



May 19, 2017

Asian Breeder Producers

RE: Draft Pros and Cons Discussion Document – Review of Asian Breeder Regulation

The following is provided in accordance with the Work Action Plan issued March 9, 2017 and further to the Commission's update of April 18, 2017.

The subject of specialty regulation by the Commission has a long and complicated history, as the Commission itself was reminded of during its recent meetings. The subject of Asian Breeders alone spans several years (and changes to Commission composition) with the Commission and parties also having amended their positions over time.

After reviewing the history of this matter and submissions received to date, it was determined that one way to bring focus to this review was for the Commission to step back and outline some regulatory options and discuss perceived pros and cons to those options. These basic option outlines and potential pros and cons are attached in draft form.

The Commission itself still has questions – practical, policy, legal – about the pros and cons it has identified so far and their potential implications. However, we find it useful to allow all interested parties time to consider these (and think about theirs) before the face-to-face meetings scheduled for May 30 and 31, 2017. Those meetings and the submissions due by June 5, 2017 will assist the Commission in finalizing its formal recommendations to the BC Farm Industry Review Board on June 12, 2017.

There must be effective regulation in place that ensures a safe supply of product in a system that protects the interests of producers and other stakeholders while maintaining a degree of flexibility and opportunities for growth and innovation. The Commission has thought about how it might construct such a system based on a pros and cons approach. We look forward to the hearing from others as to what they see as the pros and cons to each approach and their suggestions as to an effective regulatory structure.

Please address any questions to the Commission office.

Yours truly,

A handwritten signature in black ink that reads "J. K. Collins".

Jim Collins
Chair

Enclosure

Asian Breeder Options Review:

Food Safety / Biosecurity and Premise ID Programs are non-negotiable in any option.

Option 1: "Full" Regulation

| Possible Pros | Possible Cons |
|--|--|
| Quota is allotted to Asian breeder producers with rights and responsibilities | Rigid controls with minimal flexibility – obligation to produce |
| Pricing controls / protection – Commission sets minimum through a COP | Production controls – variability is an issue with such a small group of averages/different markets/different business models (applies also to regulations more generally – regulatory burden) |
| Orderly marketing – Flock schedule of sorts | Capping of production within national/provincial allocation systems |
| | Innovation and Diversity challenges to the Producers not all "specialty" is the same |
| Established Food Safety and Biosecurity Programs to be enforced | Are all existing/new required programs or processes sustainable due to the cost of regulation (e.g., levies on specialty/new producers to support programs to offset direct costs)? |
| BCBHEC SMAC | Redundant to BCCMB SMAC? |
| New Entrant Program | Determining allocation of growth between existing and new entrant producers, transfer assessments to fund new entrants if no growth |
| All current BCFIRB quota tools are in place -10/10/10 and LIFO | All current BCFIRB quota tools are in place -10/10/10 and LIFO |
| Template for new genetic inclusions/precedent for future "specialty" | Template for new genetic inclusions/locking in precedent for future "specialty" |
| Eligible to run for the BCBHEC Potentially eligible for Association membership (if Association changes bylaws) | Non-allocated growth is directly related to buying more quota by individual producers |
| Degree of regulation contemplated in 2005 Review National Allocation compliance/National levy attached to reporting | Establishing "full" regulation locking in precedent for future "specialty"? |
| Hatchery regulations fully enforced to ensure consistency/proper reporting | Costs associated with hatchery regulations, flexibility implications |
| | Competitive disadvantage with other provinces in future? |
| | Impact on export development in view of national allocations, licensing, etc.? Trade implications? |
| | Barrier to future new entrants (producer and processor) |

Asian Breeder Options Review:

Option 2: Exemption Permitting with Limited Regulations

| Pros | Cons |
|--|---|
| Increased flexibility to meet market demands without obligation to produce to/limited by quota | Permits instead of quota are allotted to Producers |
| No production controls necessary as production based on market/agreement with processors. Including as determined by BCCMB SMAC/subject to national allocation | Enforcement may be more challenging – potential admin/levy costs |
| COP price still possible or guaranteed minimum BHE price (as per Ontario) – price protection | Production controls not as stringent as with Official Flock Schedule (generally and in terms of producer protection) |
| National levy but possibly reduced provincial levy required to support “full” regulation/new programs? | Still subject to national and (possibly reduced) provincial levies for such programs as food safety, biosecurity, COP development, other direct costs |
| Ability to maintain current innovative and diverse ways-virtual hatcheries, genetics, etc. meets those 2005 policy objectives | Levy related to less regulations still expensive for a small sector – impact to the growers and processors? |
| Collection of data to build information for possible future regulations/template for other “specialty” | Less barriers to entry into sector |
| Increased flexibility for new entrants but subject to some regulatory controls | More limited access to BCBHEC programs (especially without funding via levies) |
| Protection of producers via mutually acceptable agreements (BCCMB BC101 model) between stakeholders backed by BCBHEC regulatory oversight re predatory actions | |
| Duplication of BCCMB/BCBHEC regulation reduced | No BCBHEC SMAC |
| Good business relationships via contracts | |
| Monitoring of BC and other Provincial allocations to gauge response to competition | Hatchery regulations require fine-tuning to accommodate specialty management/reporting |
| Export Market risk responsibility of the Asian Breeder producer/les trade implications? | |
| Eligible to run for BCBHEC – TBC, definition of registered producer | |
| Potentially eligible for Association membership if bylaws changed | |
| Permits could be transferrable subject to BCBHEC criteria | |

Asian Breeder Options Review:

Option 3: Exemption with an MOU with BC Chicken Marketing Board as the de facto Regulator

| Pros | Cons |
|---|---|
| BCCMB already controls and manages the product through their current quota structure and their separate specialty allocation. | Management of supply challenges – domestically and export? |
| BCCMB SMAC already in place | Implications in future for Hatching Egg Producers more generally re BCCMB/BCBHEC relationship |
| Export market risk is the sole responsibility of the Asian Breeder producer | No Association/Commission membership |
| Minimal duplication of regulation | National allocation/levy implications |
| BCBHEC minimum pricing still possible | |

Option 4: Exemption Permitting with the Exception of Food Safety / Biosecurity and Premises ID Programs

| Pros | Cons |
|--|--|
| Flexible to meet market demands without obligation to produce | Management of supply challenges |
| No production controls necessary | Pricing challenging |
| | No active information exchange to assess future regulatory requirements (or not) |
| | Completely at odds with 2005 review objectives |
| Limited levy to cover regulation enforcement of Food Safety and Biosecurity audits | No Association/Commission membership |
| Ability to maintain current innovative and diverse ways-virtual hatcheries, genetics, etc. | National allocation/levy implications? |
| Export market risk is the sole responsibility of the Asian Breeder producer | |