Introduction

The Farm Industry Review Board’s Specialty Market and New Entrant Program Policy Supervisory Review in 2005 combined with the Ministry of Agriculture, Food and Fisheries’ 2004 Regulated Marketing Economic Policy had a profound effect on the production and marketing of eggs and egg products in British Columbia.

In striving to achieve the Vision of “A cohesive, profitable and growing egg industry that meets the needs of consumers while being socially and environmentally responsible,” the BC Egg Marketing Board (BCEMB) is undertaking a Core Review to ensure that the policies and directions of the past are in alignment with the new opportunities presented by a diverse market and challenges of the ever changing market demand for egg and egg products in British Columbia. The BCEMB vision includes the British Columbia egg industry continuing to anticipate change and be at the leading edge of transition to the new opportunities and challenges.

The BCEMB has nearly 10 years of experience with the policy directives coming out of the Specialty Review to assess the impacts and effects on the egg industry in British Columbia going forward and the ability of the industry to respond to change. The Specialty Review had contributed to the British Columbia egg industry leading the country in specialty market development and response. As part of its commitment to good governance practice, the BCEMB has initiated a stakeholder engagement process to seek the views of producers, processors and other stakeholders potentially impacted by policy changes under consideration by the BCEMB.

This Paper highlights

- The significant changes implemented by the BCEMB as a result of the Specialty Markets and New Entrant Program Policy directions;
- The opportunities and challenges that have arisen from the implementation of the Policy directions; and
- The policy areas anticipated where change is required to facilitate and respond to the continuing evolution of the BC egg industry to meet the diverse market demand of BC consumers.

This paper is intended to support the BCEMB’s consultation with egg producers, graders, processors and other stakeholders on proposed policy changes that will be submitted to FIRB on behalf of the egg industry in British Columbia. A detailed report reviewing the BCEMB actions against the FIRB directions is also available upon request.
Background on the Specialty Markets and New Entrant Program Review

Speciality markets for supply managed products were rapidly developing in the early 1990’s, with organic products being the most visible and easiest to recognize in the market place. Other specialty products with market demand included Asian chicken and Free Run/Free Range eggs. Production outside of the regulated marketing system to meet the demand was increasing and creating tension within the system.

In July 2004, the province through the Ministry of Agriculture, Food and Fisheries issued an eight point Regulated Marketing Economic Policy statement which included

- Supporting the development of new markets identified at the production, marketing and processing level to facilitate industry growth and development.
- Serving the developing demand for organic food and other products differentiated at the farm level.
- Facilitating the entry of new producers to sustain and renew regulated industries in new and existing markets.

Following the release of the Ministry’s Economic Policy Statement, the Ministry engaged the services of George Leroux in the fall of 2004 to develop recommendations to better integrate specialty production in the supply managed sectors in BC. The report, Managing Specialty Products in BC’s Supply Management System recommended a policy framework to accommodate specialty production and marketing in the supply management system. The policy framework consisting of 19 policy principles was endorsed by FIRB and the Minister in January 2005.

The supply managed boards were required to file submissions to FIRB on how they would accommodate specialty production and new markets in accordance with the policy framework. The 19 policy principles of the framework formed the basis of the analysis of the submissions and policy directions issued by FIRB in September 2005 at the completion of their supervisory review. The Specialty Review resulted in 26 statements of direction to the BCEMB.

Changes Implemented

The BCEMB has addressed all 26 statements of direction. Some key areas of change include:

- Developing a voluntary registration system for all egg producers, including small unlicensed production units
- Establishing a separate class of quota for specialty production
  - Organic
  - Free range/Free run based on having in place third party certification
- Conversion of TRLQ and some Specialty Permits to specialty quota
- Introducing quota transfer and transfer assessment policies
• Establishing a New Producer Program
• Establishing Egg Industry Advisory and Specialty Egg Advisory Committees
• Establishing mandatory requirements for food safety and biosecurity applicable to all classes of egg production

Results Achieved

Overall the implementation of the Specialty Review directions has achieved its primary objective, integration of specialty production into the regulated marketing system. Positive results are highlighted below:

• Specialty production has grown from 9.2% of total production in 2007 to 15.1% today and continues to grow.
• British Columbia continues to be very close to Ontario for the largest provincial share of national specialty egg sales.
• TRLQ and Specialty Permit conversion to quota achieved within available quota allocation.
  o The Small Lot Program and Market Responsive Pool have resulted in 54 new entrants to the regulated egg industry since 2000.
• A sustainable new entrant program established with quota allocation
  o A total of 10 successful new entrants granted restricted quota in 2009 and 2011 through a lottery process from over 350 applications.
• A quota exchange and quota transfer assessment policies established.
• Banked levies for future purchase of quota were returned to permit holders.

Moving Forward – Strategic Focus

The BCEMB operates within the mandate provided by under the British Columbia Egg Marketing Scheme and the Natural Products Marketing Act. Its stated mission is to “collaborate with Egg Farmers of Canada to grow our markets through:

• Development of strong producer programs aimed at meeting the needs of consumers.
• Working with BC producers to rigorously comply with the programs.
• Respecting our social licence and continually raising the bar on health, safety and sustainability issues.”

The goals of the BCEMB are

• Commitment to supporting BC egg producers in supplying safe, nutritious and high quality eggs to BC consumers at prices that are fair to both parties.
• Encourage innovation in production and marketing of eggs and fulfil board responsibilities utilizing good governance practice.
Good Governance Principles

In 2011, the FIRB initiated a principles-based, outcomes-oriented approach to regulation and governance of the regulated sectors. The approach introduced the SAFETI (Strategic, Accountable, Fair, Effective, Transparent and Inclusive) principles in addition to administrative fairness and sound marketing policy to the decision making process of marketing boards. The principles are intended to preserve social licence and ensure that marketing boards take into full consideration and balance the public interest with the needs of the industry.

Opportunities

British Columbia continues to lead the country in developing and responding to the broad range of consumer preference for eggs and remains the only province to have specialty quota designation. This preference is not limited to table eggs, but also to industrial eggs for a wide-range of products. There is a continued trend by consumers to “Buy BC”.

British Columbia’s population continues to grow and is a dynamic market expecting a broad range of product choice. Choice is not limited to product type or size, but also on how eggs are produced.

Challenges

Transition is an ongoing process as is changing consumer preference. Continued transition in anticipation of market demand will keep the British Columbia egg industry in the lead in realizing the opportunities.

The province receives a finite amount of quota through a national allocation process. The BCEMB determines and administers the process by which that provincial allocation is distributed among BC egg producers. The Board also establishes the rules under which quota is allocated and transferred among producers. Concerns within the industry persist over the lack of transparency, fairness and equity. The limited amount of new quota allocation is generally insufficient to enable the industry to respond quickly to changing market demands. The BCEMB must find the right balance to manage and accommodate, conventional and specialty market demands.

Changing public perceptions regarding egg production, in particular animal welfare considerations, will require capital investment by producers. These changing perceptions and market responses need specialized real time market data and trend analysis. Currently, data sources do not have the sophistication or breadth of data capture to provide the right information in a timely manner upon which to base decisions.
The safety of the egg supply system continues to be compromised by the entry of ungraded eggs into the market. The lack of a comprehensive register of egg producers and the lack of identity preservation systems hamper the ability to provide full confidence to the consumer of the safety of our provincial egg supply.

The Specialty Review provided direction regarding quota transfer and quota transfer assessment with the intent of minimizing the speculative purchase of quota and the need to ensure that licenced quota holders are actively engaged in the production of eggs. The directions have created unintended consequences that have resulted in less, not more transparent transfer of quota between willing sellers and interested buyers.

**Rationale for changes in Policy Direction**

The opportunities and challenges facing the egg industry in British Columbia have required the BCEMB to assess the policy direction provided by the Specialty Marketing and New Entrant Program Review. To meet the emerging and changing demands of the market place for specialty products, animal care considerations and food safety and traceability assurances, the Board has assessed current policies and identified areas directly related to the Specialty Review, along with other legislative amendments to be considered for change. The options that have been developed for consideration are intended to enable the BCEMB to continue to respond positively to changes in the market for eggs in British Columbia consistent with its Vision.

**Future Policy Directions Under Consideration**

The BCEMB is seeking feedback on the future policy directions that are being considered for change. For each of the policy directions, a defined problem related to achievement of the desired outcome provides the starting point for the policy discussion. A range of options have been identified as well to facilitate discussion. The BCEMB is seeking the following feedback on each of the policy areas:

- Relative importance of the problem/issue
- Implications of the problem from the perspective of
  - Producers
  - Industry
  - Consumers
- Possible actions to address/remedy the problem/issue.
**Transfer Assessment**

**The Problem** – Outdated policy directives that attempt to balance the inherent conflict between objectives to minimize the speculative use of quota with facilitating liquidity of quota to enable reinvestment, retooling, succession management and intergenerational transfer.

**Desired Outcome** – The BCEMB having in place the right set of policies that enhance liquidity of quota that enable it to serve the market demand for eggs and egg products in British Columbia while minimizing the speculative use of quota.

**Options to Consider**

1. Retain the current transfer assessment policies – A 5% assessment for quota issued prior to September 1, 2005 and a 10/10/10 assessment policy for quota issued after September 1, 2005 (i.e. 100% assessment if quota was sold in year 1 declining by 10% each year to 0% assessment after 10 years).
2. Replace the 10/10/10 assessment policy with a more aggressive declining scale, i.e. 20/6/0 whereby the producer would earn 20% of the quota issued each year and not be subject to repatriation of quota issued after September 1, 2005 after 6 years of production.
3. Retain the last in, first out (LIFO) quota transfer policies – LIFO requires producers wishing to sell quota to utilize the last quota issued first. Thus, if a producer received a quota allocation post-September 1, 2005 and wanted to sell quota, they would not be able to sell their pre-September 1, 2005 quota that would only be subject to the 5% assessment. For example, post-September 2005 quota was issued in November 2009. If a producer who held both pre- and post-September 2005 quota wanted to liquidate quota for purposes of financing the retooling operations for new hen housing, they would have to sell the post-September 2005 quota first and be subject to a 60% assessment of the quota sold (4 years * 10%/year quota retention = 40% retained and 60% assessed).
4. Eliminate the LIFO quota transfer policies – Using the example in Option 3, the producer wishing to liquidate could sell pre-September 2005 quota and only be subject to a 5% transfer assessment instead of a 60% assessment.
5. Implement a first in, first out (FIFO) transfer policy that allows producers to sell owned quota acquired prior to September 2, 2005 without assessment – Using the example in Option 3, the producer wishing to liquidate could sell pre-September 2005 quota and have no assessment.

**Governance**

**The Problem** – The Speciality Egg Advisory Committee and Egg Industry Advisory Committees have served their intended purpose and current market demand requires a different model for providing advice to the BCEMB.
**Desired Outcome** – The BCEMB having the ability to have timely advice on changing markets to be able to better respond to market demand.

**Options to Consider**

1. **Withdraw the Egg Industry Advisory Committee (EIAC) from the Scheme** – The EIAC is mandated under the *British Columbia Egg Marketing Scheme* and would require an amendment to the *Scheme*.
2. **Eliminate the Specialty Market Advisory Committee (SMAC)** – The creation of the SMAC was directed by the Specialty Review and would require an approval by FIRB to change in policy directive.
3. **Modify the mandates and compositions of the EIAC and the SMAC** – This option would retain both committees and require a refresh of mandates and composition as well as amendment to the *Scheme* and approval by FIRB.
4. **Rely on good governance and application of the SAFETI principles** to ensure that all stakeholders have been meaningfully engaged on decisions affecting the regulated egg sector – This is a less formal option but provides greater scope and breadth for input and advice to the Board.

**Registration**

**The Problem** – The current system does not result in all egg production being registered with the BCEMB resulting in the safety and security of the BC egg industry being compromised and undermining British Columbia’s position at the national table.

**Desired Outcome** – The BCEMB securing a fair share of national egg allocation for British Columbia; making rational allocation decisions; and responding to food safety and disease emergencies with a full and complete registry of egg farms.

**Options to Consider**

1. **Voluntary registration** – Continuation of the current practice requiring hatchery declarations for small unlicensed egg production units.
2. **Information exchange between government and industry systems** – The Ministry of Agriculture has established a voluntary premises identification system that links livestock and poultry to their geographic locations for planning and managing emergencies. There is currently no linkage between the BCEMB and Ministry systems.
3. **Mandatory traceability requirements** – The provincial policy position is one that supports voluntary traceability requirements for the livestock and poultry industry in British Columbia. This option would result in legislation similar to other provinces to make traceability mandatory.
4. **Comprehensive traceability system for eggs** – This option would see the BCEMB taking the lead in working with graders to establish a mandatory tracking and tracing system for the regulated egg sector to enable consumers to better identify the source of eggs available in British Columbia.
5. Public awareness campaigns – This option would focus on the BCEMB working with the Province to develop a comprehensive public awareness campaign designed to address public health risk associated with the consumption of non-graded eggs.

**Food Safety**

**The Problem** – The BCEMB authority is limited in addressing the potential health risks posed by ungraded eggs continuing to enter the food system due to the multiple authorities currently in place to regulate grading stations.

**Desired Outcome** – The BCEMB having the systems and authorities in place to isolate ungraded eggs in the food system and thereby improving safety and security of the food system in British Columbia.

**Options to Consider**

1. Increase the enforcement provisions of the current *Shell Egg Grading Regulation* – This would require the Province to increase inspection for compliance and enforcement of the existing provisions of the *Shell Egg Grading Regulation* that would limit individuals to sell ungraded eggs at the farm gate.
2. Work with the regulatory bodies to consolidate the multiple authorities for licencing grading stations – Currently a grading station can receive a licence through the Canadian Food Inspection Agency, the BC Ministry of Agriculture or the BCEMB. This option would look to consolidate the existing requirements under a single authority.
3. Establish a comprehensive traceability system for the regulated sector to identify eggs having been through a registered grading plant.
4. Explore and examine alternate means to reduce the presence and negative health effects of ungraded eggs in the food chain – This would entail awareness and education campaigns sponsored by the industry and government.

**Enforcement and Compliance**

**The Problem** – The Minister of Agriculture has not promulgated an ‘administrative penalties’ regulation under the *Natural Products Marketing Act* and as such limits the ability of the BCEMB to effect control over food safety issues such as management of ungraded eggs.

**Desired Outcome** – The BCEMB having a full set of administrative tools in which to effect greater food safety in the supply of BC eggs and egg products.

**Options to Consider**

1. Maintain status quo – This option would rely on the existing authorities of the BCEMB to suspend or cancel a license for failure to comply with the terms and conditions of license.
2. Promulgate an ‘administrative penalties regulation under section 22 (3) (g) of the Natural Products Marketing Act – this option would enable the BCEMB to implement fines for non-compliance in addition to the authority to suspend or cancel a licence.

3. Implement mandatory traceability for graded eggs – This option is focused on dealing with the specific issue of controlling ungraded eggs in the market.

4. Consolidate multiple authorities for egg grading stations – This option is also focused on dealing with the specific issue of controlling ungraded eggs in the market.

Feedback

Stakeholder feedback is an important component of the policy review process. The BCEMB would like to hear from you and in particular, your comments on:

- The proposed policy options for consideration
  - Do you agree that the five policy areas described in the previous section are the right ones to address the future supply and demand of specialty and innovative egg and egg products in BC?
  - Do you concur with the problems and desired outcomes identified? Are there other problems or desired outcomes that you think should be considered?
  - Are there additional options that should be considered?

- Other policy and regulatory considerations
  - Are there other specific problems or issues that you can identify relating to specialty production and markets that the BCEMB should consider?
  - Are there other specific problems or issues that you can identify relating to the New Producer Program that the BCEMB should consider?
  - For any additional problems identified, what options or actions would you propose for consideration?
  - Are there other specific outcomes relating to specialty market and production that you feel the current policy direction is not achieving?
  - Are there other specific outcomes relating to the New Producer Program that you feel the current policy
More Information

The following links provide additional information on the Specialty Review:

- BC Farm Industry Review Board – Specialty Review General
  - [http://www.firb.gov.bc.ca/specialty_review.htm](http://www.firb.gov.bc.ca/specialty_review.htm)
- Regulated Marketing Economic Policy, Ministry of Agriculture, Food and Fisheries, July 26, 2004
- Recommendations for Managing Specialty Agri-Food Products in B.C.’s Supply Managed System, G. Leroux, December 20, 2004
  - [http://www.firb.gov.bc.ca/reports/sup_decisions/leroux_sp_prod_rep_dec_04.pdf](http://www.firb.gov.bc.ca/reports/sup_decisions/leroux_sp_prod_rep_dec_04.pdf)
- Specialty Market and New Entrant Submissions – Policy, Analysis, Principles and Directions, BC Farm Industry Review Board, September 1, 2005
  - [http://www.firb.gov.bc.ca/reports/specialty_reports/sept1_05_directions.pdf](http://www.firb.gov.bc.ca/reports/specialty_reports/sept1_05_directions.pdf)
- 2009/10 Enhancing Markets Review – Update on Process