



May 5, 2005

Farm Industry Review Board
Mr. Richard Bullock
PO Box 9129 Stn Prov Govt
Victoria BC V8W 9B5

BY FAX: (250) 356-5131

RE: Review of Specialty Production and New Entrant Programs.

Dear Richard,

With this letter the British Columbia Chicken Marketing Board (BCCMB) is pleased to submit its recommendations with respect to Specialty Production and New Entrants Programs in the BC Chicken Industry.

We trust this report and our recommendations will meet with FIRB's expectations.

With this report, we would also like to take the opportunity to highlight two issues which we believe FIRB should consider further, with a view to advising the Ministry of Agriculture, Food and Fisheries (MAFF) on regulation development.

Firstly, the BCCMB and the BC Chicken Growers Association (BCCGA) believe strongly in developing, implementing and supporting on farm food safety. To that end OFFSAP, (On Farm Food Safety Assurance Program), has been developed and implemented on a national basis, by Chicken Farmers of Canada (CFC). This is a "recognized" program by the Canadian Food Inspection Agency (CFIA). Today BC's chicken farmers have achieved certification of 99% of its farms. The BCCMB has advised licenced and permitted growers that OFFSAP certification is a requirement and that non-compliance could result ultimately with the Board removing a farm's licence or permit to produce.

The requirement for OFFSAP certification is also a requirement for new entrant growers, either under the existing program (applicable to Mainstream new entrants) or to Specialty new entrants, at some point in the future, when a program is developed appropriate to that sector.

The Board's powers to administer this program, we are certain, will ultimately be the subject of an appeal to FIRB. We urge FIRB, together with MAFF, to address this issue. The Board's ability, ultimately, to put into place, regulate and enforce on farm food safety standards is of broad consequence across the whole food farming sector in BC.

BRITISH COLUMBIA CHICKEN MARKETING BOARD

101-32450 Simon Avenue, Abbotsford, BC V2T 4J2 PHONE 1.604.859.2868 FAX 1.604.859.2811 | www.bcchicken.ca

Secondly, we ask FIRB's consideration on the matter of small lot chicken growers who produce chicken for sale. This area of production has been expanded with these new, proposed regulations. Other than a small, annual registration fee there are no direct regulatory costs associated with this production.

It is the Board's hope that, ultimately a high percentage of these growers will register with the Board. This would be of enormous value, knowing where the chickens are, in the event of a serious disease outbreak in the province.

However, while registration is a requirement in these regulations, the Board's view is that it has no regulatory capacity to enforce this requirement. It is our advice that this should be made clear to MAFF. Should MAFF wish to require registration by small lot growers who are selling chicken for public consumption, we advise that this is a regulatory matter for the government to consider. The BCCMB could perform an administrative function, should regulations in this area be implemented.

Thank you to FIRB and its consultants and advisors for their help and advice in the development of these new regulation initiatives.

Yours truly,



Ron Kilmury,
Chair
KF/cr
(Attachment)

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ORIGINAL

**REVIEW OF SPECIALTY PRODUCTION AND
NEW ENTRANT PROGRAMS**

**Improving Access to the Supply
Management System**

**A proposal for regulation change, prepared by the Board of
Directors of the British Columbia Chicken Marketing Board
(BCCMB).**

May 04, 2005

The contents of the B.C. Chicken Marketing Board's recommendations with respect to its "Review of Specialty Production and New Entrant Programs – Improving Access to the Supply Management System", is organized as follows:

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1.0 INTRODUCTION

On January 19, 2005, the British Columbia Farm Industry Review Board issued directions regarding its review of specialty production and new entrant programs as they relate to improving access to the supply managed system.

This report will discuss the industry as it is currently organized, nationally and provincially, and will detail the B.C. Chicken Marketing Board's proposals for regulation change required to meet the objectives, as detailed by the FIRB.

2.0 Current Market Organization

2.1 National Allocation

British Columbia is signatory to the FPA national chicken allocation agreement. The national allocation (number of kilograms of live chicken that will be grown in each 8 week period in Canada) is determined by way of a bottom up process. Processors from across the country request production volumes based upon judged market requirements. Each period the Board of Directors of Chicken Farmers of Canada meets and sets the national allocation.

Each province's share of the national allocation is divided amongst the provinces each period, based upon provincial population. This ensures that chicken farmers across the country will receive an equal share of production allocation regardless of which province they reside in, but does not account for:

- Differences in provincial consumption numbers.
- Regional live production advantages or disadvantages.
- National contracts available to regional processors.
- Location of large further processors.
- Aggressive or innovative processors in a particular province.

The last three allocation meetings at CFC have proven that there is very little, if any, appetite remaining for differential growth between provinces. These three allocations have resulted in an equal "above base" adjustment given to all of the provinces in Canada. Given that there are many buyers of chicken in Canada who buy on a national or multi provincial basis, it is very difficult to gauge the "size" of the British Columbia chicken market. What we do know is that B.C. processors consistently request a higher allocation than what is ultimately available, even though CFC professes to have a "bottom up" allocation system that was designed to provide supply to processors in exchange for grower price protection.

As for export, referred to in the Canadian chicken industry as "market development", B.C. is the only province that consistently takes full advantage of the 14% over domestic allocation that is available to every province. In fact, while B.C. represents just over 14% of the national domestic allocation, B.C. accounts for 40% of Canada's chicken exports.

2.2 Allocation Growth Trends

B.C. has historically enjoyed growth in its allocated production. In the last three decades, the 1970's through the 1990's, B.C. saw growth factors of 2X, 1.6X and 2X's, respectively. However, growth has been more modest in recent years with average growth between 2000 and 2003 averaging approximately 2.2% annually. In 2004 B.C. was stricken with Avian Influenza and saw a dramatic production decline of about 20%. Growth in 2005 is expected to be modestly over 2003 production levels, in total kilograms. Long term expectations for growth in allocation, nationally (and therefore to the provinces), is seen to be tied to per capita consumption trends and population growth. This is forecast to be in the annual range of between 2 and 3 %. *See appendix's 1 and 2 for B.C. historic production levels.*

2.3 Specialty Production in B.C.

At this time, approximately 3% of B.C.'s allocation is being produced as BCCMB recognized specialty production, defined as Asian, organic, and SPCA certified. Organic and SPCA production represents less than 0.5% of this sector. The balance, (~2.5%), is comprised of several different types chicken preferred by the Asian community. The majority, (97%), of B.C.'s chicken production is "mainstream" or regular broiler production.

There are four (4) specialty oriented processors in B.C. and four (4) mainstream processor groups.

Specialty Processors

Mainstream Processors

Farm Crest Foods	Pollon Group(48%) consisting of: Hallmark Poultry United Poultry Co Superior Poultry Colonial Farms Ltd.
Fairline Development	Sunrise Poultry (26%)
Wingtat Game Bird Packers	Lilydale Foods (21%)
Fraser Valley Duck & Goose	Farm Fed (2%)

3.0 General Principles

1. A chicken is a chicken as per the ruling of the Honourable Madam Justice Lynn Smith in the Supreme Court of BC.
2. All persons producing chicken for the purpose of human consumption in the province of BC are subject to the BCCMB General Orders (June 15, 2004), and the BC Chicken Marketing Scheme, 1961. The only exceptions to this are spent fowl that are produced as a by-product of the table egg and broiler or specialty hatching egg sectors.
3. All persons producing chicken for sale as described above in the province of BC must be registered with the Board and obtain an annually renewable licence from the Board. The cost of the licence will be set by the Board and varied from time to time. (\$20.00 per year currently)
4. All Licences expire December 31st of each year and may be renewed yearly with the approval of the Board.
5. All licensed growers are subject to production and OFFSAP and Bio-Security audits at the discretion of the Board.
6. Where required or specified, yearly third party certification records for specialty production must be filed with the Board along with the annual licence application.
7. All quotas and permits remain the property of the Board and may be issued, revoked, or amended at the discretion of the Board.
8. No licensed grower will be restricted from purchasing any amount or class of quota up to the maximum farm size. (Currently 250,000 quota units).
9. All licensed growers are subject to the provisions of the June 15, 2004 General Orders, except where noted.
10. The BCCMB is a member of the CFC and a signatory to the Federal Provincial Agreement for Chicken and therefore has national obligations that must be honoured and upheld by the BCCMB.
11. All classes of quota will be eligible for pro rata allocation within their class.

12. All classes of quota will be eligible for Market Development allocation within their class as per section 29.5 of the June 14, 2004 BCCMB General Orders (licences required from CFC and must meet CFC requirements -- e.g. live exports). Growers producing specialty must have approval from their processor to receive a market development allocation from the Board.
13. 1 licence per person or entity per property title. (no multiple licences per property).
14. All chicken sold or offered to the general public for sale must be slaughtered according to current provincial and/or federal regulations as in effect at that time.
15. The Board recognizes that there may be differential market demand requirements between mainstream and specialty production.
16. All classes of transferable quota are only transferable within their specific class.

4.0 Definitions

The following definitions will be used throughout this reports' narrative:

Specialty chicken is defined as:

(1) Chicken with **third party certification** (i.e. COABC, SPCA or other agencies recognized or de-listed by the BCCMB from time to time). The Board does not recognise product identified only by a differentiated or non-medicated diet as Specialty, unless it is certified as Specialty by a 3rd party approved by the Board.

Third party certification is defined as the differentiating attributes of specialty production that are:

- Represented and traceable to the final consumer.
- Kept intact and marketed as specialty to the final consumer.
- Do not cross over into mainstream product segments.
- Should be in accordance with the Agri-Food Choice and Quality Act (the Act), CFIA requirements, and appropriate national or international standards.
- The Board, at its discretion, may recognize certification procedures that were not registered under the Act; however the onus is on the grower to demonstrate reliable, rigorous third party certification to the standards equivalent to those established under the Act.

(2) **Asian Chicken** is defined as Silkies or a differential genetic strain recognized and approved by the Board. An example is Taiwanese chicken that is derived from leghorn type stock. At this time no agency has certified Asian chicken. The Board expects that this could fall under the mandate of the Specialty Product Advisory Committee. It is not expected that the SPAC would be the body that provides certification for Asian Specialty. The collective expertise of the SPAC could be called upon to provide definitions that could be used by a third party such as the Pacific Agriculture Certification Society to provide certification services for the Asian category.

(3) Purebred stock of a traditional breed.

(4) An innovative New Product that does not fit into any of the previous three categories and does not presently exist in the marketplace. The Board may give

priority to this new entrant and grant a NTSQ for a specific product, based upon approval by the Board of the business plan for production and marketing of this new product.

Mainstream chicken is defined as regular broilers, roasters or Cornish derived from commercially available broiler chick stock. Examples of this would be: Hubbard ISA, Cobb Vantress, or Ross Breeders.

Permit Holders are defined as Small Lot growers growing a maximum of 3,000 kg live weight per year irrespective of class of bird.

Permit 2000 Holders are holders of permits under the August 2000 Regulations that will be eligible to convert their permits to regular broiler quota, or transferable specialty quota at the maturity date of their permit.

NTBQ is non-transferable broiler quota.

NTSQ is non-transferable specialty quota.

NEW Entrant Grower (NEG) is defined as a grower who has successfully completed the requirements under the new entrant grower program and has had his \$5,000.00 deposit returned from the Board. He has received NTBQ or NTSQ.

Deemed New Entrant Grower (DNEG) is defined as a grower who has initially applied for an amount less than 7,716 kg per 8- week cycle or 50,154 kg per year. Upon written request and accompanied by an approved modified business plan, DNEGs will have priority to receive an increase to a maximum of 7,716 kg per 8 week cycle prior to any new issuance of permit or quota in that year and in that class.

SPAC is the Specialty Production Advisory Committee.

NT Quota is non-transferable quota.

Personal Exemption refers to section 2.1(e) of the June 15, 2004 General Orders which states:

Chicken used for home consumption in the amount not exceeding 200 birds per calendar year and cannot be sold.

Note: *Growers wishing to sell any amount of chicken must have quota or permit issued to them by the BCCMB.*

5.0 Method and formula for the funding of New Entrant Grower Programs

5.01 Background

The Board has issued transferable primary broiler or roaster quota units to new growers twice in its recent history. This was during the New Grower Program (NGP) "lottery" which happened in 1989 (for 20 growers), and again in 1994 (23 growers which included 3 from the 1989 NGP who did not start up). Persons previously owning chicken quota were not allowed to participate and only one entry per married couple was allowed. In the one allowed entry, the applicant had to specify the region for which he/she was applying. Reserve applicants were chosen also from each region, to ensure take-up. In August 1996 the program was postponed as reserve applicants did not take up the opportunity.

In the years 1992 to 1997 a total 13, 142,703 kgs of secondary, transitional and faint hope was also issued to existing growers. Other than 5,375,294 kg of transitional quota issued in 1997, the balance has since been converted to primary quota.

See appendix 3 for further details

5.1 Proposed funding method and formulae

5.11 Discussion on quota transfer assessment and alternative

During the initial round of consultations with stakeholders, the Board found the suggested assessment on quota transfers to be controversial. The Directors of the B.C. Chicken Growers Association and many individual growers felt that this would represent an unfair "tax" on growers that had decided to retire or exit the industry for other reasons.

The Board considered this and other input received during the consultative process. The Board feels that the following proposal respects the intent of the Leroux report in this area, but "spreads the pain" evenly among all growers remaining in the industry. This proposal has been presented to all stakeholder groups and has received no negative response, as of this date, and has been

endorsed by the directors of the B.C. Chicken Growers Association. See appendix 4, letters of support from BCCGA and VI chicken growers association.

5.12 Formulae funding method

1. In January of each year the Board will calculate the prior 3 years quota transfers in kilograms to establish an average. It is understood that quota amounts referred to below are eligible to be grown 6.5 times per year, or in the case of NTSQ, on an annualized basis as approved by the Board. This will include quota only transfers and farm/quota transfers and will apply to all classes of quota transfers. 5% of this number will be set aside to fund the new entrant grower programs. This pool will be used for mainstream new entrant growers (regular broiler and roaster production) and Board recognized specialty new entrant growers (Asian or 3rd party certified) etc.

Example:

<u>Year</u>	<u>Total quota transferred</u>	<u>5% of total</u>
2002	1,046,923	52,346
2003	2,041,815	102,091
2004	1,549,327	77,466
Average	1,546,022	77,301

2. The above total, based on the average of 2002, 2003 and 2004 quota transfers, would provide a pool of 77,301 kilograms, for distribution to new entrants or deemed new entrants, to be divided between regular broiler growers and specialty growers in 2005.

3. The allotments given to new entrants under this program will be funded from the general allocation to growers, which will include any planned growth allocated to B.C. The allotment will occur yearly, from B.C.'s share of the national allocation, whether there is or is not growth.

4. Distribution to qualifying New Entrant Growers will be in maximum lots of 7,716 kg/period or 50,154 kg per year.

5. The split between specialty and mainstream new entrant growers will ideally be set at 50/50 but may be adjusted periodically by need, as assessed by the Board. Part 8 of the General Orders (Deemed New Processor Entrants) has

provided for 310,229 kg to be allocated to new entrant processors in the three year period ending December 31, 2006. It is expected that pent up demand will require the 50/50 new entrant grower split to be increased in favour of the specialty sector. The Board has advised the existing deemed new entrant processors that the restriction to apply under this Part arising from the AI crisis and the determination of the appeal at FIRB has been resolved. Processors applying for increased allocation under this Order are required to apply by April 30, 2005.

6. All kilogram amounts referred to in this proposal are based on live weight.

7. Part 7 and 8 of the General Orders will apply to all quota transfers and issuances.

5.2 Specialty Advisory Committee

The Board will constitute a committee of the Board that will be known as the Specialty Production Advisory Committee (SPAC). It will provide advice to the Board on matters related to the specialty sector and provide a forum whereby the specialty sector can discuss areas of mutual interest and concern. A possible make-up of this committee may consist of:

- 3 specialty processors
- 3 specialty growers
- An independent Chair
- Other members as deemed appropriate by the SPAC.

The Board intends to invite a wide range of participants to the first meeting. The first order of business will be to constitute members of the committee and the nomination of an independent Chair of the SPAC.

6.0 Applying for quota as a New Entrant

6.1 Discussion on quota types

1. **Primary broiler quota.** Under this proposal, primary broiler quota will continue to be the quota that is used to produce the vast majority of chicken in the province of B.C. Going forward, once existing transitional and faint hope quotas are rolled over, the ratio of primary broiler quota to other types of quota will be approximately 95% (primary) to 5% (other). Since 1961, there have been many different types of quota other than primary, issued for a variety of purposes. Some examples are:

- Secondary
- Class B
- Secondary Roaster
- Transitional
- Faint Hope
- Pro-Rata
- Pilot Project Permit
- Further Processing Permit

Many of these types of quotas or permits have come and gone, but primary broiler quota has always maintained its preferred status. Although the B.C. Chicken Marketing Scheme, 1961, states that "quota has no value and remains the property of the Board", this proposal recognizes that growers have made a significant financial investment in purchasing primary broiler quota and should be allowed to use it to produce any type of chicken upon approval from the Board.

2. **Transferable Specialty Quota.** Under this proposal a new class of quota will be created that will have certain limitations and benefits.
- It may only be used to produce specialty product as defined by the Board as Asian or third party certified and may not grow regular chicken that crosses over to the mainstream markets.
 - Will be created on an optional, voluntary basis by conversion at a ratio of 1.5 to 1.0 by existing permit holders that wish to declare themselves as specialty growers. The available conversion factor recognizes that there is an increased risk and commitment requirement inherent in specialty production.
 - The available pool of TSQ will go a long way to ensuring that the needs of the specialty market are met and that the processors selling specialty product will have a long term committed live supply from committed growers.

- May be commercially traded amongst growers as a restricted class of quota.

3. Non- Transferable Broiler Quota. (NTBQ) Over a period of time a pool of broiler quota that will be non-transferable between growers except in narrowly defined family circumstances will be created that will be used to grow mainstream chicken. This will be done in two ways:

- Existing (Permit 2000) permit holders will be given several options. One of these will be to convert their existing permit into NTBQ, and receive a refund on all permit fees paid from the inception of their permit.
- Growers applying for, and successfully receiving, NTBQ under the proposed new entrant for growers program. This program will be funded through the general allocation to growers, using a formula equal to 5% of the previous three years quota transfers split between NTBQ and NTSQ.

4. Non-Transferable Specialty Quota. (NTSQ). Will be created in a similar method to NTBQ above, but will have the following differences:

- Existing (Permit 2000) permit holders exercising the option of conversion to NTSQ will be eligible to receive 1.5 units for every 1.0 unit converted. This will provide the opportunity for rapid growth in the specialty sector to address pent up demand.
- NTSQ will not be allowed to produce mainstream chicken, and must be used exclusively for specialty production. This will ensure that there is adequate supply available for specialty processors and consumers.

6.2 Application for NTSQ or NTBQ

Applications for both NTSQ and NTBQ grower programs will require or specify:

1. A business plan including processor signature that is acceptable to the Board.
2. Proof of land ownership.
3. No current or previous SM5 quota ownership in BC or any other province in Canada accompanied by a notarised affidavit of confirmation.
4. Leasing in or out of NTSQ or NTBQ will not be permitted.

5. 7,716 kg per 8 week cycle maximum. Pro-rata allocation may at some point allow a holder of NTBQ or NTSQ produce more than 7,716 kilograms per period, but the actual size of the quota itself will never increase.
6. Non-transferable except to immediate family member defined as spouse, son, daughter, grandson, or granddaughter.
7. No limit on the amount of transferable, quota that can be purchased (to maximum farm size).
8. NTBQ or NTSQ reverts to Board upon farm sale or cessation of production.
9. OFFSAP certification as required.
10. Adherence to minimum Bio-Security Standards required. Where possible, the Board will endeavour to harmonize inspection services with other agencies. The Board's commitments under National programs will take priority in these considerations.
11. Over/Under marketing sleeves, levies and penalties apply.
12. Marketing levies and licence fees apply.
13. All quotas remain the property of the Board.
14. A maximum of 1 NTBQ or 1 NTSQ per person or entity per property.
15. NTBQ and NTSQ allotment will be part of the CFC allocation process.
16. Board ordered minimum price(s) in effect at the time of shipment will apply. The Board will consider new minimum price categories for Specialty product as recommended to the Board by the SPAC.
17. NTSQ or NTBQ transfer to a new premises by a holder of non transferable quota may be allowed as per part 42 Quota Relocation of the June 15, 2004 General Orders at the discretion of the Board.
18. NTSQ or NTBQ available for distribution under this program not successfully taken up in a given year will not be carried forward to the next year except those applications awaiting BCCMB approval.

19. If a person purchases primary and/or transitional quota he/she may make application to the Board to grow any class of product. This application must include relevant market information that will demonstrate the need for growing specialty production under a mainstream quota. If a person purchases specialty transferable quota, he/she can only use it to grow specialty product as defined by the Board. *See appendix 5 -- Proforma business plan.*

6.3 Differences between the NTBQ and NTSQ programs

NTBQ

1. May produce regular broilers, roasters or cornish only.
2. No priority given to specific regions of the province except as required under Part 8, New Entrants for Processors, in the June 15, 2004 General Orders.
3. Annualization of production allotment not permitted. Exceptions may be considered at the discretion of the Board, for self marketers of product produced under their NTBQ.

NTSQ

1. Production allotment may be annualized upon written request from the grower and the processor along with a proposed production schedule, and will be subject to approval by the Board.
2. Approved annualization will be pro-rated for the remaining weeks of the year in which a grower requests it.
3. NTSQ new entrant growers entering the industry after January 1, 2005 will be permitted to grow 100% of their quota in each cycle, or annualized period, and will be eligible for pro-rata growth beyond 100% provided they have adequate space.
4. NTSQ may only be used to produce specialty product as defined by the Board.
5. If 3rd party certification is lost, or production is ceased for some other reason, the grower must advise the Board immediately in writing, with rationale that must include the anticipated date of re-certification and/or resumption of production. If 3rd party certification is not achieved or production resumed within an acceptable amount of time as determined by the Board, the Board

reserves the right to cancel the NTSQ. No production for a period of six months may result in the revocation of quota.

6. NTSQ will not be permitted to produce mainstream product regardless of market conditions. Exceptions to this will be considered if planned in advance and contained in the applicant's original business plan. An example of this could be a timed phase in for Organic certification. Product that cannot be shipped as specialty may not be disposed of on the regular market without prior approval of the Board and may be subject to penalties and costs.

7. Regionalization priority in NTSQ issuance may be considered at the discretion of the Board and will be based on demonstrated needs of a particular region and the requirements of Part 8, New Entrants for Processors, of the June 15, 2004 General Orders.

6.4 Waiting Lists

1. 2 separate lists (1 for NTBQ, 1 for NTSQ) will be maintained for each of three geographical areas of the Province of British Columbia specified as: Lower Mainland, Interior, and Vancouver Island. Each list will not contain more than 10 prospective new entrant growers.

2. As required the Board will advertise vacancies on the lists. The advertisement will commence when the list(s) has been drawn to 5 names will be posted on the BCCMB website and applicable local farm publications.

3. The advertisement will contain the specifics of the program and a deadline for application. When the deadline has passed, the external auditor will conduct a random draw for the applicable list(s) announce the order of placement on the list of potential applicants. Names not drawn will have their application and cheque returned to them with advice that they may apply for the next openings on the list.

4. An applicant may be on both lists, NTBQ and NTSQ, in any geographical region, but can only receive one quota. To be on both lists, applicant must submit separate applications and applicable fees.

5. All lists will be available for viewing on the BCCMB website. The lists will be updated and sent to all persons that are on the lists, twice per year. In the interests of transparency, these lists will be managed and maintained by the Board's external auditor.

6. Persons on the list must keep the external auditor advised of any change in status or address contact information.

7. Applicants will be required to produce proof of the minimum age of 19 years and of residency in BC.

8. Application must include a \$100 non-refundable fee that will be used to cover the costs of maintaining lists and providing mail-outs.

9. An applicant and their spouse/partner will be considered as one applicant.

10. Upon notification by Board staff of available NTBQ and/or NTSQ, the applicant has 60 days to submit a detailed business plan to the Board. The applicant may be contacted and asked to appear before the Board or committee of the Board for a personal interview.

11. Upon notification of acceptance of the business plan and application the applicant will have 30 days to provide a \$5000 deposit that will be held in a non-interest bearing account by the external auditor and will be refundable upon successful completion of facilities and actual chick placement. In no case may this time frame exceed a 12-month period. Failure to complete within the allotted timeframe will result in forfeiture of the \$5000 deposit and cancellation of the application.

12. The Board will retain the right to monitor progress and may require the applicant to appear before the Board if there is concern by the Board respecting lack of progress.

13. Facilities for the production of chickens under this quota must be approved by Board Inspection staff prior to first egg set (order of chicks)

14. Any applicant may request removal from the waiting list at any time, but will forfeit the \$100 fee.

15. Applicants will be kept on the applicable list in the order by which they were drawn by the external auditor. The Board reserves the right to consider the needs of regional requirement for NTSQ as indicated by processors and the requirements of Part 8, New Entrants for Processors of the June 15, 2004 General Orders.

16. Board staff will contact all persons currently on waiting list to review their options. This may include regional meetings (LM, VI and I). In any case, the

existing waiting list will be honoured and prospective growers will be given the choice of which list or lists they wish to be on.

7.0 Permit Production

7.1 Current Permit program.

Today in B.C. there are 54 permit holders. 34 of these permit holders have a permit for 500 birds per week or less, and 20 permit holders have been grandfathered at an amount over 500 birds per week. Currently 518,546 kg of permit is being grown as specialty and 343,641 kg of permit is being grown as regular broilers for a total permitted amount under Part 50 of 862,187 kg. This number does not include the regular broiler quota (66,813 kg) being used to produce specialty product. *See Appendix 6, Part 50 of the June 15, 2004 General Orders.*

7.2 Permit Program Key Elements

1. Designed for small lot growers, (3000 kilograms live weight per year).
2. Non transferable.
3. Never becomes quota.
4. Licence fee \$20/year.
5. Are licensed by the Board but are not listed on the "Register of Growers" and as such may not vote at BCCGA meetings or for the election of Board members.
6. No levy no GST collected.
7. Must report placements and shipments to Board as per the General Orders.
8. No growth beyond 3,000 kilogram maximum for permitted amount.
9. If a permit holder applies for, qualifies, and is granted NTSQ or NTBQ the permit will revert to the Board.
10. A Permit will expire on December 31st and application must be made to renew yearly.

11. One permit per person or property per calendar year. (No multiple permits per person or property) and may not be combined with any class of quota.
12. Not part of provincial allocation (not reported to CFC).
13. No requirement for land ownership.
14. OFFSAP certification will be required when developed. Maintaining and further developing Food Safety is a top priority for the industry. New and appropriate food safety programs for this type of production are currently under review for development by Chicken Farmers of Canada (CFC). Alternately, an OFFSAP program for permit growers may be developed by SPAC.
15. Adherence to minimum Bio-Security Standards is required.
16. Subject to BCCMB audit.
17. No Quota Production Allotment (QPA)/Quota Production Update (QPU) or Over/Under (O/U) marketing levies (penalties) will apply.
18. All small lot growers of chicken in the province of British Columbia will be given an opportunity to apply for a permit. As unregistered growers are found or reported to the Board they will have 30 days from written notification by BCCMB Inspectors to submit an application for licence. Failure to comply may result in them being reported to the BC MAFF or other relevant agencies.
19. The Board reserves the right to limit number of new permits issued in any given year.

7.3 Permit Production Program and Exemptions

The BCCMB proposes two different exemption levels:

- 200 chicken maximum per year for personal use, not for sale to any member of the public. No permit is required and this represents no change from the existing Orders.
- 3,000 kilograms live weight maximum per year for small lot growers and self marketers. This is a new permit category that would allow an individual to grow up to 3,000 kilograms based on live weight per year for sale to the public.

8.0 Transition from today's existing Permit Program

8.1 Existing Permit Holders as of January 1, 2005

Based on historical production data as submitted to the Board, the Board has determined that existing permits are being used to produce both specialty and mainstream production. The Board will issue classes of quota based on this information.

Consultation undertaken by the Board shows that some growers prefer to never own quota and pay permit fees, while others expect the existing program to remain unchanged until the maturity of their permit. Therefore it is proposed existing permittees will have 5 options, and a deadline for making a choice will be given in the new Orders.

Retroactive to January 1, 2005, the classes of quota will be:

- Primary quota
- Transitional quota
- Permit 2000
- 9,644*kg primary quota also known as "faint hope" quota
- Non-transferable Specialty Quota (NTSQ)
- Non-transferable Broiler Quota (NTBQ)
- Transferable Specialty Quota (TSQ)
- Permit
- Personal use exemption

8.2 Permitted Mainstream production

Defined as growers who have been producing non-specialty (broiler, roaster, Cornish) under their permit.

These growers will have two options:

- 1) Continue under present existing program. Growers exercising this option will continue to pay their permit fees to the maturity date of their permit. (Except as specified in Part 50, Section 50.15 Subsections

"a" through "f" of the General Orders.) Upon reaching the maturity date, provided that the grower is in good standing with the Board, the permit will be eligible to be converted to primary (broiler) quota and be transferable. These growers will be referred to in the General Orders as "Permit 2000" growers.

- 2) Have their permit converted to *NTBQ*. Growers exercising this option will be eligible to have their entire permit transferred to *NTBQ* and will have all permit fees excluding GST, marketing levies, license fees, and over marketing levies paid from the issuance date of the permit returned to them. The resulting *NTBQ* will be non-transferable, in perpetuity, other than in the case of a direct family member as described herein.

All regulated product grown under #1 or 2 above will be subject to an annual licence fee, Board levies, and existing business plans that contain commitments to a processor for a specified period of time.

- Relocation will be permitted on approval of the Board as per Part 42 of the General Orders.
- No leasing of *NTBQ* will be permitted.

8.3 Permitted Specialty Production

Defined as growers who have been using their permit to produce specialty (Asian, SPCA, and COABC) for the majority of the last 10 periods.

For the purposes of this proposal periods A-57 through A-60 will not be factored in due to inconsistencies caused by the 2004 Avian Influenza crisis.

These growers will have three options:

1. Continue under the present program. Growers may opt to continue to pay their permit fees to the date of maturity of their permit. (Except as specified in Part 50, Section 50.15 Subsections "a" through "f" of the General Orders.) At that time, and providing that he is in good standing with the Board, a grower may apply to convert his permit to primary (Broiler) Quota that is transferable. During the ensuing period, he must continue to supply his processor as per the terms of his business plan. These growers will be referred to in the General Orders as "Permit 2000" growers.

2. Continue under the present permit program, but declare as Specialty. These permit holders will continue to pay their permit fees but have a one time opportunity to declare as Specialty growers. Growers exercising this option will be eligible to have their permit converted to Transferable Specialty Quota upon the maturity date of their permit and will be eligible to receive 1.5 quota units for every 1.0 unit of convertible permit upon approved specialty declaration. The full amount will be eligible for conversion to Transferable Specialty Quota upon maturity of the permit.

3. Apply to the Board to have his permit converted to NTSQ. Growers exercising this option will be eligible to have their entire permit transferred to NTSQ and will have all permit fees excluding GST, marketing levies, license fees, and over marketing levies paid from the issuance date of the permit returned to them. Effective with the approved date of transfer to NTSQ, holders will receive 1.5 units of NTSQ for every 1.0 unit of permit converted to NTSQ.

In order to be eligible for the increase referred to in points 2 and 3 above, permit holders must:

- Be in good standing with the Board with respect to outstanding levies and penalties.
- Have adequate barn space to house the extra specialty quota created by the 1.0 to 1.5 conversion factor prior to receiving the next unallocated allotment.

And:

- The extra specialty quota created by the 1.0 to 1.5 conversion factor will be used over the next several years by existing specialty producers to meet the pent up demand. The allocation of Specialty production will be done similar to the way that Transitional Quota has been used since 1997, in that specialty growers will not always grow 100% of their quota. The exception to this will be NTSQ growers that entered the industry after January 1, 2005 that have 7,716 kilograms of quota. These growers will be allocated 100% of their quota in each cycle or approved annualized period.

- The SPAC, will meet with BCCMB staff a minimum of twice a year with the specific purpose of providing advice to the Board as to the amount of production that is required for the next three periods (six months), and a projection for the following three periods. This will assist in establishing the allocation that will be available to existing specialty producers taking into consideration the production allotted to new entrant specialty growers.

- Example:
 - 600,000 kgs of permit declares as Specialty.
 - 900,000 kgs now available due to the 1.5 conversion ratio.
 - 750,000 required for a given period as per SPAC recommendation
 - 15,000 provided by New Entrant Specialty Growers
 - 735,000 to be grown by holders of NTSQ and eventual Transferable Specialty Quota.
 - 81.66% utilization of Specialty Quota for this period.
- Relocation permitted on approval of the Board.
- No leasing of NTSQ will be permitted.
- The deadline for exercising options under this program for both mainstream and specialty is September 30, 2005. Any grower not in good standing with respect to permit fees, levies, penalties or in any contravention of the June 15, 2004 General Orders by the above date will have their existing permit converted to NT quota within their class.
- NT quota will revert to the Board upon cessation of production or farm sale for redistribution within the applicable quota class.

See appendix 7, Flow Chart

8.4 Rationale with respect to the 1.5 incentive offer

The 1.5 to 1.0 incentive will encourage growers to stay in the specialty stream rather than converting to primary quota after 12 years. The 12 years time frame assists in ensuring the specialty processor has a supply of specialty product as the growers must adhere to their existing business plan for the 12 year period (ending 2012). The 1.5 ratio also increases the amount of specialty product immediately to increase flow through to the specialty processing plants, rather than having to wait for new growers to build facilities and start up production. This increase could be as large as an additional 259,273 kg for a new total of 777,819 kg of specialty production. Part 8 allows for specialty processors (as a group) to increase production by 310,229 kg live weight. This increase production will come from the 1.5 ratio and new entrant growers. This increases the total to 1,088,048 kg for specialty production and represents 210% of the

current level of specialty production. The next round under Part 8 comes into effect for the years 2007, 2008 and 2009. As per Schedule 1 of the June 15, 2004 General Orders, it will be 2.5% of the per period average of BC's total production. There will be an even larger amount available for new entrant processors (specialty processors) as Rosstown Farms Ltd. will no longer be a factor in the distribution.

The Board, according to the following table, expects approximately 50% of permit growers to accept the 1.5 X option. A 50% conversion uptake would have the following impact:

Current specialty growers	585,000 kg	
50% take up of conversion at 1.5%	146,250 kg	
New total for specialty production	731,250 kg	a 25% increase

8.5 Specialty Processor Growth

The prior two sections (8.3 and 8.4) have dealt with specialty grower growth opportunities. This section (8.5) deals with the related issue of increased access to allocation for small processors. This is a related and parallel regulatory matter.

On March 8, 2005 the General Manager of the BCCMB met with the small specialty processors group comprised of:

- Farm Crest Foods
- Fairline Development
- Wingtat Game Bird Packers
- Fraser Valley Duck & Goose

The purpose of the meeting was to explain to the group the opportunities available to them under Part 8, Deemed New Entrant Processors, under the BCCMB June 15, 2004 General Orders. Under this section of the Orders, there is significant growth available to the small processors. Requests to the BCCMB for increased production must be received by April 30, 2005. This should provide the BCCMB with a good indication as to the "pent up" demand in the specialty sector.

This opportunity represents 310,229 kilograms of increased processing volume per period available to deemed new entrant processors in the three year period ending December 31, 2006. This volume, equivalent to a 53% increase over present specialty production, would be grown by a combination of:

- Existing primary broiler quota holders using a portion of their quota to produce specialty birds.
- The 1.0 to 1.5 conversion factor of permit 2000 to NTSQ.
- New entrant growers receiving NTSQ.

Under Part 8 of the General Orders, the second round of additional production for new entrant and deemed new entrant processors will be available during the period of January 1, 2007 to December 31, 2009 (the "second round"). This amount will be equivalent to 2.5% of the British Columbia allocation, and using today's numbers, would equal 774, 823 kilograms of live weight per cycle. As specified in the Order, deemed new entrant processors will have priority over new entrant processors.

Summary:

Per cycle, in kilograms

Current specialty production, 585,000

Available increases:

"First round", to Dec.31/06	310,229
"Second round", January/07-December/09	774,823
Total	1,085,052

If all available production was taken up, by the end of 2009 the specialty sector could be producing at a level of 1,670,000 kgs. per cycle, which is **285%** of today's processing volume. This is an average approximate annual growth rate of 20%.

8.6 Rationale for continuance of levies

Consultation with permit holders in March, 2005 indicated that some growers wanted the primary broiler quota and the quota conversion consequence at the end of the 12 year program, consistent with the proposal of that time (2000). With this proposal's recommendations, current permit holders are offered the option of canceling the agreement made in 2000, retaining their permit as NTSQ or NTBQ, and having all permit fees paid from inception of the permit refunded.

Legal advice sought by the Board indicated that while Board had the authority to modify the existing program, appeals to FIRB would be a likely consequence of changes to the program as offered in 2000.

The Board wishes to ensure a reliable flow of specialty product to the specialty processors by ensuring:

- That current 12 year business plans remain in place and in effect.
- That the permit cannot be transferred for 6 years. After which it then may be transferred once, as long as the existing business plan is honored.

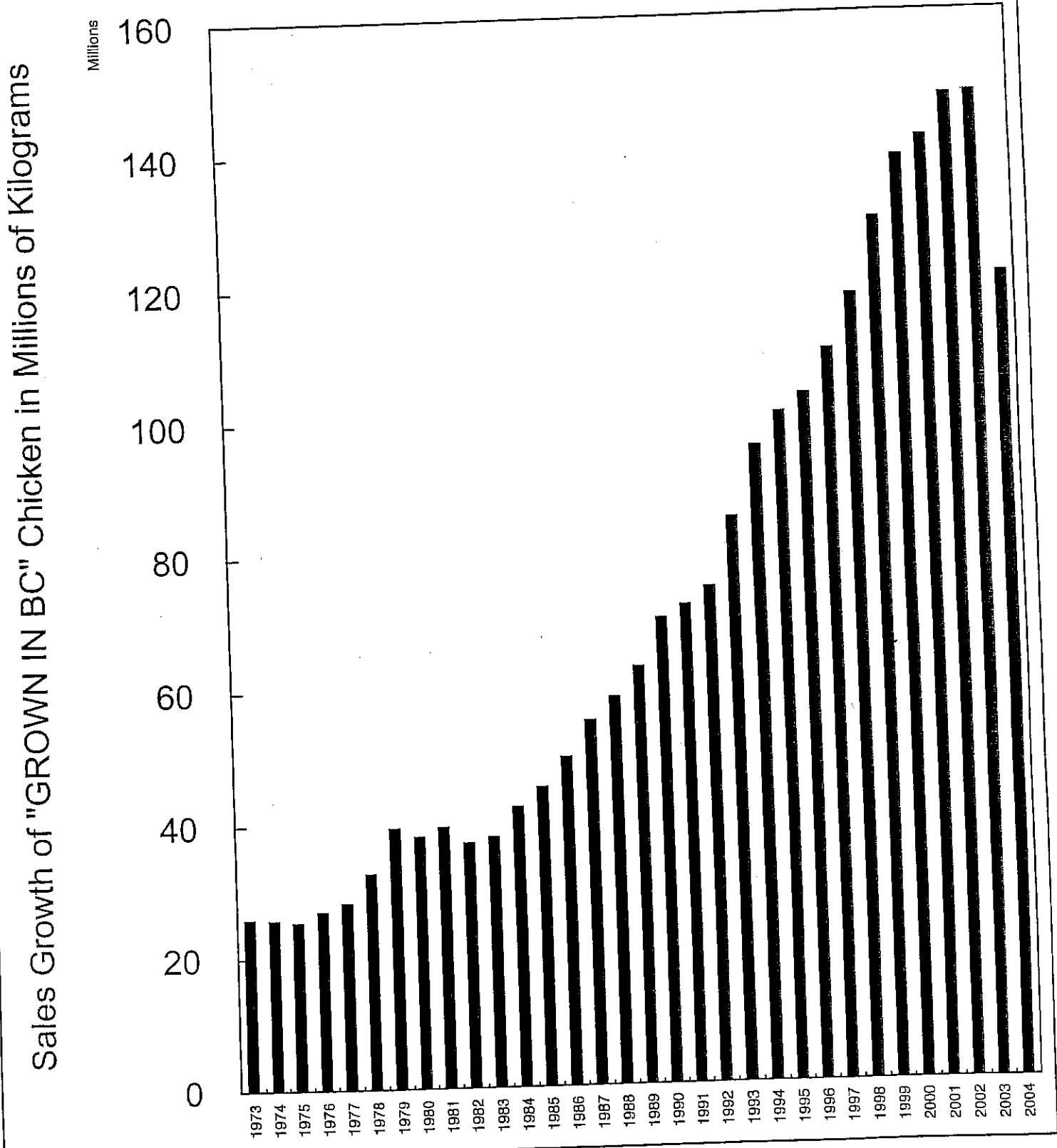
9. Conclusion:

With the recommendations contained within this report, the Board believes it has met the spirit and the intent of the directions given to it by the Farm Industry Review Board, with respect to meeting the requirements for more specialty products to serve the changing needs of British Columbia's consumer markets.

Further, with its program for new entrant growers, both of Specialty and Mainstream products, a new generation of chicken growers will have the opportunity to enter into this dynamic agricultural sector.

The development of this plan has taken considerable time and the Board has tried to anticipate, to the best of its abilities, the many varied and different manifestations these regulation changes will bring to the industry it is charged with managing and regulating. The Board recognizes, as with any new plan, adjustments may have to be made, as experience and further knowledge is gained. The Board is committed to making fair and responsible adjustments to its regulations, as necessary, to continue to meet British Columbia's evolving consumer requirements.

Sales Growth of "GROWN IN BC"
Chicken in Millions of Kilograms (Evisc Wt.)



Sales Growth of "GROWN IN BC"
Chicken in Millions of Kilograms (Evis Wt.)

YEAR	M 'kilos
1970	19,082,827
1971	21,695,999
1972	24,324,140
1973	25,933,049
1974	25,723,034
1975	25,329,765
1976	26,924,612
1977	28,255,012
1978	32,555,760
1979	39,318,697
1980	38,001,196
1981	39,356,346
1982	36,982,219
1983	37,791,890
1984	42,185,000
1985	45,035,000
1986	49,435,000
1987	54,811,000
1988	58,240,000
1989	62,730,000
1990	69,881,000
1991	71,754,000
1992	74,356,000
1993	84,632,000
1994	95,264,000
1995	100,233,058
1996	102,917,000
1997	109,457,822
1998	117,669,877
1999	128,951,889
2000	138,216,975
2001	141,059,793
2002	147,265,849
2003	147,607,712
2004	120,464,614
2005	
2006	

Question 2: What is the amount of growth allocation that has been issued to quota holders as transferable primary broiler quota units over the past fifteen years?

Background:

Please note the only time the Board has ever issued transferable primary broiler/roaster quota units to growers was during the New Grower Program (NGP) "lottery" which happened in 1989 (for 20 growers and again in 1994 (23 growers, which included 3 from the 1989 NGP who did not start up). Persons previously owning chicken quota were not allowed to participate and only one entry per married couple was allowed, and in the one allowed entry the applicant had to specify the region for which he/she was applying to. Reserve applicants were chosen also from each region, to ensure take-up.

The successful applicant had one year from the date of the draw to establish a farm suitable for the production of the regulated product and primary broiler/roaster quota of 9,644 kg (5000 birds) from the Board for an administration registration fee of \$75,000.00. Each successful applicant who qualified as a grower received a maximum of 9,644 kg (5000 birds) of secondary broiler/roaster quota. Under the program, the quota issued is attached to the farm for which it was designated and may only be transferred in the event of a farm sale after which the quota has been in effect for a full five years (2 years in the 1989 program). All monies collected as an administration registration fee were used for advertising and promotion of BC Chicken.

- In 1989 – held first "lottery" for 20 new growers
- In 1990 – 17 out of 20 growers started up from the NGP 1989
- In 1994 – held 2nd "lottery" for 23 growers (includes 3 from the 1989 NGP who did not start). 15 growers started up from the NGP 1994.
- In 1995 – to fulfill the 1994 "lottery", the Board from the initial lottery names, drew 8 more names. 1 out of 8 growers started up.

Due to the cost input crisis in the industry, the BCCMB proposed to the BCMB (now FIRB) that the new grower program be postponed on August 15, 1996. The program was not reinstated.

Summary of New Grower Program issuance of quota to 33 growers:

318,252 kg broiler/roaster primary (paid by administration registration fee)
318,252 kg broiler/roaster secondary quota (given)
 636,504 kg total quota issued.

Instead the Board had issued 5,000 birds (9,644 kg live weight) of secondary quota or transitional quota on a sliding scale between 5,000 birds (9,644 kg) to 11,000 birds (21,219 kg) with the smaller growers receiving the larger amount. Secondary quota and transitional quota was only issued to a grower who was registered on a certain date and who had not transferred a portion of his/her quota on that certain date. Secondary quota

and transitional quota was tied to the farm and was only transferable with a "bona fide" farm sale which was registered at the Land Titles Office. Growers had a deadline by which they must have provided space for the new secondary quota or transitional quota issuance. At some future date this secondary quota was cancelled and an equal amount of primary quota was issued. Transitional quota was the last issuance of a block of quota as the Board after consultation with the PPAC embarked on a new system of allocation of quota in the province of BC. The new method will be pro-rata issuance of quota to all growers on the basis of each grower's total primary quota.

"Faint Hope" quota was issued to growers in business on a certain date that had previously transferred a portion of their quota. These growers will be eligible for 9,644 kg of primary quota if they are still in business and in good standing with the Board on a certain date in the future (which is defined as when transitional quota is utilized at an average of 100% on an annual basis and transitional quota is converted into primary quota). Growers will have a deadline by which they must have provided space for the "faint hope" issuance. "Faint Hope" quota can only be transferred in the event of a "bona fide" farm sale which is registered at the Land Titles Office. 36 growers did not receive any transitional quota in September 2007 as they had previously transferred a portion of their quota. Also 2 growers were issued half of the 9,644 kg as they were father/son splits and thus shared the growth.

SUMMARY:

Year Issued	Number of kilograms live weight	See Note:
1992	2,420,644	#1
1994	2,691,388	#2
1996	2,655,377	#3
1997	5,375,294	#4

Note #1:

A registered grower who held broiler or roaster secondary quota on October 1, 1992 had it cancelled, and broiler or roaster primary quota of an equal amount was issued. Also on **October 1, 1992** the Board issued new secondary quota in the amount of:

2,092,748	kg broiler secondary
<u>327,896</u>	kg roaster secondary
2,420,644	kg total secondary quota issued.

Growers had until April 5, 1993 to provide space on their own registered premises at 2.57 kg live weight per square foot. Lack of space resulted in a reduction of secondary quota issued to that grower down to the amount that fit into the usable space provided.

Note #2:

A registered grower who held broiler or roaster secondary quota on April 1, 1994 had it cancelled, and broiler or roaster primary quota of an equal amount was issued. Also in **April of 1994** the Board issued new secondary quota in the amount of:

2,333,848	kg broiler secondary
<u>357,540</u>	<u>kg roaster secondary</u>
2,691,388	kg total secondary quota issued.

Note#3:

Growers had until December 31, 1994 to provide space on their own registered premises at 2.57 kg live weight per square foot. Lack of space resulted in a reduction of secondary quota issued to that grower down to the amount that fit into the usable space provided. This amount of secondary was not rolled into primary until May 12, 1997. The Board on September 12, 1996 issued a second secondary to grower who had not transferred a portion of their quota. In effect, growers had two secondary quotas, an "old" and a "new". In **September 1996** the Board issued new secondary quota in the amount of:

2,551,486	kg broiler secondary
<u>103,891</u>	<u>kg roaster secondary</u>
2,655,377	kg total secondary quota issued.

There was no space requirement for this additional secondary at the time of issuance. Later it was determined that space had to be provided by July 1, 2001. The Board determined that this secondary quota would not be rolled into primary quota until existing secondary quota utilization averaged 100% on an annual basis as per Order #320-1997. This rollover occurred on January 13, 2004 (the start of quota period A-50).

Note #4:

In **September 1997** the Board issued transitional quota and "faint hope" quota in the amount of:

5,095,618	kg transitional quota
<u>279,676</u>	<u>kg "faint hope" quota</u>
5,375,294	kg total quota issued under Order #320 -1997...

Space had to be provided for transitional quota only by February 9, 2002. The Board determined that transitional quota would not be rolled into primary quota until transitional quota utilization averages 100% on an annual basis (as per order #320). This has not yet occurred. Once the "faint hope" quota is issued to the 36 growers (if they are still in business), growers will have one year to provide space under the current guidelines of 2.88 kg live weight per square foot. Failure to provide sufficient space will result in a permanent reduction of the amount of "faint hope" quota issued to fit the usable space.

There has been no further issuance of quota to quota holders since 1997.

BRITISH COLUMBIA CHICKEN GROWERS' ASSOCIATION

P.O. Box 581, Abbotsford, B.C. V2S 6R7
Phone: (604) 859-9332 • Fax: (604) 853-4808
E-mail: bccga@telus.net



Producers of Choice "GROWN IN B.C." Chicken

February 21, 2005

DELIVERED VIA FAX: (604) 859-2811

Mr. Ron Kilmury, Chair
B.C. Chicken Marketing Board
Suite 101 - Windermere Court
32450 Simon Avenue
Abbotsford, B.C. V2T 4J2

Dear Mr. Kilmury,

REVIEW OF SPECIALTY PRODUCTION AND NEW ENTRANT PROGRAMS - IMPROVING ACCESS TO THE SUPPLY MANAGEMENT SYSTEM

In January 2005, the British Columbia Farm Industry Review Board (the "Provincial board") advised that it had determined that the recommendations for specialty production prepared by George Leroux for the Minister of Agriculture, Food and Fisheries complemented the guiding principles for specialty production in the supply managed sector proposed by the Provincial board in August 2004.

The Provincial board further determined that, given the interrelationship between the specialty and new entrant programs in terms of improving access to the supply management system, it would incorporate into its review Mr. Leroux's recommendations regarding new entrant programs for non-specialty producers. The Provincial board has directed the individual commodity boards to develop specialty and new entrant programs specific to their industries and to consult all stakeholders in the process.

Our Association has reviewed Mr. Leroux's recommendations and advise that we are not opposed to a new entrant program provided there is growth in our industry. We do not agree however to the proposed claw back of 5% on quota transfers. Only those growers selling quota would contribute to a new entrant program if this system were implemented. It would be more reasonable if all growers participated and were affected equitably. In our opinion this can be easily achieved by allotting a portion of future growth within our industry to new entrants.

Mr. Ron Kilmury, Chair
B.C. Chicken Marketing Board

February 21, 2005
Page 2

Should you have any questions of clarification please do not hesitate to contact me.

Respectfully submitted,



Rick Thiessen
President
B.C. Chicken Growers' Association

cc. Hon. John Van Dongen, BC Minister of Agriculture - fax (250) 387-1522
Richard Bullock, Chair, BC Farm Industry Review Board - fax (250) 356-5131

VANCOUVER ISLAND CHICKEN GROWERS
4318 Metchosin Rd.
Victoria, B.C.
V9C 3Z4
250-474-3545

Jan.31,2005

B.C.C.M.B.
BOARD MEMBERS
#101-32450 Simon Ave.
Abbotsford, B.C.
V2T 4J2
1-866-859-2811

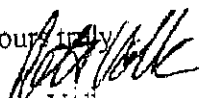
Re-George Leroux Report
Dec.20,2004

Dear Sir;

Island chicken producers take exception to the acceptance of this report by M.A.F.F. and the Provincial Boards. We are particularly grieved by the recommendation to fund new entrant programs by the 5% assessment on transfers of quota. Island farmers are left with little choice, so the transfer of their quotas is imminent. This 5% levy is pointed right at them.

Points supporting their views are as follows:

1. Island quota is locked to Vancouver Island with no provision for an Island plant to handle Island commercial birds.
2. No freight allowances have been made. It has been four years that Vancouver Island growers have been the only chicken farmers in B.C. required to pay their own freight.
3. There has been no consultation with Island producers.(page 50, G. Leroux report)

Your truly

Peter Volk
Chair

Preparing a Business Plan as a New Entrant Chicken Producer in British Columbia

- the following summary checklist and guideline document will assist you in the preparation of a business plan for submission to the B.C. Chicken Marketing Board (BCCMB). Preparation of this checklist will assist you in planning and writing your business plan. The checklist will provide a guide to the necessary information you will require to prepare your business plan.

Name of Permit Applicant:

Date of Plan:

Address where birds will be grown:

Hatchery where chicks will be purchased:

-(you will need a signed letter from hatchery verifying agreement to sell to you the chicks)

Processor where birds will be slaughtered :

-(you will need a signed letter from processor verifying agreement to process and/or sell your birds)

If your processor will not be selling your production, please advise of your planned alternative sales method: (i.e. you plan to self market). If you are self marketing, you will be required to submit a marketing plan.

What type of bird do you plan on growing: Circle one:

Cornish Broiler Roaster Silkie Taiwanese Other:

Method of Growing: Circle one:

Free Run Inside Barn Free Range Pasture Poultry Organic Other:

Will you be obtaining third party certification: Circle one:

COABC SPCA Other:

How many birds do you intend on growing per week :

Provide total kilograms of live weight that you wish to grow per year:

What weight do you intend on growing: Live Kg: or
Eviscerated Kg:

What time length (total grow time plus rest time) do you need to grow this bird:
Circle one:

8 week 10 week 12 week 14 week 16 week 20 week

Do you currently have barn space: Circle one: Yes No Estimate of grow space in
square feet:

If you do not currently have barn space, how much time will you need to build or
renovate:

Estimate of grow space in square feet when barn completed:

When will you be ready to commence growing birds? (date)

I wish to schedule an On Farm Food Safety and Assurance Plan (OFFSAP) inspection
for (date):

The following are suggestions and guidelines to assist you in preparing a business plan for your prospective new chicken rearing business.

Planning and Preparing Your Business Plan

1. Buildings and Facilities

If you are planning to construct a new facility, choose structural designs that are efficient and, scale-wise, matched to your business plan. Think about any expansion plans you might be considering. Coordinate your expansion building sizes with the incremental increases in permitted production or quota purchase you may be planning for future growth.

If you are planning to use/modify existing structures it is advisable to ask the BC Chicken Marketing Board Inspection Staff to do a facility OFFSAP (On Farm Food Safety Assurance Plan) inspection. This inspection will clearly detail any improvements required in order to be approved by the BCCMB and to receive the necessary permits. This will save you time and give you a clear and early guideline for planning appropriate renovations.

2. Cost Implications of Facilities

When considering your immediate requirements, think carefully about your longer term expansion plans as well. Consult with other growers to see what equipment they use. Talk to suppliers of equipment and/or feed and get their advice on what you will require. When estimating future capital costs of expansion, be sure to consider the effects of inflation.

When obtaining cost information, be sure that freight, installation, warranty service and taxes are included or excluded from the prices you are quoted. Also check for lead times on delivery once you have placed your order. Start researching your equipment well in advance of the time you will need it to allow enough time to select equipment and suppliers and to place orders.

BUILDING and FACILITIES EXAMPLE,

i.e. Capital cost planning

I plan to grow _____ birds, per _____ week cycle, to an average
(number) (number of weeks)
 live weight of _____ kgs.

I will require _____ square feet per bird, for a total barn floor
 space of _____ square feet.
(sq.ft/bird X # of birds)

	Year 1	Year 2	Year 3	
Barn building or Renovation costs				
Planned future Expansion costs				
Equipment and Installation costs				
Generator				
Future Quota Purchase costs				
Other				
Total capital Costs				

The Financial Plan

A financial plan will help you and any potential lender estimate how much cash will be needed, and when, in order to start and maintain a profitable business. The process of creating financial projections for your farm income will assist your planning. Through this process, any discrepancies, gaps or unrealistic assumptions should come to light.

The British Columbia Ministry of Agriculture, Fisheries, and Food has planning packages ("Preparing a Business Plan Document") available to producers to assist them in their planning process. Copies are available at your local Farm Management Branch or at the following government website:

http://www.agf.gov.bc.ca/busmgmt/bus_guides/chicken_guide.htm

When presenting your plan to the BCCMB, insurance coverage, copies of legal agreements, letters of intent, appraisals, personal net worth statements and references may be required, at the discretion of the BCCMB.

Income Statement

Prepare a schedule (such as the following example), showing projected farm income from sales for the next three years.

<u>Sales</u>	Year 1	Year 2	Year 3
Chicken sales (total kgs X price/kg)			
<u>Farm Income from Chicken sales</u>			
<u>Expenses</u>			
Feed			
Chicks			
Repairs and Maintenance			
Hydro/Gas/Water			
Supplies (litter, medicine, etc)			
Catching			
Waste removal			
Levies			
Insurance			
Property taxes			
Salaries and Wages			
Subtotal			
Loan and Interest payments On capital costs			
<u>Farm Expenses</u>			
<u>Farm Income from Chicken sales</u>			

Appendixes

Attach a letter from your hatchery verifying your chick supply agreement.

Attach a letter from your processor verifying either

- Agreement to purchase and sell your production, or
- Agreement to custom process your production, together with your processor's custom kill rate schedule.

Attach your OFFSAP inspection report, detailing necessary improvements, or your OFFSAP approval document.

Part 50 New Entrant Program for Growers

- 50.1 In this part,
- a. "permit" means a permit to produce chicken;
 - b. "permit administration fee" means 18 cents per 1.929 kilograms live weight bird per 8 week period or such other amount as is set by the Board; and
 - c. "quota holder" means a person who holds or has at any time held primary or transitional quota, or a person who owns or has at any time owned shares in a company, which, at the time of the shareholding, held primary or transitional quota.
- 50.2 Any person may apply for a permit by submitting to the Board an application for a permit and a business plan acceptable to the Board for the contemplated production. A non-refundable fee of \$100.00 must be submitted with the application for permit.
- 50.3 The Board, at its sole discretion, may issue a permit to an applicant and may increase, decrease or cancel a permit.
- 50.4 The Board, at its sole discretion, may issue a permit to an applicant who grows chicken on a seasonal basis. The applicant's business plan, delivered to the Board under Section 50.2, must list the months during which the applicant will grow chicken and may outline special growing, processing and marketing procedures.
- 50.5 Subject to Section 50.7 and 50.8, the Board will not issue a permit to a quota holder.
- 50.6 Subject to Section 50.7 and 50.8, the Board may issue a permit to an applicant up to a maximum of 500 birds per week at 1.929 kg (965 kg).
- 50.7 If an applicant was growing chicken with a permit under the Board's former specialty program as of July 1, 2000 at a level greater than 500 birds per week, the Board may issue a permit to the applicant in an amount up to that applicant's proven level of production, provided that the applicant is in good standing on the payment of fees and levies for the production above 500 birds per week for the last twelve months.
- 50.8 If an applicant was growing chicken as of July 1, 2000 without a permit under the Board's former specialty program, the Board may issue a permit to that applicant up to an amount equal to the average production of the applicant in the 12 months preceding July 1, 2000.

- 50.9 The Board may refuse to issue a permit to an applicant and may suspend or cancel a permit of a permit holder where the applicant or the permit holder, as the case may be, plans to or does sell chicken to a processor who is not in compliance with these General Orders.
- 50.10 The Board may suspend or cancel any permit for a permit holder's violation of these General Orders, the Scheme, the Act or any order or direction of the Board.
- 50.11 The aggregate level of production of chicken in British Columbia under the 12-year permit program established pursuant to this Part shall remain at all times within the discretion of the Board, and the Board at anytime may refuse to issue a permit to control that level of production.
- 50.12 The permits issued under this Part replace the former specialty program, in effect prior to the coming into effect of these General Orders, and that program is cancelled as of the effective date of these General Orders.
- 50.13 A permit will be for a period of 12 years from its issuance.
- 50.14 On the anniversary of the issuance of the permit and upon written request to the Board, a permit holder who did not own quota at the time the Board issued the permit may purchase quota at a level of up to 10% of the volume of authorized production of the grower. A grower who has skipped yearly purchases under this Regulation may apply to the Board to make up the skipped year(s).
- 50.15 After six years has passed since the effective date of the permit, a permit may be transferred once only, subject to the following conditions being met:
- a. the transfer of the permit may only take place in conjunction with the *bona fide* sale of the property on which the production authorized by the permit was being grown immediately preceding the transfer;
 - b. the permit may only be transferred to the purchaser of the property on which the production authorized by the permit was being grown immediately preceding the transfer;
 - c. after the transfer of the permit, the production authorized by the permit may only be grown at the property at which it was grown immediately preceding the transfer of the permit and the sale of the property. For greater certainty, the production authorized by the permit may not be transferred to another property;
 - d. the purchaser of the property must meet all the requirements of a new permit holder;
 - e. all Board orders or rules governing the transfer of quota will apply to the transfer of the permit;
 - f. a transfer of a permit does not change the term of the permit.

- 50.16 Part 14 of these General Orders applies to permit holders, and each permit holder shall pay to the Board the Board levies in accordance with Part 14.
- 50.17 Each permit holder shall pay the permit administration fee on a monthly basis, as invoiced by the Board, or by any other arrangements agreed upon by the Board.
- 50.18 The provisions of Part 24 of these General Orders do not apply to permit holders. The Board will issue pro-rata quota to primary quota holders only.
- 50.19 The provisions of Part 28 of these General Orders do not apply to permit holders, and a permit holder may not grow chicken for a processor pursuant to the provisions of Part 28 unless the processor to which the grower ships its product complies with Part 28 and Part 29 of these General Orders and obtains the required market development licence from CFC.
- 50.20 Where the General Orders in this Part conflict with General Orders in another Part, the General Orders in this Part govern. In all other cases, the General Orders apply to permit holders.
- 50.21 On the expiration of the permit's term, and provided the permit holder is in compliance with these General Orders and all Board orders and directives, the permit holder is entitled to apply to the Board on the prescribed form for an allotment of primary quota in an amount equal to the production allowed under the permit.
- 50.22 The Board will restrict the issuance of permits under this Section as follows:
- a. the aggregate level of production of chicken in British Columbia under the 12-year permit program established pursuant to this Part shall remain at all times within the discretion of the Board, and the Board at any time may refuse to issue a permit to control that level of production;
 - b. new permits will be issued annually beginning in March of each year;
 - c. the amount of production available to be issued under new permits in any one year, on a per period basis, shall be calculated as follows:
 - i. subtract from the total domestic allocation in kilograms from CFC to B.C. in the calendar year before the permit is to be issued the allocation to B.C. in the calendar year before that;¹
 - ii. if the remainder is positive, multiply that remainder by 4%. This becomes the total amount in kilograms live of new permit production to be issued in the current year;

¹ For example, for 2004, to determine the overall growth factor, subtract the live allocation 2002 from the live allocation in 2003 to arrive at a number in kilograms indicating how much the industry grew.

- iii. divide the total amount of kilograms live arrived at in (ii) by 6.5 to determine the level of permit to be issued in the current year on a per period basis;
 - iv. the Board will issue permit to approved and registered applicants on a "first come first serve" basis.
- d. applicants need not be fully qualified at the time of application. Registered applicants will be provided with a reasonable period of time in writing from the Board to obtain registered premises and meet all the requirements of a new permit holder. This period of time will coincide with the scheduled commencement of production. For greater clarity, prior to the commencement of production, registered applicants must meet all the requirements of the Orders including land ownership and a detailed business plan. The Board may refuse to issue a permit to Registered applicants that fail or are unable to meet the Orders requirements at the time of scheduled production;
- e. the Board reserves the right to issue, at its discretion, small amounts of permit which may exceed the 4% level to growers who have not registered as applicants, in amounts to a maximum of 50 birds per week per grower;
- f. if permits are not issued, on a per period basis, for the Maximum Amount in any one-year, then the difference between the Maximum amount and what is issued will not be carried forward.

Flowchart of Proposed Chicken Permit, new entrant program and existing permit conversion as pertaining to Allocation Process.

