



February 21, 2006

File: 44200-60/SPEC REV
44200-60/ORDERS

DELIVERED BY EMAIL

David Taylor
Chair
British Columbia Egg Marketing Board
150 – 32160 South Fraser Way
Abbotsford BC V2T 1W5

Dear Mr. Taylor:

**REVIEW OF SPECIALTY PRODUCTION AND NEW ENTRANT PROGRAMS –
IMPROVING ACCESS TO THE SUPPLY MANAGEMENT SYSTEM/QUOTA
TRANSFERS**

The British Columbia Farm Industry Review Board (FIRB) has completed an initial review of the specialty, new entrant and quota transfer-related amendments to the draft Standing Order of the British Columbia Egg Marketing Board (Egg Board). This initial review has raised questions to which FIRB would appreciate receiving answers, clarification or amendments to the draft Standing Order.

Please note a change in procedure from our review of the draft orders of the British Columbia Chicken Marketing Board and the British Columbia Broiler Hatching Egg Commission. FIRB provided its questions to those boards without publishing those questions on our website. This caused some confusion later in the process when interested persons attempted to identify the changes that had been made to the draft and revised draft orders posted on the FIRB website. As a result, future letters of this type to the boards will be published on our website alongside each board's draft orders.

1. Registration – FIRB would like to confirm its understanding that only registered producers vote: recorded producers do not vote. Personal exempt growers (<99 layers) and small lot producers (<399 layers) are recorded producers.
2. Specialty Eggs – Only certified organic eggs are classified as specialty. Please clarify how the Egg Board intends to classify free range and free run eggs and how it will

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convert Temporary Restricted Licence Quota (TRLQ) and special permittees currently operating under free range and free run permits.

3. Quota Classes – The Egg Board’s program sets certified organic producers in the specialty class, and puts all other producers of eggs, caged and non-caged, in the regular class. Please clarify what conditions would be necessary for the Egg Board to consider including some other “type” of eggs in the specialty quota class.
4. Market Needs – The draft changes rely on the concept of “market needs” in the administration of quota, new entrant, and permit conversion decision making. Please clarify the Egg Board’s definition of “market needs”, how those needs will be determined by the Egg Board and how they will be used in decision making.
5. Small Lot Program - The Egg Board has established a small lot program. The program provides for up to 399 layers for certified organic producers, the number of permittees is limited by a cap of 10,000 layers allocated to the program, permittees are not registered licensees and do not pay levies, permittees are ineligible for the new entrant programs, and permittees are prohibited from selling through a federally licensed grader (i.e., they must direct market). Please provide further information on the ineligibility of small lot producers who choose not to become organically certified, the waiting list procedures anticipated by the Egg Board, the basis for prohibiting shipment through legal operating channels, the rationale for making small lot permittees ineligible for the new entrant program, and the conditions that would give rise to an increase in the aggregate pool above 10,000 layers.
6. TRLQ and Permit Programs – The Egg Board intends to terminate the existing TRLQ and Special Permit programs. It has removed the TRLQ section, which includes the Market Responsive Allocation Pool (MRAP), from its Standing Order. Please advise as to the allocation of amounts currently in the MRAP and the Egg Board’s plans for the MRAP going forward.
7. Permit Conversion - The Egg Board intends to convert TRLQ and specialty permits to quota, regular or specialty, up to a maximum of 5,000 layers/permittee. Permittees will be authorized to grow from their December 2004 permitted layers to 5,000 layers based on “market needs.” Permit conversion to quota, specialty or regular, is subject to payment of any outstanding levy amounts owing. Some permittees were above the 5,000 maximum at December 2004 and will therefore be cutback upon conversion. It is the position of the Certified Organic Associations of BC (COABC) that certain producers, who were in production prior to December 2004 but were not permittees, should be treated as “de facto” permittees. Please clarify how the “market needs” criterion will be applied, the number of layers to be allocated to permittees with greater than 5,000 at December 2004, whether it is the Egg Board’s intention to issue regular quota to free range and free run permittees, the intention to collect outstanding industrial product levies and the plan to disburse quota purchase deposit fees. FIRB would also appreciate

receiving the Egg Board's response to the COABC request that certain non-permitted producers be treated as "de facto" permittees.

8. Production Switching – The draft appears to provide for switching from regular to specialty production upon determination by the Egg Board of shifts in market needs. It is less clear whether specialty can switch to regular based on changing market needs. FIRB seeks clarification concerning the conditions and terms under which quota can be switched from regular to specialty or from specialty to regular.
9. Quota Transfer – The draft changes provide that regular quota can be switched, under certain conditions, to specialty quota at the time of transfer. Please clarify the conditions which would give rise to a switch from regular to specialty quota, how the Quota Exchange is intended to operate, and if there are any conditions under which specialty quota could be switched to regular quota at the time of transfer.
10. Quota Assessment – The draft changes provide for a five percent assessment on all quota issued prior to September 2005, and a 10/10/10 assessment on quota issued after this date. Quota issued pursuant to permit conversion will be deemed to have an assessment start date of the permit issuance date. The Egg Board provides for certain exceptions from assessment, including what appears to be a "holiday" for the first transfer after allocation and the inclusion of siblings as exempt direct family transfers. FIRB requires clarification concerning the exemption from transfer for the first transfer after allocation and the Egg Board's response to the request from a permittee that, for all quota issued pursuant to permit conversion, the first issuance date should be deemed to be the assessment start date.
11. Levies – The draft changes are generally silent in terms of levies. Levies are referenced in regards to payment of outstanding levies on permit conversion and review by the Specialty Committee on request from the Egg Board for advice. FIRB requires clarification concerning the applicability of industrial product levies to both permit amounts owing and specialty quota production in the future, and the disbursement of "quota deposit fees" payable by permittees.
12. New Entrant Program - The Egg Board's new entrant program provides for regular and specialty new entrants, up to a maximum of two new entrants per year, a graduated quota incentive increasing from 1,000 layers in years one and two to 3,000 layers after five to seven years. Waiting lists will be established for both regular and specialty applicants, including placement by seniority of qualifying individuals from the existing waiting list and new applicants, and invitations will be offered based on "market needs." Please clarify how the Egg Board will use "market needs" to determine whether to offer zero, one or two invitations in any given year, the number of qualifying individuals on the existing waiting list, and the intended source of allocation for the quota incentives.
13. Specialty Committee - The Egg Board's Specialty Committee is well detailed and terms of reference are clearly outlined. The Committee will be comprised of three producers,

three grader/processors, an Egg Board member and an independent Chair. Producers will include specialty and regular quota holders and grader/processors will include at least one specialty grader. The terms of reference appear to provide that the Committee is restricted to addressing issues requested of it by the Egg Board. Please outline how Committee voting will be conducted and address the potential problem that five of the eight members of the Committee, a majority for voting purposes, could represent regular rather than specialty interests and the ability of the Committee to operate in a pro-active manner in developing recommendations to issues it believes should be addressed by the Egg Board.

If the Egg Board has any questions about this letter or the clarification that is being requested, please have your staff contact the FIRB office.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Richard Bullock', with a long horizontal flourish extending to the right.

Richard Bullock
Chair

pc: FIRB Website