



*Egg & Pullet Farmers' Workshop
November 27 & 28, 2019
Marriott Toronto Airport Hotel, Grand Ballroom*

Simplifying Our Quota System: Farmer Consultation and Review of Policies and Programs Roundtable Discussion

Background

Egg Farmers of Ontario (EFO) decided at its September 6, 2019 Board meeting to conduct an extensive consultation with its farmers during 2019 and 2020 to support a comprehensive review of all policies and programs.

The review is to pursue the broadly-based requests received during 2019 farmer consultations asking for simplified policies that will also continue the effectiveness of the quota and allocation systems that manage the egg and pullet supply. The feedback from farmers provided during the Strategic Planning meetings have been a starting point for these consultations going forward.

Objective of the Review

The overall policy outcome requested by farmers and endorsed by EFO's Board in principle is to develop simplified policies. The concepts under discussion would move towards developing an easy to understand methodology to arrive at your annual flock placement numbers. This type of approach would aim to reduce the complexity and management burden for farmers and staff created by the existing "quota plus programs" approach that has developed over time to deal with previous market conditions. At this time there is no Board intention to fundamentally change the use of Quota Transfer System (QTS) as the method to buy and sell quota.

Issues to be included in the review

Moving to a simplified system will require consideration of a number of questions and decisions to be made about how to fairly convert some or all program birds into production quota. **Note that the total number of birds placed in Ontario layer and pullet barns would not change materially under a new simplified approach. This is a discussion about simplifying the system - not about changing bird numbers.**

This needs to be done while maintaining or improving the functioning of the current allocation system and to ensure the Board follows proper financial governance to fund the activities of EFO and required contribution to Egg Farmers of Canada (EFC). Over the last few years, EFC service fees on new national allocations (production quota) have ranged from \$2.25 to \$5.05 per bird per year for five years to help fund the Industrial Products Program.

The mix of issues in these discussions will include: existing producer quotas; the *Layer Leasing Program*; the *Market Growth Allowance*, the functioning of the QTS; distribution of future quota allocations; how to deal with market declines if any; decisions about how and whether to manage new entrant rates; considerations about viability and sustainability of smaller quota holders; and any other issues raised during the consultation and policy discussion.

Layer Leasing Pool

Discussions to date have been around the principle of ending the layer leasing pool and converting the production it represents into quota. If this is supported, decisions need to be made about the bird number to be converted, timing, allocation decisions and what funding model(s) are used to support payments such as the EFC service fees. There are also issues that need further discussion connected to the Board considering developing other potential goals related to new entrant/small quota holder viability.

Market Growth Allowance

Board and Committee discussions to date have been around ending the Market Growth Allowance and converting the production it represents into quota. Discussions about fairness have centered on converting it on percentage of quota owned basis (pro-rata), in addition, decisions on funding models and timing of potential changes need to be made.

QTS effectiveness issues

The success of a simplified quota system in effectively managing supplies will continue to require effective allocation and redistribution mechanisms. The Board is supportive of the continued use of QTS as the fair and accessible way to sell and buy quota.

Discussions could include the review of all administrative issues relating to the QTS including: frequency, minimum number of buy and sell participants, minimum buy and sell volumes, the impact of the availability of information to farmers about ongoing exchanges and any other ways to improve the operational integrity of the fair operation of the QTS.

Distribution of future quota allocations and dealing with any market reductions

Recent new quota allocations have been given to farmers on the basis of 30% per registered premises and 70% pro-rata.

Discussions could include a number of questions such as: Is this allocation approach the optimal solution for the Board's policy objectives? How should quota reductions be applied if they occur?

Any portion of allocations sold over the QTS would improve both the allocative functioning of the system and the effectiveness of the QTS. This could also improve the fairness of allocation distributions by reducing the value of distributions that is capitalized by farmers exiting the business.

Considerations about viability and sustainability of smaller quota holders

Discussions to date have included questions about ensuring current farmers can reasonably attain viable quota levels. There needs to be more discussion about defining a sustainable number of birds and what options and timelines for pursuing/phasing in any objectives set by the Board.

New entrants in the future

Discussions about the future could include a number of questions such as: Will a new entrant policy need to be developed in the future? Some provinces select from applicants or hold lotteries. Are any optics of a closed shop a concern?

Timing considerations

All potential changes considered in this review will need to be considered for any timing implications.

Roundtable questions

Roundtable questions are attached.

Simplifying Our Quota System - Roundtable Questions

1. Are you supportive of converting the layer leasing program and market growth allowance into production quota?

2. What other approaches to simplifying the quota system should the Board consider in converting these programs, method of conversion, timing and other considerations?

3. In the last five (5) years, 68 new farmers or 16% of Ontario quota holders are new to the layer industry. Today there are 83 farmers with one registered premise having less than 5,000 production quota (PQ) units or an average of 2,342 PQ per registered premises. Discussions could include a number of questions such as: Is there a desired minimum level of production quota for farmers that would be in the long term best interest of the industry? What might that minimum level be and what are farmers' thoughts on how this could be achieved?

4. The Board at this time will continue to use the current Quota Transfer System (QTS) as the tool to sell and buy quota. The Board is interested in your ideas on how to improve the effectiveness of the QTS including the allocation and redistribution of existing quota and future National Allocations.

5. There is a current temporary suspension on new entrants participating in the QTS. Will the ideas generated today fix the viability and sustainability of future new entrants or do you suggest other mechanisms to manage the rate of new entrants?

Other comments:
