

Chicken Farmers of Ontario

Determination and Distribution of Supply to Processors Policy No. 238-2018

Made under: *The Farm Products Marketing Act*

Effective Commencing Quota Period A-154

Section 1.0 - Interpretation

1.01 In this Policy:

- a) “Adjusted AOS” means the amount of Available Ontario Supply remaining after the amount of Growth over CFC Adjusted Base is deducted;
- b) “allocation” means the allocation made by CFC to Ontario in accordance with Schedule “B” of the Federal-Provincial Agreement representing the total quantity of chicken that may be marketed by Ontario in each allocation period;
- c) “Annual Growth” means the amount that is the positive difference between the Domestic Allocation for the current calendar year and the amount of the Domestic Allocation for the previous calendar year;
- d) “Assigned Growth Supply” means Designated Growth that has been assigned through one of the Growth Programs to be utilized by a recipient in accordance with the provisions of such program;
- e) “Authorized Volume of Domestic Production” (AVDP) means the Domestic Allocation for a quota period;
- f) “Available Ontario Supply” (AOS) means the amount of Supply available for a crop quota period after the AVDP has been reduced by the amounts of Dedicated Supply and Growth Supply;
- g) “Calculated Base” means an amount in kilograms that the Board has associated with a processor as set out on Schedule B of this policy for the purpose of determining each processor’s percentage share of the AOS;
- h) “Carry Forward Unassigned Growth Supply” means Unassigned Growth Supply from prior years transferable for use in future years;
- i) “Carry Forward Unassigned Growth Supply Limitation” means an amount that is no greater than the sum of the three largest Designated Growth amounts from prior years beginning on January 1, 2016;

- j) “CFC Adjusted Base” means the adjusted reference point, not including Market Development quota, from which the Domestic Allocation is determined;
- k) “Dedicated Supply” means an amount of Supply deducted from the AVDP and utilized in relation to the Opening Phase, Special Purpose kilograms, Self-Marketing kilograms, Kosher processing and the Anticipated Phase 2 Contractors’ Amount;
- l) “Designated Growth” means 30% of Annual Growth;
- m) “Domestic Allocation” means the portion of Ontario’s allocation excluding Market Development quota and Specialty quota;
- n) “Growth Over the CFC Adjusted Base” means the difference between the AVDP and the Adjusted Base for an allocation period;
- o) “Growth Programs” includes the Artisanal, Niche, Ontario Chicken Innovation and Growth, Small Whole Bird Supply programs;
- p) “Growth Supply” means Assigned Growth Supply and Unassigned Growth Supply, both derived from Designated Growth since January 1, 2016;
- q) “Identity Preserved Processing Rights” means an amount of Assigned Growth Supply distributed to a specific recipient;
- r) “Periodic Base” means the amount that results from the multiplication of each processor’s percentage share and the AOS, including Growth Over the Adjusted Base, for a crop quota period;
- s) “Common Processing Rights” means an amount of Unassigned Growth Supply received by a processor in a particular quota period;
- t) “Periodic Supply” means the sum of each processor’s Periodic Base and Market Development supply, Common Processing Rights and Identity Preserved Processor Rights;
- u) “Supply” means a quantity of chicken authorized by crop quotas to be marketed by farmer-members through the Board;
- v) “system” means the system administered by the Board that distributes supplies of chicken to processors;
- w) “Unassigned Growth Supply” means Growth Supply that has not been assigned;
- x) “Utilization Maximum” means an amount that is equivalent to no more than 1.5% of the Domestic Allocation of the calendar year that is immediately prior to the calendar year in which Carry Forward Unassigned Growth Supply is being utilized.

1.01 Other words appearing in this Policy shall have the same meaning as found in the Words and Meanings Regulation made by the Board.

Section 2.0 - Purpose

- 2.01 This Policy describes the basis by which the Board intends to distribute supplies of chicken through managing the AVDP.
- 2.02 The AVDP is distributed in each crop quota period to farmer-members based on the quotas that they hold. The distribution of supply system administered by the Board includes the coordination and administration of contracting between farmer-members and processors, which provides to processors a Supply in each crop quota period. Contracting between processors and farmer-members is based on a processor's Periodic Supply.
- 2.03 The distribution by the Board of supplies of chicken to processors is subject to a number of factors, including the impact of challenges to the distribution of supply system, or various provincial or federal initiatives, which may reduce the volume of supplies that processors may otherwise have anticipated receiving pursuant to this Policy and the Board may alter the manner in which it distributes supplies. As well, the distribution by the Board of supplies of chicken may also be affected by the Processor Regulation and the Requirements for the Marketing of Chicken By Producers to Out-of-Province Processors Regulation.
- 2.04 The distribution of supply system is intended to distribute chicken to meet market demands, promote efficiency, growth and quality and create, maintain and foster strong relationships between farmer-members and processors. The Board is focused on satisfying the marketplace with an appropriate and sustainable supply of safe, high-quality chicken and 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 processors and promoting healthy competition among processors for contracting farmer-members.
- 2.05 Processors do not acquire any property rights, grants, licences, entitlements or approvals as a result of a Calculated Base being associated with a processor or the distribution of supplies of chicken to that processor. All persons transacting to acquire Calculated Base should be aware of such limitations before proceeding.

Section 3.0 System Overview

- 3.01 Following receipt of the Domestic Allocation the Board deducts an amount for Dedicated Supply and Growth Supply.
- 3.02 Designated Growth is utilized to supply Growth Programs.
- 3.03 Recipients of Assigned Growth Supply hold corresponding Identity Preserved Processing Rights, enabling them to continue to receive or arrange for the use of Supply, subject to any increases or decreases contemplated by the relevant Growth Program and ongoing compliance with the terms of that Growth Program. If Identity Preserved Processing Rights are reduced, removed from or relinquished by the recipient, then the corresponding Assigned Growth Supply will revert to Unassigned Growth Supply.

- 3.04 Annual Growth must occur to produce Designated Growth, which is 30% of Annual Growth. Annual Growth is measured by comparing changes in the Domestic Allocation calendar year over calendar year.
- 3.05 Growth Supply that is not assigned is Unassigned Growth Supply. Unassigned Growth Supply is distributed to processors on a quota period to quota period basis as Common Processing Rights. There is no ongoing entitlement for the processor to receive Common Processing Rights which may be received and then discontinued from one quota period to the next. Common Processing Rights will be distributed according to each processor's Calculated Base.
- 3.06 Unassigned Growth Supply is carried forward into subsequent years. Unassigned Growth Supply in any given year can be partially derived from Carry Forward Unassigned Growth Supply. The most Unassigned Growth Supply that can be carried forward at the end of any calendar year is the sum of the three largest years of Designated Growth amounts from prior years beginning on January 1, 2016.
- 3.07 That portion of Unassigned Growth Supply that is greater than the sum of the three largest years of Unassigned Growth Supply becomes part of the AOS.
- 3.08 In any year, the greatest volume of Unassigned Growth Supply (excluding Unassigned Growth Supply created in that year) that can be assigned in that year cannot exceed 1.5% of the prior year's Domestic Allocation amount.
- 3.09 Growth Over the Adjusted Base is distributed through the AOS to processors.
- 3.10 In allotting crop quotas to farmer-members, the Board will distribute, in respect of a particular processor, the quantity of chicken which that processor is authorized to contract with farmer-members through the Board.
- 3.11 A Calculated Base associated with a processor and/or a supply of chicken received by a processor must be utilized at and in relation to the plant or establishment owned or controlled by the processor, or utilized at or in relation to the plant or establishment situated on the real property that is owned or controlled by the processor.
- 3.12 The Board will operate the system in accordance with the process described on Schedule A of this policy.

Section 4.0 – Growth Supply

- 4.01 Commencing on January 1, 2016 and continuing thereafter, the Board will determine the amount of Annual Growth and then designate a 30% portion of Annual Growth as Designated Growth.
- 4.02 The total amount of Growth Supply will be composed of the current year's Designated Growth, plus prior years' Assigned Growth Supply, plus the prior years' Unassigned Growth Supply, subject to the Carry Forward Unassigned Growth Supply Limitation.

- 4.03 Unassigned Growth Supply from a current year may be carried forward, subject to the Carry Forward Unassigned Growth Supply Limitation.
- 4.04 The assignment of previously Unassigned Growth Supply will be subject to the Utilization Maximum.
- 4.05 Unassigned Growth Supply will be distributed to processors for temporary use as Common Processing Rights.
- 4.06 In assigning Growth Supply, the Board may distribute Growth Supply to a Growth Program in a greater proportion than initially anticipated when that Growth Program was established.
- 4.07 Where market conditions produce zero or negative Annual Growth, then Growth Supply for the Growth Programs will remain at the level and amount that existed when Annual Growth was last experienced and Growth Supply was derived from Annual Growth.
- 4.08 Despite sections 4.01 to 4.07, in any year the Board may decide to vary or adjust the amount of Growth Supply to be made available for the existing Growth Programs, if unusual market conditions or circumstances exist or in order to better achieve the objectives described in section 2.04.
- 4.09 Any Growth Over the Adjusted Base will be distributed through the AOS to processors in proportion to the Calculated Base associated with each processor, provided that the first 12.5% of Growth Over the Adjusted Base will be distributed only to processors associated with a Calculated Base of 2,500,000 kilograms or less. The balance remaining of 87.5% will then be distributed to all processors.

Section 5.0 – Periodic Supply Distribution

- 5.01 The Calculated Base associated with each processor is as set out on Schedule B of this Policy.
- 5.02 Each processor's Calculated Base will be adjusted in the second crop quota period following the implementation crop quota period of this policy, and each successive crop quota period thereafter, by the amount of kilograms contracted for in the crop quota period (including kilograms contracted with Quebec producers) less the processor's Periodic Supply for the crop quota period and multiplied by 0.15385; subject to,
 - a) The minimum amount contracted will be considered to be 98.5% of the processor's Periodic Supply for the crop quota period;
 - b) The maximum amount contracted will be considered to be the processor's Periodic Supply for the crop quota period plus the processor's contracting sleeve.

The adjustment to each processor's Calculated Base will be implemented in the second crop quota period after it is incurred.

- 5.03 Notwithstanding Sections 1.05 and 1.06, if the processor supply determination has to be recalculated after the completion of Phase 2 contracting (producers contracted in Phase 2

with an out-of-province processor(s) other than Quebec) the adjustment to the processor's Calculated Base will be as follows:

- a) A processor that has now contracted in excess of their revised Periodic Supply and contracting sleeve and who did not contract in excess of their original Periodic Supply and contracting sleeve will have the adjustment to their Calculated Base based on the original Periodic Supply; otherwise, all other adjustments to each processor's Calculated Base will be based on the revised Periodic Supply.

- 5.04 A processor that contracts in excess of its Periodic Supply plus its contracting sleeve for a crop quota period will be subject to a reduction in its Calculated Base in an amount equivalent to the amount of kilograms by which that processor has contracted above 100% of its Periodic Supply multiplied by 0.15385.
- 5.05 Processors with seasonal or specific processing requirements may apply to the Board for adjustment to their Calculated Bases to reflect these needs. Such processors will be required to demonstrate an established pattern of historic marketing. Any adjustments in Calculated Base must balance to zero over the course of six consecutive crop quota periods.
- 5.06 The Board will indicate the existing amount of special purpose kilograms and self-marketing kilograms as described on Schedule C of this Policy.

Section 6.0 - Supply Information

Preliminary

- 6.01 At 17 weeks in advance of each crop quota period the Board shall provide each processor with:
- a) each processor's adjusted Calculated Base;
 - b) each processor's estimated Periodic Supply and contracting sleeve;
 - c) an estimate of each farmer-member's crop quota;
 - d) a listing of farmer-members' estimated crop quota currently contracted with the processor.

Allocation

- 6.02 At approximately 14 weeks in advance of each crop quota period and following receipt of the allocation, the Board shall provide each processor with the following:
- a) a listing of farmer-members' final crop quota currently contracted with the processor;
 - b) a listing of each processor's Periodic supply;
 - c) each processor's contracting sleeve;
 - d) each processor's guaranteed supply;
 - e) a detailed "No Processor" listing, including information on the modular loading status of farmer-members on the list.

Anticipated Phase 2 Contractors

6.03 The Dedicated Supply will include an amount of Supply that is determined to be contracted in Phase 2 by Ontario farmer-members with Quebec processors.

Opening Phase Contracting

6.04 Prior to the commencement of Phase 1, the Board will notify EVQ of the amount of Supply contracted by Opening Phase contracting for each processor.

Intraprovincial Contracting – Phase 1

6.05 At the end of Phase 1 contracting the Board will notify each processor of the total volume contracted in Ontario upon the completion of Phase 1 and the amount of each processor's residual volume. The Board will notify EVQ of the residual volume (if positive) of each processor's Periodic Supply.

6.06 At the end of Phase 1 contracting the Board will obtain from EVQ the total volume contracted by individual Quebec processors in the Opening Phase and Phase 1 and the amount of each Quebec processor's residual volume.

Interprovincial Contracting – Phase 2

6.07 The Board will obtain particulars of the total Supply contracted by each individual processor, and approved by the EVQ, as between processors and Quebec producers from EVQ.

Final Supply Reconciliation

6.08 The Board shall provide each processor with the following:

- a) a listing of all processors' reassignment amounts calculated in accordance with Schedule A of the Processor Regulation;
- b) a listing of each processor's final contracted supply.

Section 7.0 - Sale of a Processor and Transfer of Calculated Base

7.01 A processor shall notify the Board by completing a Form 403 that it intends to transfer its Calculated Base or a portion of its Calculated Base to another processor or a person. A Form 403 must be received by the Board at least 23 weeks in advance of the crop quota period for which the transfer is to be effective. In addition, if the Calculated Base is to be transferred to a person, the proposed amount to be transferred shall be no less than 50,000 kilograms and the person shall satisfy the same requirements of Section 6.04 of the General Regulation.

7.02 When a processor is sold to a person, the Calculated Base as determined in accordance with this Policy at the time of notification shall be assumed by the purchaser subject to any adjustments to the Calculated Base and the purchaser's compliance with this Policy and all other applicable regulations, policies, orders and directions and the approval of the Board.

- 7.03 When a processor is sold to another processor, the Board will combine the Calculated Base of the selling processor, as determined in accordance with this Policy at the time of notification of the processor being sold, with the Calculated Base of the purchasing processor subject to any adjustments to the Calculated Base and the purchaser's compliance with this Policy and all other applicable regulations, policies, guidelines, orders and directions and the approval of the Board.
- 7.04 The Board will not approve any transfer of all or part of a processor's Calculated Base unless and until the Board is satisfied that all producers marketing chicken to the processor that is seeking such approval have been paid for chicken marketed by them in accordance with the Board's regulations in that regard at the effective date of the transfer and that the person or processor that has acquired the Calculated Base is able to operate as a processor on an economically viable basis when viewed in the context of the regulated system applicable to Ontario processors.
- 7.05 Where a person or processor acquires the entire Calculated Base of a processor, such person or processor shall be liable for any unreported marketings of chicken, supply utilization penalties, excess contracting penalty, or other breaches or violations of any policies, orders, directions or regulations of the Board of the acquired processor.
- 7.06 Where a person or a processor acquires the entire Calculated Base of a processor such person or processor shall assume all existing Form 101 agreements.
- 7.07 A processor that carries on business through more than one entity, division, corporation or business shall hold a single Calculated Base.
- 7.08 The Board will conduct due diligence, including to determine whether in good standing with the Board, on the application to transfer Calculated Base and may:
- a) approve the application, including with conditions on the transfer of Calculated Base, in support of stated Board objectives for the orderly production and marketing of Ontario chicken and in the best interest of the industry; or
 - b) defer approving the application, subject to the receipt of additional information in support of stated Board objectives for the orderly production and marketing of Ontario chicken and in the best interest of the industry; or
 - c) decline the application, if deemed not to support stated Board objectives for the orderly productions and marketing of Ontario chicken and not to be in the best interest of the industry.

Section 8.0 - Orders and Directions

- 8.01 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 9.0 - Revocation

9.01 CFO Policy No. 204-2014 made by the Board on the 24th day of April 2014, is hereby revoked as of the effective date and this Policy is substituted therefor, provided that such revocation shall not affect the previous effect of said Policy or anything duly done or suffered thereunder, or any right, privilege, obligation or liability acquired, accrued, accruing or incurred under said Policy; or any contravention committed against said Policy or any penalty or forfeiture or punishment incurred in respect thereof or any such right, investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid.

BY ORDER OF Chicken Farmers of Ontario

DATED AT Burlington, Ontario this 26th day of September, 2018.



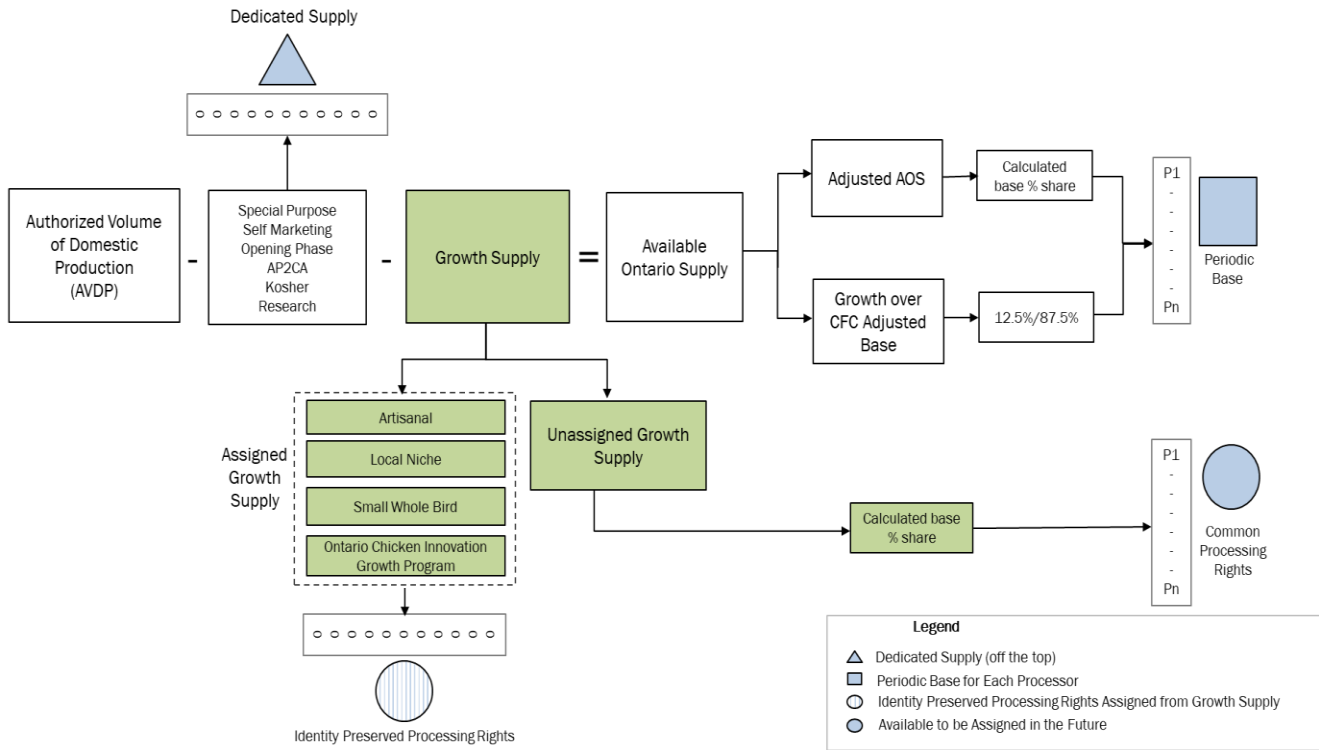
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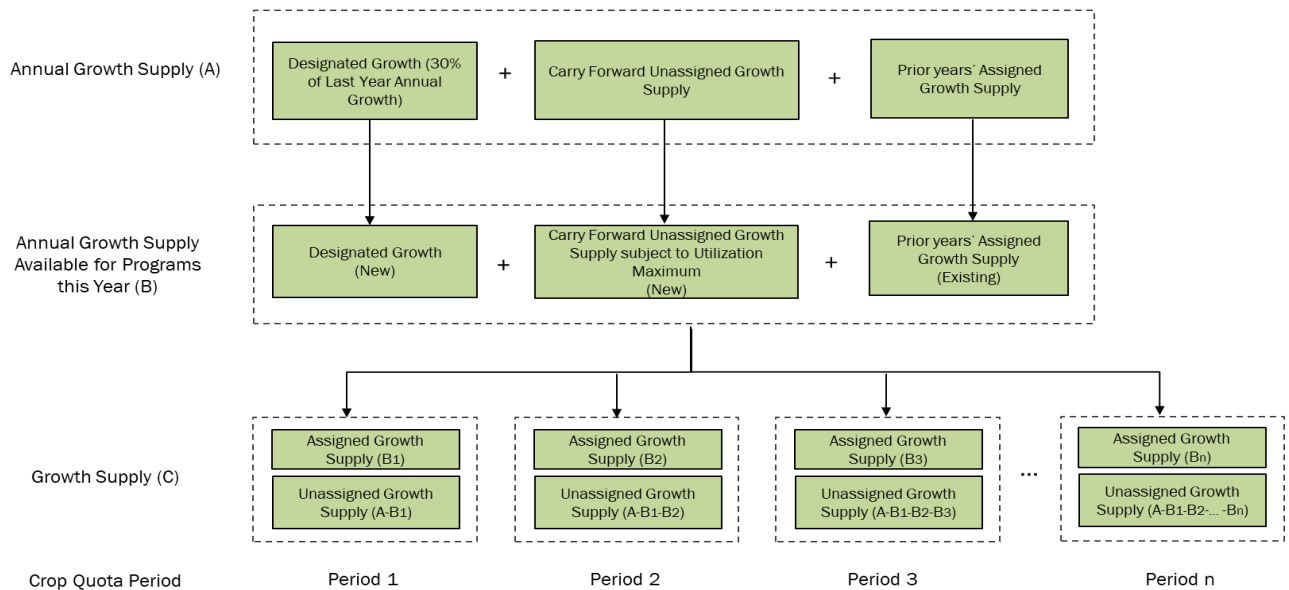
Secretary

Schedule A

Distribution of Authorized Volume of Domestic Production



Growth Supply



Schedule B

Processor	Calculated Base	Percentage
Abate Rabbit Packers Ltd.		
Cami International Holdings (2014) Inc.		
Cargill Value Added Meats – Canada		
ENS Poultry Inc.		
Farm Fresh Poultry Ltd.		
Hafiz Halal Poultry Inc.		
King Capon Limited		
Laplante Poultry Farms Limited		
Lowbank Farms Limited		
Maple Leaf Foods Inc.		
Maple Lodge Farms Limited		
Pinty's Delicious Foods Inc.		
Riverview Poultry Limited		
Sargent Farms Limited.		
Sure Fresh Foods Inc. Cericola Farms Inc.		
Wellington Poultry Limited.		

New Entrant Calculated Base

Processor	New Entrant Calculated Base
Conscious Living Cuisine Processing Ltd.	
Fenwood Farm	
Sheik Halal Farms Inc.	
Farm Fresh Poultry Ltd.	
Simcoe Street Meat Packers	

Schedule C

Producer	Schedule D Quota Units
A	3,000
E	24,383
G	2,178
H	13,901
H	6,768
H	6,223