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DELIVERED BY E-MAIL

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Dear Colleagues:

SUCCESSION PLANNING AND NON-FAMILY MEMBERS – REQUEST FOR SUBMISSIONS FROM SUPPLY MANAGEMENT BOARDS

Coming out of the BC Farm Industry Review Board's (BCFIRB) February 2, 2018 Quota Assessment Tools Supervisory Review decision (Quota Review), the BC Milk Marketing Board (Milk Board) requested BCFIRB address its original proposal to expand the list of those exempt from BCFIRB directed transfer assessments to include specific non-family members.

The majority panel recognizes it made an error of omission in not addressing both the Milk Board and the BC Egg Marketing Board's (Egg Board) proposals to include farm employees on the "exempt persons" list. As such, it is seeking input before a decision is made on how to correct this error.

Background

As part of the recent Quota Review, commodity boards looked to the future and recognized that farm succession is broadening beyond the traditional family unit. As such, both the Milk and Egg Marketing Boards considered how to reduce the quota related barriers to farm succession for non-family members.

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Farm Industry Review Board**

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On February 9, 2018 the Milk Board requested BCFIRB provide a response on its original proposal to expand the exempt persons list, originally established by BCFIRB, to include non-family members who meet specific criteria.

The “exempt persons” list is defined as those people who can transfer quota without incurring BCFIRB directed transfer assessments.¹ In relation to the “exempt person list” BCFIRB previously (2006) established that all Milk and Egg quota must be transferred through a Quota Exchange except for those transfers made by persons on the “exempt persons” list.^{2,3} Based on this direction, a farm business cannot directly transfer any part of its quota to a person who is not on the “exempt persons” list (e.g. such as farm employee or another non-family member), even if that person is part of a succession plan.

The original policy objectives behind the “exempt persons” list and related Quota Exchange direction was to support family farm succession planning and procedurally fair, inclusive access to quota. In recognition of changing succession structures and the significant contributions of non-family members to farms, the Milk Board and Egg Board have considered the extension of the “exempt person” list.

In its Quota Review submission, the Milk Board proposed to BCFIRB that farm employees meeting specific requirements be added to the “exempt persons” list for the purpose of succession planning. These requirements include:

- 5 years of verified service using T4s
- The farm must provide the primary source of income
- The employee must be in a management or senior type role
- Residency must be in BC
- Ownership limit is 5% on the farm
- All transfers require Board approval

The Egg Board proposed that “long-standing farm managers” be added to the “exempt persons” list, with one guideline:

- 7 years of verified service using T4’s showing that the farm they would obtain ownership in was their main source of income.

¹ Exempt persons currently include: spouses, sons, daughters, and siblings where the quota being transferred remains attached to the farm in question. In 2015 BCFIRB expanded the Milk Board list of exempt persons to include nieces, nephews, and grandchildren.

² “18. The Milk Board is to require all quota to be transferred through the Quota Exchange except transfers for which assessment exemptions are provided at paragraph 24. In addition, the Milk Board may choose to except a whole-farm transfer (milk production unit and quota) from the exchange when the farm and quota stay intact. In this situation, the transfer assessment provisions still apply except as provided in paragraph 24.” (July 19, 2006)

³ “26. The Egg Board is to require all quota to be transferred through the Quota Exchange to provide transparent and equitable opportunity for all producers to offer quota for transfer or to seek to acquire quota by transfer. This approach has benefits for all producers, particularly those in regions outside the Fraser Valley. (July 18, 2006)

27. The only exceptions from the requirement for transfer on the exchange are the exceptions outlined in paragraph 22. In addition, however, the Egg Board may choose to except a whole-farm transfer (egg production unit and quota) from the exchange when the farm and quota stay intact. In this situation, the transfer assessment provisions still apply except as provided in paragraph 22.”

Although the removal of Last-In-First-Out (LIFO) and the removal and modification of transfer assessments by the Quota Review decision appears to help open the door to non-family succession planning, the 2006 BCFIRB directions that all quota must go on the Quota Exchange unless the person involved is on the “exempt persons” list remains a barrier to non-family farm succession.

Request for Submissions

The majority panel is seeking submissions from the Milk and Egg Boards, as well as the BC Chicken Marketing Board, BC Broiler Hatching Egg Commission and the BC Turkey Marketing Board on the following:

1. What are the benefits and risks to industry and sound marketing policy of further expanding the list of persons who are exempt from BCFIRB directed transfer assessments?
2. What are the benefits and risks to industry and sound marketing policy of further expanding the list of persons who are not required to transfer quota on Quota Exchanges (as per BCFIRB’s 2006 direction to the Milk and Egg Boards regarding quota transfers and the “exempt persons” list)?
3. Are the Milk Board and Egg Board criteria for the inclusion of non-family members on the “exempt persons” list inclusive, effective and strategic? Why or why not?
 - a. Are the specific criteria proposed by the Milk and Egg Boards too restrictive or not restrictive enough (bearing in mind there are no restrictions on family members)? Why?
 - b. Are there other criteria (different or in addition to) that should be considered? Why?
4. If the risks out-weigh the benefits of including non-family members on the “exempt persons” list (can transfer quota without assessment and do not have to transfer quota on the Exchange), are there other means of reducing quota-related barriers to non-family succession that commodity boards and/or BCFIRB should consider?

Your responses will help inform SAFETI⁴-based deliberations on:

Whether including non-family members on the exempt persons list supports sound marketing policy; and,

- if so, whether the criteria that establishes acceptable non-family members should be prior approved. If the criteria are to be prior approved, what criteria are effective and strategic.

OR

- if not, what, if any, other actions may be needed to reduce quota related barriers to non-family succession as per the Milk Board and Egg Board’s goals.

⁴ Strategic Accountable Fair Effective Transparent Inclusive

Please provide your submissions to Wanda Gorsuch at Wanda.Gorsuch@gov.bc.ca by June29, 2018.

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

Regards,



Kirsten Pedersen,
Executive Director

cc: Jim Collins, Chair
BC Broiler Hatching Egg Commission

Robin Smith, Chair
BC Chicken Marketing Board

Benjamin Janzen Chair
BC Milk Marketing Board

Kevin Klippenstein, Chair
BC Turkey Marketing Board

Gunta Vitins, Chair
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BCFIRB website