

BRITISH COLUMBIA VEGETABLE MARKETING COMMISSION
POLICY

**Fixing of Contract & Weekly Minimum Prices
for Storage Crops¹**

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¹ Natural Products Marketing (BC) Act, British Columbia Vegetable Scheme Par 4(1): The BC Vegetable Marketing Commission is vested with the power to promote, control and regulate in any respect the production, transportation, packing, storage and marketing of regulated product.

GOALS:

- Integrated pricing across the organization.
- Agencies compete on product quality and customer service.

PURPOSE: ²

- PART XIX, Section 1 - When implemented, the purposes of the Commission pricing procedures are to:
 - a) provide a coordinated approach to marketing;
 - b) maximize the returns to Producers;
 - c) maximize market penetration;
 - d) establish base prices for all Agencies and Producer-Shippers; and
 - e) facilitate regular monitoring of Agency sales.

FUNDAMENTAL RULES: ²

- *PART XIX, Section 2* - Should minimum pricing for regulated product be implemented, the Commission, a member of the Commission, or the Commission's General Manager, will establish minimum prices as often as necessary, in accordance with Commission's price setting policy then in effect for the fixing of contract and weekly minimum prices.
- *PART XIX, Section 3* - Agencies and Producer-Shippers may, with the prior knowledge and written approval of the Commission, a member of the Commission, or the Commission's General Manager, be permitted to give advertising discounts or volume discounts for advertised specials, at prices which are below the minimum price fixed by the Commission, a member of the Commission, or the Commission's General Manager.
- *PART V, Section 14* - Prices for all Regulated Crops subject to minimum pricing must be approved in writing by the Commission, a member of the Commission, or the Commission's General Manager.
- *PART IX, Section 9* - No Producer or Agency shall sell or offer for sale Regulated Crops subject to minimum pricing at a price less than the applicable minimum price fixed from time to time by the Commission, a member of the Commission, or the Commission's General Manager for each variety and grade of the Regulated Product, unless otherwise expressly authorized in writing by the Commission, a member of the Commission, or the Commission's General Manager.

² Pricing rules stated under General Order PART XIX Pricing Procedures and PART V Agencies.

- *PART IX, Section 10* - No Person shall buy Regulated Crops subject to minimum pricing at a price less than the applicable minimum price fixed from time to time by the Commission, a member of the Commission, or the Commission's General Manager for each variety and grade of the Regulated Product, unless otherwise expressly authorized in writing by the Commission, a member of the Commission, or the Commission's General Manager.

GENERAL ORDER PART VII - AGENCY RESPONSIBILITIES³

- *PART VII, Section 1* - Each Agency marketing crops subject to Commission minimum pricing shall notify the Commission and obtain approval from the Commission for the establishment of any price or change in price.
- *PART VII, Section 2* - Each Agency marketing crops subject to Commission minimum pricing shall file with the Commission a copy of any price list, local or export, and particulars of any sales other than at listed prices.
- *PART VII, Section 3* - No pricing for crops subject to Commission minimum pricing, below listed price can be made without the prior approval of the Commission.
- *PART VII, Section 6* - Before finalizing a contract, each Agency shall provide to the Commission for its prior approval as to form any proposed contracts with Processors or other firms approved by the Commission located in BC that are to receive Regulated Products regardless of end use.

CODE OF CONDUCT:

- Minimum price is set by the General Manager according to **DECISION MAKING CRITERIA** that is to be used to set the minimum price.
- The Commission delegates its marketing authority to Agencies and therefore all Agencies are required to cooperate and make unbiased and informed pricing recommendations to the Commission that are made exclusively in consideration of industry interests and the market environment for BC grown regulated product.
- Prior approval of Contracts and all pricing protocols that require approval by the Commission are administrative decisions that are the responsibility of the General Manager.
- Agencies are prohibited from bidding on a contract if they do not have Delivery Allocation to supply the contracted volume. The responsibility is with the Agency to demonstrate to the General Manager that it has the Delivery Allocation to allocate to the contract.
- Agencies are only permitted to enter into contracts with those accounts that service MARKET DEMAND as specified in section (7.5), (i.e.) National Retailers and Food Service accounts.

³ This represents a subset of the full set of responsibilities that are listed under General Order PART VII

Contracts are not permitted with a Wholesaler, Wholesaler Re-packer, or Commission Sales Person. Any exception to this rule requires consent by all Storage Crop Agencies and is subject to final approval by the Commission.

- Agencies are mandated to follow the Agency Pricing Rules. The rules are stated in this document under the section titled **AGENCY PRICING RULES**.
- Regarding inquiries on an Agency's compliance to Agency Pricing Rules; Inquiries are to be made in writing to the General Manager. The General Manager will confirm in writing if protocol was followed and confirm the date of prior approval. A non-compliance to protocol will also be confirmed in writing and require further investigation.
- The General Manager will maintain confidentiality on pricing protocols that require prior approval and are in compliance of the General Order and pricing policy.

DECISION MAKING CRITERIA:

- The primary information sources are the Agency recommendations. These recommendations are to be made to the Commission exclusively in consideration of the market environment for BC grown regulated product and industry interests.

- **Category Groups** of regulated vegetables are defined as follows:

a) Beets	f) Parsnips
b) Cabbage	g) Potatoes – Russet, Red, Yellow, White, New
c) Carrots	h) Potatoes – Kennebec, (Food Service)
d) Onions	i) Rutabagas
e) Organic Potatoes	j) White Turnips

- Minimum pricing on a regulated BC grown vegetable commences at the beginning of the season when regulated BC grown product becomes available for marketing.
- An Agency can participate in setting minimum price for a Category Group if it has Inventory. (Includes marketable Product in the field and in storage)
- A pricing recommendation for a Category Group is established as the minimum price when:
 - At least 70% of Delivery Allocation⁴ of the total Category Group is represented by the Agencies participating in the process; and
 - A minimum of two Storage Crop Agencies representing in total \geq 70% of delivery allocation have agreed to the price; and
 - The General Manager approves the recommendation.

⁴ For this purpose we are using the sum of all delivery allocation periods representing a category group for the growing season to calculate the total Industry Delivery Allocation and the percentage represented by an Agency. The sum represents an average of the prior five year annual shipments by category group that is controlled by an Agency. This calculated percentage remains constant over the entire season.

- If a recommendation on minimum price cannot be established by the Agencies the General Manager will determine the price.
- The minimum price is set to represent the floor price at the Agency level. Agencies can price above the minimum price but not below. Permission to price below minimum price is subject to pre-approval by the General Manager and discussion with ALL Agencies.
- Minimum pricing on a regulated vegetable is delisted when there are no longer any Agencies or manifest sales programs competing in the market in a Category Group.

MIN PRICE REVIEW PROCESS

- Minimum price is reviewed weekly.
- Recommendations are submitted to the General Manager and shared with all Agencies that market a Category Group subject to a minimum price.
- Conference call sessions will be scheduled with Storage Crop Agencies as required.

PROVINCIAL MINIMUM PRICE LIST

- The Commission Office will confirm pricing on Tuesday morning for the following week.
- A Provincial Minimum Price List will be issued to Agencies by noon on Tuesday.
- ALL active package types offered by an Agency for the current Crop Year are required to be listed on the Provincial Minimum Price List.

AGENCY PRICING RULES:

1. Customer Categories

Customers are grouped into categories listed below:

- Category 1 – Single Retail Store / Independent BC Retail Chain (no central distribution)
- Category 2 – Wholesaler / Central Distribution BC Based Retailer
- Category 3 – National Retail Chain
- Category 4 - Wholesaler Re-packer
- Category 5 – Food Service
- Category 6 – National Food Service Company

2. Minimum (FOB) Price

- 2.1. **The minimum price is an FOB price set weekly by the Commission and is applicable to any product grown within the regulated BC area.**
 - The term FOB shipping point (FOB) is a contraction of the term "Free on Board Shipping Point." The buyer takes delivery of goods being shipped to it by an Agency once the goods leave the Agency's shipping dock.
 - The minimum price is set by the Commission as the floor price product can be offered by an Agency to a customer for pick-up at the Agency's shipping dock.
 - An Agency's shipping dock is the location where the product is packaged for sale or stored for distribution.
- 2.2. For any vegetable listed on the minimum price report, if there is no price posted for a particular pack type an Agency intends to sell, the Agency is to submit a request to the Commission and all storage crop Agencies to set a price.
- 2.3. Agencies need to submit a request for a minimum price on a pack type to be added to the list. The request is to state the grade standard, pack size and recommended price.
- 2.4. All pack types sold by an Agency require a minimum price to be set by the Commission and listed on the minimum price report.

3. Rebates

- 3.1. Agencies are not permitted to offer rebates to customers.
- 3.2. Pricing offered to satisfy a customer initiated request for a rebate must be marked up by the rebate so price less rebate does not fall below the minimum price.

4. Delivered Minimum Price

- 4.1. The term delivered price is a quoted price that includes freight charges from the Agency's shipping dock to the point of delivery.
- 4.2. **The delivered minimum price is calculated by adding .75 cents / 50Lb (or 1.5 cents/lb) to the established FOB price.**

5. Manifest Sales

- Manifest sales are **only allowed to Category 1 Customers** – Single Retail Store / Independent BC Retail Chain (no central distribution) that are not on the prohibited customer list.

6. Advertising Discounts (Promotional Pricing)

6.1. Discounts:

- A discount can be offered by an Agency to all customers or to a specific customer as permitted under the Customer Category Rules on Advertising Discounts & Declarations (6.4).
- An exception requires Commission pre-approval and discussion with ALL Agencies.

6.2. Declarations:

- Ads are to be declared to the General Manger the week the ad is arranged.
- Upon request, proof of ad is to be submitted to the Commission (includes details on customer name, ad price, and date range over which the ad will run).
- Ad information is kept in confidence with the Commission office and only declared on the minimum price report if the Ad price falls below the minimum price over the period the Ad is to be run.
- Notification on an Ad declared after the Provincial Minimum Price List is issued needs to be sent by e-mail to all Agencies and the Commission General Manager. The reason for the short notice is to be included in the e-mail. Frequent late notification will be monitored and only tolerated if validated as the norm for a specific regional customer.

6.3. Ad Setting Behaviour:

- Not to occur regularly or in a sustained manner for any one regulated crop.
- Not to occur regularly or in a sustained manner for any one customer.
- Not be in effect for an unfixed period of time.
- Minimum pricing is not to be adjusted to bring an Agency Ad into compliance with the Agency Pricing Rules.

6.4. Customer Category Rules on Advertising Discounts & Declarations:

- ***Category 1 - Single Retail Store / Independent BC Retail Chain***
 - I. Ads are booked no more than 2 weeks in advance.
 - II. Ad pricing is based on the current minimum price at the time of booking.
 - III. Ads on SKUs are not to be discounted more than 2 cents/pound below the prevailing minimum price.
 - IV. For the period the Ad is in place, the Ad pricing will be published if it falls below the minimum price.
 - V. Ads are not required to be declared for Single Retail Stores.
 - VI. Ads with Independent BC Retail Chains must be declared at time of booking.
- ***Category 2 – Wholesaler / Central Distribution BC Based Retailer***
 - I. Ads are booked not more than 6 weeks in advance.
 - II. Ad pricing is based on the current minimum price at the time of booking.

- III. Ads on SKUs are not to be discounted more than 2 cents/pound below the prevailing minimum price.
 - IV. For the period the Ad is in place, the Ad pricing will be published if it falls below the minimum price.
 - V. All ads must be declared at time of booking.
- **Category 3 - National Retail Chain**
 - I. Ads may be booked not more than 2 months in advance.
 - II. Ad pricing is based on the historical three year average Agency price for the item over the Ad period or other projected pricing methods acceptable to the Commission.
 - III. Ad details including pricing and estimated volume commitment are to be submitted to the Commission for approval.
 - IV. For the period the ad is in place, the price will be published if the ad price falls below the minimum price set for the period.
 - V. All ads must be declared at time of booking.
 - **Category 4 - Wholesaler Re-packer**
 - **Category 5 - Food Service**
 - **Category 6 - National Food Service Company**
 - I. Ads are not permitted.
 - II. Promotional programs are permitted ONLY if prior approved. All Agencies are made aware of the request and the prior approval process will require industry discussion and is subject to the Decision Making Criteria.

7. Volume Based Program & Contract Pricing

7.1. Volume Based Program & Contract Setting Behaviour:

- All Customer Specific Volume Based Programs or Contract Pricing requires approval by the Commission.
- Volume Based Programs and Contract setting permission varies by Customer Category. Refer to section on Customer Category Rules on Volume Based Programs & Contract Pricing (7.5).
- If multiple Agencies are bidding on the same contract a coordinated approach needs to be taken and facilitated through the Commission.

7.2. Minimum Contract Pricing

- Minimum Contract Pricing is established for Bulk processing product and product supplied to Food Service accounts when multiple agencies supply the regulated product to the market. If there are no agencies competing in the market, contracts are approved by and filed with the Commission.

7.3. Contract Pricing

- The General Manager needs to be informed of the Agency's intention to bid on a contract that is NEW to the Agency.

- **If more than one Agency is bidding on the contract**, all Agencies are to be made aware of each other's intentions.
- Agencies are prohibited from bidding on a contract if they do not have Delivery Allocation to supply the contracted volume. The responsibility is with the Agency to demonstrate to the General Manager that it has the Delivery Allocation to allocate to the contract.
- Contract Price setting is subject to the Decision Making Criteria.

7.4. Volume Based Programs

- Assessment will focus on how the customer program helps achieve the goals and objectives of minimum pricing.
- All Agencies are made aware of the request.
- Volume based price setting is subject to the Decision Making Criteria.

7.5. Customer Category Rules on Volume Based Programs & Contract Pricing:

- **Category 1 - Single Retail Store / Independent BC Retail Chain**
- **Category 4 - Wholesaler Re-packer**
 - Customer Contracts are not permitted.
 - Volume based programs are not permitted.
- **Category 2 – Wholesaler / Central Distribution BC Based Retailer**
 - Customer Contracts are not permitted.
 - Volume based programs are not permitted unless prior approved.
- **Category 3 - National Retail Chain**
 - Negotiated Contracts, including pricing and volume commitment, are to be submitted to the Commission for review and are subject to prior approval.
 - Volume based programs are not permitted unless prior approved.
- **Category 5 - Food Service**
- **Category 6 - National Food Service Company**
 - Negotiated Contracts, including pricing and volume commitment, are to be submitted to the Commission for review and are subject to prior approval.
 - Volume based programs are not permitted.

8. Inter-Agency Sales

- 8.1. Agencies are permitted to sell to each other at a price agreed between Agencies.