



January 15, 2016

Mr. John Les, Chair
British Columbia Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria, BC
V8W 9B5
VIA EMAIL: firb@gov.bc.ca

Dear John,

Chicken Farmers of Canada Operating Agreement.

The directors of the British Columbia Chicken Marketing Board are seeking the approval of the British Columbia Farm Industry Review Board to sign the amended CFC Operating Agreement upon conclusion of our issue related to the exemption levels for unregulated production found in Annex I of the current agreement.

Further Processing

As you are aware, one of the major issues of contention in the new allocation formula was the further processing component. This has been resolved to the satisfaction of the BCCMB. Agreement was reached late in 2015 by the CFC board of directors that will provide BC with 14.069% of the allocation available under the further processing component. This number is very close to our pro rata share of the national allocation and is a major improvement from the 5 to 6% that we were receiving prior to this agreement. Further, the CFC directors have agreed to form a steering committee in 2016 to establish the terms of reference for a new RFP that will be designed to establish a fact based and defensible further processing component by the first allocation period of 2019. BC's director at the CFC table has agreed to this process following consultation with the BCCMB.

Annex I Exemptions

The remaining issue of concern to the BCCMB is related to the exemptions listed in Annex I of the current CFC operating agreement. I refer you to a letter that was sent to Mr. Mike Dungate, Executive Director of CFC dated November 28, 2014 (cc'd to J. Collins, copy attached).

This matter remains unresolved at this time, but the BCCMB is confident that a solution can be found that will satisfy the needs of the BCCMB and the small lot growers of British Columbia.

Resolution of Annex I would, in the view of the BCCMB clear the last hurdle preventing the BCCMB from becoming a signatory to the new CFC Operating Agreement.

Summary

The process for resolving the often contentious and sometimes divisive issue of allocation of future growth in the Canadian chicken industry has been ongoing for many years. The amount of human and financial capital that has been expended during this process has at times been at the expense of other issues critical to our industry. It was made clear to the provinces and CFC by Farm Products Canada that the previous 100% pro rata system of allocation was not only unsustainable, but did not meet the comparative advantage requirements of the Natural Products Marketing Act. It is also very clear that there is no appetite for further negotiations at the CFC table. The agreement which we currently have in front of us took years to negotiate and required compromise from all provinces. It is time to move on not only for BC, but in the best interests of supply management and the integrity of the national agency, Chicken Farmers of Canada.

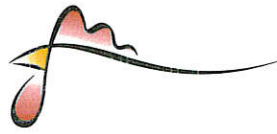
The directors of the British Columbia Chicken Marketing Board have taken this position and made this request of BCFIRB employing the lenses of SAFETI and principle based regulation. Our board remains confident that the long term effects of the comparative advantage components of the formula such as population growth, further processing, income based GDP, CPI and quota utilization bode well for the growth of the BC chicken industry in the future.

On behalf of our Board, I thank you in advance for your consideration of our request.

BRITISH COLUMBIA CHICKEN MARKETING BOARD



Robin Smith
Chair



November 28, 2014

Chicken Farmers of Canada
350 Sparks Street, Suite 1007
Ottawa, ON
K1R 7S8

Sent by email: mdungate@chicken.ca

Attention: Mr. M. Dungate, Executive Director

Regarding: Operating Agreement Amendments.

Dear Mike,

Thank you for your correspondence dated November 24, 2014 requesting comments on the draft amendments to the CFC operating agreement.

At their regularly scheduled meeting held on November 26, 2014 the directors of the BC Chicken Marketing Board reviewed and discussed the track change version of the document as presented by CFC.

With regard to the proposed changes that are intended to accommodate and implement the long term allocation memorandum of understanding, the BCCMB has no concerns or comments.

The BCCMB does however have concern with respect to the provincial exemption levels outlined in Annex I of the current Operating Agreement. Please find attached copies of correspondence from CFC dated July and September 2011 which clearly show that CFC has been aware for at least three years that BC has a second level of exemption specified as *Permit for a maximum of 2000 birds per year for small lot growers and self-marketers (Reference Part 51 Permits of the BCCMB General Orders)*.*

The BCCMB is requesting formal inclusion to Annex I of the CFC Operating Agreement of our second level of provincial quota exemption for our permit program that has been in effect since 2005 and which CFC has been aware of since at least 2011. This matter has been discussed by our Board and CFC approval will required in order for the Chair of the British Columbia Chicken Marketing Board to sign the proposed amended Operating Agreement.

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The Executive Director of the British Columbia Farm Industry Review Board is aware of the position of the BCCMB with regard to this matter and is copied on this correspondence.

Thank you for your attention to this matter.



Bill Vanderspek
Executive Director
British Columbia Chicken Marketing Board.

Encl.

c.c. Mr. J. Collins, Executive Director, BCFIRB
Mr. D. Janzen, Chair, Chicken Farmers of Canada

* The BCCMB General Orders were revised on August 26, 2011. Renumbering resulted in Part 51 Permits becoming Part 50 in this revision. No changes to the wording of the Part were made at that time.

B:\Administration\Correspondence\CFC\OA Annex I comments.docx



September 27, 2011

To:
Provincial Boards
Provincial Supervisory Boards
Farm Products Council of Canada

RE: Operating Agreement Explanatory Notes and Annex 1 (Provincial quota exemptions)

Dear Sir, Madam,

At CFC's Board of Directors meeting in July 2011, CFC Directors approved an Explanatory Notes document relating to Chicken Farmers of Canada's Operating Agreement. This document is the result of a review of the Operating Agreement undertaken by the CFC Policy Committee over the course of 2010 and 2011. Provinces and CFC's legal counsel were consulted during the review process.

The last time changes to the Operating Agreement itself were initiated was in 2003 when the concept of the Anticipated Growth Rate was incorporated into the Operating Agreement and some minor changes to the language were made. These changes were approved by all signatories in 2006 and 2007.

Based on a recommendation from the Policy Committee, the CFC Board of Directors decided that making changes to the Operating Agreement and seeking agreement from all signatories was not warranted at this time, but that an Explanatory Notes document providing explanations to areas of the Operating Agreement that had been identified as needing clarification as well as some historical context was the preferred approach. The Board approved the attached Explanatory Notes document as a side document to the Operating Agreement that is to be reviewed every time the Operating Agreement is reviewed. These Explanatory Notes only provide clarification of the Operating Agreement, they do not change any of the provisions of the Agreement.

The Board also decided that an updated version of Annex 1 of the Operating Agreement (Provincial quota exemptions) be made available as a separate document. Similar to the Explanatory Notes document, Annex 1 is to be reviewed every time the Operating Agreement is reviewed.

A copy of both documents is attached.

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Sincerely,



Mike Dugate,
Executive Director
Encl.

EXPLANATORY NOTES

Relating to

Chicken Farmers of Canada's Operating Agreement

July 2011

Preamble

The purpose of this document is to provide explanation in respect of certain provisions in the Operating Agreement (Schedule B of the Federal Provincial Agreement (FPA for chicken). This document is purely for explanatory purposes and does not add to or modify the Operating Agreement in any way.

The explanatory notes appear in the order in which the sections of the Operating Agreement the notes speak about appear.

Explanatory notes

1. Exceptional circumstance request – section 4.09

The combination of sections 4.08 and 4.09 makes it possible, where exceptional circumstances exist, to permit a province to request an allocation in excess of the provincial range for one or more periods. The effect of section 4.09 is that some or all of those additional kilograms could be accommodated within the existing range. The intent of section 4.09 is to ensure that provinces in the same region as the province with an approved exceptional circumstance request are not disadvantaged when calculating the region's compliance with the regional range that is in effect for the applicable period(s).

2. Interpretation of bottom up process – section 3.08(a) and (b)

As described in section 3.08(a), "a provincial commodity board will consult with its processors using a bottom up approach and, having regard to the market requirements proposed by those processors, will arrive at the estimated provincial market requirements prior to the submission of the quota allocation request for the period to CFC". There is an onus on the provincial board to consult with the processor(s) regarding the market requirements for the period, but it is the responsibility of the provincial board to determine the volume that is requested to CFC. Bottom up refers to the the national allocation being set as a result of the submission of requests by provincial boards as opposed to the previous top-down process whereby CFC determined the national allocation and divided it up amongst the provinces. Every provincial board has the flexibility to institute the consultation process with processors that satisfies its requirements.

3. Interpretation of section 3.09 around the wording "having regard to the quota allocation request made by the Provincial Commodity Board"

"Having regard to" in this section means that CFC cannot force the allocation number upon provincial boards because it would effectively change the allocation process back to a top-down process. This is the reason why a board member cannot make a motion to set an allocation at a certain number or percentage under or over base allocation when all the provincial boards have not submitted their volume requests at that number or percentage versus base because it effectively forces them to adjust their number. As a result, CFC Directors have implemented a straw poll exercise to determine if provincial boards are willing to submit specific volume requests.

4. Special votes – sections 3.06, 4.01, 4.03(b), 4.05 and 4.06

The special vote gives CFC and the provincial boards the authority to amend certain areas of the Operating Agreement without needing the support and approval from all of the FPA signatories. While

the original intent of the two-tiered FPA was to provide CFC and the provincial chicken boards with the authority to make changes to the OA, the final result is flexibility to change the percentages in sections 3.06, 4.01, 4.03(b), 4.05 and 4.06 without needing approval from the other FPA signatories. If CFC and the provincial chicken boards decide to make a change to the Operating Agreement by means of a special vote, a revised copy of the OA will be circulated to all signatories.

5. Quota allocation requests – section 4.02(b)

The quota allocation requests in this section refer to the initial request made by the provincial boards. If the initial allocation requests trigger an automatic temporary change to the regional range, CFC staff will advise the provincial boards whose requests exceed the new ranges and MRP to adjust their numbers to be in compliance before publishing the summary sheet. It is not the intent of the OA for this section to be used during the allocation setting process as a means to force other provincial boards to adjust their numbers downward.

6. Relationship of section 4.04 and 4.07 to section 3.05 (setting of the AGR)

The previous ranges in sections 4.04 and 4.07 refer to the default ranges in sections 4.01 and 4.06 respectively. So if the regional or provincial ranges are changed temporarily by triple majority vote under sections 4.04 and 4.07, the previous ranges they revert to are the default regional and provincial ranges in sections 4.01 and 4.06. Changes to these ranges with the setting of an AGR under section 3.05 are temporary and only apply for one period, after which they also revert to the default regional and provincial ranges in sections 4.01 and 4.06. The current default ranges are a 5% regional range and an 8% provincial range. As specified in sections 4.01 and 4.06, the default regional and provincial ranges may be changed by a special vote, at which time they set new default ranges.

ANNEX 1

PROVINCIAL QUOTA
EXEMPTIONS

| PROVINCE | PERMITTED AMOUNT |
|----------------------|--|
| British Columbia | 200 birds per year per family or property for personal consumption (Reference Part 2 Exemptions of the BCCMB General Orders) Permit for a maximum of 2000 birds per year for small lot growers and self marketers (Reference Part 51 Permits of the BCCMB General Orders) |
| Alberta | 2000 chickens per year – per person exempted under Alberta Regulation 70/93 and 6000 chickens per year per communal group with a communal group production quota under Alberta Regulation 84/93 |
| Saskatchewan | 999 chickens per year – per unregulated grower and 5000 chickens per year per communal group with a communal group production allowance quota under Saskatchewan Board Order 42/08 |
| Manitoba | 999 chickens per year – per unregulated grower |
| Ontario | 300 chickens per year - a person is required to register with and is permitted by the Board to produce and market no more than 300 chickens on an annual basis |
| Quebec | 100 chickens per year – per unregulated grower unless specially authorized to market a greater quantity |
| New Brunswick | 200 chickens per year – per unregulated grower |
| Nova Scotia | 200 chickens per year – per unregulated grower |
| Prince Edward Island | 500 chickens per year – per unregulated grower |
| Newfoundland | 100 chickens per year – per unregulated grower |

ADDENDUM 1

EXEMPTIONS DE
CONTINGENTS PROVINCIALES

| PROVINCE | QUANTITÉ AUTORISÉE |
|-----------------------|--|
| Colombie-Britannique | 200 poulets par année et par famille ou propriété à des fins de consommation personnelle (réf. Partie 2, Exemptions des Ordonnances générales de l'OCPCB) Permis pour un maximum de 2 000 poulets par année pour les petits éleveurs et commerçants autonomes (réf. Partie 51, Permis des Ordonnances générales de l'OCPCB) |
| Alberta | 2 000 poulets par an, par personne exemptée selon le règlement 70/93 de l'Alberta et 6 000 poulets par an, par groupe d'exploitants de ferme collective ayant un contingent de production en tant que groupe d'exploitants de ferme collective selon le règlement 84/93 de l'Alberta |
| Saskatchewan | 999 poulets par an, par producteur non réglementé et 5 000 poulets par année par groupe communal détenant un contingent de production communale attribué conformément à l'Ordonnance 42/08 de l'office de la Saskatchewan |
| Manitoba | 999 poulets par an, par producteur non réglementé |
| Ontario | 300 poulets par année - une personne individuelle est tenue de s'enregistrer auprès de l'office et est autorisée à produire et à commercialiser un maximum de 300 poulets par année |
| Québec | 100 poulets par an, par producteur non réglementé sauf si une autorisation spéciale de mettre en marché une plus grande quantité a été accordée |
| Nouveau-Brunswick | 200 poulets par an, par producteur non réglementé |
| Nouvelle-Écosse | 200 poulets par an, par installation |
| Île-du-Prince-Édouard | 500 poulets par an, par producteur non réglementé |
| Terre-Neuve | 100 poulets par an, par producteur non réglementé |

MEMORANDUM

TO: CFC Directors
FROM: CFC Staff
DATE: November 24, 2014
SUBJECT: Operating Agreement amendments to implement long term allocation MOU

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Issue:

Amendments are required to the Operating Agreement to implement the *Memorandum of Understanding for a long term chicken allocation agreement* (MOU), which was approved by CFC Directors on November 20, 2014.

Background:

All provincial boards and CFC have signed the attached MOU and the Atlantic Canada Safeguard Agreement, dated November 10, 2014.

On the basis of the signed MOU, Alberta Chicken Producers has initiated the process for Alberta to re-enter the Federal Provincial Agreement for chicken. Alberta will re-enter the FPA once the four Alberta signatories (Minister of Agriculture, Minister of Intergovernmental Affairs, Alberta Farm Product Marketing Council, and Alberta Chicken Producers) have signed the notice to re-enter.

CFC Directors have agreed to pursue amendments to the Operating Agreement in order to have the amended operating agreement in place in time for the setting of A-133 in July 2015.

Through a separate process, the CFC Policy Committee is seeking input on whether CFC should consider setting allocations two periods at a time and whether there is ongoing value in setting an anticipated growth rate (AGR) for each period.

Considerations:

CFC staff and legal counsel have prepared the attached draft of the proposed amendments to the Operating Agreement dated November 21, 2014 using track changes. These changes are necessary

to implement the MOU. Should Directors determine that allocations should be set two periods at a time and/or the AGR should be removed, further amendments to the OA will be required.

Unless it is specified directly in the OA, any amendments to the revised OA will require the approval of provincial chicken boards, provincial supervisory boards and CFC. Should CFC Directors wish to have more flexibility to approve amendments by special vote (a CFC vote that is supported by all 10 provincial board directors) they need to identify the specific provisions to which that vote will apply. **CFC Directors are requested to provide their comments on the draft OA amendments to CFC by December 5, 2014.**

On November 20, CFC Directors determined that, as much as possible, the Policy Committee consultation on the AGR and setting two allocation periods at a time should be incorporated into the OA amendment process. **In this regard, Directors determined that CFC members should have an additional week to provide their comments to the Policy Committee. The new deadline is November 28, 2014.**

The CFC Executive Committee will discuss the OA amendments with Farm Products Council of Canada on December 11, 2014.

CFC Directors will subsequently be asked to consider the proposed OA amendments that include comments provided by CFC Directors at the January 21-22, 2015 board meeting.

At or before the March 24-26 board meeting, CFC Directors will be asked to provide final approval to the OA amendments.

Once approved, CFC and provincial boards will be asked to seek provincial supervisory board approval of the OA amendments by June 2015. Concurrently, CFC will consult with FPCC to determine if the OA amendments require Governor-in-Council approval.

The objective is to have the OA amendments finalized in advance of the setting of the allocation for A-133 in July 2015.

Recommendation:

CFC Directors consult with CFC member organizations and provide comments to CFC on the AGR and setting two allocation periods at a time by November 28, 2014.

CFC Directors consult with CFC member organizations and provide comments to CFC on the proposed OA amendments by December 5, 2014.