

March 20, 2023

DELIVERED BY EMAIL

Martha Anslow
Executive Director
BC Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria, BC V8W 9B5

Dear Martha,

BCEMB'S 2023 QUOTA ALLOCATION REQUEST

BC received an allocation of 103,797 layers in December 2022 from Egg Farmers of Canada and proposes to distribute a total of 147,968 quota units to BC's Registered Producers by a pro-rata allocation. The 147,968 quota units are comprised of the new 103,797 growth quota units combined with the 7,490 growth quota units held in abeyance from the December 2021 allocation and the addition of 36,681 quota units from our Quota Reserve. A distribution of 147,968 quota units represents a 4.528% overall increase in quota holdings for the 147 BC producers who are currently eligible for the allocation.

Although an equal distribution portion was originally scheduled for this allocation, due to current market conditions, impacts on specialty production, and feedback from stakeholders, BCEMB is proposing that the 2023 allocation be distributed pro-rata to producers and defer the equal distribution to a future allocation.

Per Section 37 (c) of the British Columbia Egg Marketing Scheme, BCEMB requires prior approval from BCFIRB to vary quota. BCEMB is requesting approval from BCFIRB for this allocation distribution proposal.

Background

On December 16, 2022, Egg Farmers of Canada (EFC) ratified a National Quota Allocation of 28,645,488 layers, which represents an additional 646,850 layers for the country and 103,797 additional layers for BC, representing a 3.05% increase in quota for the province.

In addition, BC Egg Marketing Board (BCEMB) has 7,490 quota units held in abeyance from the December 2021 EFC National Quota Allocation of 27,998,638 layer, which represented an additional 50,724 layers for the country. On [May 3, 2022](#), BCFIRB approved BCEMB's proposal to hold this growth quota in reserve to distribute with the next national growth allocation.

The BCEMB proposes to distribute a total of 147,968 quota units to BC's Registered Producers by combining the new 103,797 growth quota units with the 7,490 growth quota units held in abeyance

from the December 2021 allocation and adding 36,681 quota units from the Quota Reserve that have been acquired through assessments on quota transfers. The remaining 55,796 quota units in the Quota Reserve are set aside to meet the following program needs:

- 30,000 for future New Producer Program draws
- 25,796 quota units held for [Temporary Allotment Pool A](#) (TAP A).

A distribution of 147,968 quota units represents a 4.528% overall increase in quota holdings for the 147 BC producers who are currently eligible for the allocation. Although BC has 149 Registered Producers, two producers are not eligible for the allocation if it is issued prior to June 2023.¹

Rationale for Proposed Quota Allocation Plan

BCEMB's proposal to distribute the 2023 allocation as pro-rata to producers differs from BCEMB's [Quota Allocation Policies and Procedures](#) that were prior-approved by BCFIRB on [July 3, 2019](#), and which outline the process that BCEMB would follow for the 2019 allocation and two subsequent allocations. 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 requirements², 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 remainder of the quota in each allocation is distributed pro-rata to all Registered Producers in Good Standing. The BCEMB distributed 100 hens to each producer for the 2019 allocation and 150 for the 2021 allocation, as per this policy. For the third allocation, 200 hens were to be distributed to each eligible producer.

BCEMB is recommending that the 200 hen equal distribution be deferred in favour of a 100% pro-rata allocation due to current market conditions and impacts on specialty production. The Board carefully deliberated, considered internal and external factors impacting production and the marketplace, before making this recommendation. The evaluation process included analyses of how the previous allocations have impacted the production mix in BC and how each production type is performing in the retail sector in response to consumer demand.

In brief, economic pressures over the past 24 months have caused a shift in consumer spending, resulting in a decline in retail sales of specialty eggs (free run, free range, organic eggs). In BC, growth in

¹ There are two producers who sold a portion of their quota effective June 1, 2022 and will be deemed ineligible for this allocation due to Part III 2, (3) of the Consolidated Order *"Unless otherwise determined by the Board, Layer Quota shall not be issued: (m) to any Person who has transferred any quota within the last 12 months."*

² 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.

specialty production has been out-pacing consumer demand. An equal distribution allocation would further exacerbate the surplus in specialty eggs and misalign production with market requirements. These are the main reasons that BCEMB is proposing a pro-rata only allocation at this time.

Consultation Process

Prior to finalizing this proposal, BCEMB conducted a comprehensive consultation with stakeholders. Details on the consultation process and results are presented in **Appendix A**. The proposal for pro-rata distribution is supported by the Egg Industry Advisory Committee (EIAC), BC Egg Producers Association (EPA) and the broader stakeholder consultation group. As part of the consultations, 176 industry stakeholders including producers, graders and processor were invited to participate in an on-line survey regarding the proposed pro-rata distribution plan. Eighty-five percent of respondents agreed with the proposal. A total of 94 individuals completed the survey, representing a 53% response rate. Of the 94 respondents, 91 were BCEMB registered producers, representing 61% of BC's 149 registered producers.

Additional information requested by BCFIRB

As part of the prior-approval process, BCFIRB requires that BCEMB provide additional information, specifically:

- a) Quantitative information that supports the following five priorities outlined in BCEMB's Quota Allocation Policy and Procedures:
 - 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.

Quantitative information for the five priorities is presented in **Appendix B**.

- 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. This information is presented in **Appendix C**.

Since BCEMB's recommendation for pro-rata distribution is largely based on current market conditions and impacts on the production and retail sales of specialty eggs, information on these factors is presented in the following section.

Current Market Conditions

In proposing a pro-rata distribution plan, the Board carefully considered the current market conditions. The emergence of COVID-19 in early 2020 caused supply chain disruptions which led to unstable and uncertain retail markets throughout 2020 and 2021. In early 2022, the marketplace started to stabilize, however, global events resulted in supply shortages and increases in inflation which raised the cost of goods produced and sold across nearly all sectors, including food. The average consumer has less spending power and is seeking less expensive/more affordable products and brands.

Economic pressures and changes in consumer buying behaviour are reflected in retail sales of eggs. While there has been some overall decreases to retail sales for all egg types over the last two years in BC, the decreases are greater for the more expensive specialty eggs (free run, free range, organic) as compared to the sales of classic eggs (conventional and enriched).

Chart 1 below shows the overall trend in total egg retail sales in BC from 2017 – 2022. Although there has been a minor decrease in table eggs sales since 2020, eggs sales have remained relatively strong over the last five years.

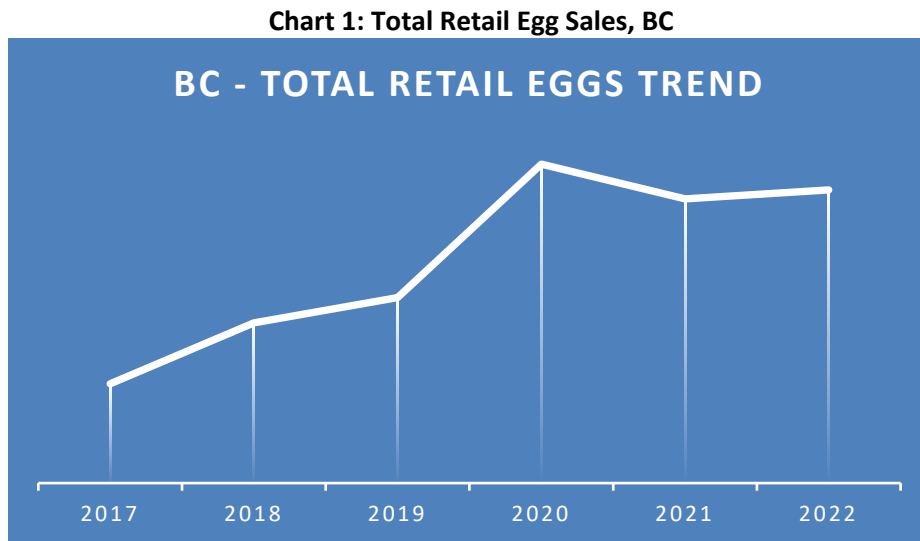


Table 1 below shows a slight increase in overall table egg sales in 2022. However, Nielsen data and recent reports from BC graders indicate a decline in specialty egg sales at retail while the classic white egg market has remained more stable.

Table 1: 52 weeks (Increase/Decrease) in retail table disappearance as of December 31, 2022

BC	Previous 52 weeks (December 2020-2021)	Latest 52 weeks (December 2021-2022)
Total Eggs	-5.9%	0.8%
Regular (Classic) Eggs	-7.0%	0.7%
Omega 3 Eggs*	9.0%	17.9%
Other Specialty Eggs	-7.2%	-5.0%
Free Run	-7.8%	-17.6%
Free Range	-2.3%	-0.4%
Organic	-13.3%	-2.2%

Data Source: Nielsen

At this point it is difficult to determine whether this shift in consumer purchasing behavior and drop in specialty table egg sales are short or longer term in nature. However, an equal distribution of 200 hens would further exacerbate the surplus in specialty eggs while a pro-rata distribution would have a lesser impact, as indicated in the analysis below.

Impact of Allocation Distribution Methods on Specialty Egg Production

Each of the last three allocations contained an equal distribution portion (2018³, 2019, 2021). The intent and outcome of the equal distribution portion was to encourage producers to transition from conventional housing. Table 2a outlines the impact of this equal distribution portion on specialty production. The table compares the equal distribution allocations of those producers who have 100% specialty production to what they would have received from a pro-rata allocation. The last three allocations have resulted in an additional 24,012 units to 100% specialty producers.

Table 2a: Effect of Equal Distribution from 2018-2021 on Specialty Production

Year	Pro-Rata + Equal Distribution	Pro-Rata Only	Additional Specialty from Equal Distribution
2018	32,096	19,252	12,844
2019	42,356	37,423	4,933
2021	23,388	17,153	6,235
Total	97,840	73,828	24,012

In 2023, if BCEMB allocates an equal distribution of 200 hens plus pro-rata, we would further add 8,250 quota units to specialty production, as highlighted in Table 2b on the following page.

³ The concept of equal distribution in BC was first introduced and implemented in 2018 when 256 quota units were distributed to specialty &/or enriched producers and the remaining quota, representing 2.582% growth, was distributed pro-rata to all producers. To be eligible for the 256 hen equal distribution portion, producers were required to be producing eggs in non-conventional housing systems at the time the BC allocation distribution plan was announced.

Table 2b: Effect of Equal Distribution on Specialty Production if issued in 2023

Year	Pro-Rata + Equal Distribution of 200 hens	Pro-Rata Only	Additional Specialty Production from Equal Distribution
2023	43,631	35,381	8,250

An additional 8,250 quota units of specialty production would cost the industry an estimated \$214,250 annually to downgrade the eggs to the industrial product pool while not needed on the table market.⁴

In this analysis it is recognized that diversified producers who have multiple production types, including specialty, might add to the specialty surplus. However, the graders work with these producers and encourage them to move their specialty production into classic production, or at least not add to the surplus problem. It is for this reason that the analysis on the impact of equal distribution on specialty egg production focuses on 100% specialty producers where the results are clear.

Pricing

A pillar of supply management is producer pricing to ensure that a fair return is earned for production. Early in 2022, a series of economic events unfolded that resulted in abnormal inflationary pressure. At the farm registered producers experienced a rapid increase to many input costs. Table 3 below reflects the increase to producer pricing.

Table 3: BCEMB Classic Pricing 2022 to Current

Year	Week	Posted Classic Price
2022	1 to 10	\$2.67
2022	11 to 24	\$2.85
2022	25 to 52	\$3.03
2023	1 to 4	\$2.91
2023	5 to Current	\$2.91

Classic Pricing is presented in table 3 because it is publicly available information that is verifiable and posted by EFC⁵. Although not included, specialty production has seen the same shifts to its producer pricing over a similar period.

⁴ Calculated via an estimated 25% Free Run, 40% Free Range, 35% to Organic (which is barn capacity of the 77 specialty only-producers), then determining the average the average 2022 grade-out for each specialty production type, using 26.54 rate-of-lay multiplied by premium that is lost when downgrading to XL, and L (and Medium for Organic only) to classic production.

⁵ <https://www.eggfarmers.ca/market-information-tables/#tableau-2>

SAFETI Analysis for the Proposed Pro-Rata Quota Allocation Plan

Strategic – Issuing the 147,968 available quota units to all eligible producers via pro-rata distribution is the most strategic and sound policy decision for BCEMB at this time.

The BCEMB recommendation for a 100% pro-rata allocation is strategic as it issues the quota equally to all production types and does not provide a disproportionate increase to production types which are in excess of market needs in the short-medium term. In addition, 2023/2024 data indicates this allocation plan will not discourage the continued conversion to alternative production systems. Thirteen new barns builds are scheduled in 2023/2024 – 12 enriched and 1 free run.

The BCEMB will consider the 200 unit equal distribution allocation for the next growth allocation, depending on the outcomes of the market needs assessment at that time and of BCEMB/grader programs.

Accountable – BCEMB is accountable to producers, graders, processor and the retail market. This proposal is accountable to all parties to ensure that BCEMB is not encouraging shifts in production where they are not required at this time. Producing the right eggs at the right time for the market ensures that BC consumers are able to purchase their egg of choice and reduces the costs for surplus removal for both the graders and producers.

Fair – Utilizing pro-rata distribution, all producers will benefit fairly from the allocation regardless of production type. The production of all egg types in the province will increase at a proportional rate.

Effective – This proposal is designed to effectively achieve BCEMB priorities and address current market realities.

Transparent – As this is a large allocation and BCEMB proposes to move away from the equal distribution portion for this allocation, all producers, graders and processor were consulted as well as the Egg Industry Advisory Committee and the BC Egg Producers Association, thereby ensuring a transparent process.

Inclusive – Key stakeholders were consulted and their interests considered in the development of this proposal. All producers who meet the eligibility requirements are able to participate in this growth allocation.

Conclusion

In closing, the BCEMB thanks BCFIRB for taking the time to review our request for prior-approval of the following distribution plan for the 2023 quota allocation:

- 1) Distribute 147,968 quota units pro-rata to all eligible producers using 2021 and 2022 growth quota and available quota from the Quota Reserve.
- 2) Postpone the 200 bird equal distribution allocation until the next growth allocation is received from EFC, and following the process described in BCEMB's multi-allocation proposal and Quota Allocation Policies and Procedures approved by BCFIRB in July 2019.

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

Regards



Katie Lowe P.Ag.
Executive Director

Appendix A – Stakeholder Consultation

Egg Industry Advisory Committee

In 1996, the BC Government amended the British Columbia Egg Marketing Scheme and required the Board to establish an Egg Industry Advisory Committee (EIAC). The EIAC provides non-binding recommendations to the Egg Board in all matters involving production or pricing. The committee plays an integral role in helping the Board to maintain the egg industry's stability in the province.

Membership on the Egg Industry Advisory Committee includes a Board appointed chair, as well as three producers appointed by the board after consultation with the BC Egg Producers Association, and three processors appointed by the board after consultation with the BC Egg Processors Council.

At their November 17th 2022 meeting, the EIAC discussed current and expected market conditions as well as allocation options, and supported a pro-rata distribution plan. The 200 bird equal distribution would be considered for future allocations based on market assessments at that time.

At their March 14, 2023 meeting the EIAC committee reviewed the BCEMB consultation document and passed the following motion:

THAT the Egg Industry Advisory Committee provides its support for the BC Egg Marketing Board 2023 Allocation Proposal, distributing the quota increase to all BCEMB registered producers using a pro-rata only approach. The EIAC recommends that the 200 quota unit equal distribution is reviewed for potential distribution based on market conditions at the next allocation date.

BC Egg Producers Association

The BC Egg Producers Association (EPA) is comprised of a diverse group of producers from across BC who represent all producers who maintain a licence with BCEMB. The EPA meets regularly and discusses matters impacting their farms. The EPA reviewed the consultation document and provided the following recommendation on March 15th 2023:

The BCEPA gives its unanimous support to the 2023 quota allocation proposal. We support the market responsiveness of moving to a pro rata allocation to avoid an over allocation to production types that don't require accelerated growth at this time.

Producer Meetings

BCEMB's allocation proposal and rationale were discussed at in-person producer meetings held in the Lower Mainland on February 9, 2023 and at Vancouver Island on February 23, 2023. At these meetings the proposal was discussed in detail and producers had an opportunity to ask questions.

Online survey

The BCEMB sent a digital survey to 176 industry stakeholders including producers, graders, and the processor, and also uploaded it to the bcegg.com website. The survey went live on February 23, 2023 and closed on March 8, 2023. The survey included the proposed pro-rata distribution plan as well as a detailed rationale, current market conditions, and quantitative information on the five Board priorities.

A total of 94 individuals completed the survey, representing a 53% response rate. Of the 94 respondents, 91 were BCEMB registered producers, representing 61% of BC's 149 registered producers.

The survey asked the question: *Do you agree with the proposed pro-rata distribution method for the 2023 Allocation?*

- 85% of respondents agreed with the proposal (80 respondents)
- 15% of respondents did not agree with the proposal (14 respondents)

A copy of the survey results and comments from respondents can be found [here](#).

Appendix B - Board Priorities

Promoting Animal Welfare

To be deemed as an eligible recipient for an allocation issuance, registered producers are required to be in good standing with the BCEMB Consolidated Order which includes compliance with all on-farm programs. This includes a requirement to:

- Obtain 95% on a Start Clean Stay Clean audit within the last year, with no outstanding Critical Control Elements.
- Obtain 90% on an Animal Care Program audit within the last year, with no outstanding Critical Care Elements.
- Obtain a pass on BC Biosecurity Program audit within the last year, with no outstanding mandatory corrective actions.
- Have their current flock's Chick Placement Permits (CPP) submitted PLUS two additional years of CPPs for active barns.
- All outstanding levies and charges paid in full.
- For producer-graders and producer-vendors only, submission of all grader throughput files with production summaries.
- Maintain SE and AI Insurance through CEIRA or other insurance agency. Proof of alternate insurance must be provided prior to allotment.

All BC producers are highly motivated to comply with all on-farm programs, as indicated by their audit scores. Average scores for the Start Clean Stay Clean and Animal Care Program Audits are 99% and Corrective Action Requests, if any, are completed within 30 days or less.

Producers are also mobilizing to meet housing conversion deadlines which are based on high animal welfare standards supported by evolving scientific information. The 2017 Code of Practice for the Care and Handling for Pullets and Laying Hens set a national expectation that 50% of birds will be transitioned into alternative (non-conventional) housing systems by 2025. BC met this milestone as of January 1, 2022. The next milestone in the 2017 Code of Practice is to have 85% of overall production in alternative housing systems by 2032 with a final deadline of July 2036 for all production to be in alternative housing systems. BC Egg fully expects the accelerated transition to continue, supported by Board programs including the Barn Fitness Program as well as innovative and responsive allocation methods, including pro-rata distribution in response to emerging market needs.

Support Growth of Small Farms and New Entrants

The proposed pro-rata allocation would result in all eligible registered producers receiving the same percentage increase, thereby benefiting all producers equally, including smaller operators and new entrants.

In accordance with Board priorities and market conditions spanning 2018 – 2022, the previous three allocations provided eligible producers with equal distribution portions which resulted in smaller farms and new entrants receiving a higher percentage growth allocation than they would have otherwise received solely through pro-rata allocations. Table B1 depicts how BCEMB’s past allocations impacted small, medium and large layer operations.

Table B1: Impact of Allocations on Categories of Quota Holders

Year	2018	2019	2021	2023	2018-2023*
Status	Complete	Complete	Complete	Proposed	Proposed
Quota Increase Description	2.582% Pro-Rata to all producers plus 256 quota equal distribution to specialty &/or enriched producers at that time	5.217% Pro-Rata to all producers plus 100 quota equal distribution to specialty &/or enriched producers (or 3 years to become eligible)	1.56% Pro-Rata to all producers plus 150 quota equal distribution to specialty &/or enriched producers (or 3 years to become eligible)	4.528% Pro-Rata Distribution to all producers	Total % increase from 2018 to 2023 (proposed)
Smallest 25% Quota Holders **	9.16%	7.84%	6.32%	4.53%	28.12%
Middle 50% Quota Holders**	3.68%	5.89%	2.70%	4.53%	17.23%
Largest 25% Quota Holders**	2.86%	5.46%	1.92%	4.53%	15.47%
Average % Increase**	4.90%	6.32%	3.40%	4.53%	19.66%

2018-2023 percentage increase calculated by factoring Registered Producers who have been in production 2018-2023 who have not transferred quota or purchased on the quota exchange.

**Prior to the 2018 allocation, the Smallest 25% quota Holders held < 6,138 quota units; the Middle 50% Quota Holders held between 6,138 – 28,045 quota units; the Largest 25% Quota Holders held > 28,045 quota units.

**Post 2023 allocation, the Smallest 25% quota Holders would hold < 6,813 quota units; the Middle 50% Quota Holders held between 6,813 – 29,338 quota units; the Largest 25% Quota Holders held > 29,338 quota units.

The 2023 pro-rata allocation proposal provides every registered producer with the same proportional growth allotment. Table B1 does indicate that even with a pro-rata distribution in 2023, the growth of small farms outpace the growth of larger farms over the period 2018 – 2023.

In comparison, if BCEMB were to distribute the 2023 allocation utilizing a 200 quota equal distribution to eligible producers with the remaining quota distributed pro-rata, representing 3.638% growth to all producers, the categories of quota holders would grow as follows from 2018 – 2023:

- the smallest 25% of quota holders would have grown by 29.93% (vs 28.12% from Table B1))
- middle 50% quota holders would have grown by 17.50% (vs 17.23%)
- the largest quota holders would have grown by 14.93% (vs 15.47%)
- average increase of 20.03% (vs 19.66%)

The resulting variance in the growth of categories of quota holders between the two distribution methods over the period 2018 – 2023 does not appear to be overly significant.

BC Egg maintains other Board programs which benefit smaller farms such as the Temporary Allotment Pool A (TAP A), Temporary Allotment Pool B (TAP B) and the Quota Exchange. The TAP A program offers qualifying new entrants with the opportunity to produce as much as 1,000 quota units above their quota which is held for 5 years. Additionally, smaller farms are given an opportunity to purchase or lease proportionally more quota when it's available on the Quota Exchange or through TAP B. Exchange quota is distributed equally amongst interested buyers, however the first 1,000 quota units available for purchase on an exchange are distributed amongst quota holders who hold less than 6,000 quota units. Quota available through TAP B is also distributed equally amongst applicants providing smaller producers with proportionally more leased quota units than larger producers.

Support Regional Growth

Due to a variety of factors such as population density in outlying regions as well as the format of the New Producer Program, the regions of the Kootenay, Peace River, and Thompson/Okanagan have a proportionally higher number of smaller farms than the Lower Mainland. As a result, BCEMB's quota distribution method in 2018, 2019 and 2021 has increased the percentage of quota held in these regions by a higher proportional amount as indicated in Table B2 below.

Table B2 – Regional Growth with Pro-Rata Proposal

Region	Quota in 2017 ⁶	Quota in 2022	% Change 2017-2022	2023 Post Proposed Allocation	% Change Pre/Post Allocation	% Change 2017-2023
Lower Mainland/Southwest	2,427,165	2,794,236	15.12%	2,919,461	4.48%	20.28%
Nechako	0	0	-	0	-	-
Peace River	5,042	6,003	19.06%	6,275	4.53%	24.45%
Cariboo	0	0	-	0	-	-
Thompson/Okanagan	208,952	241,654	15.65%	252,597	4.53%	20.89%
Kootenay	3,349	10,982	227.92%	11,321	3.09%	238.04%
Vancouver Island	178,430	206,505	15.73%	215,856	4.53%	20.98%
North Coast	35,430	40,587	14.56%	42,425	4.53%	19.74%
Total	2,858,368	3,299,967	15.45%	3,447,935	4.48%	20.63%

Note: As this table focuses on total quota holding, the significant AI losses will not impact this analysis.

The pro-rata allocation proposal will not proportionately move more quota to outlying regions as did the last three allocations which had equal distribution portions; however regional growth will still continue with the pro-rata distribution as indicated in Table B2.

In comparison, Table B3 on the following page indicates the amount of quota that would be distributed to each region and percentage regional growth, were BCEMB to distribute the 2023 allocation utilizing a 200 quota equal distribution to eligible producers with the remaining quota distributed pro-rata, representing 3.638% growth to all producers.

⁶ 2017 is selected as the first year/benchmark in the time period of 2017 – 2022 for this analysis since it preceded allocations which included equal distribution portions. In 2017, the allocation was distributed pro-rata, representing 3.15% growth, to all producers.

Table B3 – Regional Growth with 200 Quota Units Equal Distribution plus Pro-Rata Allocation

Region	Quota in 2017	Quota in 2022	% Change 2017-2022	2023 Post Allocation	% Change Pre/Post Allocation	% Change 2017-2023
Lower Mainland/Southwest	2,427,165	2,794,236	15.12%	2,918,652	4.45%	20.25%
Nechako	0	0	-	0	-	-
Peace River	5,042	6,003	19.06%	6,622	10.31%	31.34%
Cariboo	0	0	-	0	-	-
Thompson/Okanagan	208,952	241,654	15.65%	253,246	4.80%	21.20%
Kootenay	3,349	10,982	227.92%	11,654	6.12%	247.98%
Vancouver Island	178,430	206,505	15.73%	215,817	4.51%	20.95%
North Coast	35,430	40,587	14.56%	42,264	4.13%	19.29%
Total	2,858,368	3,299,967	15.45%	3,448,255*	4.49%	20.64%

**320 more quota units (3,448,255 – 3,447,935) would be allocated if BCEMB were to use the 200 quota unit equal distribution approach because an additional 320 quota units issued to current TAP A participants reducing our reserve requirement from 796 to 476.*

Comparing Tables B2 and B3, one notes that the most significant difference is in the Peace River region (24.45% growth versus 31.34% growth to region using equal distribution), however, there are no producers in that region who currently have a facility which would qualify for the equal distribution portion⁷, therefore, unless a new facility is constructed within three years of BC Eggs’ allocation, the Peace River region receives the largest and most immediate benefit from a pro-rata only approach (as in % change pre/post allocation).

⁷ 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.

Meet Emerging Market Needs

We are proud to report that BCEMB remains on the leading edge for Specialty Production in Canada which represents 28% of BC egg production. In addition, as of March 2023, BC remains the only province in Canada which has a Posted Producer Price for all production categories. BCEMB sets the minimum price a producer can receive for eggs across five egg production categories - conventional, enriched, free-run, free-range and organic. The conventional and enriched categories are also further differentiated by egg color. This is due to the additional costs associated with the production of Brown eggs versus White eggs.

BC responded to the demand for Free Run White eggs and through Board and stakeholder collaboration, BCEMB's Posted Producer Prices were expanded in Week 11, 2021 to include a Free Run White price. While the specialty market is currently filled, this pricing has provided producers the opportunity to convert to Free Run White production, thereby expanding our production offerings to consumers, processors and foodservice operators with a less expensive cage-free egg. In 2023, BC Egg will have six producers who are producing Free Run White eggs. BCEMB remains committed to meeting consumer demand as it evolves overtime.

Transition to Alternative Housing Systems

The equal distribution components over the past three allocations coupled with the introduction of enriched pricing in 2019 and free-run white pricing in 2021 have incentivized and encouraged producers to transition to non-conventional housing. Since 2018 an additional 41 producers transitioned all, or a portion, of their production into enriched or specialty production totaling 126 producers versus 85 in 2018, as indicated in Table B4 below.

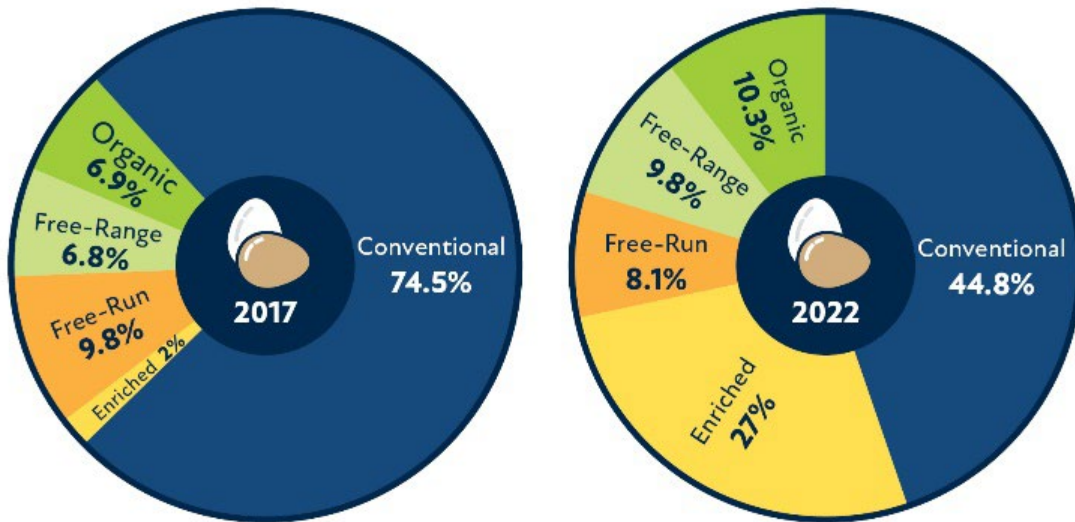
Table B4: Progress on Transition from Conventional Production

Allocation	Qualifying Producers
2018	85
2023 (YTD)	126

By the end of 2024, at least five more producers will have transitioned all or a portion of their production into alternative housing, totaling 131 producers or 88% of all registered producers in BC.

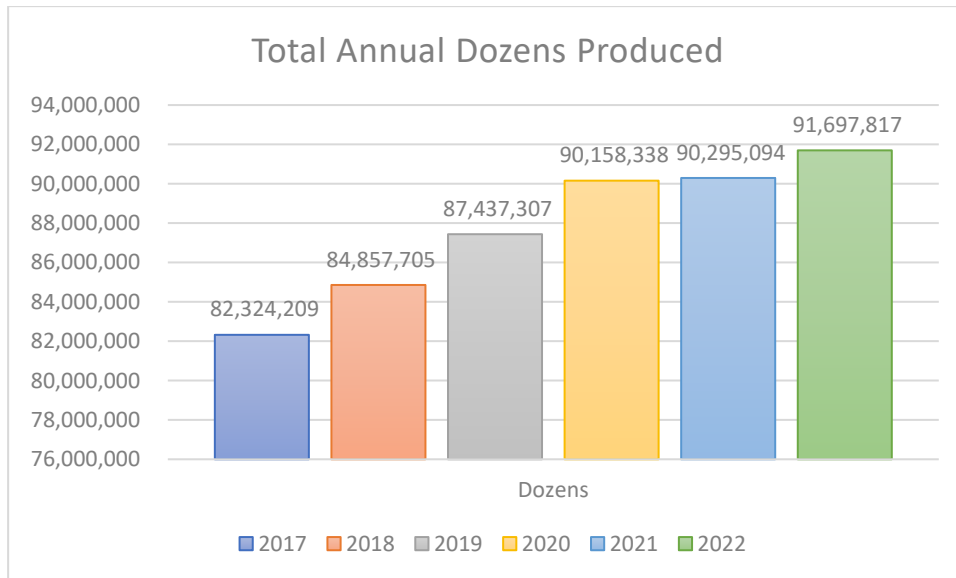
The charts below indicate the growth in specialty and enriched production over a five year period from 2017 – 2022.⁸ Enriched production increased more than any other production type over this time frame.

Chart B1: Production Mix 2017 & 2022 Comparison



⁸ Production mix calculated considering the overall dozens produced for the 2017/2022 calendar year.

Chart B2: Annual Dozens Produced



To highlight our transition from conventional systems, Chart B2 above indicates that in 2017 BCEMB produced a total of 82.3M dozens; 74.5% or 61.3M dozens were from conventional systems. In 2022 BC production was 91.7M dozens (an 11.4% increase in overall production from 2017) and 44.8%, or 41.1M dozen eggs were produced from conventional systems. Considering that the average layer produces 26.54 dozens in a year, BCEMB registered producers have transitioned approximately 763,000 layers from conventional to alternative housing systems since 2017. In 2021, BCEMB surpassed the milestone to move 50% of production into alternative housing systems.

BC’s accelerated transition to alternative systems is expected to continue. As indicated in a previous section, BCEMB data indicates that 13 new barns will be built in 2023/ 2024, 12 of which will be enriched systems and 1 will be free run. These numbers may be greater for 2024 if new barn build information is received over the next 6 months.

Appendix C - Allocation History

The information in Table C1 indicates the dates of EFC national allocation requests to Farm Products Council of Canada (FPCC), the dates FPCC provides their approval, the dates quota was distributed by the BC Egg Board and how much of that quota has been placed today.

Table C1 – National Allocation Distribution and Utilization

EFC Request to FPCC	FPCC Request Date Approved	Date EFC Ratified Quota Allocation	Related BCEMB Quota Increase	Date BCEMB Allocated to Producers	Utilized as of February 2023
	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	100%
Nov 10, 2017	Dec 15, 2017	Dec 18, 2017	2.582% + 256 Equal	October 28, 2018	100%
Nov 13, 2018	Dec 11, 2018	Dec 14, 2018	5.217% + 100 Equal	July 14, 2019	97.0%
Nov 6, 2019	Dec 18, 2019	Dec 19, 2019	Held in Reserve until 2021	Oct 31, 2021	72.9%
Sept 5, 2021	Sept 14, 2021	Oct 3, 2021	1.56% + 150 Equal		
Nov 15, 2021	Dec 15, 2021	Dec 17, 2021	Held in Reserve until 2022		
Nov 15, 2022	Dec 13, 2022	Dec 16, 2022	4.528% Proposed		

- October 19, 2014 – BCEMB distributed the 67,890 quota units from the 2013 EFC Allocation and 15,955 units from the Quota Reserve for a total growth of 3.25% distributed pro-rata to all producers. 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 for a total growth of 2.70% distributed pro-rata to all producers. 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 New Producer Program (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.
- October 31, 2021 – BCEMB distributed 73,229 quota units from its December 19, 2020 and October 3, 2021 EFC allocations. A total of 22,350 quota units were distributed as equal distribution and 50,879 quota units were distributed pro-rata. Final BCFIRB approval for the distribution plan was received on October 28, 2021.

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, enabling producers to have the hens in production as quickly as possible after an allocation announcement. Table C2 below highlights the ability for producers to respond more quickly to quota increases when they are better able to plan for it. However, the last few years of turbulent markets have been anything but predictable and thus BCEMB is recommending diverging from that policy for this allocation.

Table C2 – Percentage of eligible producers who placed the new allocation quota after it was received

Year	Allocation	1st Week	5th week	26th week	52nd week	As of February 2023
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%	100.0%
2018	2.582% + 256 Eq. Dist.	21.3%	54.4%	83.8%	95.7%	100.0%
2019	5.217% + 100 Eq. Dist.	25.5%	47.5%	88.7%	98.5%	100.0%
2021	1.564% + 150 Eq. Dist.	36.9%	62.4%	79.9%	95.3%	97.3%