

Chicken Farmers of Ontario
Ontario Chicken Innovation and
Growth Policy
No. 237-2018

Made under the *Farm Products Marketing Act*

Effective March 7, 2018

Section 1.0 – Purpose and Intent

- 1.01 The Board provides for the distribution of supplies of chicken to processors primarily in accordance with its Determination and Distribution of Supply to Processors Policy (the “DDSP Policy”). The DDSP Policy also provides for the identification and distribution of supplies from allocation growth to various growth programs established by the Board. The Ontario Chicken Innovation and Growth Program (the “OCIG Program”), is a program designed to recognize innovation and to provide a supply of chicken for it within the supply management system administered by the Board.
- 1.02 The Board intends to administer the OCIG Program in a manner that is consistent with the Board’s goal of satisfying the marketplace with an appropriate and sustainable supply of safe, high quality chicken while maximizing efficiency for the industry value chain by encouraging profitable growth for all industry value chain stakeholders, enabling marketplace competition and differential growth opportunities for primary processors and promoting healthy competition.
- 1.03 The Board also intends to administer the OCIG Program with the objective of stimulating a significant and sustained increase in chicken consumption to the benefit of the Ontario chicken industry.

Section 2.0 – Interpretation

- 2.01 In this Policy:
- a) “*association*” means a relationship between an organization and a person based on employment or the provision of services for remuneration, or ownership, or through a representative capacity as an officer, director, advisor or agent;
 - b) “*confidential*” means the maintenance of information in a manner so that access to the information is limited to persons authorized to use the information strictly in the course of their employment with the Board or the delivery of services to the Board and so that reasonable precautions are taken to prevent any unauthorized use, disclosure, publication, or dissemination of the information;
 - c) “*consumer-facing value proposition*” means an identifiable feature of an Innovation which differentiates the Innovation from other products and which was emphasized to the consumer when the Innovation was marketed;

- d) “*Identity Holder*” means the party to whom the Board has associated a Supply;
- e) “*Identity Preserved Processing Rights*” means an authorization provided to a primary processor to receive and process a quantity of live chicken that corresponds to a Supply;
- f) “*Independent Advisory Committee*” means an independent committee composed of a chair and three subject matter experts who are responsible for evaluating applications to the OCIG Program in accordance with established criteria and a scoring system and who will make recommendations to the Board;
- g) “*information*” means any information, technical data or know-how, including research, products, services, customers, markets, software, developments, inventions, discoveries, processes, methods, designs, drawings, engineering, marketing, finances, business opportunities, current business or marketing plans, personnel, customer lists or financial information, delivered orally or in writing or electronic form, pertaining to an Innovation;
- h) “*Innovation*” means a product that is the first of its kind to the Canadian market, has introduced one or more consumer-facing value propositions previously not available in Canada, and which has met the OCIG Program’s minimum eligibility criteria;
- i) “*marketing agreements*” means agreements providing for the purchase and sale of live chicken made between farmer-members and a primary processor on Form 101 and approved by the Board;
- j) “*Marketing Plan*” means the intended and anticipated approach to commercializing and selling an Innovation, including product position, target markets, relative price points, promotion plan and competing products;
- k) “*OCIG Program*” means the Ontario Chicken Innovation and Growth Program established by the Board to provide supplies of chicken for Innovation;
- l) “*primary processor*” means a person who slaughters chicken, is licenced by CFO and is in compliance as a registered establishment under the Meat Inspection Act (Canada) and applicable regulations, or as a plant under the Food Safety and Quality Act (Ontario) and applicable regulations;
- m) “*Program Administrator*” means the person or organization appointed by the Board for the purpose of administering the process by which an application to the OCIG Program is made and delivered to the Independent Advisory Committee for consideration;
- n) “*Program Applicant*” means a person or organization that submits an application to the OCIG Program;
- o) “*Review Committee*” means a committee appointed by the Board to annually review the OCIG Program;
- p) “*stakeholder*” means a primary processor, further processor or value chain participant in the Ontario chicken industry;

- q) “Supply” means an amount of chicken that an Identity Holder is authorized to acquire in a quota period through marketing agreements made on Form 101 between a primary processor with Identity Preserved Processing Rights and farmer-members.

2.02 Other words and phrases used in this policy shall have the same meaning as found in the “Words and Meanings Regulation”.

Section 3.0 – Program Fundamentals

3.01 For each year, the Board will,

- a) determine the total amount of supply available for the OCIG Program;
- b) establish timelines and other critical dates relevant to the operation of the OCIG Program; and
- c) appoint an OCIG Program Administrator, who may be appointed for successive terms.

3.02 The Board may run more than one iteration of the OCIG Program in a calendar year. For each iteration of the OCIG Program, the Board will establish an Independent Advisory Committee, whose members may be appointed for successive terms.

3.03 The Board will appoint a Review Committee which shall annually review the operations of the OCIG Program and which make recommendations to the Board regarding design and process performance.

3.04 All aspects of the OCIG Program, including the administrative activities of the Program Administrator, the activities of the Independent Advisory Committee and all matters leading up to decisions by the Board regarding applications, shall be conducted on a confidential basis respecting all OCIG Program applicants and all proposed or potential Innovations and information, and the Board will take such reasonable actions as it considers appropriate, including requiring persons to complete agreements that ensure that confidentiality is maintained.

3.05 The Program Administrator and members of the Independent Advisory Committee shall be persons who have no previous association with the Board or the Association of Ontario Chicken Processors or an individual primary processor, unless such association has been disclosed in full prior to the Program Administrator or a member of the Independent Advisory Committee’s appointment and found acceptable by the Board, when viewed in the context of the purpose and intent of the OCIG Program.

3.06 When the Independent Advisory Committee reaches agreement on any applicant that it recommends as an Innovation, the Chair of the Independent Advisory Committee and the President and Chief Executive Officer of Chicken Farmers of Ontario shall jointly deliver the recommendation of the Independent Advisory Committee to the Board.

3.07 It is the responsibility of the President and Chief Executive Officer to ensure that the recommendation does not inadvertently disclose confidential information and in that regard the President and Chief Executive Officer may redact a recommendation for such purpose.

- 3.08 When considering the recommendation of the Independent Advisory Committee, the Board will exercise its own discretion. In instances where the Board's decision may differ from the recommendation of the Independent Advisory Committee, the Board will provide the Independent Advisory Committee and affected Program Applicants with reasons for its decision.
- 3.09 The Board will consider the report from the Review Committee and may implement any recommended changes to the design and process of the OCIG Program on such basis as it may deem appropriate.

Section 4.0 – Applications

- 4.01 A person seeking to obtain a Supply of chicken in order to support an Innovation shall submit an application digitally to the Program Administrator, which application shall include the following:
- a) description of the Innovation;
 - b) past and forecasted sales data;
 - c) market research; and
 - d) the Marketing Plan.
- 4.02 The application process will include submission of an undertaking and acknowledgement by each Program Applicant agreeing that, as a term of participation in the OCIG Program, they will accept as final the decision of the Board in all cases where the Board's decision has been to accept the recommendation of the Independent Advisory Committee regarding an application.
- 4.03 There shall be no restriction on the number of applicants that may apply to the OCIG Program and, subject to paragraph 4.05, applications may include associations of two or more stakeholders. A Program Applicant may not submit the same Innovation more than once to a single iteration of the OCIG Program.
- 4.04 The Board will establish the timing of each iteration.
- 4.05 In cases where more than one stakeholder is identified, the application should indicate the relationship between the applicants.
- 4.06 Every application must include a primary processor as one of the stakeholders.
- 4.07 The Program Administrator shall assess all applications made to the Program Administrator to ensure that they meet minimum eligibility criteria as follows:
- a) the Innovation must be the first of its kind to the Canadian market;
 - b) the Innovation must incorporate one or more consumer-facing value propositions previously not available in Canada;
 - c) the Innovation has been piloted or launched in Canada and has been done so before the application deadline date for no more than a period of time prescribed by the Board;
 - d) Innovations related to limited-time offers are not eligible;

- e) actual sales data is available and provided for a minimum of 6 months;
 - f) the Innovation will use only chicken that has been grown and fully processed in Ontario;
 - g) the Innovation should not compromise the sustainability of Canadian or Ontario chicken, or cause any reputational damage to the chicken sector or Chicken Farmers of Ontario;
 - h) all applications must include a primary processor as either the applicant or a co-applicant;
 - i) applicant(s) must have reviewed Board policies and regulations and be willing to comply by them.
- 4.08 There shall be no limit to the number of applications that a Program Applicant can make to the OCIG Program, subject to paragraph 4.03, and if an application is not successful in an iteration, it may be resubmitted in a subsequent iteration.
- 4.09 The Program Administrator shall keep copies of all applications and related documentation that it receives for a period of six (6) years from the date of receipt.
- 4.10 Complete applications that meet minimum eligibility criteria will be provided by the Program Administrator to the Independent Advisory Committee, and will be evaluated by the Independent Advisory Committee.
- 4.11 When in receipt of a complete application, the Independent Advisory Committee will evaluate such application on a preliminary basis in order to determine whether the proposed Innovation is not detrimental to the sustainability of chicken and does not cause any potential reputational damage to the Ontario or Canadian chicken industry, or to chicken as a meat protein, or to farmer-members.
- 4.12 The Independent Advisory Committee will also evaluate all applications in accordance with the following criteria, using quantitative and qualitative measures, and will score each application on the basis of:
- a) the extent and significance of historical sales;
 - b) projected future sales;
 - c) quality of the Innovation; and
 - d) creation of economic value for the Ontario chicken industry value chain.
- 4.13 The Board will determine the weight to be placed by the Advisory Committee on each criterion described in paragraph 4.12 on a numerical basis, and will provide such information in advance of an iteration of the Program.
- 4.14 Prior to the conclusion of an iteration of the Independent Advisory Committee, the Chair of the Independent Advisory Committee will submit a written report to the Program Administrator summarizing the activities of that Independent Advisory Committee including the number of applications received, the scores obtained by each application and the number of Innovations, if any, in relation to which the Independent Advisory Committee made recommendations to the Board.

- 4.15 It is a condition of approval of any application by the Board that the Identity Holder remains actively involved in the implementation and marketing of the Innovation.
- 4.16 Where there is more than one stakeholder to an application, the co-applicants will recommend which party is to be considered as the Identity Holder from among them on the application form.

Section 5.0 – Supply

- 5.01 The Identity Holder will be designated by the Board, taking into account various factors such as whether or not the Innovation is branded, brand ownership, and which party to the application made the greatest contribution towards creating relevant differentiating features of the Innovation.
- 5.02 Any Supply associated to an Identity Holder shall not be tradable, transferable, rentable or pledged as security for indebtedness.
- 5.03 The character and identity of Supply associated to an Identity Holder will be maintained by the Board on a discrete basis and will not merge at any time with any other source of chicken that may be held or received by the Identity Holder pursuant to other Board policies or regulations.
- 5.04 Where an Identity Holder is not a primary processor, then the specific primary processor who was part of the application made by the Identity Holder will be provided with Identity Preserved Processing Rights equivalent to the amount of Supply associated by the Board with the Identity Holder.
- 5.05 Identity Preserved Processing Rights do not independently exist and are not severable from a Supply but instead exist to enable an Identity Holder to arrange for the use of the Supply associated with the Identity Holder.
- 5.06 When a Supply is increased, decreased or extinguished, the corresponding Identity Preserved Processing Rights, if any, will be increased, decreased or extinguished in the same manner.
- 5.07 The character and identity of Identity Preserved Processing Rights provided to a primary processor will be maintained by the Board on a discrete basis and will not merge at any time with any other source of chicken that may be held or received by the primary processor pursuant to other Board policies or regulations.
- 5.08 The amount of Supply associated to each Identity Holder will be determined in advance of each quota period by the Board, in a manner consistent with the recommendation of the Independent Advisory Committee that the Board has accepted. If the specific primary processor is not able to process all of the Supply in a quota period, the shortfall will be extinguished and may not be carried forward for use in subsequent quota periods.
- 5.09 Prior to the end of the first year of being associated with a Supply, and annually thereafter, every Identity Holder wishing to continue to receive that Supply will be required to submit an application for renewal to the Program Administrator that demonstrates that the Innovation is being marketed in accordance with the commitments made by the Identity Holder when it was originally approved,

- 5.10 The Board may approve the renewal, subject to paragraph 7.01.
- 5.11 The Identity Holder will be eligible to apply to the Independent Advisory Committee through the Program Administrator for an increase in the Supply associated with it in the first and in the second year following approval of its original application, subject to availability of the total amount of supply as determined by the Board. Thereafter, the Supply associated in year three will be the maximum of the amount associated with the Identity Holder in any subsequent year.
- 5.12 In instances where the Identity Holder is not a primary processor, the primary processor to which the Board has provided Identity Preserved Processing Rights may be substituted. However, in such instance, the Identity Holder must submit to the Board for approval an application to change the primary processor, with appropriate supporting rationale for such change.

Section 6.0 – Reporting, Disclosure and Verification

- 6.01 The association of Supply with an Identity Holder under the OCIG Program will be done deliberately for the purpose of supporting the Innovation. The continued authorization to receive a Supply will be directly related to such purpose. Accordingly, every Identity Holder will be required to make periodic reports to the Board in a form and frequency as may be determined respecting utilization of the Supply and which may include verifiable information concerning the following:
- a) the amount of Supply being contracted under the OCIG Program in each allocation period;
 - b) the identity of and marketing particulars of farmer-members that have been contracted to grow the approved Supply through the CFO contracting process;
 - c) marketing particulars of the Innovation including volumes, quantities, frequency and destination;
 - d) verification of the eviscerated volumes of chicken marketed in each allocation period;
 - e) verification that Supply associated with an Identity Holder pursuant to the OCIG Program is reaching the intended specific consumer market, and is addressing the identified unmet need of such market, in accordance with the Marketing Plan;
 - f) any or all components of the Marketing Plan.
- 6.02 Identity Holders will be subject to audits as the Board deems necessary in order for the Board to obtain assurances that information and the reports of such Identity Holders are accurate and complete.
- 6.03 Failure or refusal by an Identity Holder to file or produce reports or other relevant information when requested or required to do so will be considered a contravention within the meaning of paragraph 7.01.

Section 7.0 – Cancellation of Supply

- 7.01 In the event that an Identity Holder has contravened the requirements of the OCIG Program or has substantially altered its operation from the manner described in its Marketing Plan, then the Board may:
- require the Identity Holder to attend before the Board for a review;
 - require the Identity Holder to provide additional information as may be appropriate;
 - require the Identity Holder to submit a revised Marketing Plan;
 - suspend or cancel participation of the Identity Holder in the OCIG Program;
 - suspend or cancel the Supply associated with the Identity Holder pursuant to the OCIG Program in the crop quota period immediately following such event.
- 7.02 In the event that a trustee, receiver, receiver/manager or a person acting in a similar capacity is appointed with respect to the property, business or assets of the Identity Holder, the Supply associated with the Identity Holder pursuant to the OCIG Program will be cancelled by the Board in the crop quota period immediately following such event.
- 7.03 In the event the lease or any of the Identity Holder's property, business or assets or any part thereof, are taken under a writ of execution and such writ is not stayed or vacated within 15 days after the date of such taking, the Supply associated with the Identity Holder pursuant to the OCIG Program will be cancelled by the Board in the crop quota period immediately following the terminal event.
- 7.04 In the event that an Identity Holder becomes bankrupt or insolvent or takes the benefit of any statute for bankrupt or insolvent debtors or makes a proposal, an assignment or arrangement with its creditors, or any steps are taken or proceedings commenced by any person for the dissolution, winding-up or other termination of the Identity Holder's existence or the liquidation of its assets, the Supply associated with the Identity Holder pursuant to the OCIG Program will be cancelled by the Board in the crop quota period immediately following such terminal event.
- 7.05 In the event that a mortgagee, a landlord of the Identity Holder, or any other person or entity takes possession of the property, business or assets of the Identity Holder, or takes any steps to repossess or sell the property, business or assets of the Identity Holder, the Supply associated with the Identity Holder pursuant to the OCIG Program will be cancelled by the Board in the crop quota period immediately following such terminal event.
- 7.06 In the event an Identity Holder sells or agrees to sell its property, business or assets, the Supply associated with the Identity Holder pursuant to the OCIG Program will be cancelled by the Board in the crop quota period of allotment immediately following the sale.
- 7.07 All of the paragraphs of this section 7.0 shall equally apply to a primary processor that has been provided with Identity Preserved Processing Rights, and in such instance the primary processor will be deemed to be an Identity Holder and the Identity Preserved Processing Rights will be deemed to be a Supply.

Section 8.0 – Program Administrator

- 8.01 The Board will annually retain a Program Administrator that is an independent person or organization that will operate at arm’s length from the Board to administer the application submission process and support the Independent Advisory Committee recommendation processes.

Section 9.0 – Independent Advisory Committee

- 9.01 The Board will annually appoint members to an Independent Advisory Committee. The Independent Advisory Committee shall consist of a Chair and three members. A lawyer shall be the Chair of the Independent Advisory Committee. The Chair will exercise no vote in relation to the operation of the Independent Advisory Committee, other than to resolving conflicts. The other members of the Independent Advisory Committee shall each have one vote and will have subject-matter expertise in relation to industry, business development and consumer experience as appropriate to enable them to properly evaluate applications based on the criteria and to provide recommendations to the Board in that regard.
- 9.02 In the event that a voting member of the Independent Advisory Committee resigns or recuses him or herself or is otherwise unable to participate in some or all of an iteration of the Independent Advisory Committee, then the Independent Advisory Committee may consist of the Chair and the remaining two voting members and the Independent Advisory Committee will be validly constituted and may complete that iteration accordingly.

Section 10.0 – Review Committee

- 10.01 The members of the Review Committee shall be appointed on an annual basis and may consist of members of the Board, employees of CFO and industry stakeholders. The mandate of the Review Committee is to review the design and process of the OCIG Program and provide reports, commentary and recommendations as appropriate to the Board for subsequent iterations of the OCIG Program.

Section 11.0 – Service Charges

- 11.01 The Board may from time to time fix and impose service charges in relation to all or part of the operation of the OCIG Program and may require persons participating in the OCIG Program to pay such service charges.

Section 12.0 – Orders and Directions

- 12.01 The Board may on occasion deem it appropriate to make certain specific orders and directions in relation to and as an adjunct of this Policy for the purpose of furthering the intended effect of its application.

Section 13.0 – Effect of Termination of the Program

13.01 If the Board determines to discontinue the OCIG Program, then the OCIG Program will cease on the 31st day of December in the year in which the Board has decided to discontinue it; provided that the terms and conditions of the OCIG Program will continue to be in effect and apply to any Identity Holders who have been or are receiving Supply in relation to an approved Innovation and in accordance with any particular terms under which that Innovation was earlier approved by the Board.

Section 14.0 – Effective Date

14.01 This Policy is effective on the 7th day of March, 2018.

BY ORDER OF Chicken Farmers of Ontario

DATED AT Burlington, Ontario this 7th day of March, 2018



Chair



Secretary