

BCEMB SPECIALTY PROPOSED STANDING ORDER CHANGES

April 7, 2006

NOTE: Bolded areas in this document refer to proposed Standing Order changes made, since the BCEMB submission in December 2005, to reflect issues raised by FIRB's questions of February 21, 2006 as well as stakeholder submissions made to FIRB.

SECTION 1 DEFINITIONS

- (dd) "Registered Producer" means any person who owns, keeps or maintains layers in an area to which the Scheme relates and who is registered under the Scheme and holds quota.
- (hh) "Specialty Layer Quota" means the number of layers which may at any time be kept or maintained for the purposes of producing Specialty Eggs as determined or varied from time to time by resolution of the Board.
- (ii) "Specialty Egg" means organic egg and any other new innovative organic egg produced by holders of Specialty Layer Quota. To qualify as Specialty Eggs the following criteria must be met:
- (i) there must be third party certification ie - through the AFCQA and/or nationally or internationally recognized standards or other standard acceptable to **FIRB**.
 - (ii) there is identity preservation to the consumer through product labelling and marking of the unique farm based attributes.
 - (iii) there is extra farm based effort and investment to produce unique product attributes
 - (iv) BCEMB auditors must be able to verify each criteria through an audit process.
 - (v) Specialty eggs are to be 3rd party certified along the entire supply chain from farm to the retailer.
 - (vi) the certifying body will attest to the validity of the production, processing and marketing of the specialty product attributes.
 - (vii) loss of certification while in production may, subject to Board approval, result in the marketing of eggs as regular layer quota eggs for the life of that flock. (The Board expects that specialty producers will, in the event of losing certification for a flock, take all necessary steps to reestablish certification at the earliest possible date, and in any event, by the time the next flock is placed)
 - (viii) if a producer loses certification for two successive flocks the Board may, at its sole discretion revoke any new entrant specialty product quota held by that producer. **Revocation may result from loss of certification due to abuse of certification standards. Note: Temporary loss of certification due to uncontrollable circumstances such as having to use restricted remedies to protect the welfare of the flock (when no effective organic treatment exists) would not result in the revocation of specialty product quota.**
- (jj) "Regular Layer Quota" means quota used to produce any egg other than a "Specialty Egg".
- (kk) "Short Market Type" - means any type of egg other than white cage layer where the supply is short of the demand.
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SECTION 2 LICENSING & RECORDS OF EXEMPTION

- (i) Requirement to record all EPU's - every person who acquires an approved chick placement permit under SECTION 5(d) will be recorded.
- (j) Food safety and bio-security protocols - EPU's producing eggs for all egg markets and all producers are subject to government approved food safety and bio-security protocols.
- (k) Small Lot Authorizations - The Board has established a Small Lot Authorization program to a maximum of 10,000 layers. A person who wishes to keep or maintain more than ninety-nine (99) layers but three hundred and ninety-nine (399) layers or less, must apply annually to the Board to be exempt from: the requirement of obtaining a licence, registering as a Registered Producer and paying marketing licence fees **if they do not market their eggs through a Federally Registered grading station**. The following conditions apply:
 - (i) No person shall keep or maintain, in concert with another person or persons, such layers in facilities contiguous to or a part of each other, such that in aggregate, the number of layers kept or maintained, would if kept or maintained by one person in such facilities, require that person to obtain a licence and register as a Registered Producer.
 - (ii) No Registered Producer shall permit a person exempt from the requirement of obtaining a licence, to keep or maintain layers in the Egg Production Unit of or in facilities contiguous to or that ordinarily would constitute a part of the Egg Production Unit of the Registered Producer.
 - (iii) The producer is certified organic or certified organic heritage breed by an agency meeting the criteria contained in SECTION 7(p).
 - (iv) For certified organic heritage breed flocks the applicant must demonstrate that 99 birds is too few for the maintenance of a viable heritage flock.
 - (v) **If the producer direct markets their eggs ungraded at the farmgate the producer must be in compliance with the Agricultural Produce Grading Act, Shell Egg Grading Regulation. **Should a producer decide to market eggs as Canada Grade "A" organic the producer must also pay regular levies on product marketed through a registered grading station.****
 - (vi) **Small Lot Authorization producers are eligible for the New Entrant Programs if they wish to grow beyond the 399 layer level. In order to address future growth these producers, provided they are already certified organic, will be given priority as new entrants.**

If required, a waiting list system will be established for the Small Lot Authorization program.

SECTION 7 QUOTA SYSTEM

- (p) Temporary Restricted Licence Quota (TRLQ) - (remove section)
- (p) Specialty Layer Quota - The Board shall determine the number of layers which may be kept or maintained for the purposes of specialty egg production by each Registered Specialty Egg Producer at a particular time and the Board shall, subject to approval of the FIRB, issue and re-issue on a periodic basis a Specialty Layer Quota in such number of layers to each Registered Specialty Egg Producer. Designation of Specialty Layer Quota is to be based on clearly defined criteria:
 - (i) producers must be producing specialty eggs
 - (ii) there is certification by a qualified skilled and reputable 3rd party accreditation agency
 - (iii) certification standards must be based on approved legitimate 3rd party standards that have provincial, national or international approval.

- (iv) where standards outside the AFCQA are adopted, FIRB prior approval will be required before those standards are recognized
- (q) Increases in Quota - Any increase in the Provincial Allocation from CEMA is to be allocated between Quota holders based upon the needs of the Specialty and Regular markets on a prorata basis for each of the producers producing for those markets.
- (r) Changing Type of Production - It is a condition of the issue of Quota or Permit that a Registered Producer who wishes to change the type of egg he is producing, must apply in writing to the Board in advance of making a change and the change must respond to market demand and include support from the grader, in writing.

Provided there is exceptional circumstance subject to grader need and market demand, producers holding regular quota not issued from the Market Responsive Allocation Pool (MRAP) may be approved to switch to specialty (organic). Providing there is exceptional circumstances, subject to grader needs and market demands the Board may consider allowing regular quota holders, with non MRAP quota who have switched to organic to switch back to regular quota. For all quota allocations from the MRAP no production type switching is allowed prior to the first transfer – e.g. Organic quota which has been allocated must be sold as organic quota upon transfer. Once MRAP quota has been transferred the quota is then subject to the same switching conditions as regular quota. Note: the transfer must be to a third party i.e. not subject to exemption under SECTION 9(j)

- (s) Market Designation - All producers are directed to produce eggs for a particular sector of the egg market. Changes in market designation will be based on market needs and are subject to Board approval and having grader support.
- (t) New Entrant Layer Programs - Programs for New Entrants are established as follows:
 - (i) **The Board may establish a Market Responsive Allocation Pool (MRAP) of quota that is set aside to allow, subject to FIRB approval, existing TRLQ & Special Permit holders to increase to 5,000 layers if they so wish, and to facilitate the New Entrant programs and the growth of existing producers.**
 - (ii) Quota for the **MRAP** will be provided by transfer assessments and increases in national allocations from CEMA.
 - (iii) There must be an identified market need that is not currently being filled.
 - (iv) Eligible producers will be taken from the waiting lists established under Section 7(w)
 - (v) Invitations to acquire quota will be made on a seniority basis, subject to priority to meet unfilled specialty market demand.
 - (vi) The new entrant must provide a business plan to the Board and be in operation within one year of receiving the invitation to acquire quota.
 - (vii) Business plans must include the product to be produced, the market requirement as indicated by a grader agreement, and a demonstration of financial commitment.
 - (viii) If market conditions warrant it, and provided quota is available, each year the BCEMB will issue up to two New Entrants an amount of New Entrant Quota. Priority will be given to the New Entrant Specialty Layer Program including producers willing to produce new and innovative **organic** products. New Entrant quota will be issued on a graduated basis:
 - 0-2yrs - up to 1,000 layers
 - 3-5yrs - up to 1,000 additional layers
 - 6-7yrs - up to 1,000 additional layers
 - (ix) The New Entrant must be actively engaged in the business of farming and operate

independently including:

- having the birds housed on the New Entrant's own property
- personally keeping and maintaining the birds
- providing a Statutory Declaration that their business is not being financed by and the birds will not be kept or maintained by any person who holds or once held Supply Management quota

(u) New Entrant Regular Layer Program - A program for New Entrants wishing to produce for the non-organic egg market must meet the conditions in SECTION 7 (t).

(v) New Entrant Specialty Layer Program - A program for New Entrants wishing to produce for the specialty egg market, in addition to the conditions in SECTION 7 (t), must also meet the following conditions:

- (i) There must be an identified organic specialty market need that is not currently being filled.
- (ii) The producer must meet the criteria defined under SECTION 7(p).
- (iii) Eggs that are produced must be more than simply a change in feed or genetics where all other aspects of production remain unchanged to qualify for New Entrant Specialty Layer Program.
- (iv) A producer must be 3rd party certified. If a producer loses certification for two successive flocks, the Board may, at its sole discretion revoke that producer's New Entrant Specialty Layer Quota. **Revocation may result from loss of certification due to abuse of certification standards. Note: Temporary loss of certification due to uncontrollable circumstances such as having to use restricted remedies to protect the welfare of the flock (when no effective organic treatment exists) would not result in the revocation of specialty product quota.**

(w) New Entrant Waiting Lists - As part of the BCEMB programs for New Entrants a process to rank applications to be new entrants is established using the following criteria:

- (i) Lists will be managed by an independent third party.
- (ii) Applications to be a new entrant will require a \$250 non-refundable application fee.
- (iii) Lists will be for a calendar year with a \$100 renewal fee.
- (iv) There will be separate lists for Specialty and Regular New Entrant programs.
- (v) Persons currently on waiting lists, and who qualify under SECTION 7 (t,u or v), will be given the opportunity to convert to the applicable new list and retain their position.
- (vi) New additions to the list will be added in the order applications are received.
- (vii) Eligibility for new entrant status includes residency in BC, not having previously owned any type of Supply Management Quota and a commitment by the applicant to be actively involved in the farming operation.
- (viii) Under SECTION 9(s) TRLQ and Special Permit holders as at December 31, 2004 will be given the opportunity to increase to 5,000 layers. These producers will be given priority over the New Entrant waiting lists.

SECTION 9 QUOTA TRANSFER & RELOCATION OF EGG PRODUCTION UNIT

- (i) Partial Surrender on Transfer - For all new quota allocations after September 1, 2005, except as provided in SECTION 9 (j), the Board shall, for the first ten years, as a condition of approval of a first transfer after allocation, require the transferor to surrender to the Board the following per cent of the Quota applied for to be

transferred to the transferee. Until end of:

Year 1)	100%
Year 2)	90%
Year 3)	80%
Year 4)	70%
Year 5)	60%
Year 6)	50%
Year 7)	40%
Year 8)	30%
Year 9)	20%
Year10+)	10%

For all transfers after the first transfer after allocation, the surrender on transfer is five percent (5%). A condition of quota transfer is that any new quota allocated after September 1, 2005 held by the producer, is the first quota to be authorized for transfer by the Board ie. ahead of any purchased quota. For multiple allocations the concept “last in first out” applies.

For producers transferring quota allocated before September 1, 2005 the surrender on all transfers is five percent (5%)

- (j) Exemption from Surrender – SECTION 9 (i) shall not apply where the transferee is a direct family member defined as spouse, son, daughter, grandson, granddaughter, brother and sister. Exemption from surrender also applies for business reorganization where the ownership percentages do not change.
- (s) Permit Conversion - for producers holding TRLQ and Special Permits as of December 31, 2004 for the purposes of SECTION 9(i), the start date for the schedule will be the original TRLQ or Special Permit date for the base amount and the date of issuance for any subsequent issuances. Permit conversion will recognize the authorized bird numbers held in the twelve months ended December 31, 2004 and be subject to the payment of any outstanding levies due. Each TRLQ and Special Permit holder, not already at 5,000 layers, will be given the opportunity to increase to that level in response to market requirements.
- (t) Transfer Restriction - All quota is fully transferable **through a Provincial Quota Exchange to be eligible to transfer to a producer who intends to use the quota to produce a different type of egg, the quota must have been offered for transfer, within the short market types, on at least two Provincial Quota Exchanges where all or a portion of the quota did not sell. For all MRAP quota the first transfer must be within the product type for which the quota was allocated and no product type switching is allowed prior to the first transfer.** SECTION 7(r) requires that the Board must approve the type of egg to be produced by all transferees.

SECTION 16 QUALITY STANDARDS

- (a) Issuance of Standards - The Board may, from time to time, set quality standards and monitor the quality of the product and performance of the egg production unit.
- (i) **Food Safety:** It is recommended that producers follow the Start Clean Stay Clean HACCP-based On-Farm Food Safety Program for Shell Egg Production and Spent Hens in Canada by CEMA. The BCEMB requires that all producers who sell eggs to the public, whether through farm gate sales or a licensed grader, must comply with

approved government food safety protocols for the production and marketing of eggs.

- (ii) **Biosecurity:** It is recommended that producers follow the BC Poultry Industry Biosecurity Initiative by the BC Poultry Association. The Board requires that all producers manage their layer flocks in accordance with provincially or nationally approved Biosecurity Standards. All producers must be in compliance with such Biosecurity rules as may be developed from time to time.

REMOVE SECTION 20 - ELECTIONS OF MEMBERS

SECTION 20 (NEW) SPECIALTY COMMITTEE

(a) Specialty Committee

- (1) The Specialty Committee is established by direction of the FIRB September 1, 2005
- (2) Three producers of non-caged layer eggs will be appointed by the Board. At least one producer must be COABC certified and a maximum of one must be a Regular Quota holder.
- (3) The Board will appoint three "Egg Processors or graders", as defined in Sections 1(c) Breaker, (x) Producer-Grader, (y) Producer-Vendor and (cc) Registered Grading Station Operator, of the British Columbia Egg Marketing Board Standing Order and who process non-caged layer eggs. At least one of the appointees must be COABC certified.
- (4) "Further persons" to be appointed by the Board will include a BCEMB Board member and an independent Chair.
- (5) Except as provided in (a)13 and (a)14below, appointments to this committee will be for a three year term.
- (6) Appointees are not limited to a specific number of terms.
- (7) Each year of the term is the calendar year. The first calendar year is 2006.
- (8) An appointment may be revoked or rescinded by the Board in the event of an appointee's incapacity, conviction of a Criminal Code offence, non-compliance with the British Columbia Egg Marketing Scheme, 1967 or the British Columbia Egg Marketing Board Standing Order, bankruptcy, if membership in an industry sector ceases, or at the discretion of the Board.
- (9) An appointee's term ceases upon death or resignation.
- (10) An appointee's resignation from the Board and the Board's revocation or rescission with reasons to the appointee, must be in writing.
- (11) Where the term of a producer or processor/grader who is removed or resigns ends, the Board shall appoint a replacement for the remainder of the term from names of eligible producers and processors.

- (12) The Board's decision is final respecting the committee appointments.
- (13) All appointments shall be in writing and are at the pleasure of the Board.
- (14) Management may not be appointed to the Committee, nor chair its meetings.
- (15) The Committee shall designate a Vice-Chair from among appointees.

(b) Procedures

- (1) The committee shall meet annually at a minimum.
- (2) Meetings shall be conducted in accordance with Roberts Rules except where varied by this Section of the Standing Order.
- (3) Meetings shall be held at the Board offices and the Board will provide its Board room. Alternatively, teleconferencing may be utilized when appropriate.
- (4) Minutes of meetings shall be kept and approved by the Committee.
- (5) A quorum shall be five appointees and shall include the Chair or Vice-Chair, one producer, one processor/grader and two further persons. Voting shall be by simple majority.
- (6) Meetings shall be called at the request of the Board to consider an issue. Scheduling of the meetings is at the call of the Chair, or at the request of at least two appointees including at least one producer and one processor.

(c) Remuneration/Costs

- (1) The Board will provide its Board room.
- (2) The Board may at its discretion pay a per diem to Committee members.
- (3) The Board will pay out of pocket costs at rates provided for in the Board employee's union contract.

(d) Advice

The roles and responsibilities of the Specialty Committee are as follows:

- (1) Upon request by the Board, the Committee shall advise the Board and such advice shall be in writing with assenting and dissenting reasons.
- (2) The Board shall consider the Committee's advice.
- (3) Requests by the Board and initiatives by the Committee shall be in writing.
- (4) The Board may request advice on any matters relating to egg production and processing including:
 - making policy recommendations to the Board of Directors concerning non-cage layer markets and non-cage layer production.

- making recommendations to the Board in regard to non-cage layer egg supply, demand, pricing and levies
 - providing recommendations to the Board concerning periodic allocations from CEMA
 - providing recommendations regarding policies and procedures as related to the distribution of allocation among non-cage layer egg quota holders.
 - assessing whether new innovative products meet the criteria in order to be designated as a Specialty Egg
 - providing advice to the Board concerning when and where exemptions may be warranted.
 - providing advice in the development of on-farm food safety and biosecurity protocols appropriate for specialty producers in the context of SECTION 16
- (5) The Committee shall not be compelled to advise the Board on any matter.
- (6) The Committee shall not compel the Board to delay decisions pending advice.
- (7) The Board and members of the Committee function as integral components of an agricultural commodity industry with national, regional and provincial relationships. The Committee shall obtain sufficient information and explanations to ensure that its advice does not fetter the powers or rights of industry members; does not place industry members in positions of conflict; does not advantage industry members to the detriment of others; and does not interfere with industry members.