

Meeting of the Board of Directors

250 – 32160 South Fraser Way
Abbotsford, BC V2T 1W5

Strategic: Identify key opportunities and systemic challenges and plan for actions to effectively manage risks and take advantage of future opportunities.

Accountable: Maintain legitimacy and integrity through understanding and discharging responsibilities and reporting performance.

Fair: Ensure procedural fairness in processed and decision-making

Effective: A clearly defined outcome with appropriate processed and measures.

Transparent: Ensure that processes, practices, procedures & reporting on exercise of mandate are open, accessible and fully informed.

Inclusive: Ensure that appropriate interests, including the public interest, are considered.

MINUTES of Board of Director's Meeting

Date: June 21, 2017

Location: BCEMB

BOARD IN ATTENDANCE: Brad Bond, Chair
Jennifer Woike, Vice Chair
Aryn Alibhai, Board Member
Fred Krahn, Board Member
Walter Siemens, Board Member

STAFF IN ATTENDANCE: Katie Lowe, Executive Director
Joey Aebig, Manager, Operations & Logistics
Erin Duetta, Manager, Finance
April Dicer, Recording Secretary

CALL TO ORDER

Chair, Brad Bond, called the meeting to order at 9:01 am.

ADOPTION OF AGENDA

The agenda was adopted as presented.

1.0 APPROVAL OF MINUTES

1.1 Approval of the Minutes of May 18, 2017

R17-038 It was MOVED and SECONDED

THAT the Board of Directors approve the Minutes of May 18, 2017 as amended.

CARRIED

2.0 BUSINESS ARISING/ACTION LIST REVIEW

2.1 Board Calendar

The Board calendar was presented for information.

2.2 Action Items

The action items document was reviewed for information.

2.3 Business Arising

2.3a ██████████ Letter

The ██████████ decision letter was presented for information.

2.3b Insight Round Table Invite

The invitation for the insight session scheduled for July 19, 2017 was presented for information. The topic of this session is 'How do we gain consumer trust tomorrow and five years from now'.

3.0 PERFORMANCE REPORTS

3.1 Dashboard

The dashboard was presented for information.

3.1a Feed Mill Participation Report & AAFC Report

The Feed Mill report was presented to the Board for information.

3.2 Quota

3.2a Industry Reserve

The total quota allocated and held in reserve as of week 23, 2017 was presented for information. The board requested more information on the number of new producers that have entered the industry through purchasing quota and/or the New Producer Program.

3.2b IP Report Week 22

The Industrial Product report up to week 22 was presented to the Board for information.

3.2c IP Processor Summary Week 22

The week 22 IP Processor report was presented to the Board for information.

3.2d EFP Report Week 22

The EFP report as at week 22 was presented for information.

3.2e Quota Utilization Update

The quota utilization report as at week 23, 2017 was presented for information.

3.2f Inventory Report

The 2017 rolling average projection remains above 100% however the current outlook for the remainder 2017 has drastically improved from our estimates 20 weeks ago. Two forecast predictions have been created independently of one another. The original prediction has a final 2017 rolling average of 104.56%, while the new prediction has a final 2017 rolling average of 100.67%.

The Board has requested that staff continue to improve the forecast and follow it closely for the next few months. If the BCEMB inventory position and prediction does not change than further action should be recommended at the September Board meeting.

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3.3 Financials

3.3a Period 5 Financial Dashboard

The Period 5 financial dashboard was presented for information. The Board agreed with [REDACTED]'s recommendation that the budget be included in the dashboard for Producer information.

3.3b Period 5 Board & Committee Per Diems & Expenses

R17-039 It was MOVED and SECONDED

THAT the Board of Directors approve the Directors', Executive Director's, and Committee members' per diem and expenses for Period 5 as presented.

CARRIED

3.4 Preliminary COP

The preliminary COP was presented for information.

4.0 STAKEHOLDER ENGAGEMENT

4.1 EPA – 1:30

This was discussed later in the meeting.

4.2 EIAC Draft Minutes of May 24, 2017

The draft EIAC minutes of May 24, 2017 were presented for information.

4.3 Audit & Finance Committee Meeting Update June 20, 2017

[REDACTED] noted that this was the first meeting with the new outside members in attendance. It was a successful meeting and it is predicted that the new members will be a benefit to the committee.

The Board was updated on the status of the Grader audits in that two of the four Grader audits will have been completed as of September 2017 by Deloitte. Management is working with the remaining two graders to have an operations audit performed rather than the requested financial audit.

4.4 Grader Meeting Minutes

The Grader meeting minutes of June 6, 2017 were presented for information. Topics discussed at this meeting were pricing of specialty and enriched production as well as the transitioning of production types. Each of our roles was discussed including how we can support each other on this challenge.

In this meeting it was brought to the Board's attention that better communication with grading stations, especially in terms of quota increases and forecasting, would be appreciated.

The Graders presented three issues that BCEMB feels requires a response:

- 1 Organic supply
- 2 Pricing on free run free range
- 3 Enriched pricing

4.4a Enriched Pricing

At the grader meeting on June 6, the conversation around enriched product acknowledged that an incremental cost is present in enriched of about 8-12 cents/dozen. The graders opinion is that there is a very small market that is willing to pay more for enriched, and therefore, it should be maintained as the commodity product and not a value added product.

It is the opinion of graders that the easiest way to deal with the increased cost of enriched is through a levy rebate program.

All industry stakeholders will benefit from a smooth and balanced transition; as such, staff recommends creating a separate specialty class for fully compliant enriched housing production that is paid a premium over conventional housing and giving enriched housing producers a slight levy reduction on each bird housed in a fully compliant enriched facility.

4.4b Specialty and Organic Pricing Shift

Our Province is approximately 40,000 hens short on organic production and the market is growing in this category by about 10% per year. Producers in BC are not converting to organic because it is more profitable for them to produce free-run. If producer pricing was correct, it would not be a huge hit for a producer to move from Free-run or Free-range to Organic.

Once Serecon's COP on specialty production is completed, there may be some pressure to adjust pricing to balance the disparity and create a level playing field for all specialty production types. This will provide more movement amongst all production types as consumer demands change.

Action: Staff to find out organic pricing in other Provinces

The Board compiled proposed solutions addressing the issue of pricing specialty appropriately to allow producers to shift production as the market demands. To help the Board make their decision, they requested information from the Graders regarding organic production requirements, their shortage amounts on organic production and their 2 year forecast of anticipated new organic production.

The directors also discussed solutions to the incremental costs associated with enriched production and how it is discouraging producers to transition to enriched housing.

During this meeting, staff composed a letter addressing the issues of free run & organic pricing and transition to enriched, potential solutions to these issues and information requests to send to the EIAC and Graders. This letter was reviewed by the board and approved for immediate distribution.

Action: Staff to send the proposed solutions letter to the EIAC and Graders

4.5 Authenticity in Farming

█████ presented his paper on authenticity of egg farming in Canada for information. The overall message of the paper is about our changing social consciousness and our heightened concerns over where our food comes from and how it is made. It is about demonstrating that supply management aligns well with consumer values compared to alternate systems. The final edited version of this paper will be made available for MP's, MLA's and BCFIRB.

Action: █████ will send this document to an editor for final review before distribution.

4.6 EPA/ [REDACTED] / [REDACTED] Meeting re SPCA Certification

The EPA met with [REDACTED] and BC Egg to discuss concerns regarding a need for third party animal care audits in BC.

The participants discussed how the work being done at the board and association can be used to meet the needs of the graders and processors in the province, in order to ensure it is as effective as possible.

It was decided that BCEMB would approach Pro-Cert about auditing the national animal care standards.

Action: Staff to contact [REDACTED] by end of June. – [REDACTED]

4.7 BC Specialty Audit Program Update

BCEMB is currently implementing a free-run/free-range certification program for producers in BC. As a supply managed commodity, this certification program will contribute towards our social licence by providing our consumers with assurance through an audited certification program that clearly defines specialty production requirements. Through the use of logos or certification marks, consumers will be able to easily identify BC certified product.

4.8 UBC Scholarship

\$10,000 is set aside each year to help agricultural students as part of BC Egg's annual budget.

Management is currently working with UBC to set up 2 named award scholarships for \$2,500 each to be awarded in September with the following proposed criteria:

- Good citizens – community outreach and no criminal record
- GPA – 3.0 or higher
- Animal Welfare Department– preferable to have the focus on the poultry sector

The Board asked that management look into alternate ways to disburse this money.

Action: Marketing was directed to figure a way to disburse this scholarship so BCEMB is represented more effectively.

5.0 OPERATIONS

5.1 Rodent Control Update

Over the past two years the number of positive Salmonella Enteritidis cases has increased. The majority of the affected farms have had signs of rodent activity on the premise. On May 11, 2017 Pest Detective began their on farm Rodent Inspections. As of June 15 we have received completed forms from 18 premises in the Fraser Valley.

As reports are received from pest detective, staff is forwarding the reports to the owner and the farm manager.

Thirty-three percent (6 of 18) of the reports received have identified risk levels moderate or higher. BCEMB's PLO's will follow up with the producers that receive reports of this nature to ensure that measures have been acted on to mitigate their risk.

5.9 On Farm Programs and Enforcement

This item was brought forward in the meeting.

There are a number of program's that BC's egg producers are required to follow and are audited for on an annual basis. It has been brought to staff's attention that even with the audits, some producers remain marginal. Marginal producers pose a risk to the industry.

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There are currently three audit programs that BC's producers are required to follow with a fourth program being introduced in July 2017.

- BC Poultry Biosecurity Program
- EFC Start Clean Stay Clean – On Farm Food Safety Program
- EFC ACP Program – Animal Care Program
- BC Egg Specialty Audit Certification

In addition to the above programs, the PLO's attend each farm at least two more times for counting flocks and SE testing. At each of these visits, the PLO's see the farms and will mention infractions but do not complete an audit so it is informal.

A number of producers also receive audits for Certified Organics, SPCA and American Humane.

There was discussion around staff's recommendation on the following solutions to help mitigate Producer risk:

- 1) All audits should be pass/fail
- 2) Training needs to be more consistent across the country
- 3) Responsibilities for CAR follow up must be clearly defined
- 4) Wording in the auditing checklists need to be updated where necessary (rodent control plan)
- 5) Animal Care Program needs to be strengthened with both a producer manual and an administration manual
- 6) Training for the Animal Care Program auditors needs to be more rigorous
 - a. EFC is currently researching better ways to determine feather cover and is looking for volunteers, a notice will be sent to Boards in the near future
- 7) Auditors need to be more strict when comparing the farm to the guidelines
- 8) While the PLO's do not conduct audits when they are attending a farm to count and SE test, noticeable infractions should be documented for the producer and corrective actions should be issued. These deficiencies would be of a physical nature such as rodents or controlled access zone maintenance.

It was agreed that BCEMB needs to be more rigorous around administering audits and communicating deficiencies to producers. It was decided that communications regarding any deficiencies will come from the Executive Director in the form of a letter, an email and perhaps a text.

Action: Staff was directed to take the task of reviewing each audit program line by line, to the PMC for their next meeting, with a timeline to bring any findings back to the Board by end of August.

Action: Staff to send a message to Producers noting that BCEMB is increasing our compliance standards and being more rigorous in testing. In addition, the board requested the Executive Director notify non-compliant producers in writing with respect to expectations to comply and the remind them of the consequences.

█ left the meeting at 12:05 pm

5.2 Updated Poultry Code Requirements and Timelines

The Recommended Codes of Practice for the Care and Handling of Poultry has been updated and there are a number of changes in the Code that affect our producers.

BC's Egg producers have received notification by email that the final version of the updated code is now available and were provided a link to a digital version of the code.

BCEMB staff will hold update sessions for producers and provide a summary of the major changes and deadlines on both the public and producer sites. Hard copies of the codes will be mailed to all producers

5.3 EFC Service Fee

EFC has conducted a full review of the service fee program and has proposed three changes for which they are requesting the egg board support.

1. Amend the current MOU by way of addendum to incorporate the new rules for the fund level adjustment;
2. Amend the next round of Service Fee MOU's to include a provision for a special program review should the following conditions be met Amend the next round of Service Fee MOU's to include a provision for a special program review should the following conditions be met;
3. Amend the next round of Service Fee MOU's so that egg boards can make more than one PIF Service Fee payment per year if they so require as well as adding a force majeure section whereby EFC may request earlier PIF Service Fee payments from egg boards under extreme circumstances

The Board reviewed the proposed service fee program changes and are in support of the new fund level adjustments as well as their incorporation into the current MOU. The BCEMB is also in support of the addition of a special provisions clause for the next MOU.

The Board does not support the addition of a force majeure section as they do not believe it is necessary. It is intuitive that should EFC require additional funds for the PIF, they can and will request it of the provincial boards.

Action: Staff was directed to compose a letter to EFC expressing their views on the proposed changes to the service fee program as noted in the minutes.

5.4 FPA Agreement Update

The joint letter from FIRB, addressing the opportunity to provide initial feedback and input into the process to renew the "Federal-Provincial Agreement in Respect of a Comprehensive Marketing Program for the purpose of the marketing Eggs in Canada" was presented for information.

5.5 SE Update

This month BCEMB had two producers test positive for SE and since January 2017 there has been four positive tests.

Diligent biosecurity is always paramount to minimizing the risk; and education along with reminders of the ever-present risk is how staff hopes to limit future SE occurrences.

5.6 Quota Tools Assessment Review

BCFIRB has invited BCEMB and the other supply managed commodities to assess the outcomes of BCFIRB's 2005 Specialty Review. The intent of this directive is to determine if industry and public interest policy outcomes are still being achieved and if there are unintended or adverse consequences that need to be addressed.

The board agreed to the following recommendations as put forth by staff:

1. Remove LIFO
2. Remove 10/10/10
3. Maintain a 5% assessment on all non-exempt quota transfers OR create a market responsive assessment ranging from 0-5% at the discretion of the board (with some KPI's)
4. Include the following as exempt transfers:
 - a. child to parent
 - b. sibling to sibling
 - c. grand-parent to grand-child
 - d. parent to nieces and nephews
5. Include farm managers as an exempt transfer

6. Modify the New Entrant Program
 - a. Remove LIFO
 - b. Remove 10/10/10
 - c. 100% ownership in first year with a 100% assessment if sold within 10 years

7. Make all changes effective on all quota issuances - past, present and future, on a go forward basis

5.7 Catching Issues

On Monday June 12, 2017 a video was released by Mercy for Animals (MFA) that showed horrific abuse of chickens during the catching process on broiler farms throughout BC.

On Tuesday June 13, 2017 notices were sent to producers regarding the animal abuse allegations along with a copy of the Handling, Catching and Loading protocols and a message to producers that the hens are their responsibility until they are on the truck and that it is the producer's responsibility to ensure they are well cared for.

A letter was then received by [REDACTED] regarding their next steps including terminating employment with those involved in the mistreatment and a statement that they are committed to becoming an industry leader in animal welfare.

Staff spoke with [REDACTED] and confirmed that an entirely different crew is used on layer barns. Staff also spoke with [REDACTED] who stated they would have their HACCP coordinator on farm for catching that evening to ensure animal care protocols were being followed.

A letter was sent to [REDACTED] stating BC Egg's position on animal care and our expectations for their crew. This was also forwarded to all producers along with the letter from [REDACTED]

On June 14, 2017 a second letter was received by [REDACTED] and forwarded to producers stating that they will be outfitting all of their employees with video cameras and that the cameras will be reviewed each morning.

On June 15, 2017 a BC Egg PLO attended the catching process to confirm that the Handling, Catching and Loading protocol is being followed and that farm staff is on site and available. Staff reported that the process ran smoothly with the crew catching the hens respectfully.

Staff has updated the fowl removal notification letter to include a statement that it is the producer's responsibility to ensure the hens are well cared for until they are on the truck and that the producer should be present at catching.

Staff met with [REDACTED] on June 16, 2017 to discuss the proposal presented by [REDACTED] on the future of catching in BC including an audit and oversight mechanism.

Staff recommends that the BCEMB:

1. conduct audits of the catching process on a monthly basis to ensure that all parties are following the appropriate animal welfare practices and that producers are on-site and monitoring the catching process
2. add an addendum to the fowl removal contract that permits the suspension or cancellation of the contract if any of the parties are found to be in significant contravention with the animal welfare practices outlined in the Codes of Practice or EFC's ACP Handling, Catching and Loading Protocols.
3. Develop an emergency response protocol and standard messaging to be better prepared for items such as this in the future, ensuring that the protocol includes notifying the Board, Producers and other affected commodity groups of the issue.

5.8 Catching Contract Options

Management is waiting for a response from legal regarding animal care concerns in the contract.

5.9 On Farm Programs and Enforcement

This item was discussed earlier in the meeting.

5.10 COP Timeline Change and Effect on Buy-back

EFC appreciates the Western Provinces decision to announce pricing effective the second week in each period, but will continue to adjust the buyback price the first week of each period. The Western Provinces changed their timeline to ensure that each pricing change follows the timeline requested by the CPEPC and graders earlier this year.

Moving forward, BCEMB plans to provide a posted producer price that is effective from the second week in the period and ends at the completion of the last day in first week of the following period. In doing so, the BCEMB will run the risk of an unexpected gain or loss in the first week of each period.

- If the buyback price goes up, BCEMB will net gain
- If the buyback price goes down, BCEMB will net loss

5.11 EFC Research – U&A Study

The EFC U&A study was presented to the board for information.

5.12 FPCC Update

The Farm Products Council of Canada (FPCC) notice regarding their search for committee members and chairperson was discussed. All stakeholders were invited, by FPCC, to inform their members of the opportunity to serve on the committee as chairperson.

Action: Staff to send out a message to Producers with the link to apply for chairperson for the FPCC.

4.1 EPA – 1:30

████████████████████ joined the meeting at 1:30pm, as representatives for the EPA.

████████ updated the Board on the EPA's strategic plan status.

In their strategic planning session the EPA came up with four primary goals with some objectives accompanying each goal.

1. Address current governance structure and create one Provincial association
 - Rewrote constitution and bylaws to include all regions
 - Attended regional AGMs to share their vision
 - As a result, Fraser Valley and the Interior dissolved and were absorbed by the EPA
 - Vancouver Island would like to continue forward as they are. The EPA's new goal is to strengthen the provincial associations so they can feel more confident in the future when the opportunity to dissolve arises again.

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2. Political objectives
 - Develop a three year plan to engage government
 - Focus on provincial politicians with a slight emphasis on municipalities with a high concentration of egg production
 - Continue to attend the current ridings fundraising events to ensure BC Egg has representation
 - Informal BBQ on an egg farm with local MLA's and MP's in ridings around the Fraser valley.
3. Educating public on the egg industry
 - Revised some of their objectives when [REDACTED] joined BC Egg.
 - Supporting [REDACTED] on her objectives and finding her the volunteers she needs.
4. Provide more opportunities for producers to engage
 - Planning a roundtable education session with producers to understand how Quota credits and other such programs are used.
 - Engagement-ambassador program
 - Mentorship program with new entrants

The issue about poor performers and EPA's role in partnering with BC Egg to help get the message across was discussed. The EPA noted that they would like to see the Board strengthen their approach to the producers who are not compliant.

The future direction of the Poultry Conference/AGM was discussed. Feedback around items such as BCEMB's level of input on the conference, quality of speakers, funding and alternative venues were reviewed.

The EPA members left the meeting at 2:23 pm.

5.13 Mandatory Insurance Review Committee Update

The MIRC is requesting that the Boards post their consideration of a decision to establish a mandatory Infected Premises C&D Cost Recovery Fund.

The Committee has concluded that the boards and commission should recommend to BCFIRB their desire to use their powers to establish a mandatory Infected Premises C&D Cost Recovery Fund.

The purpose of support to post the decision is to allow for producers and other stakeholders to have the opportunity to consult and provide comments on the proposal. It does not pre-determine whether or not the Board supports the establishment of a mandatory Infected Premises C&D Cost Recovery Program.

After some discussion, the Board agreed with staff's recommendation that the BCEMB support the posting of the consideration of the decision.

R17-040 It was MOVED and SECONDED

THAT the Board of Directors approve supporting the posting of the consideration to establish a mandatory Infected Premises C&D Cost Recovery Fund.

CARRIED

Action: Staff to send an email to [REDACTED] that the Board supports the posting of the consideration of the decision.

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5.14 Quota Exchange Recommendation

There may be a small amount of quota offered on the upcoming Quota Exchange (QE).

Under the current QE rules, any exchange with an offer to sell in excess of 1,000 quota units will cause the price of quota to increase by \$5.00 on the next exchange.

Based on various consultations over the past two months, our stakeholders are concerned with the rapid increases in quota value. It is their opinion that the price increases are being caused primarily by the shortage in supply. Each increase in price makes quota less accessible and increases the barrier of entry/growth into this thriving industry.

Until an exhaustive consultation on the Quota Exchange can be completed in September 2017, staff recommendation is to amend Schedule 8 - Rule 4(2)(A) (in red):

(2) Subject to subsection (1), if:

(a) the volume of Layer Quota subject to offers to sell was greater than ~~4000 Layers~~ **1% of BCEMB's total allocated quota;**

R17-041 It was MOVED and SECONDED

THAT the Board of Directors approve the amendment to Schedule 8 - Rule 4(2)(a) to read (a) the volume of Layer Quota subject to offers to sell was greater than 1.5% of BCEMB's total allocated quota.

CARRIED

6.0 GOVERNANCE

6.1 Director Surveys

This item will be put forward to the meeting of July 20, 2018

7.0 MEETINGS HELD AND UPCOMING

7.1 Meetings Held Appendix A

Meetings attended since the last Board meeting were reviewed.

7.2 Meetings Upcoming Appendix B

Attendance and participation in upcoming meetings was discussed and approved.

ADJOURNMENT

The meeting was adjourned at 4:12 pm



Board Chair



Certified Correct, Secretary