



August 28, 2015

File: 44200-60/EMB QUOTA EX

**DELIVERED BY EMAIL**

Al Sakalauskas  
Executive Director  
BC Egg Marketing Board  
250 – 32160 South Fraser Way  
Abbotsford BC V2T 1W5

Dear Mr. Sakalauskas:

**QUOTA EXCHANGE REVIEW AND UPDATE**

On July 15, 2015, the BC Egg Marketing Board communicated to industry that its Quota Exchange was temporarily suspended while the board reviewed its operation.

The BC Farm Industry Review Board (BCFIRB) understands the Egg Board is completing its consultation and that it will be meeting September 3, 2015 to discuss the consultation input and consider what changes are required to the structure and operation of the Quota Exchange.

**Background**

On October 26, 2000, BCFIRB (then the BC Marketing Board or BCMB) directed the Egg Board to establish a provincial quota exchange as part of an egg allocation supervisory review<sup>1</sup>:

The BCMB Panel heard throughout the review that all regions are short of production and, that a transparent method of quota transfer is necessary to provide confidence to producers in all regions that they have equal opportunity to access quota. The confidence of the public that the right to produce is available equally to all persons who are prepared to enter the industry is important to a positive perception of the regulated marketing system. The BCMB Panel heard also that some producers, especially in the regions, did not always have access to information regarding quota transfers. A provincial quota exchange provides the transparency and fair access needed to maintain producer and public confidence in the system.

According to the Egg Board's August 5, 2015 "Reform of BC Egg Quota Exchange" consultation paper, consideration of the following questions indicated reform of the Quota Exchange was needed:

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<sup>1</sup> [Supervisory Decision of the British Columbia Marketing Board on Egg Quota Allocation October 26, 2000](#)

- Does the policy support the industry to maintain current egg producers?
- Does the policy provide the opportunity or mechanism for the renewal of the industry?
- Does the policy create flexibility to supply all egg market types?
- Does the policy provide for growth and innovation?
- Does the policy support equitable allocation?

BCFIRB took no position on the exchange but directed the Egg Board to complete its review and any potential revisions before January 31, 2016<sup>2</sup>.

Although quota is transferable, quota remains the property of the Egg Board<sup>3</sup> and no value is to be attached to quota by marketing boards or commissions. Producers have both a right and obligation to produce the quota they hold. This obligation is particularly important at present as national allocation policies have shorted the domestic egg market.

### **Prior approval requirement**

Under s. 37(c) of the British Columbia Egg Marketing Scheme, 1967 (Egg Scheme) BCFIRB is required to prior approve amendments to the quota exchange:

...[the Egg Board] subject to prior approval of the Provincial board, [can] vary such quotas and prescribe the terms and conditions upon which they [quota] shall be issued or transferred [emphasis added]...

### **BCFIRB expectations**

BCFIRB's SAFETI-based<sup>4</sup> process and outcome expectations have been shared previously<sup>5</sup> and are summarized as follows:

#### *Process Expectations -- Has the Egg Board:*

- Effectively and strategically engaged with its stakeholders?
- Evaluated whether the proposed changes would be effective and strategic in meeting sound marketing policy objectives?
- Identified issues and gaps in addition to any other questions it determines are important from a sound marketing policy and public interest point of view;
- Proposed solutions?
- Reported its findings, recommendations and rationale to its stakeholders and BCFIRB?

#### *Outcome Expectations -- Do the Egg Board recommendations:*

- Adhere to legislative requirements, including sound marketing policy (e.g. flexibility to meet market demands, supports innovative, efficient approaches to production, supports opportunity for industry growth and development of markets)?
- Reflect the intent of supply management?
- Consider provincial agricultural policy?
- Reflect a principles-based approach to regulation?

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<sup>2</sup> [BCFIRB Prior Approval Review of the BC Egg Marketing Board Quota Distribution Policy](#). July 17, 2015.

<sup>3</sup> BC Egg Marketing Scheme s. 37(4)(c) to issue quotas to registered producers as is deemed necessary, such quotas to remain at all times the property of the board...

<sup>4</sup> SAFETI principles – strategic, accountable, fair, effective, transparent, inclusive. For definitions and further information about principles-based regulation, see the BCFIRB web site "[Governance Initiative](#)".

<sup>5</sup> November 14, 2013; March 14, 2014; October 8, 2014, July 17, 2015, August 21, 2015

In particular, the Quota Exchange submission must take into account the overall context the egg industry operates in and provide current information and stakeholder input. Circumstances have changed significantly since 2000, including growth in specialty markets, new producers entering the industry, consumer interest in 'local food', trade discussions, the 2015 US avian influenza outbreak and the shortage of processing eggs, to name but a few.

The Egg Board has the responsibility to clearly demonstrate to BCFIRB how its proposed Quota Exchange is effective, strategic and accountable in terms of sound marketing policy. This includes balancing the business needs of the industry and the public interest through a fair, inclusive and transparent exchange process. A timely and complete submission by the Egg Board will in turn assist BCFIRB in making a timely, informed prior approval decision.

### **The big picture**

The Quota Exchange is one of many tools used to meet the intent of supply management (a fair return for efficient farmers and a continuous supply of food for consumers). Provincial and federal tools (e.g. allocation formulas, levies, quota distribution policies) do not operate in isolation.

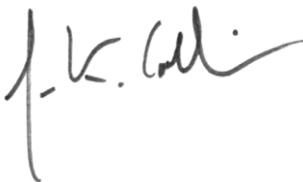
BCFIRB understands the Egg Board is considering proposing significant changes to how egg quota is managed in BC, in addition to revising the Quota Exchange. Changes to how quota is distributed, transferred and managed through other regulatory tools can be inter-related and may be difficult to assess (and in the case of BCFIRB, prior approve) in isolation.

National allocation and related levies and policies also have a direct impact on provincial quota allocation and management. BCFIRB has noted outstanding systemic questions related to federal allocations on numerous occasions, including in its 2000 review and most recently in its March 16 and July 17, 2015 allocation prior approval decisions. These questions remain outstanding.

In closing, BCFIRB is pleased to see the Egg Board updating its Quota Exchange. Program review to ensure activities remain effective and strategic in meeting the legislated responsibilities of a first instance regulator are an indication of good governance.

BCFIRB staff remains available to address any questions the Egg Board may have.

Yours truly,

A handwritten signature in black ink, appearing to read "J. Collins", written in a cursive style.

Jim Collins  
Executive Director

cc: BCFIRB web site