



QUOTA TOOLS ASSESSMENT REVIEW (QTAR) AMENDED SUBMISSION

BCTMB

October 10, 2017

Proposal

The BCTMB requests that the FIRB consider the following changes to the original QTAR document submitted in July 2017.

The proposed changes to the document are found in the original “Policy Recommendations and Proposed Changes to the Order and Regulations” section of the submission starting on page 9 of the document:

The BCTMB recommends:

- **The rescinding of the following sections of the proposal:**

- g) *Allow whole farm transfer (Land, Property and Quota) to occur without assessment in order to maintain efficiency on the farm. Acquiring a farm with only 95% of its existing production levels mean that land, overhead cost and indirect cost for the farm have now increased by 5%. This has a detrimental impact to farm efficiency when operating under supply management which has a finite amount of production.*
- h) *Exempt assessments on the first 20,000 kgs of Quota transferred within a Quota year for Commercial Growers. This will encourage liquidity and allow small transfers to NEs, potential new farm shareholders and others without negatively impacting the existing operation.*
- i) *Introduce a declining Quota Transfer assessment on commercial quota. The assessment level would start at 5% for the first 100,000 kgs of quota transferred above the exemption described in bullet g) above. The next 100,000 kgs would be assessed at 4% and then would go down by 1% for every 100,000 kgs transferred. As a result, the maximum assessment any grower can experience in a quota year is 15,000 kgs. The maximum would be reached if the grower transfers 520,000 kgs or more.*

If this transfer assessment methodology had been in place in 2008 when the Board changed from a deemed assessment to 5% direct assessment, the Board would have collected 101,633 kgs of quota for the NE program as opposed to the 138,210 kgs that were collected using the 5% assessment method. A net difference of 36,567 kgs. As can be seen in Appendix E, the Board currently has 51,921 kgs in its assessment pool. As a result, if the Board had adopted the proposed assessment methodology in 2008 when it switched over to the direct assessment, there would have been no negative impact on the number of invitation the Board could have offered to NEs and there would still be a surplus in the assessment pool.

This change in methodology would improve liquidity and this can actually positively impact the amount of assessment collected.

We also expect more small transfers (less than 20,000 kgs) will occur which will help NEs and also help with non-family succession planning.

Please note that the Board is proposing to fund any shortfalls in funding the NE program through general allocation as can be seen in section 5 l) below.

- j) *The transfer assessment amount would be determined on a Quota Year to date basis as opposed to every transaction. This will prevent growers from making many small transfers without assessment.*

- **And a modification to the following section:**

- m) The Board will ensure that 17,500 kgs of NE Quota and 17,500 kgs of marketing Quota will be available on any given year. **The Board will make this Quota available from general allocation and 10/10/10 assessments on New Entrant Quota transfers.**

Rational

During the deliberation process neither the Board nor any stakeholders suggested this possible avenue of funding the New Entrant program. This idea arose after the original document was submitted to the FIRB.

This revised proposal is basically a deemed assessment system similar to that of the BC Chicken Marketing Board but different in that the Board would guarantee new entry quota would be available every year, regardless of transfers.

In other words, the deemed assessment would apply to all growers in the industry on a yearly basis.

If the turkey allocation in the Province were to remain the same as it is now, in years when the Board will receive 17,500 kgs of marketing Quota requests, as outlined in section k) of the original submission, the deemed assessment would equate to an assessment of 0.15% for all growers and in years when there would be no marketing quota requests, the assessment would equate to a 0.075% assessment on all growers in the Province. As a result, the yearly assessment would be somewhere between 0.075% and 0.15% every year.

The advantages to this proposal are as follows:

- This assessment model requires no tracking by the Board office.
- It will improve liquidity because growers will no longer be concerned about losing 5% of the quota upon every transfer.
- Quota prices should decrease because the prices have been set over the last 10 years based on the original amount of quota being transferred.

This proposal also maintains the intent and benefits of section h) of the original proposal. As a result of the new proposal, small transfers will also be carried out without any assessments.

Please note that the current 30/20/10 assessment on commercial Quota transfers would still remain in effect. This is an assessment that has been in place in the turkey industry for many years and is designed to prevent speculation or Quota flipping.

This new proposal in the Board's opinion also meets the SAFETI criteria and the criteria set forth in the original QTAR guidelines.

At the time of the original submission, the Board had 47 Commercial and 22 New Entrant Growers. The Board believes that inviting one new grower per year regardless of transfers remains a significant and substantial commitment to the New Entrant program.

The Board reviewed this proposed change with the Directors of the BCTA on October 10th, 2017. The Association Directors unanimously supported the revised proposal as presented. The Board will forward a copy of this proposal to all turkey farmers when it will be submitted to FIRB on the 10th.

Conclusion

The proposed changes outlined above would create a simpler and less cumbersome way of funding the BC Turkey New Entrant Program, while at the same time, preserving the goals and objectives of the FIRB and the 2005 Specialty Review.

The proposal will increase liquidity, reduce quota prices while at the same time ensuring the New Entrant program is adequately funded.

We recommend that this proposal and all the other recommendations in the original document take effect on the date the QTAR results will be released to the public.

We hope that you will give serious consideration to our proposed modification and please feel free to contact us if you require further information.