



Quota Assessment Tools Evaluation

May 8, 2017



Agenda

1. Opening Remarks
2. History of Quota Assessment Tools
3. Purpose of the Evaluation
4. Timeline Update
5. Preliminary Survey Result Summary
6. Survey 2 – Discussion Questions
7. BC FIRB Expectations
8. Closing Remarks





History

2005 Specialty Review

1. 2 year review process

- Review specialty products and markets in the supply managed commodities

2. Assessed submissions based on:

- Registration
- Designation of specialty product markets
- Allocation
- Production and Marketing Quota
- Quota Transfer
- Levies
- New Entrants
- Representation

3. Provided Boards with policy directions





Purpose

Quota Assessment Tools Evaluation

To determine if industry and public interest policy outcomes are still being achieved and if there are unintended consequences

1. Policy Objectives

- Quota is intended to be produced
- Quota is transferrable
- Producers are actively engaged and committed to the industry
- Quota is available to commodity boards to support policy objectives, including the development of specialty markets and providing for new entrants in the supply management system

2. Areas of Focus

- Transfer Assessment Structure
- Industry Entry, including transfer assessment exemptions



Quota Assessment Tools Evaluation

1. 2 Stakeholder Consultations

1. Provide an evaluation on whether the 2005 Specialty Review policy objectives related to transfer assessments and industry entry are being fulfilled
2. Identify what, if any, changes are requested and how they:
 - Meet with the 2005 policy objectives
 - Are supported by industry
 - Reflect the 2004 Ministry of Agriculture Regulated Marketing Economic Policy
 - Fulfill Sound Marketing Policy
 - Fulfill the public interest

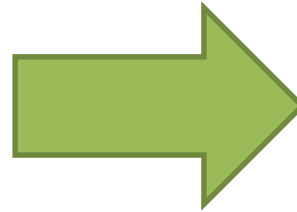
2. Summarize Current State of the Industry

- All current quota distribution, transfer and assessment policies and practices
- Illustrate the state of quota movement, assessment and industry entry between 2005 and 2016



Discussion Questions

Liquidity in Quota



Discussion Questions

Liquidity in Quota



ToonClips.com #1312 service@toonclips.com



ToonClips.com #9866 service@toonclips.com



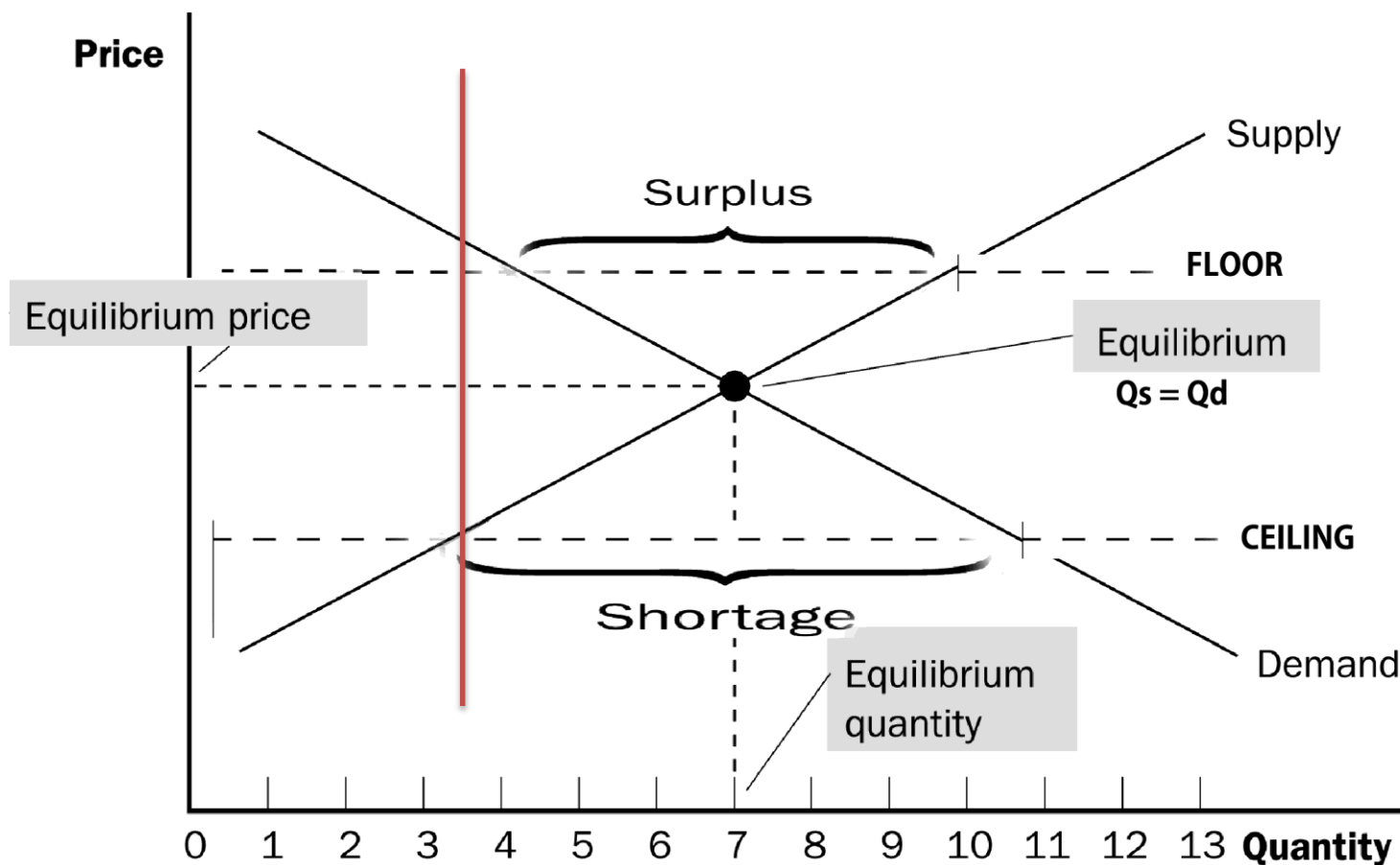
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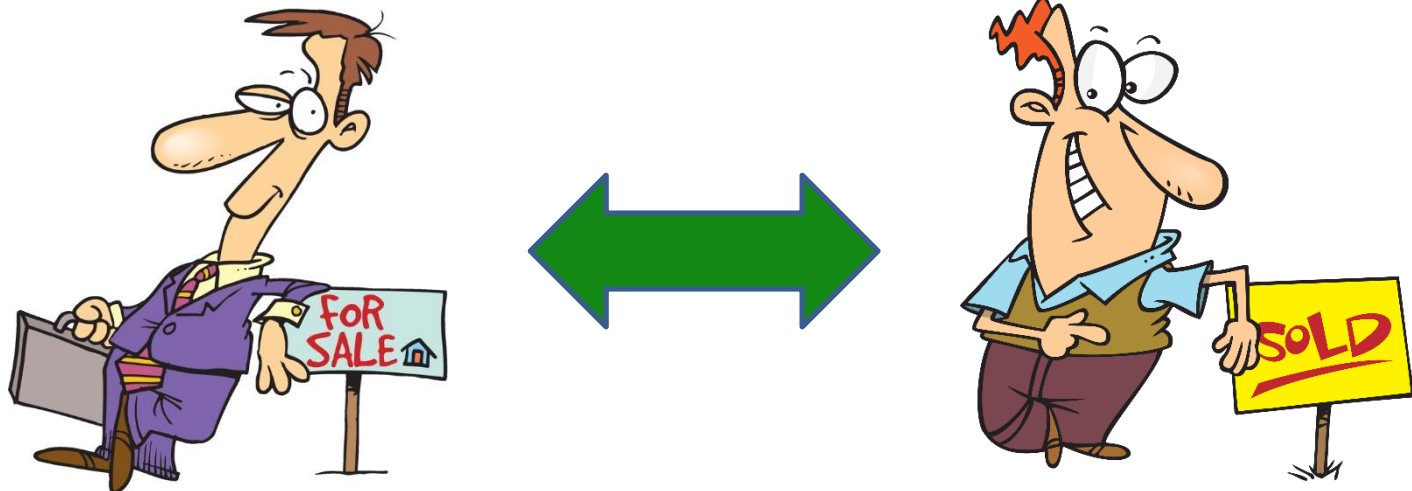


Supply and Demand



Discussion Questions

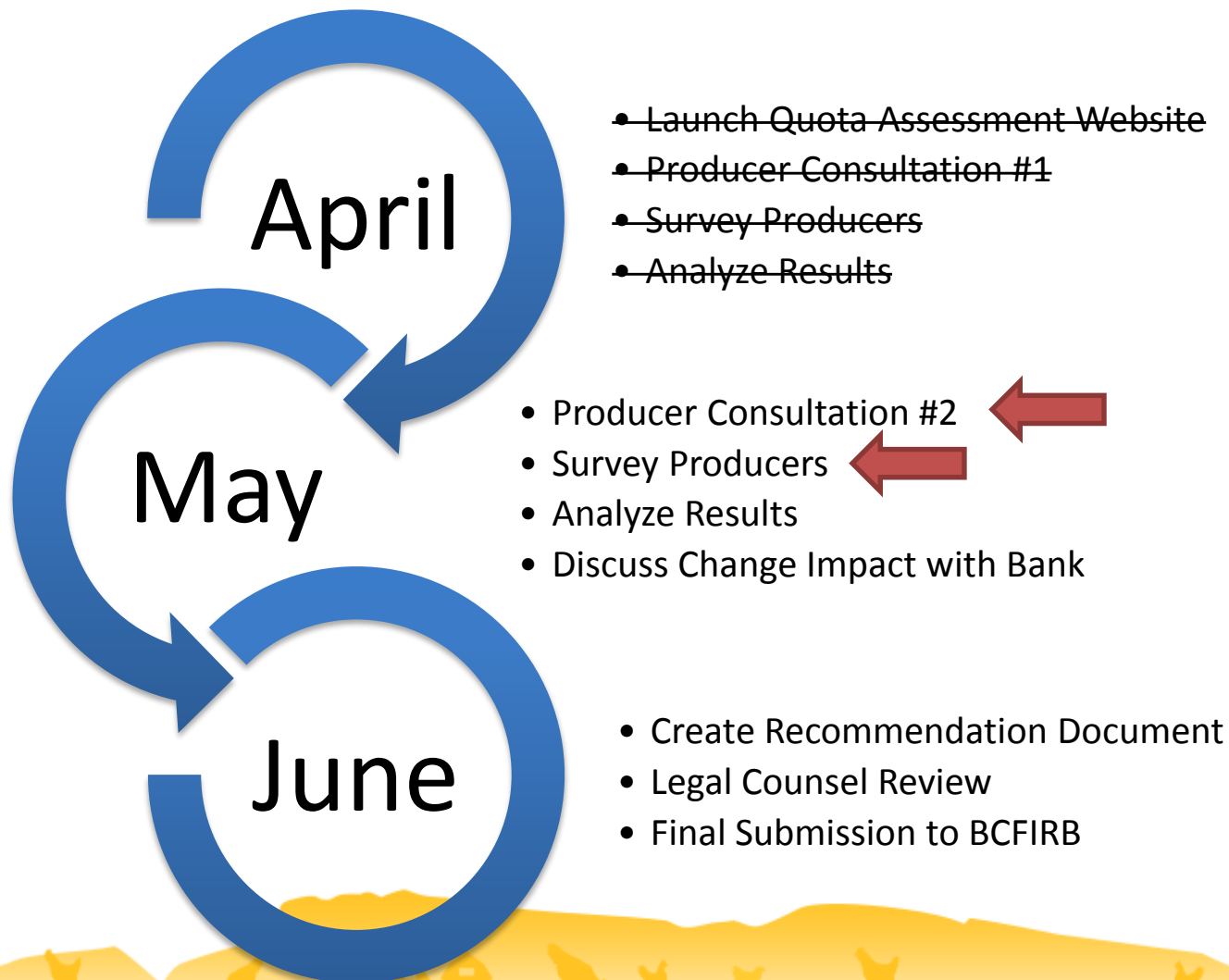
Liquidity in Quota





Timeline

Quota Assessment Tools Evaluation





Preliminary Survey Results Summary

45 of 180 Recipients Responded to Survey (25%)

Consensus:

- Current transfer assessment policy is limiting the liquidity of quota
- Extensive feedback received on NPP and its implementation

Plan:

- Will do NPP Consultation in Fall 2017
- Will do Quota Allocation Consultation Fall 2017



Survey Results

1. Have transfer assessments limited the transfer of quota, if so, to what extent?

YES	NO	Not Sure
33	7	5



Survey Results

3. Do transfer assessments impact new entrants, specialty and conventional producers differently, and if so, how?

YES	NO	Not Sure
20	16	9



Survey Results

4. Are there changes to quota transfer assessments – or other tools- that could further reduce barriers to entry and increase quota availability?

Various Answers	NO	Not Sure
37	2	6



Survey Results

2. Do you think limited transfer assessments are contributing to increases in the price of quota?

YES	NO	Not Sure
39	3	3



Survey Results

5. Are there other ways in which new people are entering the industry, what are they and how prevalent are they?

YES	NO	Not Sure
7	0	38



Survey Results

6. Are whole farm transfers still important for succession or industry health?

YES	NO	Not Sure
41	0	4



Survey Results

7. Are non-family succession structures important for industry success going forward?

If so, are there related quota management tools that could support this approach to farm succession in addition to, or in place of, transfer assessment exemptions?

YES	NO	Not Sure
15	2	28



Survey Results

8. Have you transferred quota between 2005 and now?

YES	NO	No Comment
16	17	12





Survey Results

9. How have quota assessment tools affected you? Tell us your story.

Negatively Affected	Unaffected	No Comment
32	11	2





Survey Results

10. What, if anything, would you like to change?

11. Other Comments?



WHAT IS LIFO?

Last In First Out

- Guiding principle that dictates what quota is assessed first with non-exempt transfers
- Where to start



WHAT IS 10/10/10?

- On Allocations
 - Producer gains 10% ownership every year
 - After 10 years producing quota, there is a 10% final assessment incurred on non-exempt transfer
 - What rule applies

Anniversary Date	Years of Vested Interest	% to BCEMB	% to Producer
Prior to 1st	0	100%	0
After 1st	1	90%	10
After 2nd	2	80%	20
After 3rd	3	70%	30
After 4th	4	60%	40
After 5th	5	50%	50
After 6th	6	40%	60
After 7th	7	30%	70
After 8th	8	20%	80
After 9th	9	10%	90





LIFO and 10/10/10 interaction?

- LIFO dictates where assessment starts
- 10/10/10 dictates how assessment is calculated



Example of Interaction

Example #1

- Base quota of 10,000
- Accepted every issuance on the first day
- Due to unforeseen circumstances, producer needs to sell 750 quota



LIFO and 10/10/10 interaction?

LIFO dictates where assessment starts

10/10/10 dictates how assessment is calculated

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	7	138
3.00%	300	8-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	2	80%	238	59
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	3-Apr-16	1	90%	270	30
3.148%	375	2-Apr-17	0	100%	375	0
TOTAL:					1,669	750

LIFO

10/10/10





LIFO and 10/10/10 interaction?

LIFO dictates where assessment starts

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2.587%	300	3-Apr-16	1	90%	270	30
3.148%	375	2-Apr-17	0	100%	375	0
TOTAL:					1,669	750

LIFO

10/10/10

Assessed

Sold



Discussion Questions

Quota Assessment Tools Evaluation

1. 1. Do you think LIFO (Last In First Out) should be removed? Yes/No

IF YES: Here are options that meet the SAFETI principles with which we could replace LIFO.
Please rank them in order of preference (1 being most favored approach)

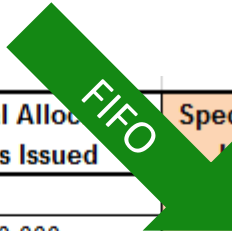
1. First In First Out (FIFO)
2. Nothing dictating which quota is sold first
3. Other: Please specify





Replacement For LIFO

1. First In First Out (FIFO)



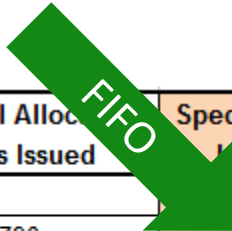
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2.587%	300	3-Apr-16	1	90%	270	30
3.148%	375	2-Apr-17	0	100%	375	0
		TOTAL:			2,162	10,112





Replacement For LIFO

1. First In First Out (FIFO)



Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	790	Sep-04	1	5%	40	750
3.00%	300	8-Nov-09	2	30%		
3.46%	356	28-Nov-10	3	40%		
3.25%	346	19-Oct-14	2	80%		
2.70%	297	26-Apr-15	2	80%		
2.65%	299	26-Jul-15	1	90%		
2.587%	300	3-Apr-16	1	90%		
3.148%	375	2-Apr-17	0	100%		
TOTAL:					40	750





Replacement For LIFO



2. Nothing dictating which quota is sold first

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	8-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
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2.587%	300	3-Apr-16	1	90%	270	30
3.148%	375	2-Apr-17	0	100%	375	0
TOTAL:					2,162	10,112





Replacement For LIFO



2. Nothing dictating which quota is sold first

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	790	Sep-04		5%	40	750
3.00%	300	8-Nov-09	7	30%		
3.46%	356	28-Nov-10	6	40%		
3.25%	346	19-Oct-14	2	80%		
2.70%	297	26-Apr-15	2	80%		
2.65%	299	26-Jul-15	1	90%		
2.587%	300	3-Apr-16	1	90%		
3.148%	375	2-Apr-17	0	100%		
TOTAL:					40	750





Discussion Questions

Quota Assessment Tools Evaluation

2. Do you think 10/10/10 should be removed? Yes/No

IF YES: Here are options that meet the SAFETI principles with which we could replace 10/10/10. Please rank those you would support in order of preference (1 being most favored approach)

1. No Conditions
2. Replace with 10/10/5
3. 0/95/2 – All issuances must be produced for a minimum of 1 year to gain 95% ownership. If a producer decides to sell quota, he/she is subject to:
 - a 100% claw back on all issuances that have been produced for less than 1 year
 - Forfeiture of all future issuances for a period of 2 years.
4. Other: Please specify





Whole Farm Sale

Non-Exempt Example

Example #2

- Base quota of 10,000
- Accepted every issuance on the first day
- After farming for 50 years, producer would like to retire
 - No Children
 - No Siblings





Whole Farm Sale Non-Exempt Example

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	8-Nov-09	7	30%	90	210
3.46%	356	28-Nov-10	6	40%	143	213
3.25%	346	19-Oct-14	2	80%	277	69
2.70%	297	26-Apr-15	2	80%	238	59
2.65%	299	26-Jul-15	1	90%	269	30
2.587%	300	3-Apr-16	1	90%	270	30
3.148%	375	2-Apr-17	0	100%	375	0
		TOTAL:			2,162	10,112

Assessed

Sold





Replacement For 10/10/10

1. No Conditions

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessed: Return to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	8-Nov-09	7	5%	15	285
3.46%	356	28-Nov-10	6	5%	18	338
3.25%	346	19-Oct-14	2	5%	17	329
2.70%	297	26-Apr-15	2	5%	15	282
2.65%	299	26-Jul-15	1	5%	15	284
2.587%	300	3-Apr-16	1	5%	15	285
3.148%	375	2-Apr-17	0	5%	19	356
		TOTAL:			614	11,660

Result:

- Single quota class
- Instant 95% ownership
- Increased liquidity?



Replacement For 10/10/10

2. Replace with 10/10/5

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Years of Interest	Assessment % At Today	Assessed: Turn to BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
0	300	Nov-09	7	30%	90	210
0	356	Nov-10	6	40%	143	213
0	346	Oct-14	2	80%	277	69
0	297	Apr-15	2	80%	238	59
0	299	Jul-15	1	90%	269	30
0	300	Apr-16	1	90%	270	30
0	375	Apr-17	0	100%	375	0
TOTAL:					2,162	10,112

As of Nov 2019

Assessment = 5%

Result:

- Single quota class after 10 years of ownership



Replacement For 10/10/10

3. 0/95/2 – All issuances must be produced for a minimum of 1 year to gain 95% ownership. If a producer decides to sell quota, he/she is subject to:
- 100% claw back on all issuances that have been produced for less than 1 year
 - Forfeiture of all future issuances for a period of 2 years.

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	BCEMB	# Birds Transferable
	10,000	Sep-04		5%	500	9,500
3.00%	300	8-Nov-09	7	5%	15	285
3.46%	356	28-Nov-10	6	5%	18	338
3.25%	346	19-Oct-14	2	5%	17	329
2.70%	297	26-Apr-15	2	5%	15	282
2.65%	299	26-Jul-15	1	5%	15	284
2.587%	300	3-Apr-16	1	5%	15	285
3.148%	375	2-Apr-17	0	100%	375	0
TOTAL:					970	11,304

One quota class

Forfeit Issuance Produced < 1 YR

Result:

- Single quota class after 1 year of ownership
- Cannot sell to “make room” without consequence
- Increased Liquidity



Replacement For 10/10/10

3. 0/95/2 – All issuances must be produced for a minimum of 1 year to gain 95% ownership. If a producer decides to sell quota, he/she is subject to:
- 100% claw back on all issuances that have been produced for less than 1 year
 - Forfeiture of all future issuances for a period of 2 years.

Allocation Percentage	# Special Allocation Birds Issued	Special Allocation Issued Date	Full Years Vested Interest	Assessment % At Today	Assessment % At Today	# Birds Transferable
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3.25%	346	19-Oct-14	2	5%	17	329
2.70%	297	26-Apr-15	2	5%	15	282
2.65%	299	26-Jul-15	1	5%	15	284
2.587%	300	3-Apr-16	1	5%	15	285
3.148%	375	2-Apr-17	0	100%	375	0
2.000%	245	1-Dec-17	0	100%	245	0
2.500%	313	1-Apr-18	0	100%	313	0
3.000%	385	1-Mar-19	0	100%	385	0
TOTAL:					1,913	11,304

One quota class

Not real

Forfeit Issuance
2 YRS After X-fer



Replacement For 10/10/10

4. Pro Rata 10/10/10

[illegible]



Timing of Policy Changes

4. If there are changes to transfer assessments from this review, should the changes be applicable to all quota held?

☐ Yes

☐ No (Keep LIFO & 10/10/10 for issuances that occurred between 2005-2017)





Succession Planning

Currently, transfers that are exempt from clawbacks include:

- (1) transfers to spouse
- (2) transfer from parent to child
- (3) transfer from parent to child and spouse
- (4) transfers where ownership structure doesn't change

5. Should the policy around exempt transfers be expanded to include any of the following?
Please check all that apply

- Yes, exempt transfers should also include...

- ☐ From sibling to sibling
- ☐ From child to parent
- ☐ Transfer to nieces and nephews
- ☐ From grandparent to grandchild
- ☐ To long-standing farm managers
- ☐ Other (specify)

- No/there should be no expansion to the policy for exempt transfers





Succession Planning

***IF YOU SELECTED LONG TERM FARM MANAGER

What qualifications should the farm manager meet to be eligible for the transfer?

- ☐ At least 7 years as a full-time farm manager
- ☐ At least 10 years as a full-time farm manager
- ☐ At least 15 years as a full-time farm manager
- ☐ Other: Please specify



New Producer Program Changes

6. If LIFO or 10/10/10 are changed, should the NPP quota program be subject to the same changes?

☐ Yes

☐ No

******If Yes – End Survey.***

If No, send to Q7.





New Producer Program Changes

LIFO Replacement Options

7. If no, here are options that meet the SAFETI principles with which we could replace LIFO. Please rank them in order of preference (1 being most favored approach):
- First In First Out (FIFO)
 - Nothing dictating which quota is sold first
 - Other: Please explain





New Producer Program Changes

10/10/10

8. Do you think 10/10/10 should be removed from the New Producer Program?

☐ Yes

☐ No

******If No – end survey.***

If Yes, send to Q9.





New Producer Program Changes

10/10/10 Replacement Options

9. If yes, here are options that meet the SAFETI principles with which we could replace 10/10/10. Please rank them in order of preference (1 being most favored approach)
- No Conditions
 - Replace with 10/10/5
 - 0/95/2 – All issuances must be produced for a minimum of 1 year to gain 95% ownership. If a producer decides to sell quota, he/she is subject to:
 - a 100% claw back on all issuances that have been produced for less than 1 year
 - Forfeiture of all future issuances for a period of 2 years.
 - Other: Please Explain





BCFIRB's Expectations

Quota Assessment Tools Evaluation

1. Summary of quota distribution policies

- Assist BCFIRB with evaluating any proposed changes to transfer assessments and industry entry

2. State of Quota movement, assessments and industry entry between 2005 and 2016

- Qualitative – year over year allocations, production split, quota transferred, quota assessed, industry entry statistics
- **Quantitative** – case studies **from producers** and value chain members on transfer assessments and industry entry

3. Consultation Questions

- As presented by BCFIRB and stated previously

4. Recommended Changes

- Supported by industry, meet 2005 objectives, SAFETI and Regulated Marketing Economic Policy, fulfill the public interest.



SAFETI Principles

- 1. Strategic** - Identify key opportunities and systemic challenges, and plan for actions to effectively manage risks and take advantage of future opportunities.
- 2. Accountable** - Maintain legitimacy and integrity through understanding and discharging responsibilities and reporting performance.
- 3. Fair** - Ensure procedural fairness in processes and decision-making.
- 4. Effective** - A clearly defined outcome with appropriate processes and measures.
- 5. Transparent** - Ensure that processes, practices, procedures & reporting on exercise of mandate are open, accessible and fully informed.
- 6. Inclusive** - Ensure that appropriate interests, including the public interest, are considered.



Regulated Marketing Economic Policy

1. **Public Interest** – operates in the interests of all British Columbians
2. **National Systems** – BC government supports the participation of BC producers in national supply managed systems when the provisions of the national agreements are consistent with the growth and prosperity of the agri-food industry.
3. **Maintaining and Gaining Markets, and serving BC demand** - supports the development of new markets identified at the production, marketing, and processing level to facilitate industry growth and competitiveness.
4. **Entry of New Producers** - facilitates the entry of new producers to sustain and renew regulated industries in new and existing markets.



Regulated Marketing Economic Policy

- 5. The Value Chain** – facilitates cooperation among producers, marketing agencies, input industries, processors, and retailers, with a view to achieving efficiencies throughout the entire system, and enhancing value in the marketplace.
- 6. Safety and Quality** – builds consumer preference for British Columbia product by encouraging the production of high quality, safe food.
- 7. Recognition of Standards** - recognize, and encourage producers to participate in, the voluntary standards programs sanctioned by the Province and national standards sanctioned by the Federal Government as standards for identifying and labelling specialty products.
- 8. Regional Industries** - contributes to economic activity and stability in all regions of British Columbia.





Thank you!

Questions?

