



April 24, 2008

File: 44200-50/EMB #06-17

**DELIVERED BY E-MAIL**

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Dear Sirs/Mesdames:

**A DECISION OF THE BRITISH COLUMBIA EGG MARKETING BOARD TO REDUCE FARM GATE PICK-UP RATES**

On June 7, 2007, the British Columbia Farm Industry Review Board (BCFIRB) released its decision in the above captioned appeal commenced by Veekens Eggs Ltd. (Veekens). In its decision, the Panel made the following order:

48. The Egg Board is ordered to submit to BCFIRB, within 90 days of the date of this decision, and following consultation with Veekens, the British Columbia Egg Processors Council, the Egg Industry Advisory Committee and other interested parties, a recommended farm gate pick-up rate for the interior region. This recommendation must describe: (a) the formula used in calculating the rates; (b) a documented rationale for each element used in the formula, (c) the weight each element in the formula has been given, and why, and (d) the rationale for any recommended departure from the formula in the case of Veekens. We will then make a determination which rate should be paid to Veekens in order to resolve this appeal, subject to obtaining such further information we may require.

The British Columbia Egg Marketing Board (Egg Board) has provided the Panel with letters of October 15, 2007, December 19, 2007 and February 15, 2008 regarding the interior farm gate pick-up rate. From our review of the documents provided by the Egg Board, the Panel can now conclude that points (a), (b), (c) and (d) of paragraph 48 have been addressed.

The Egg Board's initial recommendation at the appeal and in its December 19, 2007 letter was that a rational and defensible farm gate pick-up rate for the Veekens' grading station could be arrived at by allowing a top up (\$0.00651785641) to the Interior rate (\$0.0135967220). However, as a result of a consultative process subsequently undertaken, the Egg Board now recommends that the established interior rate (\$0.0135967220) should apply to the Veekens' grading station. The

rationale for this recommendation is that as British Columbia is a short province, it does not make economic sense to move product over long distances from areas of the province that already source a portion of their supply from outside their region (or outside the province).

On April 1, 2008, the Appellant provided her response wherein she stated that the Egg Board has failed to consider the “KMPG recommendations”:

The rationale for elements of the post farm gate formula states, “The factors are averages and are currently broken down by Region” this is based on the analysis of distance traveled done by the graders in 1993.

This fund was set up as a fair transportation program to assist all graders. Each grader should have the same transportation margin. (Historically the calculation for the base rate on farm pick up incorporated the distance traveled to pick up eggs from producers in the different regions).

## **DECISION**

The Panel has considered the submissions of the parties. We must note that we found the Appellant’s latest submission difficult to put into context. While a copy of the 1993 KPMG Report was in the Egg Board’s Book of Documents entered as an exhibit in the original appeal hearing on April 3, 2007, neither the Appellant nor the Respondent referred to the report in any meaningful way in either their evidence or their submissions. It is difficult to know, without the benefit of argument how much or how little weight can be placed on a study done some 15 years ago. We do note that the KPMG study was initiated by the BC Egg Processors Council and certainly their views as to the regional freight rate structure have changed in the interim.

BCFIRB has given the Egg Board’s rationale careful consideration and while we are mindful of the Appellant’s criticisms, we find it appropriate and acceptable. Further, we observe that this rate structure has been arrived at as a result of a reasonable consultation process.

Therefore, the Panel’s decision of June 7, 2007 is revised as follows:

Effective April 30, 2008, the Panel orders the Egg Board to pay Veekens \$0.0135967220 per layer for eggs transported from Salmon Arm to its Prince George grading station.

The Panel notes that the issue of farm gate pick-up rates has been the subject of two separate appeals in recent years. Both appeals raised troubling issues with respect to the administration of the farm gate pick-up rate program; in both appeals BCFIRB was required to order further review and consultation by the Egg Board. It is imperative that the Egg Board continues to critically assess farm gate pick-up rates so that its program is supported on an ongoing basis by a considered and transparent rationale in light of actual market realities.

Yours truly,



Sandra Ulmi  
Panel Chair