

**Supervisory Review of Proposed CFC Operating Agreement
(Federal Provincial Agreement for Chicken)**

**DOCUMENTS OF THE
PRIMARY POULTRY PROCESSORS ASSOCIATION OF BC**

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Supervisory Review of Proposed CFC Operating Agreement (Federal Provincial Agreement for Chicken)

DOCUMENTS OF THE PRIMARY POULTRY PROCESSORS ASSOCIATION OF BC

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Farm Products Council of Canada
Guidelines for the Consideration of the
Comparative Advantage of Production

1. Purpose

The purpose of these Guidelines is:

- to define Council's interpretation of comparative advantage of production under section 23(2) of the Act, and;
- to detail the framework which will be used by Council to satisfy itself that an Agency has given due consideration to the principle of comparative advantage of production when allocating additional quotas for anticipated growth in market demand; in the absence of another mechanism as developed by the Agency and approved by Council.

2. Authority

Section 6(1) b) of the Act states that:

(The duties of the Council are) to review the operations of agencies with a view to ensuring that they carry on their operations in accordance with their objects set out in Section 21 or 41, as the case may be.

Section 21 of the Act states that:

(The objects of an agency are) (a) to promote a strong, efficient and competitive production and marketing industry for the regulated product or products in relation to which it may exercise its powers; and (b) to have due regard to the interests of producers and consumers of the regulated product or products.

Section 23(2) of the Act states that:

In allocating additional quotas for anticipated growth of market demand, an agency shall consider the principle of comparative advantage of production¹.

3. Definitions

"Act" means the *Farm products Agencies Act*.

"Agency" means a national marketing agency as established under Part II of the Act.

"Council" means the Farm Products Council in Canada.

"Comparative Advantage Methodology" refers to all indicators, formulas and considerations employed by the Agency in allocating quotas based on criteria other than historical market shares.

"Growth in Market Demand" means the difference between the anticipated demand for chicken for a set period and the total domestic chicken allocation in the same period during the previous year; taking into account unforeseen events and special circumstances.

¹ While much of the discussions at the Agency level have been on the issue of differential growth, there are no references in the Act to differential growth. However, the consideration of comparative advantage of production can lead to production within given regions or provinces growing at different rates.

"Historical Market Shares" of a region or province means the quantity, in kilograms, allocated to a region or province, for a set period of time in the year prior to the implementation of the Agency's comparative advantage methodology.

4. Interpretation and Principles

In Council's view, its duties under 6(1)b) encompass a review of the Agency's operations to ensure that they are in accordance to Section 21 of the Act as well as a review of how quotas are allocated between provinces and the manner in which the principle of comparative advantage of production is considered.

Following an examination of the debates which led to the creation of the Act, Council is of the view that what was meant by the legislator when inserting the expression "principle of comparative advantage of production" was related to all costs and factors involved in bringing the regulated product from the farm to the consumer table².

As such, it is Council's position that comparative advantage of production should be interpreted as an element related not strictly to the Ricardian definition of comparative advantage of production,³ but something more akin to the theory of *competitive advantage*⁴.

In establishing its comparative advantage methodology, the Agency shall ensure that the following principles are respected:

- The methodology must protect the existing allocations, in kilograms, of provinces and regions, at the time of the implementation, and apply only to production growth in excess of those quantities.
- The methodology must give all provinces and regions the possibility to obtain differential growth.
- The methodology must detail how negative market growth will be distributed.
- The methodology must detail any and all eligibility criteria (sanitary requirements, quality assurances, quota utilization) which must be met by a province or region in order to be allocated quotas based on comparative advantage of production.

5. Application

The following Guidelines come into effect on September 1st, 2013 and apply to any future allocations where the quantity of chicken allocated by the Agency for a period is greater than the quantity of chicken allocated by the Agency during an equivalent period of the previous year.

6. Data Sources and Comparisons

Data employed in calculating quota distribution for anticipated market growth should come from regularly updated publicly available data sources or, where data is obtained from private sources, be made available to Council for review.

² House of Commons, Minutes of Proceedings and Evidence of the Standing Committee on Agriculture Respecting Bill C-1767, Issue no. 42, April 1, 1971, 42:26.

³ Ricardo, David (1817) The Principles of Political Economy and Taxation, London: John Murray.

⁴ Porter, Michael E. (1985) Competitive Advantage: Creating and Sustaining Superior Performance, the Free Press, Chapter 1.

7. Comparative Advantage Methodology

Every three years, the Agency will provide Council with a comparative advantage methodology describing which criteria will be employed to assess the comparative advantages of provinces or regions. This document will also include an overview of the structure of their industry from production to consumption, and an explanation of how it relates to the criteria chosen to assess comparative advantage. This overview will, among other things, provide a description of how the sectors of the supply chain are structured; including a discussion on whether a regional or provincial distribution is more appropriate to assess these sectors.

- Where the Agency determines that some elements will be measured on a regional basis as opposed to a provincial one, the Agency will provide Council with an explanation of the methodology which will be employed by the Agency to distribute regional growth among the provinces within a region.
- Where regional indicators are employed, the Agency will provide Council with an explanation of how provincial data will be aggregated to construct regional indicators.

The Agency's methodology will also specify the proportion of market growth to be allocated based on historical market shares and the proportion to be allocated on comparative advantage criteria.

- The proportion of market growth to be allocated based on comparative advantage criteria shall not be less than 30 percent or exceed 70 percent.

8. Criteria Categories

When determining how to allocate additional quotas for the proportion of the market growth which the Agency has determined will be distributed based on comparative advantage, the Agency will select five or more indicators, with a minimum of one from each category.

The Agency will also determine the weights given to each of these indicators; ensuring that the total weight of all indicators within a given category do not amount to less than 25 percent or more than 50 percent of the proportion of market growth which the Agency has determined will be allocated through comparative advantage criteria.

The Agency will also provide Council with an overview of the data sources to be employed to measure these criteria.

a) **Production**

Indicators or variables which demonstrate a province or region's advantage in the production of the regulated product such as:

- 1) Indicators of the price received by producers:
 - live prices;
 - prices determined through a cost of production survey, or
 - prices determined through a cost of production model.
- 2) The price of inputs which represent a substantial portion of the costs of producing the regulated product, including:
 - feed prices;

- chick prices, or
- labour costs.

- 3) Indicators of production efficiency such as median or average operation size.
- 4) Other variables, as approved by Council, which are deemed relevant indicators of a province or region's efficiency in producing the regulated product.

b) Processing

Indicators or variables which demonstrate a province or region's advantage in the processing or further processing of the regulated product such as:

- 1) The proportion of the processing industry.
- 2) The relative growth of the processing industry.
- 3) The proportion of the further processing industry.
- 4) The relative growth of the further processing industry.
- 5) Other variables, as approved by Council, which are deemed relevant indicators of a region's cost efficiency in processing, further processing or delivering the regulated product to consumers.

c) Retail and Consumption

Indicators or variables of both the size and growth of the retail industry, consumer market or demand within a given province or region, such as:

- 1) The size of the population.
- 2) Per capita consumption of the regulated product and population.
- 3) The relative growth of the population of a province or region.
- 4) The proportion of the retail industry.
- 5) The relative growth of the retail industry.
- 6) Variations in consumer prices.
- 7) The relative variations of consumer prices.
- 8) The economic growth.
- 9) The relative economic growth of a province or region.
- 10) Other variables, as approved by Council, which are deemed relevant indicators of a province or region's retail industry, consumer market or demand.

9. Methodology Modifications

When the Agency wishes to modify its comparative advantage methodology, the Agency will provide Council with an overview of how it intends to consider comparative advantage of production in the future. This overview will be presented to Council at a time which is deemed most relevant to the Agency's allocation process; and which allows for sufficient review time for Council.

Where the Agency decides to change the criteria employed to measure comparative advantage or their respective weighing, it will provide Council with a rationale explaining the reasons behind the changes.

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October 27, 2000

File: 00146-45/CMB FPA REV

DELIVERED BY FAX, ORIGINAL TO FOLLOW

David Fuller
Chair
Chicken Farmers of Canada
Delta Office Towers
350 Sparks St, Suite 1007
Ottawa ON K1R 7S8

Dear David Fuller:

This letter responds to your letter of September 22, 2000 enclosing a draft Federal Provincial Agreement (FPA), including draft Schedules.

As has been stated in the past, the British Columbia Marketing Board (BCMB) supports a Federal Provincial Agreement provided such agreement meets British Columbia's interests. In that regard, the BCMB is not prepared to decide whether to endorse any agreement until such time as industry stakeholders have been consulted, and a number of substantive questions about the proposed draft have been answered. In this connection, I observe that up until now, the discussion of supervisory agencies has not included specifics of the proposed "Operating Agreement" Schedule. Prior to the September meeting, the BCMB had not been involved in either the instructions or details of the drafting of the proposed Operating Agreement.

Upon my preliminary review of the proposed Operating Agreement, a number of key issues arise, regarding which I seek information.

First, it is not clear how the allocation numbers in any Proclamation, which would seem to have the force of law, can be reconciled with what appears to be a separate method, in the draft Operating Agreement, for the initial base calculation: section 3. The proposed Proclamation (Schedule A) appears to establish a very low allocation for British Columbia (ss. 6(4)-(6)), which is substantially less than our actual production, and which also appears low relative to the production assigned to other provinces. We would like clarification about how these numbers are consistent with the quota allocation formula mandated in s. 23(1) of the *Farm Products Agencies Act*.

**British Columbia
Marketing Board**

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David Fuller
 October 27, 2000
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All this takes on particular importance since proposed Schedule A, s. 7(1) states that the allocation cannot be changed "unless the process set out in the Operating Agreement for making changes to quota allocation has been followed. The Operating Agreement (Schedule B) appears to deal with "changes" in clauses 4.01-4.11." Collectively, these clauses appear to suggest that changes will not be easy to obtain, particularly when one commences with a very low initial base. Nor is it clear what the "principle of comparative advantage" would mean in relation to any proposed increase either generally, or in British Columbia's circumstance.

If these issues could be clarified, the workings of the draft Operating Agreement regarding the provincial base elicit further questions. For example, s.3.02 states that a province's base will be the lesser of its allocation for the previous year (there was none for BC since it was not an FPA signatory) or the sum of its actual producer allocations (we presume, by the BC Chicken Marketing Board (Chicken Board)). At the same time, s. 3.05 appears to confer an overriding discretion in the Chicken Farmers of Canada (CFC) to establish BC's allocation, which does not appear entirely consistent with s. 3.02.

I expect that stakeholders will inevitably request answers to the method and criteria the CFC proposes to use to establish British Columbia's base. Also of interest is how and by whom BC's base can be reduced over its objection and what, if any, recourse British Columbia has if it does not agree with decisions taken by representatives from Provinces with greater voting power. As you will recall, these were all key questions raised by stakeholders at the time the National Allocation Agreement was discussed.

A further issue relates to the CFC discretion, conferred under the draft agreement (Schedule B, s.7) to "establish and maintain a market development policy". The terms and operation of any market development policy are not, at present, clear. Prior to any decision regarding whether to sign or recommend an FPA, the terms of any proposed policy would need to be fully and precisely disclosed by CFC and understood in order to determine whether they are consistent with the Provincial interest. This is particularly important to British Columbia, since it appears that the market development policy will be the successor to the "export" program under the former National Allocation Agreement. As recent history has shown, that system has been the subject of controversy in British Columbia. The Chicken Board's latest attempt to deal with the subject of what has been alternatively called "export" and "regrow" appears to be one issue before the BCMB by way of appeal of Regulations recently passed by the Chicken Board. Since that appeal may in some fashion address the question of what sort of approach to export/regrow is in the provincial interest, it would be significant in any position the BCMB were to take regarding this proposed agreement.

There are other questions of substance arising from this draft. For example, there are questions regarding the operation of the proposed "overmarketing levy" in Schedule B, cl.6. For example, does the proposed levy attach only to growers marketing to processors? Is it expected to operate automatically, without discretion as to whether the levy is appropriate?

David Fuller
October 27, 2000
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You have stated an objective of having relevant parties, including Ministers, sign the agreement before the end of December, 2000.

The BCMB will of course proceed in good faith in relation to this matter. In view of the need for industry consultation, the need to facilitate the necessary attention by the provincial Ministry and to avoid duplication, we are suggesting that the Minister, the BCMB and the Chicken Board carry out a single consultation process.

Within this context, I can advise you that a BCMB appeal panel is presently conducting an appeal from recent Chicken Board Regulations. One aspect of that appeal relates to what the Provincial "export program" should be. While that appeal does not preclude public comment and input regarding a proposed FPA, the BCMB believes that until the Panel rules, it would be premature for the BCMB to come to any final conclusions about the FPA. Further, and to safeguard the appeal Panel's independent judgment, the BCMB has determined there will be no communication between appeal Panel members and other BCMB members concerning the proposed FPA or the appeal until the resolution of that appeal.

To facilitate matters, it would assist the proposed BC signatories to carry out the consultation process, if the CFC will address the questions posed in this letter at the earliest opportunity. It would also be useful to have a representative available to address any further questions that may arise from the provincial consultation process. Thank you in advance for your assistance.

Yours truly,



Ross Husdon
Chair

cc: Honourable Corky Evans,
Minister of Agriculture, Food and Fisheries

Ms Marg Arthur,
Deputy Minister of Agriculture, Food and Fisheries

BC Chicken Marketing Board

BC Chicken Growers' Association

BC Primary Processors Association

NAASA



Chicken Farmers of Canada
Les Producteurs de poulet du Canada

December 8, 2000

Mr. Ross Husdon
Chairman
British Columbia Marketing Board
PO Box 9129
Station Provincial Government
Victoria, BC V8W 9B5



Dear Mr. Husdon,

Thank you for your letter of October 27, 2000 regarding the Federal Provincial Agreement for chicken. It is encouraging that the BCMB, the BC Minister of Agriculture and the BC Chicken Marketing Board all support a new Federal Provincial Agreement (FPA). I also appreciate your commitment to proceed in good faith to conclude the new FPA as quickly as possible.

As you know, the Operating Agreement of the new FPA is based on the National Allocation Agreement (NAA) that was signed by CFC and all Provincial Commodity Boards in 1998, which was supported by the BCMB. The new FPA formalizes the bottom up allocation system of the NAA, which has proven to be more flexible than the top down allocation system provided for under the current FPA in responding to the market requirements of the Canadian chicken processing industry. The NAA was developed over the course of a yearlong open consultation process, involving all sectors of the Canadian chicken industry.

The development of the new FPA has also been conducted through an open consultation process. Representatives from provincial supervisory boards and provincial commodity boards, as well as processor, further processor and restaurant representatives have all participated in the process. That being said, the character of the consultations to develop the new FPA has been much different than the one to develop the NAA.

The intent of concluding a new FPA is not to change the allocation system from that negotiated in the NAA. Rather it is an exercise to provide a solid legal underpinning to the bottom up allocation system in order to provide stability for the whole industry. With such stability in hand, the industry can invest with confidence to further expand this successful Canadian industry. Industry stakeholders, therefore, will likely support

an expedited consultation process as most would have participated in the intensive consultations that have already taken place regarding both the NAA and the FPA.

Regarding the Operating Agreement, it is clear that the provincial supervisory boards have focused their discussion much more on the FPA, while mandating CFC to take the lead on developing the Operating Agreement. CFC has, however, regularly advised and consulted with NAASA members on the Operating Agreement. The first full draft of the FPA, Proclamation and Operating Agreement was provided to NAASA members on May 19, 2000. Some NAASA members then participated in the June 6-7 meeting to discuss these drafts, after which a conference call was held with NAASA members on June 22 to discuss revisions to the texts.

After work by a small technical committee, which included NFPC, NAASA members were invited to participate in a July 10 meeting. Once again some NAASA members participated. Finally, a full and complete package was then sent to all NAASA members for their thorough review, in particular by legal counsel, on July 24. This provided all NAASA members seven full weeks to review the FPA documents in advance of the September 15 meeting held in Ottawa. The purpose of this meeting was not to conduct a preliminary review, but to address any outstanding issues. While the vast majority of the outstanding issues were addressed at the September 15 meeting, some finer points still required additional work. One of the issues that the BCMB undertook to address was the question of whether or not a change to the BC Natural Products Marketing Act is required to provide the BCCMB with the authority to sign the new FPA. In this regard, CFC would appreciate the opportunity to review the legal opinions on this issue that are being discussed by the parties in BC.

Regarding the base numbers in the Proclamation, we are not seeking to amend this section of the Proclamation, except to add BC back in at the identical level that was previously in the Proclamation for the January 1, 1986 to December 31, 1990 period. The base in the proclamation is essentially an historical reference point and there is no direct connection between it and the current base for each province.

Regarding your questions about setting base and allocation, it is important to note that the Operating Agreement does not change the method that the industry has been operating under for the past three years. As you are aware, the base for each province is set for six periods at a time following the procedures outlined in sections 3.02 to 3.04 of the Operating Agreement. CFC and the BCCMB will have to finalize how we deal with those periods that have been set since BC exited the NAA as a result of the BC Supreme Court decision in April 2000. For our own purposes, CFC has proceeded on the basis of the BCCMB allotments to farmers for these periods.

CFC does not have any authority to unilaterally reduce a province's base, as long as the provisions for establishing a province's base are followed. However, due to the

different timeframes for conducting audits of provincial boards and for setting provincial bases, a province's base may be inadvertently set at a level different from what it should be. As a result of any subsequent findings from a provincial audit, a province's base may be adjusted to its appropriate level.

Regarding the setting of allocation in section 4.00 of the Operating Agreement, changes are neither difficult nor easy. The bottom up system is based on provincial boards making allocation requests to CFC to meet market requirements. Effectively, provinces determine their own comparative advantage by requesting what they think their processors can market in a competitive environment. There are no locked in market shares. The requests by provinces must conform to the regional range, market responsiveness pool, provincial range and exceptional circumstance provisions. Growth up to five percent is fairly straightforward. Beyond that level, the higher the growth requested by a province, the more rationale required to secure approval. This is particularly the case if the province is making an exceptional circumstance request.

Regarding section 7.00 of the Operating Agreement, the market development policy does not replace the current CFC export policy. CFC's export policy is not contained in the FPA itself. It is a stand-alone policy that is permitted under the framework of section 7.00 of the Operating Agreement, which permits CFC to establish and maintain such policies. As such, it is not an issue for the FPA. The current CFC export policy remains unchanged since the cap was raised to 10% and the timeframe to export was increased to three periods in January 1999. As always, CFC remains open to consider any changes that may be proposed to improve the policy.

Regarding the overmarketing levy in section 6.02 of the Operating Agreement, it is the means to ensure that producers do not market chicken in excess of their quota allotment. Under subsection 6.02(b), each provincial board will determine the procedures and policies it will follow to collect these levies. The key issue from a national orderly marketing perspective is that when the production of the province exceeds 102% of the provincial allocation, the provincial board will remit levies or service fees to CFC.

I trust that the above clarifications meet the requirements of the BCMB to support the new FPA. Should you have any further questions, please contact Mike Dungate at your convenience.

Yours sincerely,



David Fuller
Chairman



April 11, 2001

Ministry of Agriculture and Food
Minister of Agriculture
Hon. Ed Conroy
PO Box 9043 Stn. Prov. Govt
Victoria BC V8W 9E2

BY FAX: (250) 387-1522

Re: new Federal Provincial Agreement

Dear Honorable Minister Conroy,

The BC Chicken Marketing Board (BCCMB) met on April 4, 2001 with Director David Matviw and BC Marketing Board Chair Ross Hudon. As a result of that meeting the BCCMB is formally requesting the approval of the Minister to enter into the new Federal Provincial Agreement (FPA) for chicken. Please also find attached the Board's minute authorizing its request to you.

As you are aware, the new FPA has been under negotiation for over two years by all stakeholders in the poultry industry. These negotiations also fully included the BCCMB and BCMB after BC's removal from the National Allocation Agreement (NAA) in April 2000. The BCCMB understands that the new FPA now has the full support of all ten Provincial Commodity Boards, Supervisory Boards as well as the Canadian Processors and Egg Producers Council (CPEPC).

While poultry production occurs on a provincial level, poultry processing and marketing operate on a national level; therefore, it would be in the best interests of BC to participate in a national agreement that acknowledges the current production and supply realities while providing a framework for stability and continuity for these stakeholders. Clearly, producers and processors in all ten provinces must have assurances that all are playing by the same rules.

The new FPA provides a framework for a quota allocation process in which Marketing Boards determine their allocations based on market requirements established by processors. This is the most important change from previous agreements and ensures that

BRITISH COLUMBIA CHICKEN MARKETING BOARD

101-12150 Simon Avenue, Abbotsford, BC V2T 1P2 Phone: (604) 859-2868 • fax: (604) 859-2868 • www.bccmb.com

all production activity is sensitive to the market place. Key changes were also made with respect to over production such that the previous Liquidated Damages Agreement (LDA) has been replaced with an over marketing levy. This levy can only be used by the Chicken Farmers of Canada (CFC) to fund promotional activities within the province in which the over production occurs. Ostensibly, the levy will alleviate the effect of over supply in the province.

Significant change was also made in the area of export policy. The FPA now provides an umbrella market development policy under which Provincial Boards can design their own export programs to meet unique circumstances, which are often affected by seasonal and geographic realities.

From a regional perspective, BC is perhaps in a stronger position to enter a new FPA at this point as its population and production are no longer dwarfed by Ontario and Quebec. BC is now the third largest province in terms of production and when coupled with the other three western provinces will be able to exert more significant influence over national poultry affairs than was ever previously the case.

From a provincial perspective BCCMB prevailed in two important areas. First, the BCCMB needed assurances that it would be able to enter a new FPA with a production base that reflected current production levels in the province (a key producer concern). Second, the BCCMB required that its current level of export production (a key processor concern) be acknowledged in the national export framework. Of equal importance to the above, BC as a signatory province will no longer encounter either destabilizing retaliatory measures (as it did of August of 2000) or the potential for these from neighboring signatory provinces.

Obviously, the format of the FPA is new. It provides increased flexibility to provincial commodity boards to determine their own market requirements within a national supply framework. But most important it provides a consistent and stable environment in which BC and all other provinces can operate and grow without jeopardizing the future of the industry as a whole.

BRITISH COLUMBIA CHICKEN MARKETING BOARD



W. Jeske, Chair

WJ/cr

Attachment

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BRITISH COLUMBIA CHICKEN MARKETING BOARD

101-12150 Simon Street, Abbotsford, BC V2T 1J2 • voice: (604) 859-2068 • fax: (604) 826-2068 • fax: (604) 859-2811 • www.bccmb.com



June 4, 2002

File: CMB 0148-25/FPA

DELIVERED BY FAX

Chair and Members
BC Chicken Marketing Board
Suite 101 – Windermere Court
32450 Simon Avenue
Abbotsford BC V2T 4J2

Dear Chair and Members,

The British Columbia Marketing Board (BCMB) has received expressions of concern from the BC Primary Poultry Processors' Association with respect to the amount of chicken production allocated to British Columbia for Periods A-46 and A-47. The processors have stressed the need to ensure that the allocation for Period A-48, and subsequent periods, meet their requirements.

The BCMB appreciates that the BC Chicken Marketing Board (Chicken Board) has been working diligently to secure satisfactory allocations. However, at the time that British Columbia signed the 2001 Federal-Provincial Agreement (FPA), processors were assured that the "bottom up" approach, set out in section 3.05 (a) of Schedule B of the agreement, provided the necessary safe-guard to enable them to satisfy their marketing requirements. This approach, and the allowance for adjustments to quota allocation set out in section 4.00 of the Schedule, plus the two percent overmarketing sleeve, provided the assurances necessary for the processors to support the signing of the FPA.

The BCMB understands that the Chicken Board is endeavouring to ensure that the processors' market requirements are met for Period A-48. The BCMB supports the strong stand being taken by the Chicken Board including the initiative to have a face to face meeting with Chicken Farmers of Canada on this important matter.

**British Columbia
Marketing Board**

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Chair and Members
BC Chicken Marketing Board
June 4, 2002
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The Chicken Industry is an important segment of the provincial economy. As a signatory to Schedule B, the BCMB has a responsibility to ensure that the agreement operates effectively in the provincial interest. I would be pleased to discuss this matter with the Chair, at her convenience, to determine how the BCMB and the CMB could be mutually supportive in this common goal.

Yours truly,

Original signed by

Ross Husdon P.Ag.
Chair

cc: Honourable John van Dongen
Minister of Agriculture, Food and Fisheries
B.C Primary Poultry Processors' Association



October 7, 2002

File: 206-20/CMB CFC PROD

DELIVERED BY FAX

Mr. David Fuller
Chair
Chicken Farmers of Canada
Suite 1007 - 350 Sparks Street
Ottawa ON K1R 7S8

Dear Mr. Fuller:

I am writing to thank you and Mike Dugate for taking the time to meet with Gord Macatee and myself during your recent trip to British Columbia. As we discussed, British Columbia's participation in the national chicken marketing plan is based on the premise that this involvement meets the goals of providing a stable supply of product to our consumers while maintaining and optimizing an economically healthy production and processing sector. Our meeting with you assisted in our understanding of how these goals can be achieved.

At the meeting we discussed the role of the BC Chicken Marketing Board (Chicken Board) and the BC Chicken Growers' Association. I want to emphasize that there must be a clear understanding among all stakeholders and with the Chicken Farmers of Canada (CFC) that the Chicken Board represents the interests of the growers and the processors in British Columbia, and is the lead agency in presenting these provincial interests at the CFC table.

We are pleased that CFC is undertaking an extensive review of the Operating Agreement for the national chicken marketing plan. This includes examining the validity of storage stocks, defining the meaning of "bottom up" so that it can be applied in a consistent manner, supporting the need for more timely production information and addressing "over-production" by certain provinces.

When BC entered the national chicken marketing plan it was with the understanding that the system had the flexibility to meet the production requirements of all regions. It is important that all parties recognize the need to ensure that this goal is met.

**British Columbia
Marketing Board**

Mailing Address:
PO Box 9129 Stn Prov Govt
Victoria BC V8W 9B5
Telephone: (250) 356-8945
Facsimile: (250) 356-5131

Location:
3rd Floor, 1007 Fort Street
Victoria BC V8V 3K5
Email: bcmb@agf.gov.bc.ca
Website: <http://www.agf.gov.bc.ca/ministry/bcmb>

As I stated earlier, the Chicken Board represents British Columbia's interests at the CFC. The BCMB and the BC Ministry of Agriculture are committed to ensuring that the Chicken Board has full provincial support for this undertaking.

Once again thank you for meeting with us and we look forward to reports from the Chicken Board on the results of the review.

Yours truly,

Original signed by:

Ross Husdon PAg
Chair

cc: Gord Macatee
Deputy Minister
Ministry of Agriculture, Food and Fisheries

Wendy Jeske
Chair
BC Chicken Marketing Board

Rick Thiessen
President
BC Chicken Growers' Association

Clarence Jensen
Secretary Manager
Primary Poultry Processors' Association

Western Allocation Settlement Agreement
between
British Columbia Chicken Marketing Board
Alberta Chicken Producers
Chicken Farmers of Saskatchewan
Manitoba Chicken Producers

INTRODUCTION

A Western Allocation Settlement Agreement is deemed to be a proactive step in achieving a system that treats producers in the four western provinces in a fair and equitable manner.

The *Western Allocation Settlement Agreement* outlines the responsibilities of the provinces in resolving issues of setting chicken production volumes in the Western region. The purpose is to establish a mechanism that will bring the Western Provinces in line with the established regional range and the market responsive pool, when available as set out in the 'Operating Agreement' Schedule 'B' of the Federal-Provincial Agreement for chicken.

PRINCIPLES

1. Ensure the Agreement follows the Operating Agreement, Schedule >B= of the Federal Provincial Agreement for chicken;
2. The Regional redistribution formula, as illustrated in Schedule A, would be triggered after the National quota allocation request is reviewed, and the regional range and market responsive pool is determined;
3. Provinces will submit quota allocation requests based on bottoms-up consultations with processors;
4. After volume requests are submitted to Chicken Farmers of Canada, a province can not increase its quota allocation request; and
5. No province can receive an allocation greater than the original quota allocation request.

RESPONSIBILITY

Subject to the proper discharge of provincial responsibility of each Western province, the provincial Boards have established the following methodology in resolving any discrepancies between provincial allocations on a periodic basis and the regional range within the Western region.

ALLOCATION PROCEDURES

1. The four provinces submit their quota allocation request to the Chicken Farmers of Canada. These requests would be reviewed provincially and nationally. If a total national number is approved, then no further action is necessary;
2. Any one of the four provinces has the right to request a telephone conference call at any stage of setting the quota allocation for the period. It is then the responsibility of that province to arrange the conference call, unless otherwise agreed to;
3. In the event that a rollback of the quota allocation is required in accordance with Section 5.01, and 5.02 of the Operating Agreement, the following will apply;

It would be first determined if the applicable market responsiveness pool would be available to either Section 3 'b', 'c', or 'd', of this agreement as the case may be;

In the event that all four provinces are above the regional range, then all provinces would reduce their provincial quota allocation request to the level of the regional range. If a particular province wanted to reduce below the range required, then the 'over-reduction' will be made available to other provinces utilizing the formula in Schedule A;

In the event that one or more provinces are already below the regional range, then the 'under allocation' would be made available to the other provinces. The principle that would apply is that the redistribution would be in proportion to the remaining provinces bases; and

A similar procedure would be followed to distribute the market responsive pool, if available, proportionately to provinces.

This *Western Allocation Settlement Agreement* shall be reviewed, at least annually, by each provincial Board, and may be amended at any time, subject to approval of all the four signatories.

EXIT CLAUSE


A province may opt out of this *Western Allocation Settlement Agreement* by providing a minimum of six (6) months written notice of termination to all the other signatories who are party to this Agreement.


British Columbia Chicken Marketing Board

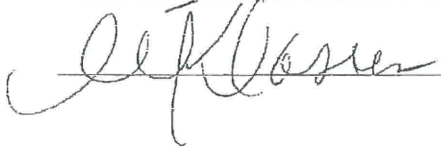

Date

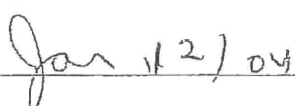

Alberta Chicken Producers


Date


Chicken Farmers of Saskatchewan


Date




Date

Western Allocation Settlement Agreement
May, 2003

Page 3 of 3

Manitoba Chicken Producers

Date

May, 2003

Chicken Tariff Rate Quota (TRQ)

April 24, 2012



Chicken Farmers
of Canada
Les Producteurs de
poulet du Canada

Role of TRQ: Support Domestic SM

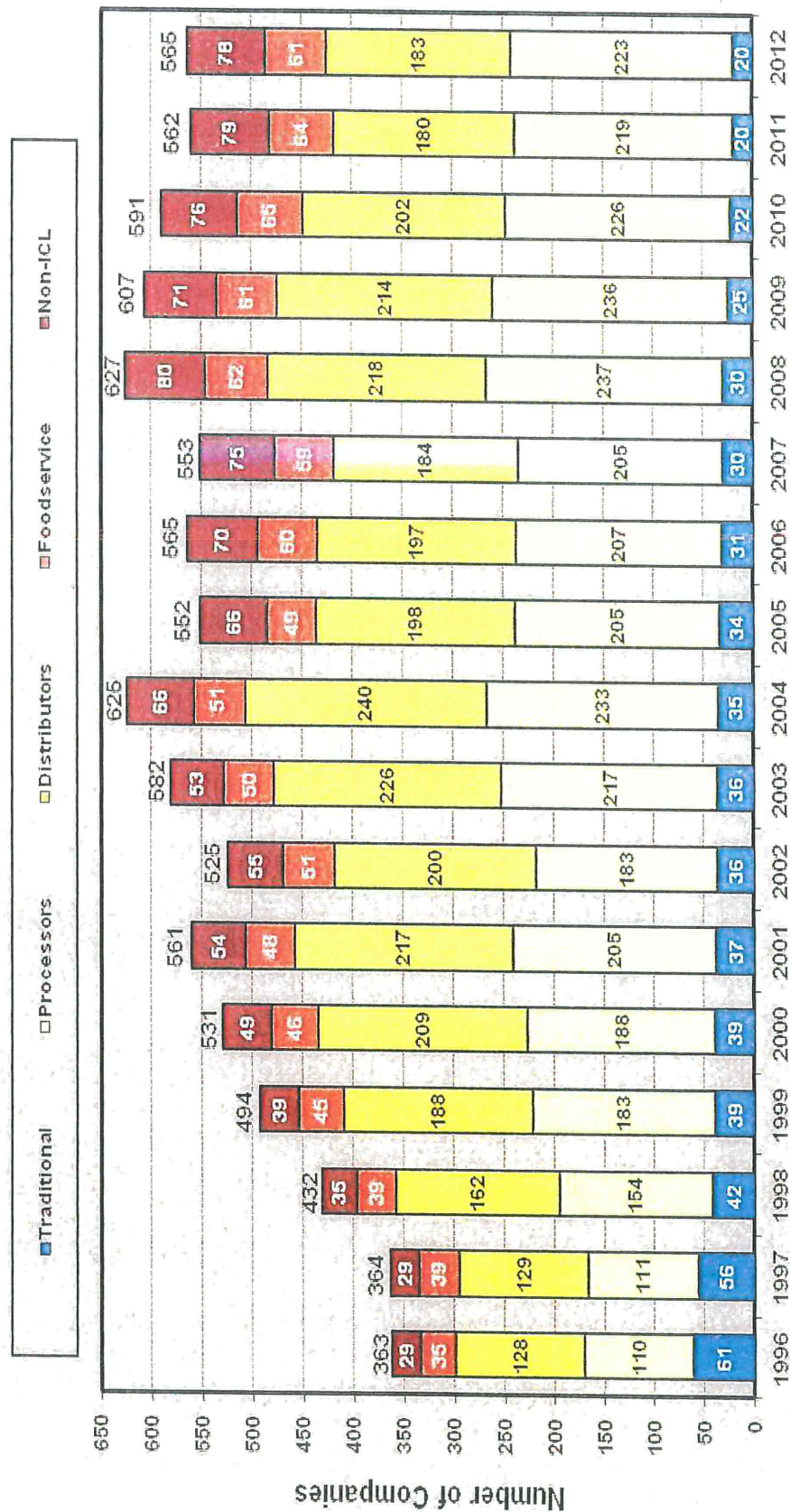
- > Respect International Obligations
 - » WTO: 39.9 Mkg
 - » NAFTA: 7.5% of previous year's production
- > Predictable Level of Imports
- > Canadian Market
 - » 92.5%: Domestic production
 - » 7.5%: Imports

Role of TRQ: Support Domestic SM

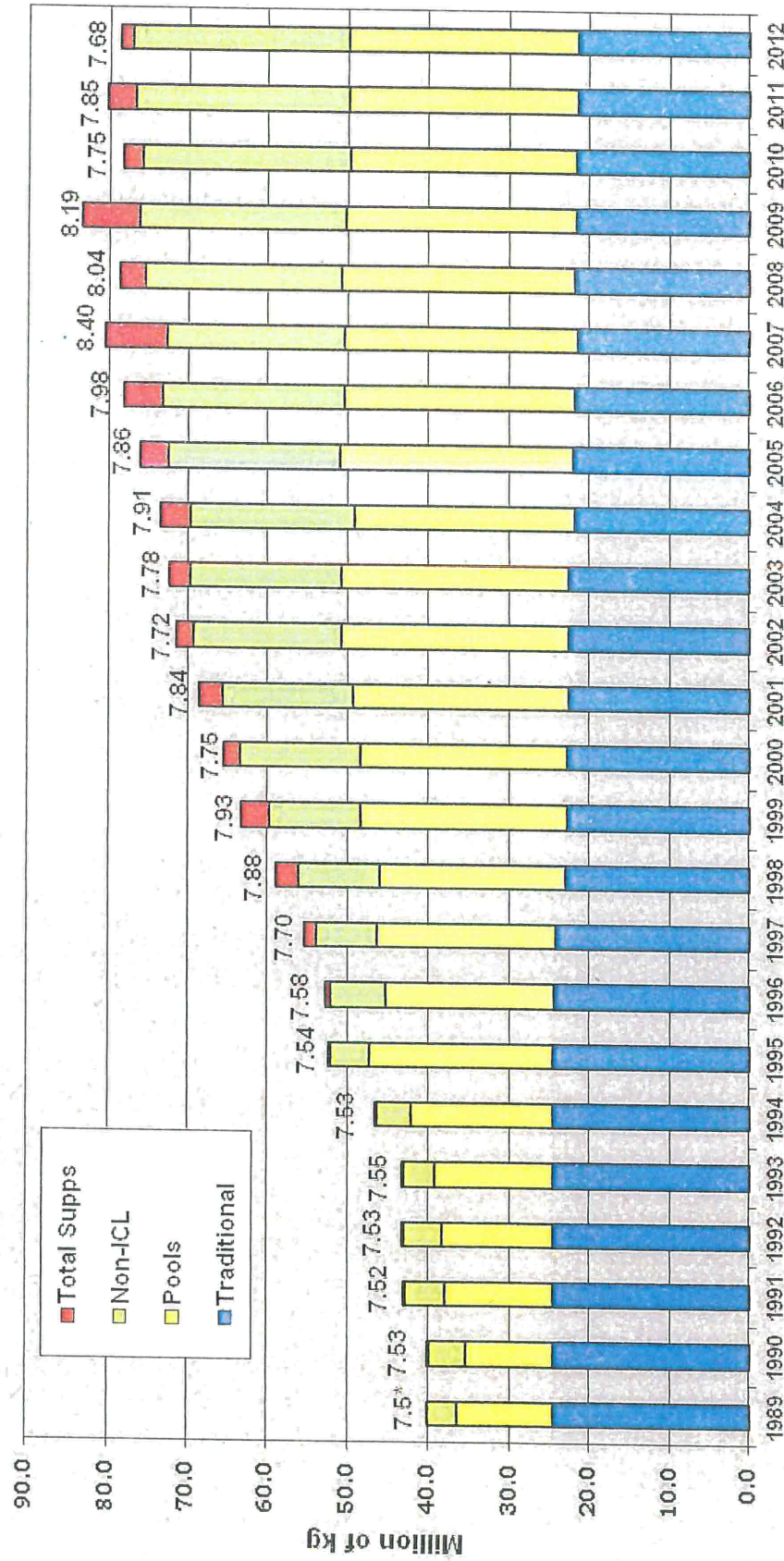
- > Help Balancing the Market
 - » Wings, tenders, breasts
- > Economic Advantage
 - » Difference between Import and Domestic prices
 - » Usually around \$2.00/kg
- > Secondary Market
 - » Possibility to sell the import allocation

Quota Holders

TRQ Quota Holders, 1996-2012



Allocation of the Chicken TRQ, 1989-2012



* Chicken TRQ Access Level (% of previous year's production)

Source: Statistics Canada; EICB and CFC

Legend: Non-ICL: Canadian manufacturers of products not subject to import controls

Pools: Processors, Distributors, Restaurants and Foodservice Operators

Traditional: Importers of chicken prior to the establishment of a National supply management in 1979

Import Rules – Provincial Shares

