

Executive Summary

The BCEP requires that specialty product be clearly differentiated from mainstream product, that the premium attributes be preserved and represented to the consumer, and that the specialty product be able to be certified by a 3rd party. At this time BCEP recognizes there is a defined market for certified organic product, and that certified organic meets the criteria of the Board's specialty program. The Board may accept other classifications provided there is a defined market and they meet the 3rd party certification requirement.

The BCEP proposes to provide a graduated new entrant program which provides new entrants with nontransferable incentive quota over a period of seven years. New entrants will enter into the program phases depending on the stage of product development.

All quota including incentive quota required for the new entrant program will be provided by a combination of the existing Market Responsive Allocation Program (MRAP), transfer assessments, and a portion of allocations from Canadian Egg Marketing Agency (CEMA).

Producers intending to serve defined specialty organic market needs will be given priority entry to the new entrant program over nonspecialty producers so long as there is defined market demand that is unfilled for the specialty product. While priority will be given to certified organic initially, other classifications may be considered in the future if required by the marketplace.

The Board intends to facilitate the purchase of transferable quota through a Board operated provincial quota exchange. The Board intends to continue to lobby CEMA for improved allocations for B.C.'s specialty markets.

The Board proposes two classes of quota. Any quota provided to specialty producers as an incentive through the new entrant program will be restricted as specialty non-transferable, with the exception of a one time ability to transfer to adult children of the new entrant. This incentive quota will return to the MRAP upon the producer selling their transferable quota and/or exiting the industry. Any quota transferred under the one time exception rule will return to the MRAP upon that producer exiting the industry. (See **Schedule 10**) Any quota purchased by producers from mainstream will be unrestricted and may transfer between specialty and mainstream quota classes.

The Board proposes to maintain the existing exemption level of 99 birds, but will provide a higher exemption for small, certified COABC organic producers.

The Board intends to transition existing permittees and TRLQ holders into the proposed new entrant program. There will no longer be a requirement to purchase quota in order to retain incentive quota for new entrant's use.

The Board will institute a 5% assessment on quota transfers with the only exceptions being transfers within families, business name changes and corporate reorganizations where existing quota holdings are split or merged within the same ownership.

Levies will be applied to all production on the same basis.

BC Egg Producers - Specialty Egg Review – Summary of Issues and Options

This paper provides discussion and analysis of the BCEP’s proposed Specialty Egg Program. The paper is organized as follows:

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1 Defining Specialty

The Board intends that specialty products meet a two hurdle test. First, there must be an unfilled market requirement for a defined or identified product wherein the farm based attributes are sufficiently different and in demand that consumers seek these attributes and are prepared to pay a significant price premium. For more detail on the criteria for classification as specialty, see **Schedule 1**. Second, the specialty producers seeking differentiable status within the regulated system for the specialty product must operate under a certification plan accredited by a 3rd party.

At this time the Board recognizes certified organic as a distinct specialty class for the purposes of the New Entrant Specialty program. In future, the Board may consider additional specialty classes providing they meet certain standards:

- They are 3rd party certified i.e. - through the Agri-food Choice and Quality Act (AFCQA) and /or nationally or internationally recognized standards.
- There is market demand for that product
- Identity preservation to the consumer through product labeling and marking of the unique farm-based attributes
- Extra farm-based effort and investment to produce unique product attributes.

For clarity, the Board does not recognize for new entrant program eligibility as specialty, eggs that are produced with simply a change in feed or genetics where all other aspects of production remain unchanged.

2 New Entrant Program

New specialty entrants will enter the specialty egg industry through the New Entrant Specialty (NES) program.

It is intended that priority access to the new entrant program will be provided to producers planning to meet defined specialty market demand that is demonstrably unfilled. Once all specialty market needs are filled, New Entrant Mainstream (NEM) applicants will be eligible.

All new entrant approvals will be based on market requirements.

After addressing quota requirements for existing Temporary Restricted License Quota (TRLQ) and Specialty Permit holders, the Board intends to provide two new entrant opportunities annually, provided there is available quota.

2.1 New Entrant Specialty Program

The goal of this graduated entry program is to respond to market needs through a range of entry levels. Producers will enter this program according to the stage of development of their product.

As new entrants will be producing products that are at various stages of development, new entry producers will include: innovation product new entrants (phase I), new entrants with products in the market development stage (phase II), new entrants with products in the market expansion stage (phase III).

Applicants will be required to meet certain eligibility criteria and submit a preliminary business plan in order to be placed on a wait list. Eligibility criteria are set down in **Schedule 2** and business plan requirements are set down in **Schedule 3**. All applicants will be placed on the wait list in the order applications are received. See **Schedule 4**.

The graduated entry program provides the following:

- In the first two years of the program, producers will be provided with up to a 1000 bird new entrant permit
- Between years 3 and 5, the producer is provided with an additional 1000 birds
- Between years 6 and 7, the producer is provided an additional 1000 birds for a total of 3000 birds
- At any time, producers are free to source additional quota outside of the program.

A producer may stop at any level short of the 3,000 bird level provided by this program. The producer must indicate in their business plan the size to which they intend to grow so that the Board may set aside the appropriate amount of new entrant quota.

Producers must avail themselves of the full amount offered within the time periods indicated or the unutilized portion is forfeited.

Any quota provided to specialty producers as an incentive through the new entrant program will be classed as specialty and non-transferable, with the exception of a one time transfer to adult children of the new entrant. It will return to the Market Responsive Allocation Program (MRAP) upon the producer exiting the industry. Any quota transferred under the one time exception rule will return to the MRAP upon that producer exiting the industry. See **Schedule 10**. Any quota purchased by producers from mainstream, may transfer between specialty and mainstream quota classes.

The sale of any portion of purchased quota triggers the immediate return of all incentive quota to the MRAP.

Incentive quota must remain specialty.

The graduated program is summarized below.

Phased in 7 Year Program:

1-2 years

years 3- 5

1000 Birds
allotted to producer

Up to 1000 Birds allotted to the producer

Years 6-7 Up to 1000 birds allotted to the producer for a total of 3000 nontransferable incentive quota .

2.2 Setting Aside Quota for the New Entrant Program

Specialty New Entrant Program

Existing TRLQ and Special Permit holders will be merged into the new entrant program. (See [Section 5](#))

In order to provide for growth of the current TRLQ & Special Permit holders- i.e.- Existing Specialty Producers (ESP) to 5000 birds (See [Section 5](#)) and to provide for two new specialty entrants/year under this program, the Board will require:

Year 1	2000 New entrant birds + 28,100 ESP growth = 30,100 birds
Year 2	2000 New entrant birds = 2000 birds
Year 3	4000 New entrant birds = 4000 birds
Year 4	4000 New entrant birds = 4000 birds
Year 5-10	6000 New entrant birds = 6000 birds

From year 5 onward the Board must outlay 6000 birds/year to sustain the program and issue nontransferable quota to two new entrants each year.

With the existing MRAP balance, the estimated 5% quota assessment and an estimated Canadian Egg Marketing Agency (CEMA) allocation, this program is sustainable over 10 years.

2.3 Notes for New Entrant Program

Note I: Restrictions on who is eligible to be a new entrant - Mainstream registered producers do not qualify for the new entrant specialty program; however they can still produce specialty product subject to certain Board policies. Children of registered producers of all commodities are also restricted. Persons who hold or have held any commodity quota are not eligible. See [Schedule 2](#) for further details on eligibility criteria.

Note II: Incentive quota provided at no charge by the Board under NES and NEM programs is not transferable, except for a one time allowable transfer to immediate adult children of the new entrant. Incentive quota must be returned to the MRAP upon the sale of any purchased or granted transferable quota. Incentive quota provided under the NES will remain specialty quota. Quota purchased from mainstream will be transferable between specialty and mainstream.

Note III: Business Plans are required for new entrants. See [Schedule 3](#) for further detail on business plans.

Note IV: New entrant specialty quota initially will be “certified organic”. While priority over mainstream will initially be given to certified organic, other classifications may be considered in the future if required by the marketplace.

Note V: The criteria for acceptance as a new entrant will be based on:

- Market requirements
- 3rd party certification

Note VI: Waiting list protocol - Lists will be revised to reflect new criteria. Producers wishing to keep their name on the list or be added to the list as a new applicant, must pay a \$250.00 application fee under the terms and conditions of the new program and must renew their application annually (\$100.00/year non-refundable) by January 30 to keep their name and position on the list. Wait list protocols are set down in greater detail in [Schedule 4](#).

Note VII: The Board will encourage a managed environment in which the guiding principle will be to promote stability and continuity.

Note VIII: Specialty Product Advisory Committee (SPAC) -The Board has long recognized the importance of input by specialty producers. – A separate Specialty Product Advisory Committee will be appointed by the BCEP Board consisting of all types of specialty producers as well as graders, breakers, bankers, hatcheries etc. The role of the SPAC would be to give advice to the BCEP Board on specialty product market conditions, allocations, pricing, research, promotion etc.

Note IX: There is no requirement for new entrants to grow if they wish to remain small – i.e. there is no minimum size requirement.

Note X: Once the applicant has been invited to participate by rising to the top of the waiting list for new specialty entrants, the producer must provide a business plan. Once approved the producer has one year to get into production.

Note XI: BCEP will be auditing grading stations. Product Integrity issues will be able to be defined following grading station audits

2.4 Options to Ensure Quota for the New Entrant Program

The BCEP quota availability is constrained due to the general shortage of allocation from CEMA to meet B.C. market requirements and because of the lack of allocations in the past several years as a result of the lack of growth in egg table market consumption.

Accordingly, any quota made available for new entrant programs must come from the MRAP, transfer assessments and CEMA allocations .

The following programs will help ensure the future sustainability of the new entrant program:

1. 5% Assessment on quota transfers:

The intent of a transfer assessment is to provide a levy on producers exiting the industry and provide a levy on partial sales of quota.

Currently, there is a 5% transfer assessment with the following exemptions:

- Full Farm
- Family Transfers
- Name Change
- Splitting quota that is commonly owned into different entities with separate control or merging which is the opposite of splitting

Note I: The Board proposes that full farm transfers would no longer be exempt.

Note II: The 5% assessment does not apply to quota sold by new entrants until their total holdings including incentive and purchased quota exceed 5000 birds.

The Board has no reliable means to determine how much quota will be provided to the MRAP by virtue of transfer assessments going forward. Accordingly, BCEP is also committed to the following proposed measures:

2. Current Quota Allocations from CEMA will be used to top up the MRAP for the annual required number of birds. (See **Schedule 5** for how quota is allocated by CEMA).
3. Quota Allocations from CEMA: An allocation for specialty production needs to be sought from CEMA.
4. MRAP Recovery Program: On the sale of purchased quota all NES and NEM quota must be returned to the MRAP at that time

2.5 Ensuring Quota is Available for Purchase

The New Entrant Program does not require purchase of quota, however it is assumed that new entrant business plans will indicate that some applicants will wish to grow above the amount of incentive quota offered.

The Board does not have a mechanism to ensure new entrants and current TRLQ and Special Permit holders have access to quota to purchase.

The Board intends to put the following in place to improve access to quota for new entrants and TRLQ/Special Permit holders:

- All quota transfers are subject to 5% assessment and will be required to be processed through the provincial quota exchange, with the exception of full farm transfers.
- Exceptions to the 5% assessment rule include family transfers, name changes and merging and splitting.
- Other than full farm, farmer to farmer transfers will no longer be allowed.
- The total amount of quota offered for exchange must first be offered to new entrant specialty producers
- Full farm transfers will be subject to 5% assessment. Full farm transfers will not be required to be processed through the provincial quota exchange.

3 Exemptions

Raising the current 99 bird exemption level directly reduces the number of registered birds BC is allocated by CEMA. For this reason BCEP is suggesting that the exemption be increased, but limited to “lifestyle” COABC producers.

The following comments outline the Board’s response to exemption levels in more detail.

For smaller, lifestyle certified organic COABC specialty egg producers, the Board is proposing to establish a reserve of 10,000 layers to provide for a higher exemption level - Certified Small Flock Program (CSFP). At 399 birds this will accommodate 25 or more current lifestyle producers. This higher exemption level would only apply to certified COABC certified organic specialty producers. (See **Schedule 9** – Exemptions) The conditions that apply to this program are:

- Until certified, the 99 bird limit applies. Producers wishing to move above the 99 bird exemption would first need to be certified and use the 99 bird limit to take themselves through the COABC transitional period at the end of which time they must be certified.
- Once certified by COABC, a producer may grow without the necessity of acquiring quota or paying levies until they reach 399 layers.

- Should a producer decide to market eggs as Canada Grade “A” certified organic the producer must pay regular levies on product marketed through a registered grading station
- Should the producer decide to grow past the 399 bird limit the producer must prepare a business plan and apply to enter the new entrant program.
- In order to address future growth, these producers will be given priority as new entrants.
- All producers must comply with all applicable provincial and federal food safety regulations and biosecurity protocol of the BCEP (See **Schedules 6 and 7** for BCEP protocol)
- The Board will review the reserved amount in 3 years.

Other than the described exemption, the Board will leave the 99 bird limit in place.

The Board intends that all producers of eggs, regardless of size of operation, should be recorded with the Board. The Board recognizes that 100% registration will be logistically and politically unrealistic without substantial assistance from BCMAFF.

The BCEP will have to establish with COABC, the administrative details of this program.

4 Levies

The Board intends that the National and Provincial Levies for all producers will be the same, whether specialty or nonspecialty.

5 Current TRLQ and Special Permit Holders

With the approval of the Board’s new specialty entrant program by the FIRB, the Board intends to terminate the existing special permit program and the TRLQ program in accordance with the approved plan. In this section the mechanics of transitioning the existing programs to the new program are discussed.

There are 19 producers who are allocated 63,046 units of quota through Special Permits and TRLQ.

Because the current Special Permit and TRLQ holders entered into an agreement with the Board prior to the Specialty Review, the Board will address these producers in a different manner than future new entrants.

These producers will be transitioned into the New Entrant program as follows:

- All of these producers will be deemed to be entering the program at the beginning of year 3 of a 7 year program. They will be allowed to have up to 5000 birds of nontransferable quota .
- Producers will have twelve months to present the Board with a business plan indicating intended growth.
- At the end of year seven, quota equaling the number of birds held by each producer at January 1, 2005 will be granted as transferable specialty quota to a maximum of 2500 birds. All other quota will be nontransferable except for an allowable one time transfer to adult children of the original holder of the nontransferable quota . Nontransferable quota must be returned to the MRAP upon exiting the industry or alternatively when the adult children of the original holder exit the industry.
- If any quota which is purchased or granted is sold, all nontransferable quota will revert to the MRAP.
- All granted quota must remain specialty and will be restricted to that class upon transfer.
- Quota which is purchased by the producer from mainstream may transfer between specialty and mainstream.
- Upon approval of the program by FIRB and the signing of a contract with the producer, any lease levy will be discontinued and levies will be the same as for all other producers.
- Upon approval of the program and the signing of a revised contract, any bank accounts will be capped at the current level – i.e. no further deductions will occur. Monies already banked will be available for future quota purchases, as per existing rules.
- At any time, producers are free to source additional quota outside of the program.

6 Identity Preservation to the Consumer

- Producers, graders, and processors of Specialty Product will be required to keep all specialty eggs separate from mainstream eggs and to market the eggs as certified specialty eggs.

- The industry will need to consider implementing systems which track the egg from the producer to the consumer such as a Bar Code identification system, in order to enhance identity preservation.
- The Board will perform audits to verify separation of products and marketing volumes.
- Accredited certifiers will be required to attest that production, processing and grading is in accordance with a certification plan.

7 Managing Product Cross-Over

- Specialty producers, graders and processors will be required to demonstrate their intent and ability to maintain and market specialty product
- The Board recognizes situations may develop where a producer of specialty product may not achieve the standards required for certification but may have eggs that meet the standards required of a different class of eggs. Marketing of any given specialty product as another class of eggs will be subject to Board approval.

Approval will not be granted in any case where food safety or Biosecurity protocols are not met, nor in situations where the requesting producer is already in non-compliance with Board regulations.

- Producers, graders and processors of specialty product found to be in contravention of the regulations and/or guidelines for the production, grading, processing and marketing of specialty product will be subject to compliance and enforcement action by the Board.

8 Managing Production of Specialty Eggs within Mainstream

The Board will develop a mechanism to manage switching mainstream production between specialty and nonspecialty production in the event that the market for specialty products is increasing at the expense of nonspecialty mainstream markets.

The Board will establish procedures to allow holders of mainstream quota to switch their production to specialty based on grader requirements supported by binding purchase contracts and subject to procedures that respect the established rights of existing specialty producers.

Specialty producers that enter the system as such will not be permitted to convert to mainstream production.

9 Quota Allocations within National Systems

Because B.C. receives less allocation from CEMA than required to meet B.C. market demands, the introduction of new entrants, the needs of existing producers and needs of graders and processors must be carefully considered and balanced. (See **Schedule 5** for a synopsis of CEMA current allocation policies).

The Board will distribute any allocation received from CEMA to meet market requirements.

The Board will allocate to specialty and nonspecialty producers on the basis of:

- Allocation received from CEMA
- Market requirements
- Providing new entrant opportunities for specialty production

10 Specialty Representation and Eligibility to Vote

The Board will be consulting with registered producers in regard to election rules.

The Board intends that all registered producers who hold licenses within the supply managed system are eligible to vote on all matters requiring a vote of the membership.

For clarification, exempt (including CSFP) producers are not be eligible to vote.

A Specialty Advisory Committee will be implemented to address specialty egg issues and make recommendations to the Board.

11 Quota Classes

Producers may hold both restricted and unrestricted quota .

Restricted Use:

- Specialty nontransferable incentive quota is quota issued to new entrant producers for the production and marketing of specialty product. Nontransferable incentive quota held by children of new entrants through

the one time exception rule must continue to be used for specialty production.

- Quota granted to Special Permit and TRLQ holders after year 7 of the New Entrant Specialty Program is transferable but must remain specialty quota.

Unrestricted Use:

- Mainstream quota may be used to produce either specialty or nonspecialty product.
- A specialty producer may purchase mainstream quota for use in specialty production.

BCEP – Specialty Egg Plan

Schedule 1

Criteria for Specialty Designation as New Entrant Specialty Eggs

At this time the Board recognizes certified organic as a distinct specialty class for the purposes of the New Entrant Specialty program. In future, the Board may consider additional specialty classes providing they meet the prescribed standards.

The criteria for designation as New Entrant Specialty Eggs are as follows:

- Must reflect substantive farm level differentiation from non-specialty eggs
- Must be certified in writing by an independent 3rd party
- Product identity must be preserved from producer through to consumer
- BCEP auditors must be able to verify each criteria through an audit process
- Certification plans will attest to the validity of the production, processing and marketing of the specialty product attributes.
- Accredited certification will be required to be in accordance with AFCQA and/or legislatively recognized national standards for certification of production and marketing of agri-food products.
- Loss of certification while in production may, subject to Board approval, result in the marketing of eggs through mainstream graders, processors and markets for the life of that flock.
- The Board expects that specialty producers will, in the event of losing certification for a flock, take all necessary steps to re-establish certification at the earliest possible date, and in any event, by the time the next flock is placed.
- If a producer loses certification for two (2) successive flocks, the Board may, at its sole discretion, revoke that producer's nontransferable incentive specialty quota.

BCEP – Specialty Egg Plan

Schedule 2

Criteria for Eligibility as New Entrant Specialty Egg Producer

The criteria for designation as a New Entrant Specialty Egg Producer are as follows:

- Business plan must be submitted that meets the criteria set out for specialty designation
- Applicant must never have held or been a shareholder in a corporation that ever held supply management quota of any type.
- Must be 18 years of age or older and a resident of BC
- If a child of a person who holds or has ever held supply management quota, the business plan submitted must indicate how the new entrant will operate independently from the parent
- Applicant must meet the conditions of the accredited certifier and qualify as a producer of specialty eggs.

BCEP – Specialty Egg Plan

Schedule 3

Business Plan Criteria

The requirements for Business Plans are as follows:

- The applicant must designate the specialty product that will be produced
- Test market details with volumes required and why
- Grading station agreement
- Plans for growth and over what time period
- Financial commitment details

BCEP – Specialty Egg Plan

Schedule 4

New Entrant Specialty Wait List Protocols

The criteria for New Entrant Specialty wait lists are as follows:

- Applicants must meet New Entrant eligibility criteria
- Applicants will be invited to enter the industry on a seniority basis, subject to CSFP producers being given priority.
- Application fees, in order to be included on the wait list, will reflect the cost to operate the lists e.g. \$250 to be added to the list and \$100 a year to maintain position on the list
- The Board intends that wait lists will be managed by a 3rd party in accordance with the principles of transparency, fairness and equitability.

BCEP – Specialty Egg Plan

Schedule 5

CEMA Quota Allocation Procedures

The following is the process followed by CEMA to allocate quota:

- CEMA decides what Canada's needs are in terms of table eggs based on market requirements.
- CEMA determines whether the number of birds allocated is supplying the current table egg market. If the number of birds needed to meet market requirements is at or above the CEMA threshold, then there is an allocation. Quota is allocated approximately every 1-4 years.
- Allocation is determined by the Quota Allocation Committee(QAC) formula:
 - 50% of allocation is pro rata – based on each province's current share of the national allocation
 - 50% is based on population changes in each province. The provinces with increased population share the other 50% based on the QAC formula.
- Every 5 years the total number of unregistered layers, as indicated by the census, results in an adjustment of the BC allocation: i.e. if the total number of unregistered birds in BC increases then the CEMA allocation for registered producers is reduced. Any increase in the exemption level will result in a decrease in allocation after the next census.

BCEP – Specialty Egg Plan

Schedule 6

BCEP Food Safety

The following are the BCEP Food Safety and Bio-security protocols:

1. Food Safety: It is recommended that producers follow the *Start Clean Stay Clean HACCP-based On-Farm Food Safety Program for Shell Egg Production and Spent Hens in Canada* by CEMA
2. The Board requires that all producers who sell eggs to the public, whether through farm gate sales or a licensed grader, must comply with approved government food safety protocols for the production and marketing of eggs.

BCEP – Specialty Egg Plan

Schedule 7

Biosecurity

- Bio-Security: It is recommended that producers follow the *BC Poultry Industry Bio-security Initiative*” by the BC Poultry Association.
- The Board requires that all producers manage their layer flocks in accordance with provincially or nationally approved Biosecurity standards.
- All producers must be in compliance with such Biosecurity rules as may be developed from time to time.

BCEP – Specialty Egg Plan

Schedule 8

Marketing

1. The Board requires that sales and marketing of all eggs other than farmgate sales be through an approved, licensed grader or processor in accordance with Board regulations.
2. Farmgate sales from the producers own farm will be exempt from the requirement to be sold through a licensed grader.
3. Producers, graders and processors will be subject to audits by the Board to verify compliance with the certification plan, authorized production volume, and product separation requirements.

BCEP – Specialty Egg Plan

Schedule 9

Exemptions

1. The Board proposes to retain the 99 layer exemption level.
2. The Board will consider exemption for individual heritage breed flocks, should the exemption level of 99 be demonstrated by the applicant to be too low for the maintenance of a viable heritage flock.
3. For smaller, lifestyle certified organic COABC specialty egg producers, the Board is proposing to establish a reserve of 10,000 layers to provide for a higher exemption level - Certified Small Flock Program (CSFP). At 399 birds this will accommodate 25 or more current lifestyle producers. This higher exemption level would only apply to certified COABC certified organic specialty producers.

BCEP – Specialty Egg Plan

Schedule 10

**Rules for Transfer of Nontransferable Quota
Under the One Time Exception Rule**

Rules for transfer must be developed by the Board and approved by FIRB.