January 28th, 2016 - A *'What We Heard'* document was published that captured all the comments and opinions received by the Commission during Stage 1 of the Supervisory Review. It presents an overall picture of opinions from stakeholders on the vision for Vancouver Island, the vision for the BC industry, and fundamental issues with the current regulatory environment. This document was not quantified. It gave all stakeholders an equal voice so that all feedback was given equal weight.
15. The vision specific to Vancouver Island that emerged from this consultation is:

'Continued growth in all sectors of regulated vegetables for islanders to continue to move forward in their ability to feed themselves.'

'All growers, both regulated and non-regulated, are a significant and essential part of strategic growth for the agriculture industry on Vancouver Island. The vision is that of a united group of growers committed to producing a variety of premium-quality products while receiving fair returns, allowing for re-investment in farms, infrastructure, and production capabilities. We want agriculture to continue to survive and flourish on Vancouver Island.'

Stage 2: Joint Problem Solving (February - March, 2016)

16. Moderated workshops were organized on Vancouver Island (Nanaimo) and in the Vancouver Regional District (Delta). The scheduled workshops were targeted towards agency and producer participation and open to all stakeholders.
17. The purpose of the workshops was to give all participants an equal opportunity to identify their support for a regulatory system, validate current challenges to the system, and explore avenues for consideration.
18. The workshop moderator submitted a workshop report and was asked by the Commission to include a set of recommendations to consider for moving forward.

Stage 3: Evaluation of Options and Commission Recommendation (April – June 2016)

19. After considering all the information it received, the Commission presented its initial decisions and recommendations to BCFIRB on June 8, 2016 (see Supervisory Review: The Future of Regulated Marketing on Vancouver Island Decision and Recommendations).
20. On June 15, 2016, BCFIRB issued its initial decision. BCFIRB accepted the Commission's recommendation that regulation of the Vancouver Island vegetable industry continues to represent sound marketing policy, with no further review required. BCFIRB directed the Commission to conduct a transparent, inclusive, and fair application process for the Commission to determine "in the first instance as a matter of sound marketing policy":
 - a) the appropriate number of Vancouver Island agencies;
 - b) the identity of the Vancouver Island agency or agencies; and,
 - c) Whether any existing Vancouver Island agency licences should be revoked.
21. On July 11th 2016 the Commission circulated information on the Agency Application Process. The document defined the minimum criteria for an application to qualify. It also outlined the evaluation criteria that members of the panel will use to assess each application.

3. Application Assessments

22. The panel completed an assessment of each submission that was based on information gathered from the written applications and panel interviews. These assessments are confidential and were submitted as part of the recommendation document prepared for BCFIRB and submitted December 23rd, 2016.
23. The specific criteria used by the panel to assess the applications were as follows:

A. Vision & Strategic Direction

The application:

- Explains how it helps achieve the vision for Vancouver Island and BC (see Appendix)
- Contains a marketing plan that clearly and effectively supports development of a Vancouver Island brand and the expansion of Island-grown production

B. Management Expectations

The application:

- Demonstrates that it has a seasoned management team in place and a sales force with experience in the vegetable industry
- Is founded on principles-based management (see SAFETI principles in Appendix)

- Demonstrates Results-Based Management as defined in the Agency Accountability Framework:
 - *Financial Viability*
 - *Robust management functions to delivery on agreed-upon results and operational accountability to its stakeholders*
 - *Agency operates in manner consistent with the principles of orderly marketing and in support of broader industry interests*
 - *Informed decision making for the benefit of the industry as a whole*
 - Demonstrates an understanding of the regulated vegetable marketing structure and its Operating Principles (See Appendix)
 - Demonstrates capacity to manage and resolve inter- and intra-agency conflicts

C. Operational Considerations

The application:

- Demonstrates that the applicant has access to a mix of regulated products
- Demonstrates that the proposed agency has the ability to supply a mix of quality local product to the market over the complete production year
- Describes a shareholder structure that represents the interests of an agency’s producers
- Explains the processes for operational reporting competence to comply with regulatory requirements (Price Pooling, Delivery Allocation management, Manifest Sales Reporting, Minimum Pricing, Issuing Delivery / Transport Orders)
- Demonstrates that the proposed agency can operate in an efficient, effective, and organized manner to satisfy market and regulatory demands

4. Other Considerations

a) Considerations to determine the appropriate number of agencies

Marketing Options for Growers

22. Overall it is beneficial to have multiple agencies. Providing marketing options for growers encourages innovation and efficiency. Allowing too many options can lead to market confusion and an inability to effectively manage market access through orderly marketing. In the end, decisions on marketing structure need to support sound marketing policy. This includes evaluating a marketing option in the context of the market environment and in consideration of the benefit to the industry that is derived from its existence. The panel uses criteria² to evaluate a proposal and assess a marketing option under consideration.

² See Agency Application Process Document published July 8th, 2016. The criteria is referred to in the Panel Findings section of this document.

Adequate Market Access of Local Supply

23. It's important that an agency has a clearly defined purpose in the market, can attract the resources it needs to grow, and be sustainable. To be sustainable it needs to be effective at protecting the producer's interests in the market place. Its ability to attract the resources it needs to grow can be hindered by a mismatched level of agency competition for producers relative to the size of the local supply pool of growers.
24. Local supply is a relative term and subject to what the market defines as local. To determine the suitable number of agencies that represent a local supply source you need to take into consideration the size of the grower base, its location relative to the demand that drives its existence, and the ability of the agency to represent these growers in the local market.

b) Considerations on Agency Behavior in Managing Regulated Storage Crop Vegetables

Management of Delivery Allocation

25. Delivery Allocation (DA) is the mechanism the regulated vegetable industry uses to provide for an orderly marketing system of the storage crop segment. The fundamental principle of Delivery Allocation (DA) is to make it possible for fair and equitable sharing of market access amongst all producers. It is to be used to coordinate the expansion and contraction in supply and the movement of product to the market. It can also be applied as a tool to manage price and income volatility associated with a shortage or surplus in supply.
26. The Commission has developed Delivery Allocation as a five-year production based system where DA represents the average of the grower's previous five years of shipments. It adjusts in relation to the performance of the holder. Agencies are expected to manage Delivery Allocation amongst its grower base using a set of criteria established by the Commission and be transparent in its application. Additional volumes and holders (New Entrants) can also be added by the Commission based on clearly established criteria found in the General Order and Policy.
27. For the system to operate effectively, Delivery Allocation needs to be systematically applied to all growers and monitored at both an agency and industry level.

Agency Growth Ambitions

28. The growth ambitions of an agency need to be validated against the current market being supplied by the industry and the industry's ability to fulfill the demands of this market.
29. The task is to determine if an agency's growth ambitions does harm to the industry. There are three questions that need to be asked:
 - i) Is the growth a result of an agency taking action to adapt to the changing needs of the market with the introduction of innovative (new) products?
 - ii) Is the growth driven by new demand for BC product that has previously been un-serviced?

iii) Is the growth just servicing the current market with like product and therefore displacing product (delivery allocation) managed by another agency?

30. The agency with growth ambitions needs to justify that its intentions are in support of points i) or ii) in the above paragraph. It should be able to defend that its ambitions complement the collective interests of the industry. The intent is to have agencies compete on quality, service and innovation. It is not acceptable that the ambition is driven by a desire to displace market share and lead to an oversupply in the market place at the expense of all producers.

Minimum Pricing on Storage Crops

31. The Commission establishes a minimum price for the storage crop segment that applies to all sales throughout the province. It is simply a means of integrating pricing across the organization to optimize net income to growers. The objectives of setting a minimum price are:

- To provide a coordinated approach to pricing in the marketplace;
- Maximize the market returns for regulated product;
- Maximize market penetration of BC regulated product;
- Establishes base prices for all agencies;
- Ensures agencies are as competitive as necessary on pricing.

32. Agencies compete on product quality and customer service and are required to maintain customer pricing at or above the minimum price. The Commission is given the authority to discuss prices by both Provincial and Federal legislation. This protects the Commission from the risk of prosecution under the Canadian Competition Act.

33. BC producers are not price setters. All pricing is based on the landed price of comparable imported product sourced from regions that are substantially larger in scale than what BC produces³. A premium is only achievable if the buyer is willing to pay for added value he/she associates with the Agency and its product(s).

34. When the Commission sets minimum price it relies heavily on the recommendations put forward by its agencies. By the very nature of an agency's purpose - to represent producers, market, and sell product; agencies are expected to have the knowledge and insight into the basic supply and demand dynamics that establish pricing in the BC market.

35. Reliable and timely market intelligence can only be achieved by those who actively participate in the act of marketing and selling. It is not the Commission's role to do this. It delegates authority to its agencies to accomplish the Commission's marketing duties. The Commission retains authority to make the final decision on pricing.

³ See discussion under section 'BC Production in Scope of Total Market' on page 31 of the 'Supervisory Review: The Future of Regulated Marketing on Vancouver Island Decisions and Recommendation' document published June 8th, 2016

36. The Commission sets a price exclusively in consideration of industry interests and the market environment for BC product. It gathers its intelligence on the market by collecting recommendations from its agencies. Henceforth the quandary. The market is complex, agencies were historically established in different regions to supply local markets, and one agency dominates the industry. BCfresh dwarfs the size of the other four storage crop agencies and represents nearly 80% of all storage crop delivery allocation. The agency is located on the mainland and its primary market is the Metro Vancouver regional area. Metro Vancouver also serves as the warehousing location where most buyers take possession of the product for distribution throughout the province. Therefore, significant weight is placed on a recommendation by BCfresh when setting the minimum price.
37. Agencies compete against each other for BC market share. Currently five storage crop agencies are licensed in the province; three on Vancouver Island, one in the Metro Vancouver region, and one in the interior of BC. There are no restrictions on what customer or group of customers an agency is allowed to sell to. All agencies focus on supplying the local markets. If we are going to maintain multiple agencies within the province you need to give those agencies in the outlying regions the flexibility they need to compete in their local markets (secondary market) against domestic imports from competing Agencies that focus on supplying the primary BC market. This can be done by either setting a minimum price that is specific to these outlying regions, or, by establishing a minimum price on all sales within and supply sourced from the dominant production region(s) that supplies the primary market (BCVMC voting district I) and eliminating minimum pricing from all other regions.
38. Market pricing for Vegetables in BC is dependent on the factors and forces including supply and demand dynamics that influence the Metro Vancouver market. Mainland producers are price takers of landed product from the USA. Pricing in the Vancouver Island and interior regions are price takers of the Metro Vancouver region where the bulk of BC production is grown and sold.
39. The intentions of setting a minimum price also need to take into consideration:
- Complexity of the market environment and size of agencies;
 - Regional market size and regional supply;
 - Larger agencies may need to be more aggressive in the market place to move volume;
 - If minimum pricing achieves its objectives as intended or inhibits an agency's ability to compete and achieve the purpose for which the agency was established.

5. Panel Findings

a) Contribute to the vision of regulated vegetables on Vancouver Island

Island Vegetable Co-Operative Association (IVCA)

40. Answer: Yes - but growth ambitions need to be monitored

41. Island Vegetable Co-Operative Association has aspirations for growth of the BC Vegetable Industry [REDACTED]. A key part of this ambition includes expanding Vancouver Island grown production and IVCA's presence in the market place. [REDACTED]

42. The Commission needs to ensure the agency's growth ambitions that extend beyond the Vancouver Island market are:

- i) Servicing new demand for BC product, or
- ii) A result of an agency taking action to adapt to the changing needs of the market with the introduction of innovative (new) products?

43. An annual process needs to be implemented that reviews agency growth ambitions and allows an opportunity for competing agencies to intervene. If these ambitions are just servicing the current market with like product and therefore displacing product (delivery allocation) managed by another agency, the Commission needs to deny the growth.

Vancouver Island Farm Products (VIFP)

44. Answer: Yes – VIFP's business model is focused just on the Vancouver Island vision

45. Vancouver Island Farm Products exists to develop the Island grown brand. Management is committed to promoting growth in sustainable local agriculture [REDACTED]

Vancouver Island Produce (VIP)

46. Answer: Yes – but limited to potatoes from one grower family

47. Vancouver Island Produce exists to market its own brand of island potatoes from a single multi-registration farm. It is focused on evolving as an agency and maintaining high standards in quality and food safety in the products it brings to market.

b) Promote collaboration among industry members towards achieving sound marketing policy objectives and the vision for Vancouver Island

Island Vegetable Co-Operative Association (IVCA)

48. Answer: Yes – But needs improvement

49. IVCA has had working relationships with most agencies over its history and currently does buy and sell from competing BC agencies. [REDACTED].

50. It is not clear how the agency acknowledges delivery allocation. It expects that its producers are managing production to comply with their delivery allocation entitlement. IVCA shares information on their market requirements and producers inform IVCA management of their growing intentions and production estimates. IVCA commits to selling the producer's product. Demand far exceeds supply on Vancouver Island and therefore the product offering can be allocated without the use of delivery allocation.

51. Delivery allocation is to be monitored by the agency and reported to all growers. The fundamental principle of delivery allocation (DA) is to make it possible for fair and equitable sharing of market access. The Agency needs to be transparent in how it manages earned market entitlement between all its producers. Transparency in the management of delivery allocation builds trust and therefore supports collaboration between growers and amongst agencies.

Vancouver Island Farm Products (VIFP)

52. Answer: Yes – But needs improvement

53. The agency's grower base appears to be effective at working together to supply the local Vancouver Island market. [REDACTED]. The management regularly discusses business and marketing matters with these agencies to mitigate inter-agency conflicts.

54. Delivery allocation and pooling is not used to manage grower access to the market. Demand for local production exceeds supply. [REDACTED]. The use of delivery allocation needs to be addressed for the reasons discussed when addressing the issue with IVCA in paragraph 51.

Vancouver Island Produce (VIP)

55. Answer: No

56. The agency is effectively a single grower agency that materialized from circumstances that transpired over five years ago. It exists in the market as an agency with entitlement to market regulated storage and greenhouse crops yet only markets potatoes from a single multi-

registration farm. It competes directly with VIFP (applicant) that is located within the same regional area on Vancouver Island and represents a group of regulated producers offering a mix of products to the market. It also competes indirectly with IVCA (though this may change as IVCA grows its production base on the island). There are no other regulated producers in the region that are not accounted for and would have a desire to join the VIP agency. Any growth in VIP's producer base on Vancouver Island would need to be acquired through new entrants. All new entrant applications require industry endorsement and final approval by the Commission.

57. In consideration of market options for island growers and adequate market access of local supply, VIP's existence in its current form is destructive in promoting collaboration among industry members. There exists a mismatched level of agency competition for producers relative to the size of the local supply pool of growers on Vancouver Island and in particular in the central island region.

c) Demonstrate good governance and ability and capacity to meet all requirements in the Agency Accountability Framework

Island Vegetable Co-Operative Association (IVCA)

58. Answer: Yes – But needs improvement

59. IVCA has a long history as a Co-Op representing Vancouver Island growers. The agency is focused on growth that maximizes returns to its growers. As a Co-op each grower is a member entitled to one vote – decision making is ruled by membership consensus. The Co-Op operates as a non-profit [REDACTED]. It has invested in new technology infrastructure that will accommodate growth and enhance reporting abilities and operational efficiencies.

[REDACTED]

60. IVCA does not require grower marketing agreements. The Commission needs to ensure that a grower's interests are protected and market access is secured by an agency's commitment to the grower. This can only be achieved in totality if an agreement exists in writing.

61. Delivery Allocation needs to be monitored.

Vancouver Island Farm Products (VIFP)

62. Answer: Yes – But needs improvement

63. All growers are required to have marketing agreements with the agency. Management has extensive experience in the grocery retail business and the regulatory environment. VIFP is in good standing with the Commission. [REDACTED]

[REDACTED]. Trust and confidence amongst VIFP’s growers, its management and directors is maintained by adopting a transparent approach to corporate governance.

64. Delivery Allocation needs to be monitored.

Vancouver Island Produce (VIP)

65. Answer: No

66. In consideration of adequate market access of local supply, the applicant fails in its ability to fulfil the mandate of an agency to carry out its marketing duties for the benefit of its producers and that of the industry.

67. There is no doubt that the management and the grower are fully committed to orderly marketing, its principles, and agency accountability. However, at this time there is no demonstrated need or justification for VIP to exist as an agency.

d) Carry out sound business planning and show opportunities for potential future growth

Island Vegetable Co-Operative Association (IVCA)

68. Answer: Yes

69. IVCA appears to have a focused vision and strategic direction for its business. It is committed to working with its growers to identify products that can be grown successfully in the local soils.

[REDACTED]

Vancouver Island Farm Products (VIFP)

70. Answer: Yes

71. [REDACTED]
[REDACTED]. Management is committed to supporting and promoting sustainable agriculture that is community based. [REDACTED]
[REDACTED].

72. [REDACTED]
[REDACTED].

Vancouver Island Produce (VIP)

73. Answer: Somewhat Yes – but limited

74. The growth ambitions are focused on [REDACTED] rebuilding the VIP brand that has been established in the market place for over 18 years. The intentions and desire are present to grow the business. [REDACTED]
[REDACTED].

e) Demonstrate how they meet market demands and strengthen competitive position in the Vancouver Island region

Island Vegetable Co-Operative Association (IVCA)

75. Answer: Yes – But some concern with branding of Vancouver Island Grown product

76. Over the past year IVCA has rebranded all its packaging. All different types of packing used by its growers (both on the mainland and Vancouver Island) have now been unified as one IVCA brand. The panel has some concern that mainland grown product may be confused as island grown product by the retailer or consumer. Island grown product must clearly be identifiable.

77. The applicant offers a mix of regulated storage crops and unregulated products. It does not hold a license to market regulated greenhouse vegetables. It has requested that if it were to be re-licensed by the Commission that it be given the authority to market regulated greenhouse vegetables in addition to regulated storage crops. This would strengthen its competitive position in the Vancouver Island market by giving it the ability to represent all types of vegetables.

78. [REDACTED]

79. All producers marketing through IVCA are required to be Food Safe Certified.

Vancouver Island Farm Products (VIFP)

80. Answer: Yes

81. The applicant offers a good mix of regulated (greenhouse & Storage crops) and unregulated products. It defines itself as *'We are a group of Island farmers and small marketing team who are passionate about feeding residents of Vancouver Island with Island-grown food'*. It is transparent with retailers and customers about its passion and brands all packaging as 'Vancouver Island Farm Products'. It is apparent that the Agency has no current ambitions to represent non island growers. Management and shareholders are committed to growing the business on Vancouver Island grown product.

82. [REDACTED]

83. All producers marketing through VIFP are required to be Food Safe Certified.

Vancouver Island Produce (VIP)

84. Answer: Yes – But as a grower not an Agency

85. Potato production from the VIP grower represented [REDACTED] delivery allocation in production in 2015 on Vancouver Island. It supplies potatoes to island based retailers, food service companies and wholesalers. The VIP brand is established in the Vancouver Island market place and has recognition dating back over 18 years. Island retailers, food service and consumers associate the brand as island grown produce. Assuming the brand was built on positive attributes and currently enhances the reputation it was built upon, it adds strength to the competitive position of Island grown product by attracting demand in the market place.

86. The producer marketing through VIP is required to be Food Safe Certified.

6. Panel's Agency Recommendation to the Commission

87. There is limited Island agency competition in the market due to the small volume of island grown product that is produced. The market environment on Vancouver Island can easily sustain two marketing agencies. This may change as each agency grows its supply base. At some point it may make sense to have one agency located on the Island. At this time having two agencies is beneficial at growing supply and the Vancouver Island brand.
88. The two agencies we are recommending are focused on growth and have adopted different strategies to achieve that growth. Each agency also represents the marketing interests of a group of growers within different growing areas located on Vancouver Island. One is located in the South Island region with the other established in the Central Island region.

Island Vegetable Co-Operative Association (IVCA)

89. IVCA is to be issued an Agency Licence for the 2017-18 Crop Year.
90. The license is to be extended to include regulated storage crops and greenhouse products. This ensures that the agency can represent all island grown vegetables and compete with the same regulated product mix as the other island agency.
91. IVCA needs to implement a branding program on packaging specific to Island Grown products that is easily distinct from mainland production.
92. IVCA needs to have grower marketing agreements in place with growers. These agreements need to be reduced to writing.

Vancouver Island Farm Products (VIFP)

93. The sub-agency arrangement between VIFP and BCfresh is to be terminated.
94. VIFP is to be issued an Agency Licence for the 2017-18 Crop Year to market regulated storage crops and greenhouse products.

Vancouver Island Produce (VIP)

95. VIP is not to be issued an Agency Licence for the 2017-18 Crop Year.
96. The multi-farm entity (DBA VIP) is to be licensed as a Producer - Shipper of Island Grown product. This licence would be granted to VIP as an exception to policy in light of its long history as a grower and the situation it has evolved from over the past six years (2012). The Producer - Shipper License allows VIP to continue to market its product independent of an Agency to Retailers and Food Service companies doing business on Vancouver Island. No other growers are allowed to market product through a Producer – Shipper.
97. VIP's grower retains the option to join another agency as an alternative to accepting a Producer - Shipper licence that will commence with the start of the 2017-18 crop year.
98. The Producer - Shipper licence is only extended to the current grower (multi-farm entity) shipping under VIP. Any change in ownership to the multi-farm entity will trigger a re-evaluation by the Commission of the Producer - Shipper licence.

Licensing VIP's grower as a Producer-Shipper will require a re-write of the General Order to accommodate Producer-Shippers of storage crops.

The panel also discussed the management of delivery allocation and minimum pricing and the importance of these instruments to the orderly marketing of regulated storage crop vegetables. The panel's deliberations and recommendations were presented to BCFIRB in Appendix A of this document. Though these factors are not applicable to determining the appropriate Agency structure for Vancouver Island, they need consideration to ensure that the principles of orderly marketing are sustainable in a multi-agency / producer-shipper situation.

It is also strongly encouraged and supported by all Commissioners that the two agencies consider any opportunity to work together and consider the option in the near future to unite as one agency.

Issued this 23rd day of December 2016 at Surrey, British Columbia



Alf Krause, Chair
BRITISH COLUMBIA VEGETABLE MARKETING COMMISSION

APPENDIX A

POSITION DOCUMENT

Deliberations that require attention to enhance orderly marketing of Regulated Storage Crop Vegetables

The panel also has suggestions attached to the recommendations that address minimum price and delivery allocation. The ideas presented by the panel are based on:

- a) The panel's assessment of deficiencies regarding how an agency is expected to operate in respect of the fundamental principles of orderly marketing of regulated vegetables.
- b) The panel's assessment of how the current tools used to maintain orderly marketing can be adjusted or simplified and still achieve the objectives of orderly marketing.

Delivery Allocation

- The Commission needs to take a more active role in monitoring Delivery Allocation.
- Growth ambitions need to take into consideration the collective view of market growth and expansion opportunities.
- All agencies need to track a grower's shipments against delivery allocation.
- A shipment report needs to be issued to all growers within an agency that provides information on each grower's shipments vs delivery allocation. This report would be issued monthly to both the agency's growers and the Commission General Manager.
- The Commission will issue a report to all agencies that tracks each agency's shipments to the Delivery Allocation it manages and arrange for a conference call when an issue materializes.
- Delivery allocation needs to be tracked as shipments that supply the BC market place and shipments for export to markets outside the regulated area.
- Growers are expected to plant to their Delivery Allocation. Prior to the start of the season (in the fall) Agencies are to provide a marketing plan to the commission that outlines DA, planting intentions, anticipated yields, forecast sales volume. Basically the report will estimate shipments for

each DA period. The forecast needs approval by the Commission and the agency will be held accountable for reporting against this forecast.

Delivery Allocation Monitoring Objectives:

- a) Provide a production estimate that is shared with the industry at the beginning of the year and approved by the Commission.
- b) Track if an agency is intentionally over-supplying the market and its marketing plan is having a negative impact on the BC market place.
- c) Hold Agencies accountable to their forecast.
- d) Ensure Delivery Allocation is grown based on innovation or industry expansion.

Grower Marketing Agreements

- Ensure that all agencies have grower marketing agreements reduced to writing that outlines the marketing terms agreed to and approved by the General Manger.

Minimum Pricing

- Suggest that 'Minimum Price' be changed to 'Target Price'
- Consider eliminating minimum pricing on all sales of product produced and sold on Vancouver Island. There is no need for a minimum price on Island grown - Island sold product. Demand far exceeds supply and customers for the most part are willing to pay a premium over imports (origin - mainland grown or out of province). Having a minimum price for the island creates confusion and serves no real purpose at this time. Though agencies compete, the market is significantly larger than the volume of island product that agencies can supply. Agencies have also adopted marketing strategies that are marginally different than each other. In addition, each agency's group of growers are located in different parts of the island and have a freight advantage over each other in supplying their market.
- The reality is that island pricing is set based on mainland pricing for BC regulated product. Therefore, a minimum price needs to be maintained in District I (lower mainland), where most BC production is located. It needs to apply to all sales and product grown within District I.
- Hence, minimum pricing would be adjusted as follows:
 - a) Any product grown in District I and sold on the Island would be subject to a minimum price.
 - b) Any product grown on Vancouver Island and sold in District I would also be subject to this minimum price. (also applied for product grown in the interior of BC and sold in District I)
 - c) Product grown and sold on the island is not subject to the minimum price.

- Not having a minimum price for Island grown - Island sold product gives the Island agencies greater flexibility in instances where they desire to compete with lower priced imported product.
- It also encourages agencies on the island to work together to implement a coordinated approach to servicing the Vancouver Island market.
- It is consistent with the reality of how minimum pricing is set to protect the interests of the industry (the majority of growers, located on the mainland) but allows flexibility for smaller producers in the outlying regions to be as competitive as needed to maintain or grow market share for their locally grown product.
- In the event it's found that the lack of an established minimum price on island grown – island sold product ads harm to the island growers, the commission can make the decision to reinstate minimum pricing to all regions of the regulated area.
- District II (interior) would also have the option to set a minimum price for its region.