

Dear Producers,

The following is an updated document outlining the proposal presented at the June 8, 2016 meeting. This document incorporates the feedback provided by producers both at the meeting on June 8th and through written submissions to the Board Office. The Board appreciates the thoughtful suggestions and feedback provided by producers and looks forward to discussing and gaining further feedback from you at the Fall Regional Meetings.

Responsive Reforms for Optimizing Quota Utilization
Proposal for Consultation with Producers and Industry Stakeholders

Issues

- Through feedback provided in meeting evaluation forms, at producer meetings, and through direct conversation, some producers have asked the Board to look into possible implications associated with 100% leasing, including the following issues:
- Not all quota holders are actively involved in the production of chicken (i.e. production facilities, broiler operations)
- 100% leasing-out of quota is inconsistent with the purpose and intent of quota, as contained in Alberta Chicken Producers' Marketing Regulation AR 3/2000
- Negative optics for Supply Management
- Quota holders leasing-out 100% of quota have the same voting rights and privileges (i.e. access to ACP's programs) as other producers

Current Reality

- Alberta Chicken Producers Marketing Regulation provides for 100% leasing of quota; it also includes a maximum amount of quota that may be owned by an individual or corporation and there is no minimum quota threshold
- 3 producers hold less than 10 units of quota
- Approximately 420,000 units of quota are 100% leased-out by approximately 33 producers (June 2015 snapshot in time)
- Leasing-in is a viable tool for producers and New Entrants: ACP had 13 new producers enter the industry in 2014 and 19 in 2015; ACP's producers represent a young demographic relative to other commodities
- All authorized producers who own or lease-in quota are eligible to vote; processors are not eligible to vote (ACP Plan Regulation AR 70/93)

Quota Ownership Principles

- All producers are actively involved in the production of chicken
- Producers are treated fairly
- Quota *"means the privilege granted by the Board to a producer to produce and market chicken"* (Alberta Chicken Producers Plan Regulation AR70/93)
- Keep the Regulation and Policy Simple

Intent of Leasing Policy

- *"A management tool for producers to maximize use of facilities and to respond to production issues, ensuring quota is fully utilized"* (ACP's Current Leasing of Quota Policy); and
- An opportunity for new producers to enter the industry.

General Policy Principles

- Producers are treated fairly
- Simple to administer, monitor, and enforce
- Drives behaviour of accountability: to consistently produce the quota he/she/the corporation owns

Proposed Direction – Refined Based on Feedback from Producers

The verbal and written feedback provided by producers has been reviewed and considered by the Board. 136 producers and 9 industry / government representatives attended the Special Meeting on June 8, 2016, and many written submissions were received by the Board Office between May and July 2016. Based on the feedback received, it seems generally acknowledged that the overall concept of this proposal is the right direction.

The following refined proposal seeks to incorporate the feedback from producers and uphold the principles for quota ownership and leasing identified on page 2. The general concept of the proposal is outlined below, and the detailed elements follow on pages 4 and 5. Also enclosed for your review is a draft of the Leasing of Quota Policy amended to reflect these proposed changes.

Proposed Approach: Amend Leasing of Quota Provisions in Regulation

Implement a % of Quota Permitted to Be Leased Out

- Remove ability for 100% leasing-out from section 33(1) of Marketing Regulation
- Replace Section 33(1) with language that enables the Board to establish, through Board Order or Directive, a) an allowable % of quota permitted to be leased out, and b) a list of exceptions
- Amend Leasing of Quota Policy (refer to enclosed policy)
- Leasing-in remains an option for authorized producers
- The Board would monitor the impact of the implementation of this Policy on the availability of lease and assess whether new programs or policies are required

Assessment of the Proposed Approach:

The Approach Aligns With The Guiding Principles For Quota Ownership & Leasing:

- Meets the Quota Ownership, Leasing and General Policy Principles
- Ensures producers are actively engaged in the production of their quota each period
- Inherently allocates growth to active producers;
- Leasing remains a tool for maximizing use of facilities and managing production issues

Other Considerations:

- Leasing-in is an effective tool for some new producers to enter the industry. As such, the Board has determined to monitor the impact of changes to 100% Leasing-out on the availability of lease and, if warranted, consideration may be given to program(s) or policy(ies) in the future, which could include a new entrant leasing pool
 - Alberta Chicken Producers has a history of responding to market and production needs: *i.e. implementation of the Organic Lease Program, Direct Marketing Lease Program and Specialty Production Program*
 - If a “New Entrant” type of program were to be pursued in the future, it should not be implemented solely to follow-suit with other boards and must not be a “hand-out”
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Proposed Elements of the Regulation and Policy:

1. % of Quota Permitted to be Leased-out each Period:

The Board is proposing that the % of quota permitted to be leased-out each period be 50%. Leases of 50% or more will not be approved, subject to the provisions below.

The majority of feedback from producers supported a 50% threshold. A % versus a volume limit ensures fairness for all producers.

2. Exceptions: cases in which 50-100% leasing-out would be permitted:

- Producers Entering and Exiting the Industry (3.b.i. and 3.b.ii on page 5);
- Relatives / Succession: leasing of quota from one relative to another.
Definition of Relative:
“includes and is limited to a spouse or common-law partner, birth or adopted child(ren) and their spouses, and grandchild(ren);”
- Force majeure: Acts of God including natural disasters and death;
- Emergency;
- Suspension of a license under the On-Farm Food Safety Assurance Program or Animal Care Program;
- Major barn renovation: Special request for an exception must be submitted to the Board Office in writing and accompanied by an NRCB permit. Exceptions that are approved are put into effect for a limited timeframe, not to exceed six cycles.

The Board considered all feedback from producers and determined that expanding the definition of family to grandchildren will ensure the policy encompasses all immediate relatives and remains simple and fair to administer. Producers always have the option to enter into direct agreements with extended family members or non-familial successors to accommodate their business needs.

3. Transition Strategies:

a. Transition Period for Current Quota Holders During Initial Implementation:

Based on feedback from producers, the Board is proposing a transition period of 10 years (520 weeks) for current “inactive” producers to either commence production or sell their quota. A Producer who leases out more than 50% of his / her / the corporation’s quota prior to June 11, 2017, will be permitted to lease-out up to 100% of his / her / the corporation’s quota for the limited time period of 520 weeks.

Considerations Made In Determining The Transition:

- The potential quantity of units in transition based on 2015 numbers is 420,000 units; these units are currently held by 33 producers that would not be eligible for the exceptions noted above. Currently, between 150,000 – 250,000 units of quota trade annually
- The intent is to provide current “inactive” quota holders with time to plan and avoid a forced sale. A longer timeframe may help the transition.
- The Board prefers to provide sufficient time so as to avoid grandfathering, which creates too many grey areas and different classes of producers.
- The Board will be monitoring the impact of the changes and, if warranted, consideration may be given to program(s) or policy(ies) in the future, which could include a new entrant leasing pool

A 10 year timeframe is based on producers’ feedback as reviewed and discussed by the Board.

b. Ongoing Transition Timeframe for Producers Entering and Exiting the Industry After Policy Implementation:

i. Entering industry:

Based on feedback from producers, the Board is proposing a transition timeframe of 3 years (152 weeks) from the date of purchase of the producer's first quota unit for the producer to grow the quota in registered production facilities.

Rationale: aligns with the 3 year time limit on NRCB permits.

ii. Exiting industry:

Based on feedback from producers, the Board is proposing a transition periods of 5 years (256 weeks) from the last date of the producer's last production cycle.

A 5 year timeframe is based on the feedback from producers that was reviewed and discussed by the Board.

Please refer to the enclosed draft Leasing of Quota Policy, which contains the details as to how these exceptions would be administered.

Next Steps In Consultation Process:

1. Present to Producers at Fall Regional Meetings and Seek Feedback Through Evaluation Forms: November 2016
2. Circulate Updated Documentation to Producers: early February 2017
3. Bring Proposal to Vote: February 28, 2017 AGM
4. File Regulation amendments with Marketing Council: March 2017
5. Target Implementation: Effective June 11, 2017 to coincide with expiry of current Regulation and start of Period A-144.