

Quota Assessment Tools Evaluation: Work Action Plan

Purpose:

- To assess the outcomes of BCFIRB's 2005 Specialty Review transfer assessment and industry entry related directions as they pertain to their effectiveness, utility and appropriateness in the broiler hatching egg sector.

Stakeholders:

- BC Broiler Hatching Egg Producers' Association (BCBHEPA)
- BC Asian Breeder Hatching Egg Producers
- Broiler Hatching Egg New Entrant and Prospective New Entrant Producers
- BC Egg Hatchery Association (BCEHA)
- Council of Marketing Boards of BC (COMB)
- BC Farm Industry Review Board (BCFIRB)

Outcomes:

- To ensure that quota transfer assessment tools support effective quota management in the BC broiler hatching egg sector, including with respect to the entry of new producers, and are in accord with sound marketing policy.

Scope:

1. Consider the current or potential impact of transfer assessments policies on market entry and quota movement.
2. Consider quota-related barriers to entry.
3. Consider the long-term impact of quota management on succession planning in the broiler hatching egg sector.
4. Confirm whether the key 2005 principles – quota is intended to be produced; quota is transferable; producers are to be actively engaged and committed to the industry; and, quota is available to boards to support policy objectives including specialty markets and new entrants – remain valid for the BC broiler hatching egg sector.
5. Develop recommendations for BCFIRB and COMB outlining the Commission's view as to the overarching guiding principles for the management of quota transfer assessments going forward, including in the broiler hatching egg sector when such regulatory changes are required.

Background: *2005 Specialty Review*

On September 1, 2005, BCFIRB published a report – *Specialty Marketing and New Entrant Submissions: Policy, Analysis, Principles and Directions* – establishing certain directions for the management of specialty and other quota in the BC regulated marketing system. These directions followed a lengthy review by BCFIRB and government in response to concerns from the public and other stakeholders about the responsiveness of the supply managed sector to innovation and diversity as well as access for new entrants.

Quota Assessment Tools Evaluation

Included were specific measures (“tools”) imposing assessments on the transfer of quota by registered producers in the five supply managed commodities. These include a 5% assessment on transfers of pre-existing quota and a ‘Last In, First Out’ (LIFO) and 10/10/10 assessment for new quota. For hatching eggs the latter meant that except for certain family and business transfers, after April 1, 2006 producers receiving new quota could not transfer that quota without an assessment of 100% in the first year, 90% in the second, etc. See s. 16(1) of the Commission’s Consolidated Order for details.

This is not yet an issue for non-new entrant hatching egg producers as quota utilization has not reached 100% and no new quota has been issued. It is a concern for dairy and eggs which have had significant growth and will become an issue for chicken if new quota is issued to reflect their current utilization in excess of 100%. Among other things, they have concerns that LIFO and 10/10/10 restrict producers’ flexibility to invest in their businesses and limit the amount of quota available for transfer.

BCFIRB has initiated a review and its February 28, 2017 expectations document (on the Commission website) requires the five supply managed boards to report by June 30, 2017 following consultation with stakeholders. The Commission will conduct its own due diligence in consultation with stakeholders, including other supply managed boards. As the milk and egg boards have done a lot of work regarding quota assessment tools in their sectors, we will also talk to them about the information they already have.

The Commission will ensure that stakeholders are familiar with current policies and procedures (as well as the legislative, regulatory and government policy framework) to support the consultation phase. Although it is not a current priority for the Commission to reinvent the wheel for hatching eggs, any changes recommended in the BCFIRB review that may affect all boards should be based on the same general understanding of the legislative, regulatory and policy framework in which the BC supply management operates. This will let each board demonstrate – including to the public – that through SAFETI they are managing their quota in ways appropriate to their industry while remaining in accord with their schemes and with “sound marketing policy” as required by the *Natural Products Marketing (BC) Act*.

Phase 1:

Consultation and Research Phase

Approach:

- Research into BCFIRB questions regarding the current status of quota transfers and new entrant programs in the hatching egg sector.
- Development of background information for stakeholders, posted on website and updated.
- **Initial outline to be developed by April 26, 2017 BCBHEPA meeting.**
- Face to face meetings with BCBHEPA and other stakeholders to discuss backgrounders, policy objectives and principles, current and impact of quota transfer assessments and new entrant programs.

Expected Outcome:

- Transparent engagement with Industry Stakeholders.
- A fully developed understanding by the stakeholders of policy objectives and principles.

Deliverables:

- An initial assessment of stakeholder concerns and expectations regarding quota transfer assessments and new entrant programs policies and objectives for the May 11, 2017 BCFIRB/COMB meeting.

Phase 2:

Policy Objectives and Principles Confirmation Phase

Approach:

- Review the development of reviews and consultations of other boards to assess potential benefits and impacts to the broiler hatching egg sector of information arising. Provide links to those reviews on website if/as available
- An analysis using SAFETI of available information against the 2005 policy objectives and principles and the impact on the broiler hatching egg sector.
- Prepare a report with the Commission's analysis for transmittal to industry stakeholders for further consultation via written submissions and face-to-face meetings as may be requested.

Expected Outcome:

- A comparison between policy objectives and principles and information arising from the sectors.
- An evaluation of the information considered against the Commission's strategic plan.
- Potential recommendations to BCFIRB identified by the Commission and the rationale for the proposed recommendations.

Deliverables:

- A draft report to stakeholders **to be completed by June 2, 2017 with responses (including requests for follow up meetings) required by June 16, 2017.**

Phase 3:

Submission of Recommendations to BCFIRB

Approach:

- Review and evaluate stakeholder response submissions and additional information.
- Consultation with COMB regarding reviews and proposals of other boards.

Expected Outcome:

- A final report with an assessment of submissions, information requirements and options considered by the Commission with a supported rationale for the Commission's final recommendation.

Deliverables:

- Submit the Commission's recommendations to BCFIRB **by June 30, 2017.**