APPENDIX

Part Two

Table of Contents

PART ONE

1. March 29, 2016 – Skye Hi Farms Inc. & Casey van Ginkel – Decision ..... **1 – 39**
2. September 15, 2016 – Specialty Regulation ..... **40 – 41**
3. July 22, 2016 – Response to Report on Asian Breeder Producers – BCCMB **42**
4. October 27, 2016 – Joint Request – Asian Breeder Producers ..... **43 – 45**
5. October 31, 2016 – Response to Joint Request – The Commission ..... **46 – 47**
6. October 31, 2016 – Update on Review – The Commission ..... **48 – 49**
7. November 29, 2016 – BCBHEC Process Development – The Commission ..... **50 – 53**
8. December 16, 2016 – Work Plan Approval – BC FIRB ..... **54 – 56**
9. January 11, 2017 – Revised Work Action Plan Request – The Commission ..... **57 – 62**
10. January 13, 2017 – Specialty Regulation BHEC Process – BC FIRB ..... **63 – 65**
11. January 17, 2017 – Suspended Implementation – The Commission **66**
12. January 23, 2017 – Specialty Regulation BHEC Process – BC FIRB ..... **67 – 69**
13. March 9, 2017 – Asian Breeder Supervisory Review Package **31**

PART TWO

14. March 16, 2017 – Request for Submissions - BCCMB ..... **84 – 86**
15. March 22, 2017 – Request for Submissions – Hunter Litigation Chambers on behalf of Skye Hi Farms Inc., V3 Farms & Friesen Enterprise ..... **87 – 99**
16. March 23, 2017 – Request for Submissions – MacKenzie Fujisawa LLP – on behalf of Coastline Chicks & Bradner Farms ..... **100 - 102**
17. April 18, 2017 – Sector Update Report – The Commission ..... **103 - 125**
18. April 24, 2017 – Consultation Invitation – The Commission **126**
19. May 15, 2017 – Request for Submissions – BCBHEPA ..... **127 – 128**
20. May 19, 2017 – Options Review Pros and Cons Discussion Document – The Commission ..... **129 – 132**
21. May 25, 2017 – Industry Context for Asian Breeder Regulations – Farm Fed ..... **133 – 135**
22. May 30 & 31, 2017 – Stakeholder Face to Face Meeting Notes – The Commission ..... **136 – 149**
23. June 2, 2017 – Work Action Plan Revision Request to BCFIRB – The Commission ..... **150 – 151**
24. June 2, 2017 – Response to Work Action Plan Revision Request – BC FIRB **152**
25. June 9, 2017 – Commission Review of Industry Consultation – The Commission ..... **153 - 154**
26. June 16, 2017 – Request for Submissions – Hunter Litigation Chambers on behalf of Skye Hi Farms Inc., V3 Farms & Friesen Enterprise ..... **155 – 160**
27. June 16, 2017 – Request for Submissions – MacKenzie Fujisawa LLP – on behalf of Coastline Chicks & Bradner Farms ..... **161 – 163**
28. June 16, 2017 – Asian Breeder Supply Chain **164**

14. March 16, 2017 – Request for Submissions – BCCMB

March 16, 2017

British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, BC V2T 1W5
By email: stephanie@bcbhec.com

RE: Request for submissions – Review of Asian Breeder Regulation by the BCBHEC.

Dear Ms. Nelson,

Thank you for the opportunity to comment and provide feedback on the above noted correspondence. In your report you pose a number of questions dated March 9, 2017. I will attempt to respond to the questions that are relevant to our specialty chicken sector from the BCCMB perspective.

Industry context:

1. *What are the current demands in the Asian Breeder Hatching Egg Industry?*

Approximately 3% of BC's chicken production or 900,000 kilograms live per eight week quota period is grown as specialty chicken. Specialty chicken is grown under quota which is separate from mainstream chicken quota and is defined under our General Orders as Asian chicken (Taiwanese and Silkies). Although a relatively small sector in comparison to mainstream it is dynamic and represents the businesses and livelihood of 42 of our growers, at least three hatcheries and four processing plants.

2. *What kinds of demands are being forecasted?*

Demand has been fairly stable for specialty chicken over the past number of years but has peak production periods prior to Asian holidays such as Chinese New Year and others.

3. *Where and how is this information sourced?*

There are regular meetings of the BCCMB's Specialty Markets Advisory Committee which includes representation from both specialty growers and processors. The SMAC meets to discuss and advise the board on matters related to specialty pricing and production. Essentially, the specialty market is processor driven. Each processor requests a certain level of specialty production for each period expressed in kilograms of live weight of each category. These numbers are submitted to CFC by BCCMB staff and approved by the CFC directors at their allocation meetings. BCCMB staff then provides specialty production allotments to growers in each processor's grower group. The SMAC also provides advice to the BCCMB on the pricing of specialty chicken categories on a live weight basis.

BRITISH COLUMBIA CHICKEN MARKETING BOARD
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4. *How far into the future does your organization plan?*

CFC allocations are done sixteen weeks in advance of the period in which the specialty chicken is marketed.

5. *How does your organization handle market demands?*

As stated in a previous point, production in the specialty chicken sector is processor driven. Our specialty processors are very active in the market place and understand the needs and desires of their clientele. Our specialty quota system is designed to provide the flexibility that enable our growers to meet the requirements of our processors. An example of this would be annualization of quota for specialty chicken growers. Mainstream chicken quota is allocated on a period by period basis every eight weeks and growers are required to remain within specified over and under production sleeves in each eight week period. We refer to this a "period by period compliance". Specialty quota on the other hand is allocated on an annual basis with only one correction period per year. This provides the flexibility that is essential in meeting the seasonal demands of the specialty sector.

6. *What are the current industry instabilities in your opinion?*

In 2014 the BCCMB began the process of removing certified organic chicken from the specialty category. As a result of a mediated agreement with our organic growers a portion of our specialty quota will be used to grow organic chicken under a declining balance until 2020. This does not affect the quantity of specialty chicken being grown and therefore should not affect the total supply of Asian hatching eggs that are required. The landscape in the specialty chicken sector, particularly with TC's is constantly changing and evolving. It is critical that the Asian hatching egg sector is able to react to these changes in a timely manner in order to keep pace with demands of the specialty market.

7. What are the industry risk factors?

The BC Asian chicken sector grew and evolved over the past two decades with virtually no competition. Our processors were able to supply markets for their products across Canada and were able to maintain their margins. This changed with the advent of the CFC Specialty Chicken Policy in 2014. This policy change provided opportunities for other provinces to participate in Asian chicken production and to provide fresh products to their local markets that had been previously supplied with frozen products from BC. Alberta had one grower enter the specialty chicken sector but has since abandoned his enterprise. Ontario entered the industry with a very aggressive program sponsored by the Chicken Farmers of Ontario board which has grown over the past three years to a level of production that parallels that of our province. To date Ontario does not have a federally registered processor for their specialty chicken and therefore must market all of their production within the borders of their province.

This could change if CFO is successful in attracting a Federal processor and BC could face increased competition, decreased production and pressure on both processor and grower margins in the specialty chicken sector. The BCCMB has approved funding for a marketing campaign targeting consumers of BC grown TC and Silkie chicken beginning this year which is designed to increase demand and for our specialty products.

Potential Regulation:

You pose a number of questions with regard to potential regulation within the Asian hatching egg sector. Without answering each question specifically, I would reiterate that it is critical that this relatively new and evolving sector maintain the ability to react to changes in the market place that can be drastic and occur with little notice. Until this point, the Asian hatching egg producers have been willing to take risks and have worked closely with processors to develop and supply a market that is constantly evolving. The BCCMB would not want to see regulations that would unduly hamper the ability of the Asian chicken sector to respond to changes in the marketplace that could result in lower allocations to our growers and processors or provide opportunities for our competitors in other provinces.

I would be pleased to discuss this with you further at your convenience.

Thank you for your attention to this matter.

B. Vanderspek
Executive Director
BRITISH COLUMBIA CHICKEN MARKETING BOARD

c.c. K. Pedersen, W. Gorsuch, BCFIRB

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15. March 22, 2017 – Request for Submissions – Hunter Litigation Chambers on behalf of Skye Hi Farms Inc., V3 Farms & Friesen Enterprise

Hunter Litigation Chambers
HUNTER / McEWAN / KAARDAL / SMART

March 22, 2017 File No: 2141.001

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180-32160 South Fraser Way
Abbotsford, BC V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulation by the BCBHEC – Commission Questions to Asian Breeder Stakeholders

We write on behalf of Skye Hi Farms Inc. ("Skye Hi"), Casey van Ginkel dba V3 Farms ("V3"), and Bill Friesen and Lillian Fehr dba W Friesen Enterprise ("Friesen", collectively the "Small Producers") in response to the Commission's Questions to Asian Breeder Stakeholders, delivered March 9, 2017.

In brief, these Small Producers take the position that Asian hatching egg breeders have much to gain from a regulated market tailored to the unique characteristics of their industry. The proposals set forth in the agreement dated April 6, 2016 (attached at **Tab 1**) of five of the six Asian hatching egg producers in British Columbia attempted to distill for the Commission the essential ingredients of a regulatory framework for the industry. Skye Hi, V3 and Friesen continue to support that agreement. Their rationale for doing so is described in greater detail below responding to the Commission's questions.

The Small Producers would welcome the opportunity to respond to any further questions the Commission might have arising from this submission.

INDUSTRY CONTEXT

1. What are the current market demands in the Asian Breeder Hatching Egg Industry?

Friesen expects to sell approximately 500,000 in 2017. Skye Hi and V3's joint venture, T&C Chick Sales ("T&C"), projects it will sell approximately 750,000 chicks in 2017.

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The Small Producers are not in possession of any data on the current market demands for the Asian Breeder Hatching Egg Industry. The BCCMB or its SMAC would likely be able to furnish information about the industry as a whole, including current and future market trends. We draw your attention to the report the BCCMB publishes from time to time on its website, BC Chicken Facts, which sets out industry statistics from the most recent production period. The most recent report indicates in respect of "BC Quota Transactions 2017" that 55,727 kilograms of specialty product were transferred in the period A-141 to A-146. This report also indicates in respect of "Quota Holders 2017" that there are presently 42 growers of specialty chicken, representing 924,678 kilograms of chicken per 8 week cycle.[1]

2. What kinds of demands are being forecasted?

In 2016, T&C sold 673,781 chicks and Friesen sold 448,513 chicks in 2016. The Small Producers' 2017 production forecast predicts an increase in production as a result of increased processor-adjusted allotments for their existing customers, and not from newly acquired customers.

The Small Producers do not have data on forecasted industry demands. As noted above, this information may be in the possession of BCCMB or its SMAC.

3. Where and how is this information sourced?

T&C tracks its production annually, and relies on an annual estimated production spreadsheet ("EPSS") prepared by the processor. The EPSS gives an estimate of chick placement dates and quantities for T&C's customers. The EPSS data is fairly accurate, with some adjustments made to the data throughout the year of production.

[1] BCCMB, "2017 BC Chicken Facts Winter", available online: <http://bcchicken.ca/wp-content/uploads/2016/07/2017-BC-Chicken-Facts-Winter.pdf>.

4. How far into the future does your organization plan?

The Small Producers plan their hatching egg production approximately six months prior to the beginning of the upcoming year as there are many stages in chick production, as outlined below:

1) Skye Hi, V3 and Friesen select genetically correct eggs based on size and shape from the grandparent flocks to grow breeder stock. The selected eggs are then hatched in an incubator, vaccinated, sorted, graded and the chicks delivered back to the pullet barn. This process takes about 5 weeks.

2) The chicks are raised as breeders and are placed on special pullet feed and a lighting program for approximately 16 weeks.

3) From that group, breeders are hand selected based on a variety of factors, including weight gain, feather condition and other factors.

4) Skye Hi, V3 and Friesen then hire a custom catching company that vaccinates and moves the pullets to the breeder barn. The birds stay on pullet ration and the lighting program for 18 – 20 weeks and are then put on a breeder ration. They start laying marketable hatching eggs around 26 weeks and provide a steady supply starting at 30 weeks.

5) Skye Hi, V3 and Friesen then collect the eggs and in approximately three weeks they are hatched, sorted and vaccinated. Only then can the chicks be placed with registered chicken growers.

T&C relies on the EPSS to plan its production because the processor is the "orchestrator" of the production of chicken. A chicken grower expresses to the processor which chick supplier it prefers. The processor then facilitates the supply of those chicks to the chicken grower. Once the processor confirms that a chicken grower wants to do business with a chick supplier, such as T&C, the processor directs the scheduling of chick purchases, the shipping dates and the size of product.

5. How does your organization handle market demands?

The market for Asian hatching eggs and chicks has developed in a free market which has permitted the development of a variety of strains of chicks to meet market demands. The Small Producers have generally produced a unique Taiwanese hatching egg, which is larger than their competitors' and has some different qualities in terms of growth rate, and overall development. The market has evolved such that chicken growers seek out chicks from particular suppliers such that a disruption in the ability of chicken growers to source chicks from their current suppliers could lead to disruption in the specialty chicken industry.

With the hatching egg industry, currently, Asian hatching egg producers in British Columbia are shouldering all of the risk in respect of market supply and demand. This risk is being managed through over-production of hatching eggs and through cooperation with existing hatching egg producers to address surpluses and shortages. What is more, even with the present state of cooperation, the Small Producers have still faced challenges with shortages and have on occasion imported hatching eggs from out of province at a significant loss when they could not source hatching eggs locally.

The present state of cooperation is also tenuous, because it exists by virtue of the ongoing supervisory review. Those producers who entered into the April 6, 2016 agreement have elected to cooperate with one another during this review period to ensure stability in the market. If the outcome of the supervisory review is the continuation of an "unregulated" market, it is unclear whether that stability will persist. Any lack of cooperation will potentially result in hatching egg producers not being able to meet their customers' orders in the event of a shortage, shifting the risk to the chicken growers who will not be able to source their chicks in a reliable manner.

6. What are the current industry instabilities in your opinion? Please provide examples.

In addition to the instability in market supply highlighted above in response to question #5, the Asian hatching egg market is facing instability from two other main sources: (1) new entrants who seek to create vertically integrated productions operations and (2) the absence of any controls on pricing.

The Small Producers are aware that both Fraser Valley Duck and Goose and Rossdown are interested in developing vertically integrated operations for the production of specialty

chicken, which would include production of speciality hatching eggs. This would allow these processors to refuse chicks from other growers resulting in existing profitable enterprises, including Skye Hi, V3 and Friesen being unable to continue operating at current levels of production and losing the investment they have already made in their existing businesses and potentially having to destroy existing breeder stock and hatching eggs due to oversupply.

Supply management protects all industry participants from the inefficiencies of over or undersupply. Without it, all industry participants – but particularly smaller and non-vertically integrated operations – are at risk.

The risks resulting from the absence of pricing controls was put into stark relief during the evidence of Rob Donaldson of Bradner Farms, the largest specialty hatching egg producer, in the appeal hearing of *Skye Hi Farms Inc. et al. v. BCBHEC*. Mr. Donaldson pointed out that he had the ability to aggressively gain market share by quickly and drastically reducing his operation's chick price, and suggested in the absence of regulation he might do so. Leaving aside whether that type of practice is lawful – in our submission it would not be – the risk that a larger producer might take such action (even if ultimately by judicial order or otherwise the practice was halted) obviously creates instability in the market, and places smaller producers such as Skye Hi, V3 and Friesen, at risk. The pricing controls aspect of supply management prevents this type of market maneuvering and contributes to market stability.

There may be market instability stemming from extra-provincial production and trade. As extra-provincial import and export of specialty hatching eggs is presently uncontrolled, it is difficult to say with any certainty what degree of instability may be resulting from these external markets.

Another area of instability of particular concern to Friesen is the inability in the present climate to sell specialty hatching egg operations because of the uncertainty around the continued right to produce and market-share.

7. What are the industry risk factors? Please provide examples.

There are four key risk factors in relation to the Asian hatching egg producer industry in British Columbia:

1) the industry is small in size: the industry presently comprises of six producers. Within these six producers, there are different breeds of Asian hatching eggs being produced. Consequently, Asian hatching egg production remains a commercial niche market and is more susceptible to disruption and instability resulting from shortages and surplus in supply, as well as competition and customer choice. The risk that also arises from a small market is the inability of a market to recover from incidents of disease.

2) extra-provincial markets: other provinces have entered into the Chicken Farmers of Canada Specialty Chicken Program and extra-provincial production of specialty hatching eggs is increasing.[2] In the absence of production control regulation in British Columbia, other markets pose a threat to provincial production.

3) no price control: the absence of any price control for specialty hatching eggs in British Columbia creates the risk of unfair competition between producers. It also creates the risk of unequal bargaining power between producer of specialty hatching eggs and growers of specialty chicken.

4) no guaranteed supply: while specialty chicken is regulated, specialty hatching egg production is not. This creates risks for ensuring specialty chicken quota holders meet their production entitlements.

POTENTIAL REGULATION

1. What is your expectation on how the Commission should move forward?

The Small Producers submit that the Commission should create a specialty class of hatching egg quota, allocated separately from the mainstream allocation. Each sector should be governed under the same "umbrella" of rules and regulations, but each sector should be able to grow or retract according to their respective market requirements.

The Small Producers support a chick quota system in which each producer would be allotted chick quota based on their annual production data. The allocation of chick quota would relieve the Commission of creating and maintaining a specialty hatching egg flock schedule.

[2] Chicken Farmers of Ontario, "Specialty Breeds Chicken Program", online: http://www.specialtybreeds.ca/Home.aspx.

The general framework for a regulatory scheme was set out in the general agreement arrived at by the five producers attached at Tab 1. Given the five producers make up the vast majority of the market, their agreement on the principles that should govern the market going forward should be afforded significant weight. The principles set out in the agreement are reasonable and specific to the needs of the Asian hatching egg market. The agreed terms for specialty hatching egg production going forward, as set out in the agreement, can be summarized as follows:

1) Specialty hatching egg production in 2015, as determined by the BCCMB Chick Broker or Hatchery Reports, will serve as the basis for initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts. (This figure should now be updated for production levels in 2016).

2) Export production of specialty hatching eggs will be accommodated by permit.

3) The Commission will undertake a third party cost production analysis for specialty hatching eggs. The results of that analysis will be used to determine a minimum chick price.

4) Industry growth will be shared on a pro rata basis.[3]

5) The Commission shall recognize the right for specialty hatching egg producers to operate as virtual hatcheries, in accordance with its earlier decision dated May 26, 2014.

6) The year 2009 will be the earliest start date used for 10/10/10 calculations.

7) The Commission shall form a Specialty Marketing Advisory Committee comprised of the six producers presently producing specialty hatching eggs. This SMAC will be tasked with making recommendations to the Commission regarding pricing and production.

[3] In the original agreement, provision was made for the Small Producers to attain minimum farm size. Given industry growth since the development of that agreement, this is not presently an issue.

2. How would further regulation help the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be effective and helpful, and why.

Supply management will benefit the specialty hatching egg industry in a number of ways. Regulated production and pricing controls will stabilize supply and demand, and will also lend predictability to production levels for producers to meet. This will avoid the issue of excesses and shortages in production. It will also allow for proper forecasting and reporting procedures so that the Commission (and producers) can better plan for and meet market demands.

A stabilized market will also culminate in cooperation between producers, removing the risk of unfair competition, and will allow for producers to work together to determine better efficiencies in production and cost. This collaboration will allow British Columbia product to compete nationally and internationally, and will draw new consumers of British Columbia product.

Hand in hand with regularized production levels, farmers will also receive a consistent revenue stream with regulated pricing controls and will enjoy a fair return based on their actual costs. Producers will then be incentivized to invest in their infrastructure and in the genetics of their breeding stock genetics to create better products for customers, and ultimately the consumer.

Regulation will bring greater transparency to the value chain and provide the BCCMB with a stable chick price to determine specialty live prices (which are reviewed and adjusted every 16 weeks). A COP-based specialty chick price could be tied to the specialty broiler price in a similar pricing linkage model as the mainstream sectors, thus allowing for greater efficiencies in calculating the specialty chicken live price.

Regulation will provide the certainty required for those producers like Ms. Fehr and Mr. Friesen who are seeking to sell their operations in order to retire.

Lastly, regulation can be used to incentivize diversification in breeds creating synergy and efficiencies in the value chain thus creating a stronger poultry sector for British Columbia.

The Small Producers note that following BCFIRB's 2005 Specialty Review, the four other boards fully adopted the principles of specialty regulations. Each of those industries in the intervening period have developed specialty sectors that have flourished and have experienced significant growth since that time.

On the other hand, an "exemption" option, as mentioned in the 2005 Specialty Review, is simply not applicable to this industry. It is apparent that the 2005 Specialty Review recommendations in respect of exemptions conceived of exemptions for small lot agriculture,[4] and not the scale of production which is currently ongoing in the Asian hatching egg industry. All Asian hatching egg producers are presently producing well above the "new entrant quota incentive level" of 2,500 breeder hens per year. In addition, all Asian hatching egg producers are selling their product to price and production-regulated commercial chicken growers.

3. How would further regulation hinder the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be ineffective and a hindrance, and why.

Regulation will not hinder the Asian hatching egg industry, so long as the regulation is tailored to the specific characteristics of the industry. The recommendations for regulation set out above seek to regulate mainstream and specialty separately to ensure they are able to meet their respective market demands. For instance, as noted above, there is no need to keep a specialty hatching egg flock schedule if the Commission orders chick quota. Another example of a differentiation between mainstream and specialty would be the recognition of specialty hatching egg producers as virtual hatcheries to facilitate their production. Creating a SMAC for the industry will also ensure that any regulation implemented by the Commission serves the broader purposes of supply management and supports the continued growth of the Asian hatching egg industry.

4. Currently, all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. How would further regulation by the Commission be effective in complementing existing regulation by the BC Chicken Marketing Board?

The Small Producers disagree that all Asian Breeder Hatching Egg Producers in British Columbia at this time are also specialty chicken growers regulated by BCCMB. Only three of the hatching egg producers also produce specialty chicken: Farm Fed, Skye Hi and V3.

[4] BCFIRB, *Specialty Market and New Entrant Submissions Policy, Analysis, Principles and Directions* (September 1, 2005) at pp. 35-36.

Moreover, most specialty chicken growers are not specialty hatching egg producers, with the result that the regulation of the specialty chicken industry is not directed at operations that include both hatching egg and chicken production. It is, as is appropriate, directed at the regulation of specialty chicken.

That said, it is important that regulation of specialty hatching eggs be responsive to specialty chicken regulation. The main connectors are pricing and production levels.

If the Commission regulates chick price, growers will have a predictable cost for production, and the BCCMB will be able to determine with greater accuracy the live price for each production period. Presently, there is no mechanism to address increases or declines in chick price. The Small Producers encourage dialogue between the two regulators on suitable prices from the perspective of both producers of hatching eggs and growers of specialty chicken.

Similarly, with production, the Commission could allocate chick quota based on chicken production levels, as determined in the BC S-101 contracts. This introduces stability into the supply. Again, consultation between the regulatory bodies on the direction of market trends will be helpful in determining appropriate production levels.

Yours truly,

Hunter Litigation Chambers

Per:

Claire E. Hunter

cc: Robert Hrabinsky, counsel to Commission
clients

Tab 1

British Columbia Hatching Egg Commission
#108 – 32160 South Fraser Way
Abbotsford, BC V2T 1Ws

April 6, 2016

RE: TC and Silkie Production

Attn: British Columbia Hatching Egg Commission,

We the under signed have come to a general agreement in regards to British Columbia Specialty Hatching Egg and Chick production.

We are in agreement that 2015 production as determined by the British Columbia Chicken Marketing Board Chick Broker or Hatchery Reports will be the basis for the initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts as the initial quota allotment (export production will be accommodated by permit).

We ask the BCBHEC to complete a third party cost of production analysis for TC/Silkie hatching eggs/chicks. This information will be used to determine a minimum Board ordered chick price, and subsequently used to determine a "minimum economically viable farm size". Any quota allotment at or below the "economically viable farm size" will be utilized at 100% allocation. Any industry growth would then be allocated to the uneconomical farms first until they reach the determined size, then pro rata to the entire industry forthwith.

We ask the BCBHEC to recognize the right for specialty hatching egg producers to operate as "virtual hatcheries" as already determined acceptable in a previous decision.

2009 will be used as the earliest "start date" for 10/10/10 calculations. Production documents have already been submitted and recognized by the BCBHEC for this time period.

We ask the BCBHEC to form a Specialty Marketing Advisory Committee comprised of the six producers recognized as currently producing specialty hatching eggs. This committee would be tasked with making recommendations to the BCBHEC regarding Pricing and Production.

The participants in this letter feel that these agreed upon principles will provide a strong and stable foundation for this specialty niche sector to build on, thus benefiting all participants in the value chain.

Respectively submitted.

Trevor Allen
Skye Hi Farms

X _____

Casey Van Ginkel
V3 Farms

X _____

William Friesen
W. Friesen Enterprises

X _____

Kelly Boonstra
Coastline Hatchery

X _____

Rob Donaldson
Bradner Farms

X _____

16. March 23, 2017 – Request for Submissions – MacKenzie Fujisawa LLP – on behalf of Coastline Chicks & Bradner Farms

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MACKENZIE FUJISAWA LLP
BARRISTERS & SOLICITORS

OUR FILE NO. C5084-000

March 23, 2017

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, B.C. V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulations by the BCBHEC – Commission Questions to Asian Breeder Stakeholders

We write on behalf of Unger's Chicks Sales (1974) Ltd. dba Coastline Chicks ("Coastline") and Robert & Patricia Donaldson dba Bradner Farms ("Bradner") in response to the Commission's Questions to Asian Breeder Stakeholders, delivered March 9, 2017.

A. Introduction

Coastline and Bradner Farms are long established producers of Asian breeder hatching eggs. Each has significant investment which is affected by the current uncertainty and instability in the industry.

Neither Coastline nor Bradner Farms engages in Asian chicken production or Asian chicken processing.

Coastline and Bradner Farms have read the response to Commission Questions submitted by Skye Hi Farms Inc., V3 Farms and W. Friesen Enterprise and generally agree with its contents. Accordingly, Coastline and Bradner wish to adopt that response and to add only the following additional comments:

B. Response to Questions

Industry Context

1. What are the current market demands in the Asian Breeder Hatching Egg Industry?

So far as Coastline and Bradner are aware, the current production figure of 924,678 kgs of Asian chicken per 8-week cycle is correct.

Coastline's Asian chick sales in 2016 (approx. 6.5 cycles) was 778,046 chicks; Bradner's was 2,050,000 chicks. This was a slight increase over the previous year but was not due to the acquisition of any new customers.

2. What kinds of demands are being forecasted?

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It is expected that future sales will be at the same level, but there is no way of knowing this.

3. Where and how is this information sourced?

Coastline and Bradner work from the processor schedules for the previous year and make their best guess as to the future.

4. How far into the future does your organization plan?

Both Coastline and Bradner are required to give a minimum of six months' notice to their breeder chick suppliers. Normal practice is to give about one year's notice to ensure supply.

Once the breeder chick is received it is raised for 26 weeks before reaching the point of hatching egg maturity. Then it will produce hatching eggs for 42 weeks before being destroyed as spent.

Accordingly, Coastline and Bradner are required to plan about two years in advance. In the current situation this prediction is inherently unreliable, leading to unnecessary wastage and potential instability.

5. How does your organization handle market demands?

Coastline and Bradner are required to over-predict future production to ensure an adequate supply to meet unknowable market demands.

Since Asian hatching egg production is, by definition, a specialized niche industry with a variety of birds with different traits, it is not possible to make up for unexpected shortfalls by placing last-minute orders. Hence, in the absence of any supply management system the industry must necessarily err on the side of excess and suffer the consequences of destroying excess production.

6. What are the current industry instabilities in your opinion? Please provide examples.

Other provinces used to be an important market segment, but they have now developed their own industries and there is no reliable method of assessing what their production will be.

7. What are the industry risk factors? Please provide examples.

- Avian influenza (bird flu') may return at any time.
- Instability: absent any regulatory oversight, the current supply chain is at risk of predatory practices from within or without the industry.
- Absent a quota system, there is an inherent rick of over- or under-production.

Potential Regulation

1. What is your expectation on how the Commission should more forward?

The expectation of the majority of current industry participants has been set out in the document "Joint request to BC Hatching Egg Commission by Asian Hatching Egg and Chick producers". This document is attached as Tab 1 to the response of Skye Hi, V3 and Friesen.

2. How would further regulation held the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be effective and helpful, and why.

A quota-based system would provide stability of a safe, steady and adequate supply of an essential food commodity to consumers at a fair minimum return to producers. By eliminating predatory practices and wastage and by promoting industry dialogue and cooperation, stability and investment would return to this industry to the benefit of all consumers.

3. How would further regulation hinder the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be ineffective and a hindrance, and why.

Coastline and Bradner have nothing to add to that already submitted by Skye Hi, V3 and Friesen.

4. Currently, all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. How would further regulation by the Commission be effective in complementing existing regulation by the BC Chicken Marketing Board?

It is incorrect to assume that all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. In fact, the majority of hatching eggs are supplied by entities unconnected with the meat producing sector.

Yours truly,

MACKENZIE FUJISAWA LLP

Per:

CHRISTOPHER HARVEY, Q.C.

CWH:ao

C5084/0000/00259348

17. April 18, 2017 – Sector Update Report – The Commission

APRIL 18, 2017 BACKGROUND INFORMATION AND DOCUMENTATION UPDATE
REVIEW OF ASIAN BREEDER REGULATION BY THE BC BROILER HATCHING EGG COMMISSION

As outlined in the Work Action Plan issued March 9, 2017, the BC Broiler Hatching Egg Commission ("the Commission") is to provide an update on its review of Asian Breeder Regulation by April 18, 2017. That update follows.

1. The Commission received three responses to the request for submissions outlined in the Work Plan:

    a. March 16, 2017 from the BC Chicken Marketing Board;
    b. March 22, 2017 from counsel for Skye Hi Farms Inc., Casey Van Ginkel ("V3 Farms") and Bill Friesen and Lillian Fehr; and,
    c. March 23, 2017 from counsel for Unger's Chick Sales (1974) Ltd. ("Coastline") and Robert & Patricia Donaldson ("Bradner").

    Copies of these submissions have been posted to the Commission website.

2. The Commission has reviewed the "interaction with the Asian Breeder Sector" by broiler hatching egg regulators in other provinces. Other than in BC, only Ontario has such interaction. A brief outline of the Ontario approach is attached to this report (also posted on the Commission website).

3. The Commission discussed the submissions at its March 30, 2017 board meeting and at a special meeting on April 6, 2017 using a SAFETI lens. The Commission concluded that further engagement with all affected stakeholders was essential to making an informed determination and recommendation to the BC Farm Industry Review Board ("BCFIRB") in respect to sound marketing policy for the regulation of the BC Asian Breeder Sector. The Commission also concluded that this engagement should be deferred to later in the process outlined in the March 9, 2017 Work Action Plan.

This matter has a long and convoluted history and it became clear in the Commission's discussions that questions remain outstanding, including regarding the long-term implications for the Asian Breeder Sector and the hatching egg sector more generally. These concerns include the potential impact on all individual stakeholders that may be affected now or in the future by a Commission recommendation to BCFIRB.

The Commission decided – subsequently supported by BCFIRB – that the most appropriate and effective time to obtain focused answers to those questions from impacted stakeholders would be after it developed the draft options, comparison reports and analyses required by May 19, 2017. Rather than recommending a single potential outcome at that time, the Commission will instead meet with stakeholders early in the week of May 29, 2017 to discuss the draft options to further explore the pros,

cons and implications of each option. Following those meetings stakeholders can make their final written submissions to the Commission by June 5, 2017 (short extension to accommodate post-meeting responses). This will still allow the Commission to provide its final report, recommendation(s) and supporting rationale to BCFIRB by the current June 12, 2017 deadline.

The Commission appreciates the submissions to date and if further information is required, please contact the Commission office.

BC Questions to Ontario Regarding Regulation of the Asian Breeder Sector

December 1, 2016

1. To what extent does the Ontario Broiler Hatching Egg and Chick Commission (OBHECC) regulate the Asian Breeder Sector?

The producers of these products have primary breeders (recouped from the breeder flocks), breeders, hatcheries and in most cases broiler flocks. OBHECC expects the same level of reporting and compliance to our programs as we expect from the mainstream production system.

They must maintain compliance with Ontario biosecurity, CHEQ and the Ontario Animal Care programs.

They are required report to production and hatch data to OBHECC in the same manner as the mainstream production system.

The hatchery collects the Ontario license fees on behalf of themselves and the hatching egg producer. They pay equal shares.

2. Does OBHECC regulate via a quota system or by permit?

Specialty breeder production, growing and hatching egg, does not require quota. The licensed chicken growers purchasing the specialty chicks have a separate allocation at the national level and therefore this production doesn't infringe on the CHEP allocation or on the regular quota holders.

If specialty chicks are sold to backyard operations, these sales require quota. The producers / hatcheries have Non-White Rock quota for these sales. This quota was granted approximately 10 years ago based on historical sales.

3. Does OBHECC set the chick price for the Asian Breeder Sector?

OBHECC sets a minimum chick price based on the COP for the mainstream production system. Specialty chicks are sold at a much higher price point and are therefore in compliance with the regulations. We do not establish a specific price for this business.

March 16, 2017

British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, BC V2T 1W5
By email: stephanie@bcbhec.com

RE: Request for submissions – Review of Asian Breeder Regulation by the BCBHEC.

Dear Ms. Nelson,

Thank you for the opportunity to comment and provide feedback on the above noted correspondence. In your report you pose a number of questions dated March 9, 2017. I will attempt to respond to the questions that are relevant to our specialty chicken sector from the BCCMB perspective.

Industry context:

1. *What are the current demands in the Asian Breeder Hatching Egg Industry?*

Approximately 3% of BC's chicken production or 900,000 kilograms live per eight week quota period is grown as specialty chicken. Specialty chicken is grown under quota which is separate from mainstream chicken quota and is defined under our General Orders as Asian chicken (Taiwanese and Silkies). Although a relatively small sector in comparison to mainstream it is dynamic and represents the businesses and livelihood of 42 of our growers, at least three hatcheries and four processing plants.

2. *What kinds of demands are being forecasted?*

Demand has been fairly stable for specialty chicken over the past number of years but has peak production periods prior to Asian holidays such as Chinese New Year and others.

3. *Where and how is this information sourced?*

There are regular meetings of the BCCMB's Specialty Markets Advisory Committee which includes representation from both specialty growers and processors. The SMAC meets to discuss and advise the board on matters related to specialty pricing and production. Essentially, the specialty market is processor driven. Each processor requests a certain level of specialty production for each period expressed in kilograms of live weight of each category. These numbers are submitted to CFC by BCCMB staff and approved by the CFC directors at their allocation meetings. BCCMB staff then provides specialty production allotments to growers in each processor's grower group. The SMAC also provides advice to the BCCMB on the pricing of specialty chicken categories on a live weight basis.

4. *How far into the future does your organization plan?*

CFC allocations are done sixteen weeks in advance of the period in which the specialty chicken is marketed.

5. *How does your organization handle market demands?*

As stated in a previous point, production in the specialty chicken sector is processor driven. Our specialty processors are very active in the market place and understand the needs and desires of their clientele. Our specialty quota system is designed to provide the flexibility that enable our growers to meet the requirements of our processors. An example of this would be annualization of quota for specialty chicken growers. Mainstream chicken quota is allocated on a period by period basis every eight weeks and growers are required to remain within specified over and under production sleeves in each eight week period. We refer to this a "period by period compliance". Specialty quota on the other hand is allocated on an annual basis with only one correction period per year. This provides the flexibility that is essential in meeting the seasonal demands of the specialty sector.

6. *What are the current industry instabilities in your opinion?*

In 2014 the BCCMB began the process of removing certified organic chicken from the specialty category. As a result of a mediated agreement with our organic growers a portion of our specialty quota will be used to grow organic chicken under a declining balance until 2020. This does not affect the quantity of specialty chicken being grown and therefore should not affect the total supply of Asian hatching eggs that are required. The landscape in the specialty chicken sector, particularly with TC's is constantly changing and evolving. It is critical that the Asian hatching egg sector is able to react to these changes in a timely manner in order to keep pace with demands of the specialty market.

7. What are the industry risk factors?

The BC Asian chicken sector grew and evolved over the past two decades with virtually no competition. Our processors were able to supply markets for their products across Canada and were able to maintain their margins. This changed with the advent of the CFC Specialty Chicken Policy in 2014. This policy change provided opportunities for other provinces to participate in Asian chicken production and to provide fresh products to their local markets that had been previously supplied with frozen products from BC. Alberta had one grower enter the specialty chicken sector but has since abandoned his enterprise. Ontario entered the industry with a very aggressive program sponsored by the Chicken Farmers of Ontario board which has grown over the past three years to a level of production that parallels that of our province. To date Ontario does not have a federally registered processor for their specialty chicken and therefore must market all of their production within the borders of their province.

This could change if CFO is successful in attracting a Federal processor and BC could face increased competition, decreased production and pressure on both processor and grower margins in the specialty chicken sector. The BCCMB has approved funding for a marketing campaign targeting consumers of BC grown TC and Silkie chicken beginning this year which is designed to increase demand and for our specialty products.

Potential Regulation:

You pose a number of questions with regard to potential regulation within the Asian hatching egg sector. Without answering each question specifically, I would reiterate that it is critical that this relatively new and evolving sector maintain the ability to react to changes in the market place that can be drastic and occur with little notice. Until this point, the Asian hatching egg producers have been willing to take risks and have worked closely with processors to develop and supply a market that is constantly evolving. The BCCMB would not want to see regulations that would unduly hamper the ability of the Asian chicken sector to respond to changes in the marketplace that could result in lower allocations to our growers and processors or provide opportunities for our competitors in other provinces.

I would be pleased to discuss this with you further at your convenience.

Thank you for your attention to this matter.

B. Vanderspek
Executive Director
BRITISH COLUMBIA CHICKEN MARKETING BOARD

c.c. K. Pedersen, W. Gorsuch, BCFIRB

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British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, BC V2T 1W5
By email: stephanie@bcbhec.com

July 22, 2016

RE: Commission recommendation report on Asian Breeder producers June 24, 2016

Dear Ms. Nelson,

Thank you for the opportunity to comment and provide feedback on the above noted report. The directors of the BC Chicken Marketing Board reviewed and discussed the report at its regularly scheduled meeting on July 18, 2016 and has a number of observations and comments.

You have quoted Section 134 of the BCFIRB decision in the Skye Hi/V3 decision which relates to the pricing of specialty chicks. At present, the role played by the BCCMB in this process is restricted to the collection of chick pricing data from individual hatcheries by Serecon for the purpose of updating the periodic cost of production for TC and silkie chickens. The BCCMB regulates the number of these birds that are produced under the CFC Specialty Chicken Program under specialty quota in the amount requested and committed to by processors on a period by period basis. The question posed by BCFIRB "should the Commission directly regulate the amount of production of Asian breeders, eggs or chicks and their price or should the Chicken Board indirectly regulate these components through its regulation of specialty chicken" is unclear. The BCCMB has not had chick pricing authority in its Scheme since the late 1980's and the term "indirectly regulate" would require an explanation and understanding between our two organizations.

In section 7 of your document you refer to the BCCMB Specialty Markets Advisory Committee (SMAC) as a possible venue for discussions by the specialty breeder sector. This could be the case in general terms, but the BCCMB is not prepared to ask the SMAC to address the current issues in the specialty breeder/hatchery/chick sector without a clear understanding of the rules of engagement and expected outcomes.

I would be happy to discuss these issues further at your convenience.

Thank you for your attention to this matter.

B. Vanderspek
Executive Director
BRITISH COLUMBIA CHICKEN MARKETING BOARD

c.c. W. Gorsuch, BCFIRB

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Hunter Litigation Chambers

HUNTER / McEWAN / KAARDAL / SMART

March 22, 2017 File No: 2141.001

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180-32160 South Fraser Way
Abbotsford, BC V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulation by the BCBHEC – Commission Questions to Asian Breeder Stakeholders

We write on behalf of Skye Hi Farms Inc. ("Skye Hi"), Casey van Ginkel dba V3 Farms ("V3"), and Bill Friesen and Lillian Fehr dba W Friesen Enterprise ("Friesen", collectively the "Small Producers") in response to the Commission's Questions to Asian Breeder Stakeholders, delivered March 9, 2017.

In brief, these Small Producers take the position that Asian hatching egg breeders have much to gain from a regulated market tailored to the unique characteristics of their industry. The proposals set forth in the agreement dated April 6, 2016 (attached at **Tab 1**) of five of the six Asian hatching egg producers in British Columbia attempted to distill for the Commission the essential ingredients of a regulatory framework for the industry. Skye Hi, V3 and Friesen continue to support that agreement. Their rationale for doing so is described in greater detail below responding to the Commission's questions.

The Small Producers would welcome the opportunity to respond to any further questions the Commission might have arising from this submission.

INDUSTRY CONTEXT

1. What are the current market demands in the Asian Breeder Hatching Egg Industry?

Friesen expects to sell approximately 500,000 in 2017. Skye Hi and V3's joint venture, T&C Chick Sales ("T&C"), projects it will sell approximately 750,000 chicks in 2017.

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PRACTICE CONDUCTED THROUGH A LAW CORPORATION

The Small Producers are not in possession of any data on the current market demands for the Asian Breeder Hatching Egg Industry. The BCCMB or its SMAC would likely be able to furnish information about the industry as a whole, including current and future market trends. We draw your attention to the report the BCCMB publishes from time to time on its website, BC Chicken Facts, which sets out industry statistics from the most recent production period. The most recent report indicates in respect of "BC Quota Transactions 2017" that 55,727 kilograms of specialty product were transferred in the period A-141 to A-146. This report also indicates in respect of "Quota Holders 2017" that there are presently 42 growers of specialty chicken, representing 924,678 kilograms of chicken per 8 week cycle.[1]

2. What kinds of demands are being forecasted?

In 2016, T&C sold 673,781 chicks and Friesen sold 448,513 chicks in 2016. The Small Producers' 2017 production forecast predicts an increase in production as a result of increased processor-adjusted allotments for their existing customers, and not from newly acquired customers.

The Small Producers do not have data on forecasted industry demands. As noted above, this information may be in the possession of BCCMB or its SMAC.

3. Where and how is this information sourced?

T&C tracks its production annually, and relies on an annual estimated production spreadsheet ("EPSS") prepared by the processor. The EPSS gives an estimate of chick placement dates and quantities for T&C's customers. The EPSS data is fairly accurate, with some adjustments made to the data throughout the year of production.

[1] BCCMB, "2017 BC Chicken Facts Winter", available online: <http://bcchicken.ca/wp-content/uploads/2016/07/2017-BC-Chicken-Facts-Winter.pdf>.

4. How far into the future does your organization plan?

The Small Producers plan their hatching egg production approximately six months prior to the beginning of the upcoming year as there are many stages in chick production, as outlined below:

1) Skye Hi, V3 and Friesen select genetically correct eggs based on size and shape from the grandparent flocks to grow breeder stock. The selected eggs are then hatched in an incubator, vaccinated, sorted, graded and the chicks delivered back to the pullet barn. This process takes about 5 weeks.

2) The chicks are raised as breeders and are placed on special pullet feed and a lighting program for approximately 16 weeks.

3) From that group, breeders are hand selected based on a variety of factors, including weight gain, feather condition and other factors.

4) Skye Hi, V3 and Friesen then hire a custom catching company that vaccinates and moves the pullets to the breeder barn. The birds stay on pullet ration and the lighting program for 18 – 20 weeks and are then put on a breeder ration. They start laying marketable hatching eggs around 26 weeks and provide a steady supply starting at 30 weeks.

5) Skye Hi, V3 and Friesen then collect the eggs and in approximately three weeks they are hatched, sorted and vaccinated. Only then can the chicks be placed with registered chicken growers.

T&C relies on the EPSS to plan its production because the processor is the "orchestrator" of the production of chicken. A chicken grower expresses to the processor which chick supplier it prefers. The processor then facilitates the supply of those chicks to the chicken grower. Once the processor confirms that a chicken grower wants to do business with a chick supplier, such as T&C, the processor directs the scheduling of chick purchases, the shipping dates and the size of product.

5. How does your organization handle market demands?

The market for Asian hatching eggs and chicks has developed in a free market which has permitted the development of a variety of strains of chicks to meet market demands. The Small Producers have generally produced a unique Taiwanese hatching egg, which is larger than their competitors' and has some different qualities in terms of growth rate, and overall development. The market has evolved such that chicken growers seek out chicks from particular suppliers such that a disruption in the ability of chicken growers to source chicks from their current suppliers could lead to disruption in the specialty chicken industry.

With the hatching egg industry, currently, Asian hatching egg producers in British Columbia are shouldering all of the risk in respect of market supply and demand. This risk is being managed through over-production of hatching eggs and through cooperation with existing hatching egg producers to address surpluses and shortages. What is more, even with the present state of cooperation, the Small Producers have still faced challenges with shortages and have on occasion imported hatching eggs from out of province at a significant loss when they could not source hatching eggs locally.

The present state of cooperation is also tenuous, because it exists by virtue of the ongoing supervisory review. Those producers who entered into the April 6, 2016 agreement have elected to cooperate with one another during this review period to ensure stability in the market. If the outcome of the supervisory review is the continuation of an "unregulated" market, it is unclear whether that stability will persist. Any lack of cooperation will potentially result in hatching egg producers not being able to meet their customers' orders in the event of a shortage, shifting the risk to the chicken growers who will not be able to source their chicks in a reliable manner.

6. What are the current industry instabilities in your opinion? Please provide examples.

In addition to the instability in market supply highlighted above in response to question #5, the Asian hatching egg market is facing instability from two other main sources: (1) new entrants who seek to create vertically integrated productions operations and (2) the absence of any controls on pricing.

The Small Producers are aware that both Fraser Valley Duck and Goose and Rossdown are interested in developing vertically integrated operations for the production of specialty

chicken, which would include production of speciality hatching eggs. This would allow these processors to refuse chicks from other growers resulting in existing profitable enterprises, including Skye Hi, V3 and Friesen being unable to continue operating at current levels of production and losing the investment they have already made in their existing businesses and potentially having to destroy existing breeder stock and hatching eggs due to oversupply.

Supply management protects all industry participants from the inefficiencies of over or undersupply. Without it, all industry participants – but particularly smaller and non-vertically integrated operations – are at risk.

The risks resulting from the absence of pricing controls was put into stark relief during the evidence of Rob Donaldson of Bradner Farms, the largest specialty hatching egg producer, in the appeal hearing of *Skye Hi Farms Inc. et al. v. BCBHEC.* Mr. Donaldson pointed out that he had the ability to aggressively gain market share by quickly and drastically reducing his operation's chick price, and suggested in the absence of regulation he might do so. Leaving aside whether that type of practice is lawful – in our submission it would not be – the risk that a larger producer might take such action (even if ultimately by judicial order or otherwise the practice was halted) obviously creates instability in the market, and places smaller producers such as Skye Hi, V3 and Friesen, at risk. The pricing controls aspect of supply management prevents this type of market maneuvering and contributes to market stability.

There may be market instability stemming from extra-provincial production and trade. As extra-provincial import and export of specialty hatching eggs is presently uncontrolled, it is difficult to say with any certainty what degree of instability may be resulting from these external markets.

Another area of instability of particular concern to Friesen is the inability in the present climate to sell specialty hatching egg operations because of the uncertainty around the continued right to produce and market-share.

7. What are the industry risk factors? Please provide examples.

There are four key risk factors in relation to the Asian hatching egg producer industry in British Columbia:

1) the industry is small in size: the industry presently comprises of six producers. Within these six producers, there are different breeds of Asian hatching eggs being produced. Consequently, Asian hatching egg production remains a commercial niche market and is more susceptible to disruption and instability resulting from shortages and surplus in supply, as well as competition and customer choice. The risk that also arises from a small market is the inability of a market to recover from incidents of disease.

2) extra-provincial markets: other provinces have entered into the Chicken Farmers of Canada Specialty Chicken Program and extra-provincial production of specialty hatching eggs is increasing.[2] In the absence of production control regulation in British Columbia, other markets pose a threat to provincial production.

3) no price control: the absence of any price control for specialty hatching eggs in British Columbia creates the risk of unfair competition between producers. It also creates the risk of unequal bargaining power between producer of specialty hatching eggs and growers of specialty chicken.

4) no guaranteed supply: while specialty chicken is regulated, specialty hatching egg production is not. This creates risks for ensuring specialty chicken quota holders meet their production entitlements.

POTENTIAL REGULATION

1. What is your expectation on how the Commission should move forward?

The Small Producers submit that the Commission should create a specialty class of hatching egg quota, allocated separately from the mainstream allocation. Each sector should be governed under the same "umbrella" of rules and regulations, but each sector should be able to grow or retract according to their respective market requirements.

The Small Producers support a chick quota system in which each producer would be allotted chick quota based on their annual production data. The allocation of chick quota would relieve the Commission of creating and maintaining a specialty hatching egg flock schedule.

[2] Chicken Farmers of Ontario, "Specialty Breeds Chicken Program", online: http://www.specialtybreeds.ca/Home.aspx.

The general framework for a regulatory scheme was set out in the general agreement arrived at by the five producers attached at Tab 1. Given the five producers make up the vast majority of the market, their agreement on the principles that should govern the market going forward should be afforded significant weight. The principles set out in the agreement are reasonable and specific to the needs of the Asian hatching egg market. The agreed terms for specialty hatching egg production going forward, as set out in the agreement, can be summarized as follows:

1) Specialty hatching egg production in 2015, as determined by the BCCMB Chick Broker or Hatchery Reports, will serve as the basis for initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts. (This figure should now be updated for production levels in 2016).

2) Export production of specialty hatching eggs will be accommodated by permit.

3) The Commission will undertake a third party cost production analysis for specialty hatching eggs. The results of that analysis will be used to determine a minimum chick price.

4) Industry growth will be shared on a pro rata basis.[3]

5) The Commission shall recognize the right for specialty hatching egg producers to operate as virtual hatcheries, in accordance with its earlier decision dated May 26, 2014.

6) The year 2009 will be the earliest start date used for 10/10/10 calculations.

7) The Commission shall form a Specialty Marketing Advisory Committee comprised of the six producers presently producing specialty hatching eggs. This SMAC will be tasked with making recommendations to the Commission regarding pricing and production.

[3] In the original agreement, provision was made for the Small Producers to attain minimum farm size. Given industry growth since the development of that agreement, this is not presently an issue.

2. How would further regulation help the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be effective and helpful, and why.

Supply management will benefit the specialty hatching egg industry in a number of ways. Regulated production and pricing controls will stabilize supply and demand, and will also lend predictability to production levels for producers to meet. This will avoid the issue of excesses and shortages in production. It will also allow for proper forecasting and reporting procedures so that the Commission (and producers) can better plan for and meet market demands.

A stabilized market will also culminate in cooperation between producers, removing the risk of unfair competition, and will allow for producers to work together to determine better efficiencies in production and cost. This collaboration will allow British Columbia product to compete nationally and internationally, and will draw new consumers of British Columbia product.

Hand in hand with regularized production levels, farmers will also receive a consistent revenue stream with regulated pricing controls and will enjoy a fair return based on their actual costs. Producers will then be incentivized to invest in their infrastructure and in the genetics of their breeding stock genetics to create better products for customers, and ultimately the consumer.

Regulation will bring greater transparency to the value chain and provide the BCCMB with a stable chick price to determine specialty live prices (which are reviewed and adjusted every 16 weeks). A COP-based specialty chick price could be tied to the specialty broiler price in a similar pricing linkage model as the mainstream sectors, thus allowing for greater efficiencies in calculating the specialty chicken live price.

Regulation will provide the certainty required for those producers like Ms. Fehr and Mr. Friesen who are seeking to sell their operations in order to retire.

Lastly, regulation can be used to incentivize diversification in breeds creating synergy and efficiencies in the value chain thus creating a stronger poultry sector for British Columbia.

The Small Producers note that following BCFIRB's 2005 Specialty Review, the four other boards fully adopted the principles of specialty regulations. Each of those industries in the intervening period have developed specialty sectors that have flourished and have experienced significant growth since that time.

On the other hand, an "exemption" option, as mentioned in the 2005 Specialty Review, is simply not applicable to this industry. It is apparent that the 2005 Specialty Review recommendations in respect of exemptions conceived of exemptions for small lot agriculture,[4] and not the scale of production which is currently ongoing in the Asian hatching egg industry. All Asian hatching egg producers are presently producing well above the "new entrant quota incentive level" of 2,500 breeder hens per year. In addition, all Asian hatching egg producers are selling their product to price and production-regulated commercial chicken growers.

3. How would further regulation hinder the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be ineffective and a hindrance, and why.

Regulation will not hinder the Asian hatching egg industry, so long as the regulation is tailored to the specific characteristics of the industry. The recommendations for regulation set out above seek to regulate mainstream and specialty separately to ensure they are able to meet their respective market demands. For instance, as noted above, there is no need to keep a specialty hatching egg flock schedule if the Commission orders chick quota. Another example of a differentiation between mainstream and specialty would be the recognition of specialty hatching egg producers as virtual hatcheries to facilitate their production. Creating a SMAC for the industry will also ensure that any regulation implemented by the Commission serves the broader purposes of supply management and supports the continued growth of the Asian hatching egg industry.

4. Currently, all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. How would further regulation by the Commission be effective in complementing existing regulation by the BC Chicken Marketing Board?

The Small Producers disagree that all Asian Breeder Hatching Egg Producers in British Columbia at this time are also specialty chicken growers regulated by BCCMB. Only three of the hatching egg producers also produce specialty chicken: Farm Fed, Skye Hi and V3.

[4] BCFIRB, *Specialty Market and New Entrant Submissions Policy, Analysis, Principles and Directions* (September 1, 2005) at pp. 35-36.

Moreover, most specialty chicken growers are not specialty hatching egg producers, with the result that the regulation of the specialty chicken industry is not directed at operations that include both hatching egg and chicken production. It is, as is appropriate, directed at the regulation of specialty chicken.

That said, it is important that regulation of specialty hatching eggs be responsive to specialty chicken regulation. The main connectors are pricing and production levels.

If the Commission regulates chick price, growers will have a predictable cost for production, and the BCCMB will be able to determine with greater accuracy the live price for each production period. Presently, there is no mechanism to address increases or declines in chick price. The Small Producers encourage dialogue between the two regulators on suitable prices from the perspective of both producers of hatching eggs and growers of specialty chicken.

Similarly, with production, the Commission could allocate chick quota based on chicken production levels, as determined in the BC S-101 contracts. This introduces stability into the supply. Again, consultation between the regulatory bodies on the direction of market trends will be helpful in determining appropriate production levels.

Yours truly,

Hunter Litigation Chambers

Per:

Claire E. Hunter

cc: Robert Hrabinsky, counsel to Commission
clients

Tab 1

British Columbia Hatching Egg Commission
#108 – 32160 South Fraser Way
Abbotsford, BC V2T 1Ws

April 6, 2016

RE: TC and Silkie Production

Attn: British Columbia Hatching Egg Commission,

We the under signed have come to a general agreement in regards to British Columbia Specialty Hatching Egg and Chick production.

We are in agreement that 2015 production as determined by the British Columbia Chicken Marketing Board Chick Broker or Hatchery Reports will be the basis for the initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts as the initial quota allotment (export production will be accommodated by permit).

We ask the BCBHEC to complete a third party cost of production analysis for TC/Silkie hatching eggs/chicks. This information will be used to determine a minimum Board ordered chick price, and subsequently used to determine a "minimum economically viable farm size". Any quota allotment at or below the "economically viable farm size" will be utilized at 100% allocation. Any industry growth would then be allocated to the uneconomical farms first until they reach the determined size, then pro rata to the entire industry forthwith.

We ask the BCBHEC to recognize the right for specialty hatching egg producers to operate as "virtual hatcheries" as already determined acceptable in a previous decision.

2009 will be used as the earliest "start date" for 10/10/10 calculations. Production documents have already been submitted and recognized by the BCBHEC for this time period.

We ask the BCBHEC to form a Specialty Marketing Advisory Committee comprised of the six producers recognized as currently producing specialty hatching eggs. This committee would be tasked with making recommendations to the BCBHEC regarding Pricing and Production.

The participants in this letter feel that these agreed upon principles will provide a strong and stable foundation for this specialty niche sector to build on, thus benefiting all participants in the value chain.

Respectively submitted.

Trevor Allen
Skye Hi Farms

X _____

Casey Van Ginkel
V3 Farms

X _____

William Friesen
W. Friesen Enterprises

X _____

Kelly Boonstra
Coastline Hatchery

X _____

Rob Donaldson
Bradner Farms

X _____

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OUR FILE NO. C5084-000

March 23, 2017

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, B.C. V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulations by the BCBHEC – Commission Questions to Asian Breeder Stakeholders

We write on behalf of Unger's Chicks Sales (1974) Ltd. dba Coastline Chicks ("Coastline") and Robert & Patricia Donaldson dba Bradner Farms ("Bradner") in response to the Commission's Questions to Asian Breeder Stakeholders, delivered March 9, 2017.

A. Introduction

Coastline and Bradner Farms are long established producers of Asian breeder hatching eggs. Each has significant investment which is affected by the current uncertainty and instability in the industry.

Neither Coastline nor Bradner Farms engages in Asian chicken production or Asian chicken processing.

Coastline and Bradner Farms have read the response to Commission Questions submitted by Skye Hi Farms Inc., V3 Farms and W. Friesen Enterprise and generally agree with its contents. Accordingly, Coastline and Bradner wish to adopt that response and to add only the following additional comments:

B. Response to Questions

Industry Context

1. What are the current market demands in the Asian Breeder Hatching Egg Industry?

So far as Coastline and Bradner are aware, the current production figure of 924,678 kgs of Asian chicken per 8-week cycle is correct.

Coastline's Asian chick sales in 2016 (approx. 6.5 cycles) was 778,046 chicks; Bradner's was 2,050,000 chicks. This was a slight increase over the previous year but was not due to the acquisition of any new customers.

2. What kinds of demands are being forecasted?

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It is expected that future sales will be at the same level, but there is no way of knowing this.

3. Where and how is this information sourced?

Coastline and Bradner work from the processor schedules for the previous year and make their best guess as to the future.

4. How far into the future does your organization plan?

Both Coastline and Bradner are required to give a minimum of six months' notice to their breeder chick suppliers. Normal practice is to give about one year's notice to ensure supply.

Once the breeder chick is received it is raised for 26 weeks before reaching the point of hatching egg maturity. Then it will produce hatching eggs for 42 weeks before being destroyed as spent.

Accordingly, Coastline and Bradner are required to plan about two years in advance. In the current situation this prediction is inherently unreliable, leading to unnecessary wastage and potential instability.

5. How does your organization handle market demands?

Coastline and Bradner are required to over-predict future production to ensure an adequate supply to meet unknowable market demands.

Since Asian hatching egg production is, by definition, a specialized niche industry with a variety of birds with different traits, it is not possible to make up for unexpected shortfalls by placing last-minute orders. Hence, in the absence of any supply management system the industry must necessarily err on the side of excess and suffer the consequences of destroying excess production.

6. What are the current industry instabilities in your opinion? Please provide examples.

Other provinces used to be an important market segment, but they have now developed their own industries and there is no reliable method of assessing what their production will be.

7. What are the industry risk factors? Please provide examples.

- Avian influenza (bird flu') may return at any time.
- Instability: absent any regulatory oversight, the current supply chain is at risk of predatory practices from within or without the industry.
- Absent a quota system, there is an inherent rick of over- or under-production.

Potential Regulation

1. **What is your expectation on how the Commission should more forward?**

The expectation of the majority of current industry participants has been set out in the document "Joint request to BC Hatching Egg Commission by Asian Hatching Egg and Chick producers". This document is attached as Tab 1 to the response of Skye Hi, V3 and Friesen.

2. **How would further regulation held the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be effective and helpful, and why.**

A quota-based system would provide stability of a safe, steady and adequate supply of an essential food commodity to consumers at a fair minimum return to producers. By eliminating predatory practices and wastage and by promoting industry dialogue and cooperation, stability and investment would return to this industry to the benefit of all consumers.

3. **How would further regulation hinder the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be ineffective and a hindrance, and why.**

Coastline and Bradner have nothing to add to that already submitted by Skye Hi, V3 and Friesen.

4. **Currently, all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. How would further regulation by the Commission be effective in complementing existing regulation by the BC Chicken Marketing Board?**

It is incorrect to assume that all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. In fact, the majority of hatching eggs are supplied by entities unconnected with the meat producing sector.

Yours truly,

MACKENZIE FUJISAWA LLP

Per: C. Harvey

CHRISTOPHER HARVEY, Q.C.

CWH:ao

C5084/0000/00259348

18. April 24, 2017 – Consultation Invitation – The Commission

BC Hatching eggs

April 27, 2016

RE: Consultation Invitation

Dear Stakeholder,

The BC Broiler Hatching Egg Commission continues to examine options regarding the Asian Breeder Supervisory Review. The Commission considers further input from all potentially impacted Stakeholders to be important.

In an effort to ensure our process is effective, the Commission would like to invite a representative from your organization to meet with us on either May 30 or 31, 2017. We will be scheduling meetings between 10am to 3pm at the Commission offices.

Please email naylene@bcbhec.com to schedule a time slot to discuss your views on the draft options papers the Commission will be releasing on May 19, 2017.

If you have any other questions or concerns not previously outlined in a submission, please provide these in writing by May 15, 2017 at 4 pm so we can be as efficient as possible with everyone's time.

Thank you for your engagement.

Regards,

Jim Collins

BC Hatching Egg Commission Chairman

BC Broiler Hatching Egg Commission
180-32160 South Fraser Way, Abbotsford, BC V2T 1W5 · www.bcbhec.com

19. May 15, 2017 – Request for Submissions – BCBHEPA

BC Broiler Hatching Egg Producers' Association
PO Box 191
Abbotsford, BC V4X 3R2

May 15, 2017

VIA EMAIL

Stephanie Nelson, Executive Director
BC Broiler Hatching Egg Commission
#180-32160 South Fraser Way
Abbotsford, BC V2T 1W5

Dear Stephanie,

RE: ASIAN BREEDER CONSULTATION

Thank you for the opportunity for further engagement into this matter. The BC Broiler Hatching Egg Producers' Association (BCBHEPA) met to review and discuss the Commission's Update dated April 18, 2017.

The BCBHEPA has unwavering support for supply management. It provides our producers with a fair market price for our hatching eggs; it provides a reliable supply of high-quality hatching eggs to our hatcheries, which results in high-quality chicks for the chicken growers; and eventually safe, affordable chicken for our consumers. And while the BCBHEPA fully understands both the opportunity and responsibility of being a regulated hatching egg producer, it has not delved deeply into the roles and functions of the Asian Breeder market.

When the Commission released their Report on June 24, 2016, the BCBHEPA responded in favour of the Recommendation. The recommendation to not regulate the Asian Breeder market appears reasonable given that the Commission can enforce the required programs (Food Safety, Animal Care, Biosecurity, and Premise ID) outside the regulated market. The BCBHEPA does not necessarily change its position – we still believe that this recommendation is reasonable.

The recommendation also seems to be supported by the BC Chicken Marketing Board (BCCMB) in their March 16, 2017 letter. The BCCMB opines that the Asian Chicken market is still evolving, and would not like to see regulation on the Asian Breeder market that would hamper the ability of Asian Chicken to respond to the market demands.

As regulated hatching egg producers, we see substantive value in this opinion as we continually see the length of time it takes to respond to our own market demands, simply given the age of our breeder flocks. However, the BCBHEPA has also reviewed the correspondence received from legal counsel for the majority of the Asian Breeder market and understand their position on the matter.

Ultimately, the BCBHEPA is responsible for promoting the hatching egg industry. As stated in our letter of July 23, 2016, the BCBHEPA continues to be mostly concerned with the colossal cost this matter has already been to hatching egg producers, and the potential going forward. Regardless of the Commission's final decision whether to regulate the Asian Breeder market, the costs associated with the policies in place must be carried by the Asian Breeders. For example, if the market remains unregulated, the Asian Breeders must carry the costs associated with obtaining compliance with the Food Safety, Biosecurity, Animal Care, and Premise ID programs. And if the market becomes regulated, the Asian Breeders must carry the costs associated with those same programs, and additionally the costs of under/over supply of their market, as well as conducting their own Cost of Production analyses. The BCBHEPA would also support that they establish their own new entrant program, and a 10/10/10 policy from the date the quota is allocated.

We again thank you for the engagement opportunity and look forward to discussing this with you at our meeting on May 30, 2017.

Bryan Brandsma
President, BCBHEPA

20. May 19, 2017 – Options Review Pros and Cons Discussion Document – The Commission

BC Hatching eggs

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,

Jim Collins
Chair

Enclosure

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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)

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	

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	

21. May 25, 2017 – Industry Context for Asian Breeder Regulations – Farm Fed

Industry Context for Asian Breeder Regulation

The following narrative answers the questions posed by the BCBHEC concerning potential regulation of the Asian breeder sector.

1.) What are the current market demands in the Asian Breeder Hatching Egg Industry ?
The current demand, from our company perspective, is strong. The primary reason for this is the weak CDN dollar. A lot of the specialty production in BC gets exported out of the province as well as the country. We have strong sales to the US because we can be very competitive on price as a result of the weak Canadian dollar.

2.) What kinds of demands are being forecasted ?
It is difficult to forecast too far in the future when you know there are factors totally out of your control ie: currency exchange rates. The lead times necessary to influence production upwards is long and slow and should the markets change downward quickly it can also be very costly. That being said, we try for continued sustainable growth and work with our customers on sudden market changes. The demand for product locally is rather stagnant whereas the export market has huge potential, whether that be the US or China.

3.) Where and how is this information sourced ?
Through conversations with our customers and from regular industry contact and request for product we are able to determine how much we need to increase (or decrease) production.

4.) How far into the future does your organization plan ?
Since there is such long lead times to increase production we need to plan at least two years in advance and be prepared to make corrections as necessary. It is essential that we over project and cut back as we get closer to the target.

5.) How does your organization handle market demands ?
We keep a constant watch on market demands. If sales are slow we analyze the market and make a decision to either, a) keep product in storage and wait for demand to pick up, b) drop the price to try and increase sales or c) cut back on production and wait for the demand to increase. If sales are strong we make a decision to increase production after we believe that this trend will continue. It is a difficult decision to make considering that the lead times to raise a Silkie chicken, including hatching, can be up to 18 weeks and up to 8 months before the hatching egg production has increased to supply the needed chicks.

6.) What are the current industry instabilities in your opinion ?
At present, the biggest instability, is the change in the way Chicken Farmers of Canada allocates specialty production. There is now a growing industry in Ontario which is

displacing BC production. That product needs to find another home or else cut back production to match decreased demand. With the incentive of free quota for growers in Ontario the motivation to enter the specialty market is high and so production will continue to grow in that province and consequently displace traditional supplies. The BC Chicken marketing board regulates the "meat" production so there will not be wild swings in the live production which helps the hatching egg industry in orderly production of their product.

7.) What are the industry risk factors ?

The new allocation system poses a challenge. A sudden upward movement in the Canadian dollar will put a strain on the export sales. The other risk is the looming regulations that may be imposed on the specialty industry. The industry is very small by any standard. The surprising fact is that even though it is small, it is very diverse. There are a multitude of different breeds that produce varying sorts of bird confirmations, texture and flavor. Should restrictions on supply be put in place the diversity will be lost and the market will start to shrink as the consumer will be left to purchase whatever is available. The availability will be determined by what is the easiest to produce. The market will always be short simply because over production is too expensive. One only has to look at the mainstream industry to confirm this. Variety of breeds will diminish because a producer will not be able to supply an order if his quota allotment is reached. The producer or hatchery can't buy eggs from someone else because they need it for their own market. If they were long it would be the result of someone else trying to fill the demand and why would you help someone else supply your existing customer!

Potential Regulation

1.) What is your expectation on how the Commission should move forward ?

The commission should implement bio security standards and premise identification requirements for the specialty industry. These two areas are of common concern for the whole poultry industry and as such the Commission has the mandate and duty to ensure proper compliance. The exposure to the potential outbreak of AI is well known in the industry and by enacting these two areas it will only help in the event of another outbreak.

2.) How would further regulation help the Asian Breeder Hatching Egg Industry ?

Any further regulation would help the existing producers gain very valuable production quota and so increase their net worth and provide a financial windfall upon the sale of it.

3.) How would further regulation hinder the Asian Breeder Hatching Egg Industry ?
As was stated in point 7 above the diversity and flexibility of the industry will be compromised. Over production which is part of the reality today will be avoided at all costs. Prices will rise as COP's are developed which will cause animosity between hatching egg producer and broiler grower. The contention that with further regulation hatcheries will not be able to undercut one another and so drive them out of business is a false statement. If there is that much protection for the existing producers then the industry should be very concerned that a small group can dictate where they have to buy their chicks from. In a similar way you hear, from time to time, mainstream growers complain that they have no options as to where they purchase their chicks.

4.) How would further regulation be effective in complementing the BCCMB ?
The two areas that new regulations can be effective in complementing and supporting the BCCMB would be in premise identification and bio security protocols.

22. May 30 & 31, 2017 – Stakeholder Face to Face Meeting Notes – The Commission

Asian Breeder Stakeholder Engagement Meetings Agenda

May 30th and 31st, 2017

1. Opening comments from chair (without prejudice, focus on pros/cons).
2. Questions from stakeholders re Commission draft (if any).
3. Stakeholder pros/cons positions.
4. Questions from Commission - again focused on pros/cons
5. Conclusion/Confirmation of meeting outcome(s).

Asian Breeder Meeting Notes:

May 30th & 31st, 2017

Ken Falk

Introductions

Jim opening comments

- Ways to solve this and have this situation come to an end
- A lot of submissions and options have been submitted and discussed
- That's why the options list was developed
- Why and why not have of the suggestions to you like and not like.
- Frank and open discussion but reserve the right to follow up with any good ideas.
- Benefit of the input
- This meeting is without prejudice

Fraser Valley Specialty Poultry –Formerly Fraser Valley Duck and Goose: Represented by Ken and Joe Falk

- History- major battle to get into the poultry sector for processing
- Understand the quota system and how it works
- Entered under the permit system on the specialty sector
- You cannot be a little bit pregnant in this industry
- Bought Bill Friesen specialty quota (grower side) right of first refusal of his breeder business.
- Was told that breeders would not be regulated
- Bill Couldn't sell as 10/10/10 and LIFO would apply and there isn't details to make a deal. Been that way for the last 6 years.
- They cont'd discussions with Bill
- Bill contract expired years ago
- Plans to go into breeders whether we buy Bill or go alone
- They need to be able to manage their own supply
- Price increases from Trevor/ Casey and Bill
- Increases cost of production at the plant
- Why are the increases happening? (15%-18%)
- Was there justification?
- Were told that the costs were going up
- Trying to compete in the national product not just the provincial market
- Markets are expanding
- Competition from Alberta
- Ontario took a run at the market- set up the supply chain very aggressive in this market and are growing FAST
- Margins aren't huge in this market
- Need to poise themselves to be as competitive as possible
- Why didn't you get into the breeder industry?

- If we aren't Bills customer- he doesn't have a business. Period.
- If they get started in it Bill will be done
- They aren't writing a check for something with no value
- Wasn't looking for a battle if they just placed a flock
- What is the best system of the options developed
- Specialty chicken industry in BC is special we have capital costs with quota.
- We cannot have a fully regulated system and be competitive that train has left the station
- Ontario is an allocation based system
- We have to be outside the system to be able to thrive loosely permitted system
- SMAC (Joe GM of their org) can discuss issues
- Should be processor driven
- Virtual Hatcheries should go cause the processors need to buy the genetics that they want
- Min price setting is fine. A COP is fine but the Producers have very different efficiencies
- Ontario has a "fall back" price
- They will add regulation as the market matures
- What percent of product processed leaves BC? – 25%
- Of that 10% in exported and is tied to the low dollar
- 25% is at risk with Ontario ramping up
- Ill you need protection/security in the market place? - That will be a chicken board issue and price will protect us.
- Level playing field will be so they can price nationally
- More regulation will lead to the deterioration of the market as the flexibility of the market
- The regulations should reflect the market
- Process for 13 other growers
- Growers can shop under the parameters of the processors program
- Historically chicks are around 90 cents
- Increase over the last 2-3 months
- Need the ability to enter the industry regardless as they need to control their industry
- Permit system (option 2) How do you protect the Producer? That is really difficult.
- Free and open market or it is regulated
- Is your business' viability tied to one option or can you work with all the options?
- Cannot add a layer of regulation that makes us less flexible.
- From the marketing perspective must be able to sell the product
- Must all be on the same playing field – not against quota its just an added cost that makes them less competitive
- Semi regulation is challenging for all participants
- Option 2 Pro is a pillar of SM
- Preference is for a non-regulated system is MUCH preferred. No volume control, no pricing control.
- Loose scenario described- Sounds like the duck business
- Schedule 5 is not a huge undertaking for the producers
- To what extent does the Commission owe the Producers protection?

BC Hatching Egg Producers' Association:

Introductions

Jim same opening comments

Producer Association represented by Bryan Brandsma and Sharmaine Bennie

- Concerns about the costs associated with this sector
- Concerns about this sector being managed under the Hatching Egg Commission
- Can they start their own board? With their own staff?
- We don't want to share.
- This sector could expand to encompass more products
- No way on the regulation side could they run for the Commission
- Retroactivity is also not an option
- It is a manipulation of LIFO and 10/10/10
- We should not be the sector that starts that precedence
- What would be the associations preference – Option 4
- They cannot afford SM. COP development is not cheap.
- Don't want to sit on the fence with regulations
- Regulations should be self-contained
- Levies have to reflect the
- Scheme has defined them as a regulated product
- Producers should be treated the same as other Producers
- Subject to the whims of the processors and the growers
- What kind of protections should be afforded to them? (predatory…)
- Agreements should be signed- contracts should be in place
- How can we make decisions without knowing how they work?
- If the system is working? Why are we "fixing" it?
- That's not the Commission's issue – They have to deal with it
- IF they get quota it should be a separate type of quota with a separate board and separate staff
- It is working right now
- BCFIRB needs to make a decision
- They need to see the consideration process in order for the recommendation to be evaluated properly.
- Who is paying for the Biosecurity and Food Safety Audits being conducted?
- Limited regulations would include a fee for service but the Commission would have some associated costs
- License fee should cover schedule 5
- What is the benefit to the industry as a whole if Option 2 was put in place?
- Probably better forecasting but not enough tools to deal with the issues that come up (lease? Small Eggs?)
- The criteria of solutions is specific and the sector has legitimate concerns that need to be addressed so we can move forward.
- Ontario is ramping up so BC is losing market share

- If there is a contracting market how do you handle it?
- Handle it with utilization
- New entrant programs would be applied with full regulation.
- The retroactive request is unacceptable – it is outside of the scope of the hatching egg new entrants
- Commission should not have Asian Breeder representation also unacceptable
- If they are in the industry there should be more communication
- In favor of supply management- We have let our concerns be known.
- The exemptions are relevant.
- Concerns about the processors taking over the distributed quota by buying everyone else out and Growers would leave via cashing out.

Farm Fed:

Jim same opening comments

Farm Fed represented by Rob Vane and Ken Huttema

- Consistent messaging through this process
- Fully regulated is a mine field for the Commission
- It has grown because it isn't a regulated market
- Small player/diverse interests
- Competition created game playing
- They want to share a pie that isn't theirs to share
- Diverse breeds – consumer says that there is
- If we want to grow the business we would have to buy quota. Distinct differences
- Created product niche market product development
- Over supply is built into the business as a regulated market place via BC Chicken
- Would not share eggs/chicks as they are so different
- Market development is dependent on the product itself
- Customers are very specific on the product
- How many breeders? – unknown
- Are things sustainable as things are now?
- The sector is thriving! They wouldn't be fighting if there wasn't a thriving industry
- The development of the Ontario production has displaced BC production.
- On the growing side there was struggle, when the dollar dropped the US markets opened up.
- Markets are developing in China
- Pure line as a product and is not price dependant
- Confident in their market, they can taste the difference in their product.
- Regulation restricts flexibility
- We built the market -to buy it back again?
- Ontario/Alberta market won't sustain themselves as it is Producer/Grower driven and they are not growing a quality product which these customers do not readily accept.
- This product has to be managed
- Balance needs to be found with price

- Does regulation hinder growth for the future?
- Very protective over the genetics and watch every bird slaughter to ensure no one steals them.
- Leave us alone! We developed this
- Rob Donaldson's health has a lot to do with it there will be jockeying
- We do not want to farm quota, we want to farm our product
- If you fully regulated you will shrink down to one or two players
- Schedule 5 enforcement is for the benefit of the Industry
- Creation of standards and quality standards would be necessary under full regulation
- What is the advantage to full regulation?
- We see nothing positive
- As soon as we could we would sell the quota- make farming it someone else's problem
- What about an option 2 scenario with limited regs?
- Does it hinder the sustainability of your business?
- Complicates things and delays the inevitable erosion of relationships
- Is there a step up?
- Bare minimum or full regs, you cannot build the expectation
- Flexibility is key to the success of this sector
- How can we integrate with BC Chicken?
- You must control the production if you regulate
- Signing a contract builds it in expectations for Commission help with supply and other issues
- TC's (6 different types)- 4 Producers
- Silkie (2-3 different types) – 2 Producers
- Chicken is a chicken is a chick is not accurate
- Pricing- Turns into a disaster and creates more regulation
- What would cause you to change your mind on leaving it alone?
- If it got to a significant size with quite a few independent producers and the added animosity between the hatcheries and the processors.
- Supply management has a scale
- Currently a long ways from that – you would need a number of independent Specialty producers
- Harmful examples- Take growers but that isn't as relevant as the product is the most important.
- The market currently corrects itself easily- quota makes this difficult

Rossdown:

Jim same opening comments

Rossdown represented by Dion Wiebe:

- Concerns whatever direction the commission takes….
- Marketing a finished product, very specific market, very specific demands and needs
- Need the ability to select the breed
- Least integrated supply chain in chicken
- Genetic selection is important – who controls the genetics?
- Communication is currently good but can change tomorrow
- People are very protective over the genetic component

- The grower currently controls it to a point but communication has kept things rolling
- Where is the market going? What are the market pressures?
- Took over Fairline
- Ontario came on board and they saturated the marketplace in BC
- Mostly frozen item
- Exporting to Hong Kong/ US? Interprovincial
- Difficult to move supply flock eggs
- Work with a genetic company/supplier to get pure genetic line
- COP identified 3 breeds
- Egg swapping is not an option long term domestically it can work short term but not for the export market
- Had a stable supply to date
- Would regulation fit your business model?
- It's a new market, it is still evolving and the innovation should not be stifled
- How stable is the export market?
- Built on a relationships and product quality
- What protections do the Asian Breeders need?
- The system is a bottoms up system- we commit to the volume
- Borders shutting down and Ontario ramping up
- What would the ramifications of quota be?
- New Entrant to the sector are more challenging
- Production levels- overproduction is an issue in a shrinking market
- Currency is also a risk-more of a trend
- Difficult to match the right product at the right time under regulations very micro
- Contracts with the Producers is an option – BC is in charge of the supply only one in the country
- An Official Flock Schedule would be challenging in this small market
- Would a BC 101 concept help? Instead of quota
- Commitments/ Contract all included with security- maintains flexibility
- What is the cycle length for renewal?
- This is unofficially happening already- different on each farm
- Annual Schedule is shared with the hatchery
- Is the industry currently sustainable?
- It is working the way it is plans are shared.
- Producers and growers work as far as he knows, things are working well.
- Different chick prices
- Different broiler prices
- SMAC helps negotiate the price
- Price is based on marketing names not actual genetics, CFC trying to ensure that their isn't a bastardization of mainstream
- Marketer/Processor needs control of the genetics

BC Chicken Grower's Association

Jim same opening comments

BCCGA represented by Brad Driediger

- 40 something specialty growers
- 4 breeder farms
- 3 or 4 breeds that are specialized
- The genetics matter, you cannot interchange birds
- A TC is not a TC is not a TC
- How would full regulation fix potential supply problems
- Schedule 5 is a must
- Pricing and supply should not be regulated
- The growers have a COP in place that captures changes right away so the chick price is included immediately
- Processors are impacted though cause they are not immediately compensated and they cannot sell the product
- SMAC is made aware of pricing changes immediately
- SMAC has an official finger on the pulse
- The grower side is supply managed as the chicks are contracted to growers so that maintains supply.
- BC 101 contract is used between the breeder producer/grower and processor
- Chicks can be sourced by the grower but must meet the genetic parameters that the processor wants
- Sometimes 100 birds are grown at a time- This is a Small sector
- Would a Quota System work for this sector?
- Wouldn't work- the product is number one the genetics are most important
- Supply is managed by the chicken side
- Conceptually the chain/ contract BC 101 includes the Breeders by way of the hatchery
- Each breeder farmer sells his own chicks to a chicken grower
- Processor decides what product they want
- A lot of flexibility allows the risk to be managed by testing different things (breeds/feed)
- That's a strength in the industry
- There wouldn't be the growth if the sector was shackled to regulations that limit the supply chain
- How sustainable is the industry today?
- The sector is growing
- BC is the leader in Canada
- BC developed the Ontario market which puts pressure back on BC
- What are the biggest risks to this sector today?
- Regulation would be disappointing as flexibility of the product is limited
- Where is the growth?
- Processor can better answer that
- Costly and staff dependant for full regulation
- Where do the Producers need protection?
- It is the flexibility and diversification that has allowed new entrants (T&C Chicks)
- New people have been bringing breed diversification to the industry
- The undercutting took place before the BCCMB regs came into place

- The SMAC and the BCCMB now manage supply on the other side and processors aren't interested in cannibalize the industry.
- COP development would hinder the ability to maintain the diversity of the breeds
- Supply/diversity is more important than the price
- Can't drive other people out as you will lose the diversity
- Genetics are closely guarded and a chick is not a chick is not a chick
- Communication within that supply chain is vital
- Option 4 is preferred – Option 2 is okay contracts are already a reality

Asian Breeder Producers:

Jim opening comments

Formal Introductions

Written submissions due Monday June 5th, 2017 for any final thoughts

BC Asian Breeder Producers represented by: Trevor Allan, Bill Friesen, Casey Van ginkel, Marina, Pamela Bradner, Kelly and Teresa Boonstra, Lillian Fehr

- TA- The Commission has been approached by the Asian Breeder Producer group and followed up with a concept. It lines up with the NPMA and the 2005 specialty review.
- Supply management was created for the farmer
- Aware of what the other stakeholders have said, they have shared that with them
- Misconceptions have been had by the Commission in the past
- Are there any questions by individual commission members?
- Coastline chicks has historically exported to the US but currently doesn't
- They participate in government stability programs but do not think you can participate with quota
- Commission members assured them they could
- LF- how much consideration was made to the joint submission from the Asian Breeder sector
- JC- it was used to develop the options in order to mix and match
- LF -unsure what option 1 is as it doesn't reflect the submission
- JC -was not an attempt to capture the submission in its entirety
- AC -the options do not mirror the submission but it is in there
- Options were inclusive of the submission
- AM -What did you think was missing?
- LF- a lot of work was put into the development of the submission why was it not reviewed?
- AM –It was reviewed but you cannot cherry pick regulations
- LF -there was exceptions made for regulations
- TA- 2005 review demonstrates how the specialty group was supposed to mirror mainstream until it cannot. The Chicken board did this.
- CV -Chicken board found a way to regulate these varied breeds
- TA- flow through industry BCCMB has already done the difficult work information can be shared
- CV- There wasn't any cons that can't be dealt with by the breeder sector
- JC- the commission needed to review how they saw things and get feedback on it
- Many options were developed and reviewed

- There was not a specific focus just a review
- TA- you are in a supply managed commodity how can you suggest no regulations?
- WE need quota for the value chain for the broiler growers
- Without organization the sector is in trouble
- Feed is cheaper in Ontario they cannot be competed with
- Only thing stopping imports is federally licensed plants
- JC- supply management principals and supervisory review timelines are a constant remindeder to the Commission. I have encouraged the Commission to look at all options and narrow it down. Do not focus on anything up front
- AC- Do any or all participate in hatcheries/chick brokering/ virtual hatchery?
- Currently who sets the chick price?
- LF- everyone does their own prcing
- All- Currently $0.90-$1.14
- AC- What determines that range?
- TA- payment terms/servicing- you can spend 17 cents per chick on services
- Do each of you represent a different chick?
- TA- It's like a cobb and a ross there are 2 types
- AC – a grower/processor are okay with each group and each breed?
- TA- You can swap them out, there are no genetic preferences.
- AC- a chick is a chick is a chick? Any processor is happy with any of the chicks through their plant
- Different processors require different birds
- A TC is a TC is a TC?
- More lenient than a main stream producer on genetics
- Processor meetings are important to check quality standards
- Production is tailored to the processor
- JC- we have heard that the genetics are vital and the most important piece of information
- If there are no differences in grow time? Growers don't have preferences?
- There is a Sasso bird that grows faster with Bradner
- Generally 2 different breed types of birds
- 4 breeds on the COP
- 4 breeds in the sector
- Tailored the live price to the services required
- The birds are the same, it is the marketing that is different
- Average sized flock is 3-3500 birds
- AC- is there a predictable range of production?
- CV- Very close to mainstream on the predictable range of production
- Better than mainstream on lay better on hatch
- CV- virtual hatchery capacity because of the custom hatch element is a customer
- AC- That seems like a pro? You get to be your own solution?
- JC -integration of the industry is very important – commission has been told that
- AC How is the sustainability of the industry today? How are things going?
- TA- We are out of business if we do not get quota. Fraser Valley Duck and Goose are starting a breeder industry, they can drop the chick price and undercut us out

- AC -You don't need quota to deal with chick price
- 100% of our customers are FVDG growers they will displace TA/CV/BF/LF
- There is no growth, any growth would be at the expense of others
- Not optimistic about the future
- BF -FVDG has approached him. Without regulation they are out of business. He helped them build the industry and explained how they are going to squeeze him out of the business
- BK -many producers invest into quota first and then build barn. Producers invest in quota and then sell it. You have not invest in quota
- BF- disagrees with BK
- LF -disagrees with BK
- The bird has been carefully developed and invested in for 25 plus years
- BF- I have invested more than the quota holders on the development of the industry
- LF- would have happily bought quota if they would have let us
- TA- knows what the price is on quota on paper
- BF -what comes first? Does the quota come first or does the industry come first?
- AM- How do you relate with Ontario has no interest in quota and regulations? How do deal with the capital investment?
- COP is a true cost of production and quota is not a factor
- Quota is not a factor in the live price
- AC- back to my question please
- M- Pressures within and out. Ontario competition within they compete with each other and a COP has never been done.
- AC- Is the price inadequate?
- M-A COP should be done who tells me that is the right price?
- AC- Audited/accounted process but that doesn't mean that is what you get. The Hatching Egg producers have existed for years under their 100%
- M- Processors want the lowest price and they could move
- AC-Is the price going backward?
- KB-Unknown demand makes planning expensive
- Worried about the decision being made, How many more producers are going to be in the valley
- Sustainable presently
- Growers are threatening to buy breeders
- They are all trying to work together now but if the decision isn't made they are all going to in fight
- CV- The Asian Breeders working together will create efficiency
- AC-Where is the market going? My understanding is that this is not a day to day product
- Generation to generation the sales continue to grow
- TA- FV Duck and Goose hired a special events coordinated/ BCCMB is working on sales/ Wing Tat spending $$$ on marketing
- More Asian Cultural demand
- Where do New Entrants Land?
- CV- It is not a quota class issue it is a sector issue
- No one is opposed to New Entrants but there should be a fair balance
- Frequency should come into play, how often quota is sold

- Could work like the dairy industry new entrants
- JC- are you big enough to be a regulated sector?
- BF- yes they are big enough and have invited people in and for biosecurity reasons split things up
- Eggs are shared between producers
- Processors are okay with that
- To regulate is considerably easier than what you think it could be
- TA -42 broiler farms producer a million kgs per cycle 20% of the broiler farms producing this chicken
- CV- Back to 2005 the specialty sectors are small and all the specialty markets have flourished why wouldn't we?
- BK -Regulated the domestic market not the export market would this limit export
- TA - should be based on BCCMB's 101 form so domestic can be tracked
- Export is a separate risk
- JN -What is the strength of your industry? What makes it work? What makes it different?
- LF- The demand for the product
- JN- isn't flexibility and innovation an important part of the industry
- There isn't new niche markets opening up?
- TA -It is going the other way it is shrinking
- The Asian community is price sensitive, quality is a secondary concern
- JN- do you need the diversity anymore?
- TA- no, we don't everything is mostly the same now
- The market shift is away from the diversity but it is slow
- BF- there is no further processing
- JN- part of supply management is an obligation to produce how to deal with oversupply?
- TA -kill ages would be adjusted
- Everyone working together will save 5-10% in efficiencies
- BK -is that what the market wants
- TA -I would be able to reinvest in the industry and work with a breeder company
- Broiler contracts are not honoured and not enforced
- JN -levies are a part of the equation both provincial and national system
- LF -if we don't pay levies we go out of business
- CV- cost of levies will be off-set by efficiencies
- TA -stability gained by quota
- AC -how do you presently have instability
- KB -Managing egg supply is challenging
- AC i-s TC seasonal? Increase in sales
- LF -They are not frozen they are eaten fresh
- TA -EPSS summer before the following year for the growers that are the their customers
- BK -When are the schedules provided?
- KB -Sometimes the day the other one ends
- Binning a lot of eggs
- AC- Setting your own chick price off set their cost?
- The processors just ignore the payment increases

- AC -is anyone not getting paid for chicks?
- KB -it does happen
- AC- Can you provide a recent example?
- JC- how much duplication is necessary? SMAC? DO we need a separate one?
- TA- Why isn't there one PPAC for Hegg and chicken?
- CV -they are 2 different groups
- JC -they deal with a lot of the same issues
- CV -communication is important
- JC s-ubmission deadline is on June 5
- Have you said everything you need to say to the Commission?
- TA -Being quota holders yourselves why wouldn't you regulate us?
- Is it the costs associated with regulating us?
- JC -has asked the commission to look at is what is the best interest of the sector/industry going forward
- TA -is there a question of costs.
- BK -when the 4 option were developed the commission put together the full extent of the regulations that's the impact. Can you comply?
- TA -you need make a decision on the people in the room today.
- There is no risk in starting a Asian Hatching Egg farm today
- AC- has anyone been cannibalized yet?
- BK- Do you have a long term plan to stay in the industry
- KB -We have invested millions of dollars in the industry family operation with their kids farming
- CV -3rd generation chicken farmer
- BF -Past expiry date but is working with young people to pass it down
- TA -has 3 kids and farming
- AM -What happens if the quota is low in value?
- KB- Doesn't matter my production is protected
- JC- right now it is a fluid market are we creating a sitting duck?
- LF- At least with this quota you would get something for the business you built
- TA- the Commission has created this issue by going back and forth on regulating and not. FVDG wand others will not miss the chance to put breeders down again if they can.
- AC-Didn't you know that when you started in this industry that it was unregulated?
- TA -Commission has gone back and forth on it and decided back and forth
- AC -You started in the industry without it being regulated
- TA -perceived chance that it may be regulated and that has pushed the processors to create a breeder farm
- AC -The commission made a decision and it was appealed
- TA -You put me out of business?!?
- AC- there was a process and you were a part of it.
- TA- the Commission created that by making the industry uncertain
- Due to submit our recommendations on the 12th ,an extension may be asked for from BCFIRB
- LF -asked to put a moratorium on new entrants in the interim
- JC- The Commission will consider it

- BCCMB implemented the permits into the quota and recognized the time that the farms had been operating.
- SN- You disagreed with those calculations
- TA -Can only be used as start dates only not production levels
- JC -What If we gave you today's production levels
- TA -we will revert to the agreement if it is endorsed by the Commission
- CV -Can we get a copy of the draft decision?
- JC -Undecided the Commission will consider it
- SN- the Hegg commission has released draft copies of decisions and they have resulted in appeals before a decision has been made
- JC thanked everyone for their time

23. June 2, 2017 – Work Action Plan Revision Request to BCFIRB – The Commission

BC Hatching eggs

BY EMAIL

June 2, 2017

Daphne Stancil, Chair
Supervisory Panel
BC Farm Industry Review Board
780 Blanshard Street
Victoria, BC V8W 9B5

Dear Ms. Stancil,

This is to follow up on informal notice yesterday regarding an extension request.

As mentioned, the Commission had a series of meetings with stakeholders May 30-31. Unfortunately, the Commission's meeting with the Chicken Board had to be deferred due to accommodate a scheduling conflict of another stakeholder. At our meeting with the Asian Breeder applicants we advised that the Commission might seek a short extension.

Those meetings provided new information to the Commission which will require further analysis. The Commission has already identified issues that will need further questions to stakeholders as follow up. Basically, the Commission requires a bit more time to ensure it makes an informed recommendation to BCFIRB as to an option(s).

Accordingly, the Commission requests that the BCFIRB panel approve the following amendments to the work plan schedule:

- The Commission will be meeting on June 8 to review all information to date and confirm options-related issues/questions it considers outstanding.
- The Commission will communicate those issues/questions to stakeholders on June 9
- Responses/final submissions from stakeholders by June 16
- The Commission issues its recommendation(s) to BCFIRB by June 26.

At the May 31 meeting, the Asian breeder applicants asked the following with respect to the potential extension request:

1. Would the Commission issue a moratorium on changes to the specialty breeder sector pending the Commission's recommendation?
    a. We do not believe the Commission is in a legal position to do so. We are also keeping the extension request as short as possible.

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2. Would the Commission issue its recommendations in draft to stakeholders prior to submission to BCFIRB?
    a. The Commission has considered this request but feels at this time that it would be better and timelier for the Commission to focus on delivering its report to BCFIRB as soon as possible. The Commission's June 9 follow up issues/questions will also provide further opportunity for stakeholders to inform the Commission's final decision making.

Regards,

Stephanie Nelson, Executive Director
BC Broiler Hatching Egg Commission

24. June 2, 2017 – Response to Work Action Plan Revision Request – BC FIRB

BRITISH COLUMBIA

June 2, 2017 File: 44200-60/BHEC Spec

DELIVERED BY EMAIL

Jim Collins
Chair
BC Broiler Hatching Egg Commission
180 – 32160 Simon Av
Abbotsford BC V2T 1W5

Dear Mr. Collins:

SPECIALTY REGULATION SUPERVISORY REVIEW – WORKPLAN REVISION

Thank you for your June 2, 2017 letter requesting amendments to the Broiler Hatching Egg Commissions' (BHEC) specialty regulation supervisory review work plan schedule.

The BC Farm Industry Review Board panel has instructed me to answer on its behalf. The panel approves the following amendments to the work plan schedule as set out in your June 2 letter:

June 8, 2017	BHEC meets to review all information to date and confirm options-related issues/questions it considers outstanding.
June 9, 2017	BHEC communicates the outstanding issues/questions to stakeholders.
June 16, 2017	Final stakeholder responses/final submissions due to BHEC.
June 26, 2017	BHEC issues its recommendation(s) to BCFIRB.

Please do not hesitate to contact me if you have any questions.

Yours truly,

Wanda Gorsuch
Acting Executive Director

cc: BCFIRB website

British Columbia
Farm Industry Review Board

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Website: www.gov.bc.ca/BCFarmIndustryReviewBoard

25. June 9, 2017 – Commission Review of Industry Consultation – The Commission

June 9, 2017

To: Industry Stakeholders

Good afternoon,

In accordance with the revised Work Action Plan schedule approved on June 2, 2017, the following is a list of questions/ outstanding issues arising after the recent stakeholder meetings for which the Commission would find further information useful. This is a general list – provided in support of transparency – all questions/ issues may not apply to all stakeholders.

The Commission will also be following up with some individual stakeholders but all are invited to answer any questions/ comment on issues they feel are relevant to them. Responses can be submitted at any time or can be included in final written submissions due to the Commission by June 16, 2017.

If any stakeholder has concerns about how to provide information to the Commission while protecting business confidentiality, please raise those concerns with the Commission office.

1. The Commission has heard diametrically opposed information from stakeholders regarding the importance of genetics and/ or bird "types" in the marketing of specialty chicken. One view is that there has to be as much diversity/ protection of types as possible. The other is that minimal diversification is required and interchangeability is possible in the hatching egg sector.

2. How has the specialty chicken market grown since 2005? What is its current status in regards to the domestic and export markets? What are the prospects for growth in each? What is their current economic health?

3. Can all the Asian breeder hatching egg producers provide their current production levels in order for the Commission to assess overall allocation?

4. Can all the current Asian breeder hatching egg producers provide a basic outline of their current business relationships with hatcheries, growers and processors to provide the Commission with a better overview of the current sector?

5. What do stakeholders regard as the greatest opportunity/ challenge for the sector now and in the future?

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6. Further assessment of the regulatory structure for specialty in Ontario.

7. Further assessment of the impact of national allocations and levies.

8. Current status of specialty production and marketing in other BC supply managed commodities.

Regards,

Jim Collins, Chair
BC Broiler Hatching Egg Commission

BC Broiler Hatching Egg Commission

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26. June 16, 2017 – Request for Submissions – Hunter Litigation Chambers – on behalf of Skye Hi Farms Inc. V3 Farms, & Friesen Enterprise

Hunter Litigation Chambers
McEWAN / KAARDAL / SMART

June 16, 2017 File No: 2141.001

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180-32160 South Fraser Way
Abbotsford, BC V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulation by the BCBHEC – Final Submissions

We write on behalf of Skye Hi Farms Inc. ("Skye Hi"), Casey van Ginkel dba V3 Farms ("V3"), and Bill Friesen and Lillian Fehr dba W Friesen Enterprise ("Friesen") (collectively, the "Small Producers") to provide our final submissions in respect of the Commission's review of Asian Breeder Regulation.

The Position of the Small Producers Summarized

Throughout this process, the Small Producers have consistently maintained the position that Asian hatching egg breeders will benefit from a regulated market tailored to the unique characteristics of their industry. Originally, that position was set forth in the agreement dated April 6, 2016, agreed to by five of the six Asian hatching egg producers in British Columbia. That agreement attempted to distill for the Commission the essential ingredients of a regulatory framework for the industry. The Small Producers continue to endorse that agreement.

The Small Producers submit that the Commission should create a specialty class of hatching egg quota, allocated separately from the mainstream allocation. The specialty sector should be governed under the same "umbrella" of rules and regulations as mainstream, but the specialty sector should be able to grow or retract according to its respective market requirements. The Small Producers submit this approach to regulation of the Asian hatching egg sector conforms with the recommendations set out in the British Columbia Farm Industry Review Board's 2005 Specialty Review.

Hunter Litigation Chambers Law Corporation
2100 – 1040 West Georgia Street, Vancouver, BC V6E 4H1
tel: 604 891 2400 fax: 604 647 4554
www.litigationchambers.com

Claire E. Hunter
direct: 604 891 2403
email: chunter@litigationchambers.com
PRACTICE CONDUCTED THROUGH A LAW CORPORATION

1133454-1

As observed by BCFIRB in its Specialty Review:[1]

> … supply management has a long and well-justified foundation in Canadian economic policy. Further, supply management is the law, as reflected in judicial decisions that "a chicken is a chicken" regardless of type. On this basis, the Boards are responsible to regulate all classes of product, including specialty.
>
> The legal authority to regulate all classes of product imposes a corresponding responsibility to ensure that this authority is exercised in a sound and principled manner. Consideration must be given as to whether or to what extent exemptions should be granted, and where regulation exists, whether and how the policy rules should accommodate the realities of the particular class of product being regulated. …

The Small Producers support a chick quota system in which each producer would be allotted chick quota based on their annual production data. The allocation of chick quota would relieve the Commission of creating and maintaining a specialty hatching egg flock schedule.

The general framework for a regulatory scheme was set out in the agreement of April 6, 2016. The principles set out in the agreement are reasonable and specific to the needs of the Asian hatching egg market. Those principles are summarized as follows:

1) Specialty hatching egg production levels in 2016, as determined by the British Columbia Chicken Marketing Board ("BCCMB") Chick Broker or Hatchery Reports, will serve as the basis for initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts.

2) Export production of specialty hatching eggs will be accommodated by permit.

3) The Commission will undertake a third party cost production analysis for specialty hatching eggs. The results of that analysis will be used to determine a minimum chick price.

4) Industry growth will be shared on a pro rata basis.

5) The Commission shall recognize the right for specialty hatching egg producers to operate as virtual hatcheries, in accordance with its earlier decision dated May 26, 2014.

---

[1] BCFIRB, *Specialty Market and New Entrant Submissions: Policy, Analysis, Principles and Directions* (September 1, 2005) at p. 12.

6) The year 2009 will be the earliest start date used for 10/10/10 calculations.

7) The Commission shall form a Specialty Marketing Advisory Committee comprised of the six producers presently producing specialty hatching eggs. This SMAC will be tasked with making recommendations to the Commission regarding pricing and production.

Risks of an Unregulated Asian Hatching Egg Industry

The Asian hatching egg industry is small in size – it presently comprises of six producers. Within these six producers, there are different breeds of Asian hatching eggs being produced. Consequently, Asian hatching egg production remains a commercial niche market and is susceptible to disruption and instability resulting from shortages and surplus in supply, as well as competition and customer choice. The risk that also arises from a small market is the inability of a market to recover from incidents of disease.

Currently, Asian hatching egg producers in British Columbia shoulder all of the risk of market supply and demand. This risk is being managed through over-production of hatching eggs and through cooperation with existing hatching egg producers to address surpluses and shortages. What is more, even with the present state of cooperation, the Small Producers have still faced challenges with shortages and have on occasion imported hatching eggs from out of province at a significant loss when they could not source hatching eggs locally.

The present state of cooperation is also tenuous, because it exists by virtue of the ongoing supervisory review. Those producers who entered into the April 6, 2016 agreement have elected to cooperate with one another during this review period to ensure stability in the market. If the outcome of the supervisory review is the continuation of an "unregulated" market, it is unclear whether that stability will persist and there are concerns about competition. Any lack of cooperation will potentially result in hatching egg producers not being able to meet their customers' orders in the event of a shortage, shifting the risk to the chicken growers who will not be able to source their chicks in a reliable manner.

In particular, the Small Producers are aware that both Fraser Valley Duck and Goose and Rossdown are interested in developing vertically integrated operations for the production of specialty chicken, which would include production of speciality hatching eggs. This would allow these processors to refuse chicks from other growers resulting in existing profitable enterprises, including Skye Hi, V3 and Friesen being unable to continue operating at current levels of production and losing the investment they have already made in their existing

businesses and potentially having to destroy existing breeder stock and hatching eggs due to oversupply. Supply management protects all industry participants from the inefficiencies of over or undersupply. Without it, all industry participants – but particularly smaller and non-vertically integrated operations – are at risk.

There may be market instability stemming from extra-provincial production and trade. As extra-provincial import and export of specialty hatching eggs is presently uncontrolled, it is difficult to say with any certainty what degree of instability may be resulting from these external markets.

As previously submitted, another area of instability of particular concern to Friesen is the inability in the present climate to sell specialty hatching egg operations because of the uncertainty around the continued right to produce and market-share.

The Benefits of a Supply-Managed Asian Hatching Egg Sector

Supply management will benefit the specialty hatching egg industry in a number of ways. Regulated production and pricing controls will stabilize supply and demand, and will also lend predictability to production levels for producers to meet. This will avoid the issue of excesses and shortages in production. It will also allow for proper forecasting and reporting procedures so that the Commission (and producers) can better plan for and meet market demands.

A stabilized market will also culminate in cooperation between producers, removing the risk of unfair competition, and will allow for producers to work together to determine better efficiencies in production and cost. This collaboration will allow British Columbia product to compete nationally and internationally, and will draw new consumers of British Columbia product.

Farmers will also receive a consistent revenue stream with regulated pricing controls and will enjoy a fair return based on their actual costs. Producers will then be incentivized to invest in their infrastructure and in the genetics of their breeding stock genetics to create better products for customers, and ultimately the consumer.

Regulation will bring greater transparency to the value chain and provide the BCCMB with a stable chick price to determine specialty live prices (which are reviewed and adjusted every 16 weeks). A COP-based specialty chick price could be tied to the specialty broiler price in a similar pricing linkage model as the mainstream sectors, thus allowing for greater efficiencies in calculating the specialty chicken live price.

Regulation will provide the certainty required for those producers like Ms. Fehr and Mr. Friesen who are seeking to sell their operations in order to retire.

Lastly, regulation can be used to incentivize diversification in breeds creating synergy and efficiencies in the value chain thus creating a stronger poultry sector for British Columbia. As noted by BCFIRB in its Specialty Review, innovation and differentiation has occurred within quota.[2]

The Experience in Other Specialty Sectors

The Small Producers note that following the Specialty Review, the four other boards fully adopted the principles of specialty regulations. Each of those industries in the intervening period have developed specialty sectors that have flourished and have experienced significant growth since that time.

As noted in our letter of March 22, 2017, BC Chicken Marketing Board's most recent BC Chicken Facts, a document which sets out industry statistics from the most recent production period, indicates in respect of "BC Quota Transactions 2017" that 55,727 kilograms of specialty product were transferred in the period A-141 to A-146. This report also indicates in respect of "Quota Holders 2017" that there are presently 42 growers of specialty chicken, representing 924,678 kilograms of chicken per 8 week cycle.[3]

Another noteworthy example is the dairy organic sector, which began with only two producers. Evidently the market was undersupplied as it has expanded significantly since 2005. Between 2006-2007 and 2015-2016, annual organic milk production in British Columbia increased from 93,538 hl to 286,459 hl. As of 2015-2016, there are 27 organic milk producers.[4] Notably in the BC Milk Marketing Board's Report for 2015-2016, the Board reported:[5]

> The organic sector grew by 11.0% compared to the last dairy year. The Board worked with the Specialty Production Advisory Committee to discuss a production sleeve of 23% - 24% over the course of the year and the addition of

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[2] BCFIRB, *Specialty Market and New Entrant Submissions: Policy, Analysis, Principles and Directions* (September 1, 2005) at p. 15.

[3] BCCMB, "2017 BC Chicken Facts Winter", available online: <http://bcchicken.ca/wp-content/uploads/2016/07/2017-BC-Chicken-Facts-Winter.pdf>.

[4] Canadian Dairy Information Centre, Production of certified organic milk and number of producers in Canada, online: <http://www.dairyinfo.gc.ca/index_e.php?s1=dff-fcil&s2=farm-ferme&s3=org-bio>.

[5] BC Milk Marketing Board, Annual Report for the 2015/2016 Dairy Year, online: <bcmilkmarketing.worldsecuresystems.com/LiteratureRetrieve.aspx?ID=235514> p. 3.

> four new organic producers in the 2015/2016 dairy year. Four more organic producers will start for the 2016/2017 dairy year to meet the consumer demand.

A third significant example is specialty egg production. This industry has a broad range of choice in egg product for the consumer – organic, free run, free range, etc. – all of which exist under the umbrella of mainstream quota but have different gradings. This sector has similarly enjoyed substantial growth. In 2010, specialty eggs represented 12% of total egg production. As of 2015, specialty eggs represented 26.1% of total egg production.[6]

On the other hand, an "exemption" option, as mentioned in the 2005 Specialty Review, is simply not applicable to this industry. It is apparent that the 2005 Specialty Review recommendations in respect of exemptions conceived of exemptions for small lot agriculture, and not the scale of production that is currently ongoing in the Asian hatching egg industry. All Asian hatching egg producers are presently producing well above the "new entrant quota incentive level" of 2,500 breeder hens per year. In addition, all Asian hatching egg producers are selling their product to price and production-regulated commercial chicken growers.

For all of these reasons, the Small Producers submit there is ample empirical evidence before the Commission to support a decision to implement a specialty class of hatching egg quota.

Yours truly,

Hunter Litigation Chambers

Per: Claire E Hunter

Claire E. Hunter

CEH/RJR

cc: Robert Hrabinsky, counsel to Commission
clients

[6] BC Egg Marketing Board, 2015 Annual Report, p. 6, online: <http://www.bcegg.com/sites/default/files/upload/PDFs/Annual_Reports/BCEMB-Annual-Report-2015.pdf>.

27. June 16, 2017 – Request for Submissions – MacKenzie Fujisawa LLP – on behalf of Coastline Chicks & Bradner Farms

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BARRISTERS & SOLICITORS

OUR FILE NO. C5084-000

June 16, 2017

VIA EMAIL

British Columbia Broiler Hatching Egg Commission
180-32160 South Fraser Way
Abbotsford, BC V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulation by the BCBHEC – Response to Questions in BCBHEC's Letter to Industry Stakeholders dated June 9, 2017

We write on behalf of Unger's Chick Sales (1974) Ltd. dba Coastline Chicks and Robert & Patricia Donaldson dba Bradner Farms ("Coastline and Bradner") in response to the Commission's letter to Industry Stakeholders dated June 9, 2017. Your supplementary questions and our clients' responses to them are set out below.

1. The Commission has heard diametrically opposed information from stakeholders regarding the importance of genetics and/ or bird "types" in the marketing of specialty chicken. One view is that there has to be as much diversity/ protection of types as possible. The other is that minimal diversification is required and interchangeability is possible in the hatching egg sector.

Coastline and Bradner favour diversification in specialty hatching egg production, both from a biosecurity standpoint and also to enhance customer choice, based sound marketing policy.

Diversification is also important to specialty hatching egg production from the processors' and consumers' perspective. Processors require a diversity of breeds to satisfy the demands from their customers for a variety of breeds.

As noted in the response from Skye Hi Farms Inc., the *Canadian Chicken Licensing Regulations*, SOR/2002-22 recognizes 10 classes of specialty chicken under Schedule 4 – 9 of those classes are produced in British Columbia. Further to the *Regulations*, the chick breed must be specified on the BCCMB BC101-S contracts.

Coastline and Bradner urge the Commission to promote diversity in specialty production through implementation of quota in this sector.

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2. ***How has the specialty chicken market grown since 2005? What is its current status in regards to the domestic and export markets? What are the prospects for growth in each? What is their current economic health?***

The specialty sector has experience exponential growth which appears now to have matured and leveled off. There appears to be no active export market for specialty chicks.

For a number of reasons, the continued supply of B.C. products to Ontario is experiencing challenges and competition from Ontario producers. Competition from Ontario producers may also extend to the market in B.C.

This uncertainty gives a further reason for strengthening the B.C. industry through supply management marketing principles.

3. ***Can all the Asian breeder hatching egg producers provide their current production levels in order for the Commission to assess overall allocation?***

Coastline's projected annual production for 2017 is 778,046 chicks; Bradner's is 2,050,000.

4. ***Can all the current Asian breeder hatching egg producers provide a basic outline of their current business relationships with hatcheries, growers and processors to provide the Commission with a better overview of the current sector?***

Coastline and Bradner own and operate their own hatcheries. They market their chicks to specialty chicken growers.

All Asian hatching egg producers work with the grower's processor of choice in order to meet market demands. The grower is free to purchase chicks from any chick sales company but will usually choose chicks from a processor's preferred source.

5. ***What do stakeholders regard as the greatest opportunity/challenge for the sector now and in the future?***

The greatest opportunity available to Asian hatching egg producers is to increase production in an efficient, stable and predictable manner. The greatest challenge going forward, beyond the increased competition mentioned above, is to overcome the instability and inefficiency that has resulted from an unregulated market and unrestrained competition within the B.C. industry. This has undercut the efficiencies in the industry and is creating widely fluctuating production cycles, leading to surpluses and shortages.

6. ***Further assessment of the regulatory structure for specialty in Ontario.***

Coastline and Bradner agree with Skye Hi that the principles which should guide regulation of the specialty sector should be found by the precedents in other British Columbia specialty commodity markets that have developed since the adoption of BCFIRB's 2005 Specialty Review, not by looking to Ontario.

7. Further assessment of the impact of national allocations and levies.

The recent 4% increase to British Columbia's provincial allocation to cover specialty production should be factored into the Asian specialty market as intended by the national allocation system. The existing national supply management structure argues strongly for the extension of supply management principles to the Asian specialty sector in B.C.

8. Current status of specialty production and marketing in other BC supply managed commodities.

Our clients agree with the Skye Hi's description of the growth and prosperity in other specialty sectors following the BCFIRB's 2005 Specialty Review and have nothing further to add. The example from other specialty sectors argues strongly for the adoption of similar marketing principles in the Asian specialty sector for the benefit of all the industry and, most importantly, the consumers and the overall BC economy.

Final submissions on the Review of Asian Breeder Regulation by the Commission.

Bradner and Coastline have consistently argued for the urgent and obvious necessity of supply management regulation in this sector and have nothing to add to their prior submissions.

Yours truly,

MACKENZIE FUJISAWA LLP

Per: C. Harvey

CHRISTOPHER HARVEY, Q.C.

CWH:aoy
Encl or cc

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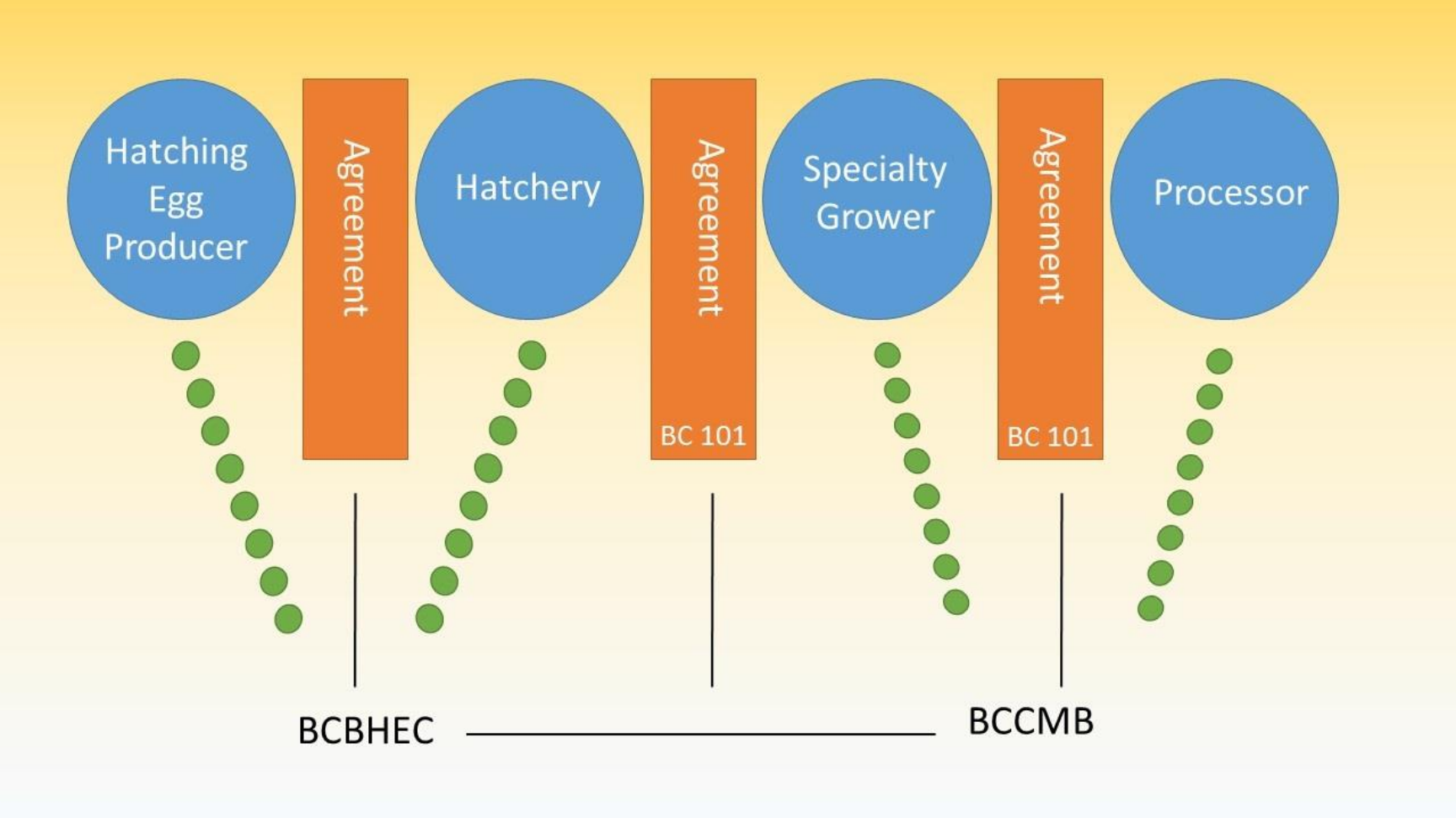
28. June 16, 2017 – Asian Breeder Supply Chain