

March 4, 2020

DELIVERED BY EMAIL

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

Dear Kirsten,

BCEMB'S 2020 QUOTA ALLOCATION REQUEST

On December 19, 2019, Egg Farmers of Canada ratified a National Quota Allocation of 27,538,822 layers, which represents an additional 105,965 layers for the country and 14,916 additional layers for BC, representing a 0.45% increase in quota for the province.

On [July 3, 2019](#) BCFIRB prior-approved BCEMB's [Quota Allocation Policies and Procedures](#) that outlined the process the BCEMB would follow for the 2019 allocation and two subsequent allocations. For this 2nd allocation, the BCEMB committed to an equal distribution portion of 150 birds per producer who met the non-conventional housing requirements which equates to a total of 21,600 quota units. The 14,916 birds allocated to BC do not cover the equal distribution portion; 6,684 additional quota units are needed.

After considerable deliberation, and consultation with the Egg Industry Advisory Committee (EIAC) and BC Egg Producer's Association (BCEPA), **BCEMB proposes to place the 14,916 quota units in the Reserve to be made available for use by all producers through [Temporary Allotment Pool B \(TAP B\)](#) in July 2020.** This timeframe complies with the annual cycle of quota available in TAP B. The goal is to have the birds in production as soon as possible within the TAP B cycle. At the next EFC allocation, these quota units will be combined with new quota units to ensure that all qualifying producers will receive 150 birds for the equal distribution portion, as per BCEMB's original multi-allocation proposal.

BCEMB Quota Allocation Process

As presented in BCEMB's multi-allocation proposal dated [May 27, 2019](#), the steps for the quota allocation process are as follows:

- 1) Determine how much quota is required to be set aside for Quota Reserve Programs
 - a. There are currently 61,198 quota units in the Reserve being held for reserve programs, this includes
 - 32,502 for future new entrant draws
 - 28,696 quota units held for Temporary Allotment Pool A
 - b. The target amount of quota to be set aside for Quota Reserve Programs is 60,000 quota units. The current amount of quota in the Reserve exceeds the target amount by 1,198 units.

No additional quota is currently required to be set aside for the Quota Reserve Programs.

- 2) Determine how much quota is required for the Equal Distribution Portion
 - a. According to the Quota Allocation Policy and Procedures, BCEMB committed to distributing a portion of each allocation as an equal distribution to all producers who meet the non-conventional housing requirements¹, 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 BCEMB distributed 100 hens to each producer for the 2019 allocation, as per this policy.
 - b. For this 2nd allocation, 150 hens are to be distributed to each eligible producer. In total, 21,600 quota units are required for this equal distribution portion. This is greater than the 14,916 quota units allocated from EFC by 6,684 units.
 - 144 producers x 150 quota units = 21,600 quota units
 - 21,000 quota units – 14, 916 quota units = 6,684 additional quota units required
- 3) Determine how much quota is available for pro-rata distribution
 - a. As there is not enough quota in the allocation to meet the requirements of the equal distribution portion, there will not be any quota available for pro-rata distribution.

Consideration of Allocation Options

As noted in the previous section, BCEMB has committed to distributing 150 quota units to all registered producers in good standing who qualify for the non-conventional housing requirements for this second allocation. BCEMB currently has 144 registered producers, thus a total of 21,600 quota units are required for the equal distribution component. The quota increase of 14,916 units received by BC for 2020 is 6,684 hens short of the 21,600 that would be required.

The BCEMB deliberated at length and determined there were four possible options to allocate the quota, as outlined below:

- 1) Allocate the 14,916 units equally amongst all producers with non-conventional housing systems who meet the general allocation requirements as per the Quota Allocation Policy and Procedures document. This would result in an equal distribution of 103 quota units to each producer.
- 2) Allocate 21,600 units equally amongst all producers with non-conventional housing

¹ 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.

systems who meet the general allocation requirements as per the Quota Allocation Policy and Procedures document. This would result in an equal distribution of 150 quota units to each producer and would require BCEMB to issue 6,684 quota units from the Reserve which would be replenished by future allocations or assessments.

- 3) Do not allocate in 2020 as the BCEMB is unable to meet the Equal Distribution requirements for the 2nd allocation as per the approved Quota Allocation Policy and Procedures. The 14,916 quota units would be made available for use by producers through Temporary Allotment Pool B in July 2020, then combined with the next EFC allocation for 150 unit equal distribution, possibly in 2021. Grader sign-off is required for production quota leased from TAP B.
- 4) Do not allocate in 2020 as the BCEMB is unable to meet the Equal Distribution requirements for the 2nd allocation as per the approved Quota Allocation Policy and Procedures. The 14,916 quota units would be made available for use by producers through a stand-alone, separate Temporary Allotment Program once approval is received from FIRB, then combined with the next EFC allocation for the 150 unit equal distribution portion for each producer, possibly in 2021.

Consultation Process

These four options were discussed, debated and evaluated by the Board. A summary of the options and evaluation is attached in appendix A. The Board presented the options, including the written summary, to the EIAC to obtain the committee's feedback and recommendation. The EIAC provided BCEMB with the following recommendation on December 5, 2019:

THAT the Egg Industry Advisory recommends Option #3, which is not to allocate the 14,916 quota units, but rather to add the quota to a future TAP B Pool for distribution to eligible producers.

The committee felt that this option would benefit the industry most as it requires grader sign-off, allowing them to ensure that additional production is not added to those production types which are in a surplus situation in the current market.

The BCEMB further deliberated on the options and the EIAC recommendation. At the January 3rd, 2020 Board of Directors meeting, the Board passed the following motion:

THAT the Board of Directors agree to move forward with option three as recommended by the EIAC at their meeting on December 5, 2019, for the 2020 quota allocation.

The BCEMB prepared a [2020 Quota Allocation Proposal](#) for consultation with the EPA.

Upon reviewing the proposal, the BCEPA provided the following recommendation to the BCEMB in a letter dated [January 30, 2020](#):

Through our discussions we came to the unanimous conclusion that it would be best to temporarily hold the 14,916 quota units and make use of it through Temporary Allotment Pool B until enough quota is allocated to be able to fulfill the 150 per farm commitment made in 2019, as outlined in option #3 in the 2020 Quota Allocation

Proposal.

The BCEPA further stated in their letter:

The BCEPA would like to see the BCEMB follow through on the allocation policy approved in 2019 as it creates stability and predictability in the industry. Producers can accurately predict growth that will be coming to their farm and this will allow them to put quota into production much more rapidly than in the past. Deviating from this plan will create uncertainty and producers will be cautious when considering future expansions. Borrowing quota from new producer programs with the expectation of future growth is too uncertain, especially given the slowing growth rate.

By holding the allocation in the temporary allotment pool, the quota becomes available quickly to all producers with space, allows for producers to plan moving forward, and creates a standard that can be repeated in the future.

The EIAC reiterated their support for Option #3 at the EIAC meeting on February 6, 2020.

Considering the very small quota allocation provided to BC (0.45% growth) and the proposal to temporarily lease the quota, the Board determined that it was strategic and effective to consult with these key stakeholder groups representing producers and graders/processors, rather than conducting a broad survey of the entire BC egg sector.

SAFETI Analysis for the Proposed Quota Allocation Option (#3)

Strategic – BCEMB and its key stakeholders agree that placing the 14,916 quota allotment in TAP B for use by all producers to produce egg types in demand in the marketplace, and not allocate the quota units immediately is strategically the most sound policy decision for BCEMB at this time.

A key element of the multi-allocation policy is the equal distribution component for eligible producers and the continuance of the New Producer Program. As this would be the second allocation in the three allocation plan, the commitment and plan prior-approved by FIRB would require 150 quota units equally distributed to BCEMB's qualifying registered producers. BCEMB has 144 registered producers, and would require an allotment of 21,600 quota units to meet its commitment.

The recommendation to hold the quota in reserve for the Temporary Allotment program until BCEMB can fulfill its three allocation policy aligns with BCEMB's policy objectives at this time. This will ensure that the appropriate amount of quota is held in the Reserve to maintain the New Producer Program and New Producer Temporary Allotment Pool for any new entrants who begin between now and the next growth allocation from EFC. As the quota will be available to producers for production in the interim, BC would still be using the quota efficiently. Previous history with the Temporary Allotment Pool B shows a willingness of producers to utilize the lease program to its fullest capacity.

Accountable – BC Egg did not receive sufficient quota to meet its equal distribution commitment in 2020. Holding the quota in reserve until the next growth allotment is received enables BCEMB to uphold and fully honor its three allocation policy to its registered producers. Meanwhile, BC consumers will continue to be provided with BC eggs as BCEMB is proposing to utilize the quota in our 2020 Temporary Allotment Pool B program.

Further, BCEMB remains committed to commencing with a New Producer Program draw in the fall of 2020 or spring 2021. BCEMB expects to start a minimum of two new producers and maximum of 6,000 quota units per year, on average, over a five year period.

Fair & Transparent – This allocation method is both fair and transparent. For this small allocation, the BCEMB consulted with stakeholders most affected in the short term -- the BCEPA (representing producers) and the EIAC (representing the industry as a whole, producers and graders) ensuring procedural fairness.

Quota from the Temporary Allotment Pool B is distributed equally and fairly to all producers that apply. This ensures that the amount of quota a producer leases from TAP B is only dependent on their maximum capacity or space available, the amount of quota available in TAP B, and the total number of producers that apply to the program. A producer's total farm size, whether small, medium or large, will not affect the amount of quota leased through TAP B.

Effective – The three allocation policy is designed to effectively achieve BCEMB priorities including collaborating with stakeholders to address current market realities. Utilizing this quota through TAP B will also provide BCEMB with additional flexibility for managing the risk of a Liquidated Damages Assessment (EFC monetary penalty for over-production) for the 2020 quota year as the Board is able to adjust the amount of quota offered in the TAP B program based upon the future production forecast in June 2020.

Inclusive – Key stakeholders were consulted and their interests were considered in the development of the proposal. All producers who meet the eligibility requirements are able to take advantage of Temporary Allotment Pool B should they choose to do so.

Additional Information requested by BCFIRB

The [July 3, 2019](#) BCFIRB prior-approval of the multi-allocation proposal outlines the information the BCEMB is required to provide for the two subsequent allocations, as noted below:

- a) That the Egg Board report provided to BCFIRB when EFC forecasts a national allocation increase includes the following:
 - i. Quantitative information demonstrating that the allocation policy and procedure is forecast to meet the five major priorities of the Egg Board listed in its May 27, 2019 submission:
 - Promote animal welfare;
 - Support growth of small farms and new entrants;
 - Support regional growth;
 - Meet emerging market needs; and,
 - Encourage producers to move out of conventional production systems.

- b) An updated table showing the date of EFC national allocation proposal; the date of Farm Products Council of Canada approval; the date quota is distributed by the Egg Board; when producers apply for chick placement permits and status of quota utilization.

The required information outlined above is provided in Appendix B. Information on current market conditions is provided in Appendix C.

Conclusion

In closing, the BCEMB thanks BCFIRB for taking the time to review our request for approval for the following distribution plan for the 2020 quota allocation:

- 1) Place the 2020 quota increase of 14,916 layers in the Quota Reserve
- 2) Make the quota available to producers through the TAP Pool B program in July, 2020
- 3) Distribute the quota with the next growth allocation received from EFC, according to the BCEMB's multi-allocation proposal and Quota Allocation Policies and Procedures approved by FIRB in July 2019. All qualifying producers will receive 150 birds for the equal distribution portion.

We look forward to your response. Please do not hesitate to contact me should you have any questions.

Regards,



Katie Lowe P.Ag.

Executive Director

Appendix A – Consideration of Allocation Options

- 1) Allocate the 14,916 units equally amongst all producers with non-conventional housing systems who meet the general allocation requirements as per the Quota Allocation Policy and Procedures document.
 - a. This results in an equal distribution of 103 quota units to all producers
 - b. As per the policy, producers who do not currently meet the requirements will be provided with a three year timeframe from the date of the allocation notification to meet the requirements.

This option results in the distribution of all of the quota allotted to the BCEMB however it would only partially meet the Quota Allocation Policy and Procedures approved by BC FIRB. The BCEMB would be 47 hens short for each producer from the agreed upon 150 units for this allocation.

The BCEMB would also need to determine if the 47 unit shortfall per producer would need to be added to the 200 unit equal distribution portion for the third allocation in the policy, which may result in a similar situation of insufficient quota if the next allocation is small.

- 2) Allocate 21,600 units equally amongst all producers with non-conventional housing systems who meet the general allocation requirements as listed in the Quota Allocation Policy and Procedures document.
 - a. As per the policy, producers who do not currently meet the requirements will be provided with a three year timeframe from the date of the allocation notification to meet the requirements.
 - b. This would require BCEMB to issue 6,684 quota units from the Reserve which would be replenished by future allocations or assessments.
 - i. There is currently enough quota in the Reserve that only a small portion would need to be borrowed from the NPP Quota Reserve allowing BCEMB to distribute the 150 hen equal distribution allocation without over-issuing quota to producers in 2020.

This option would meet the equal distribution portion of the allocation policy; however, it would reduce the amount of quota reserved for New Producer Program draws below 30,000. In the Quota Allocation Policy, the Board must first ensure that the New Producer Program portion of the Reserve is full prior to allocating quota to producers.

In addition, the New Producer Program quota that is currently held in the Reserve is being used for the Temporary Allotment Program Pool B. If the allocation was distributed before July 2020, this may result in an over-allocation of quota and a Liquidated Damages Assessment (LDA) by EFC (monetary penalty for having more hens in production than provincial quota).

- 3) Do not allocate in 2020 as the BCEMB is unable to meet the Equal Distribution requirements of the approved Quota Allocation Policy and Procedures.
 - a. The 14,916 quota units would be held in the Reserve and combined with the next EFC allocation, possibly in 2021.

- b. The 14,916 quota units will be made available for use by producers through Temporary Allotment Pool B.
- c. This would allow the BCEMB to postpone issuing the allocation until it can meet the 150 unit Equal Distribution portion commitment.

The quota would be held and then allocated when there is enough quota available to fulfill the equal distribution commitment of 150 hens as per the Quota Allocation Policy. The quota will still be produced as it will be made available through Temporary Allotment Pool B and we will not be at risk of over-allocating.

TAP Pool B requires grading station sign-off so this will assist in ensuring that egg production meets market demand, reducing the risk of over-supplying certain production types to the market. At this time, we have not heard of any producers whose requests for the TAP have been declined by graders.

The TAP B program runs on a July to June schedule so the Board may have to adjust the timelines for future allocations depending upon the uptake of the Pool. BCEMB will also maintain the right not to use TAP B if it looks as though BC will be at risk for a Liquidated Damages Assessment from EFC.

In order for EFC to allocate an increase, the national increase must be at least 100,000 hens, according to the Farm Products Council of Canada. The 2020 allocation of 105,965 hens is close to the minimum allocation that EFC is able to distribute. A future allocation increase will provide enough quota for the BCEMB to fulfill the 150 quota unit equal distribution requirement and would also provide a more consistent equal distribution to pro-rata issuance.

- 4) Do not allocate in 2020. Equally divide the 14,916 bird allocation amongst all registered producers (103 birds per producer) as either a sleeve or separate temporary allotment opportunity in 2020.
 - a. The 14,916 quota units would be held and combined with the next EFC allocation, possibly in 2021.
 - b. This would allow the BCEMB to postpone issuing the allocation until it can meet the 150 unit Equal Distribution portion commitment

This has similar pros/cons to Option 3 however it would be introducing another TAP program which may cause confusion for producers, plus it would not require grader sign-off which could lead to oversupply of certain production types in the marketplace. It would be available immediately to producers (after BCFIRB approval).

Appendix B –Information Required as per BCFIRB Prior Approval dated July 3, 2019

a) That the Egg Board report provided to BCFIRB when EFC forecasts a national allocation increase includes the following:

- i. Quantitative information demonstrating that the allocation policy and procedure is forecast to meet the five major priorities of the Egg Board listed in its May 27, 2019 submission:
 - Promote animal welfare;
 - Support growth of small farms and new entrants;
 - Support regional growth;
 - Meet emerging market needs; and,
 - Encourage producers to move out of conventional production systems.

The proposal to hold the quota in the Reserve for the Temporary Allotment Program Pool B until BCEMB can fulfill its three allocation policy aligns with BCEMB's policy objectives at this time, specifically:

1. **Promote animal welfare** – All producers must be in compliance with the BCEMB Consolidated Orders, including all on-farm programs such as the EFC Animal Care Program, in order to take part in the TAP B Program. In 2019, BC Producers achieved an average score of 99.72% and 99.52% on their respective EFC Animal Care and Start-Clean-Stay-Food Food Safety audits. While the quota in TAP B is available for lease by all producers who have space and grader sign-off, including producers who house birds in conventional cages, it expected that these producers will be motivated to transition to alternative systems at a faster pace knowing that the BCEMB is fulfilling its equal distribution commitments as per the Quota Allocation Policies and Procedures.
2. **Support growth of small farms and new entrants** – The BCEMB is maintaining its support of new entrants by not allocating quota from the Reserve that is held for the NPP. In addition, as TAP B equally distributes the available quota to all producers who apply, the smaller farms that have space are able to access additional production from that program at an equal rate to larger producers.
 - In 2019, a total of eleven of BCEMB's registered producers from its smallest 25% quota holding segment (less than 6,137 quota units) applied to the Pool B quota and leased a total of 11,567 quota units. This represented 19.3% of the overall quota available for temporary allotment through the lease pool. For the duration of the temporary allotment, the eleven producers have the opportunity to lease an average quota equivalent of 29.8% above their quota holdings.
 - Meanwhile, twenty-three of BCEMB's registered producers from its middle 50% quota holding segment (between 6,138 and 27,302 quota units) applied to the Pool B quota and leased a total of 28,483 quota units. This represented 47.5% of the overall quota available for temporary allotment through the lease pool. For the duration of the temporary allotment, the twenty-three producers have the opportunity to lease an average quota equivalent of 8.9% above their quota holdings.
 - Fourteen of BCEMB's registered producers from its largest 25% quota holding

segment (quota holdings of 27,303 or more) applied to the Pool B quota and leased a total of 19,950 quota units. This represented 33.3% of the overall quota available for temporary allotment through the lease pool. For the duration of the temporary allotment, the fourteen producers have the opportunity to lease an average quota equivalent of 3.6% above their quota holdings.

3. **Support regional growth** – As the TAP B is distributed equally to all applicants, there is the opportunity for it to increase the percentage of production in outlying regions, particularly the Interior Region, depending on barn space availability. Due to the format of the NPP, the Interior region has proportionally more smaller farms than the Lower Mainland. Although TAP B was equally accessible to all BCEMB registered producers; in 2019 only two producers applied from regions outside of the Lower Mainland (Vancouver Island and/or Interior) receiving a total of 1,223 quota units.
4. **Meet emerging market needs** – The BCEMB considered and accepted the recommendation from the graders at the EIAC to ensure that the hens allocated will be utilized according to market needs. The TAP B program requires grading station sign-off which will ensure that the additional production will be placed as required. To date, BCEMB is not aware of any producers who were denied participation in the Pool by their grading station. Looking at the decline in specialty Large/Extra Large product entering the Industrial Products Pool for 2019 in comparison to 2018 is evidence that BC is getting better at meeting the market needs for these products with less surplus.
5. **Encourage producers to move out of conventional production systems** - the BCEMB is abiding by the equal distribution allocation policy which has been effective in encouraging producers to move out of conventional systems. In order to support that policy, the BCEMB must postpone the permanent allocation of the 14,916 hens. While this distribution method delays this allocation, it lengthens the time that this important incentive to transition to alternative production systems is in effect. In 2019, transition to enriched and specialty housing increased by 8%. BC now has 40% of its production in alternative systems as compared to the national average of 30%.

b) As requested by BCFIRB, the information in the table below indicates the dates of EFC national allocation proposals, the dates of Farm Products Council of Canada approvals, the dates quota was distributed by the BC Egg Board, when producers apply for chick placement permits (CPPs) and status of quota utilization.

EFC Request to FPCC	FPCC Request Date Approved	Date EFC Ratified Quota Allocation	Related BCEMB Quota Increase	Date BCEMB Allocated to Producers	Utilized Today
	Dec 10, 2013	Dec 19, 2013	3.25%	October 19, 2014	100%
	Sep 30, 2014	Oct 3, 2014	2.70%	April 8, 2015	100%
	Apr 21, 2015	May 12, 2015	2.65%	July 21, 2015	100%
Nov 18, 2015	Dec 8, 2015	Dec 11, 2015	2.587%	April 7, 2016	100%
Nov 16, 2016	Dec 14, 2016	Dec 16, 2016	3.148%	April 2, 2017	99.2%
Nov 10, 2017	Dec 15, 2017	Dec 18, 2017	2.582% + 256 Equal	October 28, 2018	98.6%
Nov 13, 2018	Dec 11, 2018	Dec 14, 2018	5.217% + 100 Equal	July 14, 2019	90.8%

- October 19, 2014 – BCEMB distributed the 67,890 quota units from the 2013 EFC Allocation and 15,955 units from the Reserve for a total growth of 3.25%. Final BCFIRB approval for the distribution was received on September 2, 2014.
- April 8, 2015 – BCEMB distributed the 44,475 quota units from the 2014 EFC Allocation and 100,000 EFP Hens. Final BCFIRB approval for the distribution was received on March 16, 2015.
- July 21, 2015 – BCEMB distributed the 83,243 quota units from the April 2015 EFC Allocation and 5,258 units from quota transfer assessments as 70,501 units pro-rata and 18,000 held for the NPP. Final BCFIRB approval for the distribution was received on July 17, 2015.
- April 7, 2016 - BCEMB distributed the 82,983 quota units from the December 2015 EFC Allocation as 72,229 units pro-rata and 10,754 held for the NPP. Final BCFIRB approval for the distribution was received on March 9, 2016.
- April 2, 2017 - BCEMB distributed the 99,971 quota units from the December 2016 EFC Allocation as 89,974 units pro-rata and 9,997 held for the NPP. Final BCFIRB approval for the distribution was received on March 27, 2017.
- October 28, 2018 - BCEMB distributed the 108,741 quota units from the December 2017 EFC Allocation from as 76,119 units pro-rata, 21,748 units as equal distribution and 10,874 held for the NPP. Final BCFIRB approval for the distribution was received on August 28, 2018.
- July 14, 2019 - BCEMB distributed the 202,110 quota units from the December 2018 EFC Allocation as 158,454 units pro-rata, 13,900 units as equal distribution and 29,756 units held for the Temporary Allotment Program for New Producers and New Entrants. Final BCFIRB approval for the distribution was received on July 3, 2019.

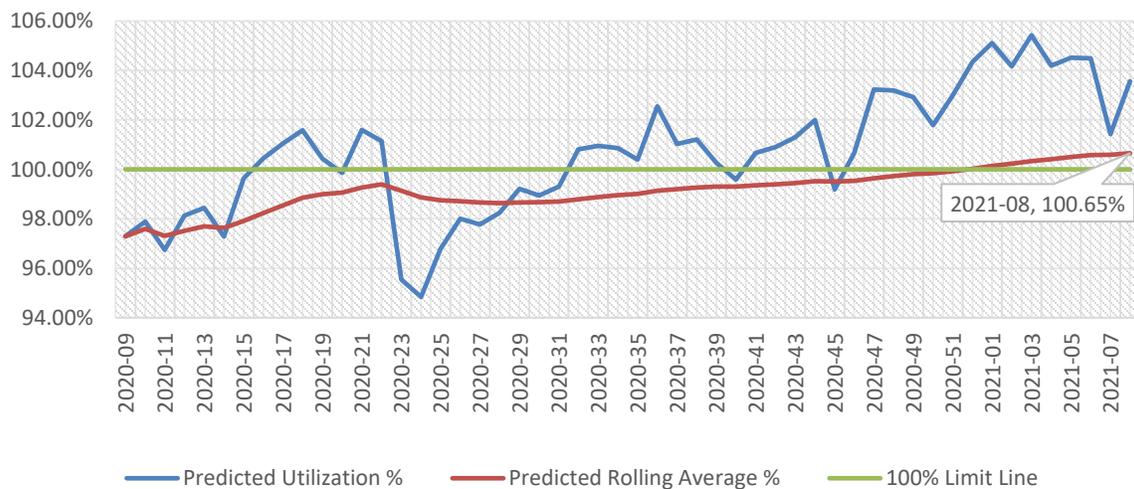
Consistent application of the approved Quota Allocation Policy and Procedures creates predictability which allows producers to anticipate growth and incorporate the additional birds into future flocks by ordering more chicks. A multi-year allocation policy provides producers with certainty and foresight 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. The table below highlights the ability for producers to respond more quickly to increases when they are better able to plan for it.

Percentage of producers who placed the new allocation quota after the growth issuance was received						
Year	Allocation	1st Week	5th week	26th week	52nd week	As of Today
2015	2.7%	18.7%	29.1%	60.4%	82.8%	100.0%
2015	2.65%	18.8%	28.6%	63.2%	78.2%	100.0%
2016	2.587%	13.4%	37.3%	73.1%	87.3%	100.0%
2017	3.148%	25.4%	63.1%	88.5%	96.2%	99.2%
2018	2.582% + 256 Eq. Dist.	21.3%	54.4%	83.8%	95.7%	98.6%
2019	5.217% + 100 Eq. Dist.	25.5%	47.5%	88.7%		90.8%

BC Egg’s current inventory projection indicates that BCEMB is utilizing slightly more than 100% of its provincially available quota. If this projection remains true, it would be a significant achievement for all BCEMB stakeholders as it means that BC producers are maximizing the supply of eggs to BC consumers. BCEMB identified 100% quota utilization as a primary strategic goal in its 2019 PARP report and is something that BCEMB has sought to achieve for some time. BCEMB will closely monitor its quota utilization as the Liquid Damage Assessment policy has recently been revised and has significant financial penalties that are assessed to provinces who over-produce beyond their national allotment.

2020 Rolling Average Prediction



The last two quota allocations issued by BCEMB to its registered producers have included an equal distribution component. Due to a variety of factors such as population density in outlying regions as well as the format of the NPP, the Interior region has proportionally more smaller farms than the Lower Mainland. As a result, BCEMB's quota distribution process has increased the percentage of quota in outlying regions. The table below indicates the regional growth in quota as a result of the BCEMB's quota distribution method and other Board programs over the past 2 years.

Region	Quota in 2017	Quota in 2019	% Change
Lower Mainland/Southwest	2,519,649	2,753,225	9.27%
Nechako	0	0	-
Peace River	5,200	5812	11.77%
Cariboo	0	0	-
Thompson/Okanagan	218,258	242,084	10.92%
Kootenay	3,454	10,961	217.34%
Vancouver Island	183,391	203,694	11.07%
North Coast	36,545	39,814	8.95%
Total	2,966,497	3,255,590	9.75%

Appendix C – Current Market Conditions

Table disappearance has grown on average 4.3% per year for the past five years (2013-2018). The 2019 allocation was based on an EFC projected growth rate of 4.63%. The actual 2019 growth rate, according to Nielsen MarketTrack was 1.2%.

The expected table disappearance growth rate for 2020 is projected to be 3.10%. The Population growth factor for 2021 is 1.35%.

The small 2020 national allocation increase takes into account the 2019 over-allocation, projected table disappearance growth rate for 2020, projected population growth rate for 2021 and an adjustment for the revised Rate Of Lay (ROL) resulting in a national increase of 105,965 (0.39%). The updated ROL reduced the number of hens required for a similar number of eggs.

BC is a province that is short on eggs and relies on interprovincial movement to meet its provincial consumer demand. This provincial shortage will be corrected gradually over time through allocations based on the updated Quota Allocation Calculation (QAC) formula (). The QAC ensures that short provinces proportionally receive more quota than long provinces with the goal to ensure that all provinces will eventually be able to meet their market demand.

From January to November 2019, BC Egg graders have brought in 5,906,012 dozen eggs from other provinces, and shipped out only 126,060 dozens ([link here](#)). Assuming a 26.54 ROL, that would suggest we are short approximately 217,783 hens at this time.

BCEMB representatives met individually with the major graders in the province to discuss our forecasted production and market needs. Currently, the BC Graders are short in Classic² white eggs, organic eggs are about where they need to be, and BC is slightly long on free-run and free-range eggs.

That total volume of surplus (Large and Extra Large) specialty product shipped to the processor has decreased significantly over the last three years (dropped 156%). However, the volumes shipped to processors vary between production types. The BC graders are shipping a fairly consistent amount of Large/Extra Large Classic eggs to the processor when compared to total production in the last three years. The shipment of Large and Extra Large Certified Organic eggs has declined. Shipments of Free Run Large/Extra Large eggs have declined significantly as a percentage of total production while shipments of Free Range Large/Extra Large eggs to the processor have increased.

Over the last three years, the total dozens of Large/Extra Large eggs per production type sent to the Industrial Products pool varied as follows:

- Certified Organic eggs has declined from 1,100 boxes to 0 (100% decrease)
- Free-Range eggs has increased from 3,800 boxes to 18,800 boxes (395% increase)
- Free-Run has decreased from 81,700 boxes to 15,000 boxes (82% decrease)
- Classic White has increased from 151,000 boxes to 175,000 boxes (16% increase)

² “Classic” refers to eggs produced in conventional or enriched cages.

From 2017 to 2019, egg production increased by 6% as a whole, varying between production types.

- 36% increase for Certified Organic
- 35% increase for Free-Range
- 12% decrease for Free-Run
- 5% increase for Classic

As a percent of total Large and Extra Large Production shipped to the pool,

- Certified Organic 0.3% of production in 2017 and 0% in 2019
- Free Range 1% of production in 2017 and 4% in 2019
- Free-Run 16% of production in 2017 and 3% in 2019
- Classic 3.6% of production in 2017 and 4% in 2019

EFC has updated their Liquidated Damages Assessment Policy effective February 23, 2020. The previous policy penalized Egg Boards in two situations:

- 1) The province issued producers more quota than was allocated to the province by EFC, or
- 2) The province had more hens in production than the total quota allocated to the province.

The revised policy will only penalize provinces who have more hens in production than total quota allocated to the province. The penalty associated with the revised policy has been significantly increased to ensure that compliance is maintained.