



July 6, 2018

File: 44200-60/EMB QUOTA
ALLOCATION

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Katie Lowe
Executive Director
BC Egg Marketing Board

Dear Ms. Lowe:

ALLOCATION PRIOR APPROVAL REQUEST – JUNE 25, 2018 MEETING

Thank you to you and your board for meeting with the BC Farm Industry Review Board (BCFIRB) on June 25, 2018 to discuss several outstanding questions related to the BC Egg Marketing Board (Egg Board) allocation prior approval recommendations.¹

As per BCFIRB's June 14, 2018 letter, the majority of discussion focused on new entrants, regional development and the interaction of the upcoming quota allocation with BCFIRB's February 2, 2018 Quota Assessment Tools Supervisory Review² decision (Quota Review decision). There was some discussion about market demand for specific egg types and the Egg Board's rationale for recommending 90% of the new allocation be distributed pro-rata to existing growers.

Allocation and BCFIRB quota review decision

BCFIRB and the Egg Board discussed the potential impact of BCFIRB's February 2, 2018 Quota Review decision direction 179(c) and 179(d) on pending allocation:

- 179(c) Quota holders are not eligible to receive growth quota for 12 months following a transfer of any quota with one exception as follows:
- i. If a quota transfer does not result in an overall change in total quota holdings within a business unit (e.g. within a corporation), quota holders within that business unit remain eligible to receive growth.

¹ Submitted to BCFIRB on June 5, 2018

² 2018 February 2. BCFIRB. [In the Matter of the Natural Products Marketing \(BC\) Act and Quota Assessment Tools Supervisory Review.](#)

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- 179(d) Receipt of growth quota cannot be deferred. Offer and acceptance of growth quota is a onetime opportunity.

With respect to direction 179(c) on producer eligibility to receive a share of the pending allocation, BCFIRB had provided clarification earlier for the Egg Board ([Letter of May 15, 2018](#)) and the BC Chicken Marketing Board ([Letter of April 27, 2018](#)) that this direction applies as of February 2, 2018 regardless of when a commodity board chooses to amend its Orders to reflect the Quota Review decision.

Further to this written clarification, BCFIRB closely questioned the Egg Board and learned that the Egg Board was under the erroneous impression that directive 179(c) would not apply until new consolidated orders were implemented by the Egg Board.

Further, the Egg Board advised BCFIRB that some producers had sold in the preceding 12 months to February 2, 2018, and that once the Egg Board advised producers of the implication of the BCFIRB Quota Review decision regarding selling quota and exclusion from participating in growth allocations, producers had ceased selling. However, 10 or 11 producers had sold in the 12 months prior to the BCFIRB Quota Review decision and the Egg Board confirmed it intended to provide these producers with current growth allocation, which the Egg Board now understands it cannot do.

There was also some discussion at the meeting with respect to the Quota Review decision direction 179(d), which expressly states that receipt of growth quota cannot be deferred. Receipt of new growth quota is a onetime opportunity, the implication being that if a producer is not eligible for growth or refuses growth at the time of allocation, they are not eligible for that growth. The underlying principle here is that on its face, a producer's decision to sell quota is inconsistent with a desire to expand that business through growth. The majority recognized that there may be personal circumstances which drive the decision to sell quota in the short term that are not inconsistent with a desire to expand in the long term and that is why the moratorium is for only 12 months and not an outright prohibition.

As part of the Quota Review decision, BCFIRB was clear that if commodity boards decide there is a sound marketing policy rationale for change to the quota management directions within the decision, BCFIRB will require substantive, objective information with a supporting SAFETI analysis that includes consideration such as industry competitiveness and public policy objectives.

In light of statements made by the Egg Board at the meeting on June 25, 2018, BCFIRB wants to be clear that any sound marketing rationale for change to the implementation of the Quota Review decision that the Egg Board may wish to develop would need to be initiated by the Egg Board and supported with substantive, objective information as described above.

New entrants, regional development and smaller farms

Overall, the Egg Board emphasized in the June 25, 2018 meeting that it was not yet in a position to make strategic decisions related to the pending allocation and the volume of quota granted to new entrants, regional development and small farm growth.

In relation to the New Entrant Program (NEP), the Egg Board reported that it is in the midst of reviewing the NEP, including the volume of quota granted to new entrants. While the Egg Board noted that the NEP will be used to address regional production, it was not clear how it would do so at this time.

The Egg Board did remove limits on the number of small lot permits. Currently there are approximately 65 small lot permit holders in BC. There is potential for the small lot permit program to contribute to regional development.

The Egg Board anticipates there will be another growth allocation from Egg Farmers of Canada in 2018. It plans to address any additional new entrant production needs and regional development plans at that time. It is holding a Roundtable this fall with stakeholders and anticipates the outcome will help inform its next allocation recommendations in relation to these areas.

BCFIRB observed that the Egg Board has consistently delayed regional development planning and consideration of other policy objectives (excluding new entrants) despite frequent growth allocations over the last several years.

Shifting market demands

It is evident that market demand for different egg types can shift rapidly. The Egg Board clearly has much better market information for its decision making than it has in the past. It noted that ideally it would be modelling markets up to a year ahead but did note that the graders are modelling markets up to two years ahead and are working with producers on the basis of these models.

In relation, BC remains a “short” province, as such all regions are short of product and product type. BC continues to import eggs from other provinces to meet its domestic demand.

90% Pro-rata

Overall, the Egg Board believes 90% pro-rata distribution is fair and supports producer planning. The Egg Board indicated that it isn't prepared to look at other options for allocation distribution until it has completed its NEP review and the fall Roundtable.

Next Steps

Before BCFIRB makes a final decision on the Egg Board's allocation recommendation, the Egg Board must provide written confirmation that they are clear that when they allocate growth quota they understand the implications of the Quota Review decision, specifically that a producer who has transferred or sold quota within the 12 months prior to the allocation will not be eligible for growth except for the one exception specified in the decision at direction 179(c)(i).

As stated previously, also as part of the Quota Review decision, if a commodity board decides there is a sound marketing policy rationale for change to the quota management directions within the decision, BCFIRB will require substantive, objective information with a supporting SAFETI analysis that includes consideration such as industry competitiveness and public policy objectives.

Once that written confirmation has been received, BCFIRB will then further discuss the Egg Board's allocation recommendation in the near future towards making a decision. BCFIRB agrees that it would be of benefit to the entire sector to finalize this provincial allocation decision in a timely manner.

Please let me know if you have any questions.

Yours truly,



Kirsten Pedersen
Executive Director

cc: Gunta Vitins, Chair, BC Egg Marketing Board

BCFIRB web site