



QUOTA ASSESSMENT EVALUATION

June 30, 2017

Abstract

Since the 2005 BC Farm Industry Review Board's Specialty Review, the British Columbia Chicken Marketing Board (BCCMB) has developed successful new entrant and specialty programs, providing opportunities for new entrant growers and supporting the development of new poultry processing facilities serving regional and specialty markets. These programs are successful partly because broiler chicken quota trades freely with few restrictions on transfers. While quota transfer restrictions can be an effective tool applied to quota granted to new entrant growers, they have unintended consequences when applied to long term growers who have already invested considerable time, capital, money and other resources in the industry. Restrictions on quota transfers reduce quota liquidity, making it more difficult all growers including new entrants to expand their operations.

Contents

Abstract	0
Introduction.....	2
Relevant Policies.....	2
Stakeholder Consultations	2
Objectives	3
1. New Entrant Grower Program.....	3
2. Transfer Assessments & Restrictions	5
3. Alternatives to Declining Transfer Assessments	7
Discussion on Transfer Restrictions and Leasing.....	7
Recommendations.....	8
Lessons Learned	9
Appendix	10
Appendix 1.....	11
Quota Assessment Evaluation Notice April 18, 2017 ...	11
Appendix 2 Quota Assessment Presentation to Growers	12
Appendix 3 Online and Written Submissions from Individuals	13
Appendix 4 Submission from BCCGA.....	14
Appendix 5 BCCMB amendments to NEGP December 9, 2016	15
Appendix 6 2016 NEGP Review Notes (from Telephone Interviews)	16
Appendix 7 2016 BCCMB Strategic Plan.....	17

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Introduction

In 2005, the BC Farm Industry Review Board (BCFIRB) provided principles and direction to B.C.'s five supply managed agriculture commodity marketing boards to ensure the existence of programs to adequately support specialty markets and new farmers.

In 2017, the BC Farm Industry Review Board is reviewing the outcomes of some of the directives of the 2005 review with the announcement of its Quota Assessment Tools Evaluation.

In this report, the BC Chicken Marketing Board (BCCMB) has evaluated quota assessments as they pertain to chicken quota in BC and has recommended changes to transfer assessment structures that are needed to maintain sound marketing policy, taking into account both industry and public interest.

Relevant Policies

The four key policies from the 2005 Review that apply to this evaluation include:

1. Quota is intended to be produced.
2. Quota is transferable.
3. Producers are actively engaged and committed to the industry.
4. Quota is available to commodity boards to support policy objectives, including development of specialty markets and providing for new entrants in the supply managed system.

Stakeholder Consultations

The BC Chicken Marketing Board consulted for this review via emailing all stakeholders, website with an online form, attending at regional grower and BCCGA director meetings, participating in meetings with other supply managed commodity boards, and referring to our 2016 New Entrant Grower Program (NEGP) evaluation.

Email & Website

On April 18, 2017, the British Columbia Chicken Marketing Board sent a notice to BC chicken Industry stakeholders group (Appendix 1). The notice was made available to the public by posting it on our website with an online fillable form. The notice was made “sticky” to be first item visible on our home page from April 18, 2017 to June 12, 2017.

Regional Grower & BCCGA Director Meetings

BC Chicken Marketing Board staff presented this project at regional grower meetings where we participated in face-face listening sessions with industry stakeholders (growers, processors, feed companies, hatcheries, and banks). A copy of the presentation used is in Appendix 2.

Online submissions

In total, BCCMB received 9 online submissions and one submission from the BC Chicken Growers' Association (BCCGA). The BCCGA directorship consists of 9 chicken producers with 2 directors representing the Interior, 1 representing Vancouver Island, 5 representing the Lower Mainland and 1 representing specialty producers. Because the BCCGA are elected by the 325

BRITISH COLUMBIA CHICKEN MARKETING BOARD

chicken growers in BC and represent the different regions and production types, we put considerable emphasis on this submission.

2016 New Entrant Grower Program Evaluation

The BC Chicken Marketing Board (BCCMB) conducted an evaluation of its NEGP in 2016. The BCCMB will not be recommending any major changes to the NEGP as part of this evaluation because this was done in November 2016. However, because many issues discussed in this evaluation are relevant to this report, data and feedback from the 2016 NEGP evaluation were carefully reviewed. In 2016, ten NEG's were interviewed, including six mainstream growers in the interior, three specialty growers in the lower mainland and one mainstream grower on Vancouver Island. After completing a full evaluation of our NEGP, the BCCMB made two changes to improve it, increasing the entry level of quota to 20,000 kg and establishing a matching "buy one, get one program" to help mainstream new entrants purchase quota. We have included details of this review in Appendix 5.

Objectives

BCCMB's objectives for this evaluation are:

1. To evaluate the efficacy of BCCMB's **New Entrant Grower Program**, as well as other new entry in the industry.
2. To identify and evaluate the **impacts of transfer assessments on incentive quota**, both based on the current scenario and in the case of a pro-rata mainstream quota increase.
3. Identify **possible alternatives to declining assessments** that would encourage active engagement and commitment to the industry.

1. New Entrant Grower Program

BCCMB's NEGP has created opportunities for not only new entrant growers but also regional and specialty processors.

From 2005 to 2016, BCCMB has distributed 814,180 kg (per 8 week cycle) of quota to new entrant growers, as summarized in Table 1.

Table 1 Number of New Entrants and Kilograms Distributed

Year	KGS Live Distributed to New Entrants	Lower Mainland Mainstream	Interior	Vancouver Island	Lower Mainland Specialty	Total New Entrants
2006	96,635	3	3	2	3	11
2007	52,734		2		4	6
2008	46,296	3		3		6
2009	38,906		3	2		5
2010	69,958			2		2
2011	100,615		2		9	11
2012	77,468		1		9	10
2013	119,866		1			1
2014	78,630		2			2
2015	55,945			5		5
2016	77,127	1				1
TOTAL	814,180	7	14	14	25	60

Through the NEGP, BCCMB was able to channel production to support the development of three new processing facilities in BC, serving specialty and regional markets: Farm Crest Foods, Fraser Valley Specialty Poultry and Island Farmhouse Poultry. Farm Crest Foods in Salmon Arm serves a regional market in the Interior with mainstream and organic chicken. Fraser Valley Specialty Poultry in Chilliwack BC processes specialty Asian and organic chicken. Island Farmhouse in Cowichan Bay serves a regional market on Vancouver Island with mainstream chicken. In total, these new processors have processed approximately 54 million kg of chicken since 2007¹.

During our 2016 NEGP evaluation, all 10 of the new entrants interviewed expressed that the NEGP is an effective program to provide opportunities to a supply managed industry.

In our 2017 Quota Assessment Evaluation, eight out of the nine respondents to our online consultation, in addition to the BC Chicken Growers Association stated in their submission that they support our NEGP and the program has provided adequate opportunities to them.

From 2005, the BCCMB NEGP has supported the establishment of 60 new entrants, which is represents almost 20% of our total grower population and 3 new chicken processing facilities. In our 2017 consultation, all respondents, including the BCCGA, agreed that the current transfer assessment provides adequate opportunities for new entrants. We note one respondent added to their answer that the program does reduce sales of quota and makes it more difficult for new entrants to grow. We will address this issue in our recommendation.

¹ BCCMB Grower Program – Production Type by Processor Reports 2007- Present. Records are not available prior to 2007.

2. Transfer Assessments & Restrictions

Background

In the 2005 Specialty Review, BC FIRB directed the establishment of two restrictions on the transfer of incentive quota to prevent individuals from quickly re-transferring it for a “windfall” gain while allowing Boards to redistribute quota in a manner to improve responsiveness to specialty markets and provide additional opportunities for new entrants.

Sometimes transfer assessments are referred to as ‘transfer restrictions’. In BC FIRB’s Specialty Review and BCFIRB’S September 2, 2005 direction, all quota issued by the board is subject to either 5% assessment (quota issued prior to the Supervisory Review) or LIFO 10/10/10 when it is transferred.

“LIFO” is an acronym for “Last In, First Out.” In its 2005 Specialty Review, BC FIRB directed that a condition of “LIFO” be implemented on the transfer of any incentive quotas issued after 2005. In other words, the last quota issued by the board is the first quota to be transferred.

“10-10-10” describes a declining transfer assessment for the transfer of incentive quotas. This schedule requires an automatic retraction of 100% in the first year after issuance. Subsequently, the amount retracted declines by 10% per annum until it reaches a minimum assessment of 10% in year 10. Similar to LIFO, this is to be applied on any incentive quota issued after 2005.

Instead of the 5% direct assessment on quota issued prior to 2005, BCCMB uses a deemed assessment approach by tracking all quota transfers (including family transfers) and taking a three year rolling average of all quota transfers, with no exceptions. We then calculate a deemed transfer assessment based on 5% of the three year rolling average of quota transfers. Each year, the deemed assessment is deducted from the provincial allocation received from Chicken Farmers of Canada and placed in the new entrant pool. Because all producers remaining in the industry share the cost of the funding of new entrant growers, the impact on individual producers is minimal and growers exiting the industry do not bear any cost of the assessment.

Other supply managed commodity boards in BC used a direct transfer approach, deducting a 5% assessment from individual quota transfers. Under this approach, the exiting producer incurs the cost of the assessment, with some exceptions, such as for family transfers and corporate restructuring.

BCCMB Transfer Statistics

There is active transfer of broiler chicken quota within the BC chicken industry ranging from 1 to 11% per year, as exhibited in Table 2². The total assessments derived from the transfers under

² Because BCCMB does not have any exemptions from our quota assessment, we do not track any personal information about the transferring parties such as familial relationships.

the current 5% deemed transfer assessment has been effective in providing sufficient quota for us to meet the requirements of the NEGP and address specialty market demands.

Table 2 Quota Transfers and Total Quota Holdings

Year	Total Quota Transfers (kg/8 week cycle)	Quota Totals (kg/8 week cycle)	Quota Transfers % of Total Quota Holdings
*2007	688,720	30,705,274	2%
2008	361,831	30,758,008	1%
2009	1,457,946	30,804,303	5%
2010	1,407,460	30,842,301	5%
2011	1,661,894	30,871,906	5%
2012	1,765,625	30,952,715	6%
2013	1,711,581	31,084,660	6%
2014	2,070,519	31,217,369	7%
2015	789,654	31,230,112	3%
2016	2,200,877	31,282,146	7%
**2017	3,304,873	31,309,639	11%
Total	17,420,980		
Based on BCCMB Production Coordinator Records			
*We don't have records for 2007 and 2008 so they are estimates based on 2009 totals, less kgs distributed to new entrants in 2008 and 2009.			
** 2017 transfers are based on transfers effective for periods A141 to A146. There were more quota transfers than usual at end of 2016 that took effect in 2017 in response to new CRA tax policies			

Consultation

The BCCMB has received input regarding transfer restrictions in our 2016 NEGP review, and our 2017 quota assessment evaluation.

In our 2016 review of our NEGP, nine of the ten NEG's interviewed had not purchased additional quota since their incentive quota was issued. They stated that the declining transfer rule (10-10-10) deters financial institutions from allowing NEG's to use quota as an asset. In addition, four new entrants stated that they were unable to access small amounts of additional quota. We will address the declining transfer rule and the availability of small amounts of quota in our recommendation.

In our 2017 Quota Assessment Evaluation, four individual submissions stated that the 10-10-10 and LIFO policies will restrict movement of quota because farmers have a disincentive to transfer quota when they cannot receive its full value. Three respondents elaborated on this point that it would make it even more difficult for new entrants to grow. We did expect a low

BRITISH COLUMBIA CHICKEN MARKETING BOARD

response to this question because most BC chicken growers have not experienced this policy firsthand because BCCMB has not issued any pro-rata quota increases to mainstream growers since the 1997.

The BCCGA's submission states that declining transfer assessments make sense for new entrant growers, but when applied to growers who have been in the industry for ten years or more, they detract from grower reinvestment, reducing active quota transfers and quota availability. Furthermore, the BCCGA states that the LIFO policy applied general quota increases will put an upward pressure on the quota values.

3. Alternatives to Declining Transfer Assessments

BCCMB's third objective of this project was to identify alternatives to declining assessments. In the individual submissions, there was a general consensus that declining assessments work for our NEGP and don't work for mainstream growers, but there were few alternatives to declining assessments submitted. There were two submissions that suggested the time frame be longer and that the last assessment at the end of ten years be removed (eg. 10-10-0). One individual recommended that the LIFO policy be changed to LILO (Last In, Last Out).

The submission from the BC Chicken Growers Association was consistent with the other submissions received, recommending that the declining transfer assessment (10-10-10) be limited to new entrant growers. They state that other growers who have invested ten years or more in the industry have already demonstrated that they are committed by not only a significant financial investment, but also by continuously adopting practices to meet expanding industry standards and consumer expectations.

The BCCGA also recommended the LIFO policy be eliminated, stating that it complicates orderly marketing, that it limits quota availability and puts an upward pressure on quota values.

Discussion on Transfer Restrictions and Leasing

In BC FIRB's direction letter for this project, they requested some discussion on quota transfer restrictions and leasing.

BC chicken growers are subject to two kinds of transfer restrictions when transferring quota, some mandated by BC FIRB, and some mandated by the BCCMB. They also have opportunities to lease quota.

In 2005, BC FIRB selected transfer assessments as the best available tool to address challenges (eg. to ensure quota is being produced and not being used as an asset that is bought and sold for long term growers) and opportunities related to transferable quota, determining that the first recipients of incentive quota should be expected to produce it. The BCCMB respects the intent of these policies, but during our consultation process, we have not found any evidence that this policy is effective. Based on our consultations with stakeholders, as well as with staff at the BC Egg Marketing Board and BC Milk Marketing Board, we have found that these policies can restrict quota movement, limiting growth opportunities for new entrants.

BRITISH COLUMBIA CHICKEN MARKETING BOARD

In regards to internal policies to restrict quota transfers, BCCMB only has some restrictions on transferring quotas out of the interior and island regions. (August 21, 2011 BCCMB General Sections 40.3, 41.5 and 41.6).

In regards to leasing, BCCMB allows growers to adjust and manage production by leasing. Each grower can lease in/out up to 50% of allotment each period. The price is negotiated between the parties.

Recommendations

The BCCMB has a record of 10 years of successful new entrant grower and specialty programs that have been developed without any additional assessments from mainstream growers. In addition, our quota transfer records indicate that chicken quota trades freely and is liquid. After consultation with our stakeholders, discussion amongst our board, the BCCMB is recommending that:

1. That LIFO and Declining Transfer Assessments be used for new entrant growers only.

Declining assessments and last in/first out restrictions on general increases of quota not only decrease quota liquidity but also complicate orderly marketing at both the board and farm level. We have not found any evidence that the absence of such an assessment will motivate farmers to immediately trade quota for a 'windfall gain.'

The BCCMB discussed other restriction options on incentive quota for long term farmers, but found that any restrictions would have the unintended consequence of limiting quota liquidity, which would put upward pressure on quota values and make it more difficult for new entrants to grow.

The proposed policy for an announcement of a general increase of quota is summarized as follows:

- a) BCCMB announces a general quota increase and sends letter to growers.
- b) Growers have 365 days from the announcement to create space (either by selling quota or building). If they fail to make space is available, they will forgo the increase.
- c) The pro-rata % increase will be based on the quota holding at time of increase (not the time of the announcement).

We expect most, if not all, growers will accept the increase and provide additional space. The increase is based on the quota holdings at the time of the increase (not the time of the announcement), so this will discourage growers to sell for a 'windfall gain'³. Furthermore, because BCCMB operates on a pro-rata system, it must be noted that quota increase does not automatically result in increased production and/or revenue for the farmer. It does, however, give growers more confidence to build more space.

³ We do acknowledge that some farmers may be already operating at their resource capacity and may not be able to build space for the entire increase. In these circumstances, they may transfer some quota out to create space, which will improve quota liquidity and put some smaller parcels of quota on the market for new entrants.

2. That the 10/10/10 transfer restrictions for new entrant growers be changed to 10/10/0

Currently, new entrant growers, after 10 years, still have a 10% assessment on incentive quota they received as part of the NEGP. We believe that new entrants who have made a 10 year commitment to the industry should not have this assessment. Because BCCMB uses a deemed assessment, this assessment is not necessary to fund programs such as our NEGP and specialty programs.

The BC chicken industry is comprised of many long-term families through intergenerational transfers since the supply managed system was brought into effect. These growers have invested and reinvested many times over. This would not have been possible without the security of quota. The system needs to recognize the need for adaptation to change and adoption of production practice such as environmental sustainability, animal care, etc. in response to changing consumer preferences are costs borne by growers. Assessment policies that “penalize” growers for transferring quota are not beneficial to the overall health of the industry. The BCCMB is committed to increase quota liquidity to encourage renewal and make it easier for new entrants to grow. To achieve this, we need to minimize restrictions on quota transfers.

Lessons Learned

We know that there is no ‘ideal time’ to do a consultation but we did find it difficult to engage with growers because pricing was foremost on their mind. Our growers had been waiting for pricing decisions for a long time, and were not in the mood to talk about other issues.

Another limitation to our consultation is that most of our growers were not familiar with these quota assessment policies. Because we had not had a new quota issuance since before 2005, growers generally did not have experience with these policies, unless they had experience in the egg or milk sectors. Most growers had some difficulty understanding the policies fully.

We found the knowledge and experience of our colleagues at the other supply managed boards was particularly helpful. While we have many differences in how we manage quota, we have many similarities in our long term objectives. In this consultative process, we had an active dialogue with our colleagues in other boards and this helped move our project forward in a meaningful way.

Both the BCCMB board and staff found this evaluation process an exceptionally valuable learning process. We are grateful for the guidance from the BC FIRB, who hosted two sessions where they invited all five supply managed board in BC to discuss quota assessments in a collaborative manner. BC FIRB showed leadership and skill in orchestrating the discussions that were mutually beneficial and meaningful. There were several times when we needed additional guidance from BC FIRB staff and they were readily available to answer our questions and lead us in the right direction. We are very thankful to the board and staff at BC FIRB for their support and guidance throughout this project.

Appendixes

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Appendix 1

Quota

Assessment

Evaluation

Notice April

18, 2017

BRITISH COLUMBIA CHICKEN MARKETING BOARD



Notice to BC Chicken Industry Stakeholders

April 18, 2016

Quota Assessment Evaluation

The BC Chicken Marketing Board (BCCMB) is evaluating quota assessments as they pertain to chicken quota in BC. This review is part of the BC Farm Industry Review Board's Quota Assessment Tools Evaluation, which requires all five supply managed commodity boards in BC to determine what, if any, changes to transfer assessment structures and/or industry entry policies are needed to maintain sound marketing policy, taking into account both industry and public interest.

BACKGROUND

In 2005, the BC Farm Industry Review Board (BCFIRB) provided principles and direction to B.C.'s five supply managed agriculture commodity marketing boards to ensure the existence of programs to adequately support specialty markets and new farmers.

RELEVANT POLICIES

The four key policies from the 2005 Review that apply to this evaluation include:

1. Quota is intended to be produced.
2. Quota is transferable.
3. Producers are actively engaged and committed to the industry.
4. Quota is available to commodity boards to support policy objectives, including development of specialty markets and providing for new entrants in the supply managed system.

OBJECTIVES

BCCMB's objectives for this evaluation are:

1. To evaluate the efficacy of BCCMB's New Entrant Grower program, as well as other new entry in the industry.
2. To identify and evaluate the impacts of transfer assessments on incentive quota, both based on the current scenario and in the case of a pro-rata mainstream quota increase.
3. Identify possible alternatives to declining assessments that encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains.

PARTICIPATION

During the first stage of the consultation process, the BC Chicken Marketing Board will hold regional face-face listening sessions with industry stakeholders (growers, processors, vendors and other industry participants) in conjunction with other spring producer meetings across BC. These sessions will take place from April 18 to May 31, 2017. The discussion will be focussed on, but not limited to, the following questions:

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants?
2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota?

Transfer assessment policies on market entry and quota movement

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?
4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?
5. Would the answers to the above question be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health?
7. Are non-family succession structures important for industry success going forward?
8. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?
9. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe.

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

In addition to in-person meetings, all chicken industry stakeholders and members of the public are invited to review the questions and provide input via mail, email or online form.

Mail Attn: Quota Transfer Assessment Consultations
BC Chicken Marketing Board
101 – 32450 Simon Avenue
Abbotsford BC V2T 4J2

Email: consult@bcchicken.ca

FREQUENTLY ASKED QUESTIONS

What are “**transfer assessments**”?

As per BC FIRB’s 2005 Specialty Review, transfer assessments are the surrendering back some of the seller’s quota when quota is transferred from one grower to another. Boards can redistribute the assessed quota in a manner to respond to specialty markets and provide opportunities for new growers. In 2005, four of the five marketing boards proposed that the assessment would be levied on the transferor (the farmer selling the quota) and reduce the amount of the quota available for transfer by 5%.

How does the BCCMB use transfer assessments?

For traditional mainstream quota, BCCMB uses a “deemed transfer assessment” whereby the amount of the assessment would be calculated as 5% of the total transfers in a period and the amount from this calculation would be deducted from the provincial allocation prior to distribution among quota holders. This approach has no exemptions for family members and/or corporate restructuring.

For incentive quota issued after 2005, BCCMB uses a “10-10-10” declining assessment, so that the last incentive quota issued by the board is the first to be transferred (“LIFO”).

What is ‘incentive quota’?

Incentive quota is quota issued by the board at no cost, such as new entrant grower quota or a pro rata increase.

What is “10-10-10”?

In the 2005 Specialty Review, BC FIRB directed the establishment of a declining transfer assessment for the transfer of incentive quotas. This schedule requires an automatic retraction of 100% in the first year after issuance. Subsequently, the amount retracted declines by 10% per annum until it reaches a minimum assessment of 10% in year 10.

What is “LIFO”?

“LIFO” is an acronym for “Last In, First Out.” In its 2005 Specialty Review, BC FIRB directed that a condition of “LIFO” be implemented on the transfer of any incentive quotas. The last quota issued by the board must be the first quota that is transferred.

ADDITIONAL RESOURCES

[BC FIRB’s 2005 Specialty Review Report.](#)

[BC FIRB Expectations for 2017 Quota Assessment Tools Evaluation](#)

This document is also available on our website at <http://bcchicken.ca/news/quota-assessment>. If you have any further questions, please contact Cheryl Davie in our office 604-859-2868 or cheryldavie@bcchicken.ca.

Thank you in advance for your participation.



Bill Vanderspek,
Executive Director
BRITISH COLUMBIA CHICKEN MARKETING BOARD
BV/cd

Appendix 2

Quota

Assessment

Presentation

to Growers

BRITISH COLUMBIA CHICKEN MARKETING BOARD

 **BC Chicken Marketing Board**

Quota Assessment Tools Review

Cheryl Davie
May 2017



 **Quota Assessment Tools Review**

1. Background
2. Definitions
3. Consultation
4. Feedback



 **Quota Assessment Review**

- BC FIRB Initiated to assess outcomes of 2005 Specialty Review
- Focus on impacts of transfer assessments and industry entry
- Possibility to evaluate related quota policies



Background Definitions Consultation Feedback

 **Relevant Policies**

1. Quota is intended to be produced.
2. Quota is transferable.
3. Producers are actively engaged and committed to the industry.
4. Quota is available to commodity boards to support policy objectives (specialty, new entrants, etc)



Background Definitions Consultation Feedback

2005 BC FIRB Specialty Review

"10-10-10"

- ▶ declining assessment on transfer of incentive quota
- ▶ Automatic retraction of 100% in first year after
- ▶ Subsequently amount retracted declines 10% per annum until min. assessment of 10% in year 10.



Background Definitions Consultation Feedback

10 – 10 – 10 Example

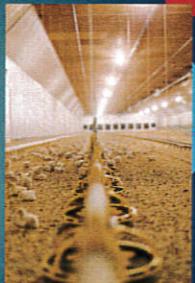
9,000 kg owned Jan. 1, 2027

Date Quota Issued:			January-01-18
Amount of Quota Issued (KG):			10,000
Year	From	To	Amount Owned (kg)
0	1-Jan-18	31-Dec-18	-
1	1-Jan-19	31-Dec-19	1,000
2	1-Jan-20	31-Dec-20	2,000
3	1-Jan-21	31-Dec-21	3,000
4	1-Jan-22	31-Dec-22	4,000
5	1-Jan-23	31-Dec-23	5,000
6	1-Jan-24	31-Dec-24	6,000
7	1-Jan-25	31-Dec-25	7,000
8	1-Jan-26	31-Dec-26	8,000
9	1-Jan-27	31-Dec-27	9,000
10	1-Jan-28	31-Dec-28	9,000
11	1-Jan-29	31-Dec-29	9,000

Background Definitions Consultation Feedback

BC FIRB Specialty Review

- LIFO
- "Last in, First Out"
- Last incentive quota received must be first quota that is transferred.



Background Definitions Consultation Feedback

BCCMB New Entrant Grower Program

Quota Comes from Deemed Assessment

- 5% of all quota transferred in past year is deducted from BC allocation
- Put in pool for NEGP
- No exemptions (i.e. for family members and/or corporate restructuring).



Background Definitions Consultation Feedback

New Entrant Grower Program

Year	KGS Live Distributed to New Entrants	Lower Mainland Mainstream	Interior	VI	Lower Mainland Specialty	Total New Entrants
2006	96,635	3	3	2	3	11
2007	52,734		2		4	6
2008	46,296	3			3	6
2009	38,906		3		2	5
2010	69,958				2	2
2011	100,615		2		9	11
2012	77,468		1		9	10
2013	119,866		1			1
2014	78,630		2			2
2015	55,945				5	5
2016	77,127	1				1
TOTAL	814,180	7	14	14	25	60

Background Definitions Consultation Feedback

Definitions: Incentive Quota

- Issued by board at no cost

Examples:

- ▶ NEG
- ▶ Specialty
- ▶ Any general quota increase



Background Definitions Consultation Feedback

Consultation

- Board will meet with:
 - BCCGA
 - SMAC
 - PPAC
 - Allied Trades
- Website allows for public input/formal responses



Background Definitions Consultation Feedback

Observed Effects

- ▶ New entrant grower program is successful
- ▶ Quota currently trades freely
- ▶ New entrants have different restrictions
- ▶ In case of pro-rata increase, all growers will have increased restrictions on transferring quota



Background Definitions Consultation Feedback

Draft Questions

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants?
2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota?

Background Definitions **Consultation** Feedback

Draft Questions

Traditional outlook on succession and quota assessment

1. Are whole farm transfers still important for succession or industry health?
2. Are non-family succession structures important for industry success going forward?
3. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?
4. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe. *Other*
5. Do you have any other comments in regards to quota assessments and/or industry entry?

Draft Questions

Transfer assessment policies on market entry and quota movement

1. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?
2. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?
3. Would the answers to the above question be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?

Background Definitions **Consultation** Feedback

Feedback & Final Report

Finalize questions based on consultation
 Survey stakeholders
 Feedback required by June 9, 2017
 Draft Report circulated June 16, 2017
 Final Report June 30, 2017



Background Definitions Consultation **Feedback**

BRITISH COUNCIL
A THE KING'S MARKETING BOARD

How to Submit Feedback

Questions on Website



The screenshot shows a web form with the following text:

Questions for Industry Discussion
Early in January

1. Is the current British recruitment practice policy open to debate for your company?

2. Is your employer willing to accept that business is under the influence of marketing spend?

What do you think the future of the industry, please see comment and date?

3. Do you have any other comments on the industry, recruitment practice, advertising and so on, based?

Background Definitions Consultation **Feedback**

BRITISH COUNCIL
A THE KING'S MARKETING BOARD

How to Submit Feedback

Survey -



The screenshot shows a web form with the following text:

Questions for Industry Discussion
Early in January

1. Is the current British recruitment practice policy open to debate for your company?

2. Is your employer willing to accept that business is under the influence of marketing spend?

What do you think the future of the industry, please see comment and date?

3. Do you have any other comments on the industry, recruitment practice, advertising and so on, based?

Background Definitions Consultation **Feedback**

Appendix 3

Online and

Written

Submissions

from

Individuals

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Cheryl Davie

From: BCCMB Website <website@bcchicken.ca>
Sent: May-12-17 11:47 AM
To: consult
Subject: Quota Assessment Form Submission

First Name: [REDACTED]
Last Name: [REDACTED]
Email Address: [REDACTED]
Region: Fraser Valley/Lower Mainland
Stakeholder Type: Producer



Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants?



No, the assessment hinders their growth. The assessments reduce the sales of quota and make it more difficult for new entrants to grow. The 10/10/10 LIFO policy also effects the movement of new entrant quota. New entrants expand slowly for cash flow reasons, and small lots of quota don't come up often. If you remove the 10/10/10 rule, you free up new entrant quota to be transferred among themselves.

2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota?

No, the assessments discourage producers from selling, and if they do sell, the seller increases the cost of the quota to compensate for the assessment. Remove the assessments, and fund the new entrant program through industry growth.

Transfer assessment policies on market entry, quota movement and price

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?

yes, assessments restrict the movement of quota sales for all categories. New entrants cannot sell their new entrant quota. They also struggle with purchasing large amounts of quota based on cashflow and small lots of quota don't come up for sale because its not equitable for mainstream producers to sell small amounts and take a clawback. Mainstream producers who want to buy whole farms may see upwards of 15% less quota on that farm as a result of the sellers clawbacks and 10/10/10 LIFO circumstance. This makes whole farm purchases inefficient and less desirable.

4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?

Its stifles growth and deters succession planning. Windfall gains should be avoided somehow, but assessments only slow the movement of quota and reduce the opportunity for producers to grow. It also makes "going concern" whole farm sales less efficient as your quota doesn't line up with the size of the barn.



5. Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health?

Yes, farm transfers allow new producers into the industry. Like any industry, purchasing an operating business is much simpler than starting from scratch. Whole farm transfers is better for succession planning.

7. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?

No, transfer assessments effect "going concerns" as it takes saleable birds out of your barn and put them into the new entrant program. Your new farm efficiency goes down right out of the gate.

8. Other than FIFO and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe.

fund the new entrant program through industry growth. Also strongly consider next generation farmers as "new entrants" they bring new ideas and innovation to the industry. Does that not meet the definition of new entrant?

9. Are non-family succession structures important for industry success going forward?

Yes, the industry needs new producers with new ideas, and the only way to do that is by having a method in place to organize both non-family and family succession structures. New entrants are not only lottery winners, but also the next generation of farmers. This should seriously be considered when making changes.

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

--
This e-mail was sent from a contact form on British Columbia Chicken Marketing Board
(<http://bcchicken.ca/news/quota-assessment/>)



Cheryl Davie

From: BCCMB Website <website@bcchicken.ca>
Sent: May-16-17 10:50 AM
To: consult
Subject: Quota Assessment Form Submission

First Name: Elden
Last Name: Martin
Email Address: eldenmartin8@gmail.com
Region: Okanagan
Stakeholder Type: Producer

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants? ✓

Yes

2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota? ✓

Yes

Transfer assessment policies on market entry, quota movement and price

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how? ✓

Not aware of different impacts

4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?

Yes

5. Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO? ✓

No

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health? ✓

Yes

7. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable? ✓

Yes,

8. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe. ✓

Change the time frame to 15 years.

9. Are non-family succession structures important for industry success going forward?

yes

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

Any incentive quota received by a farmer should have the ability to pass the incentive quota on to his successor (son or daughter) with the same 10/10/10 rules applied.

--

This e-mail was sent from a contact form on British Columbia Chicken Marketing Board
(<http://bcchicken.ca/news/quota-assessment/>)



Cheryl Davie

From: BCCMB Website <website@bccchicken.ca>
Sent: April-20-17 5:23 PM
To: consult
Subject: Quota Assessment Form Submission

First Name: Ryan
Last Name: Lymmerst
Email Address: ryanl@telus.net
Region: Okanagan
Stakeholder Type: Producer

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants?

Yes

2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota?

Not lately but previously there was more available. For the past year or so it seems no producers are selling quota. I believe producers are waiting for the board to make a decision on whether or not more quota is going to be issued as historically it was stated that this would happen once allocation exceeded 100% for more than a year. There has been worry that those who sell some quota now would not be eligible for new issuances and thus are not willing to sell.

Transfer assessment policies on market entry, quota movement and price

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?

For new entrants the 10-10-10 method seems to be very effective at ensuring only those committed to the industry accept incentive quota. For mainstream producers the system seems to be working as there have been very few quota sales and those that have left the industry had been producers for a number of decades.

4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?

They seem to work well so far as very few local producers have sold a portion of their quota. Most of the sales that have happened are producers that have been in the industry for many and have left the industry all together (mostly to retirement when children were not interested in taking over)

5. Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?

Issuing mainstream quota with a LIFO declining transfer assessment would almost completely stall the sale of quota for the next 5 to 10 years. This approach would be very damaging to the industry and would result in no new quota for the new entrant pool. It would also prevent new entrants from acquiring mainstream quota (which the board has offered to match) as there would not be any for sale. This approach would effectively remove ownership of producers production from them as the issuance would dilute their quota production and the board would maintain ownership of a portion of this production even though the amount of KG in the barn doesn't increase. The declining transfer assessment on issuances to mainstream quota made sense under the block issuance system where birds in the barn actually increased after an issuance and thus a producer could

sell their issued quota and maintain the same production. Under the pro-rata system the birds in the barn don't change after an issuance and thus a producer is no better off after the issuance than he was before, in fact he is now worse off because he is now subject to give up some of the quota if sold. The declining transfer assessment should be removed from pro-rata issuances of new quota as there is not possibility of windfall gains under this approach as the issuance of quota is more of a dilution of the quota than an issuance of an incentive. If the declining transfer assessment remains in place, the board should declare that they will not be making any pro-rata issuance and will instead continue to allow the allocation percentage to climb.

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health?

Yes, this is exactly how I entered the industry. There will always be producers that reach a point where they are no longer interested in farming (usually due to retirement) and either wish to transfer to a family member or if non are interested to sell to a third party. ✓

7. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?

Yes, the current system seems to work well given that we haven't seen a pro-rata increase since the 10-10-10 rules have been applied. These rules will impact the ability to sell/transfer if there is a pro-rata issuance. ✓

8. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe.

The 10-10-10 and LIFO system is perfect for the new entrant growers who are receiving quota of value for free. The 10-10-10 rules are not necessary and should simply be removed for mainstream pro-rata increases and the producer is not receiving an increases value through these issuances. Because the actual production does not increase after a pro-rata increase, the value of the quota should actually decrease on a per bird basis and thus the total value of a producers quota should remain the same after the issuance as the net present value of future cash flows does not change through the issuance. The pro-rata issuance does not result in the ability of the producer to generate a windfall as they are in the same financial position after the issuance as they were before (unless there is a 10-10-10 transfer assessment in which case their position actually worsens). If a producer sells quota before or after the issuance they will hurt their future cash flow and thus (in the absence of a 10-10-10 assessment) the issuance itself would not actually affect the decision to sell or not unless the issuance would require adding barn space and there were not able to do so. The 10-10-10 assessment to pro-rata increases will stop the sale of all quota and thus those that do build and extra barn (as I would likely do) would not be able to acquire additional quota to make efficient use of the additional space. In summary: the 10-10-10 rules when applied to pro-rata increases is trying to solve a problem that does not actually exist and would actually create more problems than is solves. Another alternative is not required here because there is really no problem to solve. ✓

9. Are non-family succession structures important for industry success going forward?

Yes, it is health to have some turnover in the industry and have new people join in as of the veteran producers exit.

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

--

This e-mail was sent from a contact form on British Columbia Chicken Marketing Board (<http://bcchicken.ca/news/quota-assessment/>)

Cheryl Davie

From: BCCMB Website <website@bcchicken.ca>
Sent: May-16-17 2:07 PM
To: consult
Subject: Quota Assessment Form Submission

First Name: [REDACTED]
Last Name: [REDACTED]p
Email Address: [REDACTED]
Region: Fraser Valley/Lower Mainland
Stakeholder Type: Producer

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants? ✓

yes

2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota? ✓

yes

Transfer assessment policies on market entry, quota movement and price

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how? ✓

It is written in the orders how it affects producers. It affects different producers differently. Depending on how long you have been in industry and if you are wanting to sell incentive quota. ✓

4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it? ✓

I think selling it has been fine since the assessment comes out of allocation not the sale. The penalty on incentive quota does stop wind fall gains but reduces quota transfer's at the same time. ✓

5. Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO? ✓

It most likely would since people would not want to be penalized on the increase. ✓

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health? ✓

Definitely, the family farm should be encouraged to continue and not prohibit family members from getting involved.

7. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable? ✓

Yes

8. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for



windfall gains? Describe.

Change 10/10/10 to 10/10/00. Why keep this penalty? Maybe shorten this penalty time period to 20/5/00.

9. Are non-family succession structures important for industry success going forward?

This is too easily abused and should not be included.



Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

--

This e-mail was sent from a contact form on British Columbia Chicken Marketing Board
(<http://bcchicken.ca/news/quota-assessment/>)

Cheryl Davie

From: BCCMB Website <website@bccchicken.ca>
Sent: May-31-17 9:24 PM
To: consult
Subject: Quota Assessment Form Submission

First Name: [REDACTED]
Last Name: [REDACTED]
Email Address: b [REDACTED]
Region: Fraser Valley/Lower Mainland
Stakeholder Type: Producer

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants? ✓

The current assessment policy provides quota for for new entrants. However, it is a tax on individual producers in the industry. The new entrant policies, I assume, are based on the amount of assessments available. The programs should be stand alone policies, developed independent of assessments that are available.

2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota? ✓

As far as I know, quota is available to producers. However the method of making it available does not allow for equal access by all producers.

Transfer assessment policies on market entry, quota movement and price

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?

Yes. New entrants and specialty are the recipients of the transfer assessments . The mainstream producers remaining in the industry are providing the quota through the global assessment. There is no tax on producers leaving the industry. ✓

4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?

No. The global transfer assessment policy has no affect on a producer selling quota. The transfer assessments are provided by the producers remaining in the industry.)

5. Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?

Yes. I suspect that the amount of quota for sale would decrease if quota allocations were made to mainstream producers and the allocations were subject to the 10/10/10 assessment policy, on an individual farm basis. This would have the effect of increasing the price of quota which would have an adverse effect on the industry, particularly new entrants trying to grow their operations.

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health?

Whole farm transfers are important for succession. The whole farm transfer policies need to be balanced with the availability of quota on an equal access basis to all producers. ✓

7. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?

Yes. The current global transfer assessment policy allows producers to manage their farms .

8. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe.

In a growing market there is no need for transfer assessments to fund board programs. Quota for programs including new entrants, can be provided through growth. Programs should be developed on their own merit without consideration to assessments that are available. In a flat market, programs can be funded by the industry which is not fundamentally different from the global assessment used currently. There should be no transfer assessment and no LIFO policy. A producer needs to be able to pick the right time to expand his operation. It is inefficient to expand a barn 5% at a time. Producers that remain in the industry should not be penalized for selling small amounts of quota. Producers need the flexibility to "right size" their farm, and pick the right time for expansion. For producers exiting the industry, a policy could be in place that would require a producer to earn quota allotments before they could be transferred without assessment. (for example 10/10/0) This would impact producers leaving the industry, but not impact those producers remaining and wanting to "right size" their farm. The same policy should apply to new entrants, specialty, and other board programs. Family transfers and farm reorganization should be exempt from any assessments.

9. Are non-family succession structures important for industry success going forward?

I think there should be an opportunity for an existing producer to bring a minor shareholder into his operation without assessment. This would require a strict set of rules and limitations. I think there is a need to allow a producer to transfer a limited number of shares to a valued employee if desired. The amount of share transfer needs to be limited to 5 -10 % . A program like this should not be used to sell a farm over time to new owner. There is a need to have a system in place to make quota available to all producers in an equitable and transparent process. Whole farm sales should be evaluated on an individual basis.

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

The 10/10/10 and LIFO policies have a detrimental affect on the industry. When they are applied on an individual basis they restrict the availability of quota for sale and increase the price. This has an adverse affect on the industry, particularly new entrants looking to expand their operations. New entrant and other board programs can be funded by the industry. There is no need to link programs to assessments taken on the sale of quota. In particular, family re-organizations need to be exempt from any assessments. To operate in an increasingly more competitive environment, to address succession planning, and to deal with Canada Revenue tax issues, producers need to be more aligned with normal business practices.

--

This e-mail was sent from a contact form on British Columbia Chicken Marketing Board
(<http://bcchicken.ca/news/quota-assessment/>)

Cheryl Davie

From: BCCMB Website <website@bccchicken.ca>
Sent: June-13-17 3:26 PM
To: consult
Subject: Quota Assessment Form Submission

First Name: [REDACTED]
Last Name: Korthuis
Email Address: k.korthuis@icloud.com
Region: Fraser Valley/Lower Mainland
Stakeholder Type: Producer

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants?

Yes it is ✓

2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota?

yes there is ✓

Transfer assessment policies on market entry, quota movement and price

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?

No ✓

4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?

Yes, but people are still getting the windfall ✓

5. Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?

There is always quota available, sometimes you have to be patient. ✓

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health?

No, as a lot of farms are getting older they need to be replaced, new producers just as soon start new. ✓

7. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?

There is no problem the way it is. ✓

8. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe.

I think that we need to leave the 10-10-10 rule in place and continue with pro rata growth as we have been doing. We should maybe change it that it takes 20 years to transfer the quota. ✓

9. Are non-family succession structures important for industry success going forward?

??? I am not understanding this question.

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

I believe that we have a great industry, there will always be highs and lows. but we can always weather the storm. Keep up the good work

--
This e-mail was sent from a contact form on British Columbia Chicken Marketing Board
(<http://bcchicken.ca/news/quota-assessment/>)

Cheryl Davie

From: BCCMB Website <website@bcchicken.ca>
Sent: June-21-17 6:39 PM
To: consult
Subject: Quota Assessment Form Submission

First Name: Reinhard
Last Name: Dyck
Email Address: rpoultry56@gmail.com
Region:
Stakeholder Type:

Entry to Industry

1. *Is the current transfer assessment providing adequate opportunities for new entrants?* ✓
yes
2. *Is quota available to those who wish to expand their business or enter the industry by purchasing quota?* ✓
yes

Transfer assessment policies on market entry, quota movement and price

3. *Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?* ✓
not significantly
4. *Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it?*
I believe so
5. *Would the answers to #2 be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO?* ✓
Yes

Traditional outlook on succession and quota assessment

6. *Are whole farm transfers still important for succession or industry health?* ✓
I believe so
7. *Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable?*
I believe so
8. *Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe.*
not sure

9. Are non-family succession structures important for industry success going forward?

Yes

Other

10. Do you have any other comments in regards to quota assessments and/or industry entry?

no

--

This e-mail was sent from a contact form on British Columbia Chicken Marketing Board
(<http://bcchicken.ca/news/quota-assessment/>)

Cheryl Davie

From: Bill Vanderspek
Sent: June-19-17 7:35 AM
To: Cheryl Davie
Subject: FW: Quota Transfer Assessment Tools Evaluation

From: Bev & Brian Whitta [mailto:whittafarm@rogers.com]
Sent: Sunday, June 18, 2017 10:34 PM
To: Bill Vanderspek <billvanderspek@BCChicken.ca>
Subject: Quota Transfer Assessment Tools Evaluation

Hello Bill

We are responding to the invitation for feedback regarding the quota transfer assessment tools evaluation.

- 1) We support the new entrant program and the declining transfer assessment for those new growers, i.e. growers with less than 10 years status in the industry. This will address the concern about speculative investment. Following the 10 years, the 5% transfer assessment would be used.
- 2) We believe that the declining transfer assessment should not be applied to persons purchasing mainstream quota to enter the industry.
- 3) Growers with more than ten years seniority have obviously shown commitment to the industry and deserve to be acknowledged for that by receiving any quota increase without the declining assessment. The four Island growers who received quota in exchange for ferry costs received it on the declining transfer assessment. At that time, we had all been in the industry for longer than ten years. Perhaps that should be given consideration as well.
- 4) Policies that support whole farm succession planning/transfers are very important to the future of the industry and the next generation.

Thank you

Whitta Farm Ltd.
Bev & Brian Whitta

2017 BCCMB Quota Assessment Evaluation 2

Entry to Industry

1. Is the current transfer assessment providing adequate opportunities for new entrants? Yes
2. Is quota available to those who wish to expand their business or enter the industry by purchasing quota?

Transfer assessment policies on market entry and quota movement

3. Do transfer assessments impact new entrants, specialty and mainstream producers differently, and if so, how?
4. Have transfer assessments been successful in keeping people active and engaged in the industry, deterring selling of quota for windfall gains vs. producing it? Transfer assessments should be assessed to the actual person selling not assessed from the whole industry as is done presently. This would counteract sales for profit as a 5% transfer assessment would be levied. This would also no longer penalize growers who do not sell quota. Presently the whole industry funds the new grower assessments which is fundamentally different I believe from the intent of FIRB order that essential those exiting the industry either in a small way or all together should be funding the new grower assessments.
5. Would the answers to the above question be different if BCCMB administered a pro-rata quota increase of mainstream quota, which would be subject to declining transfer assessments and LIFO? Yes it would have the effect of halting smaller transfers for efficiency and or economical reasons. A farmer may want to sell 500 birds because barn capacity is not available rather than construct a new facility. Whereas another farmer may want to construct a new barn and need to purchase a small amount of quota to make the barn more efficient. Since we have had no increases in quota since the implementation of LIFO we have not experienced this but this can be seen in the other supply managed industries that have issued increases in quota on an ongoing basis

Traditional outlook on succession and quota assessment

6. Are whole farm transfers still important for succession or industry health? Whole farms are very important to the Chicken industry for the product to be grown barns space is a must. If partial farm transfers are mandated the viability of the operation may be compromised
7. Are non-family succession structures important for industry success going forward? Yes but should still be subject to transfer assessments. Only direct family transfers should be exempt from the transfer assessment.
8. Do current transfer assessments enable producers to sell/transfer their farms sufficiently intact, remaining financially viable? Yes the current assessment is not onerous.
9. Other than 10/10/10 and LIFO, are there other preferred alternatives to transfer assessments that would encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains? Describe. The 10/10/10 rule is a good one but it should be changed to LILA (last in last out). This would prevent locking up quota transfers if and when quota is issued. A farmer may want to sell a portion of their quota after an increase for efficiency reasons but if the LIFO rule applies will not do so

Appendix 4

Submission

from BCCGA

BRITISH COLUMBIA CHICKEN MARKETING BOARD

BC Chicken Growers' Association

Quota Transfer Assessment Tools Evaluation

Issue:

- To assess the outcomes of BC Farm Industry Review Board (BCFIRB) 2005 Specialty Review transfer assessment and industry related entry directions as they pertain to their continued effectiveness, utility and appropriateness.

Objectives:

1. To evaluate the efficacy of the BCCMB's New Entrant Grower program, as well as other new entry into the industry.
2. To identify and evaluate the impacts of transfer assessments on incentive quota, both based on the current scenario and in the case of pro-rata mainstream quota increase.
3. To identify possible alternatives to declining assessments that encourage active engagement and commitment to the industry while deterring the selling of quota for windfall gains.

Background:

- In 2005, the BCFIRB provided principles and directions to BC's five supply managed agricultural commodity marketing boards in its Specialty Marketing and New Entrant Submissions: Policy, Analysis, Principles and Directions to ensure the existence of programs to adequately support specialty markets and new farmers.
- BCFIRB met with the five supply-managed marketing boards in February 2017 to establish expectations and next steps in the conduct of the evaluation.
- The intent of the evaluation is to determine if industry and public interest policy outcomes are still being achieved and if there are unintended or adverse consequences that need to be addressed.
- The four key policies arising out of the 2005 Specialty Review that apply to this evaluation include:
 - Quota is intended to be produced.
 - Quota is transferable.
 - Producers are actively engaged and committed to the industry.
 - Quota is available to commodity boards to support policy objectives, including development of specialty markets and providing for new entrants in the supply management system.
- The two areas of focus for the evaluation are:
 - Transfer Assessment Structure – Evaluate whether, and to what extent, the current structure of transfer assessments is impacting the movement of quota between producers and related consequences.
 - Industry Entry - Evaluate whether, and to what extent, the current programs and tools used to reduce quota related barriers to entry continue to support industry entry by new farmers (i.e. people new to the industry who are not part of family-farm succession planning). This will include an evaluation of whether, and to what extent, existing transfer assessment exemptions continue to serve their intended purposes, per the 2005 policy objectives.

Discussion:

Windfall Gain

- The 2005 Specialty Review was conducted at a time when there was chaos in the supply managed sectors, with non-licensed "specialty" producers attempting to usurp the system of orderly marketing.
- Conditions in 2017 are considerably different, with specialty production being accommodated and growing within the system.

- The Association agrees that there is a need to minimize the risk of “speculative gain”, however, penalizing all growers who have demonstrated their long-term commitment to the industry through transfer assessments and declining transfer assessments for “incentive quota” detracts from grower reinvestment and active quota transfer.
- The question to be answered is whether the notion of “windfall gain” is real or perceived?
 - No substantiating evidence was provided in 2005 that supported that “windfall gains” were being realized in the supply management sector.
 - It was implied that the notion of “windfall gain” needed to be addressed due to the conversion and allocation of quota to specialty producers in 2005.
 - With any business endeavor, there is an expectation of profit or gain. As stated in the 2005 Specialty Review “Businesses build equity over time and at some point the owners seek liquidity at an acceptable return on their equity” (page 27).
 - The notion of minimizing “windfall gain” has been enshrined in policy but no clear measures of this policy have been established.
 - Applying a declining transfer assessment on quota allocated after 2005 and measuring the amount of quota transferred are not clear measures of success.
 - Is the notion of “windfall gain” in perpetuity or at what point in time or after how many years of being a grower is the transfer of quota no longer considered a “windfall gain”?

Actively Engaged and Committed to the Industry

- Active engagement has always been expected as part of the quota licence, with measures in place such as ownership of the land and business.
- Commitment to industry is an important policy consideration, but more difficult to measure.
 - Is the appropriate measure, length of time as an active grower, e.g. 10+ years?
 - Is the measure tied to further investment through purchase of quota or in new buildings?
 - What is the linkage to “windfall gain”? If the measure is length of time of investment in the industry, as per above, at what point can the notion of “windfall gain” be dismissed?

Industry Growth and Development

- To measure the impact of the current policy, one must also take into consideration the effect on existing grower investment in growth and development.
- To date, there is no evidence to indicate that the deemed transfer assessment policy has impacted the ability of those who want to grow their operations.
- Policy should not discourage those currently in the industry from acquiring additional quota to grow.
- While no incentive quota has been allocated to growers, it is expected that declining transfer assessment will result in less quota being transferred.

Transfer Assessments:

- The Association supports the policy that “quota is transferable” based on:
 - The need to enable growers to expand or contract as best suited to their business requirements.
 - To improve overall responsiveness and efficiency of the industry.
 - To support reinvestment and retooling of the industry.
- The Association accepts that there is a need for the Board to be able to respond to changing market conditions through the application of transfer assessments.
 - The Association supports the continuation of the 5 per cent deemed transfer assessments as opposed to direct transfer assessments.
 - The Association recommends the elimination of the declining transfer assessment on “incentive quota”, except for new entrants.
 - The Association recommends that the declining transfer assessment only be applied to new entrants (those who have been a grower 10 years or less). After 10 years, the standard 5 per cent transfer assessment would be applied.

- Transfer assessment has no direct relationship to active engagement in farming or commitment to industry. The declining transfer assessment can however serve to reduce speculative risk when applied to new entrants.
- The increase in provincial quota allocation since 2005 has been limited, and has been held and managed by the Board with no allocations to growers.
 - In order to stimulate and facilitate renewal and reinvestment in the industry, the Association supports the need for the Board to allocate the increased provincial allocation to growers without a declining transfer assessment other than described above.
 - Having no assurance that the value of the quota (less the 5 per cent assessment) can be realized, detracts from a grower's decision to invest in expanded or new barns.

Policy Considerations

- There is still no evidence to support the “speculative/windfall gain” concerns that arose out the 2005 Specialty Review.
 - The vast majority of growers are well established and have been part of the chicken industry prior to the Specialty Review.
 - The current policy penalizes all growers. Any monetary benefit received through the transfer of quota is deemed to be a “windfall gain” no matter how long the grower has held quota.
 - If the policy was established to ensure that the new entrants, created as a result of implementation of the 2005 Specialty Review directions, were precluded from “windfall gains”, then the policy should be restricted in its application to new entrants.

New Entrant Grower Program

- The Association supports the New Entrant Grower Program (NEGP).
- The current transfer assessment has provided adequate opportunities for new entrants given that the NEGP has resulted in 60+ new entrants who represent approximately 20 per cent of the total number of chicken growers in BC and less than 10 per cent of total production.
- In order to avoid speculative investment in the broiler industry, the declining transfer assessment should be applied to new entrants only.

Barriers to Entry

- The 2005 Specialty Review stated “Boards understand that quota values have risen in the market place, yet they decline to acknowledge that quota price is often an insurmountable barrier to entry” (page 27).
 - The NEGP did not address the issue of quota value. Instead it allocated a set amount of quota for free. Success will be dependent on the ability of the NEGP growers' ability to secure, through purchase, additional quota.
- Why are supply managed operations expected to be treated any differently than other businesses?
 - Taxi licences are in limited supply. The ability to purchase a licence is limited.
 - Tim Hortons, McDonalds, Starbucks, etc. are franchises that command a price for entry. This reduces one's financial ability to enter this industry.

Succession Planning

- Supply management has been successful in promoting farm succession. A considerable portion of the supply managed industry in BC is now represented by subsequent generations of farmers.
- Given the economic importance of the industry and the high cost of capital required to establish a farm, policies that support the continuation of current farms through succession is important.
- There is a minimum threshold of production required to maintain an economically viable and sustainable broiler farm. Policies to enable whole farm transfers for succession purposes will help to maintain and support an economically viable and sustainable sector.
- Non-family succession structures can contribute to maintaining the viability of the enterprises.

Conclusions

In response to the questions raised by the Board, the Association's position is:

Entry to Industry

- It would appear, given the number of new entrants who were allocated quota under the NEGP, that the deemed transfer assessment policy has provided adequate opportunities for new entrants.
 - What constitutes "adequate" would seem to be the key to gauging success.
- The Association does not have any data on new entrants other than the NEGP and as such it is difficult to make any comment on the impact and effect that existing transfer assessment policies have on entry. Anecdotal information would tend to support that existing growers have access to quota for growth.

Transfer Assessment Policies on Market Entry and Quota Movement

- New entrants are impacted by the 10/10/10 and Last In First Out (LIFO) whereas, without the issuance of incentive quota, specialty and mainstream growers have not felt the impact of the declining transfer assessment policy.
- New entrants who have grown chicken for over 10 years will face a 10 per cent transfer assessment as opposed to the 5 per cent deemed transfer assessment that is applied to specialty and mainstream growers.
- The transfer assessment policies have no direct bearing on keeping growers actively engaged in the industry.
- Given that there has been no incentive quota allocated, it is impossible to establish the impact and effect of the policy as a deterrent to transferring quota and windfall gains.
- Growers accept and respect the policy that quota is intended to be produced. Under certain circumstances whereby production cannot be achieved in a given cycle, the quota leasing policy serves to support the "quota is intended to be produced" policy.

Traditional Outlook on Succession and Quota Assessment

- Whole farm transfers have and continue to be important for succession and overall industry health.
- Non-family succession structures can contribute to industry success.
- In the absence of the allocation of incentive quota, the declining transfer assessment and LIFO policies have had limited impact and effect on growers other than new entrants. The decision to sell/transfer their farms sufficiently intact is independent of the current transfer assessment policies.
 - Growers are protective of their assets, including quota, and if a decision is made to sell the farm or transfer quota, as in any business or transaction, the seller will look to capture the maximum value possible.
 - The amount of quota transferred must be relevant to the intended use of the quota:
 - Start-up of a new production unit must have sufficient quota to be economically viable and sustainable, whether it be a new entrant or family succession.
 - Expansion and growth of an existing production unit to improve financial performance, economic viability and sustainability.

Alternatives to Current Transfer Assessments

The Association supports:

- The continuation of the deemed transfer assessment (5 per cent) policy.
 - While new entrants have been directed to address specialty and regional growth priorities, the need for additional new entrants as an objective needs to be evaluated as opposed to allocating additional quota to meet the priority market needs.
 - The deemed assessment provides greater equity as it results in all growers sharing in the costs and the benefits.

- Limiting the application of the declining transfer assessment to new growers (less than 10 years in industry).
 - The approach is consistent with the commitment to industry policy.
 - The Association is of the view that a 10 year investment in the broiler industry provides a demonstrable measure of a grower's commitment to industry.
 - It is the "credibility" of the new growers' commitment to the industry that needs to be challenged, not existing growers who have demonstrated a long-term (>10 years) commitment to growing broilers.
 - Long term growers and new growers are expected to adopt practices and incur the costs to meet consumer preferences that are not reflected in the live price received by growers. Measures such as environmental sustainability, food safety, animal care, etc.
- Changing the 10/10/10 to 10/10/5 applicable only to new entrants to minimize the risk of windfall gain.
 - The grower would be subject to a declining transfer assessment of 10 per cent per year for 10 years, and after 10 years be included in the deemed transfer assessment policy (5 per cent).
- Eliminating the LIFO policy.
 - The policy only serves to complicate the system of orderly marketing and places upward pressure on the price of quota transfers as growers try to find ways to receive value for the full quota, not the net quota transferred.
- A pro-rata mainstream quota increase subject only to the deemed transfer assessment policy (5 per cent). Growers with 10 years or less would be eligible for the pro-rata increase subject to the declining transfer assessment, taking into consideration the number of years remaining on the 10/10/5 policy. For example:
 - A new grower who commenced operations in 2017 with 40,000 kg of quota and received 400 kg of a 1 per cent pro-rata increase in 2017 would be subject to the full 10/10/5 (if the full quota was transferred in 2018, the assessment would be 36,360 kg) realizing only 10 per cent of the pro-rata increase.
 - If the new grower was established in 2012 with 40,000 kg of quota and received 400 kg of quota in 2017 through a 1 per cent pro-rata increase of production, he would be at year 5 of the 10/10/5 (if full quota was transferred in 2017 after the pro-rata increase, the assessment would be 20,200 kg), realizing only 50% of the pro-rata increase.
 - If the new grower started in 2007 with 40,000 kg of quota and received 400 kg of quota in 2017 as part of a 1 per cent pro-rata increase in 2017, they would be subject to the 5% deemed transfer assessment having completed 10 years of production.

Other

- Policies that impact growers must have quantitative measures to ensure that the desired outcomes can be realized. For example, the desired outcome of policy is to deter the selling of quota for windfall gain, however, no baseline data or evidence is available to support the notion of windfall gains being realized.
- The Association fully supports the need to minimize the risk of speculative gain through the acquisition of quota, however, to use a broad policy approach that infers any and all transfers of quota confer a windfall gain to the grower is absurd and must be revised to address the source of the risk.
- The majority of growers are long-standing licenced producers who have realized opportunities and faced challenges. They have invested in their farms and should be able to expect a reasonable return on equity as stated in the 2005 Specialty Review. They should not be penalized nor have benefits clawed back as a result of a blunt policy tool that can be refined to address the risk.

Appendix 5

BCCMB

amendments

to NEGP

December 9,

2016

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Schedule 15
(Part 55)
(Section 55.4)

Board Decision or Determination

Form B

attach applicable Forms A, if available

Amendments to BCCMB New Entrant Grower Program

November 10, 2016

1. **Date(s) of this decision:** November 10, 2016

2. **Members of Board present for decision:**

R. Smith, DA Janzen, A. Johnston, R. Nickel and R. Payne

3. **What sources of information did the Board consider in coming to its decision?**

Form A - Application for Decision or Determination

Board Staff's Briefing Note

- dated November 7, 2016 and updated November 21, 2016

Applicant's oral submissions

Board's Orders (give reference numbers, if applicable):

Part 49 New Entrant Program for Growers.

Schedule 9 – Methodology and Formula for funding Part 49 New Entrant Program for Growers.

Schedule 10 – Eligibility for applicants under the New Entrant Program for Growers.

Schedule 11 – Waiting Lists to Receive Specialty Quota or Mainstream Quota under New Entrant Program for Growers

Schedule 12 – Procedure for Successful Applicants on Waiting Lists to Receive Specialty Quota or Mainstream Quota under New Entrant Program for Growers.

[] Other (explain):

4. What is the Board's decision?

The Board has made the decision to increase the entry level of incentive quota from 11,189 to 20,000 kg per cycle for new growers entering the program.

Further to this the Board decided to propose a program to allow new and existing NEG under this program to have the ability to participate in a matching program. The grower may purchase up to a maximum of 10,000 kg of quota which will be matched by the Board up to a maximum of 10,000 kg of incentive quota.

5. Why did the Board come to this decision?

The BCCMB in 2016 commenced a review of its New Entrant Program for Growers. Consultation ensued with the BCCGA, and the PPAC. It is the view of the Board that the methodology for funding the program, procedures for application, eligibility restrictions and waiting list requirements need only administrative amendments at this time. After consultation, it has decided to amend its current New Entrant Program for Growers. The challenge faced by the BCCMB has been determining a balance between the right amount of new entrants, the right amount of incentive quota which ensures that a new operation has a chance to be viable, and respecting the concerns and expectations of existing growers.

The Board has made the decision to increase the entry level of incentive quota from 11,189 to 20,000 kg per cycle for new growers entering the program. In doing so, the Board decided to propose options to allow existing NEG's to also achieve this incentive quota amount of a maximum of 20,000 kg per cycle. Quota issued under this program is tied to a processor and is subject to the declining quota transfer assessment rules. Participation is voluntary, growers

who decline the program will be released from their obligation to their current processor upon the maturity of their current NEG quota under Part 35 of the August 26, 2011 BCCMB General Orders. The deadline under Part 1 of this program to provide sufficient space for the newly acquired quota is December 1, 2017. These changes will result in no further NEG being started beyond the 4 already in progress for a period of approximately 3 years while all other NEGP growers are brought up to the new minimum which will be funded by the NEG methodology found at Schedule 9 of the August 26, 2011 BCCMB General Orders.

Further to this the Board decided to propose a program to allow new and existing NEG under this program to have the ability to participate in a matching program. The grower may purchase up to a maximum of 10,000 kg of quota which will be matched by the Board up to a maximum of 10,000 kg of incentive quota. This may result in a NEG holding a maximum quota of 40,000 kg. The Board will not issue matching incentive quota that results in a NEG holding quota beyond the 40,000 kg per cycle cap. Quota issued under this part of the program is subject to the declining quota transfer rules found at Part 35 of the August 26, 2011 BCCMB General Orders for any quota issued by the Board under the matching program. Participation in this program is voluntary, growers may opt to not participate. The deadline to purchase quota under Part 2 of this program is January 1, 2020.

Growers that transfer or reduce their quota holdings by any amount from December 9, 2016 to January 1, 2020 will be disqualified from being granted matching incentive quota from the Board under this program. Incentive quota issued under Part 2 will be issued subsequent to the quota that is acquired from another grower, in effect making the incentive quota portion the last quota issued for the purposes of Part 35 Quota Transfer Assessment of the August 26, 2011 BCCMB General Orders.

RATIONALE FOR DECISION BASED ON OUTCOME BASED PRINCIPLES

Strategic & Effective:

The Board has the authority to make orders considered by the marketing Board it considers necessary or advisable to promote, control and regulate effectively the marketing of the regulated product, and to amend or revoke them, under 11(q) of the Natural Products Marketing (BC) Act.

The BC Chicken Marketing Scheme (1961) grants the Board the power under 4.01(c.1) to establish, quotas to any person as the Board in its discretion may determine from time to time and to establish the terms and condition of issue.

The Board's new entrant program is to establish new growers in the regions and to assist in ensuring supply to regional small and niche processors. This is consistent with the *Ministry of Agriculture's Regulated Marketing Economic Policy (2004)*, the BCFIRB's *Specialty Marketing and New Entrant Submission, Policy, Analysis, Principles and Directions (Sept 1, 2005)* and the BCCMB's *Strategic Plan*.

The decision of the Board is consistent with the action plan provided by the government of BC in its *BC Agrifood and Seafood Strategic Growth Plan* which supports increased production across all agrifood and seafood sectors of the province.

These modifications to the existing new entrant grower program are intended to increase the financial viability of new entrant growers. The "buy one, get one" (BOGO) concept is designed to encourage new entrant growers to invest in the industry and to grow their operations beyond the new 20,000 kilogram entry level.

Increased NEG levels and the opportunity for these growers to increase over time to 40,000 kilograms per cycle will, in the view of the Board, reduce the tendency of small new entrant growers to cash out upon maturity.

The planned increases in production will assist both new entrant growers, regional processors and regional infrastructure such as feed suppliers and hatcheries in achieving sustainable economies of scale. Additionally this increase will transfer initially an additional 130,000 kilograms per period and potentially a further 200,000 kilograms from the density of the lower mainland to the outlying regions of the province.

Accountable

The Board is accountable for its decisions to the entire industry and must consider the impact of its decisions on other parties.

In 2012 the Board undertook an extensive survey on the 2005 BCCMB New Entrant Grower Program, requesting input on both the program itself and the methodology that is used to fund the program. The survey was sent electronically to 470 people, while an additional 32 were sent via Canada Post. After receiving 80 responses, and then reviewing all of the information gathered from the survey, the Board decided to make an interim decision to establish a new long term NEG policy in consultation with the PPAC, based on a starting quota of 11,189 kg/cycle and a new funding formula.

The BC Chicken Growers Association (BCCGA) and the Price and Production Advisory Committee (PPAC) have been consulted on the issue of the NEGP. The PPAC consists of both growers and

processors. Some of the concepts contained in this proposal, such as “buy one, get one” were initially proposed by the BCCGA and the PPAC. Discussion documents were circulated to the PPAC in advance and discussed at their April 25, 2016 meeting.

Regional processors have indicated a need for larger flock numbers that will allow for enhanced live bird transportation, processing efficiencies, and increased demand in niche products such as GMO free.

The BCBHEC and hatcheries have been consulted to allow time for extra production to be accommodated in the regions and introduced into the system in an orderly fashion.

The Board is also accountable to BCFIRB and continues to be guided by the principles and direction contained in the September 1, 2005 *Specialty Market and New Entrant Submissions Policy, Analysis, Principles and Directions* document. One such principle is the BC regulated marketing system facilitates the entry of new producers to sustain and renew regulated industry in new and existing markets. Another principle is that new entrant quota incentives should be funded by transfer assessments and growth in provincial allocation.

Any person that feels aggrieved by any decision of the Board may appeal to BCFIRB to have a decision of the Board amended or overturned.

Fair

All mainstream new entrants in the three regions of the province will be given the same opportunity to:

- a) Increase from their current level to 20,000 kilograms and
- b) To increase from 20,000 to 40,000 kilograms over three years by taking advantage of the BOGO offer.

In cases where through family transfers multiple NEG quotas were combined, additional incentive quota to a maximum of 20,000 kilograms will be issued, but no new entrant grower will receive more than the maximum of 20,000 kilograms of incentive quota.

New entrant growers that purchased quota following the issuance of their new entrant quota will not be penalized and will remain eligible to receive the maximum of 20,000 kilograms of incentive quota.

At this time there is no need to extend this offer to specialty new entrants as the needs of the specialty chicken market are being adequately supplied and under a separate allocation system at CFC.

The program amendments are voluntary, all affected growers have the choice to opt out and not participate if they choose.

Transparent

The Board has consulted widely prior to considering these amendments to the current new entrant program for growers. During these consultations it became clear to the Board that the existing entry level of 11,189 kilograms per period was not sustainable, particularly in regions such as Vancouver Island where operating costs are much higher than in other regions. A number of new entrants were merely biding their time to the date that their quota would be fully vested at which time they planned to cash out and exit the industry.

While PPAC itself has not recently met to be apprised of the draft details, the BCCGA and PPPABC have been informed and were given the opportunity to provide comments regarding the review of the new entrant grower program as announced by the Board.

Inclusive

Going forward, all prospective mainstream new entrant growers in all three regions of BC will be offered an entry level quota of 20,000 kilograms per cycle. It will increase the viability and efficiency of new operations as the fixed cost of land, buildings and equipment can be spread over more kilograms each period. This increase will also assist processors and hatcheries in lowering their per kilogram cost of chick delivery, live haul and plant operating overhead through increased throughput.

Appendix 6

2016 NEGP

Review Notes

(from

Telephone

Interviews)

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Interview Summary

1) When you applied for NEG quota what did you think you were getting into?

Eight of the ten NEG's responded as having a good understanding of the NEG program either through their experience in other supply managed sectors or knew family/friends that had experience and mentored them. The two NEG's having no experience spent more time developing relationships with growers, industry and Board to gather necessary information.

2) After participating in the NEG program what advice would you would have liked to receive before starting (X#) of years ago?

Two NEG's found a mentor in the industry and stated, chicken farming is very basic. The process does not take long to learn and the work only takes one hour per day. Five NEG's would have liked more information pertaining to the expectations of the Board, Hatcheries, Processors and Auditors. Two NEG's would have liked more information on barn design and equipment and two NEG's would have liked to have known the processor they were going to be stuck with.

3) Have you purchased additional quota since you received your NEG quota? If NO, can you explain the barriers you face in purchasing additional quota?

Nine of the ten NEG's answered NO to purchasing additional quota. The barriers included;

- Price of quota is too high and returns are too low.
- No quota available to purchase because there is no quota exchange so new growers that are not involved in industry politics have no chance.
- Declining transfer rule (10/10/10 rule) deters Banks from allowing NEG's to borrow against the quota. In the case of specialty quota, Banks are not confident of its price.
- Hard to find a grower willing to sell a small amount of quota.

One NEG's answered yes to purchasing quota. This particular NEG combined two NEG quota's together and did not have to finance the land or barn and had access to equipment from his family dairy farm. The other NEG's that combined quota stated they would purchase quota if they were able to switch processors.

4) What changes would you make to the current NEG regulations to improve NEG sustainability?

Suggested changes to the current NEG regulations include;

- Increase the amount of quota given to NEG's- suggested amount varied from 2,000 birds to 5,000 birds.
- If a NEG could prove to the Board that they will purchase additional quota, the Board could reduce the declining transfer rule to five years. If you want NEG's to grow the Board needs to find a way of increasing borrowing power and/or reduce finance costs
- Don't be stuck to one processor
- Set a minimum size farm, suggested size of 30,000 kgs, so that when the Board gives an industry quota increase NEG's pro rata would be based on the minimum farm size and receive are larger share than they have quota.

- Increase the stocking density in BC to be competitive with other provinces.
- If NEG purchased quota the Board will match that amount of a set maximum.
- Allow NEG's to lease land and barns to reduce finance costs.
- Higher live price.

5) Could you describe 4 elements that a progressive NEG program should contain?

The suggested elements include;

- Increase quota size making the chicken farm the NEG's primary income not their secondary income. Not sure what the regulation would look like but something that allows a NEG to farm full time after the ten years is up.
- Offer a seminar, make it mandatory attendance, where the Board and industry present all the information necessary to chicken farm. Presentation topics include expectations of Board, hatchery, processor, feed companies, equipment companies, construction companies and auditors. Walk the NEG through the entire process.
- Tailor the NEG program for each of the three regions in BC as each region has its own specific challenges.
- Allow lease of land and/or barns.
- Mentor specifically for NEG's.
- More courses like the Platinum Brooding Course.
- Board provides a timeline for the NEG's on the waiting list to allow for financial planning.

6) What advice would you give to a new applicant waiting for NEG quota?

The advice includes;

- Collect information from Board, growers, hatcheries, processors and banks. As soon as the Board makes you an offer start the data collection process, do not procrastinate!
- Find a mentor, talk to growers and attend grower meetings.
- You are building up an asset, do not expect to get rich quick.
- Run away don't do it.

7) Do you have any family that would participate in this NEG program and why?

The feeling from the NEG's is that this is a great program and gets a lot of attention when the Board calls for applications. For most this is the only opportunity to enter into a supply managed industry and the attitude is that if they win they are going to be rich. When NEG's start discussing financials with potential NEG's their attitude towards the program changes. Chicken farming is a great lifestyle and a good investment.

8) In your opinion what would be the ideal relationship with your processor?

Eight of the NEG's stated that if you are willing to work with your processor they are willing to work with you. Grow what your processor wants, ask for advice and work together and there are no problems.

These eight NEG's stated having a good relationship with their processor. Two NEG's absolutely hate their processor and have had nothing but issue after issue with their processor.

9) Do you have any additional comments/concerns that have not been addressed in these questions?

Six NEG's had nothing to add. Two NEG's stated that the interior does not have the infrastructure to support a growing chicken industry and the returns compared to the Fraser Valley are 7-10 cents lower. One NEG is tired of hearing growers complaining to their feed supplier and/or hatchery when their birds do not reach targets and then brag about how they were compensated. Growers should take responsibility for their actions and accept the consequences.

Appendix 7

2016 BCCMB

Strategic Plan

BRITISH COLUMBIA CHICKEN MARKETING BOARD

BC Chicken Marketing Board Strategy

January 2017 to December 2019

January 9, 2017

Vision

Leading a healthy, growing and profitable BC chicken industry.

Purpose

To regulate the pricing and production of BC chicken while meeting consumer expectations including animal care and on farm food safety; and working with industry partners to maintain sustainability as we grow the market.

Values

With our industry partners, staff and the public in mind, we are:

- Fair - we take a balanced approach in executing our responsibilities
- Dependable - we can be counted on to do what we say we will do
- Accountable - we hold ourselves responsible for our decisions and actions.

Guiding Principle

We apply Principles-Based Regulation through the use of SAFETI:

Strategic - identifying key opportunities and systemic challenges, and plan for actions to effectively manage risk and take advantage of future opportunities

Accountable - maintaining legitimacy and integrity through understanding and discharging responsibilities and reporting performance.

Fair - ensuring procedural fairness in processes and decision making

Effective - ensuring clearly defined outcomes with appropriate processes and measures

Transparent - ensuring that processes, practices, procedures, and reporting on how the mandate is exercised are open, accessible and fully informed.

Inclusive - ensuring that appropriate interests, including the public interest, are considered.

Three Year Goals and Objectives

January 2017 to December 2019

Goal 1

Implement programs that provide the opportunity for a fair return to producers, and allow processors to be competitive in the domestic market.

Objective A - Review the current pricing formula and, if required, implement appropriate changes.

Champion – Board

	Tactic	Accountable	Timing
1	Consult with growers (committee of the Board or whole Board) and processors (Chair and Exec Dir) to obtain their views on an appropriate pricing model including accountability for catching costs	Chair	Nov 30 2016
2	Consult with PPAC and FIRB		Dec 31 2016
3	Seek approval from FIRB		Dec 31 2016
4	Implement the preferred pricing model following consultation with FIRB by changing the general orders in time for Period A 142 which starts Feb 19 2017		Jan 17 2017

Objective B - Develop and implement programs to increase efficiency and encourage cost reduction throughout the value change.

Champion – Grower Directors

	Tactic	Accountable	Timing
1	Monitor impacts of changed density standard, and if appropriate increase density to the Canadian standard	Exec Dir	Jul 31 2017
2	Consider introducing minimum and review maximum farm sizes and recommend changes to the Board if appropriate	Exec Dir	Dec 31 2017
3	Collaborate with the processors, hatcheries, and Hatching Egg Commission to develop a solution to the issue of chick quality. Through this process, establish a minimum acceptable standard and consequences for not meeting the standard	Exec Dir	Dec 31 2017
4	Conduct a comprehensive analysis of the impact of poor chick quality throughout the system	Exec Dir	Dec 31 2017
5	Obtain data from growers on grain transportation/feed costs	Exec Dir	Dec 31, 2016
6	Review grain transportation/feed costs across the sector and present the results to the Board	Exec Dir	Dec 31 2018
7	Investigate hiring appropriate resources (such as a veterinarian) to develop and implement extension programs for growers, make recommendation to the Board	Exec Dir	Dec 31, 2017

Objective C - Review mainstream and specialty pricing categories and determine if there is a need for other pricing categories.			
Champion – SMAC, PPAC			
	Tactic	Accountable	Timing
1	Review updated COP for TC; recommend changes to the Board	SMAC	Aug 24 2016 (completed)
2	Approve recommended changes for TC	Board	Sep 2 2016 (completed)
3	Implement revised pricing categories for TC for Period A 139	Exec Dir	Sep 4 2016 (completed)
4	Seek advice and recommendation from PPAC on mainstream pricing grid, and adding categories (such as RWA)	Exec Dir	Jun 30 2017
5	Approve recommended changes to mainstream grid	Board	Jun 30 2017
6	Implement any required changes to the pricing grid in time for Period A 145 (August 2017)	Exec Dir	Jun 30 2017
7	Review and update pricing linkage with BCBHEC (done every 3 years)	Exec Dir	Dec 31 2018
8	Review COP for certified organic and specialty chicken (done every 3 years)	Exec Dir	Dec 31 2019

Goal 2

Implement programs that result in industry sustainability and diversity.

Objective A- Develop and implement a mechanism to address growth beyond 100% quota utilization and improve the new entrant grower program.			
Champion – Board			
	Tactic	Accountable	Timing
1	Modernize the new entrant grower program taking into account: <ul style="list-style-type: none"> - Diversifying producer base (more growers, geographically dispersed, specialized) - Quota strategies - Financing options - Economic farm size Consult with PPAC and FIRB before finalizing	NEGP Committee	Dec 31, 2016
2	Investigate options to address growth beyond 100% quota allocation, for example increase quota	Board	Mar 31 2017
3	Select preferred option to increase quota	Board	Apr 30 2017
3	Present to PPAC for advice	Board	May 15 2017
4	Consult with FIRB	Exec Dir, Chair, NEGP Champion	May 31 2017
5	Communicate changes to growers and implement	Exec Dir	Jun 30 2017

Objective B - Determine pros and cons of a quota exchange, if there are sufficient benefits implement.			
Champion – Board			
	Tactic	Accountable	Timing
1	Conduct research and recommend approach to Board	Exec Dir	
2	If there is sufficient benefit, consult with industry	Exec Dir	
3	Review and approve new approach	Board	
4	Communicate outcome to growers	Exec Dir	Dec 31 2017

Objective C- Investigate the benefits, risks and impacts of levels of integration on the structure of the industry			
Champion – Board			
	Tactic	Accountable	Timing
1	Develop the terms of reference for a study and expected outcomes	Board	Jan 31 2019
2	Issue a RFP and select advisor	Exec Dir	Mar 31 2019
3	Conduct a study to determine the effects of vertical integration in the BC chicken industry and its impacts on the supply chain, and present results to the Board	Exec Dir	Dec 31 2019
4	As required, develop strategies to mitigate identified risks	Exec Dir	
5	As appropriate share results and strategies with government	Board	

Goal 3

Implement programs to promote increased production and consumption of chicken in BC.

Objective A – Develop and implement a consumer education/awareness program on supply management and production practices that will support the industry in the long term.			
Champion – Executive Director			
	Tactic	Accountable	Timing
1	Consider acquiring the services of a marketing professional to address this objective; make recommendation to the Board	Exec Dir	Jun 30 2017
2	Every three months place an article on BCCMB web site that addresses aspects of supply management or production practices (such as food safety, animal care, biosecurity, myth busting, antibiotics, steroids, hormones)	Exec Dir	Ongoing
3	Review and refresh communications plan focusing on consumer education and awareness regarding supply management and production practices; report to the Board semi-annually; encourage Board use of updated website	Exec Dir	Annually
4	Use most recent Usage and Attitude Report (done every three years) to understand issues of importance to the consumer; supplement with information collected on BC consumers and respond accordingly Set budget for what to spend on ad and promotion; need to be responsive to changes.	Exec Dir	Annually
5	Encourage DFC to invest in more frequent usage and attitude surveys given rapidly changing consumer preferences	DFC Director	Ongoing
5	Develop and implement a BCCMB plan to address identified issues	Exec Dir	Annually

Objective B - Understand the future requirements of the retail and food service industries and implement initiatives to address requirements.			
Champion – Executive Director			
	Tactic	Accountable	Timing
1	Working with processors consult to identify the future needs of the retail and food service industries		June 30, 2017
2			
3	Based on this information, develop recommendations for growers to address future requirements of the retail and food service industries as well as processors; and communicate to them	Exec Dir	

Objective C - Develop and implement changes that will advance the export market for all types of chicken. (market development)			
Champion – Board Chair			
	Tactic	Accountable	Timing
1	Explore opportunities for increased exports abroad with BC's Ministry of International Trade; report to the Board	Board chair	Ongoing
2	Modernize BC's version of the CFC market development program	Board Vice Chair	Jan 2017

Objective D - Identify needs and implement programs to address the specialty products market.			
Champion – Executive Director			
	Tactic	Accountable	Timing
1	Meet with specialty processors and determine how BCCMB could assist them to enter new markets and expand existing ones (for example advertising or branding)	Exec Dir	Jun 30 2017
2	Develop a plan and budget, submit to Board for approval	Exec Dir	Oct 31 2017
3	Implement approved plan	Exec Dir	Jan 31 2018

Objective E- Identify and implement changes to improve profitability throughout the value chain.			
Champion – Board Chair			
	Tactic	Accountable	Timing
1	Approach BC government and apply for innovation grant with chicken processing industry (consider ANUGA)	Board Chair	Dec 31 2017
2	Identify areas of Asian market with development potential	Cheryl	Mar 31 2017
3	Develop a delegation including processors		
4	Consider funding innovative ideas to advance the industry so that as a regulatory agency BCCMB is at the forefront. (May need to involve CFC)		

Objective F - Examine unique BC programs to determine if they can be used to differentiate BC product.			
Champion – Executive Director			
	Tactic	Accountable	Timing
1	Determine potential size of the RWA market segment, consult with processors, and work with growers to ensure that the market is met in a manner that is consistent with CFC animal care program	Exec Dir	Dec 31 2017
2	Review general orders for possible removal of restrictions that could make pasture raised viable; submit recommendation to Board and if approved implement in time for Spring 2017	Exec Dir	Jan 31 2017
3	Review SPCA certification for animal care, determine if it adds value and if the market is willing to pay a premium; if there is a market for certification develop and implement a program to address	Exec Dir	Mar 31 2019

Goal 4

Work within the Federal Provincial Agreement for chicken to optimize growth opportunities for the BC chicken industry.

Objective A - Develop a western strategy (pricing, production, programs) for the chicken industry.			
Champion – Board			
	Tactic	Accountable	Timing
1	Determine if there is an appetite to invite processors to participate in at least one Western Boards meeting per year	Board	Oct 31 2016
2	Identify role and expectations of processor attendance	Board	Oct 31 2016
3	If there is agreement, extend an invitation for the processors to attend Spring 2017 Western Boards meeting	Board	Oct 31, 2016
4	Assess the opportunities for a Western strategy	Board	Sep 30 2017

Objective B - Collaborate with CFC to better promote domestically produced chicken consumption in Canada.			
Champion – BCCMB CFC Director			
	Tactic	Accountable	Timing
1	BC CFC Director to keep this issue at forefront of CFC agenda; update BCCMB Board at each meeting	CFC Director	Mar 31 2017
2	ID retailers/processors in BC to participate in promotion programs; identify ways to market and sell the product including cross promotion	Cheryl	Jun 30 2017
3	Consult with Exec Director of Canadian Hatching Egg Producers (CHEP) and identify opportunities to participate in promotion activities	Exec Dir	Jun 30 2017

Goal 5

Achieve "Best in Class" Board governance and business operations.			
Objective A - Conduct a governance review.			
Champion – Board Chair			
	Tactic	Accountable	Timing
1	Conduct a board development session on leading practices in board governance	Board	Jun 30 2017
2	Review and if necessary revise governance documents contained in the Board policy manual	Board	Sep 30 2017
3	Review employee policy handbook to ensure alignment with Board policies and current labour standards	Exec Dir	Oct 31 2017
4	Review Board operations and revise as required	Board	Dec 31 2017
5	Review objectives and operations of Board committees: <ul style="list-style-type: none"> - Review the structure and processes of PPAC (Board, Mar 31 2017) - Work with BCCGA to clarify its role and relationship with BCCMB (Board, Dec 31 2017) - Monitor role of SMAC and revise if required (Exec Dir, Dec 31 2017) 		Dec 31 2017
6	Identify appropriate board development opportunities and develop a roster of attendance (consider ICD NFP course)		

Objective B - Improve the use of information technology throughout the organization.			
Champion – Executive Director			
	Tactic	Accountable	Timing
1	Implement dashboard for growers	Exec Dir	Mar 31 2017
2	Determine the future of the current quota management system (QMS) and recommend changes to the Board if required; implement approved changes	Exec Dir	May 31 2017
3	Introduce portal on web site for Board-only access to documents	Exec Dir	May 31 2017
4	Publish electronic annual report beginning with 2016 edition	Exec Dir	May 31 2017
5	Grower audit reports by BCCMB auditors to be completed electronically	Exec Dir	Dec 31 2017
6	Correspondence with industry partners (including accounting information) to be conducted electronically	Exec Dir	Dec 31 2017

Objective C - Review section of the general orders that addresses financial surplus and amend if required.			
Champion – Finance Committee			
	Tactic	Accountable	Timing
1	Make recommendations for change to the Board		
2	Amend orders and implement approved changes	Fin Comm	Mar 31 2017

Objective D - Implement Board approved staff succession plan and keep current.			
Champion – Board and Executive Director			
	Tactic	Accountable	Timing
1	2016 plan presented to and approved by Board in July 2016; review annually	Exec Dir	Annually by Sep 30

Objective E - Consider shared premises with the Hatching Egg Commission and make a decision.			
Champion – Board Chair/Executive Director			
	Tactic	Accountable	Timing
1	Continue to work with real estate broker to identify potential sites		Ongoing
2	Report update at Board meeting		Ongoing
3	Decide if premises are to be shared or not		Oct 31 2016
4	Close on purchase of premises		Dec 31 2016
5	Relocation of office complete (no later than)		Jun 30 2017

Objective F - Maintain strong relationship with FIRB and implement any required changes.			
Champion – Board and Executive Director			
	Tactic	Lead	Timing
1	Schedule a farm/hatchery/processing plant tour for new Executive Director	Exec Dir	Nov 30 2016
2	Keep FIRB informed about significant decisions and initiatives	Board Chair & Exec Dir	Ongoing
3	Consult in advance of decisions	Board Chair & Exec Dir	As required

Objective G – Promote engagement between BCCMB and growers, processors and their associations.			
Champion – Board			
	Tactic	Accountable	Timing
1	Continue participation at BCCGA director meetings (for director meetings obtain questions in advance)	Grower Board Members	Ongoing
2	Continue quarterly meetings with PPPABC and BCCGA	Exec Dir	Ongoing
3	Continue participation in regional grower meetings (minimum of two per year for each region) – introduce formal presentations annually starting September 2016	Board and Exec Dir	Sep 30 2016
4	Afford the independent processors (non PPPABC members) an opportunity for regular consultation by scheduling meetings with them annually at a minimum	Exec Dir	Annually

Objective H - Meet as required and at least twice per year with senior government officials to inform them about industry issues.			
Champion – Board Chair			
	Tactic	Accountable	Timing
1	Identify appropriate resource to craft a strategy to optimize meetings with federal MPs; develop the strategy	Board Chair	TBD by Board chair
2	Implement the strategy and contact identified federal MPs during visits to Ottawa.	Board Chair	Twice a year
3	Communicate with the BCCGA to make sure messages are complementary and present a combined BC message	Board Chair	Ongoing
4	Identify a resource to develop a plan to maintain contact with appropriate BC MLAs and ministers; implement the plan	Board Chair	Dec 31 2016