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Annual Report For Fiscal Year 2006 - 2007

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Profile

The Ontario Farm Products Marketing Commission (Commission) is a regulatory agency without a governing board. It is established under the

authority of the Ministry of Agriculture, Food and Rural Affairs Act.

The Commission is responsible for the direct administration and supervision of two pieces of legislation, namely, the Farm Products Marketing Act and the Milk Act. In 2006-07, that supervision included 21 agricultural commodity marketing boards and three Section 12 representative associations established under the legislation. While supervision of enabling legislation is a cornerstone of the Commission's agency mandate, the Commission also provides strategic leadership and intervention in the form of advice and facilitation. In addition, the Commission provides education services where it can contribute to the effective operation of Ontario's regulated marketing structure and the boards that operate under the legislation.

Vision

"Dynamic, competitive agri-food sectors"

Mission

"To lead, supervise and direct Ontario's regulated marketing system to effectively adapt to change"

Operating Principles

- The Commission will provide leadership and direction to Ontario's regulated marketing sectors.
- Commission activities will be characterized by integrity, transparency, and open-mindedness.
- Open consultation, participation and cooperation with all industry stakeholders are essential to resolving issues and developing opportunities.

Mandate

The Commission:

1. Administers the legislation and regulations of the Farm Products Marketing Act and the Milk Act, and supervises the activities of Ontario's marketing boards and Section 12 representative associations to ensure that:
 - marketing boards operate within the powers and authorities given to them;
 - the lines of accountability are maintained;
 - stakeholders have an opportunity to influence how the system operates; andthe public policy goals of the legislation are maintained.
2. Provides strategic leadership in the form of advice, facilitation and direction to Ontario's marketing boards and Section 12 representative associations.
3. Develops, recommends and implements all policy related to regulated marketing in Ontario.
4. Provides education programs for Ontario's marketing boards, Section 12 representative associations and industry stakeholders in order to increase the effectiveness and efficiency of the regulated marketing system.

Accountability

The Commission is directly accountable to the Minister of Agriculture, Food and Rural Affairs for its performance in fulfilling its mandate and its compliance with government policies. The Minister, in turn, is accountable to Cabinet and the Legislature for the Commission's fulfillment of its mandate and for reporting on its affairs.

Public Trust

The Commission is the central figure in Ontario's regulated marketing system and holds an important public trust in the exercise of its duties. Through its actions, the Commission ensures that individual commodity boards operate in an effective and responsible manner with due regard to the impact of their decisions on the agri-food sector and consumers, while at the same time maintaining the public policy goals of the legislation.

2006-07 Highlights

Ensure the Effective Performance of Marketing Boards

Goal #1: An effective regulated marketing system

1. Evaluating Board Effectiveness

The Commission developed a new performance management process to provide consistency to its supervision of marketing boards. In 2006-07, Commission staff assessed all marketing boards and Section 12 representative associations against effectiveness indicators in three areas:

- commitment to maintaining the integrity of the regulated marketing system;
- financial management; and
- governance.

These evaluations identified areas where the Commission should focus more attention and offer assistance to identified marketing boards under its supervision in order to improve the effectiveness of those boards.

In addition to this broadly applied assessment, the Commission met with nine marketing boards and one Section 12 representative association for a performance review. The purpose of these meetings was to assess each board's financial sustainability, communications with producers, use of authorities, governance structure, stakeholder relations and responsiveness to industry challenges, along with evidence of strategic planning.

An example of a board taking action to improve its performance is the Ontario Sheep Marketing Agency. As a direct result of its review meeting with the

Commission and to address significant changes at the board and staff level, the Ontario Sheep Marketing Agency re-examined its priorities and developed an action plan for the next 12 to 18 months.

1. Financial Performance

All 21 marketing boards and three Section 12 representative associations complied with their regulatory responsibility to file audited financial statements based on their fiscal year. All boards and associations communicated those reports to producer-members. The audited financial statements were analyzed by Commission staff to evaluate items such as solvency, transparency, operating reserves, risk and use of funds, and compliance with Commission expenditure guidelines.

The Commission met with two marketing boards over the course of the year to address concerns with their financial positions. These oversight meetings are continuing.

2. Strategic Planning

The Commission believes that strategic planning is a valuable tool that allows commodity organizations to focus on identifying and prioritizing industry challenges and opportunities, and developing potential solutions. Strategic planning guides board management and staff in executing their responsibilities.

Eighteen of the marketing boards and Section 12 representative associations have current strategic plans. Several boards updated their strategic plan during the year - apple, greenhouse vegetables, egg and fresh grape. Three others initiated the process for a more extensive review and update - processing grape, pork and soybean.

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3. Director Training and Education

Effective governance is a subject important to producers, elected directors and staff working for marketing boards.

The Commission's popular "New Director Workshop" was offered twice during the fiscal year. A total of 19 marketing boards and Section 12 representative associations chose to participate in these workshops, sending a total of 38 elected directors and senior staff. Topics covered in the training included regulatory authority of marketing boards, understanding the role of the Commission and its expectations of boards, and areas of governance such as confidentiality and effective director behavior.

In addition to these two regularly scheduled workshops, two board specific workshops were prepared and presented. The governance workshop for Ontario Greenhouse Vegetable Growers was attended by elected directors and senior staff. Ontario Soybean Growers requested a regulated marketing workshop for its full elected board and general manager. This workshop provided an overview of the regulated marketing framework, with a focus on the current soybean regulations.

Board confidentiality and conflict of interest was a new topic offered in winter 2007. The workshop, to which 15 marketing boards and Section 12 representative associations sent 37 representatives, exposed these elected directors and senior staff to the complexities of legal liability, confidentiality and conflict of interest.

Commission staff led a succession planning presentation at the Turkey Farmers of Ontario annual meeting in March 2007. The audience of approximately 120 people consisting of the entire board of directors,

producers, processors and related agri-food businesses, was actively engaged in learning about a practical strategy a board might utilize when planning for succession.

Evaluation of the Commission's 2006-07 training sessions, through feedback from participants, was consistently positive. Participants particularly appreciated the personalized and customized approach.

4. Review of Governance Policies

The Commission believes that taking both the number of producers and production into consideration can deliver benefits to a marketing board's governance structure. At the same time, the Commission recognizes that each board is different and that a one-size-fits-all approach is not practical, and that the principle can be applied in different ways.

The Commission reviewed its policy on incorporating both producers and production in a board's governance structure. The Commission concluded that the policy allows adequate flexibility for marketing boards to consider both producers and production in their governance structure.

Foster Enhanced Stakeholder Collaboration to Achieve Sector Solutions

Goal #1: The regulated system meets the needs of producers and the marketplace

1. Fostering Dialogue

When issues arise within an industry, the Commission attempts to facilitate the development of solutions with the full involvement of producers and their processor/buyer partners. The Commission was active throughout the year in several commodities related to this commitment.

Opportunities for market growth became an issue in the dairy industry

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during 2006-07. The Commission initiated a day-long planning session with the full cooperation of elected directors and staff of the Ontario Dairy Council and Dairy Farmers of Ontario. During the meeting, participants developed initiatives which will contribute to market growth for all stakeholders in the supply chain.

In 2006-07, the Commission met with processor associations to discuss their views, objectives and issues. With this information, the Commission is in a more informed position from which to interact with marketing boards and their buyer/processors. The Commission met with groups such as the Ontario Food Processors Association, the Association of Ontario Chicken Processors and the Ontario Dairy Council.

2. Commission Newsletter

The Commission produces an on-demand electronic newsletter for marketing boards, Section 12 representative associations and primary industry stakeholder organizations. The newsletter highlights items of interest in the regulated sector. One newsletter, focusing on the Commission's strategic plan, was produced and distributed in July 2006.

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Goal #2: The integrity of the regulated system remains robust

1. Commitment to Sector Collaboration

All of the marketing boards and Section 12 representative associations that met with the Commission for their performance review were questioned about their relationships with their primary buyers/processors. The Ontario Potato Board reported that it had realigned its resources to permit the Chair to devote more time to board business, including relationship building with industry stakeholders. The Commission congratulated the Ontario Canola Growers' Association on its efforts to maintain good relations with growers and industry partners.

Throughout the year, other marketing boards demonstrated their commitment to operate with consideration of other stakeholders in the industry. For example, the Ontario Bean Producers' Marketing Board reached a multi-year marketing agreement with dealers. Dealers were concerned about the continuation of a dealer levy that was being used to fund board operations, and so, after due consideration, the board agreed to remove this levy.

The Ontario Processing Vegetable Growers enlisted the help of a dispute resolution specialist to facilitate discussions with tomato processors toward improving the negotiation, mediation and arbitration process.

2. Industry Advisory Committees

Industry advisory committees continue to be the main venue wherein the Commission encourages dialogue among stakeholders. The Commission plays an active role in facilitating constructive industry

discussions at these meetings. In 2006-07, the Commission and its staff facilitated discussions in a number of commodity sectors.

The Commission again intervened in the grape and wine industry in an effort to improve relations between Grape Growers of Ontario and the Wine Council of Ontario. Chaired by the Commission, the industry advisory committee resumed meeting in mid 2006.

The province's apple and tender fruit industries are each making very effective use of industry advisory committees. Each has a committee for both the fresh and processing side of their respective industries, which addresses issues that arise during the year. A Commission member chairs the apple juice industry advisory committee.

Ontario's chicken industry producer-processor relations committee continued to meet during the year for discussion of industry issues.

The Tobacco Industry Advisory Committee, composed of the Ontario Flue-Cured Tobacco Growers' Marketing Board and industry stakeholders, concentrated their efforts on negotiations for the 2006 crop and right-sizing the tobacco industry.

Members of the Soybean Industry Advisory Committee reaffirmed the value of meeting formally to discuss and resolve industry issues. These meetings complement informal discussions held throughout the year.

Advance Ontario's Interests in Regulated Marketing

Goal #1: Active support of supply-managed boards through participatory involvement in national marketing systems

1. Federal-Provincial Agreements

This initiative is a long term goal. It will take considerable effort for parties in all affected provinces to reach unanimous agreements. The Commission is taking a pro-active role in moving this initiative forward.

In the broiler hatching eggs sector, producers, hatcheries and the Commission agreed on a position on the proposed new allocation policy to take forward to the national agency.

Following years of negotiations and discussions, the provinces participating in the national turkey plan agreed to a new national allocation policy for 2007-08. In Ontario, the Turkey Farmers of Ontario and major turkey processors made a joint presentation to the Commission on the new allocation policy.

2. Maintaining Ontario's Market Share

The Commission encourages Ontario's supply-managed sectors to ensure that Ontario's share of the industry, from production to further processing, reflects market requirements. In addition, the Commission strongly supports a "Team Ontario" approach, whereby the

Commission, producer marketing boards and processors work together to achieve Ontario's objectives. For example, there has been continued cooperation between Dairy Farmers of Ontario and the Ontario Dairy Council towards industry solutions and "Team Ontario" positions.

The Commission discussed with both Chicken Farmers of Ontario and Egg Farmers of Ontario, the need to work with the Commission in developing provincial positions to move forward at the national agencies.

Over the course of 2006-07, the Commission, through its chair, again reinforced its position on supply management to Ontario signatories as opportunities arose through speeches, attendance at meetings and correspondence.

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Goal #2: A regulated marketing system that adapts to change

1. Responsive Regulatory System

The Commission has a responsibility to ensure that regulations evolve to reflect market realities, to the benefit of Ontario. As marketing boards become pressured to do more for their producers to keep up with the pace of industry change and remain competitive, the Commission is committed to enhance competitiveness through regulatory change and the removal of regulatory barriers to investment and growth.

Towards that end, work was initiated on assisting the Ontario Asparagus Growers' Marketing Board to update the regulations pertaining to the asparagus industry. In discussions with board executive and staff, it was determined that changes in the regulations to better reflect the current industry dynamics would be appropriate. This work will continue during 2007-08. In February 2007, the Commission approved the board's recommendation to change the district representation to be more reflective of current asparagus production.

The Commission reviewed the regulations of the Ontario Sheep Marketing Agency and determined that changes to reflect the current industry would be appropriate. Work in this area will continue in 2007-08.

The Ontario Greenhouse Vegetable Growers updated its general regulations to take effect in 2007-08, with compliance highlighted as a priority. The board plans to continue to refine its regulatory objectives and to adopt realistic compliance and enforcement measures.

Quality Service

The Commission is committed to providing enhanced, efficient and effective service to the regulated sector.

1. Regulatory Amendments

The Commission supported numerous regulatory amendments for marketing boards. For example, an amendment was made to the greenhouse vegetable marketing regulation to provide the board with the authority to impose penalties on an applicant or licensee after a hearing. Dairy regulations were updated to remove obsolete regulations from when the Ontario Cream Producers and the Ontario Milk Marketing Board amalgamated in 1995. Turkey regulations were amended to reflect the new name of the board, Turkey Farmers of Ontario.

2. Agreements and Awards

Following negotiation processes, the Commission brought into force negotiated agreements and arbitrated awards in the following sectors - chicken, potato, juice apple, processing grape, seed corn, tomato seedling, processing vegetables, and tobacco. The Commission appointed arbitrators for chicken and processing vegetables.

3. Processor Licenses

The Commission licenses processors in the following industries - asparagus, processing grape, potato, seed corn, tender fruit and processing vegetable. A total of 313 processor licenses were in effect in 2006. There were 13 more grape licenses and 10 fewer potato licenses than in 2005.

Financial Performance

The Commission's resource requirements are incorporated under the ministry's business plan. A description of these resources is presented below:

Operating Expenditures

Salaries & Benefits	\$1,141,205	\$1,053,590
ODOE	\$421,900	\$381,962
Recoveries	(\$30,000)	0
TOTAL	\$1,536,105	\$1,435,552

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