

ANNUAL REPORT

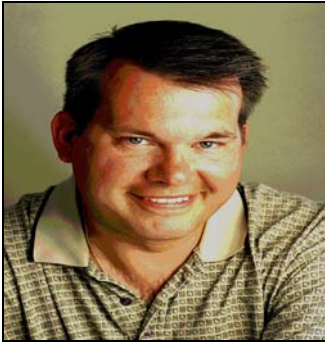
2006

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Report of the President



To Members of the Canadian Horticultural Council:

I would like to preface my remarks by first expressing my appreciation to you, the members of CHC, for allowing me to serve you as president this past year. I have a profound respect for how productive, creative, and resilient farmers are and consider it a privilege to be counted among you.

In the past five years that I have been involved with the CHC there is one issue that comes to my mind repeatedly. That issue is how we move the conversation regarding horticulture out of the seemingly endless circle that starts with low farm incomes, leads to Business Risk Management consultations, and results in a suite of programs that never seem to fully address the decline of the rural Canadian economy. In my view, the answer lies in more effectively connecting horticulture production as part of the solution to ever rising health care costs and secondly, to food security as a country.

Every politician is looking for proactive health care solutions and the increased consumption of fruits and vegetables is one that is universally accepted. We have a unique opportunity to integrate with the education system to compete for the food buying preferences of the next generation at young age. There is an increasing willingness on the part of governments to fund healthy eating programs that horticulture needs to be ready to participate in. The magnitude of health and education budgets dwarfs all others, including agriculture. That reality is not likely to change anytime soon and therefore, I believe, we are well served to position ourselves as a partner with the health and education sectors.

The topic of national food security is one that rarely comes forward with either individual Canadians or governments. The assumption that we can import food from virtually anywhere in the world is almost never challenged. Inexpensive transportation rates relative to the final cost of the product, trade agreements like NAFTA, and organizations like the WTO have all provided for the open movement of food. However, the rapid escalation in energy costs has dramatically increased the cost of moving food to urban centers, and the collapse of the WTO negotiations have begun to create agreements between select groups of countries and not the world as a whole. The world is changing. Basic necessities like housing and energy are becoming more expensive. As Canadians, we currently spend only 11% of our disposable income on food and that figure is likely not sustainable. Government needs to

understand that maintaining our ability to export competitively now, preserves our production capacity at an affordable price for the future.

So while we deliberate and debate on a long list of issues over the next few days, let us not lose sight of one fact. We still live in a very privileged part of the world.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'MJ' followed by a stylized flourish.

Marcus Janzen
President
Canadian Horticultural Council
March 8, 2007

Annual Report to Members



2006 has been yet another particularly active year for the national office and our members. Plant health challenges, proposed new trade regulations and fees, the collapse of the Doha Round all made the headlines this year. While progress in the area of crop protection has been seen, most notably in areas of responsibility under the PMRA, the most critical area which did not move forward relates to increased availability of production insurance to horticulture producers.

For initiatives the national office undertakes on behalf of its membership, the collaboration, cooperation and contributions of the time and expertise offered by members is integral to any success we have achieved and can hope to achieve on your behalf.

■ **Priority Areas**

The majority of the Council's work and initiatives during the past year focused in the following priority areas:

- Representation
- Business Risk Management / Safety Nets
- On-Farm Food Safety
- Crop Protection
- Human Resources
- Commodity Coordination
- Plant Health
- International Trade
- Special Projects

These are reviewed annually at the Council's annual general meeting and are consistent with the objectives and direction established by the membership.

■ **Representation**

**Advantage
Canada: Growing
the Five Billion
Dollar Canadian
Horticulture
Production
Sector**

Representation in the nation's capital is critical to advancing established objectives. The Council has developed a comprehensive portrait of the sector which outlines the situation and needs relative to the sector's priority issues.

The Canadian horticulture industry is a \$5 billion industry at the farm level before considering the upstream and downstream impacts of horticulture production on jobs, economic activity, and taxes paid to

various levels of government. Another measure of the significance of this industry is the \$12 billion in fresh and processed fruits and vegetables purchased by food retailers and food service operators across Canada, even before considering the impact of floriculture and wines, or the \$3.2 billion in exports of horticultural products. The Canadian horticulture industry, as with many other agri-food sectors and the consumer product sector in general, has gone under considerable change. These changes are due to many factors, including globalization, emergence of low cost off-shore supply sources, trade agreements, advances in information technology, increased regulation, buyer consolidation, and changes in the

value of the Canadian dollar to name a few. One affect of these changes on primary agricultural production is the squeeze on profit margins. This impact is being felt across the agricultural sector, and is not unique to the grains and oilseed sector, which is often highlighted as the sector in difficulty and in need of public support, as they must compete with U.S. grain producers that receive large predictable subsidies. While demand for horticultural products has been growing, the net effect of the forces noted above is that farm income in the horticultural sector is under considerable pressure, particularly when the value of the Canadian dollar moved from \$US 0.625 to \$US 0.90 since early 2003 – a near 40% appreciation. This reduces the price of products sold into the market place by up to 40% and has a large impact on profit margins. The horticultural sector is in a financial crisis precipitated in part by the rise in the value of the Canadian dollar. Many of the factors that affect incomes in the horticultural sector are beyond the control of horticultural producers and governments. However, there are some factors that can be controlled within Canada and actions can be taken on a number of fronts to help improve income earned by horticultural producers.

Advantage Canada: Growing the Five Billion Dollar Canadian Horticulture Production Sector was released early in 2007. It will be circulated to members, all MPs as well as provincial ministers of agriculture and used as the basis to deliver consistent messages to advance our issues. This will be especially important as we move into consultations for the next iteration of the APF.

■ **Business Risk Management / Safety Nets**

The Canadian Income Stabilization Program (CAIS), while initially effective for some producers in some areas of the country, is not a viable solution for the long term. While this fact is recognized by many, it appears that proposed changes will not bring much sought after relief.

As well, the government's commitment within the APF to provide production insurance as a second program for all has certainly not been honoured. Many would maintain that in light of this void over the past five years, there is a debt to be paid to horticulture. The unfulfilled commitment clearly leaves government with a moral, perhaps even legal, obligation to immediately address this gap. Throughout the year the CHC has actively promoted the concept of a "self directed production insurance" (SDPI) program. This is based on self directed risk management, which CHC members unanimously supported as signatories to the minister of the day in 1999. Many meetings have been held with senior officials at both the federal and provincial levels in an attempt to move SDPI forward. There is also support for this concept from non-horticulture commodities. We advocate a SDPI-type of program as an option, not the only option. It would be an important addition to tools available to producers and address a huge gap faced by horticulture.

Another solution we have been promoting is the development and implementation of a national plant health strategy, which would provide a producer with predictability in the unfortunate event of a plant health incident.

With representation on the CAIS Review Committee and the Production Insurance Task Team, the Council will continue to advocate loudly for equity and programs that work. The Ministers advisory committee - National Safety Nets Advisory Committee was disbanded late in 2006. Presentations on horticulture's needs relative to business risk management have been made to the House of Commons Standing Committee on Agriculture.

■ **On-Farm Food Safety**

The Council's role is to provide the tools to enable and facilitate the ability of members to respond and compete in the marketplace.

The Council's mandate with respect to food safety is to deliver a realistic, cost effective, voluntary, market driven program for and to members:

- based on member input and needs
- technically sound and credible
- created through a transparent process
- founded on the best available science
- buyer/government recognized standard

The needs for a program were identified as:

- proactive prevention of food safety incidents (e.g., recent US outbreaks related to fresh produce)
- entire industry can be threatened or shut down
- bad press
- risk of doing nothing, for individual grower-shippers and for entire industry
- industry-led approach to maintain control of programs and prevent government regulation, as is being considered in the US currently
- buyer demands and desire for consistent national standards for their suppliers

In 2004 the CHC adopted an action plan to carry out a strategic phase-in of one program for horticulture in Canada which is owned by the Canadian Horticultural Council on behalf of members. A national approach was supported by CHC members in order to:

- maintain a level playing field across Canada;
- prevent food safety from becoming a marketing tool;
- access the federal government recognition process (CFIA Technical Review);
- access federal government financial support to develop programs.

Under the framework and guidance of the CFIA's OFFS Recognition Program, the development of CHC's On-Farm Food Safety (OFFS) manuals for commodity-specific groupings continues as outlined below.

HACCP MODEL	Producer Manual	Crop Group	Producer and Packer Manual	Pilots	Technical Review
		Bulb and Root	December 2005	2006	2007
		Leafy	December 2005	2006	2007
		Greenhouse	December 2005	2006	2007
		Potato	COMPLETE		COMPLETE
		Small Fruit	December 2005	2006	2007
		Tree and Vine Fruit	June 2005	2005-06	2007
		Fruiting Vegetables	2006	2007	2008
		Asparagus, Sweet Corn and Legumes	2006	2007	2008

Status: November 28, 2006

Throughout the development process, the CHC has been working to communicate with buyer representatives, including those from the Canadian Produce Marketing Association and the Canadian Council of Grocery Distributors, as well as individual companies. Where

buyers are looking to put supplier programs in place, we have been promoting the CHC manuals as the national standard for OFFS. The goal is to alleviate buyers thrusting other tools or additional requirements upon producers and packers. We have achieved a measure of success in this regard.

The CHC producer manuals have the advantages of:

- having been developed by and for industry, based on member input and needs (realistic, cost effective and market driven);
- reflecting standards that producers and packers can live with;
- having been created through a transparent process designed to identify and meet buyer demands;
- being founded on the best available science; and
- meeting the rigours of the government technical recognition process to be technically sound and credible.

The task has been onerous; however, we have achieved success as the first of the programs has completed Phase I of the CFIA technical review protocol.

On November 23, 2006 the CFIA presented the CHC with a letter attesting to the successful completion requirements for the Potato Producer and Packer On-Farm Food Safety Program.

The CHC has continued to dialogue with buyers over the last year, and the Canadian Council of Grocery Distributors (CCGD) has endorsed the CHC program as the preferred domestic food safety program. To address the need for foreign suppliers to meet comparable food safety standards, the CHC is participating in a joint project with the CPMA and CCGD to compare food safety programs internationally. We have continued to clearly communicate to buyers that seven of the eight commodity-specific CHC OFFS manuals are still in draft format; pilot projects need to be completed for two of the manuals, and all seven have yet to complete the government technical review process. The CHC is not promoting and does not support a firm requirement for a mandatory third party audit, or the increased costs it would bring to producers and packers. However, we cannot prevent buyers from requiring it. Where buyers are insisting on a third party audit, we see our role and responsibility as making sure that members have the tools they need to meet buyer requirements, and to encourage buyers to reference the standards that industry has developed. A set of audit protocols corresponding to the specific requirements of the CHC manuals is currently under development with input from stakeholders.

We will continue with the strategic phase-in of one program for horticulture in Canada which is owned by the Canadian Horticultural Council on behalf of members. We encourage participation in the various working groups.

■ **Crop Protection**

Many events have transpired since the CHC's release of ***Crop Protection - A Better Future for Canada***; most notably, the government of Canada's \$54 million commitment to work toward solutions. A five-year review will be required in 2008.

Communications and the relationship between the PMRA and the Council have changed significantly as was evidenced by the well attended workshop co-hosted by the CHC, PMRA and AAFC just prior to the 2005 AGM.

Other positive developments have included:

- proposed elimination of the default 0.1 ppm MRL residue tolerance for products not registered in Canada is nearing implementation
- the Ombudsman/Minor Use Advisor position created in 2002 is no longer required as a result of enhanced communication with PMRA
- zones have been reconsidered and although not fully resolved, the partial resolution to this matter has most welcome
- crop grouping is used to a greater extent
- greater flexibility in joint reviews
- expedited process for establishing MRLs
- creation of the Own Use Important Task Force to assess and propose an approach to addressing the issues of pesticide price differentials and product access for Canadian growers. The was tasked with reviewing a number of issues that were identified with the current Own-Use Import (OUI) program by a variety of stakeholders including federal and provincial governments, industry, and some grower groups.

When it comes to crop protection, today the realities on the farm include:

- an ever increasing pest complex (resistance to old pesticides, pest escapes from use of new, narrow spectrum products, loss of pesticides through re-evaluation, new pests slipping through quarantine, etc.)
- producer challenges:
 - few or no effective tools for control
 - potential loss of income
 - integrity of plant health compromised
 - negative impact on Canada's reputation

The limited availability of minor use pesticides in Canada is a chronic and increasingly acute concern among growers and agri-food stakeholders generally. This is a major source of frustration. Canada's life sciences strategy to harvest and develop a broad range of food and non-food bioproducts suggests that we increase production of specialty/niche market crops, the majority of which require minor use pesticides. It is, therefore, imperative to develop and implement solutions to the challenges.

The issue of the availability of pesticides to Canadian growers has been the subject of many studies and reports during the past 20 years and the much referred to "technology gap" continues to exist. It is defined as those active ingredients (AIs), and/or uses, registered elsewhere, (ie: USA), that Canadian growers need and want. For minor crops alone this represents in excess of 130 actives, over 400 products, and over 5,000 uses

The CHC has advanced many proposals to close "The Gap" by turning ideas into solutions. Examples include:

- define and itemize "The Gap":
 - AIs, crop and pests
 - compare to Minor Use Priorities Document produced by AAFC PMC
 - work on top priority needs first
 - prioritize Gap AIs that are:
 - Reduced risk
 - Biopesticides
 - Organophosphate replacements
 - Methyl Bromide replacements

Possible other changes to assist in reducing “The Gap”:

- unilateral setting of MRLs on the basis of the same use patterns on the same crops as on the US label
- provision of label translations to provide both English and French for Canada
- contact all registrants with product(s) on the list
- seek pre-submission meetings and suggest submission of the current US package “as is”
- determine critical data needs and find wherewithal within PMC or company to facilitate data development
- establish whether this can be done under the existing URMUR framework; if not promote substantially changing the URMUR framework to accommodate such an approach
- implement the recommendations of the Own Use Import Task Force

The ultimate goal continues to be equity of availability.

Moving forward:

- characterize all differences between the Canadian and US registration requirements
- seek third party, scientific review to assess differences and provide recommendations for the establishment of a single North American data requirement;
- develop an enhanced URMUR program that would facilitate (in part) the much need “catch up” (Als registered in the US);
- develop an “Incentives Program” for registrants who submit all inclusive joint submissions;
- the process and data used in Risk Cup determinations should be on a North American basis. This is an area where it could be appropriate to adopt the US process with a Canadian dietary model;
- finalize recommendations on access of very low risk products for use as pesticides under our regulatory framework;
- continue to work more cooperatively within a North American context;
- accrued savings from improved approaches could be used for enhanced monitoring of use patterns, adverse effects, etc. so as to further enhance safety for all;
- trade issues must be monitored and acted upon;
- reduced risk: while there is support for the concept, it remains difficult to understand and as such confusion, frustration and perception of duplication remain.

The Crop Protection Advisory Committee (CPAC) continues to be active, with members representing our interest on a number of committees, including:

- North American Technical Working Group on Pesticides
- PMRA Pest Management Advisory Council (PMAC)
- PMRA Economic Management Advisory Council (EMAC)
- AAFC Pest Management Centre Advisory Committee
- AAFC Pest Management Centre Technical Advisory Committee
- Own Use Import Task Force
- Regulatory Harmonization Working Group under the Horticulture Value Chain Roundtable
- Presentation to PMRA Senior Executive Management Committee

Despite frustration, we are witness to, and an active participant in, many changes at both the PMRA and AAFC’s Pest Management Centre. Unfortunately, we have not seen the

same progress at the Pest Management Centre and this will be a focus for the Crop Protection Advisory Committee for the coming year.

■ **Human Resources**

The Council's Foreign Worker Committee has been active since being formalized at the 2005 AGM. The program continues to grow, most notably in BC. Several conference calls have been held and a face-to-face meeting was held at the FARMS office in November.

The availability of workers continues to grow in importance for all producers. Uncertainty regarding methodology to be used for determining wages under the Seasonal Agricultural Worker Program is a major preoccupation for the Committee and its members.

■ **Commodity Coordination**

The Council works with many commodities as required both on a regular and ad hoc basis. Some of the details follow.

➤ **Tree and Vine Fruit**

Industry Renewal: National Replant Strategy for Tree Fruit and Grapes

The "Industry Renewal: National Replant Strategy for Tree Fruits and Grapes" document has been widely circulated within the Canadian tree fruit and grape industry, as well as to federal, provincial and territorial government officials. The Apple Working Group has seen progress with this initiative, and is currently working closely with Minister Strahl and his staff to move the initiative forward. At this time a task for the industry is to develop a marketing strategy to complement the work done to date.

Research Workshop

The CHC's request for funding for the *Development of National Research Priorities for the Canadian Apple Industry* was approved for funding in July 2006. The workshop was held January 12, 2007 at the Toronto Airport Hilton. Facilitator Lyn Russo, Lyndan Communications did an excellent job in leading the group through the workshop. The workshop allowed all participants the opportunity to provide input on government research projects, strengthen relationships among sectors, and identify and prioritize a list of research projects for the next five years.

Emerging themes included:

- Value-added Food, Wellness Products and Industrial Uses
- Reduced Risk Strategies/Pest Management/Organic
- New Variety and Rootstock Development
- Pre and Post Harvest Quality/Yield
 - Crop Load Management/Plant Growth Regulators
 - Mechanization and Technology

A full report will be available in due course.

Trade Concerns

A resolution was adopted at CHC AGM in March 2005 to request federal government monitoring of price and volume data for imports into Canada of Washington apples. AAFC MISB has been doing this since that time. Canadian apple industry representatives have reviewed the data and at this point have decided not to file a request with CBSA for an anti-dumping investigation. We will continue to monitor the data and revisit the issue when necessary.

Ministerial exemptions, methodology and options have also been addressed extensively throughout the year and additional analysis with respect to options is required.

➤ **Potato Committee Executive of the Canadian Horticultural Council (PCE)**

The PCE has been extremely active in the past 12 months. The following provides an overview of many of the activities.

National Risk Management Solution for Bacterial Ring Rot

The CHC received funding from AAFC through Private Sector Risk Management Partnerships to investigate the design and implementation of an economically viable and comprehensive national risk management solution for Bacterial Ring Rot (BRR) on seed potato farms in Canada. The financial impact of BRR on the Canadian seed potato industry from 1999 to 2005 has been estimated at \$49.1 million.

There are three phases to the project:

- Phase one is complete and involved the creation of an environmental scan documenting and quantifying the impact of BRR in Canada and the selection of an actuary for the development of a premium ratemaking methodology.
- Phase two involves consultation with the seed potato industry after the completion of the following work by Kevin Lee of IAO Actuarial Consulting Services:
 - establishment of premium cost estimates under a number of options,
 - comparison of the organization under a mutual vs. reciprocal approach,
 - review of insurance operation protocols to reduce moral hazard,
 - estimates of reinsurance costs for a variety of scenarios and assessment of the data supplied, and
 - modifications to improve data capture and management.
- Phase Three involves implementation of the risk management solution if the industry decides to proceed.

The project is now in its second phase with a draft actuarial analysis complete. Discussions have now begun with the board of each provincial organization and their members to discuss the selected insurance models and gain feedback.

Canadian Potato Export Market Development Strategy

The Canadian Potato Export Market Development Strategy is one component of a larger project funded by AAFC's Canadian Agriculture and Food International (CAFI) Program.

The project consists of four activities:

1. increased participation at the NAPPO Potato Panel to improve the industry's ability to review and communicate IPPC and NAPPO standards;
2. improve the rapport with our main potato trading partner, the United States, by formulating consensual national positions on issues that will be dealt with at the Canada/US Potato Committee meeting and increase involvement of the seed potato sector at the Canada/US Potato Committee meeting;
3. participate in the 2006 World Potato Congress and Trade Show in Boise, Idaho;
4. develop a Long Term International Strategy (LTIS) to promote potato and seed potato exports. The LTIS has identified the following opportunities as facing the potato business in Canada:
 - expand the profile of the Canada/United States Potato Committee within the Government of Canada to ensure a focus by Government on the delivery of government services, trade irritants, and harmonization of government services such

- as the delivery of a common seed potato certification system between Canada and the United States.
- implement an AAFC trade presence at the NAPPO meetings; establish a protocol for government-industry to be able to identify, prioritize and address phytosanitary issues through the aforementioned AAFC trade presence and the Potato Section of the CFIA to ensure market access around the world.
 - increase cooperation between public and private breeders to improve access to existing potato varieties developed through traditional and non-traditional breeding and the development and commercialization of potato varieties through traditional and non-traditional breeding that contain only the amylose or amylopectin starch; are resistant to late blight; are high in protein; are herbicide tolerant; and satisfy market needs.
 - undertake variety trials in foreign countries to maintain, improve and develop export sales.
 - summarize the work that has taken place within each of the provinces on consumer focus groups determining market opportunities for potatoes such as usage and packaging; consumer knowledge of potatoes; perception of national and regional marketing programs and consumer response to identified food safety programs.
 - determine and work toward the structure of future vendor models that assure traceability; incorporate Efficient Consumer Response (ECR); and facilitate bargaining and information sharing activities to ensure long term profitability for growers and vendors.

Participation was taken in the World Potato Congress and in the Farm show in Boise, Idaho in August, 2006. The promotion of the seed potato industry in Canada provided good exposure in a large international show, and provided insight into new marketing opportunities and strategies.

Discussions have now begun with CFIA and AAFC to address their presence during NAPPO meetings and to discuss other elements of the Long Term International Strategy.

Trade Negotiations: Ministerial Exemptions for Potatoes

The trade negotiations that center upon ministerial exemptions for potatoes are ongoing. Negotiations resumed in mid-July after a six month pause resulting from the Canadian federal election. During the pause, representatives from the CHC Potato Committee Executive had the opportunity to meet with representatives from the National Potato Council to gain further understanding of each country's position with respect to the issues surrounding Ministerial Exemptions.

Bilateral discussions were held in mid-October between Canada and the United States. Canada and the US made good progress in achieving mutually satisfactory language on the provisions relating to mutual recognition of each other's certification programs (equivalency). Currently work is still being done to find mutually acceptable language relating to the calculation of Ministerial exemptions during the first two years of the agreement.

Potato Innovation Network: Potatoes 2020 (PIN 2020)

The CHC collaborated with New Brunswick-based BioAtlantech to secure funding for the potato industry under the Science and Innovation pillar of the APF.

Its mission is to establish Canada as the world leader in potato use innovation and ensure a highly diversified and innovative potato industry with multiple production options for

producers, and innovative products and opportunities for processors and marketers. The network is intended to build linkages and accelerate innovation across the potato value chain, both in commercial and scientific areas that will support continued growth, added value and diversified development of the potato industry. It will seek new lines of business for potato based products, processes, and science/technology.

Objectives:

- a. to facilitate the establishment of a national potato innovation network that would broker new value chain development in the Canadian potato industry over the next decade.
- b. to explore and critically analyze all existing and novel options for deriving value from potatoes, and establish the potential for the commercialization of these options.
- c. to identify those ideas with the greatest chance for commercial development, or having high socio-economic benefit for Canadian producers, processors and consumers.
- d. to establish a potato innovation strategy, and implement an action plan designed to develop and commercialize these concepts/ideas.
- e. to incubate and foster new value chain initiatives through roll-out, and potentially beyond.
- f. to develop plans for the long term sustainability of the PIN2020 network if appropriate.

A major stakeholder forum, featuring international speakers was held in Montreal in late January. Proceedings will be available in the spring.

• **Special Projects**

Over the past number of months the national office has worked develop proposals for projects which meet the needs and objects of the Canadian Horticultural Council and its members.

Fresh Produce Alliance

The Fresh Produce Alliance (FPA) was established in 2004 to identify and consolidate issues common to all sectors of Canada's fresh produce industry, investigate potential solutions and facilitate action necessary to generate change. It brings together the Canadian Horticultural Council (CHC), the Canadian Produce Marketing Association (CPMA), and the Dispute Resolution Corporation (DRC) in collaboration to make changes that will to improve the business climate for the fresh produce industry.

Four FPA projects are now underway to address the following objectives:

- to improve the destination inspection service of CFIA;
- to study the financial practices of the horticultural sector and make recommendations to mitigate the risks involved in getting paid;
- to rewrite the Licensing and Arbitration Regulations to strengthen them and review the delivery of the Program; and
- to standardize the language and inspection instructions of the grade standards now prescribed in the Fresh Fruit and Vegetable Regulations

Destination Inspection Project

Destination Inspection (DI) runs to March 31, 2007. The CFIA will be working to implement a three year phase-in of a new model for DI effective April 1, 2007. A series of cross Canada meetings to explain more fully the details of the new service have been ongoing. To ensure that all of the needs of the industry are met, it will be necessary to work closely with CFIA throughout the three-year implementation. Additional funds may be required.

Financial Practices Project

This project has been completed. It has made a number of recommendations to assist in the reduction of risk in areas of bankruptcy, insolvency and other non-payment issues. Further funding will be applied for by the CPMA to take this project to its next phase of possible policy change at the federal and provincial level, e.g. possible cooperative licensing and dispute resolution approach, possible PACA-like trust provisions, etc.

Review of the Licensing and Arbitration Program and Re-write of the Regulations

All required changes to the regulations have been identified with drafting instructions ready for the Department of Justice by mid-fall 2007. We have enjoyed a special/privileged working relationship with the regulators in that we have been able to be an active participant in assisting in a drafting exercise that will result in language that for all intents and purposes is in "industry jargon".

Grade Standard Review and Standardization of Grades

The objective of this project is to standardize the language and inspection instructions for the 30 commodities that have grade standards now established in the *Fresh Fruit and Vegetable Regulations*.

The following is a summary of the Canadian grade standards that are under review and their current status.

Year 1	Year 2	Year 3	Year 4
1. Asparagus	1. Apricots	1. Apples	1. Brussels Sprouts
2. Blueberries	2. Beets	2. Corn (Sweet)	2. Cabbage
3. Crabapples (TO BE REVOKED)	3. Cherries	3. Lettuce	3. Carrots
4. Cranberries (TO BE REVOKED)	4. Grapes (Table)	4. Onions	4. Cauliflower
5. Parsnips	5. Peaches	5. Pears	5. Celery
6. Rhubarb (Field) (TO BE REVOKED)	6. Plums/Prunes		6. Cucumber (Field)
7. Strawberries	7. Rutabagas		7. Cucumber (Greenhouse)
8. Tomatoes (Field)	8. Tomatoes (Greenhouse)		
9. Cantaloupe (TO BE REVOKED)	NEW 9. Tomatoes-on-the-Vine (TOV) Canadian industry to use new U.S. grade standard for TOV		
	10. Begin Apples		

New Projects

Markets Information Project (CHC Sponsored)

A new CHC sponsored Markets Information Project, to be coordinated by the FPA, was applied for in August. The project requests \$2.4 million over a three year period and will focus in on the collection and enhanced dissemination of horticulture markets information. This has been identified as a key need by the CPMA's Grower/Shipper Task Force and the North American Trade Task Force.

With the Canadian Food Inspection Agency decreasing the resources devoted to collecting this much needed markets information, the industry will be asked to input data themselves using a web-based system, in exchange for enhanced reports and more timely information. The information needed relates to FOB prices, weekly shipments, storage holdings, wholesale-to-retail prices, etc. This issue has been the subject of numerous AGM

resolutions and has been highlighted at APF consultations as a much needed tool under several pillars.

National (FPT) Integrated System for the Fresh Produce Industry (CPMA Sponsored)

This project follows up on the recommendations contained in reports prepared as part of the now completed ACAAF project studying the Financial Practices of the produce industry. The reports by Dr. Doug Hedley and McCleery and Associates recommended widespread changes to the regulation of the produce industry in Canada, including the creation of an integrated, Federal/Provincial/Territorial system for the fresh produce industry, and a tool to deal with the financial consequences of bankruptcy and insolvency in the industry. A Federal/Provincial/Territorial working group has been struck to work with industry to advance this file.

Still in Early Planning Stages:

Assuring Timely and Appropriate Payment (CPMA Sponsored)

The project objective is to launch a major awareness campaign within the fresh produce industry focusing on strategies to minimize risks associated with dealing with new customers, and how to deal with non-payment situations once they have occurred. A second objective is to establish an online database listing the current business situation of all dealers. These objectives are the result of recommendations made in previous studies by Dr. Doug Hedley and McCleery and Associates, funded by ACAAF, on the financial practices of the industry.

Fresh Produce Industry Data Collection (CPMA Sponsored)

The main objective of this project is to deal with the lack of industry specific statistics and information available for the fresh produce industry in Canada. The project will have two sub-objectives; to gather and disseminate current economic and other relevant data on the fresh produce industry today, and; to work with industry and government partners to develop a sustainable business plan for continued data collection and dissemination in the future.

■ Plant Health

- Our sector continues to deal with new pest interceptions as well as the after effects of previous finds. These include, but are not limited to:
- Leek Moth
 - *Duponchelia fovealis*
 - *Phytophthora ramorum*
 - Iris yellow spot virus
 - Plum Pox Virus
 - Chrysanthemum White Rust
 - Asian Longhorned Beetle
 - Potato Cyst Nematode

There is unquestionably a critical need for a National Plant Health Strategy, which includes provisions for compensation and a strategy for this will be developed. This also is an issue which has repeatedly been raised at APF consultations

The CHC continues to coordinate publication of the Canadian Plant Protection Advisory Committee's newsletter ***Plant Protection Canada***.

■ International Trade

With the demise/suspension of WTO talks, there has been less activity in broad areas of international trade. We continue to be closely involved with many US-based

issues, including closely following debate relating to the new US Farm Bill as well as proposed legislation which would impact trade with the US, particularly items such as the recently proposed imposition of additional user fees for shipments moving to the USA.

■ **Operations**

In 2006 a major milestone has been the Council's purchase of the Canadian Produce Marketing Association's shares in the property co-owned by both groups. The ownership transition took place in December 2006 and brought to an end a decades-long arrangement where office facilities and staff had been co-shared. Both groups are members of the Fresh Produce Alliance and will continue to work closely together on numerous issues and projects. While we are actively seeking tenants for some offices, it is our goal to fill the building with people working on projects that will benefit CHC members and the entire sector.

■ **The Year Ahead**

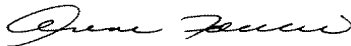
The year ahead will no doubt bring a continuation of current challenges as well as new ones. Some of the initiatives we will continue with include:

- input on APF II – Next Generation
- completing the inventory/gap analysis of production insurance and pressing for implementation of an SDPI-type program as an option for those horticulture producers who have none
- pest Management Centre
- food safety and security

In closing, I must attempt to thank those who work so diligently throughout the year to ensure that these and so many other initiatives advance. These include our President, Marcus Janzen, members of the Executive and Finance Committee, the committee chairs, officials in various government departments as well as other associations at both the national and provincial levels.

And of course, we are indeed fortunate to have such a dedicated team national office: Heather Gale, Patti Proulx, Chuck Dentelbeck, Amy Argentino, Kathleen Paynter, Simone Petriw, Meaghan Mullen and Geoff Lee.

Respectfully submitted,



Anne Fowlie
Executive Vice-President
March 8, 2007