

Review of EFO's New Entrant Quota Loan Pool and Proposal for Discussion About Evolution for the Future

Background

The New Entrant Quota Loan Pool (NEQLP) was introduced in 2011 to address concerns and perceptions about barriers to entry into egg farming in Ontario.

The approach available at that time for acquiring quota was based on private sales. A significant part of the concern about barriers for new entrants was based on the lack of accessibility and transparency to people from outside the business. Private contacts with industry stakeholders were the primary way to access quotas and this did not provide accessibility or transparency.

The way quota was acquired by egg farmers changed dramatically with the introduction of the Quota Transfer System (QTS) in 2014. Quota leasing also changed conditions during this period.

The introduction of the NEQLP included a commitment to review the program after five years of operation. As a result, a complete review of the process was undertaken during 2016.

Review of the program

The program was based on an application process by individuals meeting basic qualification criteria and providing a detailed application and business plan. The successful applicant(s) were chosen annually by a selection committee that operated at arms-length from EFO.

Actions to review the program were initiated in 2015 and there was a hiatus on applications for 2016 while the review was underway. Staff undertook an analysis of the trends related to all new entrants into the industry since the program began in 2011.

Input from egg farmers into the review was gathered in a number of ways. The new entrant program was the subject of a round table feedback session for all attendees at the November 2015 Egg and Pullet Farmers' Workshop. There was also a New Entrant Program consultation in 2016 conducted online which drew input from 79 egg farmers and an additional five respondents submitting in writing.

All of this background was used in discussions at EFO Production Management Committee meetings in February, March, May and October 2016.

The environment for new entrants during 2011 to 2015

The program operated in two distinct policy environments during the period: 2011-13 based on private quota sales and; 2014 and after based on quota sales over the QTS.

The program was designed under the conditions of private quota sales and functioned largely as expected during 2011-2013.

There were several policy changes in the 2014-15 period for both quota transfers and in the operation of leases for layers.

The QTS performed as expected for all farmers in terms of accessibility and transparency. It did, however, reduce the predictability of timing of quota purchases connected with the quota purchased in the 1:2 ratio required under the program.

The uncertainty the 2014-15 new entrants faced with this change was addressed by a policy change allowing the loaned quota to be available in advance of quota purchased under the program.

During that period there was also the introduction of hens available through the quota leasing pool, increases to the number of birds in the pool and, most recently, policy changes that provide stability and predictability of the number of birds available for lease to each egg farm.

The changes in the policy environment of the QTS and leased birds had the overall impact of bringing in more new entrants, lowering any entry barriers and lowering the cost per bird of entry.

A new entrant opting for an initial quota purchase of 1,800 birds, for example, could also then access a guaranteed 1,800 birds from the quota leasing pool providing an attractive aggregate per bird quota/lease cost of about \$151 per bird.

During the period since the introduction of the QTS in 2014 there were 15 new entrants. Four of these were entrants selected under NEQLP and 11 were new entrants attracted without program assistance.

The review of new entrant numbers, policy developments and feedback from the consultation process all supported the conclusion that the factors and pressures that led to the NEQLP have been removed or overcome.

Evolving an approach to encourage new entrants for 2017 and beyond

The extensive review of the program and consultation with egg farmers led EFO's Production Management Committee to recommend the evolution of a new approach of encouraging new entrants focused on supporting the business information and business connection needs of new entrants and not an application/selection process involving granting quota allocations. The

Board accepted the committee recommendation and initiated development of a proposal for further discussion with farmers.

Creating a successful environment for entrants without favouring a small number of entrants by granting quota allocations in any evolution of the program was supported strongly by egg farmers throughout the consultation process. It would also remove the administrative burden of managing the application process and the third-party efforts needed to support the arms-length selection committee.

The review and consultation identified a number key elements that should be included in such a program to encourage new entrants as it evolves for 2017. These include providing potential new entrants with a resource package identifying and outlining the roles, responsibilities and contact information for all stakeholders in the sector.

Another advantage of the new approach would be that it can equally address attracting new entrants in pullet farming.

Another element supporting success for new entrants can be access to experienced farmers as mentors. An evolved new entrant program should feature development of a strong network of potential mentors on a Zone or regional basis and training and support for the effort.

Individuals and businesses are in a stronger position to succeed when they have a strong network of people or a strong support team in place. An evolved approach such as this could be called the New Entrant Support Team (NEST) and would work to ensure a positive environment to continue to encourage new entrants into egg and pullet farming in Ontario.

Proposal for discussion at 2016 Egg and Pullet Farmer Workshop

Based on the review of the five years of operation of the NEQLP, it is recommended that EFO develop a next generation approach for encouraging new entrants called the New Entrant Support Team (NEST) focused on supporting the business information and business connection needs of potential new entrants.

The quota access and transparency provided by the QTS and the stability and predictability provided by the layer leasing pool mean the needs of new entrants are now focused on accessing excellent egg and pullet business information, business connections and the strong support network that exists in the sector.

Elements of the information and support team concept to support this approach would include a resource package identifying and outlining the roles, responsibilities and contact information for all stakeholders in the sector.

This could include:

- An introductory information package for potential new entrants with an overview of the sector's participants and their roles.
- An explanation of Ontario's fair farm pricing system and the policy and administrative role of EFO.
- A list of sector stakeholders including hatcheries, graders, feed companies, pullet suppliers, etc.
- An overview of the steps in a typical new entrant's business planning process.
- A copy of Egg Farmers of Ontario Policies, Programs and Procedures.
- A copy of Egg Farmers of Ontario Regulations.
- A copy of EFO Program Applications and Forms.
- An overview of the Quota Transfer System.
- Information about current egg prices.
- An overview of the role of New Entrant Support Team mentors.
- A contact list of current EFO Zone Directors.
- A new entrant orientation session.
- This information would be maintained on EFO's website and available in hard copy.

The goal of this approach is to build and improve on the success of the previous new entrant program and continue to ensure a positive environment to continue to encourage new entrants into egg and pullet farming in Ontario.