

Market Responsive

Roundtable

September 24 - 25, 2018



Purpose

On September 24 and 25, 2018 the Directors of the BC Egg Marketing Board held a roundtable discussion, moderated by Matt Sutton-Vermeulen, to find ways to improve the short-term and long-term outcomes of the BC Egg production planning process. The attendees on Day One included representation from graders, BC Egg's management team, and Board of Directors. The attendees on Day Two included producers, hatchery reps and Day One attendees.

Process

The sessions on both days commenced with presentations on the current state of the industry, market demand and supply, and BCFIRB directives. The presentations were led by BC Egg's Executive Director, Board Chair, and Matt Sutton-Vermeulen

On Day One, participants were divided into small breakout groups and discussed key program improvements that could assist in the short-term and long-term production planning process. The outcomes and options generated on Day One were further discussed and refined in breakout groups on Day Two.

Desired State

To improve BC Egg's ability to be more responsive to changes in the market in a timelier manner.



Key Takeaways from Group Sessions

Variable Production Sleeve

- General consensus was that stakeholders like the Variable Production Sleeve program as a way to increase production short-term and agreed that additional parameters could be applied to improve market responsiveness. Producers like that the program is flexible, puts birds into production, is free, ramps up growth before a new allocation, and allows the early planning of pullets.
- The program could be adapted by focusing on specialty production and/or the production types required by the market. This could potentially incentivize producers to retool or rebuild to meet those requirements, bringing the industry closer to its housing goals. Grader sign off could also be required to ensure the production types that best meet market demand are being chosen.
- For producers who are unable to utilize the program, they could be allowed to lease the sleeve to another producer who has the ability to house the production type required.
- To make the suggested changes work, open discussions between BC Egg, graders, and producers will be required so all parties know what production types are needed.

Lease and Temporary Allotment Program

- Ways to enhance the current Temporary Allotment program were discussed to make it more robust and market responsive. When a producer is unable to house their quota and has a production type required by the market, the quota could go into a Temporary Allotment which can be accessed by all producers that can house that production type.
- New entrants or smaller producers could have first access to the program, or access to a set percentage but would pay the same program fees as all other producers.
- The allotment could be distributed as pro-rata and for a 12-month production cycle. This option could help utilize empty space fairly, though preferential treatment could be provided to the production types needed, as grader input could be a requirement. This would also incentivize producers to retool or rebuild to meet those requirements, bringing the industry closer to its housing goals.



New Producer Program (NPP)

- 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 are available for growth. Examples included:
 - The option to lease additional quota for a set number of years.
 - If a NPP winner purchases additional quota, it could be offered as 2:1 within a determined timeframe. After that timeframe, a percentage of additional quota purchased would be redistributed back to grow the pool for the next winner.
 - NPP winners could have the ability to use more than the allowed 3% Quota Credits.
- Additional program improvements could include that the initial quota provided to the NPP winners could be non-transferrable and would revert to the board in the case of a farm sale.
- NPP winners should be required to build to organic specifications so they are able to adjust to all specialty production types.
- If NPP winners were required to start in outlying regions, it would be more beneficial and efficient for the industry, particularly graders and allied trades, if fewer winners started with a higher amount of quota rather than many winners with fewer quota units



Bird Removal/Placement

- Due to varying cycle lengths, the industry has gaps in production when large producers remove their birds at the same time. To better manage market needs, a few options were discussed including:
 - Graders would like to be provided with removal projections so they can proactively identify and address potential production dips.
 - Producers could move to cycles that are either 12 or 13 months. There is also a possible option to force down time for product that is oversupplied in the market.
 - To incentivize producers to assist the industry in managing this concern a program could be put in place whereby if flock changes are completed in January or July (after peak times), a producer could receive an extra 2% towards their

production sleeve. Producers would have to apply, remain on a 12-month cycle, and have the production type required by the market.

2018 Allocation Policy

- BC FIRB's 2018 quota allocation direction was 70% pro-rata and "30% or 32,622 to be set aside for the New Producer Program (minimum 10%) and other public policy objectives such as regional development, growth of new markets". Suggested programs that could meet the objective included:
 - A temporary allotment with special access for smaller producers and producers that can house the production required by the market.
 - A program that would increase quota on the exchange with an incentive for smaller producers to participate, for example buy one get one free. Stipulations would be put in place that would not allow the producer to sell the free quota and when they reach a designated size, part of any additional purchases would be held back to replenish the pool for future small producers.
 - A percentage of the allocation could be designated to new producers (NPP winners and new entrants) and indigenous communities that allows them to purchase 1,000 units and receive 1,000 units free in order to better meet local market demand.

Regionalization

- Historically when quota has been allocated to smaller outlying regions, there have been instances where a producer has held it short-term before selling. It will be important to entice producers to stay in the industry and grow the market in their area.
- Concerns were raised about growing smaller outlying regions because it is not always cost efficient to send trucks to those areas for pick up and grading. In addition, larger chains are pushing out smaller private retailers, which are typically the markets for those producers, making growth in those areas difficult.
- There are typically many small lot or big backyard flocks in the outlying regions. With more education and outreach, additional small lot producers could be set up to assist in supplying those markets in a more sustainable way.

Other

- BC Egg has been working to increase communication within the industry and stakeholders felt that continued communication and data sharing, particularly with graders, is very important.
- The industry expressed concern regarding the retailers push to cage free production, as consumers do not appear to be showing the same demand, thus the current oversupply of free run eggs

- The industry should be doing more to promote the supply chain system and educate the public. The more support we gain from the public, the better our chances will be of keeping the system. The industry does well at promoting and educating at the government level but needs to increase its efforts at the public level.

Moving Forward

- Continue to increase open communication and information sharing with graders and producers to better assist in meeting market demands.
- Work collaboratively with BC FIRB and producers to ensure a shared understanding and objective.
- Incentivize producers to retool and rebuild to meet market requirements and bring the industry closer to its housing goals.

Potential Solutions to Consider

- The Variable Production Sleeve and Temporary Allotment are programs that could be enhanced to flexibly assist in meeting market demands while also including growth opportunities for smaller producers and NPP winners.
- Additional education and outreach on small lot production in outlying areas could assist in meeting market demand in those areas in a way that is efficient and beneficial to the industry.

