

Quota Allocation Policies and Procedures

Introduction

The consumption of eggs continues to grow at a faster than expected rate, requiring production to increase accordingly. The BC Egg Marketing Board (Egg Board) has the responsibility of regulating the production and marketing of eggs in BC. This responsibility is set out in the Natural Products Marketing Act and BC Egg Scheme. As such, the Egg Board must allocate quota to producers in order to increase production. This allocation of quota must adhere to legislative requirements, reflect the intent of supply management, consider provincial agriculture policies and reflect a principles-based approach to agriculture.

The Egg Board must obtain prior approval from BCFIRB in order to vary quotas to producers as per Section 37(c) of the Egg Scheme. In order to remain compliant with the Federal Provincial Agreement between the provinces and Egg Farmers of Canada, the Egg Board must not allocate more quota to its producers than what it has received from EFC and is subject to monthly hen inventory and quota allocation audits. If a provincial Board has over-allocated or over-produced, that Board will be subject to a Liquid Damages Assessment (monetary penalty) by EFC.

BC's egg producers are privileged to be producing a product within a system of supply management. With that privilege comes the responsibility to ensure that the industry is sustainable, market responsive, regionally diverse, and supports growth of small farms and new entrants.

In addition, BCFIRB has 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.*¹

The Egg Board's goal is to streamline the quota allocation process going forward to ensure that growth quota is allocated in a timely matter and BC egg producers are meeting market demand. To that extent, the Egg Board is proposing the allocation policy outlined below and to provide assurance that future Egg Board allocations will meet BC FIRB requirements.

Allocation Objectives

To distribute the allocation to producers so that birds are in production as soon as possible to meet market needs, while taking into consideration public policy objectives and BCFIRB directives.

Allocation Considerations

In order for an allocation to facilitate industry change and shift production in an orderly manner, it must allow time for appropriate planning. To that extent, the BCEMB has developed a 3-5 year allocation plan that will bring some of the predictability of the past into the allocations of the future. Producers will have a clear picture of the BCEMB's expectations and objectives to:

- 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

¹ 2018 August 28. BCFIRB. Prior Approval of the British Columbia Egg Marketing Board 2018 Quota Distribution Policy.

These objectives align with BCFIRB's directives and with the BC Ministry of Agriculture Regulated Marketing Economic Policy.

Allocation Review Process

As stated in the July 28, 2014 decision, BC FIRB uses the following general supervisory process and outcomes expectations as part of its decision making², requiring the Egg Board to do the following:

- 1) Engage with stakeholders, including non-egg industry stakeholders and public where appropriate
- 2) Evaluate whether quota policies and programs are effective and strategic in meeting sound marketing policy objectives
 - a. Assess on an on-going basis whether 3000 is an adequate amount of start-up quota in the short and long-term
- 3) Identify issues and gaps, propose solutions
- 4) Report findings and recommendations to BCFIRB, including a full rationale

Engagement Process

Prior to any allocations between 2020 and 2025, the BCEMB will first consult with the Egg Industry Advisory Committee (EIAC) and graders about market needs. The BCEMB will use this information, in conjunction with an industry market scan to determine if the current allocation plan is still appropriate.

Industry Market Scan

The industry market scan will consider:

- BC Egg's annual forecast report
- Nielsen Topline disappearance data by production type and region, including comparisons to previous years
- BC Egg's Regional Market study results
- Egg Farmers of Canada's (EFC) market report, used to determine the national allocation numbers
- Information obtained on Canadian market direction from retailers and through discussions with graders
- Information obtained on International market direction from the various conferences attended by Board members and through International industry organizations such as International Egg Commission (IEC), Urner Barry and United Egg Producers (UEP)

Based on the industry market scan, the BCEMB will develop a proposed allocation methodology, taking into account the allocation considerations outlined below. The proposed allocation method and rationale will first be provided to the EIAC and EPA for feedback and then to the producers, industry and other stakeholders at large for review and comment. This feedback will highlight any issues or gaps with the methodology so these can be solved prior to implementation.

Evaluation Process

The allocation methodology evaluation process is a two step process:

- 1) Methodology Evaluation
The allocation methodology, prior to implementation, will be evaluated based on:
 - BCEMB's allocation objectives
 - BCMA Regulated Marketing Economic Policy
 - SAFETI Analysis³
- 2) Implementation Evaluation
The implementation evaluation will be completed prior to each subsequent allocation. It will assess whether the allocation met the objectives, considerations, and regulated marketing economic policy as expected. This will include a review of:
 - Placement Timeline

² 2014 July 28. BCFIRB. In the Matter of the Natural Products Marketing (BC) Act and the Prior Approval of the British Columbia Egg Marketing Board 2013 Quota Distribution Policy and Egg Core Review.

³ 2011 Sep 13. BCFIRB. [BCFIRB's 6 Higher Level Principles – Definitions and Guidance](#).

- Regional distribution comparisons
- Production type distribution comparison
- Reserve Quota Utilization

Reporting Process

The BCEMB, in our submission to BCFIRB will report on the results of the engagement and evaluation process. This will include reports on:

- 1) the industry market scan
- 2) stakeholder input including EIAC, EPA and other stakeholder consultation results
- 3) the evaluation process, which will include both the previous allocation implementation evaluation and the proposed allocation methodology evaluation.

Allocation Considerations

When developing the allocation methodology, the BCEMB must also consider the impacts to current and future producers as well as the potential for an allocation to modify industry structure.

There are many steps to developing the allocation methodology which can be grouped into two major categories – reserve requirements and producer distribution.

Reserve Requirements

To determine how much quota is required to be held for the reserve, the Board must have a clear picture of what the BCEMB administered programs will look like for the next five years. This way, the BCEMB can ensure that there is enough quota in the reserve to sustain the reserve program requirements for a specified period of time, should the current rate of growth slow and/or there are fewer transfer assessments than expected.

New Producer Program

The New Producer Program will require a maximum of 6000 quota units per year, on average, over a five year period. This equates to 30,000 quota units required to be sustained in the reserve pool. The previous BCEMB commitment has been to take 10% of all allocations received and place that in the pool for the NPP however that may result in either too much or too little quota in the reserve.

Temporary Allotment Program

The objective of the Temporary Allotment Program is to assist new entrants, including producers in the New Producer Program, to expand their operations. The Temporary Allotment Program will provide new entrants with the opportunity to receive 1000 additional hens from the BCEMB on a temporary basis for a maximum of five years from the commencement of production. The addition of the temporary allotted hens will provide new entrants with the revenue and time required to build equity to purchase quota and expand their operations on a permanent basis, ensuring long term commitment to the industry.

The temporary allotment program requires a total of 34,216 quota units for two new entrant producer groups for the 2019-2025 time frame.

- 1) 10,000 quota units for new entrants acquired from the New Producer Program from 2020-2025
- 2) 15,000 quota units for new entrants acquired through quota transfers (purchased off of the exchange or through whole farm transfers) from 2020-2025
- 3) 9,216 quota units for new entrants acquired through quota transfers and the New Producer Program from 2009-2019

The temporary allotment program requires a total of 15,000 quota units for two new entrant producer groups for 2026 and beyond.

- 1) 10,000 quota units for new entrants acquired from the New Producer Program
- 2) 5,000 quota units for new entrants acquired through quota transfers (purchased off of the exchange or through whole farm transfers)

Recommended Distribution Method

Based on an analysis of various distribution methods, the Board has developed a distribution policy that includes both pro-rata and equal distribution.

Pro-Rata

Through pro-rata distribution, all qualifying producers are allocated quota based on a percentage of their current production. The major benefits of this distribution method are:

- 1) It is equitable based on investment in the industry
- 2) It is the industry/producer preferred distribution method
- 3) Maintains industry efficiency levels

Equal Distribution

Through equal distribution, all qualifying producers receive the same amount of quota. The major benefits to this distribution methods are:

- 1) It supports small farm growth by allowing the smaller producers to obtain a larger share of the allocation versus a pro-rata portion, closing the gap between the small and large
- 2) It increases stakeholder efficiencies by increasing the size of the small producers at a faster rate
- 3) It promotes animal care and increases public trust. This is a “point-in-time” benefit due to the fact that most non-conventional flocks tend to be smaller than the average farm size with most conventional flocks being larger than the average.

For the next three allocations, the Board proposes to use the following allocation distribution policy:

- 1) The BCEMB will determine how much quota is required for the reserve program requirements and set that aside.
- 2) The BCEMB will distribute a portion of each allocation as an equal distribution to all producers with non-conventional housing systems who meet the general allocation requirements as listed below in part 3, commencing with 100 hens to each producer for the first allocation, 150 hens for the second allocation and 200 hens for the third allocation. The intent of the equal distribution is to encourage producers to transition to non-conventional housing methods – Fully Enriched and Specialty (Organic, Free Range, Free Run). As such, the following restrictions apply:
 - a) If a 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, based on the previous year’s production. This production must be housed in its own Egg Production Unit.
 - b) All producers who do not currently meet the requirement listed above in part 2.(a) will have three years to establish a flock that meets the minimum requirement of 4000 hens. The flock must be 19 weeks of age prior to the three year deadline. The three year timeline will commence at the time of notification that the allocation is available for distribution. Failure to comply with the requirement within the three year time frame will result in forfeiture of the allocation. This production must be housed in its own Egg Production Unit.
- 3) The BCEMB will distribute the remaining quota available, after the Reserve and Equal Distribution requirements are met, using a pro-rata method to all producers who are in compliance with the BCEMB 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 dated, these must be completed for a passing score of 90% within 30 days.
 - Obtain a pass on your 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 your 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.