

QUOTA SYSTEM

- (a) Layer Quota - The Board shall determine the number of layers which may be kept or maintained for the purposes of egg production by each Registered Producer at a particular time and the Board shall issue and re-issue on a periodic basis a Layer Quota in such number of layers to each Registered Producer.
- (b) Federal and Provincial Quota - The Board shall, in addition, determine the Federal Quota and Provincial Quota of each Registered Producer.
- (c) Quantity of Federal Quota - The Federal Quota of a Registered Producer shall be a quantity of eggs equal to the Provincial Quota less a quantity equal to the quantity of eggs marketed by the Registered Producer in intra-provincial trade in the period.
- (d) Quantity of Provincial Quota - The Provincial Quota allotted to a Registered Producer for a period shall be a quantity of eggs not exceeding the number of eggs determined by applying a conversion factor determined by the Board to the number of layers authorized under the Layer Quota.
- (e) Permit Issue - The Board may issue a Registered Producer or person who files returns according to this order, and who complies with such orders and directions of the Board as are deemed by the Board appropriate, a Permit setting out the number of layers which at any time may be kept or maintained by him.
- (f) Quota Owned by the Board - Quotas and Permits remain at all times the property of the Board.
- (g) Quota Adjustment - The Board may, at any time, adjust the Quota or Permit of any Registered Producer or person on a basis which the Board deems appropriate.
- (h) Relation to Egg Production Unit - Quota or Permit held by a Registered Producer shall relate to an Egg Production Unit, and no eggs shall be produced or marketed pursuant to the Quota or Permit held or leased by a Registered Producer unless they are produced at the Egg Production Unit to which the Quota or Permit relates.
- (i) Change of Location - The location of the Egg Production Unit to which a Quota or Permit relates shall not be changed without the consent of the Board.
- (j) Ownership by Partners - If an Egg Production Unit is owned and operated by a bona fide partnership, the Board may issue a separate Quota or Permit to each partner in accordance with the shareholdings of each partner in the partnership, provided that the total of the Quotas or Quotas and Permits issued to the partners shall not exceed the sum of the Quota and Permit which would have been issued had the Egg Production Unit been operated by a single person or corporation.
- (k) Security Interest - The Board may acknowledge the security interest of a recognized financial institution as hereinafter defined, in a Quota, Permit or layers by a letter of acknowledgement in a form acceptable to the Board. Except for recognized financial institutions holding a letter of acknowledgement, no person, including a mortgagee, execution creditor, receiver, receiver-manager, or trustee in bankruptcy, claiming a security interest in Quota, Permit or layers shall be recognized by the Board as being entitled to any interest in such Quota, Permit or layers.

SECTION 7 (cont'd)

(k) Security Interest (cont'd)

A recognized financial institution is:

1. a bank or wholly owned subsidiary of a bank listed in Schedules I or II of the Bank Act, (Chapter 46 of the Consolidated Statutes of Canada),
2. a trust company having a branch office in British Columbia,
3. a credit union that is a member of Credit Union Central of British Columbia, or
4. the Business Development Bank of Canada, Farm Credit Corporation or any other Crown lender.

(l) Unutilized Quota - It is a condition of the issue of Quota that a Registered Producer who fails to keep or maintain the number of layers for which he holds a Quota for 180 consecutive days, the Quota may be cancelled pro tanto by the Board and the Board may reissue the cancelled portion. Where a producer has leased a portion of his Quota and following the expiry of the lease, the producer is unable to utilize the leased Quota within the conditions of SECTION 16(f), the Quota may be cancelled pro tanto by the Board and the Board may reissue the cancelled portion.

(m) Transfer or Issuance of Shares of Corporate Registered Producer - A transfer or other disposition of common shares of a Corporate Registered Producer including an assignment, transfer in trust or transfer by operation of law arising other than on the death of a shareholder, or the issuance of additional common shares of the Corporate Registered Producer, shall require to be consented to by the Board and the provisions of Section 9 shall, with any necessary modifications, apply to such a transfer or issuance. Where there is a transfer or issuance of common shares without the consent of the Board having been obtained, the Quota or Permit of the Registered Producer may be subject to suspension or cancellation by the Board. For the purposes of determining whether there is a contravention of the rules regarding Maximum Quota, the holders of common shares in a corporate registered producer will be considered to hold the quota of the corporate registered producer in proportion to their holdings of common shares in the corporate registered producer.

(n) Quota Credits - Quota credits enable producers to recover lost production during a later flock cycle. Participants must apply to the Board in advance, in writing, if the term to earn credits exceeds fourteen days and have the support of their grading station. Quota credits for terms less than fourteen days will automatically be credited to the registered producer.

No quota credits will be given for moulting.

Expiration and Transfer - Quota credits expire in five years. Quota credits are not tradeable. Movement within the same ownership is not considered trading.

Levy must be paid while earning quota credits but there is no levy increase when quota credits are utilized.

Applications to use quota credits must be for a minimum of 13 weeks and must be received as far in advance as possible, at least seven days prior to using the credits.

Upon application, producers will be guaranteed the ability to utilize quota credits up to a maximum of 3% of their quota at each flock placement. Anything in excess of the 3% will be allowed if projections indicate space will be available.

Short placements may be included as an event eligible for quota credits provided that:

- (i) quota credits cannot exceed a maximum of 10 per cent of the flock being replaced;
- (ii) quota credits are only earned until the egg production unit's next flock placement.

SECTION 7 (cont'd)

- (o) 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.
- (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 i.e. through the AFCQA and/or nationally or internationally recognized standards or other standard acceptable to FIRB.
- (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.

Subject to grader need and market demand, producers holding regular quota may be approved to switch to specialty (organic, free run and free range). Subject to grader needs and market demands the Board may consider allowing regular quota holders, with non MRAP quota who have switched to specialty production to switch back to regular quota, after three years. Any switching from regular production to specialty production will be done in consultation with the Specialty Committee. For all specialty quota allocations from the MRAP no production type switching is allowed between specialty and regular quota for the first ten (10) years of the quota issuance. Specialty quota which has been allocated must be transferred as specialty 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 use the 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.

SECTION 7 (cont'd)

- (ii) There must be an identified market need that is not currently being filled.
- (iii) Subject to Section 2(k)(vii), invitations to acquire quota will be by New Entrant Draw, subject to priority to meet unfilled specialty market demand with priority being given to New Entrants outside the Lower Mainland.
- (iv) The new entrant must provide a business plan to the Board, in a form acceptable to the Board, and be in operation within one year of receiving the invitation to acquire quota.
- (v) Business plans, in a form acceptable to the Board, must include the product to be produced, the market requirement as indicated by a grader agreement, and a demonstration of financial commitment.
- (vi) Each year the BCEMB will issue an amount of New Entrant Quota to a minimum of two New Entrants. Priority will be given to the New Entrant Specialty Layer Program including producers willing to produce new and innovative specialty 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
- (vii) 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 other person.
- (u) New Entrant Regular Layer Program - A program for New Entrants wishing to produce for the non-specialty egg market. Persons wishing to qualify for entry 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), the following conditions must also be met:
 - (i) There must be an identified specialty market need that is not currently being filled.
 - (ii) The producer must meet the criteria defined under SECTION 7(p).
 - (iii) A producer must be 3rd party certified. Revocation may result from loss of certification. If a producer loses certification, the Board may, at its sole discretion revoke that producers New Entrant Specialty Layer Quota. Note: Temporary loss of certification due to uncontrollable circumstances such as having to use restricted remedies to protect the welfare of an organic flock (when no effective organic treatment exists) would not result in the revocation of specialty product quota.

SECTION 7 (cont'd)

- (w) New Entrant Draw - As part of the BCEMB programs for New Entrants the Board will from time to time make available New Entrant Quota through a New Entrant Draw. The Draw will be operated with the following criteria:
- (1) Eligibility for new entrant status includes:
 - (i) residency in BC.
 - (ii) not having previously been a quota holder past or present, of supply managed quota, egg or any other type, and is not a spouse of quota holder, past or present.
 - (iii) a commitment by the applicant to be actively involved in the farming operation.
 - (2) The Draw will be operated by an independent third party.
 - (3) There will be a non-refundable fee to participate of \$250.
- (x) Quota Leasing - Quota or permit held by a Registered producer may be leased to another Registered Producer under the following conditions:
- (i) Other than for a quota lease resulting from a transfer of quota, quota leases must commence at the 19 week age of a flock and be for a minimum of a flock cycle.
 - (ii) Quota leased is attached to the lessee and must be recorded on the lessee's licence.
 - (iii) A BCEMB quota lease application form must be filed with the Board detailing the conditions of the lease agreement. Quota lease will only be approved if the lessee is in compliance with SECTION 16 (f).
 - (iv) Quota leases entered into in 2007 cannot exceed five years duration and Quota leases entered into in 2008 cannot exceed four years duration. After December 31, 2008, the maximum duration of a quota lease is three years.