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File: 44200-60 BHEC

DELIVERED BY E-MAIL

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Dear Sirs/Mesdames:

**REGULATION OF ASIAN HATCHING EGG PRODUCTION SUPERVISORY REVIEW
– BC FARM INDUSTRY REVIEW BOARD QUESTIONS**

The BCFIRB supervisory panel has reviewed the BC Broiler Hatching Egg Commissions' (Commission) *Recommendations to the British Columbia Farm Industry Review Board* (BCFIRB) regarding regulation of Asian hatching egg production (June 28, 2017).

In summary, BHEC recommended that Asian hatching egg growers should be:

1. subject to Schedule 5 of their Consolidated Order (Biosecurity, Food Safety and Code of Practice)¹;
2. responsible for their portion of the costs of administering and enforcing Schedule 5; and,
3. responsible to pay their portion of federal levies resulting from their reported specialty production to the Canadian Hatching Egg Producers.

As per its July 19, 2017 process letter, the following sets out the panels' questions for the Commission and the related submission and response schedule. Once the panel receives the written submissions, it will determine what, if any, further steps are necessary before issuing a final supervisory decision.

¹ As required by BCFIRB in: 2016 March 29. BCFIRB. [In the Matter of the Natural Products Marketing \(BC\) Act and an Appeal from a decision of the British Columbia Broiler Hatching Egg Commission Concerning the "Regularization of Historically Non-Compliant Silkie and Taiwanese Producers Program Rules"](#).

**British Columbia
Farm Industry Review Board**

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Questions for the Commission

1. On February 27, 2015 the Commission issued its decision to allot quota to Asian hatching egg growers. Following on the appeal to BCFIRB, and coming out of the current supervisory review, the Commission is now recommending a minimum level of regulation that does not include price or production controls.
 - a. Please outline what led to this change in direction by the Commission (rationale).
2. The panel understands that the Commission recommends establishing permits for Asian hatching egg production. The permits would exempt producers from the Commission's Consolidated Order except for Schedule 1, Schedule 5, the requirements to pay fees or charges related to Schedule 5 and the requirement to pay federal levies.
 - a. Please expand on your rationale for not setting production controls at this time. In particular, please clarify how the numerous considerations you provide link together. For example, while mainstream production is managed through an official flock schedule, the Commission notes that the Asian sector likely does not require this degree of management by the Commission. Why is the "degree of management required" a basis for determining the type and level of production control?
 - b. On page 3 of the submission, the Commission states "[e]xemption permits would allow Asian Breeder producers the flexibility to achieve market demands, the ability to manage their own production and minimize their regulatory obligations". Does the Commission intend to issue "production permits" or "exemption permits"? Why? In relation, will the Commission attach the production conditions (e.g. compliance with Schedule 5) to the permits or will the Commission be issuing a separate licence?
 - c. If the Commission intends to issue "production permits", will the Commission be capping the number of permits available? Why or why not? In relation, will the Commission be setting the level of production for each permit? Will the permits be transferable? Why or why not?
3. The market for Asian hatching egg production is significantly controlled by the BC Chicken Marketing Board regulation of Asian-breed chicken production (based on consumer demand); chick quality; and, the management skills of the Asian-breed chicken growers. In summary there is a finite market fully dependent on many factors, most of which are outside of the Asian hatching egg sector control.
 - a. Please expand on your rationale for not setting chick price at this time. In particular, are there potential risks going forward regarding price cannibalization/fixing given the limited marketing opportunities? If so, how does the Commission plan on forestalling or managing this risk? For example, the Commission notes that five Asian hatching egg growers are "cooperating" under an agreement. While this agreement does not include pricing it does raise the risk

of pricing cooperation down the road – and potentially a violation of the federal *Competition Act*. Please comment.

4. The Commission reports that given the potential for impact on the hatching egg and chicken sectors by regulation, it is of the view that it and the BC Chicken Marketing Board should further examine if and how the Chicken Board Specialty Markets Advisory Committee, the BC101 process and “...other Commission and Chicken Board regulatory requirements” can be better employed in support of the Asian hatching egg and specialty chicken sectors.
 - a. Please expand on what this means and when this may be pursued. For example, how do you see the Chicken Board regulations and advisory committees potentially supporting the Asian hatching egg sector?

Submission Process and Schedule

1. Commission response to BCFIRB questions. **Due by 4:30pm September 15, 2017**
2. All stakeholders, including the appellants Skye Hi, V3 Farms, W Friesen Enterprises, Bradner Farms and Coastline Chicks – provide any legal, factual or policy issues arising out from the Commissions’ June 28, 2017 recommendations and the Commissions’ response to the panels questions in this letter. **Due by 4:30pm September 29, 2017**
3. Final reply by the Commission. **Due by 4:30pm October 6, 2017**

All responses are to be submitted in writing to firb@gov.bc.ca.

If you have questions regarding the submission process or schedule, please contact Wanda Gorsuch at 250-356-2465 or Wanda.Gorsuch@gov.bc.ca.

Yours truly,



Daphne Stancil
Presiding Member

Cc: BCFIRB website