

May 27, 2019

Kirsten Pedersen
Executive Director
BC Farm Industry Review Board
780 Blanshard Street, 1st floor
Victoria BC V8W 2H1

Dear Kirsten,

Request for approval of BCEMB's proposals for the 2019 growth quota distribution policy, multi-year three allocation policy and the New Producer Program

In December 2018, Egg Farmers of Canada ratified a National Quota Allocation of 27,432,857 layers which represents an additional 1,443,475 layers for the country and 202,110 additional layers for BC, representing a 6.48% increase in quota for the province.

Per Section 37 (c) of the British Columbia Egg Marketing Scheme, BCEMB requires prior approval from BCFIRB to vary quota. BCEMB is requesting approval for the distribution method for the 202,110 additional layers and a multi-year allocation policy spanning 3 allocations.

BCEMB's proposal and recommendation is to:

1. Distribute 6.9% (13,900 quota units) of BCEMB's 2019 allocation as an equal distribution portion to all registered BC producers who are active and in good standing with BCEMB and are producing Fully Enriched, Free Run, Free Range or Organic eggs currently or within 36 months.
2. Distribute/Set aside 14.7% (29,756 quota units) of BCEMB's 2019 allocation for a Temporary Allotment Program to support New Producer Program winners and other New Entrants¹ over the period 2019 - 2025.
3. Distribute 78.4% (158,454 quota units) of BCEMB's 2019 allocation pro-rata to all registered BC producers who are active and in good standing with BCEMB.
4. Consider a multi-year variable allocation policy spanning 3 allocations to streamline the process and timeframe for distribution of growth quota allocations and improve the market responsiveness of BC producers.

The BCEMB is also seeking BCFIRB's approval for the updated New Producer Program, the Temporary Allotment Program and the Reserve Program which are inter-related and inter-connected with the proposed 2019 growth quota allocation policy and the multi-year allocation policy.

¹ New Entrants are defined as new producers who have purchased initial quota in January 1, 2009 or later.

When developing the quota allocation distribution policy, BCEMB fully considered the directives in BCFIRB'S Decision dated August 28 2018 on the Prior Approval of the BCEMB's 2018 Quota Distribution Policy. BCFIRB directed *the Egg Board to aggressively pursue other public policy objectives over the next year. These include demonstrating that the Egg Board has identified and considered such opportunities as: bringing in additional new entrants beyond the 12 committed to in its request (including supporting early entry to production where feasible); regional and value added opportunities; and, other measures to use quota allocations to sustain the overall market demand for B.C. eggs.*²

After careful consideration of BCFIRB requirements, SAFETI principles, and the Regulated Marketing Economic Policy of the BC Ministry of Agriculture, the Egg Board is proposing the following suite of policies:

1. Multi-year Three Quota Allocation Policies and Procedures
2. New Producer Program Policies and Procedures
3. Temporary Allotment Program Policies and Procedures
4. Reserve Policy and Procedures

The BCEMB's goal is to streamline the quota allocation process going forward to ensure that growth quota is allocated in a timely manner and BC egg producers are meeting market demand. With this in mind, BCEMB has developed a multi-year allocation plan spanning three growth quota allocations, including the distribution policy for the 2019 allocation. This multi-year allocation policy will provide consistency and predictability for producers and for the sector. The allocation planning process takes into account quota reserve requirements, an equal distribution commitment and finally a pro-rata portion, in that order.

The steps of the allocation planning process are as follows:

- 1) The quota requirements for the New Producer Program for 2020 – 2025 are considered first. Details on the updated New Producer Program (NPP) are presented on pages 14 to 18.
 - *This proposal requires 30,000 quota units for the NPP, which has already been set aside from previous assessments and allocations.*
- 2) The second step is to consider the quota requirements for a Temporary Allotment Program to support the New Producer Program and other New Entrants³ over the period 2019 - 2025. All New Entrants and NPP winners will have the opportunity to temporarily house up to 1000 additional hens for a maximum of five years through the Temporary Allotment Program. Details on the Temporary Allotment Program (TAP) are presented on pages 19 to 22.

² 2018 August 28. BCFIRB. Prior Approval of the British Columbia Egg Marketing Board 2018 Quota Distribution Policy.

³ New Entrants are defined as new producers who have purchased initial quota in January 1, 2009 or later.

- *This proposal requires 29,756 quota units from the 2019 allocation to be set aside for the TAP, representing 14.7 % of the total 2019 allocation. The TAP will require a total of 34,216 quota units from 2019-2025. This proposal takes into account the 4,438 units in the reserve beyond the 30,000 quota units already set aside for the NPP.*
- 3) The quota requirements for the New Producer Program and the Temporary Allotment Programs are combined into the Reserve Program. Quota units in the Reserve Program that are not earmarked for a producer for immediate production will be available for lease for a specified timeframe, ensuring that all quota in the province is being produced.
- *Based on the needs of the Temporary Allotment Program and the New Producer Program, the Reserve will be required to maintain a quota balance of at least 30,000 quota units and no more than 60,000 quota units; with the goal of maintaining a balance of approximately 45,000 quota units. There are currently 30,000 units held in the reserve for the next NPP draw and 4,438 units held for the TAP.*

Details on the Reserve Program are presented on pages 23 to 24.

- 4) The quota requirements for an Equal Distribution portion for each allocation is the next consideration. The Board proposes equal distribution amounts for three allocations in a step-wise process over a multi-year span: Equal Distribution portion for 2019 allocation = 100 hens per producer (year 1); 150 hens per producer for 2nd allocation (year 2); 200 hens per producer for 3rd allocation (year 3). The equal distribution amount provided to each producer, in the step-wise format, was considered very carefully with the goal to encourage orderly conversion to alternative housing systems. Details on the multi-year Equal Distribution methodology are presented on pages 10 to 13.
- *Since there are currently 139 registered egg producers in BC, 13,900 quota units are required for the Equal Distribution portion for the 2019 allocation, representing 6.9% of the total 2019 allocation.*
- 5) The Pro-Rata portion of each allocation is calculated as the last step in the planning process and varies depending on the size of the allocation and the amount of quota that is required for the Reserve and Equal Distribution portions. Details on the Pro-Rata methodology are presented on pages 10 to 13.
- *For the 2019 allocation, the Pro-Rata portion equates to 158,454 quota units representing 78.4 % of the total 2019 allocation.*

According to BCFIRB's Decision, dated March 27 2017, on the Prior Approval of the BCEMB's 2017 Quota Distribution Policy, the BCEMB is directed to provide detail on the quota distribution policy options considered and consulted on, and the sound marketing policy rationale for our recommendation. The BCEMB is providing the requested information in this submission, specifically:

- Details on the changing economic and market circumstances, including a summary of current and relevant information;
- the results from stakeholder input through stakeholder engagement;

- the results of EIAC consideration of options for distribution of allocation and its recommendations for allocation distribution;
- Information indicating that BCEMB's recommendations are supported with a consideration of how to increase industry efficiencies through the growth of new entrants, small producers and opportunities to support growing markets.

The information is presented in the following sections.

Current Market Conditions

The consumption of eggs continues to grow at a faster than expected rate. This increase is attributed to a variety of factors such as: stakeholders along the entire supply chain have done an excellent job promoting eggs as a healthy, local, safe, convenient and affordable protein; science is continually improving its view on eggs as a healthy food product; cholesterol from eggs is no longer a concern for a healthy diet.

Movement of table eggs at retail (otherwise known as “table disappearance”) continues to grow nationally at a higher than expected rate. Our most recent Nielsen data from March 2, 2019 indicates that table disappearance increased 4.5% nationally over the last 52 week period and increased 4.0% over the latest 4 week period. Egg consumption continues to increase in 2019, therefore it is highly likely that BCEMB will receive another increase in December 2019.

In 2018, provincial production increased by 3.1% from 2017 while national production increased by 2.6%. During this same time period, the quantity of eggs sent to the processor decreased by 10.5% provincially and nationally by 2.7%. The egg sector is slowly catching up to table market needs; however processors are having a harder time obtaining the product they need for the growing processed egg/ingredient market.

Over the latest 52 week period, the production of eggs in BC increased by 6.3% and for the latest 4 week period, increased by 4.2%. The table below presents the percentage increases of each production type over the latest 52 and 4 week periods:

Production Type	BC Growth in Latest 52 Weeks	BC Growth in Latest 4 Weeks
Conventional	4.4%	8.9%
Free Range	8.6%	19.8%
Free Run	7.0%	12.8%
Organic	18.5%	4.6%

It is clear from the information presented above that there is significant variability between the latest 52 week and 4 week growth numbers. The growth and fluctuation in egg production can be attributed to (1) a steadily increasing consumption of eggs, (2) the seasonality of egg consumption, and (3) other market factors that impact demand such as retailer product listing and sales promotion decisions, and consumer trends.

Due to this continued and sustained increase in table egg disappearance, Egg Farmers of Canada (EFC) has updated the Quota Allocation Calculation (QAC) in order to keep up with production demands by adding projected annual population growth to the calculation. The calculation now looks at the table disappearance from the previous year, the extrapolated table disappearance of the current year, the projected market growth for the allocation year plus a population growth factor for the following year. EFC implemented the new QAC for the 2019 allocation announced in December 2018.

Current Economic Conditions

Pricing

In 2018, EFC completed the 2015 Cost of Production (COP) study for conventional and enriched production. Since the fall of 2018, the BCEMB has been working with the other provincial boards and EFC on the implementation of the conventional COP and how the provinces will integrate the enriched COP into their pricing structure to ensure that producers are paid fairly for converting to enriched housing. This is important as the industry is transitioning away from conventional to alternative housing systems. Over time, eggs produced in enriched housing systems will replace conventional and become the commodity egg for the consumer. Until the conversion is complete, enriched and conventional eggs will be packaged in the same carton with no “specialty premium” being obtained from the marketplace. An “optimal pricing solution” has been developed, through the cooperation of the industry nationally, that will ensure that both conventional and enriched producers are paid a producer price that is in-line with their COP. The optimal pricing solution will be implemented in September 2019 nationally and provincially.

The BCEMB continues to be the only province that regulates a producer price for all specialty production. With the addition of the enriched price in September, the BCEMB will ensure that BC’s producers continue to be paid fairly for the production types they produce.

Processing

Due to dramatic fluctuations in pricing of eggs for processing, we are expecting an increase in national and provincial producer levies in 2019, which will put a strain on producers. The situation stems from the declining US Urner Barry price which has been decreasing significantly due to surplus hens/eggs in the US, coupled by low US feed prices. The EFC Breaker Price is based on the US Urner Barry Price, and the ripple effect of the declining Urner Barry price affects pricing programs nationally and provincially, resulting in the need to increase producer levies. The increase in levies will be determined in the next few months and may be significant. APPENDIX 1 presents information on the inter-relationships and impacts of the EFC Breaker Price, provincial pricing, and Urner Barry.

Imports

Even though EFC is taking significant steps to narrow the gap between demand and supply of eggs through implementation of the new QAC, Canada remains an importer of eggs. 2018 statistics indicate that net import of Shell Eggs increased by 40.22% representing 14,956,806 dozen eggs over 2017.

US imports of table and processed eggs are expected to increase dramatically in the next 1–2 years, beyond the volumes expected from trade agreements. The import situation will be exacerbated by the sustained decline of the Urner Barry price, driven by record high US hen stocks/egg surplus and low corn

and soy prices, resulting in cheap eggs from the US – as low as 20 cents per dozen for table eggs! Trumps’ foreign policies have shut down US access to foreign markets for corn and soy (China, Mexico) thus US feed prices are expected to drop significantly as feed inventories increase. Canada will become increasingly vulnerable to imports of extremely cheap table and processed egg products from the US, since importers’ profits will be minimally impacted by tariffs.

Uptake of Previous Allocations

When quota increases are received from the national agencies, BCEMB endeavors to put the quota into production in an expeditious manner in order to meet the increased consumer demand for BC eggs. Good governance and board policies have a vital role to play in BCEMB’s ability to accommodate these increases in a timely manner. Board policies that provide consistency and predictability in the medium to long term greatly assist producers in planning for growth and expansion.

It can take producers approximately 18 – 24 months to accommodate an increase in growth quota, as indicated in the following steps:

1. The producer must wait for their next flock change as the additional hens cannot be placed within the current flock. Flocks are placed at 19 weeks of age and removed between 72 to 80 weeks of age. Adding birds to a flock poses a biosecurity risk and is discouraged by the Board.
2. If the producer has extra space to accommodate the birds, they increase the number of birds placed at their next placement. This requires a minimum of 6 months’ notice, prior to the hatch date, for the hatchery. This is to accommodate the additional breeder hens required and the three weeks from lay to hatch for breeder eggs.
3. The day old chicks are delivered to pullet facilities where they are raised from day old chicks to 19 weeks of age.
4. The producer receives their flock with the additional layers required.
5. If a producer does not have enough barn capacity to accommodate the increase, then they need to build/renovate which must be completed between flocks and often results in 3-6 months without production. In order to maintain market stability, not all producers are able to renovate at the same time, and require grader signoff in order to proceed. The BCEMB is informed by graders and producers of any intended changes of production type and volume.

Consistent application of policy and procedures creates predictability which allows producers to anticipate growth and incorporate the additional birds into future flocks by ordering more chicks. A multi-year allocation policy will provide producers with certainty and foresight enabling them to have the hens in production as quickly as possible after an allocation announcement. This will also ensure that BC is better able to catch-up to our market demand, anticipate growth and provide the graders with the product they need.

In a very short timeframe our industry has progressively improved its capacity and ability to place growth quota. The table below indicates our last four allocations and how quickly BCEMB producers responded by placing the issuance after the allocation was received:

	Percentage of producers who placed the new allocation quota after the growth issuance was received				
	1 st Week	5 th week	26 th week	52 nd week	As of Today (May 1, 2019)
2015 – 2.7% Allocation	18.70%	29.10%	60.40%	82.80%	100%
2015 – 2.65% Allocation	18.80%	28.60%	63.20%	78.20%	100%
2016 – 2.587% Allocation	13.40%	37.30%	73.10%	87.30%	100%
2017 – 3.148% Allocation	25.40%	63.10%	88.50%	96.20%	98.50%
2018 - 2.582% + 256 Specialty Allocation	21.30%	54.40%	83.80%		83.80%

This trend has started to decline for the 2018 allocation primarily due to the uncertainty surrounding when and how the allocation will be issued. Based on the chick placement permits currently received, BC's quota utilization rate may be as low as 90% for 2019/2020. The multi-year three allocation policy will help mitigate this downward trend as producers will be able to predict their future hen and barn space requirements with greater certainty.

EFC monitors our utilization rate (hens in production versus hens allocated to the province) on a weekly basis. Each province strives to have a 100% utilization rate based on a 52 week rolling average. Currently, there are penalties in place to discourage a province from having too many hens in production. EFC is also exploring the possibility of introducing policies/penalties to discourage under production as well. Penalties for underproduction are of concern for BC since it takes us much longer to put growth quota into production than any other province due to our extended approval process.

Other Considerations

BC continues to be a leader in specialty production in Canada, with specialty representing 23.44% of total BC egg production. There is still uncertainty as to what will happen when the Retail Council of Canada's commitment to purchase only cage-free eggs reaches the 2025 deadline. In addition, the Canadian egg industry has committed to have 50% of hens in alternative housing systems by 2025 and 100% by 2036. This commitment is part of the fabric of the updated Codes of Practice.

The BCEMB is working with EFC and our processor on a program that will ensure the processor is obtaining the specialty product required for the processed market. At this time, the BCEMB does not have a mechanism to determine if the processor is over or undersupplied for a particular production type or from where the processor is sourcing additional product.

A challenge for the BCEMB is how to encourage producers to transition to alternative housing systems in an orderly fashion while recognizing that all production systems are acceptable in the Codes and some of our conventional systems are less than 5 years old. The Board mandated that no producer shall build,

retro-fit or renovate a conventional system after July 1, 2016. Through the Equal Distribution Portion of the growth allocations, the BCEMB intends to encourage producers to convert some or all of their conventional production to alternative housing.

The BCEMB is currently conducting research in the regions of BC to determine if consumers are able to purchase the egg types they are seeking in their respective regional markets. The Board wants to have a thorough understanding of the needs of each region (product type and amount) prior to determining if additional production is required, how many hens and what production type. The results of this research will guide our efforts in the New Producer Program and other policies.

Stakeholder Consultation Process

The stakeholder consultation process and review of options resulting in the development of the proposals for the 2019 quota allocation distribution methodology, the Multi-year Allocation Policy, New Producer Program, Temporary Allotment Program, and Reserve Policy were comprehensive, multi-faceted and covered an 18 month period – from December 2017 to April 2019. The information obtained from the consultations was extensive and cumulative over this period, received from on-line surveys, consultations with the Egg Industry Advisory Committee (EIAC), Egg Producers Association (EPA) and Production Management Committee (PMC), roundtable stakeholder meetings, public producer meetings, Board of Director meetings, and producers/stakeholders communicating one-on-one with staff and board directors.

Summaries of the stakeholder consultations conducted from December 2017 – April 2019 and links to documents are presented in a chronological order in APPENDIX 2.

Key information from the 2019 stakeholder consultations is presented below:

In determining the optimal distribution methodology for the 2019 allocation, the BCEMB carefully considered all of the information obtained through the stakeholder consultations and surveys over the past year, as well as emerging issues, market needs, BCFIRB directives and public policy objectives. In addition to the allocation methodology, the BCEMB must also update the New Producer Program and develop programs to improve market responsiveness, including lease programs. All of these programs are inter-related since they involve access to quota and optimal utilization of quota to meet market needs and public policy objectives. The BCEMB analyzed issues, clarified objectives and principles, developed and assessed options, and created draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy for further review and input by stakeholders. The EIAC, the PMC and the EPA reviewed and discussed the draft proposals at face-to-face meetings in January and February and provided input that was incorporated into subsequent versions of the draft documents.

On February 22nd 2019, the revised draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy were distributed electronically to stakeholders for review. A producer meeting was held on March 1, 2019 following the BC Egg AGM where the proposals were discussed in more detail and feedback was provided by participants. The BCEMB considered the input received at the meeting and revised the proposals accordingly.

From March 8 to April 15 2019, the BCEMB conducted an on-line survey whereby stakeholders (producers, graders, processors, allied trades, and the public) were asked to review and provide

feedback to the revised draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy. The draft proposals were also sent to BCFIRB for their preliminary review at this time. Recognizing that the draft programs were complex and inter-related, the on-line survey was set up so that respondents had sufficient time to read the full proposals, reflect, enter responses, leave the survey and return at a later date to continue the survey. All respondents had the opportunity to provide additional comments, suggest other options, and provide alternate solutions to each of the draft programs. A total of 102 respondents participated in the survey, representing a response rate of 50%. Ninety-five percent of respondents were producers. Key findings from the survey include the following:

- A large majority of respondents supported the proposals as presented – 74% for the Draft Temporary Allotment Policy and Procedures; 86% for the Draft New Producer Program Policy and Procedures; 84% for the Quota Allocation Policy and Procedures; 94% for the Reserve Policy and Procedures.
- Some of the comments, options and alternate solutions provided by respondents centered around additional quota for lease or to own for New Producer Program winners and New Entrants. These respondents seeking more quota represented only 5 % of total survey respondents. Regarding the Draft Temporary Allotment Program, 4 respondents believed that NPP/New Entrants should be able to lease 2,000 units rather than only 1,000 quota units, and 1 respondent suggested leasing 3,000 units. Regarding the Draft New Producer Program, 4 respondents suggested 5,000 quota units as a starting point rather than 3,000 units and 1 respondent suggested 6,000 units. Further analysis of these survey responses indicated that 2 of 5 respondents were from the public (thus are non-producers), and that the same 5 respondents provided the comments for both the Draft NPP and TAP. The 3 producer respondents represented 3.19% of total producer respondents, 8.3% of small farm respondents, and 11.5% of NPP winner respondents.

[Click here](#) for the report of the survey results.

The EPA sent a letter to the BCEMB, dated April 12, 2019, indicating the EPA's unanimous support for all four program proposals as presented in the on-line survey. Please [click here](#) to review the EPA letter.

On April 23, 2019, members of BCEMB met with members of BCFIRB to discuss the draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy, as well as information from stakeholder consultations and the preliminary results of the on-line survey.

The BCEMB has reviewed and considered all of the feedback received from stakeholder consultations, surveys, and BCFIRB and revised the proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy accordingly.

Multi-year Quota Allocation Policies and Procedures

The BCEMB has developed a Quota Allocation Policy that outlines the BCEMB's formal strategy for the 2019 EFC Growth Allocation plus the next two growth increases. The October 2018 Allocation Methodology with an Equal Distribution Portion was developed to encourage producers to convert to non-conventional/alternative housing methods and reward those producers who were currently producing fully enriched, free-run, free range or organic eggs. While this methodology clearly sent a strong message to producers and ensured they were aware of the policy direction of the Board, it became apparent that the process could be more inclusive in allowing all producers an opportunity to benefit from the equal allocation by providing a longer timeframe to qualify for the allocation. The 2018 Allocation Methodology announcement is [found here](#).

Why a plan for three allocations?

The BCEMB is requesting prior approval from BCFIRB on a three allocation plan in order to ensure that producers are aware of the upcoming allocation policy and can prepare for increases in a timely manner. As mentioned previously, it takes producers approximately 18-24 months to fully place the allocation into production. Prior knowledge of the size of a portion of the allocation and the distribution time frame will increase producer confidence to place a higher number of birds and improve quota utilization rates. Many of the producers in BC would rather underutilize their quota than have to reduce their flock size once the hens are in the barn, in case they misjudged the size of allocation in advance.

Five years of rapid growth, combined with the uncertainty of when the hens will be allocated, has resulted in the current low utilization rates and predicted low future utilization rates. The BCEMB has developed a multi-year allocation policy spanning three allocations to help speed up the allocation process so that notification of an increase in November will mean the growth quota can be distributed as soon as January 1—the same distribution timeframe as per the other provinces.

The low quota utilization rate is not just a concern for BCEMB's producers, it is a concern for EFC as well. EFC is currently reviewing the Liquid Damages Assessment process and are considering mechanisms to discourage underproduction nationally. This is a result of the recent trade negotiations and the feedback received that the industry is not fully taking advantage of the market.

BC producers have indicated, through consultations, that they would be more likely to consider converting their production systems if they had appropriate lead time and knew that the allocation methodology was not a one-time occurrence. To that extent, the BCEMB developed a three allocation plan to provide opportunity and encouragement to BC's 100% conventional producers to progress into alternative housing systems to obtain the equal distribution portion of the allocation within a set timeframe. They forfeit the equal distribution portion if they choose not to build and utilize that portion within 36 months of BCEMB's allocation announcement.

The Board has determined that for the next three allocations, each producer will have the opportunity to obtain an equal portion of that allocation if they meet the following requirements:

1. That producer has 100% non-conventional production, or
2. If that producer is not currently 100% non-conventional, that producer must house a flock of 4000 hens minimum in a non-conventional production system to receive the allocation.

All producers who do not currently meet the requirements will have three years to establish a flock that meets the minimum requirement of 4000 hens. Failure to comply with the requirement within the three year timeframe will result in forfeiture of the allocation.

The three allocation equal distribution plan will commence with 100 hens to each producer for the first allocation, 150 hens for the second allocation and 200 hens for the third. The BCEMB has chosen to do a stepwise approach with the equal distribution portion getting progressively larger.

When determining the optimal policy for the equal distribution portion, the BCEMB considered a number of options, including using a fixed percentage of the allocation each year, using a fixed number each year that remains constant, having a progressive decline in the fixed number each year, or a progressive increase in the fixed number each year.

- 1) The Board declined to use the fixed percentage of the allocation each year as the amount received in any given allocation is not guaranteed. In the event of a small allocation being received, this may not result in a meaningful amount for equal distribution which would not have as much of a positive impact on the five priorities identified by the BCEMB.
- 2) The Board declined to use the same number year over year as it becomes an expected amount. This method would result in a meaningful amount provided for equal distribution but it was not felt to be as strategic as doing a progressively increasing amount as the producer would potentially be losing the same amount each time and if you have already lost it once, losing it a second time may not be as impactful as the first.
- 3) The Board declined to use a progressively declining amount each year as the largest loss to the producer would be in the first year. There are 54 producers who will be unable to receive this allocation when it is issued and may have difficulty building a new production unit with alternative housing systems within 36 months. The building trades are in high demand and the waitlist for services can be over 18 months. If a producer feels that they are unable to make the required changes for the first equal distribution portion, they may be more concerned about losing the future increases if the distribution portion is larger the following year. In addition, a declining equal distribution amount is equivalent to a larger pro-rata amount, further reducing the incentive to transition to alternative housing.
- 4) The Board elected to move forward with the step-up equal distribution method at a set quota amount because it will acclimatize producers to the equal distribution method and those who have to convert to alternative housing to receive the equal distribution component will be provided with incremental incentives that encourage transition.

Additionally a set quota value for the equal distribution amount (100-150-200 in this case) instead of a percentage of allocation is easier to understand and will provide our smaller producers with greater clarity for their planning purposes. Additionally, with each increase in the equal distribution portion, the pro-rata portion will decline, further increasing the incentive. Based on the previous allocations from 2014-2018, a 200 hen equal distribution portion could take up to 50% of the allocation.

Step 1: Reserve Requirements

For each allocation, the first step is to determine the amount of quota to be placed in the Reserve for programs and not allocated to producers as growth quota. The amount is dependent upon what will be required for the Reserve as per the Quota Reserve Policy. For the 2019 Allocation, this is equal to 29,756 quota units which will bring the Reserve up to 64,194 quota units. This exceeds the 60,000 quota unit maximum as defined in the Quota Reserve Policy due to the requirements for the TAP and the number of New Entrants who have commenced since 2009 and will be utilizing the program.

Step 2: Equal Distribution Requirements

The second step is to determine how much quota will be set aside for the equal distribution portion. For the first allocation in the policy, the BCEMB will be providing producers with 100 hens as the equal distribution portion. There are currently 139 producers in the province, requiring 13,900 quota units.

Step 3: Pro-rata Portion

The remaining quota will be distributed pro-rata to all producers who are in compliance with the Consolidated Orders, and:

- Obtain 95% on a Start Clean Stay Clean audit within the last year, with no outstanding Critical Control Elements. If CARs are outstanding as of the allocation date, these must be completed for a passing score of 95% within 30 days.
- Obtain 90% on an Animal Care Program audit within the last year, with no outstanding Critical Care Elements. If CARs are outstanding as of the allocation date, these must be completed for a passing score of 90% within 30 days.
- Obtain a pass on their BC Biosecurity Program audit within the last year, with no outstanding mandatory corrective actions. If CARs are outstanding as of the allocation date, these must be completed within the 30 days.
- Have their current flocks Chick Placement Permits (CPP) submitted PLUS two additional years of CPPs for active barns.
- All outstanding levies and charges paid in full. Outstanding levies and charges must be paid within the 30 days of the allocation date.
- All CSV files received by Producer/Vendors, all outstanding files must be received within 30 days.
- Maintain SE and AI Insurance through CEIRA or other insurance agency. Proof of alternate insurance must be provided prior to allotment.

Please [click here](#) for the full version of the Quota Allocation Policies and Procedures document.

SAFETI Analysis for Quota Allocation Distribution Method

Strategic – The allocation method is strategic as it addresses the five major priorities for the BCEMB, specifically:

- 1) Promote animal welfare – all producers must be in compliance with the BCEMB Consolidated Orders, including all on-farm programs, and are poised to meet conversion deadlines which are based on high animal welfare standards supported by evolving scientific findings.

- 2) Support growth of small farms and new entrants – the equal distribution portion of the allocation provides smaller farms and new entrants with a higher growth allocation than they would have otherwise received through pro-rata allocations. For example, in 2018 small producers⁴ received 8.3% growth on average while BC’s medium producers⁵ received 3.2% and large producers⁶ received 2.8%.
- 3) Support regional growth – The equal distribution portion of the allocation increases the percentage of quota in outlying regions, particularly the Interior Region. Due to the format of the NPP, the Interior region has proportionally more smaller farms than the Lower Mainland.
- 4) Meet emerging market needs – most specialty producers will receive a proportionally higher percentage increase due to their farm sizes, growing the production of specialty eggs.
- 5) Encourage producers to move out of conventional production systems - the equal distribution portion of the allocation encourages producers to expand production in alternative housing systems, increasing the speed at which the industry will meet the updated code requirements.

Accountable – The allocation policy is accountable as it considers the public’s need for choice at retail and ensures that producers are “doing the right thing” by following the Codes of Practice and meeting conversion deadlines, as is expected by the public.

Fair & Transparent – This method is both fair and transparent. The requirements for each portion of the allocation are clearly outlined and all producers are provided with the opportunity to meet those requirements. Producers, industry stakeholders and the general public had the opportunity to provide comments on the presented policies, ensuring procedural fairness.

Effective – The allocation policy is designed to be effective at meeting BCEMB priorities, and the distribution model will enable the BCEMB to clearly analyze the impact on the regions and farm size distribution. The effectiveness on the conversion to enriched can be measured through increases in enriched production in the next few years.

Inclusive – All stakeholder were consulted and their interests were considered in the development of the policy. All producers are able to take advantage of both the equal distribution and pro-rata portions of the allocation should they choose to do so.

⁴ Small Farms represent 25% of registered producers and are defined as having a quota holding of 6,137 or less.

⁵ Medium Farms represent 50% of registered producers and are defined as having a quota holding of between 6,138 and 27,302.

⁶ Large Farms represent 25% of registered producers are defined as having a quota holding of 27,303 or higher.

New Producer Program

The New Producer Program (NPP) is a program of the BCEMB that contributes to the renewal and sustainability of the regulated egg industry in BC. It provides opportunities for innovation and regional development by meeting the demand for a broad range of egg products produced locally by BC farmers.

The rules for the NPP are set out in Part IV of the Consolidated Orders. The framework for the NPP Lottery was adopted in 2009 as part of the BC Farm Industry Review Board (BC FIRB) 2004 Specialty Market and New Entrant Program Supervisory Review. The BC Egg Marketing Board (BCEMB) committed to BC FIRB to allot quota to two new producers per year starting in 2012.

To date, there have been 27 NPP winners that commenced production from 2009 to the present. Additional background Information on the NPP is presented in APPENDIX 3.

Program Review and Consultations

In 2018, the BCEMB commenced a review of the current New Producer Program to determine if there are opportunities to make improvements to the NPP including possible changes to the policies regarding the issuance of incentive quotas. From June 5 – 29 2018, the BCEMB conducted an on-line survey that was distributed to 335 stakeholders, including 180 unsuccessful NPP applicants and a copy of the survey was posted to the BC Egg website for public comment. In total, 94 completed survey responses were received from various stakeholder segments resulting in a 28% response rate. Egg producers represented 55% of respondents.

When asked if 3,000 quota units for an NPP draw were sufficient as a starting point in the egg industry, 59% of all respondents stated 'Yes'. Sixty-three percent of the egg producers indicated that 3,000 quota units was sufficient; this percentage increased to 75% when the responses from unsuccessful NPP applicants was included. Eighty percent of the responses from our largest and middle sized producers felt that 3,000 is sufficient as did 50% of our smallest producers, 56% of non-successful NPP applicants and 60% of Stakeholders. Forty-seven percent of our other respondents felt that it was sufficient. Many comments from the smallest 25% quota holder segment concluded that 3,000 quota is enough to get started in the industry, but tight when looking to reinvest their proceeds to grow and expand. It appears that 3,000 quota units provides a positive cash flow but in many instances, a full time job is required to support a family. They indicated that access to additional quota is important for sustainable growth and that 1,000 to 2,000 more units would improve their economic sustainability. [Click here](#) for the Report on the NPP Survey Results.

In addition, the BCEMB reviewed how the other provinces are administering their new producer programs.

Based on industry consultations and feedback received to date, the Board is proposing a Temporary Allotment Program that will enable all new entrants, including NPP winners, to have access to an additional 1000 quota units for a maximum of five years. Please see the Temporary Allotment Program Policy on pages 19 to 22 for more details.

Proposed Changes to the New Producer Program

The proposed changes outlined below are based on the information obtained from the stakeholder consultations undertaken in 2019.

New Producer Distribution – Change 1, variable initial quota allotments

The BCEMB will maintain its commitment to start a minimum of two new producers and maximum of 6,000 quota units per year, on average, with draws to be held every five years, commencing in the fall of 2020 or spring 2021.

The BCEMB proposes to vary the quota allotment allowing applicants to select the amount of layer quota received, between 400 and 3,000 units, based on the demonstrated market need for their region. The amount requested would need to be clearly stated in the application that includes a sound business plan detailing where and how the eggs would be marketed, along with a commitment to maintain their grading station sign-off or certification (if they are producer-vendors).

The rationale for this change is based on the learnings obtained from challenges of the current program. These challenges include:

- The rigid requirement for the Board to hold draws in a particular region, for a specified number of producers each of whom must produce eggs from 3,000 quota units irrespective of the needs of the local market.
- Inefficiencies for the grading stations to pick up and transport small egg volumes from producers in outlying regions for grading in the Lower Mainland, only for the eggs to be shipped back to the regions and elsewhere for retail sale.
- The challenges for Small Lot Producers who have CFIA registered grading stations in outlying regions of the province, which have markets for more than 399 hens worth of product but would be unable to grade or market the full volume of eggs from 3,000 hens. The BCEMB does not currently have a program that will assist these Small Lot Producers to expand their production to meet regional market needs. Providing opportunities for Small Lot Producers to expand production according to their regional market needs would assist in the economic growth of their region and support food security.

New Producer Selection – Change 2, Board discretion for selection of applicants for regional growth

The current New Producer Program requires that applicants are selected through a formal draw process. The Board has updated the policy to include the discretion to select applicants for a NPP quota allotment based on a demonstrated need within a region but without using the formal draw process. This demonstrated need may be brought to the Board's attention by a Small Lot Producer or through the Regionalization Study currently being conducted.

Selected applicants would be required to follow the same application process as a regular NPP applicant, which includes the requirements listed under "Initial Screening of Applicants" on page 4 of the policy document and the submission of a comprehensive business plan and essay which meet the minimum scoring requirements outlined under "Scoring Process" on page 5 of the policy document. The applicant must demonstrate the market need for the product and indicate how the product will be graded and distributed.

New Producer Selection – Change 3, Program Administration

To improve program efficiencies, BCEMB is proposing that the BCEMB Manager of Operations & Logistics be appointed as NPP Program Administrator, as part of the manager's job description. The Program Administrator accepts NPP applications, determines whether the applications are complete, and administers the applicant review process with the independent NPP Review Committee. Previously, the NPP was administered by a third party, a process which became inefficient and expensive.

Application Requirements – Change 4, Demonstration of Market Needs

The Application Requirements for the NPP are set out in Part IV of the Consolidated Orders. An addition to the 2019 NPP Policy is a requirement for the applicant to identify their market needs as part of their business plan and relate that to their requested bird numbers, as well as outlining how the eggs will be graded and marketed within their region.

The previous program required that an applicant must be willing to produce all 3000 hens. This updated requirement recognizes that not all regions or markets are the same and in some instances there may be a need for small niche producers in less populous regions.

Eligibility Requirements – Change 5, Previous Quota Holdings

Eligibility for the NPP is set out in Part IV of the Consolidated Orders. One additional requirement has been added after stakeholder consultation and feedback received from other provinces. Neither the applicant, nor the spouse of the applicant, nor any co-applicant, may hold, or have held at any time, any legal or beneficial interest in quota or any similar transferable production right issued by a supply management commodity board or commission in Canada, including Layer Quota, whether directly or indirectly, through any organization or entity. Previously this requirement was limited to quota held only within the province of BC.

Application Fee – Change 6, Fee Increase

The BCEMB has increased the application fee from \$250 to \$750 for the New Producer Program. This increase will help ensure that only serious applicants apply and will also minimize multiple applications from one household/family which has been an issue in past draws. The \$750 fee will also cover the actual costs of administering the program.

Review Committee – Change 7, Additional Member

The BCEMB added a Producer-Vendor to the NPP Review Committee. The previous review committee members did not include an experienced producer-vendor. Based on the proposed program changes and focus on regional markets, we expect the experience from this type of representative will be integral in assessing applicants' business plans, specifically in regards to demonstrating market need and how the eggs will be marketed.

Scoring Process – Change 8, Redistribution of Points

The Board has updated the scoring system to provide a greater emphasis on the detailed business plan, including understanding of the day to day operations, as well as a minimum score in each category to

ensure that the applicant fully understands the commitment and requirements of egg farming. The updated requirements are outlined below.

Each application will be given a score of 0-100 based on the following:

- 1) Up to 75 points will be awarded to a business plan based on the extent to which the applicant has economically viable plans to sustain the production and marketing of eggs within their region. The business plan must include an Operations Management section that describes in detail how the applicant will manage day-to-day operations.
- 2) Up to 25 points will be awarded to an essay containing the following information :
 - a. the applicant's past experience in, or knowledge of, farming in general and egg production in particular, an explanation of why the applicant wishes to be actively engaged in egg production, and
 - b. why the applicant's involvement in egg production would be in the interests of the industry as a whole.

An applicant must score a minimum of 50 out of 75 points for the business plan and 15 out of 25 points for the essay, plus a total minimum of 75 points in order to be considered further. Any applicant scoring less than what has been outlined will not be given any further consideration.

The previous scoring system was inadequate since applicants were able to submit a relatively poor business plan and still meet the minimum score required to move forward in the process.

Performance Deposit – Change 9, Timing of Performance Deposit Request

The Board has updated the timing of the deposit request in order to ensure the Board is not holding onto the deposit funds for longer than necessary. The Program Administrator will now request the Performance Deposit from qualifying applicants who scored 75 or more either 30 days after qualifying applicants were notified of their scores, or after the conclusion of any appeals resulting from the comprehensive review process. At that time, the applicants will have 30 days to provide the \$10,000 deposit.

In the past, the Board has requested funds with the notification to applicants that their application met the minimum score requirements. An appeal was submitted by one applicant who did not meet the minimum requirements. This resulted in the Board holding on to performance deposits for an extended period of time.

A full version of the New Producer Program Policies and Procedures can be [found here](#).

SAFETI Analysis for New Producer Program Changes

Strategic – The changes made to the NPP are strategic as they allow the Board the flexibility to identify regional needs and focus on smaller niche markets in outlying regions. This will increase the economic opportunities to those regions as well as provide for safe, local food products. In addition, the changes to the review committee and scoring system provide additional assurances that those who are selected will have a sound understanding of the business and production side of the industry, ensuring greater success.

Accountable – Using a flexible issuance amount, the BCEMB is being accountable to the successful NPP applicants by ensuring the applicants are starting at a production level that is appropriate for their

markets. The BCEMB is also being accountable to the graders by ensuring producers in outlying regions are able to market their own production, rather than introducing greater inefficiencies by requiring grading stations to pick product up in outlying regions, only to bring it back to the lower mainland. This also keeps the production within the community where it is being produced.

Commencing in 2019, the BCEMB is required to submit annual PARP reports to BCFIRB which outline the strategic direction of the BCEMB as well as statistics on who has entered or exited the industry, where the eggs in BC are being produced and in what production categories. The BCEMB Annual Report will also continue to include the map of production, population and grading throughout the province. The BCEMB will identify regional issues and strategies, including the NPP selection process, to correct deficiencies

Fair & Transparent – As with all BCEMB consultations, we invited our producers, NPP applicants, industry stakeholders and the general public to provide feedback on the NPP and the changes to the program, ensuring adherence to principles of transparency and procedural fairness for those who may be affected by the changes. The NPP is embedded in the Consolidated Orders which are posted on our public website. Throughout the NPP review process, the Program Administrator posts updates on the BCEMB website. The process in which the Board makes decisions regarding where the NPPs will be placed and how much quota will be offered will be posted on the public site as well.

Effective – Once the Regionality Study is completed, the Board will use that information to identify the regions with the greatest need and determine how to fill those requirements. Comparing the regional distribution of producers, year over year, will enable the Board to determine the effectiveness of the program in meeting regional goals. The BCEMB continues to monitor the number of NPP producers who remain in the industry and/or expand as an indicator of the success of the program. When reviewing the effectiveness of the variable quota issuances and awarding process, the BCEMB will monitor those NPP producers closely to ensure that the issued quota was appropriate for the region as well as the grading and marketing capacity of the producer.

The BCEMB has a number of effective programs to support new entrants. Summaries of these programs are presented in APPENDIX 4.

Inclusive – When developing the updated NPP Policies and Procedures, Board carefully considered stakeholder feedback and individual regional needs, ensuring that the Program has the flexibility to accommodate those needs. This will ensure that new producers and their communities will benefit from the program into the future.

Temporary Allotment Program Policies and Procedures

The Temporary Allotment Program (TAP) has been introduced as a replacement to Part VII 2 of the Consolidated Orders. The TAP is an improvement of a previous lease pool program that received mixed reviews from producers during its one year implementation.

The objectives of the TAP program are:

1. To assist new entrants in expanding their operations while maximizing their barn efficiency.
2. To ensure that the Provincial Allocation is used as effectively as possible with a 100% utilization rate.

Throughout the last five years, the BC Egg Marketing Board (BCEMB) has conducted a number of consultations on the New Producer Program, New Entrants, and Allocations. A common thread throughout the consultations has been that while 3000 quota units is sufficient as a start-up quantity, additional quota units would increase farm efficiencies and sustainability long term.

The majority of the New Producers and New Entrants who have started in the last 10 years have built barns with a larger production capacity than their starting quota value. This is the recommended approach by the Board and industry mentors. The recommendation is based on the knowledge of past industry growth, expected future growth and a possible desire for future expansion.

When constructing an Egg Production Facility, a significant cost is associated with the Service Room, which generally contains an egg conveyor, egg packer, cooler, hand washing station, washroom facilities and clearly defined biosecurity zones. Expanding the restricted area, where the hens are housed, by lengthening the barn is generally more cost effective than building a new facility. Because of this cost effectiveness, many new entrants and NPP winners are opting to build longer barns that house an additional 1,000-2,000 hens than their starting allotment.

With this in mind, the BCEMB has developed the Temporary Allotment Program which will provide new entrants with the opportunity to make use of this additional capacity and increase their barn efficiency while they wait for growth allocations or for quota to become available on the exchange. An additional 1000 hens will be made available for temporary use from the BCEMB for a maximum of five years from the commencement of production. In addition to making use of the additional barn capacity and increasing barn efficiency, income received from the additional hens will assist small producers with the start-up costs, day-to-day expenses, and allow for greater reinvestment.

At all times, the Quota Reserve will hold enough quota for all new entrants to take part in the Temporary Allotment Program for five years through Pool A. Through our regular quota management processes, quota may be held in the Reserve prior to being issued to producers through growth allocations or the new producer program, as well as assessments that may be taken from quota transfers. The Temporary Allotment Program Pool B will provide all producers, excluding those in Pool A, the ability to utilize this held quota on a temporary basis. This will ensure that the provincial allocation is in production and being used as effectively as possible, increasing the quota utilization rate.

Program Summary

All New Entrants will have the opportunity to temporarily house up to 1000 additional hens for a maximum of five years through Temporary Allotment Pool A. Any quota remaining in the Reserve will be made available for temporary use, through Pool B, to all producers who do not qualify for Pool A.

The fee for any quota provided by the Board for a Temporary Allotment will be \$1 per month/hen, plus the applicable weekly levy.

The following program guidelines apply for both Pool A and B:

1. The hens will be allotted at a 1:1 ratio to a maximum of 1000 allotted hens based on current quota holdings. A producer may not receive more hens through the program than their current quota holdings.
2. Grading station sign-off for the increase in production is required. If the applicant is a producer-vendor or producer-grader, a business plan must be submitted that outlines how the product will be marketed and sold.
3. Any sale or transfer of quota will result in removal from the program.
4. Any purchase of quota will not affect the lease amount, unless requested by the producer.
5. The hens must be placed and remain in production for the duration of the temporary allotment in order for it to be received (except for regular downtime).
6. Temporary Allotment quotas will be eligible for quota credits for the duration of the producer's regular down-time.
7. A producer may not lease quota out to another producer while participating in the program.
8. Hens temporarily allotted through this program will not be included in growth calculations.
9. A producer must maintain SE and AI Insurance through CEIRA or other insurance agency. Proof of alternate insurance must be provided prior to allotment.

The following program guidelines apply only to Pool A:

1. Pool A provides new entrants with a temporary bridging opportunity to maximize use of their barn space while they anticipate future growth which will replace the temporary allotment. Any hens received in growth allocations will displace hens from the maximum 1000 leased hens, resulting in no change in allowable hens for the producer.
2. The allotment amount may be decreased on a month to month basis, however it may not be increased from the initial value, unless additional quota has been purchased and placed. The five year termination date will remain the same.
3. Should the demand for the Temporary Allotment exceed the quota available, it will be pro-rated for all those that apply during the initial application window (within 30 days of initial program announcement). After the initial application window it will be issued to producers on a first come/first served basis after the initial application window.
4. The opportunity for the Temporary Allotment Pool A will only be provided once per person/entity. In order to be considered a new producer or regular new entrant under this program, all shareholders involved must be first time layer quota shareholders in BC.

The distribution method and timelines for each of the Pools are detailed in the Temporary Allotment Program Policies and Procedures document [located here](#).

SAFETI Analysis for Temporary Allotment Program

Strategic – The TAP is strategic as it creates an opportunity for new entrants to more efficiently utilize their barn space while awaiting growth allocations or the purchase of quota on the exchange. It ensures that any quota held in the Reserve is in use which provides producers who have accepted their allocations with an opportunity for additional production to meet consumer demand. As the NPP is directed at regional development, the TAP would increase production in the regions as well.

Accountable – The BCEMB will monitor the TAP very closely to ensure that all producers have access to the Pools and that all quota will be utilized. The BCEMB is accountable to EFC, BC's Egg Producers and BC's consumers by ensuring that BC production is meeting market needs and the BC Quota Utilization Rate is as close to 100% as possible. The BCEMB will include in the PARP Reports a full summary of which producers are using the TAP, how much quota is being used in that program, where it is being produced and the production types.

Fair & Transparent – As with all BCEMB consultations, we invited our producers, industry stakeholders and the general public to provide feedback on the TAP Policies and Procedures, ensuring adherence to principles of transparency and procedural fairness for those who may be affected by the changes.

All new entrants who have commenced production in the last 10 years will have the opportunity to take part in Pool A for a maximum of five years commencing 30 days after the announcement of the program. This will ensure that all NPP winners who started production with 3000 quota units have this opportunity. All future new entrants, both through the NPP and regular new entrants, will have the opportunity to take part in Pool A regardless of the amount of quota they purchased.

All registered producers in BC, regardless of size, will have an equal opportunity to take part in Pool B if they no longer qualify for Pool A. The distribution of quota within each of the pools is not dependent upon total quota holdings; all farm sizes have an equal opportunity. The announcement and applications for Pool B and outcomes of the process used for the distribution of Pool B will be posted to the BCEMB website, providing full transparency.

Effective – The effectiveness of the TAP will be determined by the number of new entrants taking advantage of the program and the increased usage of the quota in the Reserve by Pool B applicants.

Inclusive – The program provides options and access to quota for all producers within BC, providing special consideration to new entrants to help them succeed in their first five years within the industry and increase their ability to succeed long term. In doing so, the BCEMB is ensuring that local, fresh product is being delivered to BC's grading stations, processor and British Columbians.

Why TAP instead of issuing 4000 units to NPP applicants?

The Board carefully considered the option of providing NPP winners with 4000 units of incentive quota rather than 3,000 units as a starting point but determined instead, that the TAP would be more effective. This is due to the following reasons:

- 1) NPP winners are not the only new entrants in the industry. In order to be fair and support all new entrants equally, the Board developed a program that would be accessible for all new entrants, regardless of the method by which they entered the industry. Twenty-seven NPP allotments have been issued since 2010 and 26 New Entrants have purchased quota to enter the

industry. Providing the opportunity to benefit from TAP only to NPP winners would not be strategic for the sector, recognizing that the program will benefit all new entrants through more effective use of barn space, and help them succeed long term in the industry

- 2) Based on all NPP consultations conducted from 2014 to present, the overwhelming response is that 3000 quota units is an acceptable starting point for new entrants. This may not be the most efficient amount however; it has proven to be both effective and sustainable for new entrants. The Board carefully considered input from all stakeholder consultations and analyzed the responses from the surveys. The analysis of the responses from the April 2019 on-line survey is found [here](#).
- 3) Based on quota transaction history, there is no correlation between a higher issuance of NPP quota and success or longevity in the industry. Fifty percent of the producers who were allocated an initial amount of 5000 units between 2003 – 2008 have left the industry, while 20% have purchased additional quota. In contrast, 100% of our NPP winners who started at 3000 quota units remain in the industry with 41% purchasing additional quota through the quota exchange.

Strategic – The TAP is a more strategic method than the NPP for the addition of 1000 units as it is available to assist all new entrants, not only those who have already received 3000 units. It is temporary – for a maximum of 5 years but the timeframe is sufficient enough for the producer to increase revenues, and reinvest. Also, if new entrants wish to grow or expand, they must purchase quota on the exchange which increases the likelihood that they will remain in the industry for a longer period of time.

Accountable – BCEMB will provide BCFIRB with results of the TAP and the number of new entrants taking part as well as the number of new entrants or NPPs that exit the industry. The BCEMB will also share this information with producers and the public on the BCEMB website.

Fair & Transparent – As with all BCEMB consultations, we invited our producers, industry stakeholders and the general public to provide feedback on the TAP Policies and Procedures, ensuring adherence to principles of transparency and procedural fairness for those who may be affected by the changes.

Effective – The effectiveness of the TAP will be determined by the number of new entrants taking advantage of the program.

Inclusive – While a small percentage of NPPs have suggested increasing the initial allotment instead of providing the TAP, the BCEMB focused on administering a program that was inclusive for all new entrants.

Quota Reserve Policies and Procedures

The BCEMB has developed a Quota Reserve Policy to formally outline the Quota Reserve. Quota that is “held in reserve” is quota held by the BCEMB that has not been allocated to any specific producer. There are five reasons why BCEMB holds quota in its Reserve:

1. Quota assessments that occur on non-exempt transfers (5% assessment, 10/10/10).
2. Quota that has been set aside from national allocations for the New Producer Program or other public policy objectives.
3. Quota that has been returned from the Temporary Allotment Program.
4. Quota that has been allotted to a producer who cannot place the birds until a later date.
5. Quota that has been approved nationally by Farm Products Council of Canada (FPCC) and issued by Egg Farmers of Canada but has not yet been distributed to BC producers.

The quota that is available for our Reserve programs will come from quota assessments, allocation set-asides and returns from the Temporary Allotment Program.

Within the policy, the BCEMB has outlined how much quota must be held for the NPP and the TAP as well as how the Reserve will be replenished. The Reserve is reviewed by the Board on a monthly basis and the reserve requirements are an integral part of the allocation discussions.

The Reserve will be required to hold 34,216 units of quota for the launch of the Temporary Allotment program. On an ongoing basis, the requirements for the Reserve may be less than at the onset of the program, until all regular New Entrants and New Producer Program Applicants have had the opportunity to participate. The allotments will ‘cycle back’ into the Reserve upon completion of each producer’s 5 year timeline. Beyond 2025, the Reserve will be required to hold 15,000 quota units for this program.

- Based on the Board’s commitment of an average of 6000 units provided annually for the NPP draws, the NPP new entrants will require a maximum of 10,000 units over the five year period.
- Based on the current growth rates and the number of regular new-entrants that have started in the last five years, the BCEMB is estimating that regular new entrants will require a maximum of 5,000 quota units in a five year period.

Based on the needs of the Temporary Allotment Program and the New Producer Program, the reserve will be required to maintain a quota balance of at least 30,000 quota units and no more than 60,000 quota units; with the goal of maintaining a balance of approximately 45,000 quota units.

A full version of the Reserve Policy and Procedures can be [found here](#).

Strategic – Quota is intended to be produced. This policy will activate the quota that previously sat idle in our Reserve and will allow BCEMB to place more hens into production. By defining the intent of the Reserve through this policy, BCEMB can ensure that it has quota available to run the Reserve quota programs, including the New Producer Program and Pool A of the Temporary Allotment Program. It also ensures that all quota not being used by the intended producer immediately following an allocation announcement can be used through other BCEMB programming. The policy also ensures that the BCEMB is not holding onto more quota than necessary.

Accountable – Having a formal Reserve policy ensures that the BCEMB is being accountable to producers, stakeholders and BCFIRB by clearly defining what the Reserve quota is being used for and why it is being held, and how the quota will be managed.

Fair & Transparent – As with all BCEMB consultations, we invited our producers, industry stakeholders and the general public to provide feedback on the Reserve Policy, ensuring adherence to principles of transparency and procedural fairness for those who may be affected by the changes. The policy provides transparency on the amount of quota required to manage the Reserve quota programs and how the quota is obtained, ensuring the BCEMB is fairly reserving quota. BCEMB registered producers have access to board reports including our Reserve volumes as it is continually tracked, monitored and included as a standard operational report at each board meeting.

Effective –The effectiveness of the Reserve Policy will be determined by the availability of required quota used to administer Board programs.

Inclusive – The needs of all stakeholders were taken into consideration during the development of the policy. The BCEMB invited our producers, industry stakeholders and the general public to provide feedback on the Reserve Policy and all feedback was reviewed and considered to develop a fulsome policy.

Conclusion

In closing, the BCEMB wants to thank BCFIRB for taking the time to review our request for approval for the following policies and programs:

Allocation

BCEMB is requesting approval for the distribution method for the 202,110 additional layers and a multi-year allocation policy spanning 3 allocations.

BCEMB's proposal and recommendation is to:

1. Distribute 6.9% (13,900 quota units) of BCEMB's 2019 allocation as an equal distribution portion to all registered BC producers who are active and in good standing with BCEMB and are producing Fully Enriched, Free Run, Free Range or Organic eggs currently or within 36 months.
2. Distribute/Set aside 14.7% (29,756 quota units) of BCEMB's 2019 allocation for a Temporary Allotment Program to support New Producer Program winners and other New Entrants⁷ over the period 2009 - 2025.
3. Distribute 78.4% (158,454 quota units) of BCEMB's 2019 allocation pro-rata to all registered BC producers who are active and in good standing with BCEMB.
4. Consider a multi-year variable allocation policy spanning 3 allocations to streamline the process and timeframe for distribution of growth quota allocations and improve the market responsiveness of BC producers.

New Producer Program

BCEMB is requesting approval for the updated New Producer Program Policies and Procedures with the changes outlined on pages 14 through 17.

Temporary Allotment Program

BCEMB is requesting approval for the Temporary Allotment Program Policies and Procedures as outlined on pages 19 through 22.

Quota Reserve Policy

BCEMB is requesting approval for the Reserve Policies and Procedures as outlined on pages 23 and 24

The BCEMB is looking forward to open and constructive dialogue with BCFIRB on June 13, 2019. In the interim, please do not hesitate to contact me should you have any questions.



Katie Lowe P.Ag.
Executive Director

⁷ New Entrants are defined as new producers who have purchased initial quota in January 1, 2009 or later.

APPENDIX 1

Eggs for Processing - Pricing Information and Producer Levies

2018 started with a strong EFC Breaker Price at \$1.0078 per dozen large eggs. The EFC Breaker Price is the price that processors are required to pay EFC for product received. The Breaker Price calculation is based on the US Urner Barry Price to ensure that our processors remain competitive with their US counterparts (Canada's closest trading partner). The EFC Breaker Price closed 2018 at \$0.8510 and by week 18, 2019 has fallen to \$0.5616 per dozen large eggs. In addition, the customary increase to the Urner Barry price which was expected around Easter did not occur in 2019, further contributing to the decline. US laying hen stocks remain at all time highs with all production types in a surplus position, without a correction to the US production the Urner Barry price is expected to continue to decline. In Canada, in order to ensure that producers are paid fairly for the product they produce, all producers are paid their provincial producer price regardless of the market their eggs are produced for (table or processed). In order to make up the difference between the EFC Breaker Price and the provincial producer price, EFC levies all producers and pays the producers who ship to the pool the provincial COP for that product. A declining EFC Breaker Price puts an incredible strain on the program and will likely result in an increase in national producer levies.

Within BC, the Eggs for Processing Program (EFP) also uses a similar method to determine the price the processor pays for product received through that program. The key difference is that the loss incurred from a declining Urner Barry price is entirely compensated by BC producers who do not recoup the cost through a COP. In the past our \$0.02 service fee per levied quota bird resulted in an average conventional farm either breaking even or losing up to \$2,000 annually to support this program. To breakeven in 2019 we may need to increase our EFP service fee to as high as \$0.03 which would increase the losses incurred for an average conventional producer from \$2,000 to approximately \$16,000 to support the program.

APPENDIX 2

Stakeholder Consultation Process

The stakeholder consultation process and review of options resulting in the development of the proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy were comprehensive, multi-faceted and covered an 18 month period – from December 2017 to April 2019. The information obtained from consultations was extensive and cumulative over this period, received from on-line surveys, consultations with the Egg Industry Advisory Committee (EIAC), Egg Producers Association (EPA) and Production Management Committee (PMC), roundtable stakeholder meetings, public producer meetings, Board of Director meetings, and producers/stakeholders communicating one-on-one with staff and/or with board directors.

The consultation process, presented in a chronological order, is as follows:

1. In December 2017, Farm Products Council of Canada approved a national increase in egg production that provided BC with 108,741 additional units of quota. The BCEMB embarked on extensive consultations by first conducting an on-line survey from December 15, 2017 to January 15, 2018 that explored and obtained feedback on 5 different methodologies for the distribution of growth quota – Pro-Rata, Equal Distribution, Region Specific, Production-Type Specific, Variable Method (the example presented was a combination of Pro-Rata, Production Specific & Region Specific). The survey was sent to 304 respondents including producers, unsuccessful NPP applicants, graders, financial institutions, equipment/feed suppliers, and was made available on the public website. The survey had a response rate of 36%.
 - The main finding from the survey was that Pro-Rata was the most preferred distribution method for growth quota for the respondents. The Variable Method was of interest to respondents as well, but was eclipsed by the Pro-Rata method in total ratings. The survey respondents were asked to consider SAFETI principles when rating and commenting on the different allocation methodologies. [Click here](#) for the survey results.
2. The Egg Producers Association (EPA) provided input via a letter dated January 19, 2018 on the distribution methodology for the 2018 allocation. The EPA's key point is encapsulated in this statement: "Through our discussions we came to the unanimous conclusion that the pro-rata allocation method is the only allocation method that truly follows the SAFETI principles and allows our industry to continue to thrive." The link to EPA's full letter is [here](#). The EPA is comprised of producer members throughout the province, representing all farm size categories (small, medium, large) and all egg production types (conventional, enriched, specialty).
3. The BCEMB Board of Directors reviewed the input received from the consultations to date, deliberated on options over several meetings and developed a draft proposal outlining a 90% Pro-Rata (97,867 layers) and 10% (10,874 layers) set aside for the NPP for the distribution of the 2018 growth allocation (total of 108,741 quota units). The proposal also outlined how BCEMB programs supported market-responsiveness, small farm growth and regional development.
4. The EIAC was consulted on May 17, 2018 regarding the BCEMB's proposed 90/10 allocation methodology and rationale. After a fulsome discussion, the EIAC indicated unanimous support

for the proposed 90% Pro-Rata and 10% set aside distribution methodology for 2018 growth allocation.

5. On May 25, 2018, BCEMB submitted a proposal for a 90% Pro-Rata and 10% set aside distribution methodology for 2018 growth allocation to BCFIRB (otherwise known as the 90/10 Modified Pro-Rata distribution methodology). [Click here](#) for BCEMB's proposal. On June 25, 2018, BCFIRB met with BCEMB to discuss BCEMB's 90/10 Modified Pro-Rata proposal for distribution of the 2018 growth quota allocation and asked additional questions.
6. From June 5 – 29 2018, the BCEMB conducted an on-line survey to determine if there are opportunities to make improvements to the New Producer Program including possible changes to the policies regarding incentive quotas issued under the NPP. The survey was sent to 335 stakeholders, including 180 unsuccessful NPP applicants and a copy of the survey was posted to the BC Egg website for public comment. In total, 94 completed survey responses were received from various stakeholder segments resulting in a 28% response rate. Egg producers represented 55% of respondents. When asked if 3,000 quota units for an NPP draw were sufficient as a starting point in the egg industry, 59% of all respondents stated 'Yes'. Sixty-three percent of the egg producers indicated that 3,000 quota units was sufficient; this percentage increased to 75% when the responses from unsuccessful NPP applicants was included. Many comments from the smallest 25% quota holder segment concluded that 3,000 quota is enough to get started in the industry, but tight when looking to reinvest their proceeds to grow and expand. It appears that 3,000 quota units provides a positive cash flow but in many instances, a full time job is required to support a family. They indicated that access to additional quota is important for sustainable growth and that 1,000 to 2,000 more units would improve their economic sustainability. [Click here](#) for a summary report followed by the full NPP survey results.
7. As a result of the animal welfare issues that came to light in the media in June 2018, the BCEMB met with select producers in July to better understand their issues and reasons for continuing to operate aging barns and equipment. Some producers suggested incentives to encourage them to decommission their old barns and build new ones. The BCEMB considered the issues and possible solutions including barn fitness policies, producer pricing for enriched housing, and growth allocation methodologies.
8. On August 28, 2018 BCEMB received BCFIRB'S decision on BCEMB's 90/10 Modified Pro-Rata proposal for distribution of the 2018 growth quota allocation. BCFIRB rejected BCEMB'S 90/10 proposal and directed the BCEMB to distribute the 108,741 layers of quota as 30% or 32,622 to be set aside for the NPP (minimum 10%) and other public policy objectives, and 70% or 76,119 pro-rata to licensed producers. [Click here](#) for BCFIRB'S Decision dated August 28, 2018.
9. From August 29 – October 18, 2018 the BCEMB deliberated on a principles-based approach to determine how best to distribute the 30% (32,622 quota units) to support public policy objectives and the NPP. After considerable deliberation over several meetings, the BCEMB determined the distribution method for the 30% of the 2018 allocation that best met industry needs was 20% or 21,748 layers to be distributed in equal portions to each producer who was producing eggs in Fully Enriched, Free Run, Free Range and/or Organic systems at that time; and 10% or 10,874 layers to be set aside for the New Producer Program. The BCEMB considered the following objectives when determining the distribution method for the 30% or 32,622 layers of this allocation: Promote animal welfare; Support growth of small farms and new entrants;

Support regional growth; Meet emerging market needs; Encourage producers to move out of conventional production systems. These objectives align with BCFIRB's directive and with the BC Ministry of Agriculture Regulated Marketing Economic Policy. Members of BCEMB met with members of BCFIRB on October 3, 2018 to discuss options and direction. The BCEMB presented the allocation methodology to the EIAC, and distributed the allocation to producers on October 23, 2018. [Click here](#) for BCEMB's October 23 2018 allocation methodology announcement to producers.

10. The BCEMB convened roundtable discussions on September 24 & 25, 2018 with stakeholders to determine how to improve the market responsiveness of the sector and the short-term and long-term outcomes of the BCEMB production planning process. Attendees included graders, producers, hatcheries, BCEMB management team, and Board of Directors. The stakeholders emphasized the need to distribute allocations and increase egg production in a timely manner to meet growing market demand. The gap between supply and demand, due especially to delayed allocations, increases the vulnerability of the BC egg sector to imports from other jurisdictions including the US. Key outcomes of the roundtable session include: Variable Production Sleeves and Temporary Allotments are programs that could be enhanced to flexibly assist in meeting market demands while also including growth opportunities for smaller producers and NPP winners; Stakeholders felt that it is important that the industry set NPP winners up to succeed. Many agreed that the initial distribution of 3,000 units is sufficient, as long as additional opportunities to access quota are available for growth including the ability to lease quota for a set number of years. [Click here](#) for the Roundtable report.
11. In November 2018, BCEMB worked with Junxion, a consulting firm, to review BCEMB' 2017 – 2020 strategic plan and establish priorities for the implementation of the strategic plan through 2019. The key priorities for Q1 2019 was to update the New Producer Program, develop a robust lease program, and create a quota allocation methodology that will lead to successful and timely distribution of growth quota. (note: The BCEMB will continue to work with Junxion in Q2 & Q3 2019 to develop a strategic plan for 2020 – 2025).
12. The EPA convened a public meeting with producers and the BCEMB on November 30, 2018 to discuss and provide feedback to the BCEMB's 70/30 allocation methodology. The majority of producers indicated support for the 20% equal distribution portion to enriched and specialty producers considering it as an innovative incentive to comply to alternative housing directives well in advance of the deadlines. However producers who were 100% conventional felt that they were being penalized even though they were complying to the current Animal Care Program and meeting market demand for affordable eggs. They did not consider the equal distribution as an incentive to transition to enriched or specialty production, because they had no opportunity to benefit from the 256 layer allocation since they were not currently in production. These producers wanted a longer lead time to be able to accommodate equal distribution allocations.
13. In December 2018, Farm Products Council of Canada approved a national increase in egg production that provided BC with 202,110 additional units of quota. In determining the optimal distribution methodology for the allocation, the BCEMB carefully considered all of the information obtained through the stakeholder consultations and surveys over the past year, as well as emerging issues, market needs, BCFIRB directives and public policy objectives. In addition to the allocation methodology, the BCEMB must also update the New Producer

Program and develop programs to improve market responsiveness, including lease programs. All of these programs are inter-related since they involve access to and optimal utilization of quota to meet market needs and public policy objectives. The BCEMB analyzed issues, clarified objectives and principles, developed and assessed options, and created draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy for further review and input by stakeholders. The EIAC, the PMC and the EPA reviewed and discussed the draft proposals at face-to-face meetings in January and February and provided input that was incorporated into subsequent versions of the draft documents.

14. On February 22, 2019, the revised draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy were distributed electronically to stakeholders for review. A producer meeting was held on March 1, 2019 following the BC Egg AGM where the proposals were discussed in more detail and feedback was provided by meeting participants. The BCEMB considered the input received at the meeting and revised the proposals accordingly.
15. From March 8 to April 15 2019, the BCEMB conducted an on-line survey whereby stakeholders (producers, graders, processors, allied trades, and the public) were asked to review and provide feedback to the revised draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy. The draft proposals were also sent to BCFIRB for their review at this time. Recognizing that the draft programs were complex and inter-related, the on-line survey was set up so that respondents had sufficient time to read the full proposals, reflect, enter responses, leave the survey and return at a later date to continue the survey. All respondents had the opportunity to provide additional comment, suggest other options, provide alternate solutions to each of the draft programs. A total of 102 respondents participated in the survey, representing a response rate of 53.41% were producers. [Click here](#) for the report of the survey results.

Key findings from the survey include the following:

- A large majority of respondents supported the proposals as presented – 74% for the Draft Temporary Allotment Policy and Procedures; 86% for the Draft New Producer Program Policy and Procedures; 84% for the Quota Allocation Policy and Procedures; 94% for the Reserve Policy and Procedures.
- Some of the comments, options and alternate solutions provided by respondents centered around additional quota for lease or to own for New Producer Program winners and New Entrants (small producers). Regarding the Draft Temporary Allotment Program, 4 respondents believed that NPP/New Entrants should be able to lease 2,000 units rather than only 1,000 quota units, and 1 respondent suggested leasing 3,000 units. Regarding the Draft New Producer Program, 4 respondents suggested 5,000 quota units as a starting point rather than 3,000 units and 1 respondent suggested 6,000 units. Further analysis of these survey responses indicated that 2 of 5 respondents were from the public, and that the same 5 respondents provided the comments for both the Draft NPP and TAP. The 3 respondents represented 3.19% of producer respondents, 8.3% of small farm respondents, and 11.5% of NPP winner respondents.

- The EPA sent a letter to the BCEMB, dated April 12, 2019, indicating the EPA's unanimous support for all four program proposals as presented in the on-line survey.
- 17. On April 23, 2019 members of BCEMB met with members of BCFIRB to discuss the draft proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy, as well as information from stakeholder consultations and the preliminary results of the on-line survey.
- 18. The BCEMB has reviewed and considered all of the feedback received from stakeholder consultations, surveys, and BCFIRB and revised the proposals for the New Producer Program, Temporary Allotment Program, Reserve Policy, and Quota Allocation Policy accordingly.

APPENDIX 3

Information on the New Producer Program

Historical

The New Producer Program (NPP) is a program of the BC Egg Marketing Board (BCEMB) that contributes to the renewal and sustainability of the regulated egg industry in BC. It provides opportunities for innovation and regional development by meeting the demand for a broad range of egg products produced locally by BC farmers.

The rules for the NPP are set out in Part IV of the Consolidated Orders. The framework for the NPP Lottery was adopted in 2009 as part of the BC Farm Industry Review Board (BC FIRB) 2004 Specialty Market and New Entrant Program Supervisory Review. The BC Egg Marketing Board (BCEMB) committed to BCFIRB to allot quota to two new producers per year starting in 2012.

In 2011, the BCEMB held a draw for six applicants to cover New Producer Program (NPP) allocations for 2010, 2011 and 2012. In 2015, the BCEMB started four new entrants under the current NPP to cover 2013 and 2014. In 2016 and 2017, the BCEMB drew a total of 13 new entrants to cover 2015, 2016, 2017, 2018, 2019 and 2020. These new entrants have a staged start up between 2017 and 2020. All will be in production by the end of 2019.

After each draw, the BCEMB reviews the program and uses the feedback received, as well as market cues, to determine what, if any, changes are required for the program. The 2016 New Producer Program Draw took place on January 11, 2017. As a result of a regional requirements study and a request from a local grader, a second draw was held on March 6, 2018 for the Kootenay region. In June of 2018, the BCEMB commenced a stakeholder consultation on the current version of the New Producer Program.

New Producer Program Review Process

The first NPP Lottery in 2010 was subject to a joint review by the BCEMB and BC FIRB following the initial implementation of the NPP. The 2010 review resulted in modifications to the NPP procedures for conducting the 2011 Lottery. In 2011, the BCEMB appointed a NPP Review Committee to conduct the 2011 NPP Lottery. The NPP Review Committee established policies and procedures for late applications and for eligibility, including formal requirements and substantive requirements. The policies and procedures were adhered to in the conduct of the 2011 NPP Lottery.

The BCEMB initiated an evaluation of the NPP in the fall of 2014 as part of the Core Review Process. In February 2015, the BCEMB provided BC FIRB with a final draft of its 2015 New Producer Program – Application Review and Selection Policies and Procedures. The amendments to the NPP Rules as set out in Amending Order 015 – Schedule 1 were approved by BC FIRB however, *BCFIRB determined it was not necessary or advisable to prior approve the operational details – how many producers (with the 12 proposed representing a minimum as per paragraph 25), in what categories, timeframe and location – of the 2016 NPP draw. As the Egg Board itself discovered following the 2015 draw, such decisions are subject to ongoing changes in market and industry requirements. These decisions are for the Egg Board to confirm following demonstrated assessment and consideration of all market and policy requirements.*

These decisions will be subject to appeal under s. 8 of the NPMA as are other orders, decisions or determinations of commodity boards.⁸

After each draw, the BCEMB reviews the program and uses the feedback received, as well as market cues, to determine what, if any, changes are required for the program. The 2016 New Producer Program Draw took place on January 11, 2017. As a result of a regional requirements study and a request from a local grader, a second draw was held on March 6, 2018 for the Kootenay region.

⁸ March 1, 2016 [Prior Approval of the BC Egg Marketing Board New Producer Program 2016](#). BCFIRB

APPENDIX 4

New Entrant Support Programs

The BCEMB has a number of programs in place to ensure that our New Entrants and NPP's are supported within the industry and have the opportunity to thrive. These include:

1. **Mentorship** – the mentorship program is administered by the BC Egg Producers Association. Each new entrant is provided with a mentor that they can call upon with any questions they may have regarding the industry, the production of eggs, and the BCEMB programs. Each new entrant is also provided with the New Producer manual that explains the programs at a high level to ensure producers are aware of them as well as provide them with a detailed contact list for industry suppliers, veterinarians and graders.
2. **Quota Exchange** – Any person looking to enter their industry or expand their current operation has the ability to purchase quota by taking part in a quarterly quota exchange. These exchanges only occur when a current producer is selling their quota. Producers who request quota on the exchange that are classified as small (see PARP for definition) will receive the first 1000 units posted for sale through equal distribution. After the first 1000 units are distributed, the small producers are placed in a pool with all producers requesting quota and the remaining quota is disbursed by equal distribution. This ensures that all producers are able to grow their operations regardless of size. ([link to quota exchange documents](#))
3. **Temporary Allotment Program** – any New Entrant/NPP has the opportunity to utilize a maximum of an additional 1,000 quota units for up to five years after entering the industry. The Board recognizes that most producers, when building a facility, will plan for growth and build a facility larger than what is needed for their current allotted amount. This program is designed to assist New Entrants fill that space, while they are waiting for additional quota from the exchange or through growth.
4. **Equal Distribution Allocation** – Provides small new entrants with a higher growth allocation than they would have otherwise received through pro-rata allocations, for example in 2018 they received 8.3% growth on average while BC's medium producers received 3.2% and large received 2.8%.