

Quota Assessment Tools Evaluation – Introductory Workshop

February 3, 2017

Workshop Summary

Introduction

This document is a summary of the presentations and discussions from the February 3, 2017 Quota Assessment Tools Evaluation introductory workshop, held by the BC Farm Industry Review Board (BCFIRB) and involving all supply-managed agricultural commodity boards in B.C. The introductory workshop was part of a larger ongoing review—the **Quota Assessment Tools Evaluation**.

The goal of the workshop was to discuss proposed areas of focus for the Quota Assessment Tools Evaluation, as well as consider evaluation questions, data requirements, next steps, process, and timelines. The workshop provided an opportunity to promote cross-commodity board discussion and information-sharing about each industry.

The Quota Assessment Tools Review involves B.C.'s five supply-managed boards:

- BC Broiler Hatching Egg Commission (BHEC)
- BC Chicken Marketing Board (CMB)
- BC Egg Marketing Board (EMB)
- BC Milk Marketing Board (MMB)
- BC Turkey Marketing Board (TMB)

The intent of the Quota Assessment Tools Evaluation is to assess outcomes of [BCFIRB's 2005 Specialty Review](#) transfer assessment directions, as they pertain to the continued effectiveness, utility, and appropriateness of quota assessment tools, in light of:

- the 2005 transfer assessment-related policy objectives; and,
- the delivery of sound marketing outcomes in a rapidly changing environment.

Workshop Participants

The introductory workshop took place in Abbotsford, B.C., on February 3, 2017. It was led by a third-party facilitator.

Attendees included commodity board chairs, commodity board members, and commodity board staff. All BCFIRB members were present, along with BCFIRB staff. A Ministry of Agriculture staff representative attended as an observer.

Summary of Workshop Discussions

The first part of the workshop was focused on defining the context for the workshop and the Quota Assessment Tools Evaluation:

- John Les, BCFIRB Chair, underlined key areas of focus and explained that the evaluation was an opportunity for each commodity board to evaluate the needs of their industries and make recommendations for change to BCFIRB. Recommendations would need to be sound and defensible (in the public interest and orderly marketing) and be supported by evidence and consultation based on the SAFETI principles (Strategic, Accountable, Fair, Effective, Transparent, and Inclusive).
- Kirsten Pedersen, BCFIRB Executive Director, introduced the workshop goals and highlighted the importance of active collaboration between the supply-managed boards to determine what is best for the public and for industry.
- Wanda Gorsuch, BCFIRB Manager of Issues and Planning, gave an overview of BCFIRB's role, the industry/public interest context of the regulated system under which commodity boards operate, and the [2005 Specialty Review](#) principles and directions.
- Commodity boards presented on their current industry contexts. The substance of these presentations is summarized in the Quota Assessment Tools Evaluation's Terms of Reference:

Some commodities have seen significant growth in production and diversification, including dairy, eggs, and chicken - and by extension, hatching eggs. Other commodities face a more challenging market environment, such as turkey. Retail and processor consolidation continues not only provincially, but also nationally and globally, with associated pressures on market share. Industry and market conditions have not only changed since 2005, the pace of change is also accelerating. Alongside these changes, public demands are shifting rapidly, with increased interest in where food comes from and how it is produced.

The second part of the workshop focused on the broader Quota Assessment Tools Evaluation. Each commodity board shared its initial thoughts on how quota is managed within its respective systems, including transfer assessments, new entrant programs, and industry renewal.

- BHEC: The broiler hatching egg industry is not growing as rapidly as the chicken industry, but will be rolling forward with them because the two industries are linked. It takes two years to produce broiler hatching eggs—BHEC is now planning for 2019. The broiler hatching egg industry is at 93% utilization. It is important to keep in mind that nationally, total hatching egg supply must be based on 20% from imports and 80% from domestic production. BHEC is allocating quota in hens rather than eggs and is looking at changing this to be consistent with the national allocation. Many BC hatcheries are interprovincial.
- CMB: The amount of domestic production nationally is 94% of market demand. About 6% of the previous year's production represents the following year's Tariff Rate Quota (i.e., imports). CMB is not currently issuing quota and hasn't done so since 1997. However, given rapid market growth, CMB

may need to decide whether to give a general quota increase or continue with its current practice of allowing over 100% utilization. The new entrant program is funded through deemed transfer assessments rather than direct quota transfer assessments; the industry started 60-65 new entrants in last five years. Processor groups control more than 20% of the quota.

- EMB: Strong industry growth combined with transfer assessments results in reduced quota transfers. This means that there is not enough quota from transfer assessments to meet the new entrant program needs. The majority of producers have up to seven different start dates for their quota. This is complex to manage for board staff and producers when calculating assessments.
- MMB: Dairy has seen strong industry growth over the last few years in part because of the surging demand for butter fat. Industrial production allocations are distributed to provinces on the basis of 90% pro-rata; 10% is based on historical share. Provinces are responsible for allocating quota that provides sufficient production to meet both industrial product requirements and provincial fluid milk market demands. It is necessary to be able to respond quickly to changing market demands. There is not a lot of quota for sale on the exchange, and BC quota prices on the exchange are the highest in Canada. New entrant programs are not dependent on transfer assessments for funding.
- TMB: The industry is small, with little to no growth. No quota has been distributed since 2005. The industry is currently producing at 89% utilization. There is room to grow before looking at new quota allotments. Direct assessments encourage producers to stay active.

Participants were asked to consider the three proposed areas of focus identified in the Terms of Reference and discuss at their tables. Each table reported on key concerns.

- BHEC: The notion of the “family farm” is one that needs to be modernized to reflect current conditions.
- CMB: The board has not issued quota in 20 years. Quota is available and trades freely. If CMB were to give a general quota increase, there would not be as much quota available to new entrants because of reduced quota movement. A new policy would help address this.
- EMB/TMB: Quota movement is vital.
- MMB: Producers are not able to access quota. Current policies do not support incorporation. Succession and renewal are impacted by transfer assessments.

Participants were asked to consider the evaluation questions laid out in the Terms of Reference as well as identify a timeline for consulting with their stakeholders.

- BHEC: The board needs to define and determine industry goals. All the questions are useful for this purpose. Other questions will emerge from that process.
- CMB indicated it may need a six-week period to consult with its grower and processor associations, and identified key questions from the Terms of Reference:

- *What is the longevity of new entrants?*
 - *Are there any changes to quota transfer assessments – or other tools – that could further reduce barriers to entry and increase quota availability?*
 - *Do current transfer exemptions work to support industry renewal or succession planning in your sector? If yes/no, why? What changes, if any, are needed?*
 - *Are non-family succession structures important for industry success going forward?*
- EMB has recently consulted on related issues and will do additional consultation on questions identified in the Terms of Reference. EMB is considering solutions to current challenges. The consultation process should take approximately two months.
 - MMB said it would need between four to six months to develop proposed changes for BCFIRB consideration and would use the results of its 2013-14 review as a building block. The board identified top questions from the Terms of Reference:
 - *Have quota transfer assessments been successful in making quota available for reducing barriers to entry, promoting new entrants and meeting other policy objectives, such as market development?*
 - *Have transfer assessments limited the transfer of quota, and if so, to what extent?*
 - *If assessments are limiting quota sales between producers, are the resulting effects dependent on the state of the industry?*
 - *How successful have new entrant programs been at reducing barriers to entry?*
 - *Is the traditional “family farm” approach to succession changing? If so, to what degree?*
 - *Are non-family succession structures important for industry success going forward?*
 - TMB explained that the industry is small. TMB will develop possible solutions using SAFETI principles and consult on those solutions. This will take about four months.