



February 19, 2015

File: 44200-70 BHEC

DELIVERED BY EMAIL

Casey Langbroek
Chair
BC Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford BC V2T 1W5

Dear Mr. Langbroek:

DISPOSITION OF FUNDS RECEIVED FROM TRANSFER OF QUOTA TO ONTARIO

The BC Broiler Hatching Egg Commission (BHEC) requested the BC Farm Industry Review Board (BCFIRB) outline the acceptable use of the Ontario Reserve Fund (the fund). This letter sets out a brief background to the fund and outlines the acceptable use as requested.

Background

- When the federal government made changes to import requirements based on the 1993 World Trade Organization Agreement on Agriculture, provinces had to adjust their domestic hatching egg production/import ratios to accommodate a general ratio of 80/20. At the time, BC's production ratio was 94/6. BHEC had to cut back domestic production. With the prior approval of the BC Marketing Board (now BCFIRB), BHEC entered into an agreement with the Ontario Broiler Hatching Egg Commission and the Canadian Hatching Egg Producers to transfer national allocation to Ontario. In return, the Ontario Commission paid BHEC a total of \$1.8 million.
- BCFIRB prior approved the 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. BHEC was instructed to develop a detailed plan setting out how the money received will be used, and the plan had to be approved by BCFIRB prior to any expenditures.

British Columbia
Farm Industry Review Board

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

Location:
1st Floor, 780 Blanshard Street
Victoria BC V8W 2H1
Email: firb@gov.bc.ca
Website: www.firb.gov.bc.ca

- In July 2000, BCFIRB confirmed BHEC's process to have the Industry Advisory Committee¹ (IAC) review applications from producers and industry stakeholders and recommend to BHEC which projects should be funded.
- In 2003, BCFIRB learned the fund was being used for operational expenses. The BHEC General Manager at the time confirmed the funds had been disbursed for projects approved by the IAC in 2000 and 2001 and that the fund would be replenished through a levy. BCFIRB instructed BHEC to ensure it did recover the fund via a levy and subsequently directed BHEC to establish proper accounting and control systems.
- In 2005, BHEC requested BCFIRB release BHEC from its fund administration commitments. BCFIRB requested BHEC provide a statement of total fund expenses to date. The BHEC statement showed expenses related to surplus removal, avian influenza and the building of loading docks. It stated it was not possible to demonstrate with any precision how the monies were expensed. BCFIRB noted the request was not acceptable and directed BHEC provide a detailed accounting and put in place proper accounting and control systems that demonstrated accountability.
- Following on the above, BCFIRB approved the BHEC recommendation that, effective October 1, 2005 and remaining in place until such time as the expended funds in the amount of \$1.18 million² were replenished, BHEC would ensure a \$0.03/dozen levy would be directed to the account. BHEC was to put in place appropriate board policies and accounting management system to manage the fund.
- Today, the fund is restored to the directed amount of approximately \$1.18 million.

Accepted Use

As set out above, BCFIRB established several conditions in relation to the fund. In summary:

1. The fund is to be used for the overall improvement of the hatching egg industry.
2. The fund distribution plan must be prior approved by BCFIRB before any expenditure. BCFIRB previously approved the BHEC plan to use the IAC as a screening and recommendation body in relation to applications made by producers for fund expenditures.
3. BHEC is to use good accounting procedures and reporting.

BCFIRB re-affirms its directions that BHEC must use the fund for the overall improvement of the hatching egg industry and ensure good accounting procedures and reporting.

BCFIRB is aware circumstances change over time. BCFIRB recommends BHEC review the prior-approved fund distribution plan, using a SAFETI³ approach, and determine whether changes are necessary.

¹ The IAC is BHEC's Pricing and Production Advisory Committee. Under the BC Broiler Hatching Egg Scheme s. 9 BHEC must establish a Pricing and Production Advisory Committee. The role of the Committee is to advise BHEC on any matters related to pricing or production decisions.

² 1.8 million minus the acceptable cost of \$600,000 for loading docks as a long term improvement for the industry

³ Strategic, Accountable, Fair, Effective, Transparent, Inclusive

If BHEC determines changes to the fund distribution plan are needed, BCFIRB will accept changes on the following conditions:

- Changes result from a SAFETI-based process;
- Changes adhere to BCFIRB's overarching directions on fund use, accounting and reporting;
- Changes meet legal and sound marketing policy requirements;
- Changes are clearly communicated to producers and all hatching egg stakeholders; and,
- Use of fund monies and rationale are reported publically.

If the above conditions are not met, BCFIRB may issue further direction to replenish the fund as required.

Specific funding decisions remain appealable under s. 8 of the *Natural Products Marketing (BC) Act* within 30 days. As previously communicated, BCFIRB expects BHEC will make its decisions publically available as soon as possible so as not to negatively affect a parties right of appeal.

If you have any questions, please feel free to contact BCFIRB.

Sincerely,

A handwritten signature in black ink, appearing to read "John Les". The signature is fluid and cursive, with a large loop at the beginning and a long tail that loops back under the main part of the signature.

John Les
Chair

Cc: BCFIRB web site