

Ms. Kirsten Pedersen
Executive Director
BC Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria, BC V8W 9B5

December 5, 2018

Dear Ms. Pedersen

RE: EGG BOARD REQUEST TO EXPAND LIST OF THOSE EXEMPT FROM BCFIRB'S 12 MONTH MORATORIUM DIRECTIVE

Thank you for considering the BCEMB'S request to expand the exemption list from the 12 month moratorium directive. BC Egg appreciates that this is a substantive change that will have a significant impact on the Egg industry. The Egg Board appreciates the opportunity to respond to BCFIRB's questions and highlight how this change meets our policy objectives: to ensure that quota is being used to produce eggs, and that our producers are actively engaged, producing eggs that meet market demand and comply with all program requirements. These policy objectives support BC Egg's Vision of "A sustainable and growing BC egg community that meets the values of consumers while being socially and environmentally responsible".

Background

In a letter dated August 3rd, 2018, the BCEMB requested BCFIRB to expand the list of exempt persons from BCFIRB's 12 month moratorium directive for growth quota, specifically that s. 179(c)(i) ¹be expanded to include the persons set out in Part V(3)(5)(a-g) of Consolidated Orders dated November 1, 2017:

- a. Layer Quota is Transferred, or deemed to have been Transferred, to the Transferor's spouse, child, or child and the child's spouse;
- b. Layer Quota is Transferred among Related Corporate Producers²;
- c. all Layer Quota is Transferred from one Sibling Related Corporate Producer to another, together with the associated Independent Production Unit;
- d. Layer Quota is Transferred by way of a Permissible Lease;
- e. one or more Producers Transfer Layer Quota to a corporate Producer and the direct or indirect interest of each such Transferor in the corporate Producer is proportionate to the Layer Quota so Transferred by each such Transferor;

¹ 179. (c) Quota holders are not eligible to receive growth quota for 12 months following a transfer of any quota, with one exception as follows:

i. If a quota transfer does not result in an overall change in total quota holdings within a business unit (e.g. within a corporation), quota holders within that business unit remain eligible to receive growth.

² Related Corporate Producers" mean corporate producers, the direct or indirect interest in which is exclusively held by the same Person, or by Persons who are related as spouse, child, child and the child's spouse, or sibling.

- f. two or more Producers enter into an agreement of partnership and the partnership interest of each such Producer is proportionate to the Layer Quota registered in that Producer's name;
- g. the amount of Layer Quota deemed to have been Issued to a Producer having an interest in a partnership remains registered in that Producer's name upon dissolution of the partnership.

BCFIRB responded to BCEMB'S request in a letter dated October 24th 2018 which outlined an extensive list of questions. BCFIRB'S questions and BCEMB's answers are presented in the section below.

BCFIRB is seeking the following clarification and additional information from the Egg Board:

1. Analysis and rationale related to the change request and the present and future industry structures, and the Egg Board strategic plan, in light of sound marketing policy.

Questions to consider include:

- a. How do the structures of businesses within the egg industry relate to the Egg Board's strategic plan and vision of a sustainable provincial egg industry?
 - The BCEMB believes that producers should be free to structure their business(es) in a manner that works best for them without implementing unnecessarily restrictive rules for corporate structures. Instead, our Consolidated Orders focus on the individual and their total quota holdings:
 1. A person may not hold, directly or indirectly, more quota than 5% of the total issued quota in the province
 2. Any change in the amount of quota held by a person constitutes a quota transfer
 - A sustainable provincial industry allows for succession planning to occur in a strategic manner where business ownership, transfers, and skills are built for the next generation while still having the ability to rely on parents for direction. In many situations, once learning the business, the children would like their independence. In this situation, the parents may provide some quota to their child to set up their own farm, while still intending to be fully active in egg production. The BCEMB does not seek to hinder this type of succession planning by dictating to producers how they must set up their operations.
- b. Why does the Egg Board believe retaining multiple separate business unit operations, under different business names is more strategic and effective for the industry and better serves the public interest as opposed to development of large corporate structures?

- The development of a large corporate structure may initially work for second-generation producers; however, it may not work as well for third-generation producers. As individuals within the corporation continue to grow their own operation within the larger business unit, the 5% threshold may be obtained and their growth would be limited.
 - Further to the previous point, it is important to recognize that while it is possible to have parents with multiple children maintain a single corporation and transfer their farm to a second generation under the same corporate umbrella; it is not practical to assume that the majority of family farms will maintain that same original corporate structure in their third generation. Also, if the corporation did continue into the third generation, it may not be possible to change the corporate structure without assessment. In BC, over 20 family farms have been producing eggs since the beginning of supply management for eggs in 1967. Many of these families and others are operating as third-generation farms within the supply management system.
 - As producers convert to alternative production systems where the risk is greater due to increased variability in production levels and greater opportunity for disease and predator activity, they may wish to manage that risk separately from the less risky production type.
- c. What is the Egg Board's policy rationale for its concern that some business units may receive less growth than they would have if the exemption list is not expanded? What is the nature and magnitude (e.g. number of farms) of the consequences to the industry and the Egg Board's strategic plan and vision?
- The Egg Board's concern in this instance is how that reduction in growth would discourage producers from proactive and orderly succession planning. The loss of growth is viewed as a punishment to producers as they will not only lose the growth in the first year, but that loss would be compounded with every subsequent growth issuance. The ability to produce eggs at the farmer's and farm's full capacity to meet market demand would not be optimized.
 - Most producers plan for their farms to be passed down to future generations. The current ruling will affect all producers who are actively integrating succession planning into their business and working towards independent operations for their children. When this directive was first announced in February 2018, seven producers were directly affected since they had transferred quota within 12 months of the announcement. It is likely that at some point, this directive will affect

all of our producers who have children interested in taking on the family business. If it is not the reduction in growth that will affect them, the alternative business planning under one corporate structure will affect the autonomy of the successors.

d. Why is it better sound marketing policy to provide additional exemptions to the 12-month moratorium as opposed to fully supporting the policy objective (discouraging use of quota for purposes other than production) behind the 12-month moratorium?

- BC Egg fully supports the policy objective to discourage the use of quota for purposes other than production. It is better sound marketing policy to provide additional exemptions to the 12 month moratorium for transfers amongst family members for the purposes of effective succession planning to ensure that all interested family members can participate fully in egg production to meet growing market demand, without being penalized for the transfers. It does not increase the likelihood that a producer will use quota for purposes other than production and is inline with past policy objectives and practices.
- In addition, the BCEMB does not allow producers to buy quota within two years of selling or to sell quota within two years of purchasing. This additional regulation ensures that those producers taking part in assessment exempt transfers are not speculating with their quota or transferring quota to another farm at a profit to make space for future allocations. While the purpose is similar to the 12-month moratorium tool developed by BCFIRB, it does not affect a producer's ability to accept quota issuances.

2. The request appears to be focused on family succession. Are there other policy objectives or considerations that BCFIRB should be aware of? For example,

a. Are there general industry succession considerations?

- There are underlying issues that are driving succession planning in the BC egg sector – sustained growth and the need to change production systems to meet changing consumer/retailer expectations and animal care codes. Egg farming is a fulfilling career for family members that want to stay in the industry, participate in the growth and innovation, and provide a high quality product to the market.
- In order to fully understand the needs of the BC Egg industry, it is important to understand the current production situation in light of the recent updates to the Code of Practice for the Care and Handling of Pullets and Laying Hens and retail announcements regarding cage-free production. The Code dictates that all hens in conventional housing as of 2031 will be housed at 90 square inches per bird versus

the current minimum of 67 square inches for white birds (90% of conventional production) and 75 square inches for brown birds. This means that the majority, if not all, of our conventional producers will be transitioned to enriched or specialty production methods by this date.

As we move towards meeting the code requirements, the land base required for each hen will increase significantly. Currently 35% of our production is in enriched or specialty and while most of these barns will meet the new code requirements, many of these facilities were constructed prior to the introduction of the new Code in 2017 so the necessary modifications will impact the number of hens that can be housed in these facilities. In 2019, all of these barns will be assessed by EFC to determine the maximum allowable hens and changes will implemented prior to their 2020 flock placements.

The 65% of our production that is currently in conventional housing will need to be transitioned to enriched or specialty. This transition requires a significant increase in land base. The current density requirements for conventional is 67 square inches per hen. Currently, our average conventional flock (barn) size is 18,377 hens.

As we move to enriched and specialty, the space required per hen increases significantly, as indicated in the table below:

Housing Method	Maximum Density	% increase over conventional	Additional Barns Required to house average flock size
Conventional	67 square inches		Status Quo
Enriched	116 square inches	73% increase	1 additional barn
Free Run	144 square inches	115% increase	1 additional barn
Free Range	144 square inches inside plus 216 square inches outside Total 360 square inches	437% increase	1 additional barn plus 2 ranges with hen access from barn – This triples the land base required
Organic	260 square inches inside plus 390 square inches outside Total 650 square inches	870% increase	4 additional barns plus 5 ranges with hen access from barn – This increases the required land base 9 times.

The impact of the density changes detailed above increase in magnitude when adding an additional factor to the equation; the BC Egg Industry is in a period of growth. Over the last eight years, there has been a 27% increase in production, with 75% of this growth taking place over the last four years. In 2014, when this sustained period of rapid growth began, the BC egg industry had 147 producers on 149 premises with 269 layer barns and 91 pullet barns. Today, there are 138 producers on 174 premises with 309 layer barns and 118 pullet barns. We have had a 6% reduction in the total number of producers with a 15% increase in farm sites and barns which means that several producers have expanded operations on multiple sites, many of which are in specialty production. The reduction in the number of producers during this period is partly due to natural industry attrition but also some producers (older) found that they did not have the energy or desire to invest in the rapidly changing production systems to meet consumer/retailer expectations. These producers accelerated their succession planning and/or sold their quota/operations. As of July 2016, producers were no longer able to renovate, retro-fit or build conventional facilities so the majority of these new barns are in the specialty production types with a few enriched systems installed.

Due to the industry growth, changing marketplace and housing requirements, all of our producers are in a position where they need to re-evaluate their current business plans and adapt them for future needs. This re-evaluation includes determining what will work best on their current farm site and whether or not there is a need for expansion. With the increasing land base requirements, a part of the future farm discussions will focus on whether or not they have enough land to accommodate these changes. Many producers are finding that their only way to accommodate these changes is to purchase more land. This naturally leads into family discussions regarding succession planning and setting the business up to be transferred to future generations.

- Building a new barn is a significant capital expenditure and a 15-20 year investment. Some producers may choose to build on their current parcel of land, others may choose to build on a separate parcel of land, and others will not have that choice and be required to build on a separate parcel of land. Throughout this transition period it is natural for producers to examine their business structure and plan for their farm to succeed to future generations. Irregardless of their business decision, BCEMB sees no strategic advantage in providing preferential treatment for one business decision over another.

- b. Are there general industry potential consequences in the event BCFIRB does not approve the Egg Board's requested change?
- The Board has two options to consider in the event that the requested change is denied:
 1. Update the orders as per the February 2018 FIRB recommendation and ensure that all producers who transfer quota are aware of the adverse affect of their actions at the time in which they transfer. This may result in producers delaying their succession plans, and possibly increase the amalgamation of farms into larger corporate structures to ensure that they are able to receive growth issuances.
 2. The Board may choose not to incorporate the changes outlined in the February 2018 FIRB recommendation into the Consolidated Orders. This would leave LIFO and 10/10/10 intact (rather than 10/10/x) as per the 2017 Consolidated Orders. Succession planning transfers would be able to remain exempt from disincentives however all other quota sales may be hindered due to assessments.
 - The Board will need to consider, at length, which of the options would be more strategic. Do we 'punish' those producers who plan on staying in the industry while planning for future generations or 'tax' those producers who are selling quota thus reducing quota liquidity and hindering farm growth? Both options are equally negative.
 - The BC Egg Producers Association urges BC Egg to *"continue prioritizing the inclusion of the expanded exemption list prior to implementing the new directive."* Please see the attached letter in Appendix A.
- c. Are there any non-succession related considerations?
- Producers may decide to create multiple businesses to spread the business risk when adding a new production system that they are not as familiar with. When considering the need for change, the BCEMB requested feedback from those producers who could be affected by the changes at the time the 12 month moratorium direction was announced. Of the five responses received, one was directly related to succession planning; the other four dealt with production expansion and diversification of production types. The feedback from the five producers can be found in appendix B, the comments are summarized as:
 - Succession planning to start the third generation of farmers
 - Expansion to a second location with a different production type to meet market needs. The second location was put under a different business

structure and name for future succession planning. As the market expands on the second production type, the producer transfers quota to meet needs.

- Movement of quota from one business to another, with similar shareholder structures to accommodate changing animal welfare considerations.
- Three locations, under different business names with different production types, family shareholders, moving quota to accommodate market needs.
- Expanding to new locations, into new production types while bringing a spouse into supply management/farm ownership.

3. What steps could the Egg Board take to demonstrate to BCFIRB and the public that abuses would not occur should the exemption list be expanded?

- The Egg Board already has regulations in place to ensure that abuses do not occur:
 - a. Once a producer transfers quota out, they are unable to transfer quota in within a two-year time frame and vice versa, as per section Part V 2. (5) and (6) of Consolidated Orders.
 - b. The Board is required to approve all whole farm transfers (Going Concern Sales) and has the ability to decline a transfer if it feels that the transfer has been done to work around the regulations for financial gain. This is outlined in Part V 1 (4) of the Consolidated Orders:

The Board will determine, in its sole discretion, whether a Transfer is a bona fide Going Concern Sale having regard to the following factors:

(a) whether the Transferee intends, and has committed to the satisfaction of the Board, to engage in egg production from all of the Layer Quota so Transferred at the Independent Production Unit that is the subject of the Going Concern Sale;

(b) whether there is a legitimate business purpose for the structure of the Transfer unconnected with the mere objective of circumventing a requirement to Transfer all or any part of the Layer Quota through the Provincial Quota Exchange;

(c) the reasons, if any, as to why it would not be possible of practical for the Transferor or the Transferee to Transfer Layer Quota on the Provincial Quota Exchange.

(d) whether the parties to the Transfer have entered into any oral or written agreements as might suggest that the Transfer was structured for the NOVEMBER 1, 2017 V-2 primary purpose of circumventing a requirement to Transfer all or any part of the Layer Quota through the Provincial Quota Exchange; and

(e) any other facts or circumstances as might suggest that the Transfer was structured for the primary purpose of circumventing a requirement to Transfer all or any part of the Layer Quota through the Provincial Quota Exchange.

- Under FIRB's Public Accountability and Reporting Project (PARP), our processes will have further transparency as total quota movement and transfer assessments levied by commodity boards will be included as part of the annual reporting.
4. While BCFIRB understands there would be personal business costs to restructuring some family succession plans, what are the possible overall costs and benefits to industry and influence on the Egg Board's policy objectives? How are these costs and influences different from the restructuring that occurs due to tax and other business rule changes?
- The BCEMB is not in the business of determining what corporate structures work best for individual businesses, including the effects of tax and other business rules changes. Our policy objective is to ensure that producers are using quota for its intended purpose, which is to produce eggs. As such, we are opposed to any regulations that direct producers to set up business structures or risk incurring penalties.
 - Other policy objectives for BC Egg are to ensure that our producers are able to participate fully in growth, to meet the changing consumer/retailer demands, and meet/exceed the animal care requirements in the Codes of Practice. If BCFIRB's current directive is put into effect, it will likely cause some business restructuring today, however at some point in the future, the business will be required to separate in order for the individual farms within the business structure to continue to grow. The loss of growth will happen at some point, unless the initial business dissolves completely.
5. Why is leasing being included as a requested exemption? How will this exemption support the Egg Board's policy objectives? Do the requested exemptions a - g have the same meaning as the current BCFIRB transfer assessment exemptions?
- The BCEMB allows for leasing in two very specific instances – first, producers can lease their quota out for a maximum of one year while they are building barns and second, producers can lease their quota out for a maximum of one year if they have just purchased it on the quota exchange. In each of these situations, it is clear that the producer is committed to the industry and intends to use the quota for egg production, which is in line with the BCEMB policy objectives. A lease is also a temporary reassignment of quota, not a permanent transfer. The BCEMB reviews all lease applications thoroughly before approval or denial to ensure the lease arrangements comply to the intent and letter of the Consolidated Orders.

- The BCEMB assures BCFIRB that the requested exemptions have the same meaning, intent and desired outcome as the current BCFIRB assessment objectives.

6. Please provide an outline of the Egg Board process used in reaching and communicating the requested change.

For example, were stakeholders and/or other supply managed commodity boards consulted? What were their views (summarized)? What other information was considered, and was the final requested change communicated to stakeholders?

- The other supply management boards have been consulted. They indicated that their sectors differed with respect to the egg sector and provided the following preliminary information:

1. The BCCMB and BCBHEC issue quota irregularly and are able to provide advance notice to their producers in the event of a quota increase.
2. The BCTMB is currently at 84% production and are not expecting an increase in the near future.
3. BC Dairy has been consulted and will be submitting additional information in response to BCFIRB's request.

- The BCEMB spoke directly with those producers who would be immediately affected by this issue.

- All licensed producers were made aware of BC Egg's request through the Fast Fry on-line communications. BCFIRB's questions were shared with all stakeholders on November 2nd and feedback was requested.

- BC Egg consulted closely with the Egg Industry Advisory Committee and Egg Producers Association in preparing this submission. All feedback from the sector at large, the EIAC and EPA has been integrated into this document

7. In its Quota Review decision (para 184), BCFIRB stated that boards could implement the quota management changes after an implementation plan was developed and publically communicated. Please provide a copy of the Egg Board's implementation plan for context. BCFIRB appreciates the plan may be still in draft form.

- In its quota review decision (para 172) BCFIRB granted commodity boards with the authority to continue to operate under BCFIRB's 2005 directions until it is deemed strategic and effective to adopt the new directives. The BCEMB has developed the draft

implementation plan which outlines the timelines for the major deliverables to update the Consolidated Orders.

Draft Outline of Implementation Plan

ACTION	TIMELINE
FIRB decision received by BC EGG	Day 1
BC Egg Staff & Board review FIRB decision & determine options for changes to Consolidated Orders (or status quo)	By Day 30
Consultation with BC Egg lawyer	By Day 37
Consultation with EIAC & EPA	By Day 60
Finalize updates to Consolidated Orders & determine effective date	By Day 75
Communicate pending changes to Consolidated Orders to stakeholders via on-line communications, face-to-face meetings to ensure full understanding	By Day 110
Implement changes to Consolidated Orders	By Day 120
Monitor outcome	On-going

BC Egg recognizes that most supply managed sectors have growth. Throughout this document, we have highlighted that growth is only one of the considerations for our industry at this time. The larger consideration is the changing production requirements facing producers which includes expanding land base requirements and new management systems and techniques. We appreciate the opportunity to respond to BCFIRB's questions and welcome a face-to-face meeting to provide further clarification.

Sincerely,



Katie Lowe P.Ag.
Executive Director

BC Egg Producers' Association

To: BCEMB

December 3, 2018

RE: Expansion of Assessment Exempt Persons' List Request

The BC Egg Producers' Association strongly believes that the historical exempt persons' list for quota transfers, which allowed spouses and parents to transfer quota without any assessments, should be included in the new exemption list.

The exemption of family transfers is an essential component of the long-term health and success of the industry. Penalizing farmers who are undergoing succession planning discourages this transfer from taking place in a timely manner, hindering the ability of the upcoming generation to innovate and move forward.

Multi-generation farms are an essential part of the landscape of agriculture around the world. It enables the transfer of knowledge in animal husbandry and efficient farm management. In Canada, it also encourages industry involvement through the understanding of the history of supply management. With extremely high investment costs in agriculture due to land and building costs, success and return on investment often takes place over generations.

Due to the significant shift to specialty production, many farms are beginning to split their operations onto separate farms in order to better manage risk. This also allows them to better divide up the farm as they pass it on to the next generation or downsize as they approach retirement. By forcing them to run all operations under one corporate umbrella to avoid penalization, they lose this flexibility and are incentivized to remain fully in the industry, as opposed to gradually exiting. This removes quota that would be accessible to other farmers looking to expand, new buyers wanting to join the industry, or children interested in farming.

By expanding the exempt persons' list we can ensure that farmers have flexibility. This flexibility is essential, particularly in the current environment requiring high levels of investment as our industry phases out conventional cages, and the decision on enriched vs free run in the marketplace remains unclear.

The BC Egg Producers' Association urges the BC Egg Marketing Board to continue prioritizing the inclusion of the expanded exemption list prior to implementing the new directive.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Siemens', with a long horizontal flourish extending to the right.

Mark Siemens

BC Egg Producers' Association - President

Quota Assessment Tools:

Dear BCEMB:

July 26th, 2018

Thank-you for the opportunity to provide input and to have a dialogue in what we find an astonishing direction by FIRB, which by appearance would be in breach of their own SAFETI principals as well raise many more legal questions therein. Simply put, we are quiet shocked by the short sightedness and lack of understanding of the current state of our Egg Industry and the transitions we face and how the Industry is attempting to respond to the Markets in general.

In response to your query:

BCFIRB has provided the Boards with additional clarification regarding their quota assessment tools directive that may affect your farm. The directive is that: Quota holders are not eligible to receive growth quota for 12 months following a transfer of quota with one exception as follows: if a quota transfer does not result in an overall change in total quota holdings within a business unit, quota holders within that business unit remain eligible to receive growth.

Our response begins with..."if only life were that simple"....

First and foremost....the Direction given is seemingly targeted to persons selling, reducing or exiting the business. All be it, FIRB is giving an exit strategy to "deemed" sellers by permitting or eliminating the 5% clawback. They are not however, by given this Direction without "exemption to family" ...a way to expand, update and modernize; adapt in meeting new markets and allowing expansion without realizing the effects and stifling progress. This ruling will cause and inflict pain, disparity and unequal opportunity amongst discrimination to the fullest degree to those it affects and as a result would be collateral damage at best.

Background:

Our family has been involved in the Egg Industry since 1984; undergone quota cutbacks after cutbacks which had to be repurchased in order to keep the barns full and warm. In the early 2000 era, we began to convert a small portion of our caged production into cage free production as the market was expanding. As it was a new unknown venture; there were a lot of variables and many unknowns, and thus a lot of “dart throwing” in respects to what type of equipment would work and provide the “best in class” or stellar results. We did however make best efforts in doing the right things for the market and as a result, lost capacity in doing so and thus created a much necessary expansion mode of our farm and as a result needed to lease space on an interim basis. In 2014 this became very clear as the Industry deliberated the issue of phasing out of the conventional housing systems. As we had reached capacity and our cage systems moved from 60 square inches to 64”...then 67” we were by default forced to house one less bird a cage which due to our configuration, brought us to 80” per bird. With a period of growth upon us...as well as the demand for more free run and other cage free production...we acknowledged the fact that we were land locked and in desperate need of additional barn capacity. In 2014 we began planning to build a new farm, with 100% freerun (caged free production) on our second title. This was necessary due to the increased footprint required with allowing for range access if the market conditions required more of that production type. (This was not achievable on our other site).

Our building program began in the fall of 2014 with a new pullet barn which was required to enable the best and newest equipment specializing in raising freerun chics in the environment necessary to provide pullets to the layer barn which had complimenting equipment for the layer environment. Chics were placed in late winter as we began construction of the new layer barn in March of 2015 and housed our first flock in the summer of 2015 just as the EFC along with the Provinces banned any further new conventional housing.

Markets continued to change and further demand on free range and organic was urgently needed. As a result, once again we were land

locked (via new setbacks etc.) and realized that we would need to purchase yet another parcel of land in order to accommodate the growth and space requirements of the organic market. I did not have adequate land so I needed to purchase yet another title, which we did in 2016 adjacent to our farm. As I was farming with my wife, I decided to put her on title and being a new production unit, which made more sense than trying to get her involved and many costly changes to share structures on my current production unit. Seeing as the rules of the day did not have any constraints or penalties, we chose to begin a new unit and we purchased the title next door. There were some old facilities on that title which we utilized immediately upon its first quota purchase.

In short, we planned to tear down and rebuild that farm completely. My wife purchased quota for that farm on the quota exchange in 2015, but did not have enough quota to fill a barn. As a result, I... the spouse transferred some quota to at least fill the barn that we were using as there were no dire consequences in doing so within the Boards Consolidated Orders. We began demolition in the summer of 2016 while we leased some facilities to house the layers along the while construction commenced of the new farm (in my spouse's name) in the fall of 2016. This farm was built to house organic production standards ...as well as free range and thus required a large land base for the outside access field requirements. The second phase/half of the barn was completed in July of 2017 at which point I again transferred quota to my Spouse in order to fill the barn and meet the market. (August of '17). Both new farms are at a reasonable capacity with room for growth which we planned for, built for and were financed for on that same premise.

As a result of the transfer, I had to shut down production of one of my conventional layer barns on the homestead that is now vacant at our location, as we continue to focus on the specialty markets. We are in the planning stages to use that barn and am in the process of gutting the barn for further cage free production as the markets permits.

The Problem:

Here in lies the problem and greatest concern...

We have expanded to meet new markets, built up two new farms in order to meet these markets and are not the least bit interested in selling any quota. We have however each invested heavily within the Industry over the last 3-4 years and plan on continuing to do so for the foreseeable future. No quota was sold at arms length, no profit was made on any sale of quota. In fact the banks are very concerned that we would be ineligible for growth as we financed "based" on the growth that was coming. As it was a new title, it made sense to make my spouse an owner as she was not yet on title on my farm and i had intentions to bring her in regardless. Our decision was made on the rules of the day. Which in fact did not punish either of us, nor benefited us. As a result the new farm acquired quota along with transfers from myself totalling 3 times since inception over a period of 2 -2.5 years. To now be penalized on a retroactive basis is extremely biased and truly unfair.

Had one had a crystal ball and know of this potential change...i would have simply kept the farm name in my name, acquired the land and build the barns and simply add her name as a Shareholder. All the actions, growth, expenditures, financing, meeting the markets would remain the same. All roads lead to the same result till "retroactivity" comes into play.

So my question is: Why am I being punished for bringing my Spouse along in the growth of our farm? I am just trying to bring notice to having more women involved in the Industry... (She owned a Broiler farm previously and subsequently sold) and now feel it has come to bite me in the rear end. As a result, barn space will be under utilized, the free range markets we committed to fill will have unplanned shortfalls.

Financing pressure will rise as the banks re evaluate cash flow projections.

Proposed solution:

As no arms length selling occurred and indeed proof is shown that we are both actively farming with no intentions to sell...be it that an exemption be granted or extended to us to avoid such rampant

discrimination and prevent collateral damage which could have easily been avoided had the rules been upfront, transparent and in a timely fashion. The legality of this retroactivity need to be further investigated as it is unprecedented in both the Federal and Provincial laws.

Another simply solution ...if one believes in legal“retroactivity” ...we would request to “retroactively” change our 2nd transfer amount date to the first transfer amount date and a simple quota lease permitted between parties (permitted while building)would have prevented such an atrocity and unfairness.

Clearly we need to educate what all types of aspects are involved in meeting today's Market in an every changing world, with such a heavy demand on land, resources and space requirements which will truly lead our Industry as compared to the rest of the Country.

Respectfully,

[REDACTED]

[REDACTED]

Footnote : Factoid

BTW. ..did you know that we could have simple housed all of our combined Production quota that we both have to date in one new conventional barn on our original homestead property??? That gives a small glimpse into what it takes and to the extent investments are required in order to “meet the specialty Market”!

Delivered by Email July 24, 2018

Good Afternoon Joey,

We would first like to state that if this directive came into effect on February 2, 2018, then it does not affect our transfer of quota in week 41 of 2017. Meaning we are eligible for quota allocation. Rules or directives of this nature cannot be back dated, as that leaves us without the ability to plan for the future and tries to change history.

The quota that we transferred in 2017 is all part of our secession planning and to comply with and manage CRA tax rules for farms. We are currently starting into our 3rd generation of farming and plan to continue as a family run business for all of the foreseeable future. We intend to grow our operation and continue to expand by purchasing land, upgrading our grading facility and building new barns.

Referring to your paragraph 2 and with our stated intentions we feel that we are entitled to quota allocation as it comes available.

We cannot make future business decisions if the rules are going to be changed and backdated.

Thank you

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Delivered by email July 24, 2018

Katie and Joey

I'm not 100% clear on the new transfer rules. But I know the need to change the system to make it more fair for all involved in the industry.

But it is your legal responsibility to notify producers of these changes ahead of time or at the time you make them. We, as, producer can only make decisions from the Standing orders that are present at the time of the that day. So to my experience you can not go back to change the Standing orders in the past and enforce them to that date. So I would like to see you do this legally and place the change for any new Standing orders for a date that we as producer can make sound decisions for our future plans for our farms.

I know that [REDACTED] is only one of the producers that is affected by this change. So if the others that I know of, get any new quota issuance and [REDACTED] or [REDACTED] don't. I will look at seriously taking legal action against the BCEMB.

If BCFIRB is not going to allow the approval of this new issuance without these new standing orders in place. Then the board has no option but to wait another year to issue it.

So this is how I stand on these changes.

I will try and work with the staff on this matter to be able to have this issuance insured as soon as possible and in a way that I will not be penalized.

To answer your questions.

1) That is a long winded question for me. But I will try to keep it short, [REDACTED] (purchased from [REDACTED] in 2004, 11,122 birds quota) and [REDACTED] have worked out of one site on '0' Ave. And the long term plan has always been the same, too have two separate farm locations. We have three sons and all have showed interest in farming. So as the new issuances that where issued in 2009 and the barn that I build in 2005 which was filling up. So in 2014 we made as a family decision to build two farms. But at that time, the industry was pushed to make bird house standards changes. So United Agri and Ritchie Smith Feeds sent out a invitation to the egg producers to go to Amsterdam to see the industry in Europe. The two younger sons R [REDACTED] 25 and S [REDACTED] 23 where happy to learn and attend.

Decision made, property purchase Sept 2015, three new barns built (1pullet barn 12,000 birds, two free run lay barns 12,000 birds each) and finished Sept 2017.

[REDACTED] only had quota for 7600 bird because of barn size at '0' Ave.,(did quota lease agreements, then quota transfer, as Standing orders changed)

The March 2017 quota transfer was to change back the quota holding of [REDACTED] farms to its original quota holdings at purchase in 2004.

The Jan 22, 2018 quota transfer was to get a building permit from the city of Abbotsford for a second resident on [REDACTED] location on [REDACTED] Bradner Rd. (THE CITY DECIDED TO CHANGE THEIR BYLAWS FOR HAVING A SECOND RESIDENT ON A PROPERTY and that was a layer farm has to have 20,000 layer on it. [REDACTED] had the birds at the location at the time, but was using 6400 birds on quota credits) The city needed a copy of the farm production license.

2) Our son Steven manages [REDACTED] and eventually will be take over the company. [REDACTED] has a empty barn (from March 2017) build 1996 (still in new concussion) with the capacity to house another 7600 layers, after that we will need to build another barn. But the bigger question is what type of produce will the market need and will there be quota available to purchase or farms (the Egg Grader encourages us to have share holders in the different types of production so that when the time comes that the demand changes occur, we could change production to that type of egg.)

3) I myself am slowly easing out of farming and our son S [REDACTED] is already taking over most of the operation of [REDACTED]. R [REDACTED] is doing the same for [REDACTED].

4) I think that you already know the answer to this question. I never build a barn to just fill the farm needs. I always build for future expansion.

I would like to sit down and discuss this with you both, tomorrow or Thursday, after that I'm not sure, for we are busy with the blueberry harvest.

[REDACTED]

██████████ is owned by ██████████ and ██████████. Several years ago the company owned an outdated production facility on ██████████. This property was sold and ██████████ constructed production facilities at ██████████ and ██████████ at ██████████, knowing that the long-run plan was for each family to own their 50% of the quota. Due to intermingled financing, the quota was leased for several years to ██████████ and facilities rented from ██████████. With the quota leasing rules disappearing, and finally getting bank approval to do a split, the majority of the quota was transferred in an equal amounts to each of these companies. After an initial transfer and with density rule changes and additional allocations, it was discovered that ██████████ did not have enough space to house all the birds so another transfer of 1,500 birds was done, some to ██████████ and ██████████.

All selling companies and receiving companies were owned and continue to be owned by the same individuals, such that no change in industry quota holdings took place. 50% of the quota transferred (50% of ██████████) was transferred to companies owned 50% by ██████████.

Another consideration, is that now that the quota is held by a family farm, the shares of the company can be transferred to a child tax free, while held in a company (50% unrelated to each other) is not eligible for the family farm rollover rules.

For the foreseeable future the company plans to farm the quota at its ██████████ location, but long-term plans are for the ██████████ and the ██████████ to each build new facilities to house the quota.

The plan is for the ██████████ and the receiving farms to be farmed by ██████████ until their retirement. Both families have children involved in the day to day operations and the plan to pass these farms on to the next generation.

As producers we still plan on expanding with new allocations and bids on quota exchange.

Hi Joey,

As discussed on the phone, below are responses for the questions provided in order to give you information of our situation. The questions provided to us for response were:

- 1) Why did you transfer the quota?
- 2) What is your history of expansion of your facility?
- 3) What are your plans for the future of your facility?
- 4) How long are you planning on remaining involved in the industry?
- 5) Are you still planning on growing as a producer?

First a bit of history. While still dairy farming we purchased our first layer farm in 1994 ([REDACTED]). For four years we farmed both dairy and poultry. Following the sale of our dairy farm in 1997 we purchased our second layer farm ([REDACTED]). In 2010 we began the building process on our third layer facility ([REDACTED]). This is when we began producing organic eggs. In the following 3 years we built 4 organic egg layer barns on that property. In 2014 we purchased another parcel of land (also part of [REDACTED] and at the end of that year began building 2 more organic egg layer barns there, in addition to retrofitting an existing broiler barn to become our pullet raising facility. The plan for this latest property is to expand with another possible 6 layer barns in the near future.

[REDACTED] and [REDACTED] are owned by [REDACTED]
[REDACTED] is owned by [REDACTED]

In response to the questions given:

- 1) Why did you transfer the quota?

In the past we have been able to lease quota between the farms in order to accommodate the grader's demand for a specific commodity. In the past few years the practice of leasing quota was no longer allowed. At that time we were told by the BCEMB that we would be allowed to transfer quota between farms without penalty. The latest transfer of quota happened on April 23, 2018. It was a transfer of only 2000 birds from [REDACTED] to [REDACTED] (same owner). Again, there was no mention of a penalty for this action. The only reason for this transfer was to continue producing as many organic eggs as possible in order to meet market demand for this commodity. This also allowed us to decrease bird numbers at [REDACTED] [REDACTED], our oldest facility, in order to better position us for possible rebuilding on that property in the near future.

- 2) What is your history of expansion of your facility?

As mentioned above, we have nearly constantly been in a period of expanding our farms. Our latest building project shows our desire to expand in the area of organic egg production.

- 3) What are your plans for the future of your facility?

In terms of the facility at [REDACTED], our plans are to build another two organic egg layer barns within the next 3 years. Following that there is room and plans for another 4 barns. At [REDACTED], our oldest facility, our plan is to convert to a cage-free farm through rebuilding. Throughout this expansion time we plan to acquire more quota. Recently we have

applied to purchase more quota through the quota exchange program but were unsuccessful. We plan to continue to bid on future quota offered on the exchange.

4) How long are you planning on remaining involved in the industry?

As mentioned above our family has been involved in the egg-layer industry for 24 years. During this time our children have grown up and are very involved in operating all of the farms. They have also shown an interest in continuing their involvement in farming as their long-term plans. Even our grandchildren are beginning to get involved and show interest in helping on the farms.

5) Are you still planning on growing as a producer?

As mentioned above, our plans are to continue growing our farms, both in terms of quota and buildings. During this growth time we are also committed to further our efforts in producing less conventional eggs and more cage-free and organic eggs to meet market demand.

Throughout our years of farming we have always strived to do what is best for our industry. We feel that to penalize us for our desire to produce more organic eggs for the market through a small quota transfer is quite harsh and unfair. If you need any other information, please do not hesitate to contact us.

Thank you!