



MEMO

TO: BC Broiler Hatching Egg Producers
FROM: Stephanie Nelson
DATE: June 7, 2018
SUBJECT: Utilization Changes

Good afternoon,

As communicated previously, the BC Hatching Egg Commission intends increasing the utilization of quota to 106% for the 2019 production year.

Your hatchery has been informed to increase your placements as of July 1, 2018.

Your new placement sheets will be emailed to you for your review separately.
Please inform Joshua of any errors as soon as possible.
Placement sheets have been formatted to easily identify unusable placeable birds.

The Chicken Farmers of Canada continues to forecast for increases in allocation, therefore, Producers are encouraged to meet their domestic allocation obligations by placing or leasing every available bird.

Please see attached "Managing Growth- Work Action Plan" detailing the options through a transitional plan while the Commission considers its Quota Tools Policies, which will be subject to BC FIRB approval.

If you have feedback or concerns on the attached work action plan please ensure you provide that to the Commission by their next Commission meeting scheduled for June 14, 2018. The work action plan will also be reviewed by PPAC at its June 13, 2018 meeting.

Commission staff can assist you in finding appropriate production schedule matches for birds that you cannot place due to limited capacity and by posting your available birds for lease or sale on the website.

Please feel free to contact me if you have questions and/or concerns.

Regards,

A handwritten signature in black ink, appearing to read 'Stephanie Nelson'.

Stephanie Nelson
Executive Director

Managing Growth and the Strategic Vision for the Hatching Egg Sector

Stakeholders:

- All licensed BC Hatching Egg Producers
- BC Broiler Hatching Egg Producers Association (BCBHEPA)
- All Asian Breeder Producers
- All BC Hatcheries
- BC Egg Hatchery Association (BCEHA)
- BC Chicken Growers Association (BCCGA)
- BC Chicken Marketing Board (BCCMB)
- Pricing and Production Advisory Committee (PPAC)
- BC Farm Industry Review Board (BCFIRB)

Purpose:

- To develop a strategic vision for the Hatching Egg sector while managing growth, meeting allocation targets and assessing industry considerations.

Outcomes:

- Short-term goal orientated allocation policies and structures.
- Maximizing potential for increasing BC production to meet allocation.
- Regulatory update to accommodate new strategic vision/economic strategy that supports all stakeholders in accordance with RMEP and BCFIRB Quota Assessment Tools Supervisory Review (QATSR) requirements.
- Updated governance/decision-making structures and processes if and as appropriate to reflect strategic vision/economic strategy objectives.
- Address industry diversity, including regional, specialty and new entrant.
- Providing incentives/conditions/penalties to ensure eventual permanent growth allocated in accordance with the new strategic vision/economic strategy in support of a competitive, sustainable sector while remaining in compliance with QATSR.
- As per orderly marketing principles, ensure all BC Hatcheries are in full compliance by using 80% domestic production and reporting to the Commission.

Scope:

- Ensuring BC can meet provincial allocation to mitigate external threats.
- Ensuring BC can meet provincial allocation to meet hatchery/ BC Chicken demand.
- Address regional/specialty/New Producer Program diversification needs.

Background:

- In July 2017 the BC Broiler Hatching Egg Commission moved quota utilization to 100%. This had not been accomplished since pre-2004.
- This was done as a result of an increase in demand in the chicken industry resulting in several year-over-year increases in hatching egg allocation.
- With BCFIRB's QATSR Decision made, the Commission needs to address its Quota Management Policies and make decisions on the new framework.
- In March 2018 BC's allocation increased over 2017 by 6.9% pushing the quota utilization to 106% for placements starting July 2018.
- Management of egg flow in the hatching egg sector is done 12-18 months in advance. Changes to the bird placement numbers can be challenging as breeder parent stock is imported as a chick or as an egg.
- The Commission needed to address the need for hatching eggs in the Canadian marketplace while concurrently developing their quota tools.
- A transition strategy was developed and is outlined in this work action plan.

Phase 1: Transitional allotment of utilization (fulfillment) production opportunity

1. BC Hatching Egg Producers are given the opportunity to farm an additional utilization pro-rata. The first year is 6%. The next few years are anticipated at 2% growth per year subject to outward pressures (e.g. trade, AMU, Meat-to-egg ratio etc.)
2. This is not growth quota as it is not being awarded to Producers due to QATSR requirements that would limit quota issuance to only those producers with current capacity to place. Producers are being given the opportunity to fill the allocation needs according to the national allocation requirements. Producers will not be able to buy or sell the increase as this production utilization not quota.
3. Producers will continue to be permitted to sell their existing placement quota during this transition period. The 5% Assessment will continue to be deducted and used to fund the New Producer Program and the launch of new Producers.
4. An additional requirement to a sale will be the use of the Quota Billboard. The Quota Billboard Policy will temporarily require a Producer to post their quota for sale publicly; information such as amount of quota for sale and current placement dates will be

required to be posted for 30 days in advance of a proposed sale. This will ensure all Producers – including new entrants and other prospective entrants – have equal opportunity to purchase it. The continued ability to sell this quota will allow for quota to continue to be available and will allow producers to build and innovate on farm with that revenue.

5. Excess placeable birds that cannot be placed due to density restrictions will be allowed to be leased out to fill available barn space. Leases must also be posted to the “Quota Billboard”. Commission staff will work with Producers to ensure that matches can be made that honour the Official Flock Schedule and egg flow demands at each hatchery.
6. The Commission’s lease policy will be liberated for the transition period by allowing up to 20% to be leased (up from 10%).
7. To ensure all necessary production birds are placed, if a Producer cannot place or lease the birds, that production utilization opportunity will expire. The first round expires July 2019, the second in July 2020 and the third in July 2021, although allocation adjustments are done three times per year, placements are adjusted annually.
8. These unplaceable birds that expired from non-placement will be placed into a second New Producer Bank for the transition period and matched to New Producers via a Buy or Lease one, get one (BLOGO) opportunity on a first come, first served basis until the Bank is empty for that year’s production purposes
9. Increases to production utilization are subject to national allocation requirements. Should allocation increase or decrease, utilization would also increase or decrease pro-rata.
10. Producers have the right to refuse production utilization opportunities above 100%.
11. Refusal of production utilization opportunity may result in a further increase pro-rata to other producers to meet allocation requirements.

Expected Outcome:

- Immediate allocation requirements are met with the correct production utilization.
- The Official Flock Schedule, which manages placements and egg flow, does not need to be dramatically altered.
- Meat-to-egg ratios can be considered as utilization increases or decreases.
- Natural marketplace movements will move birds into otherwise empty barn space.
- Allocation demands are not interrupted and are met strategically.
- Producers are incentivized to fill their existing capacity.
- Producers are incentivized to build for more capacity and otherwise innovate to meet lease and BLOGO opportunities.

Deliverables:

- A transition plan that ensures all allocation demands are met while developing appropriate sector specific Quota Management Policies.

Phase 2: Quota Tool Development and Distribution of Growth Quota

- Target for crystallization and rebasing in the BC Hatching Egg Sector is anticipated at 115% utilization and the projected timeline is approximately 3-5 years based on continued anticipated growth in the chicken industry. This target is subject to that growth and to other external factors such as meat-to-egg ratio, production cycle lengths, parent stock genetics, import levels and the finalization of the Commission’s software program.

Expected Outcomes:

- The Commission will use the transition time to:
 - Review and commence implementation of the QATSR Decision by BCFIRB-anticipated completion by July 2021.
 - Fully implement sector specific quota tools that meet the QATSR framework-anticipated by July 2023.
- The Commission will consider the following principles for distribution as per QATSR and Sector specific needs in its implementation measures:
 1. Quota is intended to be produced:
 - Does a producer have the capacity to accommodate growth quota on his/her farm?
 - Producer’s right to “right size”.
 - Animal Care, Biosecurity and Food Safety Program Considerations.
 2. Quota is transferable:
 - When was quota last sold from each Producer?
 3. Quota holders are actively engaged and committed to the Industry:
 - Are producers in compliance with Consolidated Orders?
 - Have Producers leased in production to fill capacity and necessary allocation requirements?
 - Have Producers invested in innovation for improved results such as new egg cool rooms or spiking male facilities - also important for the building of capacity?
 4. The Commission has quota available to address barriers to entry, and other policy objectives, including whether:
 - Have the New Producers used the BLOGO opportunity?
 - Can the BLOGO opportunity be used to address regional concerns?

Phase 3: Development of a Strategic Vision for the Hatching Egg Sector and subordinate work action plans:

1. The Commission will review and make decisions on the following considerations:
 - BC Pricing strategy and the Linkage update between the Commission and the BC Chicken Marketing Board – projected completion by May 2019 period (A-155).¹
 - 80/20 at all BC Hatcheries – projected completion by July 2019.²
 - Specialty - post BC FIRB decision – projected completion July 2019.³
 - Spiking Male Review - anticipated Decision TBA 2018.⁴
 - Regional Diversity – projected completion by July 2021.⁵
 - The New Producer Program updated - projected completion by July 2023.⁶

Note: Timelines to be confirmed after further consultation with industry, including feedback through 2018 Stakeholder Survey to be considered by the Commission at its September 2018 Strategic Planning session.

2. Each of these considerations will require a work action plan developed by the Commission. This will ensure that each individual initiative's specific priorities are identified and addressed within an overall strategic context.
3. As a part of further engagement, a Stakeholder Survey will be developed, and feedback discussed each year at the Commission's annual Strategic Planning session, the first planned for September 2018.
4. All Work Action Plans will be published as prepared on the Commission's website and appropriate Stakeholder engagement undertaken as required.

¹ COP and Linkage Update review Work action Plan – In progress

² Regional Diversity Work Action Plan – In progress

³ Specialty Exclusion permitting Work Action Plan- In progress

⁴ Spiking Male Review Work Action Plan: <https://bcbhec.com/wp-content/uploads/2017/10/2017-10-20-Spiking-Male-Review-Work-Action-Plan.pdf>

⁵ Regional Diversity Work Action Plan- In progress

⁶ New Entrant Program Review Work Action Plan- TBA

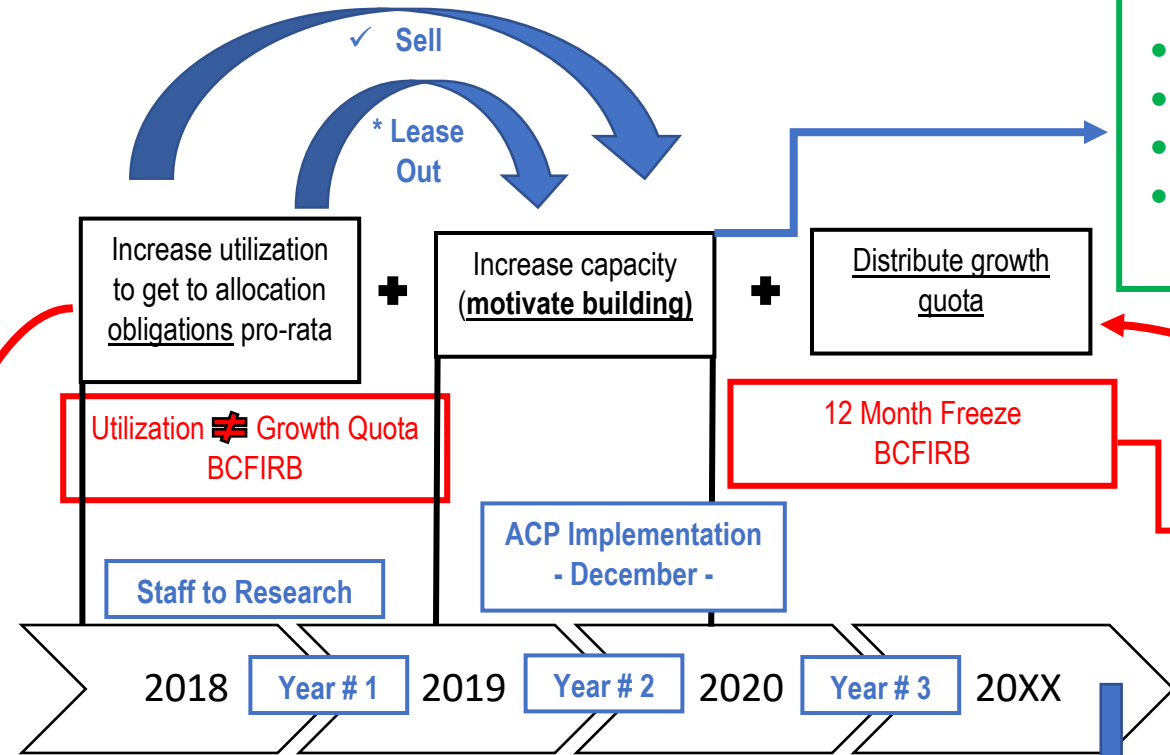
Sell or Lease to make space or innovate → how to deal with future growth?

- * **Lease Out**
 - Temp **3 years** not 2 years (long term leases preferred)
 - Temp 10% cap removed

BUT

 - Annual expiry
 - Unplaceables to "pot"
 - Post quota board
 - B(Buy) L(lease)OGO
 - New entrants to ensure production (separate pot)

- ✓ **Sales**
 - 5% assessment remains in place
 - "Quota Board" created
 - Must be posted for a time period
 - Production plan done



- Future Considerations:
- New Entrants
 - Regional Markets
 - Specialty
 - Spiking Male Isolation /Barn

Why not distribute growth quota now?

Only producers with capacity will get it

New quota tools have not been developed
ex: 5% + LIFO + 10/10/10

- Utilization decrease concerns from outward pressures
- Trade
 - AMU
 - Meat-to-egg
 - Genetics
 - Imports
 - Software

- Taking into account:
- Capacity
 - Density
 - 3 years of interim plan

- **Priority**
- **BCFIRB**
- **Staff**
- **Other**