



**The Strategic Review  
of the  
Canadian Pork Council**

**FINAL REPORT**

**submitted by**

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**and**

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# CPC Strategic Review

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## EXECUTIVE SUMMARY

### Preamble

The Canadian Pork Council (CPC) undertook a strategic review designed to improve the governance and in turn, the capacity of the organization to provide leadership in the advancement of the Canadian pork industry. To this end, the Strategic Review Steering Committee undertook an extensive consultation and review process. In addition, a number of relevant organizational models and industry structures were reviewed. The process has resulted in the development of a specific set of recommendations for this purpose.

One point must be made very clear. While structural changes are recommended, the Steering Committee recognizes that a change to the organizational structure cannot and will not in and of itself, result in a more effective CPC. Specifically, the Steering Committee requests that all provincial members of the CPC make two key commitments:

1. To build a respected and competent national organization essential for the well-being of the Canadian pork industry.
2. To support the decision making processes essential to organizational effectiveness.

It must be clearly recognized that an effective CPC able to lead on national and international issues requires pro-active collaboration among the provincial members and the national organization. Simply, given the nature of federal and provincial regulations, the CPC cannot operate as a stand-alone command-and-control organization with a distinct governance structure and its own funding mechanism. Thus a commitment to collaboration, by all parties, is a critical condition to improved governance. Without this commitment, the recommendations provided by the Strategic Review Steering Committee will be limited in their effectiveness.

### Directions Provided by the Consultation Process

The consultation process provided a clear set of directions specific to improving the governance and effectiveness of the CPC as a national body. These include:

1. A clear affirmation that a national body is important and necessary for the Canadian pork industry.
2. A strong interest in moving towards a *'Broader Industry Model'* that ultimately creates an organizational structure that brings together processors, pork marketers as well as other industry stakeholders. However, it is recognized that such a process will take time and the primary focus for the immediate term must be to improve the existing structure of the CPC.

3. There is **no interest** in adopting the US pork industry structure with two separate organizations: one for policy (National Pork Producers Council); and one for program development and implementation (National Pork Board).
4. The need to **streamline and reduce the size of the current CPC Board of Directors**. To this end, a Board similar in size to the current CPC Executive was proposed.
5. Board terms should be **clearly defined and limited** (i.e. 3 year terms; maximum of 2 terms).
6. Focus the primary role of the CPC to that of **advocacy, lobbying and policy development specific to national and international issues**. In addition CPC would continue to oversee, develop and administer national programs such as the CQA program and traceability.
7. Establish a **Matrix Leadership and Management System** to drive clear and regular collaboration between the CPC and the member organizations. Specifically it must be clear as to who is responsible for what; and how the national body and the provincial members can collaborate on numerous interests that are vital to all organizations.
8. Commit to a regular review and priority setting process to affirm national priorities; program standards; implementation issues specific to national programs; and funding requirements as well as funding mechanism.
9. Detail and clarify processes specific to board governance, decision-making and communications.

The preceding directions set the stage for the following recommendations presented by the Steering Committee.

### **Recommendations Pertaining to the CPC Mandate and Strategic Intent**

1. That the CPC be guided by the following mandate:
 

*To represent the Canadian pork industry on national and international issues and, when appropriate, coordinate national programs which currently includes: CQA; CPI; Traceability and Animal Care.*
2. That the CPC be clearly mandated to address policy, lobbying, advocacy **and** national program development requirements (and not take the U.S. approach which has established two separate organizations: one for policy; and one for programs).
3. Commence the process of changing the CPC to an improved ‘Federation Structure’

in the immediate term, but commit to the establishment of a Broader Industry Structure as soon as this is deemed appropriate.

4. Continue to liaise with such organizations as the National Pork Industry Roundtable; Animal Nutrition Association of Canada (ANAC); and the Canadian Meat Council (CMC), as leaders representing the Canadian pork industry.

### **Recommendations Requiring Structural Change**

5. Further to detailed discussions at the Strategic Planning Session (January 30 and 31<sup>st</sup>) the following board structure specific to size and representation is recommended:

<b><u>Province/Region</u></b>	<b><u>Number of Representatives</u></b>
Maritimes:	1
Quebec:	2
Ontario:	2
Manitoba:	2
Saskatchewan:	1
Alberta/BC:	1
<b>Chair:</b>	<b>1</b>
<b>Total Size</b>	<b>10</b>

6. That member organizations continue to select their respective board members in accordance to the number of allocated positions.
7. That the Board of Directors select a Chair from within the Board. Thus the province or region, from which the Chair is selected, will be entitled to fill this position with an additional director.
8. That the provincial members be responsible for the length of term and the number of terms to be served by an individual Director. However, a two year term is recommended as a minimum.
9. That a National Pork Industry Forum (NPIF) be established for the purpose of advising the CPC Board of Directors.
10. That at the outset, each province or region commits a minimum of four representatives to the NPIF. However, all provincial board members should be encouraged to attend.
11. That CPC fund the travel expenses for 18 members in total, the same configuration as the current CPC Board (one each from PEI; Nova Scotia; New Brunswick; British Columbia; 2 each from Alberta and Saskatchewan; 3 each from Ontario and Manitoba; 4 from Quebec).

12. That the General Managers from each of the provincial member associations attend the NPIF.
13. That CPC member organizations commit to a level of funding for the 2009 year (next one-year period) using the mechanisms and the approximate assessment levels currently in place.
14. That CPC senior staff and provincial senior staff immediately proceed to develop a three year strategic plan and one year operating plan for 2009 including a budget for 2009. This recommendation is subject to the approval of a 2009 plan.
15. With respect to a plan for 2010 and a budget, the above staff is charged to develop the priorities as well as identify new funding formulae and mechanisms that might be implemented to collect new levies. It is recommended that a preliminary framework be presented to the CPC Board for discussion by November 2008 (the semi-annual meeting) with a full plan that reflects the strategic priorities of the restructured CPC with input from the first NPIF to be held in early 2009. This plan including a budget and funding scheme will be presented to the CPC Board in July 2009.

#### **Recommendations Pertaining to CPC Planning and Effectiveness**

16. That a comprehensive Director Orientation program be developed and delivered on a regular basis. Two programs are required (1) one for new directors and (2) ongoing for effective board governance.
17. That CPC and the member organizations commit to regular planning processes that clearly define the respective roles and responsibilities of the CPC with respect to national issues and programs in relation to the provincial organizations.
18. That the CPC commit to a matrix management planning process that is coordinated between the Executive Director of the CPC and the General Managers from each of the provincial organizations on a regular and timely basis.
19. That all ensuing plans, budgets and resource commitments forthcoming from the matrix management process require the approval of the CPC Board before they are implemented.

The reader should note that the recommendations listed above are the major and most significant recommendations provided by the Strategic Review. However there are additional recommendations listed in the main body of this report.

## **Concluding Remarks**

The Canadian pork industry is at a crossroads. In a very short period of time, it has grown to become a large industry with a major export focus that is highly interconnected across regions and provinces. There is a clear recognition and support for an effective national organization able to lead on many key issues, yet work in harmony with its provincial members.

The strategic review clearly identifies a number of structural and operational changes which are addressed by the recommendations provided. If these are not addressed in an effective and forthright manner, the opportunity to advance the CPC as an effective national body may be lost. Thus the importance and urgency of acting on these recommendations should not be understated.

## 1.0 INTRODUCTION

The Strategic Review of the Canadian Pork Council (CPC) addresses a range of governance, organizational and financial issues facing the current organization as the national body within the Canadian pork industry.

Concerns among CPC member organizations have given rise to several fundamental questions specific to governance, structure, roles and responsibilities, effectiveness, the current status of delivery, the financing of national programs and services. In addition, the review deals with the question of what might be the most appropriate organizational model best able to serve the needs of the Canadian pork industry.

This document is the result of a detailed consultation and analysis process that commenced in September 2007 and culminated in a strategic planning session with the CPC Board of Directors held on January 30<sup>th</sup> and 31<sup>st</sup>, 2008. The full details of the consultation process are described in the Situation Assessment (see Attachment 1).

Further to the preparation of a draft document in early February 2008, the CPC Strategic Review Steering Committee met on March 28<sup>th</sup> 2008 and again on June 3<sup>rd</sup> 2008. This document reflects the directions and recommendations forthcoming from these meetings.

The reader is advised that this report builds on the previous reports prepared in early 2008. The major focus of this report is the recommendations presented in Section 5 beginning on page 7. In this section, the key issues addressed at the Strategic Planning sessions are presented. Each issue is presented as follows:

1. Background – an overview of the issues and the discussions pertinent to the issue.
2. Recommendations – these are based on the discussions and general consensus developed at the strategic planning meeting. A total of fifteen recommendations are presented. Each will need to be carefully considered and addressed.
3. Notes – on some issues, we have provided additional comments to ensure clarity with respect to the issue under discussion.

It is anticipated that this document will be reviewed by CPC Steering Committee for final approval and then released to the member organizations for their input and review prior to the annual meeting which is scheduled for July 2<sup>nd</sup> and 3<sup>rd</sup> 2008.

## 2.0 OBJECTIVES

The overriding objective of the strategic review is stated as follows:

*“To review and recommend an organizational model that will provide a strong, effective, financially sound national organization for the Canadian pork industry.”*

This objective gives definition to a number of organizational and operational issues. These are expressed as sub-objectives stated below:

1. To identify the major issues and challenges facing the pork industry both short term and long term.
2. To identify the opportunities and needs of the industry that can be effectively addressed by the CPC as the national organization.
3. To explore and qualify the limitations of the CPC’s current structure relative to industry needs, opportunities and the expectations of member organizations.
4. To identify and examine alternative industry models that may have application to the Canadian pork industry and provide improved organizational and operational capacity for the CPC.
5. To assist the organization to find the best organizational option for itself and the industry, and how it can be funded in a sustainable manner.

The sub-objectives provided the analytical framework for the strategic review.

### **3.0 KEY FINDINGS**

#### **3.1 Consultation Highlights**

The consultation process revealed a high level of frustration and dissatisfaction with the current structure and operations of the CPC. Furthermore, an analysis of comparative industry organizations provides a rich body of experience from which the CPC is able to consider alternative organizational and management approaches to industry issues. The highlights of these findings and observations are presented as follows:

1. The major issues and concerns arising from the member organizations include:
  - The need for greater clarity specific to the role and responsibilities of the national body in relation to provincial organizations. Currently this is very unclear.
  - The capacity of the CPC to deal with ‘national’ issues in a timely and effective manner. The recent experience with the US countervail action exposed this concern in a significant way.
  - The lack of transparency with respect to decision making processes and the manner in which CPC establishes priorities. There is considerable concern among the provincial members regarding the ability of CPC to make decisions and how these decisions are made.
  - Funding beyond the current voluntary system.
  - The role of the CPC specific to lobbying and program implementation.
  - The need for national standards and protocols and in turn the role of the CPC relative to provincial member organizations.
  - Communication to producers and provincial member organizations.
  - The need for domestic marketing programs to deal with increasing pork imports.
  - Defining a national vision for the Canadian pork industry.
  - Who is actually driving the CPC? In other words, how are decisions being made and by whom?
  - The diversity of membership and regional differences.

A full discussion of each issues listed above is presented in Attachment 1.

2. A review of comparative industry models reveals that there are many organizational alternatives that can provide a basis for learning. These include:
  - The U.S National Pork Board – an example of a ‘program’ focused organization.
  - The US. National Pork Producers Council – an example of a ‘policy’ focused organization.
  - The Netherlands Product Board for Livestock, Meat and Eggs – an example of an integrated industry structure that comprises producers, processors, retailers, labour unions as well as other industry players in a focussed manner.
  - The Animal Nutrition Council of Canada (ANAC) and the Canadian Association of Petroleum Producers (CAPP) – two industry associations whose mandate is to

serve members.

- Fonterra – a New Zealand example that is demonstrative of a ‘total’ industry approach with a decided export focus that developed subsequent to a near industry collapse.
3. The **Situation Assessment Workshops** provided the following directions for further exploration and discussion at the January 29<sup>th</sup>, 30<sup>th</sup> strategic planning session:
- A clear affirmation that a national body is important and necessary for the Canadian pork industry.
  - There is strong interest in moving towards a *‘Broader Industry Model’* that ultimately brings together processors, pork marketers and others. However this will take time and the primary focus for the immediate term must be to improve the existing structure.
  - There is **no interest** in adopting the US pork industry structure with two separate organizations (NPPC for policy; NPD for programs).
  - The current CPC board **must be streamlined and reduced in size**. To this end, it is proposed that a Board of Directors similar in size to the current CPC Executive might be an alternative. Board members of the respective provincial organizations could serve as a delegate body.
  - Board terms should be **firm and limited** (i.e. 3 year terms; maximum of 2 terms).
  - Focus CPC’s primary role to that of **advocacy, lobbying and policy development**. In addition CPC would continue to oversee, develop and administer national programs such as the CQA program and traceability.
  - Establish a **Matrix Leadership and Management System** that will drive clear and regular collaboration between the CPC and the member organizations. Specifically it must be clear as to who is responsible for what; and how the national body and the provincial members can collaborate on numerous interests that are vital to all organizations.
  - Elements to be addressed on a regular basis include: **establishing industry priorities; program standards; implementation; and funding**.

In addition, processes specific to board governance, decision-making and communications must be clarified, detailed and established in a systematic manner.

#### 4.0 ADDITIONAL OBSERVATIONS

Our experience as management consultants in the field of strategic planning as well as our extensive experience within the Canadian hog industry provides us with a basis from which to make a number of observations specific to this strategic review.

Firstly, it should be noted that the current distressed state of the Canadian pork industry and the rapidity of change are major contributing factors to the high levels of frustration with the CPC as well as within the CPC itself. In effect, the Canadian pork industry has transformed from:

- A collection of domestic, independent provincial industries characterized by family farms and small regional processors;
- To a highly industrialized, interdependent and concentrated industry with two major national processors. Furthermore, the industry transformed to becoming a major exporter to the extent that more than 50 percent of total Canadian pork production is exported.

This change (and growth) has occurred within all regions but particularly within Western Canada. For example, sow numbers in Manitoba have doubled since 1997. Furthermore several provincial organizations have undergone a major change in mandate. Western provinces have moved to an open market system thereby shifting the mandate of the provincial organizations to that of an industry leadership, policy and promotions focus. The provincial organizations in Eastern Canada continue to be responsible for marketing under single desk selling systems in addition to industry leadership, policy and promotions. Overall, the dynamics, issues and the associated industry pressures have grown exponentially in a very short period of time.

Secondly, the financial stakes to individual operations and the pork industry itself are much higher than in the past. The Canadian pork industry has become a major exporter and is therefore much more vulnerable than a domestic industry. Indeed the export industry is subject to a host of 'external' variables such as exchange rates, trade litigation, animal disease risk and political factors impacting commodity prices. Many of these factors, if not all, are completely outside the industry's control. Furthermore, there are fewer larger players who on an individual basis have much more at stake on a per operation basis.

Thirdly, the CPC has functioned as a loosely associated federation model that began by dealing with relatively benign technical issues such as grading standards. Within this foundational ethos, it is observed that the CPC has largely operated as information clearing house, meeting twice a year and not as an industry body able to formulate clear positions and make decisions in a timely manner. Indeed CPC has functioned quite well to date and it is remarkable that it has been able to operate until 2007 without a major governance review.

Clearly the CPC as an organization is now at a crossroad. It can no longer operate in this

manner and retain the support of its members. However, it should also be noted that a strong will exists among the provincial members to make the CPC work as an effective national organization.

Three other points forthcoming from the consultation process also need to be made:

1. Simply increasing funding or imposing a national check off without addressing the structural and decision-making impediments will not lead to a successful solution.
2. The wholesale adoption of an alternative industry model from another country would be unwise. Clearly Canada is shaped by a unique federal-provincial structure that must be taken into consideration should any changes be proposed.
3. The status quo is not an option. The frustrations and concerns with the existing system are great. If these are not addressed and new solutions are not found, the current structure cannot be sustained.

## **5.0 CONCLUSIONS, DIRECTIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The ensuing sections in this chapter summarize the conclusions and directions for organizational change to be considered by the Canadian Pork Council. A set of recommendations are also presented. These recommendations are the result of the following process:

1. The Strategic Planning session involving all the members of the CPC Board of Directors held on January 29<sup>th</sup> and 30<sup>th</sup> 2008. During this session, the members of the board responded to the detailed findings and implications outlined in the Situation Assessment (see Attachment A).
2. Two subsequent meetings held by the Strategic Review Steering Committee who met on March 28<sup>th</sup> 2008 and again on June 3<sup>rd</sup> 2008. These meetings provided the committee the opportunity to review the directions forthcoming from the Strategic Planning session and develop a set of final recommendations.

The directions and the ensuing recommendations are categorized as follows:

- Directional – a set of recommendations outlined in Sections 5.2 to 5.4 that speak to the broad mandate of the CPC and the role it serves in the development of the Canadian pork industry.
- Structural – a set of recommendations (Section 5.5 to 5.9) that identifies specific structural changes to be made for the purpose of increasing the effectiveness of the CPC in the fulfillment of its mandate.
- Operational – a set of recommendations (Sections 5.10 and 5.11) that will improve how CPC operates as an organization.

Each direction forthcoming from the strategic review process and addressed the Steering Committee is presented as a separate section complete with background followed by a recommendation (or recommendations).

## 5.2 Mandate of the CPC

### Background

The major concern among member organizations is the need for greater clarity with respect to the roles and responsibilities of the CPC as the national pork industry body, in relation to the roles and responsibilities of the provincial organizations. It is evident that there are several broad issues that are of vital interest to both the national **and** the provincial organizations. These are:

1. Policy development, lobbying and advocacy including such issues as:
  - International trades, market access, countervail, and COOL.
  - Safety nets and producer support programs such as CAIS.
2. National programs such as Certified Quality Assurance (CQA), traceability, animal welfare and Canada Pork International (CPI) specific to international marketing.

While some of these issues appear to be distinctly national or international in scope, they have very direct implications to provincial pork industries. Also, the level of concern by province may vary by issue or priority at any point in time. For example, trade issues are extremely important to those provinces that have a major export focus (Ontario and Manitoba in the case of weaner pigs). Other issues such as safety nets, policy development/lobbying/advocacy and national programs and the manner in which these are coordinated across federal and provincial interests are important to all provincial organizations.

Further it is recognized that the specifics with respect to each of the above four major issues will continually change over time. However, these broad issues themselves will continue to be major priorities for the national body as for many provincial organizations into the foreseeable future.

In response to the preceding discussions, the consulting team proposes the following general mandate for the CPC:

***The mandate of the CPC is to represent the Canadian industry on national and international issues and, when appropriate, coordinate national programs which currently includes: CQA; CPI; Traceability and Animal Care.***

This mandate by definition requires strong and continuing working relationships between the CPC and its provincial members.

It should also be recognized that national and provincial relations in Canada are inherently complex given our constitution and history. Each provincial organization operates within the framework of its own provincial marketing legislation. Further to this, the CPC is a

voluntary federation of provincial members, each contributing financially on a voluntary basis.

In view of the current federal and provincial regulations, the CPC cannot operate as a stand-alone command-and-control organization with a distinct governance structure and its own funding mechanisms. Thus a commitment to collaboration, by all parties, is a critical precedent to improved governance. Without this commitment, the ability of the CPC to achieve its mandate and the recommendations provided by the Strategic Review Steering Committee will be limited in their effectiveness.

### **Recommendation**

1. The general mandate as described above be acknowledged and accepted.

### **5.3 Policy Board vs. Program Board.**

#### **Background**

The Steering Committee undertook to develop a deeper understanding of comparative industry organizations to gain insights and ideas that may have relevance to the strategic review. Two such organizations that were reviewed were the National Pork Producers Council (NPPC) and the National Pork Board (NPB) both in the USA.

A comparison of these two national organizations gave rise to the consideration that two separate national organizations could potentially service the needs of the Canadian pork industry: (1) a policy based organization similar in mandate to the NPPC; and (2) a program focused organization similar in mandate to the NPD. This prospect was explored by both strategic assessment workshops and unanimously discouraged. Such a development was felt to increase the risk of duplication, increase overall costs and actually complicate an already challenging communications situation.

It was further agreed that the distinct differences and needs associated with policy, lobbying and advocacy versus program development and implementation be dealt with at the organizational and management levels within the CPC.

#### **Recommendations**

1. That the CPC's be mandated to address policy, lobbying, advocacy **and** national program development requirements.
2. It is further recommended that in due time it may be appropriate to undertake an operational review to ensure that the necessary skill sets and management processes are appropriately aligned for each functional area.

## 5.4 Strategic Intent Regarding the Long Term Structure of the CPC

### Background

CPC is currently structured and operates as a not-for-profit federation comprised of nine member organizations. Each of these members is a provincial pork organization that is in turn representative of pork producers operating within the respective province.

The comparative analysis of other national pork industry organizations illustrates that structures are evolving to include representation beyond one class of members – namely producers. Two examples cited in the previous section include:

1. **The National Pork Producers Council (NPPC) in the USA.** This organization while predominately producer driven has extended membership to two additional classes: (a) Allied Industry Council – representation from the input sector such as feed, animal health and genetics; and (b) Processor Council – representation from the packer/processor sector.
2. **The Product Board for Meat, Eggs and Livestock in the Netherlands.** This organization operates as a broad industry board and has representation from producers, meat processors, butchers, retailers and labour unions.

Both these organizations can be described as an integrated industry approach that recognizes the complex interactions among chain partners and the opportunity to work together toward more effective industry strategies and solutions.

Over the course of the strategic review process, there is strong consensus that the time has come for the CPC to broaden its membership beyond producer organizations. The logical next step is to include the processing sector followed by allied industries (input sector such as feed, animal health) and marketers (retail, wholesale, food service). However, it is also clear that CPC must first address its own structural and organizational challenges before it begins the process to establish new classes of members.

### Recommendations

1. Commence the process of changing the CPC to a modified (and improved) Federation Structure in the immediate term but commit to the establishment of a Broader Industry Structure as soon as this is deemed appropriate.
2. Continue to liaise and work with such organizations as the National Pork Industry Roundtable; Animal Nutrition Association of Canada (ANAC); and the Canadian Meat Council (CMC). Note: It is not yet clear what role the National Roundtable will have in the future. Currently, it plays a useful role in bring together industry leaders as a forum for discussion and input to Agriculture and Agri-food Canada.

In summary, the consultation process strongly supported the concept of engaging and involving industry stakeholders to become part of the CPC. However, the following qualifiers are provided for consideration by the Steering Committee and the CPC Board of Directors:

- Go slow in moving toward the broader industry model. This sentiment is best captured by the following quotation: “We need to get our own house in order first, and then move to the latter!”
- When it is appropriate to move forward toward the establishment of the Broader Industry Model, ensure that the added representative is extended at the invitation of the CPC Board. In other words, be sure that the invited stakeholders are truly committed to a collaborative approach in addressing industry issues.

## 5.5 Board Size and Structure

### Background

CPC is currently governed by an 18 person Board of Directors comprised as follows: Nova Scotia, Prince Edward Island, New Brunswick and British Columbia each with one director; Alberta and Saskatchewan each with two directors; Manitoba and Ontario each with three directors; Quebec with four directors; and the Chair who is selected from within the Board. The Board meets two times per year. Provincial representatives serving as CPC directors are subject to change at any time. Some representatives serve for long periods of time; other directors serve for relatively short periods of time particularly if the director in question is not re-elected to his or her respective provincial organization.

An Executive Committee comprising 8 persons operates within the CPC Board of Directors and meets on a more regular basis (on average every six to eight weeks). The committee is comprised as follows: one director representing the three Maritime Provinces; one director representing each of the following provinces: Quebec; Ontario; Manitoba; Saskatchewan; Alberta and British Columbia; and the Chair.

The strategic review clearly identified the following limitations:

1. The Board is too large and meets too infrequently to be informed on the issues and to effectively make decisions in a timely manner.
2. Individual board members attend CPC meetings as representatives of their provincial organizations and do not function as a CPC Board Director per se with a shared vision and purpose.
3. The Executive Committee effectively operates as the decision making body for the CPC. However it does not have clear authority to make decisions without referring back to the broader CPC Board and in turn to the boards of the provincial members.

The strategic review agreed on two key issues: (1) reduce the size of the board; (2) restructure the board to a body that is similar in size and representation to the current Executive Committee. Two options were reviewed (see Attachment 3). However there is no clear consensus regarding the exact structure for a new CPC board. The difficulties revolve around trying to balance provincial representation with provincial industry size without making the Board too large.

The following directions were provided:

- Reduce the number of board members to between 8 and 11 directors.
- Consider 9 positions for producers; 2 for future industry representations when the CPC moves to a Broader Industry Organization.
- Select an independent Chair. However the Chair should be a producer.

- Recognize the unique issues associated with weaner producers and the need to have this sector represented.
- Require voting on all major issues to be supported by 6 of 8 Directors (assuming that the Chair does not vote) and/or 70% of total production represented by individual directors.

## Recommendations

1. Further to detailed discussions at the Strategic Planning Session (January 30 and 31<sup>st</sup>) the following board structure specific to size and representation is recommended:

<u>Province/Region</u>	<u>Number of Representatives</u>
Maritimes:	1
Quebec:	2
Ontario:	2
Manitoba:	2
Saskatchewan:	1
Alberta/BC:	1
Chair:	1
<b>Total Size</b>	<b>10</b>

2. That member organizations continue to select their respective board members in accordance to the number of allocated positions.
3. The Board of Directors will select a Chair from within the Board. Thus the province or region, from which the Chair is selected, will be entitled to fill this position with an additional director.
4. That a review of the proposed structure will be undertaken within two years of the implementation date to assess effectiveness and/or to determine what changes need to be made.
5. That the CPC Board commit to a complete strategic review process every five years in view of the rapidly changing nature of the Canadian pork industry.

There was considerable discussion on whether the Board should be structured to have representation from dedicated weaner producers. At this time, the Steering Committee decided not to be that prescriptive. However, provinces with a large weaner production sector may choose to ensure such representation when they make their own board selections.



## **5.7 Director Orientation**

### **Background**

It is observed that the role and responsibilities of a CPC Director may not be well understood. Furthermore it is noted that CPC directors do not receive orientation or training with respect to their role as a Director of the CPC or in the area of governance.

It can also be argued that those directors currently serving on the CPC Board are not serving as CPC Directors; rather they serve as representatives of their respective provincial members. This is not surprising given the current nature of the CPC, how it functions, and the relative infrequency of meetings. Further the lack of clarity with respect to national versus provincial responsibilities compounds this situation. Consequently, the CPC does not function as well as it might as a leadership setting and decision making body.

There was unanimous agreement that a director orientation program that addresses governance, how an effective board works, and the role of the director and board policies are necessary.

### **Recommendation**

1. That a comprehensive Director Orientation program be developed and delivered on a regular basis.

It is anticipated that two levels of orientation will be required: (1) New Director Orientation – for the new director who is serving on the CPC for the first time; (2) Effective Board Governance – an ongoing process and set of resources designed to address board operations and issues.

## 5.8 Establishing a National Pork Industry Forum (NPIF)

### Background

The consultation process revealed that the linkage between the CPC and the individual hog producer is indirect and weak. Further the linkages between the CPC and its member organizations are also limited. In the case of the latter, the relationship is dependent upon the level of communication provided by the CPC Board representatives to their respective provincial organizations. The quality and content of this communication varies depending upon ability, interest and circumstances. As a consequence, CPC's role, priorities and results among its members is either not well known, understood, or appreciated.

It is agreed that member input to and interaction with the CPC needs to be strengthened. To this end, it is proposed that a National Pork Industry Forum (NPIF)<sup>1</sup> be established. Such a body would function in the following manner:

- Meet regularly as a forum (once or twice per year).
- Function as an input or advisory body to the CPC Board of Directors to: (1) identify and/or affirm industry priorities that need to be addressed; and (2) provide feedback on how well the CPC is serving member needs.
- Meet within a facilitated framework to ensure orderly processes and to maximize the input and direction that can be generated by the group within the planned meeting time frames.

There was no final agreement on how often this body should meet. Some felt an annual meeting would suffice. Others felt that two meetings per year are required to generate the necessary interaction and feedback.

In addition there was no final agreement regarding the actual structure or size of NPIF membership. Some suggested that the NPIF be extended to include all board members from each member organization; others suggested that a maximum of four representatives per province or region is sufficient. It was finally agreed that each province will determine how many representatives it wishes to send to the NPIF. The cost of travel will be the responsibility of the provinces.

It was also suggested that since the NPIF's role is advisory in nature, the forum could be structured as a two day session: Day 1 in which a broader representation from industry and/or subject matter experts would be invited to contribute; Day 2 in which the NPIF itself would further identify and discuss issues with the intent of providing priorities to the CPC Board. (Note: CPC Board Directors would attend the NPIF Forums as Board Members to listen and receive input).

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<sup>1</sup> There may be a better name such as the Pork Industry Forum or the National Pork Summit. This can be reviewed and re-examined at a later date.

## Recommendations

1. That a National Pork Industry Forum be established for the purpose of advising the CPC Board of Directors.
2. That at the outset, each province or region commits a minimum of four representatives to the NPIF. However, all provincial board members should be encouraged to attend.
3. That CPC fund the travel expenses for 18 members in total, the same configuration as the current CPC Board (one each from PEI; Nova Scotia; New Brunswick; British Columbia; 2 each from Alberta and Saskatchewan; 3 each from Ontario and Manitoba; 4 from Quebec).
4. That the General Managers from each of the provincial member associations attend these meetings.
5. That the Forum be structured as a two-day event: Day 1 being an input day with feature presenters on subject matter specific to the issues of the day; Day 2 being a discussion and direction setting day.
6. That industry stakeholders from other related sectors such as processing, feed and/or other input suppliers be identified and invited to participate in the Forum.

Clearly, considerable latitude can be taken with respect to the ultimate structure and size of the NPIF. The final decision whether all provincial board members should be included or if provincial or regional representation is limited to a set number of representatives, will ultimately depend upon transportation and time practicalities as well as costs. However the NPIF must embody several key principles regarding its role and purpose:

- To serve as an ‘advisory’ body to the CPC Board of Directors. The ultimate decision making responsibilities lies with the CPC Board.
- To serve as an engaged ‘bridge’ between provincial members, individual hog producers and the CPC.
- To function as an ‘early warning system’ for the CPC with regards to emerging and/or new industry issues and/or the effectiveness of the CPC on current issues.
- To foster the inclusion of broader industry perspectives and subject matter experts. The NPIF provides the ideal mechanism to invite and engage associated sectors such as allied industry partners and processors. The NPIF can also serve as first step to the inclusion of these sectors on the CPC Board as it moves toward the Broader Industry Structure model.

## **5.9 Funding the CPC**

### **Background**

The current funding of the CPC by the provincial members is voluntary and by definition vulnerable. Presently the future funding commitments by members are being reviewed as a result of several factors including: (1) dissatisfaction with the performance of the CPC on such key issues of importance as the U.S. countervail action; (2) lack of clarity with respect to roles and responsibilities between the national body and provincial interests; and (3) an industry that is currently under considerable financial duress due to market conditions. Most if not all provincial organizations are currently scaling back operations due to reduced levels of funding due to declining hog numbers.

There is an increasing sense of vulnerability within the CPC with respect to its financial future. Furthermore, there are concerns that the CPC is being asked to do more, while resources are already scarce and likely to decrease in the future. The discussion gave rise to several points:

- The need to state CPC's strategic intent to pursue sources of secure funding. To this end, CPC commits to exploring the viability of a national check off program and how this might be established. Further, the CPC will identify other sources of funds for such purposes as marketing or national programs that may be available from federal funding sources.
- Funding contributions should be broadened to include of all parts of the industry – market hogs, breeding stock for export, weaners for export, culls, and imported pork products.
- No new or revised funding formulae were discussed at the time of the planning session. However, it is agreed that a new formula needs to be examined that includes weaner operations as well as imported pork. This may involve a formula based on a sow inventory plus a market hog levy.

Overall it is agreed the short term funding commitments should be based on the plans and budgets developed and approved by the CPC Board for 2008 and 2009.

### **Recommendations**

1. That CPC member organizations commit to a level of funding for the 2009 year (next one-year period) using the mechanisms currently in place.
2. That CPC senior staff and provincial senior staff immediately proceed with the development of a three strategic plan and one year operating plan for 2009 and a budget. This recommendation is subject to the approval of a 2009 plan.
3. With respect to the 2010 budget, develop the priorities and identify new funding formulae and mechanisms to collect levies. A preliminary framework

will be presented to the CPC Board for consideration by November 2008 with a full plan that reflects the strategic priorities of the restructured CPC and input from the first NPIF that will be held in early 2009. This plan will be presented to the CPC Board in July 2009.

## 5.10 Roles and Responsibilities Between the CPC and its Members

### Background

A major challenge facing the Canadian pork industry is the effective and synergistic coordination of national and provincial issues. The strategic review process involved an exercise conducted at two workshops – a Montreal workshop held on December 7<sup>th</sup>, 2007 with 14 participants; and a Calgary workshop held on December 10<sup>th</sup> with 20 participants. The results clearly affirmed the cross over and the mutual interests of both national and provincial interest's specific to trade issues, lobbying/advocacy and producer safety nets and/or support programs (see Tables 5.1 & 5.2).

**Table 5.1: Top Six National Issues as Measured by Point Allocation<sup>2</sup>**

Issue	Montreal	Calgary	Overall
Trade Issues	270	340	610
Lobbying/Advocacy	190	270	460
CAIS/Safety Nets	250	170	420
Animal Health	130	80	210
Export Marketing	70	120	190
Foreign Animal Diseases	40	130	170

**Table 5.2: Top Six Provincial Issues as Measured by Point Allocation**

Issue	Montreal	Calgary	Overall
Lobbying/Advocacy	160	370	530
CAIS/Safety Nets	220	210	430
Environment	110	380	390
Pricing	230	140	370
Trade Issues	170	170	340
Value Chain Devl'p	-	200	200

It is agreed that these issues are the mandate of the CPC as a national body. Further, it is agreed that it is the responsibility of the CPC Board to commit to a planning and management process that effectively coordinates national and provincial interests. Further, this process should maximize the use of available resources and capabilities in accordance to the skills required and availability. Such a process needs to be undertaken within the following framework:

- A three-year strategic plan developed jointly the CPC and the provincial members.
- Annual plans that identify key priorities to be addressed.

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<sup>2</sup> Each participant was provided a total of 100 points (10 point increments) and asked to identify the top national priorities and the top provincial priorities. The Montreal planning session was attended by 14 participants; the Calgary session has 20 participants.

- Annual budgets that are reflective of the resource requirements needed to operationalize the annual plan.
- A management and implementation plan that effectively coordinates the management of the CPC with the management capacities available at the provincial level.

While this may appear complex, this approach is hardly without precedent nor uncommon in the business world among corporations or industry organizations that have a head office and several regional offices. Two key elements are essential: (1) commitment to make the process work; (2) the discipline to complete the tasks.

The preceding approach is sometimes referred to as matrix management. Additional background on matrix management was presented to assist in the understanding of the process, including advantages and disadvantages (see Attachment 4).

With respect to a particular issue or initiative, matrix management is simply a process whereby three categories of issues are established:

1. Issues that are clearly national and the domain of the CPC
2. Issues that are national but involve both the CPC and provincial members
3. Issues that are clearly provincial in scope.

With respect to national issues involving both the CPC and provincial members, the following process would be followed: agreement on objectives; activities to be defined; responsibilities and resources to be assigned and a project manager charged with the responsibility to oversee and manage each individual project (or initiative). This requires close working relationships between the Executive Director of the CPC and the respective General Managers of the respective member organizations.

It needs to be clearly stated that while changes in the structure and governance of the CPC are important, the Steering Committee recognizes that structural changes alone will not result in a more effective CPC. Specifically, the Steering Committee requests that all provincial members of the CPC make two key commitments:

- That a respected and competent national organization is essential for the well-being of the Canadian pork industry.
- Support the decision making processes (such as matrix management) essential to organizational effectiveness.

In other words, the implementation of a matrix management approach without the commitment to support a functioning national organization, will not lead to a successful outcome.

## **Recommendations**

1. That CPC and the member organizations commit to regular planning processes that clearly define the respective roles and responsibilities of the CPC with respect to national issues and programs in relation to the provincial organizations.
2. That the CPC commit to a matrix management planning process that is coordinated between the General Manager of the CPC and the General Managers from each of the provincial organizations on a regular and timely basis.
3. That all ensuing plans, budgets and resource commitments forthcoming from the matrix management process require the approval of the CPC Board before they are implemented.

## **5.11 Role of Canada Pork International (CPI)**

### **Background**

Currently the CPC directs considerable resources to Canada Pork International in the development of the export markets for fresh and processed pork products. Over the past 15 years, CPI has enjoyed considerable success and hence has received strong industry support as Canada emerged to become one of the world's leading pork exporters.

The markets for exported pork have changed dramatically in the past two years. Firstly, Canada's major customer (the USA) has now surpassed Canada as a pork exporter. Secondly, the rapid rise of the Canadian dollar has seriously disadvantaged Canadian pork sales that in many situations are being sold at a loss to Canadian producers. Thirdly, Canada's own domestic market is being seriously challenged by fresh pork imports from the USA as major retailers and food service companies are responding to aggressive pricing and marketing programs. Thus Canada is in the process of losing considerable market share in its own market!

The role of the CPI and the specific dynamics of the market situation are beyond the scope of the strategic review and are not governance issues. Nevertheless, concerns about domestic market share and the role of CPI are preeminent among CPC member organizations. The following are presented as information for the CPC Board:

### **Recommendations**

1. That CPC undertake to review the opportunities and challenges facing both the export markets with which Canada is competing, as well as the domestic market.
2. Furthermore, this review needs to examine the optimal role of the CPI in relation to this market analysis as well as the capacity of the newly formed Pork Marketing Canada (PMC) – an alliance among several member organizations to address the domestic market.

## 6.0 CONCLUDING REMARKS

The proposed structural changes embedded in the directions outlined in the preceding section are both substantive and significant. Three key changes should be noted:

1. **A smaller board** - the significance of a smaller focused Board of Directors with a clear mandate, purpose and who meet on a regular basis cannot be overstated. Many highly successful corporations and industry organizations operate with Boards that have 10 or fewer directors. This is major departure from the current situation with 18 directors that constantly revolve and meet just twice a year. This change alone greatly enhances the decision making ability of the CPC.
2. **The formation of a National Pork Industry Forum (NPIF)** – this structure serves as an important and formalized bridge between the CPC and its members. Currently this does not exist. Further the NPIF can be expanded to include representation from other industry sectors thus broadening the scope and input it is able to provide.
3. **A Formalized Priority Setting and Planning Structure** – the commitment to a planning process that draws from the NPIF and brings together the senior management from the national and provincial organizations is another significant departure from the current situation. While this process may not be easy, at the same time, it is not conceptually difficult. Clearly the leadership of CPC Board and the commitment of the member organizations are critical to the success of this process.

We also recognize that determining actual board size and representation by province (or region) is a sensitive process. Clearly larger hog producing provinces want to be assured that the relative size of their industry is recognized, while smaller provinces want to be assured that their voices will be heard. We offer the following comments:

- The Canadian pork industry is highly interconnected. While regional priorities may vary, the issues in one province quickly become issues for all provinces. For example, should the flow of weaner pigs from Ontario and Manitoba into the USA be disrupted, the impacts to finishing operations and packers across the country will be felt immediately. Also a quality assurance breakdown in one province impacts the integrity of the entire industry.
- Increasing the numbers of board members from any one province or region does not in itself lead to improved representation or decision making. Rather the first step for all provinces is to ensure that the Director to be selected has a deep and thorough understanding of the industry both nationally and provincially.
- The need to shift to a national industry focus from a provincial or regional

focus. Much of the organizational ethos of our national organizations reflects the political and geographical diversity of this country. Yet many industry issues transcend political boundaries both nationally and inter-provincially. Thus a well selected Board of Directors regardless of which province they come from should be able to address the national interests of the Canadian pork industry.

Finally, further work needs to be done regarding the specifics of funding mechanisms and the development of national-provincial planning and management processes. However, the key decision at this stage of the strategic review process is to commit to these changes outlined in the recommendations. Once the commitment is made and a more effective and responsive governance structure is established, the necessary details will be much easier to establish.

For Toma & Bouma Management Consultants

Jerry Bouma  
Project Manager



**ATTACHMENT 1:**

## **Situation Assessment**

**Phase 1 of the Organizational and Financial Review**

**of the**

**Canadian Pork Council**

**For Review and Discussion**

**submitted by**

**The George Morris Centre**

**and**

**Toma & Bouma Management Consultants**

**January 2008**

**CPC Situation Assessment**

**Phase 1: Organizational and Financial Review**

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## 1.0 INTRODUCTION

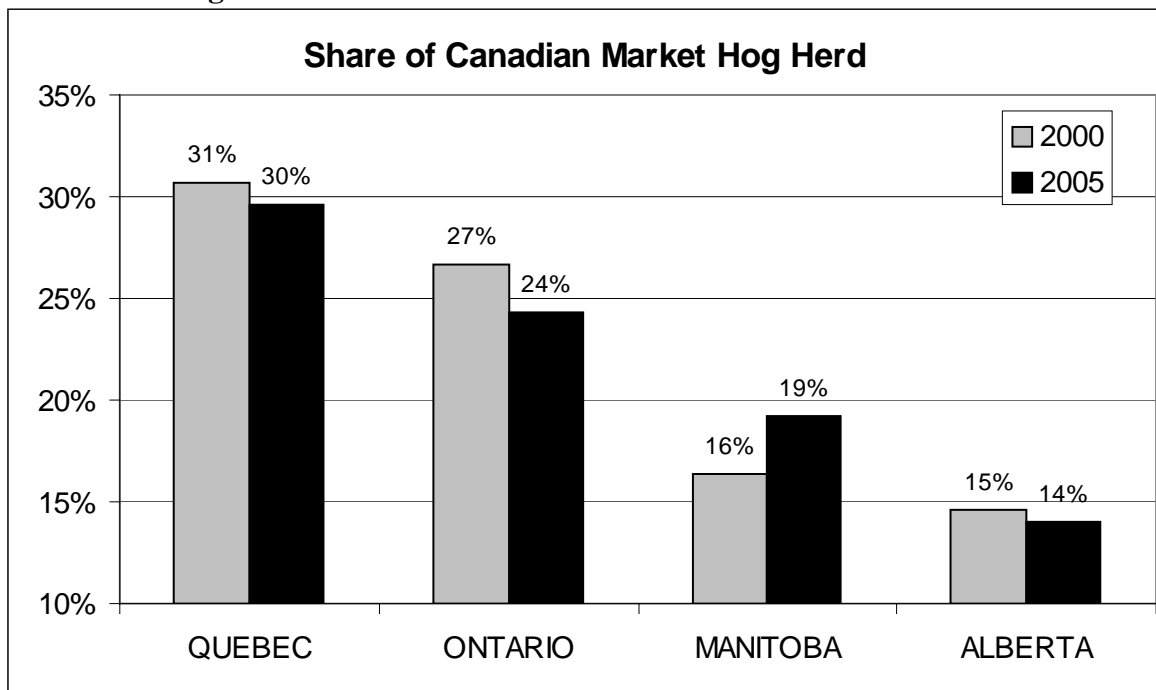
### 1.1 Background

*“ Strategies that break the mould grow initially like weeds, they are not cultivated like tomatoes in a hothouse ... they can take root in all kinds of places!” H. Mintzberg, McGill University.*

The Canadian hog industry is the midst of massive change that has been ongoing for many years and is accelerating in the past five to ten years. Firstly, the industry has experienced massive rationalization and consolidation led by a significant decline in the number of hog operations of all types in all provinces. Secondly within a period of less than 15 years, the industry has developed a major export focus to the extent that over one-half of total production (live hogs, fresh and processed products) leaves the country. Thirdly, the processing industry is now in the hands of two major players: Maple Leaf Foods and Olymel who are both currently struggling with competitiveness issues in the rapidly changing market place.

Two significant dynamics within the hog industry itself are illustrative of these changes: (1) shifting location; and (2) evolving farm business structures. Recent statistics demonstrate the point (see Figure 1).

**Figure 1: Location of the Canadian Sow Herd: 2000 to 2005**



Source: Statistics Canada

Specifically, the bar graphs in the figure illustrate the relative decline taking place in eastern Canada (Ontario, Quebec) as well as Alberta while Manitoba has experienced considerable growth – a trend that has been in motion for some time now. Meanwhile, the number of farms producing hogs has declined rapidly while a relatively few operations account for increasingly larger proportions of total production. Successful Farming, a leading US farm publication, recently listed the top eight Canadian production operations. These units alone account for more than 20% of the total national production and typically comprise large-scale business conglomerates with affiliated genetic companies, multipliers, feed milling operations and in some cases, processing capability.

In terms of hog numbers, Table 1 illustrates that the average size of operation has more than doubled in 10 years.

**Table 1**

Average Size of Hog Operations within Canada (no of head)								
	All Operations		Farrowing		Farrow to Finish		Finishing	
	1996	2005	1996	2005	1996	2005	1996	2005
<b>Canada</b>	523	1,107	405	922	1,039	2,121	589	1,278
<b>Quebec</b>	1,132	1,597	577	947	1,631	2,195	1,418	1,662
<b>Ontario</b>	418	860	316	791	725	1333	378	1002
<b>Manitoba</b>	861	2110	835	2107	1600	4112	670	1649
<b>Alberta</b>	415	1038	220	509	1052	2423	293	898

**Source: Statistics Canada**

Within this tide of change, the CPC has undertaken to review how it functions as a national organization representing the industry at large and ask the question: what organizational model might best serve the needs of the Canadian pork industry? This review gives rise to a number of key questions including:

1. What are the major issues and challenges facing the pork industry both short term and long term?
2. What are the opportunities and needs of the industry that can be effectively addressed by a national organization such as the Canadian Pork Council?
3. What are the limitations of the CPC's current structure relative to the industry needs and opportunities?
4. What alternative industry models should be considered and what can be learned by emulating these or adopting components that are particularly relevant to the Canadian pork industry?

5. What is the best structural option for the CPC and how can it be funded in a sustainable manner?

## **1.2 Project Objectives**

The overriding objective of this undertaking is to work with the CPC and its member organizations to review the current status of delivery and financing of national programs and services and to determine what might be the best model to serve the needs of the Canadian pork industry.

To this end, the fundamental mandate or objective of this review can be stated as follows:

“ To review and recommend an organizational model that will provide a strong, effective, financially sound national organization for the Canadian pork industry.”

We have taken the opportunity to formulate a set of specific objectives that fall within the framework of the overriding objective and address a number of the organizational and operational questions. These are:

6. To identify the major issues and challenges facing the pork industry both short term and long term.
7. To identify the opportunities and needs of the industry that can be effectively addressed by the CPC as the national organization.
8. To explore and qualify the limitations of the CPC’s current structure relative to industry needs, opportunities and the expectations of member organizations.
9. To identify and examine alternative industry models that may have application to the Canadian pork industry and provide improved organizational and operational capacity for the CPC.
10. To assist the organization to find the best organizational option for itself and the industry, and how it can be funded in a sustainable manner.

### 1.3 The Work Plan

We proposed a two-phased approach to this assignment comprising the following:

<b>Phase 1.</b>	<b>Situation Assessment</b>
<b>Phase 2.</b>	<b>Developing the Strategic Plan</b>

The **Situation Assessment** addresses the first four objectives listed above. It involved the following activities:

- Meetings with CPC Steering Committee – this included a start up meeting on September 25<sup>th</sup> (Toronto); a second meeting on October 30<sup>th</sup> (Des Moines); as well as an interim presentation to the semi-annual CPC meeting on November 19<sup>th</sup> (Ottawa).
- Consultations and input with CPC members and stakeholders. For the most part this was done on a face-to-face basis with the provincial members.
- Situation Assessment Workshops – we conducted two such workshops - one in Montreal (December 7<sup>th</sup>) with representatives from eastern Canada; and one in Calgary (December 10<sup>th</sup>) with representatives from western Canada.
- Comparative analysis – this involved on site meetings with the US National Pork Board and the National Pork Producers Council both located in Des Moines, Iowa. Several other industry organizations are examined.
- Situation Assessment Document – this document summarizes the findings of preceding activities and is the basis of this report.

## 2.0 INDUSTRY ISSUES

The consultations with CPC member organizations were designed to stimulate a full and comprehensive overview of the issues, concerns and insights regarding the functioning of the national body. The process generated a considerable body of information that is summarized as follows.

Note: The issues presented below are not presented in order of importance, nor do we attempt to assign an order of importance. Rather they capture the nature and degree of a range of concerns. These issues should be accepted as a measure of the organizational and operational effectiveness of the CPC as judged by its members.

1. **Defining (and agreeing to) the role of the national body vs. provincial organizations.** The specific role of the national body vs. the provincial organization is a common and perhaps growing concern across the provinces. While provincial organizations are very cognizant of their geographical boundaries, they operate in an industry that has a national and international focus.

Many issues such as trade agreements countervail issues, the threat of foreign animal diseases, national and international marketing programs, to name just a few, are of vital interest to individual provinces and producers. Thus, many provincial organizations feel the necessity to commit resources to these ‘national’ issues either in response to a direct interest or a lack of confidence that the national body has the capacity to deal with them in an effective manner. Consequently, it is recognized that the opportunity for the duplication of effort is real and may in fact be increasing. Wide ranges of comments capture these concerns:

- “ What should the national organization take responsibility for versus the provincial organization? In other words, where does one leave off and the other leave start?”
- “ The hog industry is not a provincial industry – it is a regional if not a national industry!”
- “ We need to clearly identify the roles and responsibilities on the national organization relative to the provinces.”
- “ We have to get away from us (the provinces) vs. them (CPC). We are the CPC in our province!”
- “ How can we establish a unified voice?”
- “ The industry is changing very fast! We (Saskatchewan) may end up with only 100 producers.”

It should also be recognized the national-provincial relationship is a complex one on many fronts. One person described it as a ‘crazy triangulation’ involving industry, federal interests and provincial interests on such issues as traceability and disease monitoring. This leads to a complex consultation and decision-making process making the CPC role relative to the provincial organizations even more challenging:

“ If CPC does not change, you could see the larger producers form their own industry organization to represent their interests. Thus a relative small number of operations would represent a large proportion of total production.”

“ Increasingly each province is seeking to optimize their own position. The sum of individual provincial actions will be detrimental to the overall Canadian hog industry.”

“ We need a strong national organization – not single provinces making a deal by themselves.”

“ As a small province we need a national organization – we can’t go it alone or have much of a voice.”

2. **Capacity to deal with ‘national issues’ in a timely manner.** The recent countervail action by the U.S. is a reflection of national-provincial tension that clearly exists between the CPC and its members. It is well known that this US action precipitated three responses from the Canadian pork industry: one by the CPC itself; and two from individual provinces. Without question this ‘multiple’ response is the key trigger to the actual commissioning of the strategic review. Indeed the ‘multiple response’ has exposed several levels of concern including:

- A sense that the CPC was slow to respond to such a critical issue in the first place.
- A sense of non-responsiveness and a disconnect between the provinces and the national body.
- A lack of confidence in the process and the professionals CPC chose to engage.
- A lack of consultation with the member organizations to develop a strategic proactive approach.
- The invocation of high costs to the overall industry to the extent that three organizations committed considerable financial resources to this issue.

“ The recent countervail experience really brought the concern to a head. Two provinces hired their own lawyers. In the end, was this approach cost effective for our industry?”

- “ The countervail issue has strained relationships between CPC and the provinces. This has raised a lot of questions regarding mandate, purpose, role, effectiveness, etc.”
- “ Provinces took the lead on this issue since they felt that the national body was not moving quickly enough!”
- “ The next trade challenge could be bigger and even more costly. I don’t think CPC has the confidence of the provinces.”
- “ Are we prepared for the big issues that are coming our way?”

3. **Decision-making processes** – perhaps the most common complaint expressed pertains to the process of decision making at the CPC Board level. Historically the CPC used a consensus approach with regards to decision-making that seemed to serve the organization well. However, in recent years the types of the decisions to be made and the gravity of these decisions have challenged this approach. Some refer to the situation as the ‘hostage syndrome’ - a situation where one province, regardless of size, may disagree with an issue and thus render the CPC Board to make a non- decision or a deferral.

A deferral leads to another major problem which pertains to the meeting frequency. For example, the full CPC Board meets twice each year. Thus a deferred decision automatically results in a 6-month delay.

There are other complicating factors. For example, CPC Board members are often reluctant to make a decision without referring back to their own provincial organization. This of course automatically leads to a deferral.

- “ There was a time that CPC was strong and there was a strong comfort level with the organization. Now CPC seems frustrated and not able to do anything. And the level of frustration is increasing!”
- “ We need to find better ways to make decisions and come to agreement.”
- “ The current structure is dysfunctional. We can’t continue this way!”
- “ We need to change the structure – not allow one province to hijack the process.”
- “ The Board meets twice a year, but many (directors) are not prepared. So decisions are put off!”
- “ There are not many staff and not enough resources for timely information and decisions.”

“ CPC has to find a way to work with the provinces to be faster in making decisions.”

“ We are trying to run by consensus but we have a business to run. This does not work anymore!”

“ Decision making seems very seat of the pants. There is no structure or process!”

There also appears to be a lack of clarity with respect to the role of the Executive in relation to the Board. While the Executive meets more frequently (6 to 8 times per year), their decision-making authority relative to the full Board is unclear.

“ Board meeting twice a year are merely updates and reporting. Also the agenda is too loaded to have meaningful discussion.”

“ The Executive may have the authority to make decisions but they don’t think that have it. Thus issues are often deferred to the semi-annual or annual meetings.”

Quebec contributors to the review indicated that language differences and translation requirements impedes effective communication:

“ Conference calls are difficult because of language. You can’t speak out because of the mechanism. Also there is no translation at committee meetings so people can’t respond in ‘real time.’”

The setting of priorities is another issue:

“ I have no confidence in the CPC’s ability to prioritize based on national principles.”

“ We need to have clearing procedure that identifies what is important – a process that is quick and efficient.”

“ There is not a good transparent process to identify priorities.”

“ Why has COOL not been a national priority?”

Finally it is observed that the CPC Board in terms of its actual members is in a steady state of change. Each board member represents a provincial organization. Some represent their respective organizations for long periods of time while others may be representatives for short periods or even fill in for someone who is not available or able to make one of the two meetings conducted each year.

“ There should be a sunset clause limiting the term of a CPC board member. Some have stayed way too long. But there are no rules. Members are appointed by the provinces.”

“ Who is the customer? Is it the provincial organizations? Or is it the Canadian hog producer?”

“ Directors lack a sense of ownership in the organization. They need to be informed and committed.”

In summary, the concern that arose consistently from many of the provincial organizations is CPC’s ability to make decisions in a timely manner.

4. **Funding beyond the current ‘voluntary’ system** – CPC is currently funded by its member organizations. Each organization voluntarily makes an annual commitment based on a ‘nominal fee that is established on a ‘per marketed’ hog basis.

To date, stable funding has not been a major concern. However, several concerns or eventualities that could prove negative for the CPC are on the horizon including:

- The threat that a provincial organization with a large hog production base may chose to leave the national organization.
- A concern that contributions may be conditional depending upon the issue CPC is to address or not address as defined by the contributing province. For example, the recent national-provincial commitments toward the countervail issue has strained the funding commitment on the part of several provinces.
- A growing sense of duplication. Given the current financial pressures being faced by the industry, provincial organizations are taking harsh measures to cut budgets. Examining commitments to the CPC is part of this process.

As a consequence, the CPC funding base is very vulnerable. Further the CPC has no funding leverage other than its ability to serve its members and to be valued for its service to its members.

“ Now 80% of the issues are national or international in nature! But we are voluntary members. When you are trying to deal with international issues is this voluntary funding arrangement appropriate?”

“ How do we properly fund the CPC? And what do we want CPC to do?”

“ We are in a serious financial situation. We have to look at how we fund the CPC given the financial constraints.”

“ It is not a question of resources but we use them!”

“ A national check off is not a panacea. Even if we went this way, it could not happen overnight. We have to find a better way in the short and medium term in any event.”

“ We are in an era of an unprecedented cost squeezing. What can we afford? Can we afford high priced staff in every province and at the national level?”

“ As province we (Manitoba) spent a lot of dollars on countervail. We feel we have paid our fair share!”

“ Some provinces are saying: we have spent all this money – give us some! But as one of those provinces who didn’t take provincial action (on countervail), we are tired of this.”

“ Can we find a new way to fund on a project by project basis?”

5. **Role of the CPC** – there is a strong sense that the CPC is a ‘mile wide and an inch deep.’ In other words, some members are making the observation that CPC has a lot on its plate. This of course raises several questions: what is being done well? What is not being done well? What should be done? What should not be done at all?

The conversation of CPC’s role is closely related to the first issue (National versus Provincial). However, it raises another question of CPC as a lobbying organization vs. CPC as a developer and manager of programs such as the CQA Program. While there was no clear consensus on the precise role or even the role of lobbyist versus program manager, it is recognized that each role requires distinct skill sets and differing strategies.

“ CPC has moved from being a policy-lobbying group. Now it also administers national programs.”

“ What do we want the CPC to do? Do we want it to be a lobbying group? Or do we focus on program delivery? The latter has very different resource requirements.”

“ There is a perception that CPC is seen as shallow and weak.”

“ Ten years ago, the expectations of the CPC were that of lobbying and very political in nature. Now they are trying to do a lot more.”

6. **The need for ‘national’ standards and protocols** – it is recognized that food markets whether these be international (export) or domestic, increasingly requires consistency quality assured products. This is of course the underlying premise for the national CQA program. Simply put, customers require a level of consistency regardless of what province the pork is produced! In the words of one producer:

“ The system is only as good as the weakest link.”

Specific to the CQQ, there appear to be different levels of commitment, approaches and costs by province with respect to program implementation. (Note: we did not attempt to substantiate or quantify what these differences might be). This is a concern to many producers who feel that consistency across the country is a critical competitive factor for the industry. Furthermore, it was stated that the CPC has a key role in ensuring this consistency and needs the resources as well as the authority to do so. However, current concerns with the CPC are limiting this capability.

“ Do we need a national check off to ensure consistent delivery across the country? Now we have different approaches and differing costs for the same program.”

“ If someone from outside the country scratched the surface, they could see the differences from province to province. It is really a case of the ‘weakest link’ syndrome that affects us all.”

7. **Communication to members and producers** - a consistent message forthcoming from all of the provincial organizations is the observation that the link between the CPC and the average Canadian hog producer is very limited. Indeed it is speculated that specific knowledge at the producer level of what the CPC does and how it serves the Canadian hog producer is either unknown or not understood. Thus there is no sense of ownership or connection between producers and CPC.

Communications with member organizations and board members is also a concern. Several participants to this consultation process pointed out that minutes are often slow in coming. Furthermore materials and agendas in advance of Board Meetings are often not received until just before the scheduled meeting.

Selected comments on this subject include:

“ CPC has no direct link to producers. The producer’s view is dependent upon the provincial organization.”

“ Communication to producers is indirect and at times very weak.”

“ Staff doesn’t prepare materials well and directors are often not prepared.”

8. **Need for national marketing programs to promote consumption.** CPC currently commits considerable resources to the development of export markets. Clearly this has been a contributing factor to the advancement of Canada as a major pork exporter surpassed only by the EU and just recently the USA.

The dramatic and most recent change in international competitiveness is leading to a reexamination of this position. Clearly the Canadian industry is having difficulty competing in the international market? Furthermore one of the major processors (Maple Leaf) has announced its intention to reduce its exposure to pork exports.

While it is perhaps too early to comment on what the long term export strategy should be and accordingly the role of Canada Pork International (CPI), the question being raised is this: Should CPC be actively developing a domestic marketing program? Several developments have occurred including:

- The growing presence of US pork products.
- The emergence of Pork Marketing Canada – a collaborative response on the part of three provincial organizations to pool provincial resources in order to develop a more coherent regional marketing strategy.

Thus the question of CPC's role with respect to domestic market development.

“ We see the CPC is being the place for a national marketing program.”

“ Why not set up a CPI – National?”

9. **What is the national vision for the pork industry?** Clearly this is a big question currently facing the Canadian pork industry. And the ensuing question is what role CPC plays in addressing this vision challenge as well as what role it plays as the question is answered. Currently there is no clear answer. Should the Canadian hog industry continue to pursue export markets? Or should it shift to becoming a domestic industry?

Again, we offer no answers to this most fundamental question other than to acknowledge the major existential cloud that is current hanging over the industry.

“ Can the pig industry in Canada survive? And who would care if it didn't”

“ Should we continue to support CPI at the levels we do?”

10. **Who is driving the bus?** Finally several participants raised this question as to who actually 'drives' the CPC? Clearly this question is a variation of the 'decision making' concern. The question is a manifestation of a process that is unclear and perhaps suspect. For example, some provinces feel that CPC is being driven by the 'big' provinces. Others feel that provincial managers have undue influence in the setting of the agenda as well as the decision making process. Yet others feel that the Board itself is really only an input forum and the decision making really lies with the Executive:

- “ The biggest challenge is trying to represent all but not doing it well.”
- “ The loudest voice gets their way.”
- “ Two years ago the general managers from the individual provincial pork organizations started meeting on regular basis. This seemed to ‘freak’ CPC out.”

**11. Diversity of Interests** – another factor adding to the complexity of the organizational environment impacting CPC is the inherent diversity across the provincial members. While provincial organizations were once quite similar in terms of purpose and mandate, this is no longer the case:

- “ At the outset each province focused on the marketing of hogs. But this has changed. The western provinces have open marketing systems whereas the eastern provincial organizations still have a single desk marketing mandate. Accordingly, member organizations have different mandates and roles. ”

Additionally regional hog industries differ in terms of structure and priorities:

- “ Each province has a different situation and the packers within those provinces may have different objectives. Some are focused regionally; others have a decided export focus.”
- “ Canada is a very diverse country. Regional interests vary. Some provinces are very dependent upon exports. Others are net importers of pork. Some have large weaner producer sectors. Others finish most of their production.”
- “ Our region is a pork importer. Thus the concerns with countervail and COOL for us is totally different than large producing provinces.”

### **3.0 COMPARABLE INDUSTRY ORGANIZATIONS**

#### **3.1 Introduction**

Our work plan included a structural review of comparable industry organizations. The purpose of this step is to provide a basis from which organizational options or components of organizations might be identified as having relevance for the Canadian pork industry, and in turn how the CPC might be restructured and governed.

The comparative analysis involved a site visit by the Steering Committee and the Consulting Team to two U.S. based pork organizations that have particular relevance to the Canadian situation. These organizations are the National Pork Producers Council and the National Pork Board both located in Des Moines, Iowa.

In addition we undertook desk research and a review of available literature of the following organizations:

- The Netherlands based Product Board for Livestock and Eggs (PVE)
- The Animal Nutrition Association of Canada (ANAC)
- The Canadian Association of Petroleum Producers (CAPP)
- Fonterra Co-operative Group Ltd. – a producer based dairy cooperative located in New Zealand.

Each organization is analysed in terms of the following elements:

- Mandate
- Membership
- Board of Directors
- Other Organizational Features
- Funding
- Advantages
- Disadvantages
- Relevance to the CPC.

This is summarized in the following tables.

### 3.2 National Pork Producers Council

<b>Mandate</b>	Policy, Advocacy and Lobbying. Overriding Objective: To be the global voice of the U.S. Pork Industry
<b>Membership</b>	NPPC is a voluntary membership based organization that operates as an industry or trade organization. Membership is extended to the following: producers; allied industry such as feed, animal health, genetics; and packer-processors. The latter two categories of membership are organized into two councils: the Allied Industry Council; and the Packer-Processor Council. Currently 2,000 producer entities representing 60% of all hogs marketed are members of the NPPC. Membership fees have quadrupled since 2001.
<b>Board of Directors</b>	Board of 15 directors comprising 11 producers; the CEO; the Past President; 1 from an Allied Industry Council and 1 from a Packer Processor Council; a minimum of 6 states to be represented. Delegates – 125 producers; 2 Allied; 2 Packer Processor. Note: producer directors are limited to 3 x 2 year terms; council directors are limited to 2 x 2 year terms. Also a council director cannot become the NPPC president who will always be a producer.  Directors are elected from a Body of Delegates who total 129 (125 producers; 2 Allied Industry; 2 Packer-Processor). Delegates, who are typically state directors and selected by their respective organization to serve on the NPPC. The distribution of delegates by state reflects hog populations. A total of 30 states are represented. Large states such as Iowa and North Carolina have 20 delegates each.
<b>Other Organizational Features</b>	The NPPC was totally restructured in 2001 subsequent to a mandatory ‘check off challenge from a group of producers. This process ultimately resulted in the formation of two organizations: a ‘new NPPC as the ‘policy’ organization with a voluntary membership base; and the National Pork Board (NPB) a ‘program delivery’ organization funded with a mandatory check off.  NPPC tends to represent the ‘commercially inclined’ segment of the industry – 19 of the 20 production organization in the country are members.  Two offices – 1 in Des Moines, Iowa; one in Washington, D.C.;  NPPC is very committed to a ‘high touch’ approach. NPPC has dedicated field men that attempt to visit every member at least once per year. It also works closely with state associations with planned

	bi-annual meetings with each state executive.
<b>Funding</b>	<p>Funding – based on membership: \$.10 per \$100 of marketed value; 40% of total funding is earmarked to revert back to state organizations. NPPC operates on a budget of \$6 to \$7 million per year. Note: NPPC also collects a royalty of 1 cent per hog per year from NPC for the use of ‘The Other White Meat’ logo.</p> <p>Total staff – 23 including 13 staff in Washington</p>
<b>Advantages</b>	<p>Very dependent upon member support and therefore member responsive.</p> <p>Structure and financial arrangements ‘motivates’ close working relationships with state organizations.</p> <p>Able to represent members without government oversight or interference.</p> <p>Brings together other segments in the industry beyond producers.</p>
<b>Disadvantages</b>	<p>Funding can be quickly reduced if organization fails to meet member expectations and needs.</p> <p>Tends to have a ‘large producer/industry’ bias and therefore may not appeal to smaller producers.</p> <p>Multiple organizations (NPPC; NPC; State organization) can be confusing and can reduce effectiveness.</p> <p>Selling the new ‘NPPC’ is a challenge. Seventy-five percent of non-NPPC members do not know difference between NPB and NPPC.</p>
<b>Relevance to CPC</b>	<p>NPPC is a good example of a member driven organization that is responsive to members. There are direct lines of accountability to members. Further the delegate structure and the financial arrangements ensure continued and continuous connections to both individual members and state organizations. However the NPPC is very much a ‘whoever pays gets to play’ type of organization and is subject to the influence of a small group of large members.</p>

### 3.3 National Pork Board

<b>Mandate</b>	Promotion, Research, Education. Guiding principle: “Your Investment. Your Future.” Note: This organization is prohibited from lobbying and must commit its resources to the advancement of the industry by ‘non-political’ means.
<b>Membership</b>	All producers in the US are mandated as members. Operates under federal legislation
<b>Board of Directors</b>	<p>15 producers that are elected from a delegate body that has a total of 172 members. The board must have representation from 12 states.</p> <p>The delegate body is comprised of members from state producer organizations (43 states). Each pork producing state has a minimum of 2 members with the larger states (Iowa, North Carolina) having more delegates. Voting is proportional to the dollars collected by the state. Delegate Body Duties:</p> <ul style="list-style-type: none"> <li>• Set Check off Rate,</li> <li>• Set Return to State level</li> <li>• Elect Pork Board Members</li> </ul> <p>Technically the delegates are appointed by the U.S. Secretary of Agriculture.</p>
<b>Other Organizational Features</b>	<p>The NPD is devoting considerable effort to ‘earn producer support’ and has positioned itself as a service organization. To this end, it engages in considerable producer contact including the establishment of a call centre; the launching of a branded ‘check off’ campaign; producer surveys requesting input on issues and how dollars are to be spent; and an outreach program.</p> <p>The organization is also committed to a proactive strategic planning process wherein each year the following is addressed: (1) identify the critical issues; (2) define the desired outcomes; (3) develop actions and tactics; (4) determine budgets; (5) finalize strategic action plans based on priorities and budget availability.</p> <p>NPD has structured numerous committees which often meet in concert with the NPPC to maximize communications as well as avoid duplication of effort.</p> <p>NPD has approximately 75 staff which includes 6 veterinarians; 2 PhD research scientists; 5 marketing specialists; 5 food service specialists and 10 producer outreach/communication officers.</p>
<b>Funding</b>	Funded by a mandatory check off based on 0.4% of marketed

	value. Thus every \$1,000 of revenue contributes \$4.00. Total revenues are in the order of \$60 million. State organizations have the option of recalling their contribution. Overall, approximately 20% of total revenues revert back to the state organizations.
<b>Advantages</b>	Well funded; long term focus with predictable funding Has a representative structure that represents regions as well as recognizing regional size differences Small board that is able to make decisions Very defined strategic planning and priority setting process Good linkage back to state organizations: delegates are state organization representatives; each state has the option to claim back all of the contributions from the state should it choose to do so. However these contributions must be applied to promotion, education or research and not for lobbying.
<b>Disadvantages</b>	Tends to under represent large producers due to the time commitments required for directors in particular. Accountable to the U.S Secretary of Agriculture – thus the organization is very conservative and cautious. All actions are subject to government oversight.
<b>Relevance to CPC</b>	NPD is a good example of an organization that is designed for promotion, education and research mandate. It has a clear mandate, long term funding and is focussed and resourced to achieve this mandate. However, it is also very much under the ‘watch’ of the government and tends to be very careful.

### 3.4 Netherlands Product Board for Livestock Meat and Eggs (PVE)

<b>Mandate</b>	To promote sustainable development of the industry and strengthen the sector's competitiveness on behalf of all employees and employers in the sectors. Vision: All the way from the farm to the retail outlet!
<b>Membership</b>	More than 40 industry organizations are members of the PVE including producers, processors, wholesales, retailers, exporters, research institutions and inspection services.
<b>Board of Directors</b>	The Chairman is appointed by the Crown. Other board members are appointed by industry organizations. Total board size – 15. (To be confirmed).
<b>Other Organizational Features</b>	<p>The Dutch agriculture industry features a system of representation known as Product Boards. These operate under federal legislation and perform 'co-administrative' tasks of behalf of industry members as well as the government.</p> <p>The PVE has raised the definition of working together to another level. Here the industry has progressed to function as a 'statutory trade organization' with the broad mandate to promote the sustainable development of a sector on behalf of all employees and employers. A Joint Secretariat which comprises a staff complement of 150 people, serves two product boards, namely:</p> <ul style="list-style-type: none"> <li>• The Product Board for Livestock and Meat (PVV)</li> <li>• The Product Board for Poultry and Eggs (PPE)</li> </ul> <p>Numerous programs are administered including quality control; research and innovation; monitoring carcass quality; ensuring producer payments; advertising and promotion; collecting and <u>distributing information to producer; consumer education.</u></p>
<b>Funding</b>	Two sources of income: levies (1.5 Euro per hog marketed); and contract income from the Crown for services provided. Total budget exceeds 33 million euros (43.7 million CDN \$)
<b>Advantages</b>	<p>Brings together producers, processors, exporters, dealers, retailers, national government ministries in being able to develop 'total' solutions for industry.</p> <p>The Netherlands has a huge advantage of having its entire industry operating within a 40,000 square kilometer region. No two operations are more than 300 km. apart</p>
<b>Disadvantages</b>	PVE has a lobbying mandate. Given its joint responsibility to both industry and government, objectivity may be compromised from time to time.
<b>Relevance to CPC</b>	A good example of an integrated industry approach. However, it must be recognized that the Netherlands is markedly different both geographically and culturally from Canada.

### 3.5 Animal Nutrition Association of Canada (ANAC)

<b>Mandate</b>	<p>ANAC is the national trade organization for Canada's feed industry. Its primary role is to advocate on behalf of members to foster a favourable business environment within the context of the highest standards of feed and food safety.</p> <p>Vision: To be the national leader in the agri-food sector building an environment in the sustainable production of animal nutrition solutions</p>
<b>Membership</b>	<p>180 members companies representing feed manufacturers, grain and oilseed suppliers, micro-ingredient and other commodities as well as related services.</p> <p>Two categories of membership: (1) Regular – open to commercial and non-commercial feed manufacturers; (2) Associate – open to suppliers of supplies and services.</p>
<b>Board of Directors</b>	<p>Total of 17 directors comprising the Executive Committee (Chairman; Vice Chairman, Treasurer, Past Chairman); 7 division directors; 4 section directors and 2 directors at large. The Executive Committee also include a director from one of the</p>
<b>Other Organizational Features</b>	<p>ANAC is organized into Divisions defined by region or province; and Sections defined by ingredient category. Divisions include: Atlantic; Quebec; Ontario; Manitoba; Sask; Alberta; B.C.</p> <p>Sections include: (1) Micro-Ingredients and Major Minerals; Plant Based Ingredient Suppliers; (3) Animal Based Ingredient Suppliers (4) Suppliers of Pharmaceutical and Animal Health Products; (5) Industry Support Services and Supplies (laboratories; nutritionists).</p> <p>While ANAC has a head office in Ottawa, each division (or region) has a regional office with a Manager or Secretary Manager. This is typically a part time position often served by a retired member from the industry. ANAC is committed to influencing policy as well as providing leadership and food safety (HACCP) program.</p>
<b>Funding</b>	<p>Regular members are charged a fee in proportion to total annual sales ranging from a low of \$1,400 for annual sales of \$6 million or less; to a high of \$40,000 for annual sales of \$400 million.</p> <p>Associate members are charged a fixed annual fee.</p>
<b>Advantages</b>	<p>Represents all major segments within the feed industry</p>
<b>Disadvantages</b>	<p>None identified</p>
<b>Relevance to CPC</b>	<p>A good example of an industry organization with both a policy and program focus.</p>

### 3.6 Canadian Association of Petroleum Producers (CAPP)

<b>Mandate</b>	CAPP is the voice of the upstream oil and natural gas industry in Canada (a \$100 billion industry). Objective: Continuously enhance the economic well-being and sustainability of the industry. Focuses on policy, advocacy and lobbying as well as achieving consensus on industry codes of practice and operation guidelines that meet or exceed government standards.
<b>Membership</b>	150 producer-member companies ranging from multi-nationals to small firms. In addition, CAPP has 125 associate members who provide services to the industry including banks, suppliers, drilling and professional services.
<b>Board of Directors</b>	Board of Governors (all volunteers). The board includes a full time president, a volunteer chairman and 30 volunteer governors. Representation is structured as follows: 10 from small companies; 10 from medium sized companies; 10 from large companies.
<b>Other Organizational Features</b>	CAPP has approximately 50 staff (economists, engineers, communication specialists, lawyers, and administrative staff). In addition members serve on a ten Executive Policy Groups such as Northern Operations; Oilsands; Markets and Transportation; Fiscal; Environment; Health and Safety.
<b>Funding</b>	Membership fee for producer members are based on production as defined by Barrels of Oil Equivalents (BOE). Minimum annual dues are \$5,000 to a maximum of \$1,500,000. Associate member fees are established by type or size category and range from \$1,000 to \$7,500 per annum.
<b>Advantages</b>	Representation of a broad range of industry players beyond production. Fee requirements are established in accordance to size.
<b>Disadvantages</b>	None identified
<b>Relevance to CPC</b>	Another example of an industry trade organization that is membership driven.

### 3.7 Fonterra Co-operative Group Ltd., New Zealand

<b>Mandate</b>	To lead the world in dairy product exports.
<b>Membership</b>	Fonterra is the world's leading exporter of dairy products representing 33% of the entire international dairy trade. Formed in 2001, it is a merger of the New Zealand Dairy Board and two large dairy cooperatives. It has 11,709 shareholder farmers.
<b>Board of Directors</b>	13 directors – 9 represent the shareholders (producers); 4 are appointed by the Board to bring broader industry representation. There are no executive directors.
<b>Other Organizational Features</b>	<p>New Zealand's competing dairy co-operatives were forced to work together for the first time when the Government transferred the Dairy Board's assets to them in 1996. This took place to address the disconnect that had grown between manufacturing and marketing. By the end of 2000 more than 95 per cent of the industry was represented by two major companies: New Zealand Dairy Group and Kiwi Co-operative Dairies (two smaller co-operatives held the remaining five per cent).</p> <p>During the 1990s the threat of deregulation grew. The industry considered numerous options to manage this transition, eventually deciding the best option was a single integrated company to put an end to the fierce competition between New Zealand's leading dairy companies. There are over 16,400 employees. Today, Fonterra is recognized as one of the worlds' most successful co-operatives.</p>
<b>Funding</b>	Operates as a business and is self funded
<b>Advantages</b>	Producer Board and major processors have joined forces to become a single focussed entity.
<b>Disadvantages</b>	Should organization fail, the entire industry may fail.
<b>Relevance to CPC</b>	An example of how an industry in distress consolidated and created a large and successful critical mass that has become very competitive in world markets.

### 3.8 Organizations and Effective Governance

Our review of the literature<sup>3</sup> on effective organizations and governance provides several insights:

- **Focus on direction, vision and purpose.** To accomplish this, an industry organization needs to have board members with a broad and deep understanding of the industry. Furthermore, the industry and the perspective board members must have a shared vision of the future and the role which the industry organization is to play.
- **Focus on the mechanisms for evolution rather than trying to design the ideal structure.** To be overly concerned with structure is a reflection of the kind of thinking that can be considered out-moded. This approach leads to an excessive focus on control and the optimizing of structure, which given the pace of change is time that is not well spent. A more constructive approach is to think of the industry organization as an evolving organism, just as the industry itself evolves. Thus the industry organization will naturally change to suit its tasks as well as reflect the changing structure. If there are no barriers to that evolution, the focus should shift to developing an effective mechanism for change – a mechanism that balances a need for malleability with the need for continuity and stability.
- **Recognize that the only constancy is change and change in turn, will assure constancy.** Business and the environment will constantly change. The dominant characteristic of a board should be its ability to adapt in response to these changes.
- **Recognize the need to balance adequate representation and board size.** While it is important to have adequate representation that reflects the characteristics of the industry, the optimal board size is around 12 to 15 members. Once board size exceeds this size range and approaches 20 members, it is likely to fracture or evolve into an executive committee (which becomes the de facto board) leaving remaining members as nominal members. This in turn creates a problem of representation and balanced decision making.

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<sup>3</sup> Carver, John, Boards that Make a Difference, San Francisco: Jossey-Bass Publishers, 1990.

## 4.0 THE SITUATION ASSESSMENT WORKSHOPS

### 4.1 Introduction

The two Situation Assessment Workshops held in December, were structured to address the following objectives:

- Review and discuss the issues arising from the consultations (as presented in Section 2.0).
- Understand the implications of a range of organizational options (see Attachment A).
- Provide directions for the structuring of a more effective national body.

The workshops comprised a series of presentations, discussions and a working session that address the following strategic questions:

1. Does the industry need and want a national body to deal with the national and international issues facing the Canadian pork industry?
2. If so, how can such a body be governed and funded so that it has the authority to take action without undue delay?
3. Is there a need to ‘separate’ the policy and lobbying role from that of program development and implementation?
4. Should the national body be designed as an ‘industry’ or business organization, rather than a consensus model that is comprised or provincial representation?

### Workshop Findings

Each workshop was asked to assess and prioritize a set of issues facing the pork industry. Two questions were asked:

1. What issues are national in nature and need to be addressed from a ‘national’ perspective?
2. What issues are provincial in nature and need to be addressed from a ‘provincial’ perspective.

Subsequently each participant was provided a set of stickers with a total value of 1,000 points (10 stickers – each sticker was worth 100 points). The participants were then asked to address the above questions individually by selecting what they considered to be the priority issues and accordingly assign their inventory of points. (Note: a participant was free to assign all points to one issue or distribute points across several issues).

The results of this exercise for each workshop are presented in Figures 4.1 to 4.4.

It should be noted that the Montreal workshop had 14 participants and the Calgary workshop had 20 participants. However, not all participants contributed to the exercise due to conference calls, delayed arrivals or other commitments. Hence the total point scores will not total to a multiples of 100 or account for the sum total of all participants.

The results are summarized as follows:

**Table 4.1: Top Six National Issues as Measured by Point Allocation**

<b>Issue</b>	<b>Montreal</b>	<b>Calgary</b>	<b>Overall</b>
Trade Issues	270	340	610
Lobbying/Advocacy	190	270	460
CAIS/Safety Nets	250	170	420
Animal Health	130	80	210
Export Marketing	70	120	190
Foreign Animal Diseases	40	130	170

**Table 4.2: Top Six Provincial Issues as Measured by Point Allocation**

<b>Issue</b>	<b>Montreal</b>	<b>Calgary</b>	<b>Overall</b>
Lobbying/Advocacy	160	370	530
CAIS/Safety Nets	220	210	430
Environment	110	380	390
Pricing	230	140	370
Trade Issues	170	170	340
Value Chain Devl'p	-	200	200

**Key Observations:**

1. Trade Issues, Lobbying/Advocacy and CAIS/Safety Nets are key national **and** provincial interests.
2. Pricing and environmental issues are clearly provincial interests. Pricing is particularly an eastern Canada concern.
3. The Calgary workshop (western provinces) display relatively higher concerns regarding issues pertaining to traceability, national quality standards and foreign animal diseases. This reflects the 'export' orientation of the region.
4. The western region has a clear concern with value chain development.

**Figure 4.1**

**Montreal Workshop – Identification of National Issues**

<b>Issue</b>	<b>Score</b>
<b>Trade Issues (agreements, WTO; countervail etc.) including COOL</b>	270
<b>Pricing</b>	20
<b>Animal Health – regulatory issues</b>	130
<b>Safety nets/support programs (CAIS)</b>	250
<b>Traceability/Animal Identification</b>	50
<b>Export Marketing and Promotions</b>	70
<b>National Quality Standards (CQA)</b>	50
<b>Political Lobbying/Advocacy</b>	190
<b>Foreign Animal Diseases</b>	40
<b>Domestic Marketing and Promotions</b>	10
<b>Research</b>	70
<b>Environmental Issues</b>	10
<b>Land Use</b>	0
<b>Total Points</b>	<b>1,180</b>

Results based on 14 participants.

**Figure 4.2**

**Montreal Workshop – Identification of Provincial Issues**

<b>Issue</b>	<b>Score</b>
<b>Trade Issues (agreements, WTO; countervail etc.) including COOL</b>	170
<b>Pricing</b>	230
<b>Animal Health – regulatory issues</b>	70
<b>Safety nets/support programs (CAIS)</b>	220
<b>Traceability/Animal Identification</b>	10
<b>Export Marketing and Promotions</b>	0
<b>National Quality Standards (CQA)</b>	30
<b>Political Lobbying/Advocacy</b>	160
<b>Foreign Animal Diseases</b>	0
<b>Domestic Marketing and Promotions</b>	50
<b>Research</b>	20
<b>Environmental Issues</b>	110
<b>Land Use</b>	20
<b>Total Points</b>	<b>1,090</b>

Results based on 14 participants.

**Figure 4.3**

**Calgary Workshop – Identification of National Issues**

<b>Issue</b>	<b>Score</b>
<b>Trade Issues (agreements, WTO; countervail etc.) including COOL</b>	340
<b>Pricing</b>	70
<b>Animal Health – regulatory issues</b>	80
<b>Safety nets/support programs (CAIS)</b>	170
<b>Traceability/Animal Identification</b>	110
<b>Export Marketing and Promotions</b>	120
<b>National Quality Standards (CQA)</b>	160
<b>Political Lobbying/Advocacy</b>	270
<b>Foreign Animal Diseases</b>	130
<b>Domestic Marketing and Promotions</b>	150
<b>Research</b>	60
<b>Environmental Issues</b>	10
<b>Land Use</b>	10
<b>Animal Welfare/Value Chain Development</b>	10/10
<b>Total Points</b>	<b>1,700</b>

Results based on 20 participants.

**Figure 4.4**

**Calgary Workshop – Identification of Provincial Issues**

<b>Issue</b>	<b>Score</b>
<b>Trade Issues (agreements, WTO; countervail etc.) including COOL</b>	170
<b>Pricing</b>	140
<b>Animal Health – regulatory issues</b>	10
<b>Safety nets/support programs (CAIS)</b>	210
<b>Traceability/Animal Identification</b>	50
<b>Export Marketing and Promotions</b>	
<b>National Quality Standards (CQA)</b>	20
<b>Political Lobbying/Advocacy</b>	370
<b>Foreign Animal Diseases</b>	80
<b>Domestic Marketing and Promotions</b>	90
<b>Research</b>	90
<b>Environmental Issues</b>	280
<b>Land Use</b>	170
<b>Value Chain Development</b>	200
<b>Animal Welfare</b>	120
<b>Total Points</b>	<b>2,000</b>

Results based on 20 participants.

### 4.3 The Strategic Questions

The strategic questions posed at the outset of this chapter (see Section 4.1) were addressed by smaller working groups. Each working group was challenged to consider the questions while reviewing the following four organizational options:

- The Federation Model – which builds on the current CPC structure.
- The Industry Model – which builds on industry or trade associations such as ANAC or CAPP.
- The Policy vs. Program Model – the structure currently in place in the US with NPPC addressing the policy mandate and NPD addressing the program mandate.
- The Integrated Industry Model – the structure found in the Netherlands.

The discussion highlights are presented in the following sub-sections.

#### **Industry need and want for a National Body**

Both workshops affirmed the need for a national pork industry body to address a range of national. The results of the priority selection exercise clearly confirmed this need. However, this affirmation did not occur without detailed discussion and debate. For example one working group stated its position as follows:

“ At first we said ‘no’ – we don’t need a national body. But as we discussed this further, we agreed that there is a real need.”

Other comments on this issue included:

“ It’s easy to dwell on the current problems and conclude that CPC is not working and should be discontinued. But then you realize that most of our issues are national in nature.”

“ We have to realize that there is a need. But most producers don’t know what the CPC does!”

“ Yes we need a CPC!”

“ The alternative would lead to fragmentation. There are too many important national issues. But we probably need a shorter list of issues for CPC to work on and we all agree to.”

“ Given our export position as an industry, we need a national body that is able to ‘brand’ our product.”

“ Yes. CPC is extremely important.”

## **Organizational Options and Design**

Discussions on organizational options and organizational effectiveness evoked a wide range of discussion, comments and questions. The following comments reflect the views expressed:

- “ The Integrated Industry model looks like where we might want to go. But how do you develop a delegate body that keeps producers in a majority position but includes others such as packers?”
- “ We have some interest in the Integrated Industry Model – it provides for broader input, more information, better decision making, and gives us the ability to develop a truly Canadian brand. But it will take some to get to this integrated approach.”
- “ We like the Industry Model – each province could elect delegates to a delegate body. How would you determine the number of delegates?”
- “ The Industry Model gives better accountability. You could set up a smaller board. How would you deal with the smaller provinces such as the Maritime region?”
- “ CPI is already an integrated industry approach. Can we build on this? “
- “ Our Quebec group likes the Federation Model but add permanent committees.”
- “ Is provincial representation necessary? Maybe regional representation would be better.”
- “ Perhaps we should set up a board with 1 representative for every 100,000 sows.”
- “ Our big challenge is how to balance regional differences: The Maritimes and BC are net importers; Quebec is self-sufficient; everyone else is basically exporting.”
- “ Why don't we get together as provincial boards – in effect as delegates for the CPC in the future?”

## **Policy vs. Programs**

Interestingly there was virtual agreement across both workshops that splitting CPC into two organizations is not necessary at this time:

- “ Splitting policy and programs would lead to excess administration costs and possibly a duplication of services.”
- “ There is not enough funding in the system to support two national organizations.”
- “ There is no need to separate. This would add to the complexity.”

- “ No! We can do both under one umbrella with the right people operating in the right structure.”
- “ Let the national body agree on programs standards – let the province’s implement them.”
- “ Status quo is working. Leave it alone.”

## **Decision Making**

One thing is very clear. Improvements need to be made both in terms of what issues are priorities and how decisions need to be made:

- “ We should agree on which issues require consensus and which ones can be decided by majority vote. For example, our safety net policy should have consensus. You can’t have provinces lobby differently than a national organization.”
- “ We need to establish some basic principles and policies and determine which issues need consensus and which require a majority.”
- “ Suggest that we reduce the size of the CPC Board. Let the Executive become the Board and the provincial boards of directors be the delegate body.”
- “ Maybe we need an impartial third party Chair who does not represent a province or even the industry.”
- “ We do need a Chief Operating Officer instead of overburdening the Board Chair.”
- “ The Board should be 9 or less.”
- “ Ensure that CPC does an annual review on priorities and effectiveness. We need a strategic review every 3 to 5 years.”
- “ Maybe its time to put the CPC in the heart of pork production country and leave a lobbying office in Ottawa.”
- “ Status quo is working well. Make decisions using consensus. In some cases we may want to move to majority rule.”

## **Funding**

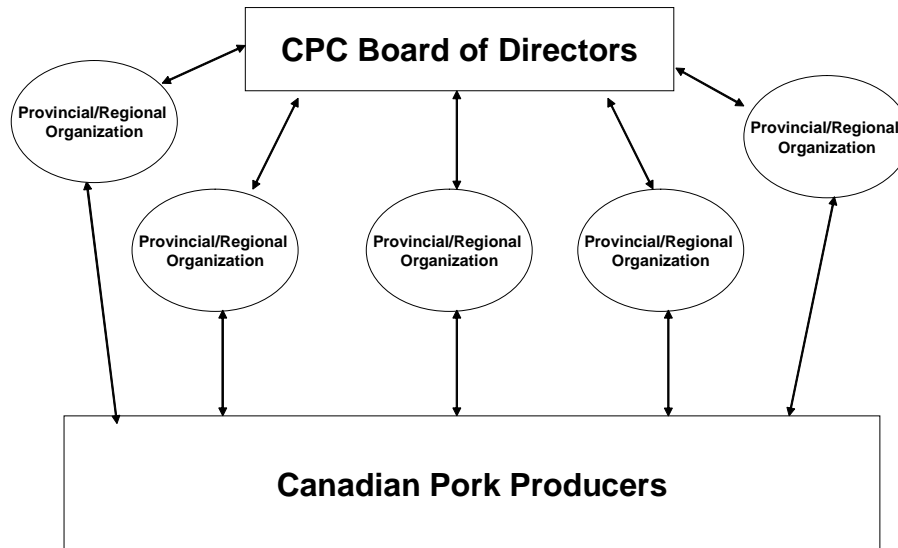
Finally a range of opinions and options were expressed with regards to funding the CPC:

- “ Fund based on the hog weight or kg. Or pork sold.”
- “ If the CPC has a good plan with clear and agreed to priorities, funding will not be a problem.”
- “ Funding should be based on the number of sows in the region or province.”
- “ I would like to see a levy on imported pork.”
- “ We should look at external funding for several of our programs – CQA; promotions; ID; CPI etc.”
- “ Establish a month to month budget based on the number of hogs.”
- “ We need mandatory national funding.”
- “ We are scaling back our provincial commitments. Maybe CPC needs to do the same.”

## ATTACHMENT 2: INDUSTRY MODELS FOR COMPARISON

The following models were presented to the Situation Assessment Workshops for review and discussion. A number of questions are posed with each model.

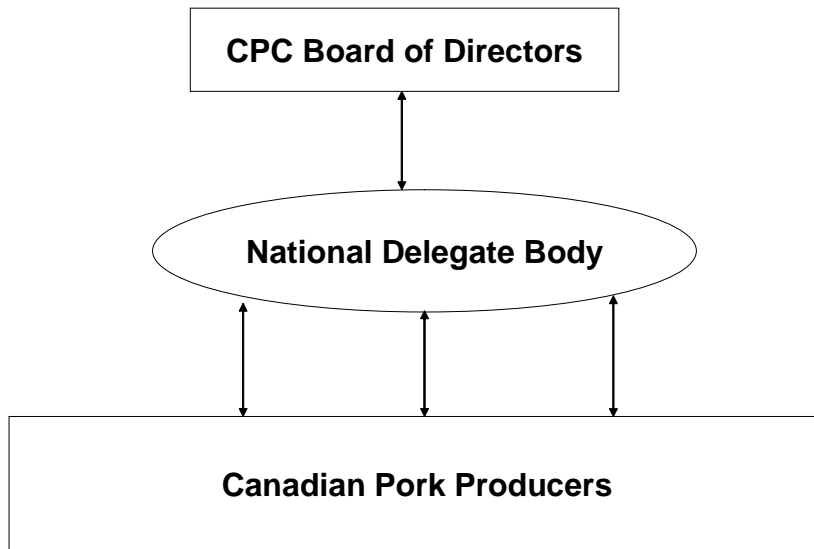
### The Federation Model



#### Points for Discussion

1. What would you consider to be the ideal size for the Board of Directors? Seven? Nine? Eleven? Thirteen? More?
2. Should the number of 'provincial member' organizations be reduced? Note: Currently each province is a member? If you think the number of members should be reduced, how many regions do you suggest? How would you define the regions?
3. How should the provincial or regional organizations select their representatives who will serve on the CPC Board? What should be the requirements of the term?
4. How should the Board function to make it more strategic and better able to make decisions?
5. How could the CPC improve accountability to the actual producers?

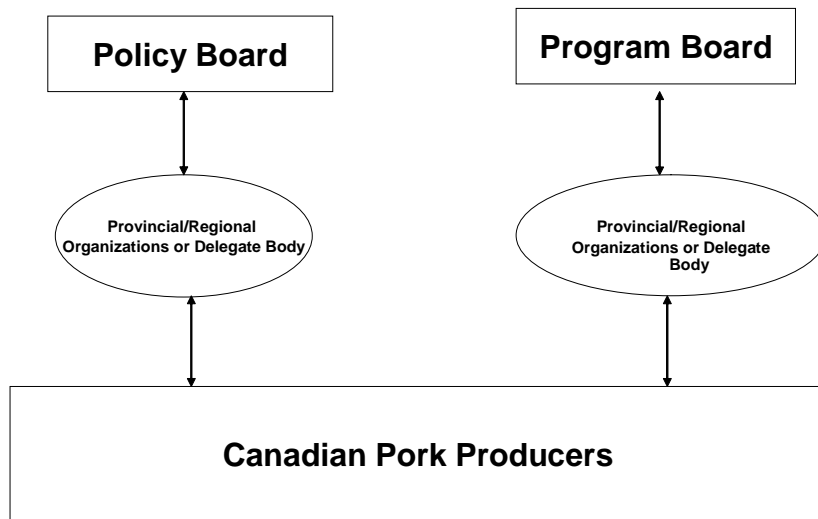
## The Industry Model



### Points for Discussion

1. How should delegates to the National Delegate Body be selected? Should this be done by and within each provincial organization? Or should producers be able to select delegates to directly represent themselves?
2. How should the total number of delegates be determined?
3. Should the structure of the CPC Board of Directors have specific limitations such as:
  - Representation from a minimum number of provinces (such as five)
  - Representation from weaner producers (at least one)
  - Representation from finishers (at least one)
4. Should there be voluntary membership fees paid directly by producer members? If so, should the producer be entitled to a reduced fee paid to the provincial organizations?
5. Other comments?

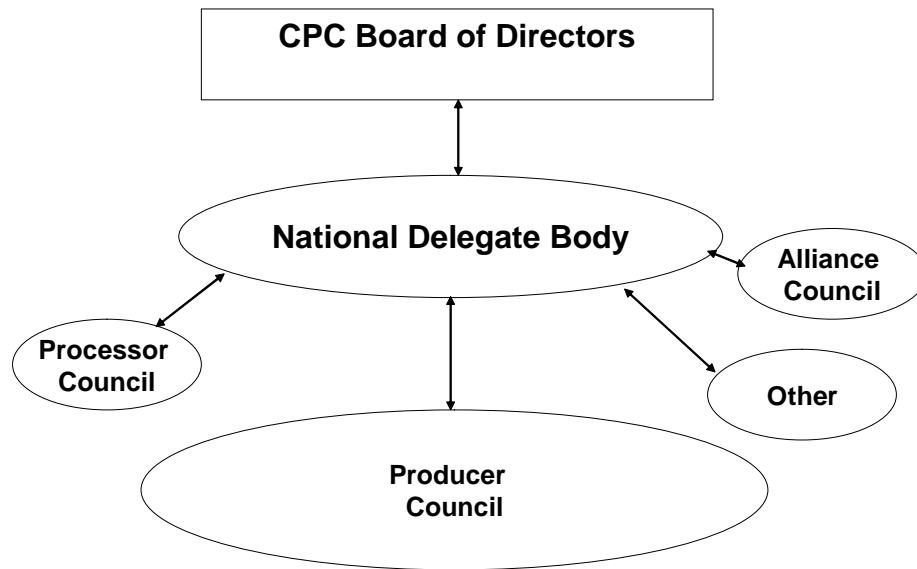
## The Policy vs. Program Model



### Points for Discussion

1. Is there a need for two organizations – one for policy; one for programs? What are the reasons for your answer?
2. If yes, how would you fund each organization? In other words how would you provide the necessary funding for the Policy Board? What about the Program Board?
3. If no, how can the existing CPC be re-organized to make a clearer delineation between the personnel and skills required for each distinct functional area (policy vs. programs).
4. Other comments or discussion points?

## The Integrated Industry Model



### Points for Discussion

**Note: The above model is also referred to as the Broader Industry Model**

1. Should the pork industry create an organization with representation beyond producers as is currently the case?
2. If yes, why?
3. If no, why not?
4. What should the composition of the Board of Directors look like? Total size of Board? Number of producers? Number of 'others'?
5. How could a delegate body be structured to represent the various stakeholders?
6. What might be the most significant implication to pork producers should this type of organization be considered?

### ATTACHMENT 3: BOARD SIZE AND REPRESENTATION

**Board Size and Representation** – Two options to consider:

**Option 1: Representation by sow numbers (1:200,000 sows) See Table 1.**

	<b>Region</b>	<b>Sow Numbers</b>	<b>Board</b>
1.	Atlantic	29,700	1
2.	Quebec	393,000	2
3.	Ontario	408,000	2
4.	Manitoba	366,000	2
5.	Sask/Alberta/B.C.	338,400	2
	<b>Total Board</b>		<b>9</b>

**Option 2: Representation by Province (and Atlantic Regions)**

1.	Atlantic	1
2.	Quebec	1
3.	Ontario	1
4.	Manitoba	1
5.	Saskatchewan	1
6.	Alberta	1
7.	B.C.	1
	Chair (can come from any province)	1
	<b>Total Board</b>	<b>8</b>

**Table 1: Sow Numbers by Province – 3<sup>Rd</sup> Quarter 2007**

<b>Province</b>	<b>Sow Numbers</b>
Newfoundland	200
PEI	10,000
Nova Scotia	6,500
New Brunswick	13,500
Quebec	393,000
Ontario	408,000
Manitoba	366,000
Sask.	131,700
Alberta	181,000
B.C.	17,600
Total Canada	1,527,000

Source: Statistics Canada, Livestock and Aquaculture Tables; Catalogue 23-010-X

## ATTACHMENT 4:

## Matrix Management

**Definition** - A style of management where an individual has two reporting superiors (bosses) - one functional and one operational.

This is commonly seen in project management where an engineer, for example, reports to the chief engineer functionally, but reports to the project manager on operational project issues.

Matrix management also is common in branch offices. The accountant in the Tokyo office reports functionally to the Vice President of Accounting in headquarters in London, but reports operationally to the Regional Manager in charge of the Tokyo office.

Generally the functional reporting relationship is stronger, because the functional manager controls the individual's compensation and evaluations.

**Also Known As:** dotted line responsibility

**Examples:** For a matrix management style of organization to be effective, the functional and operational managers must have equal weight in controlling the individuals in their matrix.

**Matrix management** is a type of organizational [management](#) in which people with similar skills are pooled for work assignments. For example, all [engineers](#) may be in one engineering department and report to an engineering manager, but these same engineers may be assigned to different projects and report to a project manager while working on that project. Therefore, each engineer may have to work under several managers to get their job done.



**Advantages** - proponents of matrix management suggest that there are two advantages to matrix management. First, it allows team members to share information more readily across task boundaries. Second, it allows for specialization that can increase depth of knowledge and allow professional development and career progression to be managed.

**Disadvantages** - the disadvantage of matrix management is that employees can become confused due to conflicting loyalties. The belief is that a properly managed cooperative environment can neutralize these disadvantages.

Matrix management is not a new concept. It has been at play since the 1970's. It developed in response to find new ways of handling the cross-functional needs in a vertically aligned organization. Also it developed under the assumption that you need authority and control to get work done – thus the assigning of two bosses to one person. This was the wrong solution and as a consequence matrix management fell out of favour.

The belief in the 70's and 80's was that a matrix organization would be the best way to manage project complexity. It has been proven to not be true over the years by the failures of companies such as IBM, HP, and AT&T. A matrix organization in itself is complex, can break down over time, and may hinder the ability of managers to effectively lead.

### **New Approaches Matrix Management**

The experience in the 70's and 80's has led to a new understanding of how matrix management can be more effective. For matrix management to be successful the following conditions are required:

1. First, it must be recognized that you do not need authority to get work done, rather you need alignment. That is both sides of the matrix need to agree on what is to be achieved.
2. Steering Councils – need to be established to provide governance starting with a Strategic Steering Council at the top. The direction then cascades down through the organization. Note: This can be the Board of Directors.
3. Shared and Individual goals – the goals of the Steering Council needs to be clear, shared and provide the framework for project goals and individual goals that will be used to establish accountability.
4. A Project System – there are two ways to get things done: through projects or business processes. The strategic plan is nothing more than a portfolio of projects. This starts at the top with the Steering Council in the establishment of priorities. It is then the Steering Council's job to oversee the portfolio of projects and ensure that a resource allocation process is in place. Each project requires oversight by a project manager to make sure progress is being made; resources are allocated to achieve the project timelines and objectives. Note: Business processes such as IT systems; accounting; etc are not addressed in this document.
5. Team based methods – most management is done by teams. Project management must foster team participation, cooperation and support.

### **Relevance for the CPC**

It is evident that the CPC and the provincial members have several areas that are of vital importance. The CPC and its provincial members should begin by focusing on a **project management** relationship (not a matrix management structure). Four general areas are identified and listed below.

Each cell in the matrix must be defined further to identify issues, priorities and a project development process described below:

<b>Project/Issue</b>	<b>Project Details</b>	<b>CPC's Role</b>	<b>Provincial Members' Role</b>
<b>Policy/Development</b>	TBD	TBD	TBD
<b>Trade/COOL</b>	"	"	"
<b>Safety Nets</b>	"	"	"
<b>National Programs</b>	"	"	"

The following project management process is presented for consideration:

1. Begin by agreeing on the top priorities that need to be addressed by both the national body and the provincial bodies. This should be done at the CPC Board level in consultation with provincial members.
2. For each priority, identify the key objectives or outcomes to be achieved.
3. Charge a senior management team with representation from both CPC and the member organizations to develop project charters (see next step).
4. Outline the actions, personnel resources and timelines required to achieve the specified outcomes within the next one year time frame.
5. Assign a project leader (if necessary) to develop more details and establish a budget.
6. Submit project plan and budget for approval at the Board level.
7. Proceed with project implementation.