

Backgrounder: A Synopsis of the Current System

Introduction and Context

The supply management system for chicken in Ontario is administered by Chicken Farmers of Ontario (CFO). CFO is a supply management system and business conduct regulator which has been delegated the authority to create, regulate, administer, monitor for compliance and enforce rules and standards regarding the production and orderly marketing of chicken within Ontario. Stakeholders include hatcheries, primary processors, further processors, retail and grocery organizations and the consumer. Regulatory oversight of CFO is provided by The Ontario Farm Products Marketing Commission and the Ontario Minister of Agriculture, Food and Rural Affairs.

CFO is also part of the national supply managed system for chicken as administered by Chicken Farmers of Canada (CFC). CFO exercises various legal and regulatory powers provided to it by CFC which enables the Ontario chicken system to complement and coordinate with the national system

The Ontario chicken system deals with farmer-member allotments and distribution of supplies to processors. The system is fundamental in regulating the production (a finite quantity of chicken that farmer-members are allotted by CFO to grow and sell) and the orderly purchase from Ontario farmer-members by primary processors licenced by CFO.

Various systems have been used over the years in Ontario. Most previous systems had been developed in collaboration with primary processors, including the current system which was developed in collaboration with Quebec stakeholders as well.

These systems have dealt with increasing levels of allocation. In A-109 (January 2012), 66.6 million live kgs were allocated to Ontario. In A-129 (February 2015), the highest level ever of 72.3 million live kgs have been allocated to Ontario.

Highlights of the current system include:

- growth being distributed “pro-rata” (based on a share of production or share of processing);
- rules that permit both a farmer-member or primary processor to initiate a change in their relationship (Form 201);
- farmer-members know that if they produce chicken, that all of the chicken grown will be purchased and processed;
- primary processors are assured a supply equal to at least 98.5% of their contracting supply (via a reassignment process).

Farmer-Member Allotment

The current allotment part of the system starts with a portion of the CFC domestic supply being allocated to Ontario. It involves dedicating some of this supply to the Ontario New Chicken Farmers Entrant Policy (please see CFO web-site for information on this Policy) and remaining available chicken supply is allotted to those farmer-members growing chicken in the respective quota period.

The available chicken supply, which includes growth, is allotted to each farmer-member on a pro rata basis (a production share or percentage of total basic quota).

Each farmer-member is obligated to deliver all chicken produced under quota to the processor with whom a marketing agreement (purchase and sale) has been made.

Primary Processors Supply

When the CFC domestic supply is allocated to Ontario, some is used for the Self-Marketing Policy (please see CFO web-site for information on this Policy) and for new entrant processors (please see new entrant processors provisions under the Determination and Distribution of Supply Policy).

Primary processors (a slaughter house holding a Class A licence issued by CFO) are distributed supply on a pro rata basis (a supply share or percentage of the available chicken supply).

As well, a number of smaller primary processors are provided a preferential share of the first 12.5% of any growth in the CFC allocation to Ontario, with the remaining 87.5% of the growth then being distributed pro rata to all primary processors.

This contracting amount is determined every quota period and primary processors are obligated to contract 100% of this amount. However, contracting “sleeves” that provide latitude to primary processors during contracting may enable a primary processor to contract up to 101.5 % of its allocation in some instances.

Objectives for Growth

The consultations on the current system as well as any future system to allot and distribute future growth will be focused on how Ontario can help:

- Evolve the allocation systems (producer and processor) to improve the flexibility and responsiveness in capitalizing on growth opportunities in the chicken market place;
- Create value by serving the needs of growing and emerging markets;
- Encourage innovation, new business-building ideas;
- Serve the needs of existing markets taking into consideration their size, importance and historical investment;
- Develop a system that is predictable and stable which aligns the interests of key stakeholders in the chicken industry, and;
- Encourage quality, efficiency and value creation.