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Ontario

Ontario Farm Products
Marketing Commission

October 28, 2008

Mr. Curtiss Littlejohn
Chair, Ontario Pork
655 Southgate Drive,
Guelph, Ontario
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Dear Mr. Littlejohn:

When Ontario Pork met with the Commission on October 9, 2008, the board provided the Commission with a series of questions regarding the hearing decision and requested a written response. The Commission agreed that a general response would be provided. The response addresses the following four key issues: (i) hog marketing services provided by Ontario Pork; (ii) Ontario Pork's role in providing industry services, including the funding mechanism; (iii) the transition and implementation plan; and (iv) Ontario Pork's governance and electoral reform.

The Commission's understands the importance of continuing the dialogue and communication sharing to improve the understanding of the Commission's decision and to ensure a smooth transition for the hog and pork industry participants.

Response to Ontario Pork's List of Questions:

Ontario Pork will continue to provide sales and marketing services

Market access was identified as a critical principle by Ontario Pork and other parties to the Commission hearing. The board indicated in its evidence, that it provides market access through its existing marketing options including the pool, pool plus and other options available to producers.

The Commission feels strongly that during the transition period, existing marketing options be maintained for producers. The commission also recognizes that in the long term, producers will have more options with who they interact, and what external services they use in the sales and marketing of their hogs. It is understandable that Ontario Pork's marketing services will need to be responsive to the needs of its customers.

As the board develops its transition plan, the Commission expects that the board will evaluate the services it currently delivers, and consider how it will deliver these services in a cost effective manner within the new marketing environment. The Commission anticipates further dialogue directly with the board, and through the Hog Industry Advisory Committee (HIAC) regarding the appropriate structuring of Ontario Pork's sales and marketing function. These discussions will allow Ontario Pork to better evaluate options that will ensure continuity of services for producers, and allow Ontario Pork's sales and marketing services to be positioned for future sustainability.

The board also raised questions about its future role and authorities provided under regulation for such functions: as licensing parties such as truckers and sellers of hogs, setting and collection of license fees, and board enforcement powers. A number of these specific questions are items that can be discussed with the HIAC. Other questions may be most addressed most effectively through regular dialogue and meetings between Ontario Pork and Commission staff.

The Role of Ontario Pork, Including Funding Mechanism

Several questions were posed, which relate to how Ontario Pork will provide industry services on behalf of all producers, and the mechanism to fund these services.

As a marketing board, Ontario Pork will have the ability under regulation to fix and collect a license fee to fund the delivery of industry services. The license fee is not to be confused with the authority delegated under Subsection 10(5) of Regulation 419, to fix and impose a marketing service charge for the marketing of hogs.

The Commission supported Ontario Pork's assertion that certain segments of the Ontario swine industry benefit but currently are not required to financially contribute to help fund these services. In developing a plan to collect these fees, Ontario Pork should consider how other jurisdictions (Canadian, US) fees are structured. It is important that Ontario Pork engage Ontario swine producers who are ultimately going to be responsible for paying the fee. While some fee collection mechanisms are well established - i.e., buyers of market hogs will deduct and remit the license fee to Ontario Pork. New mechanisms are likely to be considered for other classes of pigs. It is important that industry stakeholders that are involved in the sales and marketing of the different classes of pigs have input into the options being considered. The HIAC will be utilized to provide input on key questions and issues related to national traceability and price reporting and dissemination.

The Commission understands the desire of Ontario Pork to have the tools to fulfill its revised mandate. The extent to which enforcement powers and tools are required and employed needs careful consideration. The Commission's focus is in developing a transition plan and sustainable approach forward that creates industry buy-in and improved relationships, minimizing the need for enforcement activities.

Implementation Plan and Transition Period

The Commission has communicated the need for a smooth transition period. The Commission's October 17th open letter to Ontario Pork producers, further highlights the importance of a balanced and cooperative approach moving forward.

In ordering Ontario Pork to develop an implementation plan and report back to the Commission, the Commission's intent was not that Ontario Pork would complete this task in isolation of either the Commission or pork industry stakeholders. The HIAC is expected to play a key role in bringing representatives together from the various segments of the hog production and the sales and marketing supply chain. The Commission is seeking representation from the various sectors of the hog production, sales and marketing supply chain. A terms of reference for the HIAC is being prepared and will be shared with the board and pork industry stakeholders in the near future. It is the expectation that the HIAC will be established and meet in early November.

Once formed, the HIAC will be a forum to identify and address issues, and providing input and direction to Ontario Pork as it develops its implementation plan. The HIAC will assist Ontario Pork with coordinating feedback on issues and approaches to its plan. Ontario Pork should also consider how its councilors and county/district associations can assist with soliciting input from producers.

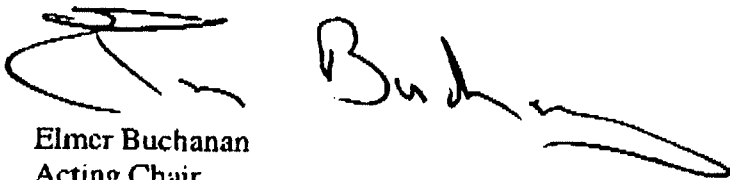
The question about who pays for the planning, reorganization and implementation of change has been noted. Future discussion on specific cost related issues can take place as they arise. The general principle that the Commission believes is reasonable is that costs are the responsibility of the individual or organization where the change is taking place. For example, organizations that wish to assume the responsibilities for scheduling, logistics and settlement would be expected to pay for the resources to implement and deliver these services. Likewise, the planning and changes under the domain of Ontario Pork would be the responsibility of Ontario Pork unless otherwise agreed to.

Finally Ontario Pork's legal counsel asked why some changes were made immediately why others were not. The only immediate change is that Ontario Pork no longer has a mandatory requirement to be a third party signatory to new producer-processor supply agreements. The Commission believes this change will allow parties that wish to conclude new agreements, the ability to do so with or without the board's involvement.

Governance Structure

The Commission supports a renewed governance structure of Ontario Pork that is representative of its membership and aligned with the updated role and function of the board. Based on the board's proposed governance change, Regulation 420 Hogs – Plan will require significant changes. It will take time for the changes to Regulation 420 to be completed and come into affect. Once the Commission is satisfied with the board's proposed changes, it then makes a recommendation to the Minister that the changes be implemented. Legal counsel must be involved with drafting the changes. The Commission will work closely with the board on the timelines associated with the changes to Regulation 420. Since Ontario Pork district elections are only a few months away, it would be prudent and reasonable that Ontario Pork continue with the 2009 elections according to its existing structure.

Yours truly,

A handwritten signature in black ink, appearing to read 'Elmer Buchanan', written over a horizontal line.

Elmer Buchanan
Acting Chair
Ontario Farm Products Marketing Commission