

DRC A Model Arising from Market Integration

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Fruit & Vegetable Dispute
Resolution Corporation (DRC)



- An industry lead/government supported private, non-profit organization of produce and transportation companies operating in the North American marketplace dedicated to providing fair, efficient, affordable and enforceable commercial dispute resolution services
- Established pursuant to Article 707 of NAFTA



- A partnership with:
 - Government agencies in Canada, the USA and Mexico
 - Industry associations at the federal and provincial or state level in the NAFTA region
 - Industry members from all three countries



Mission:

To provide the North-American produce industry with the tri-national policies, standards and services necessary for resolving commercial disputes in a timely and cost effective manner

Vision:

The DRC facilitates commerce amongst its members by promoting fair, and ethical trade practices.



- Parties that join the DRC adhere to a common set of trading practices and mediation and arbitration procedures (default rules & contract).
- Arbitration decisions are enforceable in the courts of the three countries.
- The primary incentive for participation is the commercial benefit to suppliers, customers and transportation service providers that results from greater assurance of reputable business behavior.

Why?



- Increasing Integration of the North American Market
- Contract law issues in Canada Slow Pay/No Pay disputes
- Inability to cover intra-provincial trade in Canada
- No system in Mexico
- Litigation option too costly and lengthy
- Level playing field between NAFTA countries

Framework



- Private, Non-Profit Corporation
- Voluntary Membership
- Trading Standards
- Mandatory Dispute Resolution Procedures <u>between</u> Members
- Binding & Court Enforceable Decisions in all 3 Countries

Principles



- Recognized by the three NAFTA countries
- Builds on and improves the present
 system complements does not duplicate
- Encourages and enforces fair trade practices
- Equal access for all members
- Unbiased decision making
- Timely, effective, affordable, and enforceable solutions

Membership



Canada	784	68%
USA	310	27%
Mexico	39	3%
Associates	<u>20</u>	2%
TOTAL	1,153	

Net Annual Growth Rate 3%-4%

Complaints



698 Complaints Opened 685 Closed 13 Pending

Closed Files



111 Arbitrations
Average # Days – 196
Average Value - \$12,162

574 Without Arbitration
Average # Days – 47
Average Value - \$4,218

Complaints - Type



Condition/Grade	489 -	- 62%
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- Contract/Non-Payment 209 26%
- Other
 - Questions/Opinions96 12%

Interim Verdict



Fast: Informal = 47 days

Formal = 196 days

Effective: Informal = 84%

Formal = 16%

Arb. Awards = 85% paid

Fair: 94 % Retention Rate

Enforceable: Court Decisions

Self-Funded

Core Business



The DRC's Core Business is to provide its members with education & dispute resolution services

However, the DRC is becoming a catalyst for other initiatives that will improve the overall business climate for fresh produce within the NAFTA region

Integration Projects



- Standardize Destination Inspection Services and Inspection procedures for North America - building on the USDA Model
- Standardize Grades & Good Arrival Guidelines for North America (Canada & USDA grade standards)

Integration Projects



- Establish a USA PACA-Like Trust for North America to improve the financial security for sellers of fresh produce
- Improve Financial Practices in the Canadian Marketplace by strengthening the policy and regulatory framework and its delivery



Good example of what can be achieved through building & maintaining strong private & public sector partnerships & strong private sector partnerships (e.g. PACA, CFIA, USDA, AAFC, Blue Book, national & regional industry associations)



- Some challenges can only be offset because of these partnerships
 - Overcoming policy & regulatory impediments
 - Building capacity and depth in staffing and infrastructure
 - Seed money & start-up funds



- Some challenges can only be offset because of these partnerships
 - Building awareness and credibility
 - Minimizing the impact of noninsurable risks



- A good model for produce markets that are becoming increasingly integrated
- A model that can be used for domestic, bilateral and/or tri-lateral initiatives in the produce sector
- Flexible can adjust rapidly to changing market requirements and need to add other commodities or sectors (e.g. seed potatoes, transportation, floral, etc.)