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## BC Farm Industry Review Board

May 5, 2021

File: 44200-20\BHEC

### DELIVERED BY EMAIL

Jim Collins  
Chair  
BC Broiler Hatching Egg Commission

Dear Mr. Collins

### ONTARIO RESERVE FUND REQUEST – TRANSFER TO RESTRICTED RESERVE FOR THE UNFORESEEN

On April 6, 2021 the BC Broiler Hatching Egg Commission (Commission) requested approval to transfer the remaining Ontario Reserve Fund (Fund) to its restricted Reserve for the Unforeseen. The Commission recommends the funds be restricted to Avian Influenza crisis response or start-up costs for Avian Influenza insurance when a suitable product becomes available. With the proposed transfer, the Fund would be fully committed.

For the reasons that follow, the BC Farm Industry Review Board (BCFIRB) approves the transfer of the remaining Fund to the Commissions restricted Reserve for the Unforeseen based on the following conditions:

1. The Commission provide BCFIRB and its stakeholders with the specific restrictions placed on the funds once established; and,
2. Use of fund monies are reported publicly.

### Rationale

The Fund (\$1.18 million) was originally established in 2000, arising from a transfer of allocation to Ontario (see Appendix A for background and previous BCFIRB approvals).

BCFIRB established the following prior approval criteria for Fund use:

- The fund be used for the overall improvement of the hatching egg industry;
- The fund distribution plan be prior approved by BCFIRB before any expenditure; and,
- BHEC is to use good accounting procedures and reporting.

In February 2015 BCFIRB revised its prior approval criteria to include:<sup>1</sup>

- Use of a SAFETI<sup>2</sup>-based process;
- Legal and sound marketing policy requirements met;
- The expenditure plan is communicated to producers and all hatching egg stakeholders; and,
- Use of fund monies and rationale are reported publicly.

We are satisfied the Commission's proposed transfer and restrictions are strategic and meet sound marketing policy. The Commission demonstrates how COVID-related impacts on the hatching egg sector resulted in a critical draw down of its financial reserves. Restoring its reserves will enable the Commission to address important issues, including establishing a Salmonella insurance program<sup>3</sup> which will benefit hatching egg producers. To restore the Commission's financial reserves, it is taking a variety of actions, including its proposal to move the remaining Fund to its Reserve for the Unforeseen, with restrictions. In turn the transfer would allow the Commission to repurpose an equivalent amount currently in the Reserve for operations. Proposed Fund restrictions relate to Avian Influenza, a significant disease risk to both the hatching egg and entire BC poultry sector which can disrupt orderly marketing.

We are satisfied the Commission's process in reaching its proposal was inclusive and transparent. The Commission notified producers at the 2021 Winter Producers meeting of the proposed Fund transfer. No objections were raised. Further explanation of the Commission's plans to restore its financial reserves, including transfer of the Fund was provided in writing to all producers, copied to the BC Egg Hatchery Association along with a request for any additional feedback. No feedback was received.

Administrative decisions made by the Commission related to the Fund are appealable under s. 8 of the *NPMA* within 30 days of a Commission decision.

Regards,



Peter Donkers  
Chair

cc: Harvey Sasaki  
Chair, BC Chicken Marketing Board

BCFIRB web site

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<sup>1</sup> BCFIRB recognized BHEC restoring the Fund (\$1.8m) after improper expenditures that took place up to 2005 and affirmed BCFIRB's prior approval criteria.

<sup>2</sup> Strategic Accountable Fair Effective Transparent Inclusive

<sup>3</sup> Salmonella can result in food borne illness via broiler chickens.

## **Appendix A -- Background**

The Ontario Reserve Fund (Fund) arises from the historical transfer of hatching egg production from BC to Ontario. In accordance with the requirements of the 1993 World Trade Organization Agreement on Agriculture, the federal government adjusted the broiler hatching egg import/export ratio. As a result, BC was required to reduce its hatching egg production. The Commission transferred a portion of B.C.'s share of the domestic national allocation to the Ontario Broiler Hatching Egg & Chick Commission (OBHECC). In return, the OBHECC paid the Commission \$1.8 million.

BCFIRB prior approved the allocation transfer in March 2000 with the proviso that monies realized from this agreement would be used to fund projects for the improvement of the hatching egg industry, and that BCFIRB must prior approve any expenditures. Following a series of unapproved and untracked expenditures, the Commission replenished the fund (\$1.18 million) through a levy.

### **BCFIRB approved expenditures**

*February 7, 2020 and February 19, 2021*

- BCFIRB approved use of the Fund to support a long-term lease resulting in co-location with the BC Chicken Marketing Board with the following conditions
  - The Commission uses good accounting procedures and reporting;
  - Use of the Fund monies and rationale are reported publicly; and,
  - Any remaining Fund monies continued to be subject to BCFIRB's prior approval conditions.

*November 16, 2017*

- BCFIRB approved temporarily use the Fund as additional assurance in support its avian influenza surveillance program and rapid response plan, in the event of an avian influenza outbreak during the 2017/18 season.
- The Fund was not used as there was no avian influenza outbreak.

*June 22, 2016*

- BCFIRB approved use of the Fund for the purchase of an office building and any related necessary improvements with the following directions:
  - The purchase must result in co-location with the Chicken Board;
  - If the building purchase would not result in co-location with the Chicken Board the Commission was to re-submit its prior approval request to BCFIRB.
  - Any remaining Fund monies continued to be subject to BCFIRB's prior approval conditions.
- No suitable options for purchase were identified by the Building Committee.