

Temporary Allotment Program Policies and Procedures

Introduction

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 built barns which have a larger 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 and 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's 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 or 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.

Comments received from feed companies is that it is very expensive to service farms with 3000 quota units as the amount of feed required (approximately 2300kg/week) doesn't fill one bin in a truck, especially considering that a feed truck has space for 30mt. Ideally, a feed company will bring feed to a producer weekly so adjustments can be made to the feed if there are any issues in egg size, consumption and body weight. The feed company cannot put more than one producer's feed in a bin. More feed could be delivered at once for efficiency however it is not in the best interest of the producer or grader to do so. The feed companies try to find efficiencies by delivering to multiple producers in a common area however; this has become more challenging with the increase in regional production and producers moving to outlying areas.

Typically, a farm with approximately 3000 quota units will produce roughly 1.5 skids (1350 dozen) of eggs per week, resulting in the grading station picking up every 2 weeks. A flock of 4000 quota units will produce roughly 2 skids (1800 dozen) per week, resulting in the grader more than likely picking up on a weekly basis. This results in fresher product being sent to the market. In addition, due to the large number of smaller farms, the grading stations have been required to obtain smaller trucks for the small farm pick-ups as the smaller operations may not have the space needed to accommodate regular grading station and feed mill trucks servicing their farms.

At all times, the Industry 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. 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 utilization rate.

Program Objective

The objectives of the Temporary Allotment Program are:

1. To assist new entrants by providing them with temporary production to utilize any excess barn capacity in advance of anticipated growth. Based on current growth projections and the allocation methodology, it is likely that the temporary allotment will be displaced prior to the expiration of the five years.
2. To ensure that the Provincial Allocation is used as effectively as possible with a 100% utilization rate.

Temporary Allotment Pool A Program Rules

All New Entrants will be provided with the opportunity to house up to 1000 additional hens through temporary allotment for up to five years from when they commenced production. The following program guidelines apply:

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 hens received in growth allocations will displace hens from the maximum 1000 leased hens, resulting in no change in allowable hens for the producer.
4. Any sale or transfer of quota will result in removal from the program.
5. Any purchase of quota by the new entrant will not affect their lease amount, unless requested by the producer.
6. 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.
7. The hens must be placed and remain in production in order to receive the allotment (except for regular downtime).
8. Temporary Allotment quotas will be eligible for quota credits for the duration of the producer's regular down-time.
9. A producer may not lease quota out to another producer while participating in the program.
10. Hens allotted through this program will not be included in growth calculations.
11. 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 serve basis after the initial application window.
12. The opportunity for the Temporary Allotment 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.
13. A producer must maintain SE and AI Insurance through CEIRA or other insurance agency. Proof of alternate insurance must be provided prior to allotment.

Temporary Allotment Fees

The fee for any quota provided by the Board for a Temporary Allotment will be \$1 per month/hen, plus the applicable weekly levy. All proceeds from the Temporary Allotment fee will be used to offset the costs of the Eggs For Processing program (EFP).

Eligibility Requirements

In order to be eligible for the Temporary Allotment Program, the producer must be in good standing with the BCEMB Consolidated Orders, including

- Maintain a minimum score of 95% on their Start Clean Stay Clean audit with no outstanding Critical Control Elements. Any CARs outstanding must be completed by the PLO/auditor's prescribed due date.
- Obtain 90% on an Animal Care Program audit with no outstanding Critical Control Elements. Any CARs outstanding must be completed by the PLO/auditor's prescribed due date.
- Obtain a pass on your BC Biosecurity Program audit with no outstanding Critical Control Elements. Any CARs outstanding must be completed by the PLO/auditor's prescribed due date.
- Have your current flocks Chick Placement Permits (CPP) submitted PLUS two additional years of CPPs for active barns.
- No outstanding levies and charges.
- All CSV files received by Producer/Vendors on or before their due date.
- A producer must maintain SE and AI Insurance through CEIRA or other insurance agency. Proof of alternate insurance must be provided prior to allotment.

Failure to remain in good standing while participating in the Temporary Allotment Program will result in removal from the program.

Application Process

The application process will vary depending on when and how a new entrant has entered the industry.

Future New Producer Program Start-ups

The application documentation for the NPP will include a description of the Temporary Allotment Program and provide the applicant with the opportunity to select whether or not they would like to take part in the program. A grading station sign-off component will be included in the program.

If an applicant wishes to take part in the program, they will also be required to provide a detailed plan illustrating how they will sustain the production at the end of the five years.

Applicants wishing to be producer-vendors or producer-graders will be required to provide a detailed plan on how they will process and market the additional production.

Future Regular New Entrants

New Entrants who purchase quota from the exchange are required to complete a detailed application form, which includes grading station sign off. The form will be updated to include information about the lease program and will require the new entrant to indicate whether they wish to take part in it. If an applicant wishes to take part in the program, they will also be required to provide a detailed plan illustrating how they will sustain the production at the end of the five years.

Current New Producer Program Start-ups and Regular New Entrants

In order to ensure the program is fair and equitable to all new entrants, current New Producer Program start-ups, who were initially provided with 3000 quota units, and New Entrants since 2010 will be provided with the opportunity to take part in the program. Those New Producer Program start-ups who commenced prior to 2010 were initially provided with 5000 quota units and due to the length of time they have been in production, are no longer classified as New Entrants.

Current New Entrants will have the ability to lease a maximum of 1000 quota units (based on their current quota holdings) minus the growth they have received since they started production. All current New Entrants will be subject to the same five year time-frame to commence 13 months after notification of the program to producers.

New Entrants will have 30 days from the notification date to confirm with the BCEMB:

1. How they will use the allotment
2. How many birds they will use
3. When the hens will be placed and the length of time they plan to use the allotment. Producers will be given 13 months to place their hens for this allotment from the date of initial notification. Failure to do so within that time-frame will result in a corresponding reduction to their 5-year maximum allowable lease timeline that is equal to the number of months beyond the 13 month deadline.

Failure to notify the Board of their intentions prior to the 30 day deadline will result in forfeiture of their ability to utilise the program.

Upon approval of the Temporary Allotment Program, the Board will confirm the actual dates of the program deadlines, however the following timeline will be observed:

Day 1 - Announcement of the Program, notification to current New Entrants regarding the amount of quota they are eligible to lease.

Day 30 – New Entrants must notify the Board of their intention to utilise the Temporary Allotment.

Months 2-13 – Five-year timeline starts as hens are placed. Placement beyond the 13 months will result in a reduction to the 5 year timeline that is equal to the number of months beyond 13 that the hens were placed.

Reserve Requirements

The reserve will be required to hold 15,000 units of quota 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.

For the first five years of the Temporary Allotment program, estimated to be 2020-2025, the program will require 34,216 quota units. This takes into account the growth quota provided to these New Entrants in 2019.

- 8,139 units required for New Producer Program start-ups between 2011 and 2020
- 10,000 units required for New Producer Program start-ups between 2021 and 2025
- 1,077 units for regular New Entrants who started between 2011 and 2018
- 15,000 units for regular New Entrants who start between 2019 and 2025

Temporary Allotment Pool B Program Rules

In the event that quota is being held in the reserve and will not be used for a minimum of 12 months, this quota will be available for temporary allotment to **all registered producers** with the exception of those who are eligible for Pool A. The following program guidelines apply:

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 out 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 in order to receive the allotment (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 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 Pool B program will be run annually, on the first Wednesday in July after the Quota Exchange, with the available reserve quota using the following process:

- 1) Qualifying producers will be given 28 days to apply for the Temporary Allotment.
 - a. The producers will indicate on the application form, the minimum and maximum amounts that they are willing to receive as well as the duration, to a maximum of 12 months.
 - b. The application form will require grading station sign off.
- 2) The allotment will be distributed equally to all applicants up to their maximum requested amount.

The fee for the Registered Producer Temporary Allotment will be \$1 per hen per month plus applicable levy, to be deducted from the producers' weekly production payments.

Examples

Future Regular New Entrant

Producer A purchases 2,000 quota units on the March 2020 exchange. Their first flock of 3,500 hens is placed (19 weeks) in October 2020. They purchased 200 additional hens in March of 2021 and receive a quota increase of 4% (88 hens) in May of 2021. Producer is eligible for Pool A.

Date	Quota	Allotment	TMG	EFP	Total Allowable Hens
March 2020	2,000				0 – leasing to another producer until flock placement
October 2020	2,000	1,000	180	90	3,270 – Using QC's for remaining 230 hens
March 2021	2,200	1,000	192	90	3,482 – Using QC's for remaining 18 hens
May 2021	2,288	912	192	90	3,482 - Using QC's for remaining 18 hens

Eligibility for Pool A will expire in October 2025. The 1,000 hen allotment will be reduced with each growth allocation.

Future NPP New Entrant

First flock of 4,400 hens is placed (19 weeks) in October 2020. A quota increase of 4% (120 hens) is received in May of 2021. Producer is eligible for Pool A.

Date	Quota	Allotment	TMG	EFP	Total Allowable Hens
October 2020	3,000	1,000	240	120	4,360 – Using QC's for remaining 40 hens
May 2021	3,120	880	240	120	4,360 – Using QC's for remaining 40 hens

Eligibility for Pool A will expire in October 2025. The 1,000 hen allotment will be reduced with each growth allocation.

Current Regular or NPP New Entrant

First flock of 3,000 hens is placed (19 weeks) in September 2012. The producer has not purchased quota but has received 5 increases since September 2012, totalling 454 quota units. The Producer is initially eligible for a 546 (1000-454) hen Temporary Allotment from Pool A for a period of 5 years, commencing within 13 months of the program start announcement. If further increases are received, the eligibility amount would be reduced accordingly.