



# **Public Accountability and Reporting Project**

## ***BC Hog Marketing Commission***

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## INTRODUCTION

This report stems from the BC Farm Industry Review Board's (BCFIRB) expectations that commodity boards fulfill their responsibilities as first instance regulators through strategic and accountable governance using a principles-based approach to regulation. Boards and commissions (commodity boards) created and operating under the authority of the *Natural Products Marketing (BC) Act* (NPMA) must be responsive to the needs of BC producers, processors, consumers, and other participants in the agri-food system.

This report lays the framework for the BC Hog Marketing Commission (BCHMC) and BCFIRB to work together to develop and establish improved annual performance measures and reporting on the pork sector and the BCHMC.

The overall goal of Public Accountability and Reporting Project is:

*To support and demonstrate effective governance and sound leadership of the regulated agricultural sectors.*

The BCHMC was started in 1980 and is authorized under the *Natural Products Marketing (BC) Act*. The Commission regulates all registered producers.

## 1. SECTOR PERFORMANCE TARGETS

The two performance targets that were chosen by the BCHMC were:

1. Education sessions attended by BC Pork’s Chairs, directors, member producers
2. Full compliance with the national Canadian Quality Assurance (CQA) program Canadian Pork Excellence (CPE) program.

The goals for the industry performance targets are listed below.

Target	Year	2018	2019	2020	2021
1	Education	5	8	12	15
2	CQA/CPE compliance	100% compliant for one year’s CQA validations	100% compliant for two year’s CQA validations & 20% of producers validated under CPE	100% compliant for three year’s CQA validations & 40% of producers validated under CPE	continued 100% compliance for three years – all producers under CPE

In 2018 the education and the CQA targets were reached.

1. Three producers attended pork conferences; two attended the Banff Pork Seminar, and one attended the Alberta Pork Conference in Red Deer. The Chair attended three COGA sessions.
2. All producers were validated under the CQA system.

### 1.1 2019 Targets

Target	Target Description	Target Status
1. Education	The number of education sessions attended by Chairs, directors, member producers	8 - achieved
2. CQA / CPE validation	100% compliant for two year’s CQA validations & 20% of producers validated under CPE	Not achieved due to a delay in CPE program start, CPE program cost issues, Covid-19.

### 1.2 Target Details - Education

Due the small size of the BC pork sector, BC Pork decided to set aside funds to encourage producers to attend pork conferences in North America rather than holding a pork conference for BC producers. The BC Pork Manager sent information to producers on the Alberta, Ontario,

Manitoba, and Saskatchewan pork conferences. Education sessions included the seminars organized by the Centre for Organization Governance in Agriculture (COGA).

In 2019 the Chair of the BCHMC and one producer attended three COGA sessions. Two producers attended pork seminars in Alberta. Seven producers attended a special session on animal activists. In total 15 education sessions were attended; almost double the target.

### 1.3 Target Details – CQA/CPE Compliance

The Canadian Quality Assurance (CQA) program is administered by the Canadian Pork Council (CPC) and has been the national program for hog farmers across the country. Producers are validated annually with respect to their animal welfare, food safety and traceability practices. Full compliance with the national CQA and the Canadian Pork Excellence (CPE) program means full records of partial or full validations for at least three years. Due to changes in validators and managers in BC, many producers have incomplete validation records.

The target to reach of full compliance with the national CPE program will be carried out gradually as the new CPE program is rolled across Canada. Between 2019 and the end of 2021 producers will be transitioning from CQA to CPE.

With BC's limited number of producers and capacity, BC must bring in a CPE trainer from another province to train producers in the new program. Producers cannot be validated under the new CPE program until they have undergone the training. Producers then need three months of records before they can be validated under CPE and they will transition from CQA to CPE.

The CPC had planned to start the transition from CQA to CPE in January 2019; however, the CPE program launch was delayed several months due to technical issues. In addition, in one province producers passed a motion at their AGM to refuse to transition to CPE unless they received financial compensation for the additional paperwork and associated costs. These two factors resulted in uncertainty as to whether BC should start the transition to CPE; consequently, BC did not start the transition to CPE in 2019. As a result, 20% of the producers were not validated under CPE.

The first CPE training session was held in January 2020 for Lower Mainland and Vancouver Island producers, so once their record requirements have been met, these producers can be validated under CPE either in 2020 or 2021 depending upon their anniversary date.

The uncertainty around the transition to CPE resulted in three producers not being validated in late 2019. Their validations could have been carried out in early 2020, but Covid-19 concerns resulted in the BC validator suspending all non-essential farm visits. This protocol was adopted by most validators across Canada. As a result, not all producers are 100% compliant with two year's of CQA validations records. Covid-19 will impact the 2020 validations because no validations were done the first six months of 2020.

## 2. GOVERNANCE

The Public Accountability and Reporting Project gives the BCHMC an annual opportunity for an internal review of its internal policies and processes and to identify areas of possible improvement. The BCHMC already has many of the governance measures in place as part of normal operations' sound management and transparency principles. At the same time, some areas were identified where there was room for improvement.

The governance measures include five elements:

1. General Governance Tools and Related Regulatory Requirements
2. Financial Accountability and Related Regulatory Requirements
3. Communication and Consultation
4. Decision Making
5. Decision Assessment

### 2.1 General Governance Tools and Related Regulatory Requirements

Board meetings are held jointly between the BC Hog Marketing Commission and the BC Pork Producers Association. This ensures full transparency and openness in all decision making. The BC Ministry of Agriculture's Pork Industry Specialist is also invited to all meetings which provides linkages to the provincial government and the Agriculture Minister.

	<b>Indicator</b>	<b>In place/ In progress/ To be started</b>	<b>Comments/Examples</b>
<b><i>Planning and reporting</i></b>	<b>Strategic Plan</b>	In progress	A request for proposals was sent out to six firms. The requirements and deliverables were re-evaluated due to the high costs and deferred to 2020.
	<b>Annual Report</b>	In place	Provided at the 2019 AGM.
	<b>Annual General Meeting</b>	In place	Held on April 3, 2019
	<b>Copies of all minutes, orders, reports, rules &amp; regulations forwarded to BCFIRB as they are made</b>	In place	All were sent to FIRB as they were approved by the board of directors and Chair.
<b><i>Rules</i></b>	<b>Consolidated Orders up to date &amp; published</b>	In place	Updated and approved in 2019.
	<b>BCFIRB approved election rules</b>	In place	Approved in 2017.

<b>Board and staff</b>	<b>Current member job descriptions</b>	In place	Located in director binder.
	<b>Member orientation (e.g., mandate, role, responsibilities, regulatory framework, governance)</b>	In place	New directors are given a director binder that is reviewed with Chair and GM.
	<b>Member training (e.g., role of officers, ethics, conflict of interest, fiduciary duties, decision-making practices)</b>	In place	Directors and Chair attend COGA sessions.
	<b>Staff orientation and training plans</b>	In place	Orientation complete; GM attends COGA sessions.
	<b>Member and staff succession plan as applicable</b>	In progress	
	<b>Member performance evaluations (annual)</b>	In progress	COMB was contracted to conduct a survey of the two Chairs in 2019.
	<b>Staff performance evaluations (annual)</b>	To be started	
<b>Accountability</b>	<b>Member code of conduct signed</b>	In place	
	<b>Member conflict of interest signed and updated annually</b>	In place	
<b>Transparency</b>	<b>Governance and operational policies and controls up to date and public</b>	In place	

The BCHMC realises that it has a few areas that need some additional focus.

- The strategic plan needs to be redone to better reflect the state of the BC pork sector. The current six goals are beyond the reach of the BCHMC.
- Succession planning is an area of weakness. With only 14 producers it is difficult to secure directors. Succession plans also need to be considered for the two Chairs and the General Manager.
- Encourage more producers to attend COGA governance sessions.

## 2.2. Financial Accountability and Related Regulatory Requirements

The Commission has sound fiscal practices in place. The annual financials are audited by an independent auditor.

	<b>Indicator</b>	<b>In place/ In progress/ To be started</b>	<b>Comments/Examples</b>
<b><i>Financial statements</i></b>	<b>Auditor appointed in accord with Scheme requirements</b>	In place	Appointed at AGM.
	<b>Audited financial statements (annual)</b>	In place	Completed annually.
	<b>Financial statements presented in annual report and at annual general meetings</b>	In place	Provided at the AGM.
<b><i>Member expenses</i></b>	<b>Up to date approved member remuneration and expense policy consistent with legislation</b>	In place	Polices included in the director binders. Claims are submitted twice a year or as desired.
<b><i>Controls</i></b>	<b>Accounting practices are in accord with legislation and published standards</b>	In place	Financial practices are in accordance with Canadian generally accepted auditing principles.
	<b>Internal financial controls are in place, and reviewed by auditors</b>	In place	Complete financial records are submitted to the auditor annually.
	<b>Senior staff engaged with budget development &amp; approval</b>	In place	The GM works with the Chair and board to develop the draft budget.
<b><i>Accountability</i></b>	<b>Operational, program and other expenditures using levies collected under the NPMA are in accord with purposes of the Scheme.</b>	In place	All financial expenditures must have board approval.
	<b>Financial accountability processes and policies in place with producer associations and other organizations that receive funding from boards to carry out delegated responsibilities under the NPMA.</b>	In place	The Commission and the Association hold joint board of director meetings, so all fiscal decisions are open and transparent. Board approval is secured before funds are spent. Financials are circulated and reviewed by the board of directors quarterly.

## 2.3 Communication and Consultation

	<b>Indicator</b>	<b>In place/ In progress/ To be started</b>	<b>Comments/Examples</b>
<b>Communication</b>	<b>Active industry communication plan or strategy</b>	In place	BC Pork has linkages with provincial and national pork and/or general farm organizations. In addition, the two Chairs meet two to three times per year with the two main pork processors to discuss emerging issues and possible areas of cooperation. Producer bulletins are sent out each Friday.
	<b>Crisis management communication plan or strategy</b>	In progress	BC Pork works with the Canadian Pork Council to develop crisis management and communications plans. For example, if African swine fever were to come to Canada.
<b>Consultation</b>	<b>Consultation, as appropriate and meaningful, with stakeholders (e.g., producers, supply chain, BCFIRB, Ministry of Agriculture, national agencies) to address sound marketing policy and public interest questions.</b>	In place	When the General Orders were revised the Commission followed an open and inclusive process. The board of directors reviewed the current document and suggested changes. Once it was approved by the directors, it was sent a lawyer to ensure the format was standardized throughout as compared to other BC Boards and that it was consistent with language the in the Scheme. The draft was sent out to all licensed pork producers for input and comments. None were received. The draft document was presented at the 2019 AGM with a further opportunity for questions and input. None were received.
	<b>Stakeholder feed back actioned where appropriate (e.g., policy or program development)</b>	In place	As above.

<b>Evaluation</b>	<b>Avenue for regular stakeholder feedback on board operations, processes, policies, and communications.</b>	In place	E-mails are sent to all licenced producers advising them of any changes and providing opportunities for feedback and questions. The Chair reports on board operations at the AGM.
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2.4 Decision Making

	<b>Indicator</b>	<b>In place/ In progress/ To be started</b>	<b>Comments/Examples</b>
<b>Requirements</b>	<b>Quorum confirmed prior to decision making</b>	In place	Quorum is achieved at meetings; if it is not; the meeting is for information and no decisions are made.
	<b>Conflict of interest disclosure and recusals recorded</b>	In place	Guidelines are included in the director binders.
<b>Process</b>	<b>Processes are fair, inclusive, transparent, effective, and strategic based on the matter to be decided.</b>	In place	Board meeting material is sent to directors a week before each meeting. Robert’s Rules and SAFETI are used in all meetings.
<b>Outcome</b>	<b>Full rationale published for major decisions (e.g., including demonstrated application of consultation, market, and other necessary information to reach sound marketing policy outcomes; demonstrated use of SAFETI in process &amp; outcome)</b>	In place	The Commission employs SAFETI and Robert’s Rules of Order for board meetings, AGMs and decision making in general.
	<b>Prompt timing, delivery, and publishing of decisions</b>	In place	Decisions made at meetings are circulated to members and FIRB once the board of directors has approved them.

## 2.5 Decision Assessment

There weren't any appeals and supervisory reviews in 2019.

### 3. SECTOR SUMMARY

The BC Hog Marketing Commission (BCHMC) is part of BC's regulated marketing system that provides for orderly production and marketing of hogs and some other commodities under the supervision of the BC Farm Industry Review Board (BCFRB). During 2019, the BCHMC completed the revision of the BCHMC General Orders which was reported on in last year's AGM. The election in the fall of 2019, run independently by COMB, resulted in the re-election of Ard Hoogeveen as Commission director for a further two years. The good news for 2019, was that hog numbers increased by 1%. However, margins continue to be under constant pressure due to low prices.

During the past year, the BCHMC sent out a request for proposals (RFP) for a new strategic plan. The last plan was initiated in 2016 and was for three years ending in 2019, so it was timely for a new plan. There were six responses to the RFP that was sent out. After reviewing the proposals, the directors decided to delay further action until the Board of Directors re-evaluated the approach and delay the strategic planning process until 2020.

As part of due diligence and good governance, the BCHMC also sent out a request for proposals for a new auditor. The directors were satisfied with the current auditor, but as good governance the auditor should be reviewed periodically. The current auditor submitted the best response to the RFP and the BCHMC continues work with Agatha Cluff Inc.

In response to the activist actions on a hog farm in April, the Commission developed guidelines to use the remaining Production Protocol Enhancement Plan (PPEP) funds for on-farm security improvements. Most of members accessed the funds to improve their farm security through such items as keyless entry doors, video surveillance and structural improvements.

BFIRB initiated a Public Accountability and Reporting project; the BCHMC submitted a report in June. A follow-up report on the Commissions measurables are included in this report.

The Commission and the BC Pork Producers Association continue to meet with the processors to find opportunities, to discuss common concerns, and possible joint projects.

#### 3.1 Reporting Time Period

- The reporting period is January 1, 2019 to December 31, 2019

#### 3.2 Producer Size Definition

- Small producer – less than 299 sows
- Medium producer – between 300 and 999 sows
- Large producers – over 1,000 sows

### 3.3 Production Type

Production Type	Explanation
Farrow to finish	Farms that have sows and raise piglets to market hog size (hot dressed carcass weight between 74 and 115 kg).
Finisher	Farms that buy weaned piglets and raise them to market hog size. They do not have any sows on the farm.
Round Hogs	Farms that have sows and raise piglets for round hogs (barbeque hogs – hot dressed carcass weight between 25 and 74 kg).
Direct Farm Marketing	Farms that have sows and sell their market hogs or round hogs directly to the retail trade or consumers as opposed to selling to a processor who then sells the pork to their customers.

### 3.4 Production Measures

- Number of sows

### 3.5 Estimated Farm Cash Receipts

- Approximately \$25 million

### 3.6 Small Lot Permit Producers

- To qualify as a commercial licensed producer under the BC Hog Marketing Scheme; producers must sell at least 300 or more hogs annually for processing. Therefore, small lot producers fall outside of the mandate and control of the BC Hog Marketing Commission. The Commission does not collect any data or levies from small lot hog producers.
- Based on premises identification data and PigTrace data, the BC Ministry of Agriculture estimates there are over 1,000 small lot producers in BC that have at least one hog and/or claim to have hogs on their census form. They are scattered throughout the province.

### 3.7 Total Producers by Producer Type and Region

There are 14 licensed hog producers in BC and the majority of hog production is found in the Lower Mainland. Nine farms are located in the Lower Mainland (Fraser Valley), two on Vancouver Island, one in the interior (Kootenays), and two in the north close to Fort St John.

Producer	LM	VI	Interior	North	Total
Total	9	2	1	2	14

### 3.8 Total Producers by Producer Size and Region

When the producers are examined on a number of sows basis by region, there are seven medium and two large producers in the Lower Mainland, two small producers on Vancouver Island, one small producer in the Interior, and two medium sized producers in the north.

Producer	LM	VI	Interior	North	Total
Small		2	1		3
Medium	7			2	9
Large	2				2
<b>Total</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>14</b>

### 3.9 Total Producers by Production Type and Region

There are five farrow to finish farms located in the Fraser Valley and two in the north. There are three finisher operations in the Fraser Valley and two round hog farms in the Lower Mainland. This table shows ten farms in total for the Lower Mainland. That is because one farm produces both finishers and round hogs, so it is counted in both production types. The three direct farm marketing operations are located on Vancouver Island and the Interior.

Producer	LM	VI	Interior	North	Total
Farrow to finish	5*			2	7
Finisher	3				3
Round Hogs	2*				2
Direct Farm Marketing		2	1		3
<b>Total</b>	<b>10</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>15</b>

\* one farm does both farrow to finish and round hogs

### 3.10 Total Production by Producer Type and Region

The BC hog production is around 7,000 sows. The majority, 5,765 sows or 84% of production is in the Lower Mainland. The next highest production areas is the North with 950 sows or 14% of production. Vancouver Island has 115 sows and the Interior does not have any. The interior farm is a finisher farm.

BC hog production, while important to BC agriculture, is a small market nationally. Based on 2019 CPC statistics, Canada had about 1.2 million sows; of which under one percent came from BC. The three largest pork producing provinces – Quebec, Ontario and Manitoba accounted for 80% of the Canadian pork production. Each province had over 300,000 sows.

Producer	LM	VI	Interior	North	Total
Total Sows	5,765	115	0	950	6,830

### 3.11 Total Production by Producer Size and Region

Of the 5,800 sows in the Lower Mainland; 1,900 sows (33%) are in medium farms and 3,900 (67%) are in large farms. For both the Vancouver Island and the Interior, the sows are found on small farms. The sows in the Peace River are found on medium farms.

<b>Producer</b>	<b>LM</b>	<b>VI</b>	<b>Interior</b>	<b>North</b>	<b>Total</b>
<b>Small</b>	0	115			115
<b>Medium</b>	1,865			950	2,815
<b>Large</b>	3,900				3,900
<b>Total</b>	<b>5,765</b>	<b>115</b>		<b>950</b>	<b>6,830</b>

### 3.12 Total Production by Production Type and Region

When BC's hog production is examined by the type of production, 69% of overall sow numbers are located in the Lower Mainland in farrow to finished operations. Round hog production is only found in the Lower Mainland.

<b>Producer</b>	<b>LM</b>	<b>VI</b>	<b>Interior</b>	<b>North</b>	<b>Total</b>
<b>Farrow to finish</b>	4,710			950	5,660
<b>Finisher</b>					
<b>Round Hogs</b>	1,055				1,055
<b>Direct Farm Marketing</b>		115			115
<b>Total</b>	<b>5,765</b>	<b>115</b>		<b>950</b>	<b>6,830</b>

### 3.13 Quota Utilization

- The BCHMC does not have to report on quota utilization.

### 3.14 New Producers Entering the Regulated Sector

- There weren't any new licensed producers in 2019.

### 3.15 All Producers Exiting the Regulated Sector

- There was one less licensed producer in the hog sector in 2019. A producer from the Lower Mainland exited the hog sector. He had been in production more than ten years.

### 3.16 New Producers Entering the Supply Managed Sector

- The BCHMC does not report on this.

### 3.17 All Producers Exiting the Supply Managed Sector

- The BCHMC does not report on this.

### 3.18 Total Number of Processors by Type

BC has 25 licensed processors that slaughter and process hogs. There is only one federally licensed plant that processes hogs in BC. It is located in the Lower Mainland. There are 24 provincially licensed processors in BC. The majority or 58% of the provincial plants are located in the Interior.

Processor License Type	LM	VI	Interior	North	Total
Federal	1				1
Provincial	2	4	14	4	24
<b>Total</b>	<b>3</b>	<b>4</b>	<b>14</b>	<b>4</b>	<b>25</b>

### 3.19 Production Based on Slaughter Numbers

The larger processors submit levies to the BCHMC based on the number of hogs they slaughter from the licensed producers. The table below shows the year-end production (processed) numbers for 2017 to 2019 inclusive and compares 2019 to previous years. Production in 2019 was one percent higher than 2018 production, but 3.7% lower than 2017 production. Market hog numbers continue to decline slowly as producers exit the hog sector. On the other hand, round hog numbers are steadily increasing as BC producers fill the growing demand of this unique BC specialty market product.

Year-end production comparison					
Year	2019	2018	Diff	2017	Diff
			2019/2018		2019/2017
Market hogs	103,761	103,990	-0.2%	111,777	-7.2%
Sows	1,612	1,734	-7.0%	1,623	-0.7%
Round hogs	32,389	30,711	5.5%	29,622	9.3%
<b>Total</b>	<b>137,762</b>	<b>136,435</b>	<b>1.0%</b>	<b>143,022</b>	<b>-3.7%</b>

## 4 QUOTA MANAGEMENT AND MOVEMENT

The BCHMC is not a supply management board, so this report will not include any discussion on quota.

## 5 CONCLUSION

The BCHMC thanks BCFIRB for the opportunity to provide a snapshot of the BC pork sector and for the opportunity to develop internal industry performance measures and for an internal review of governance.

The BCHMC chose two performance targets; education sessions attended by the Chair, directors and registered producers and full compliance with the Canadian Pork Excellence program. Risks to the annual goals being met include disease outbreaks, low market prices, and actions by other pork producers across Canada. The BCHMC met its education target, but it did not meet the CQA/CPE validation target. This was mainly due to a delay in the launch of the CPE program, producer push-back on the new program and transition uncertainty.

A review of BCHMC governance measures included general board governance, financial responsibility and accountability, stakeholder/producer consultation and involvement and sound decision making / sound marketing policy. Overall, the BCHMC has implemented sound governance, but the review identified a few areas that need some additional focus – the strategic plan, succession planning, and directors/producers attending COGA sessions. After reviewing the six performance areas that were identified in the 2016 strategic plan and finding them inappropriate, a new strategic plan will be initiated in 2020. The Chair and the board of directors will work to identify potential replacements for the Chair, directors and manager as required. Directors and producers will be encouraged to attend COGA sessions.

BC pork producers will continue to focus on producing high quality, local pork for niche markets. The Commission looks forward to working closely with the BC Pork Producers Association, the Canadian Pork Council, the BC Ministry of Agriculture, and BC processors to develop programs to work towards the continued long term sustainability and competitiveness of the BC pork sector.

The Commission hopes that this report demonstrate effective governance and sound leadership of the regulated hog sector.