

Outlined below are answers to questions you may have about the implementation of the new processor allocation agreement. Please note that this document has been prepared to help with a general understanding of the new agreement. The new regulations and policies governing the new processor allocation agreement, once approved, will prevail in the event of any inconsistencies with this or other verbal and written information.

### **Pricing**

#### **Q1: What will change with regard to pricing under the new processor allocation agreement?**

- The category ranges will be the same and the formula for live pricing continues to be made up of feed, chick and margin components. There are, however, two changes as follows:
  1. The live price will be updated about two weeks prior to each quota period (currently, the average lag is about 32 weeks). The benefit of this change is that prices will be more reflective of the feed and chick costs producers are incurring. Although not yet confirmed, we anticipate that a transition period will apply for up to seven quota periods (A-70 to A-76), to ensure that this change is “revenue-neutral” to producers and processors and to reflect all feed and chick costs to date.
  2. The prices for roasters will be reduced to bring improved balance in terms of profitability across all weight categories.

### **Form 101 Agreements**

#### **Q2: How has Form 101 changed?**

- The key changes are:
  1. The addition of a “Market Weight Specification Section”. This optional section provides the opportunity for processors and producers to agree to the payment of incentives and disincentives for meeting specific weight ranges, with the objective of better meeting customer needs. It includes the following items:
    - Number of Days Growth – This column may be used to indicate the number of days to market that the producer and processor agree upon to reach the specified weight range.
    - Marketing Incentives/Disincentives – This area may be used to indicate incentive and disincentive amounts for the signed category, based on the weight at time of delivery. The weight may be a range (e.g., 2.5 - 2.7 kg) in the case of incentives. In the case of disincentives, the weight may be greater than and/or less than a specific weight (e.g., greater than 2.7 kg).
  2. The addition of the “Terms of Agreement # Quota Periods” section. This mandatory section documents whether the agreement is for a term of 6-quota periods, or a term of 1-quota period.

- Generally, contractual agreements refer to "terms and conditions" where "term" means the time that the agreement is in effect and "conditions" refer to all other items defined in the agreement.
- A producer enters into an agreement with a processor (using Form 101) for a term of one quota period or a term of six quota periods. At the end of the term, if notice has not been given to cancel the agreement (using Form 201), the conditions of the agreement continue and the term will be for one quota period. To clarify, when an agreement with a term of one quota period ends, the agreement continues with the same term and conditions until a Form 201 canceling the agreement is filed. When an agreement with a term of six quota periods ends, the conditions remain the same, but the term changes to one quota period and continues on one-period terms thereafter until a Form 201 canceling the agreement is filed.

**Q3: Does the “Market Weight Specification Section” have to be completed?**

- No. This section is entirely *optional*. It is there to provide a way to document incentives and disincentives in line with market specifications, as agreed between the producer and the processor.

**Q4: Aside from information on Form 101, are there other agreements producers and processors can make?**

- Yes, but anything producers and processors agree to outside of what is documented on Form 101 is a side agreement that the Board will not oversee (i.e., in the case of a dispute, the Board will not be an intermediary or take formal steps to resolve the dispute).

**Q5: Will we have to complete a Form 101 for every quota period?**

- If a producer is not changing processors, and is still operating under the conditions that were previously agreed to, there is no need to complete a new Form 101.

**Q6: What happens if a producer wants to complete the Market Weight Specification Section of the Form 101 but the processor does not?**

- The Market Weight Specification Section is entirely optional for both producers and processors. Both parties must agree to complete this section of the Form 101 for it to be binding.

**Q7: I am a producer and have a good, long-established relationship with my current processor. Does the new system require us to make any changes to our agreement?**

- No. If things are working well for you both, there is no need to make changes. The new processor allocation system still allows producers and processors to use some discretion in how they manage their relationships and agreements.

**Incentives/Disincentives**

**Q8: Does a disincentive mean a producer may take a reduction from the published price for the category marketed?**

- Yes. If the disincentive is documented on Form 101 and initialed by both parties it is a legally binding agreement, and if market or growing specifications are not met, the

disincentive will apply and be deducted from the producer's settlement by the processor.

**Q9: My processor says he wants a 2.2 kg bird and is offering “x” cents as an incentive if I market in the 2.15 to 2.25 kg weight range. How do I know if that's a good deal?**

- Both parties need to consider all aspects of the agreement to determine if the incentive (or disincentive) will be a fair deal. The two main factors to think about are:
  - Weight – How narrow is the range? For example, a market specification range that is very narrow may be challenging to meet. As this means more risk to a producer, the incentive compensation should be greater in this type of agreement. Conversely, a broader range may be easier to achieve and the incentive may not be as much.
  - Number of Days Growth – In most arrangements, achieving weight targets/ranges is the primary objective. If a producer and processor believe that an agreement on the number of days growth can contribute to this objective, then it may be helpful to complete this section.

**6-Quota Period Fixed-Term Agreements**

**Q10: When do producers have to enter a new 6- period fixed-term agreement?**

- Generally, when a producer chooses to change processors, the agreement with the new processor must be for a term of 6 quota periods (see exceptions in Q12).
- To change processors, a producer must first cancel the current agreement by submitting a Form 201 by the deadline date. The producer must then enter into a new agreement by completing a Form 101 for 6 quota periods and submitting it to the Board by the deadline.
- In summary, if a producer wants to change processors, he or she must:
  - submit a Form 201 no later than 18 weeks before the quota period for which you want to enter into a new agreement, and
  - submit a new Form 101 for a 6-period fixed term agreement during the sign-up window which is 14 to 16 weeks before this quota period.

**Q11: Are there any exceptions to signing a 6-quota period fixed-term agreement after a producer files a Form 201 canceling the existing Form 101?**

- There are three scenarios where a 1-quota period ongoing rollover agreement may be signed with a new processor:
  1. If a producer cancels his/her current agreement with an out-of-province processor via a Form 201 and signs with a new processor in Ontario, then the producer can file a Form 101 with a 1-quota period ongoing rollover agreement.
  2. If a producer has been reassigned once during a 6-quota period fixed term agreement and the processor reassigns the producer for a second quota period, he/she may cancel the current agreement by filing a Form 201. If the producer chooses to cancel the current agreement, he/she must then sign a new Form 101 with:
    - a) a new Ontario processor for a 1-quota period ongoing rollover agreement, or

- b) a new Ontario processor for a 6-quota period fixed term agreement, or
  - c) a new out-of-province processor for a 6-quota period fixed term agreement.
- o Please remember that a processor may re-assign a producer to one or more processor(s) during a quota period. This counts as “one” reassignment.
- 3. If the current agreement is a 1-quota period ongoing rollover agreement and the producer is re-assigned via Form 121 to one or more processor(s), the producer has three options:
  - a) Continue in the new 1-quota period ongoing rollover agreement(s) with the processor(s) to whom the producer has been reassigned, or
  - b) Cancel the new agreement(s) with the processor(s) to whom the producer has been reassigned via Form 201 and enter a new 1-quota period ongoing rollover agreement with the Ontario processor who re-assigned the producer, or
  - c) Cancel the new agreement(s) with the processor(s) to whom the producer has been reassigned via Form 201 and enter a new 6-quota period agreement with an Ontario or an out-of-province processor.

**Q12: What has happened when a producer on a 6-quota period fixed-term agreement is told that some or all of his/her production under the current Form 101 has been reassigned via a Form 121 to another processor for a quota period? What does this mean to the producer?**

- In this situation, the processor has more kilograms than they are eligible to have under the new processor allocation agreement, so they are interrupting the fixed-term agreement for one quota period.
- The producer will need to enter into a new Form 101 agreement, for one quota period only, with the processor(s) to whom the producer has been reassigned. Following this one quota period agreement, the producer will go back to his/her original processor under the original 6-quota period fixed-term agreement.
- If the 6-quota period fixed-term agreement is interrupted a second time within the six quota periods, the producer has the option to cancel the balance of the agreement by submitting a Form 201 by the deadline for the effective quota period. This will allow the producer to enter a new Form 101 agreement with a different processor. In this case, the producer can choose to enter an agreement with an Ontario processor for 1-quota period, or sign a 6-quota period fixed-term agreement with an Ontario or out-of-province processor. If the producer signs with an Ontario processor for 1-quota period, this new agreement can rollover (see questions 2 and 11 for more details).

**Q13: What happens if a producer or processor is not happy after one quota period in a 6-quota period fixed-term agreement?**

- Producers and processors are expected to sign Form 101 agreements in good faith. A Form 101 is a legal and binding agreement to which both parties must comply.
- If a producer or processor is concerned that the other party is not living up to the terms of the agreement, or there is a misunderstanding of those terms, there are remedies available through the Board. The next step would be to contact the Board.

**Q14: A producer has been reassigned to another processor who is asking the producer to grow a different category and / or market in a different Homeweek. Does the producer have to comply?**

- Yes. If the producer is asked to grow a different category and / or market in a different Homeweek, he/she must do so, as long as the producer can reasonably accommodate the request.
- If the producer cannot reasonably accommodate the request, he/she should advise the processor and try to make alternative arrangements. If this continues to be an issue, raise it with the Board.

**Q15: How does a producer change processors?**

- If circumstances allow a producer to change processors (e.g., the producer has been reassigned more than once in a 6-quota period fixed-term agreement, or is in a 1-quota period ongoing rollover agreement), there are two steps the producer will need to take:
  1. First, the producer must cancel his/her agreement with the current processor by filing a Form 201 with the Board by the deadline for the effective quota period.
  2. Second, the producer must complete a new Form 101 to enter into a new agreement with a new processor and file it with the Board by the deadline for the effective quota period.
- See questions 2, 10 and 11 for more information.

**Q16: Has the deadline date to cancel an existing Form 101 via a Form 201 changed?**

- Yes. The deadline date for canceling an existing Form 101 via a Form 201 will be 3 weeks earlier than in the past.
- That means the new cancellation deadline will be 18 weeks prior to the quota period for which it takes effect. This is 2 weeks prior to the opening of the Form 101 sign-up window for the quota period. (e.g., under the new processor allocation agreement, the Form 201 deadline for Quota Period A-72 would be January 20, 2006, which is two weeks prior to the February 3, 2006 opening of the sign-up window for Quota Period A-72)
- In order to be eligible to sign with a new processor during the sign-up window, the producer must cancel the existing agreement by filing a Form 201 by the appropriate deadline date.