

December 23, 2020

VIA EMAIL

Kirsten Pedersen
Executive Director
BC Farm Industry Review Board
Victoria, BC V8W 9B5

Dear Kirsten,

REQUEST FOR TEMPORARY SUSPENSION OF NEW PRODUCER PROGRAM LAUNCHES

The purpose of this letter is to give the BC Farm Industry Review Board (BCFIRB) notice of developments with respect to the BC Broiler Hatching Egg Commission's New Producer Program (NPP). As the attached sample letter shows, the Commission held a meeting with the remaining Applicants on the Prospective Producer List (PPL) on September 18, 2019. At that meeting the status of the NPP was discussed with the Applicants. Reviewed were recent successes and difficulties experienced, and the declination by other Applicants invited to become NPP producers to proceed by submitting their business plan for approval in order to receive their allotted quota and begin production.

The attached letter captures the basics of what discussed with the Applicants in 2019 and the impact that COVID-19 has had on domestic production and the ability of the Commission to follow up on a NPP review in 2019. The Commission is requesting Applicants to offer any input by January 5, 2021, which will be provided to BCFIRB when received (along with any Commission assessment as may be needed).

The PPL Applicants were among 10 originally chosen by lottery on February 14, 2011. Six other Applicants chosen at that time have since been invited to participate in the NPP, with the most recent in July 2017 declining to proceed under the program.

A period of industry growth was experienced, resulting in the Commission increasing the utilization of broiler breeder quota from 93% to 106%. Due to numerous factors, utilization has since decreased to 100% and most recently 96%, for flocks placed July 1, 2020 onward. Due in large part to COVID-19, current flock lay cycle in the industry is limited to 55 weeks, a significant reduction in planned production of 58 weeks.

During that period of growth, many quota transfers occurred. The amount of quota reallocated to the NPP pool resulting from these transfer assessments now exceeds 5,000 broiler breeder hens, the amount which normally would trigger an invite to the next Applicant on the list.

However, the declination by the sixth Applicant and change in market conditions has given the Commission reason to pause and consider whether a NPP developed over a decade ago is sufficient to meet the policy objective for new entrants as we enter 2021.

Strategic Plan and Specialty Sector Implications

As mentioned, in its strategic plan for 2020, the Commission had set out to review the program but this – in addition to other planned initiatives – was deferred due to the impact of COVID-19. The Commission has again committed to a review of the NPP in its 2021 Strategic Plan, encapsulating other aspects such as the Specialty sector (integration of Regularized Producers), regional diversification, and a Quota Tools Assessment Review. Such a review should be conducted in coordination with other strategic initiatives of the Commission that will impact on existing and new producers.

Next Steps

It is acknowledged that the NPP Rules prescribe that:

Where there are three or less eligible applicants on the prospective producer list, the Commission will arrange for an independent third party to conduct a lottery for the purpose of selecting eligible applicants to fill the unoccupied places on the prospective producer list.

This would thus force the Commission to invite the next applicant under unsuitable industry conditions and with related issues (pricing, Specialty new entrant, regional diversification) still in progress.

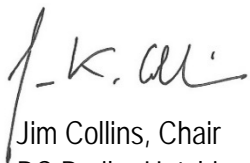
Request

In consideration of the aforementioned, subject to comments from the Applicants, the Commission will be formally asking BCFIRB to approve a request to temporarily suspend the launch of Applicants required under the NPP Rules. In accordance with the September 2019 meeting and the attached letter, it is the Commission's intention to not dispense with the current PPL, instead it is to "freeze" current Applicants on the PPL until a new NPP is in place. Consistent with section 8 of the current NPP Rules, if these applicants meet the new eligibility, they will maintain their current position on the PPL under the new program.

It is anticipated that following the review, which will be conducted with all sector stakeholders and current PPL Applicants, the Commission will ask for BCFIRB prior approval of a new NPP and the timing for implementation.

The Commission is available to answer any questions that BCFIRB may have on this request.

Yours truly,



Jim Collins, Chair
BC Broiler Hatching Egg Commission

Attachment

cc: Applicants on PPL
Commission website

December 23, 2020

VIA EMAIL

Applicants on Prospective Producer List

Dear Applicant,

UPDATE ON STATUS OF NEW PRODUCER PROGRAM

This is a follow up to the meeting held on September 18, 2019 regarding the status of the BC Broiler Hatching Egg Commission New Producer Program (NPP) and to those on the Prospective Producer List. The Commission regrets the delay in this follow up. The 2020 Strategic Plan for the Commission contemplated a review of the NPP but this review – and other planned initiatives – were deferred due to the impact of COVID-19 on the sector.

The Commission has re-established a review of the NPP in its 2021 Strategic Plan. The purpose of this letter is to update the background discussed at the September 2019 meeting and advise of the Commission's intended approach to this review.

As discussed at the September 2019 meeting, the Commission believes that the NPP requires a thorough examination and renewal to reflect developments in the sector since the current NPP was established over a decade ago. Although the Commission is pursuing a new pricing approach which must be approved by the BC Farm Industry Review Board (BCFIRB), producer returns in recent years have put increasing pressure on all mainstream hatching egg producers. This has impacted upon applicants (who have previously been invited to participate) not being able to attain economies of scale by growing to minimum farm size in a timely fashion. This is due in part to how the NPP is currently structured.

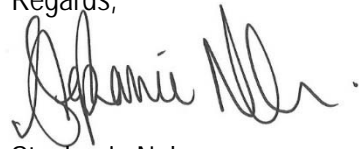
The recent integration of Regularized Producers (Asian Breeder producers) into the regulatory framework requires the establishment of a NPP for that part of the sector. As well, part of the 2021 Strategic Plan involves examining whether the mainstream sector should diversify and re-establish hatching egg production in the Interior. NPP producers could be part of that initiative, also. It is the Commission's view that all three components of a new NPP be considered together.

Finally, the impact of COVID-19 on the sector has required significant cutbacks to BC hatching egg production and resulted in significant costs to the Commission and BC producers. It is a less than ideal environment, particularly for new producers who receive an invitation through the NPP. Notwithstanding current conditions, applicants would still have to provide a business plan, inclusive of all start-up and operating costs for at least three years and identify sources of funding. The nature of the industry is that a new applicant will not receive any income for six to twelve months from the date of invitation while incurring considerable expenses.

Given these circumstances, the Commission intends writing to BCFIRB and requesting the formal suspension of the NPP, in its current form, pending the outcome of this review, to be completed prior to the end of 2021. The Commission, as communicated at the September 2019 meeting, will effectively “freeze” the applicants’ standing on the Prospective Producer List so that such applicants retain their current placing should they wish to be considered under a new, forthcoming NPP. For clarity, it is important to note for the record that the structure and requirements of a new NPP will be different, and all applicants are subject to those changes as prescribed under section 8 of the New Producer Program Rules. These will be determined by the Commission following an extensive consultation process, including with applicants on the Prospective Producer List.

Please raise any concerns or questions you may have with the Commission by January 6, 2021 so that they can be addressed prior to making the Commission making its formal request to BCFIRB.

Regards,



Stephanie Nelson
Executive Director