

**Chicken Farmers of Ontario**  
**Processor Regulation**  
**No. 2073-2005**

Made under: The Farm Products Marketing Act

Effective May 28, 2006  
Commencing with Quota Period A-72  
(May 28, 2006 to July 22, 2006)

**Section 1.0 - Processor Supply Requests**

- 1.01 All processors shall submit a total request for the crop quota period to the administrator no earlier than nineteen weeks and no later than seventeen weeks prior to the first day of the crop quota period.
- 1.02 The administrator shall not accept a total request unless the total request is:
- i. received on a Form 401 and complete in all respects;
  - ii. received by the deadline date indicated in advance of the crop quota period by the administrator;
  - iii. subject to Section 1.04, accompanied by a letter of credit
  - iv. submitted by one of the following methods:
    - a) In person;
    - b) By facsimile transmission to the facsimile number indicated on a Form 401; or
    - c) By courier or Express Post in a sealed envelope marked "Attention Administrator".
- 1.03 A processor that submits a total request by facsimile transmission shall ensure that its letter of credit is delivered to the administrator within 48 hours of the submission of its total request and in no case not later than the deadline date referred to in Section 1.02 (ii).
- 1.04 The administrator shall maintain a processor's Ontario request in confidence and such request shall not be used to determine a processor's *Ontario supply*.

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## Section 2.0 - Processor Sign-Up

### Initial Sign-Up Phase

- 2.01 In advance of each crop quota period, every processor shall make agreements with producers in a Form 101 to a maximum of the processor's *sign-up ceiling* by the deadline date determined by the Board.
- 2.02 For the purposes of Section 2.03, in reaching agreements with producers in a Form 101 each processor shall contract to at least its *minimum contracting requirement* calculated in accordance with Schedule B of this Regulation.
- 2.03 All processors that do not achieve the *minimum contracting requirement* as stated in Section 2.02 will not be entitled to the benefit of Section 7.14 of General Regulation No. 2071-2005.
- 2.04 Any processor that has signed up during the initial sign-up phase on a Form 101 to within 1,000 kilograms of its *primary supply* shall not be required to re-assign or be re-assigned any kilograms via a Form 121.

### Final Sign-Up Phase

- 2.05 If any processor has not signed up to its *primary supply* on a Form 101, there will be a re-assignment process. Subject to Section 2.06, all processors signed up above their *primary supply* shall be required to re-assign kilograms via a Form 121 in accordance with "Schedule A" of this Regulation within the timeframe prescribed by the Board provided that the Board may issue directions and orders to redistribute *supply* among processors.
- 2.06 Each processor shall be entitled to a sleeve equivalent to 3% of its *primary supply* less any *market development supply* in relation to reassignment as calculated pursuant to Schedule A of this Regulation but at no time shall the sleeve be less than the lower of 20,000 kilograms or the processor's *primary supply* and the sleeve may not exceed 100,000 kilograms.
- 2.07 Notwithstanding Section 2.06, in the event that there are insufficient kilograms available to allow all processors' to achieve their *primary supply*, there shall be an adjustment made to the sleeve for that crop quota period, and the adjustment amount will be done in 0.25 percentage point increments with an equivalent reduction on a percentage basis of the minimum and maximum sleeves as set out in Section 2.06 until such time that all processors attain their *primary supply*.
- 2.08 The administrator shall determine the amount of kilograms each processor must re-assign or receive in accordance with Schedule A of this Regulation.
- 2.09 Any processor required to re-assign kilograms in accordance with this Regulation, may with the agreement of the under-signed processor re-assign an appropriate amount of kilograms on a Form 122 rather than via a Form 121 within the timeframe prescribed by the Board provided that the Board may issue orders and directions to redistribute *supply* among processors.

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- 2.10 Any processor required to receive kilograms in accordance with Section 2.08 that refuses to receive the amount of kilograms prescribed in a Form 121 or a Form 122 will have an offsetting calculated base reduction equivalent to 0.15385 kilograms for every kilogram of chicken not received.
  - 2.11 Processors that wish to limit their primary supply in a quota period may do so by advising the Board no later than 18 weeks prior to the beginning of the quota period.
  - 2.12 Processors that expect to be undersigned relative to their primary supply and choose not to participate in the reassignment process must advise the Board of their intent no later than 18 weeks prior to the quota period.

### **Financial Penalties**

- 2.13 A processor that contravenes Section 2.01 by contracting in excess of its *sign-up ceiling* based on the lower of the estimate of producers crop quotas or the final producer crop quotas shall be liable to a penalty of \$0.44 per kilogram for each excess kilogram contracted in excess of the processor's *sign-up ceiling*.
- 2.14 A processor that contravenes Section 2.05 or 2.08 by failing to file a Form 121 or a Form 122 in an amount prescribed in Section 2.07 shall be liable to a penalty of \$0.44 per kilogram for each kilogram that the processor has not reassigned. A processor will still be required to re-assign the kilograms as calculated pursuant to Schedule A of this Regulation.
- 2.15 A processor that has been assessed a penalty will pay the amount to the Board within 30 days of receipt of written notification from the Board in that regard.
- 2.16 No penalty will be assessed by the Board unless it has first conducted a hearing into the matter or the processor affected has waived the requirement of a hearing.

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### Section 3.0 - Supply Utilization

- 3.01 A processor shall process at least 75% of its *supply* in each crop quota period.
- 3.02 A processor that fails to process at least 75% of its *supply* in a crop quota period shall be subject to a calculated base reduction equivalent to 0.15385 kilograms for each kilogram below 75% of its *supply* not processed in the crop quota period.
- 3.03 For the purposes of calculating the percentage of *supply* processed in Section 3.02, the amount of a processor's *supply* in a crop quota period is compared against its marketed kilograms within the same eight weeks of that crop quota period.
- 3.04 Any processor who will have its supply reduced as a result of Section 3.02 may request a hearing before the Board. The Board may reduce or waive the calculated base reduction set out in Section 3.02 on the basis of exceptional circumstances of a force majeure nature.

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## **Section 4.0 - Furnishing of Financial Security, Proof of Financial Security, and Performance Bonds**

- 4.01 Subject to Section 4.02, every processor shall file with the Board a letter of credit in a Form "LC". The amount shall be equal to or greater than 12% of the dollar value of the amount of *supply* for the most recently allocated crop quota period, calculated based on the established minimum live price for chicken in effect at the time the letter of credit is filed. The Form "LC" and corresponding letter of credit must be filed with the Form 401 no later than 17 weeks prior to the commencement of the Quota Period in question.
- 4.02 Prior to each quota period commencing, all processors shall ensure that the amount of their letter of credit is equal to or in excess of 12% of the dollar value of the amount of their *supply* for that crop quota period, calculated based on the established minimum live price for chicken in effect for any crop quota period.
- 4.03 The letter of credit shall be irrevocable and the beneficiary of the letter of credit shall be the Board. The term of the letter of credit shall be for a minimum of 16 weeks beyond the end of the crop quota period for which the letter of credit is effective.
- 4.04 The administrator shall retain the original letter of credit received from each processor until it is replaced, it expires or it is drawn on in whole or in part by the Board.

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**Section 5.0 - Failure By Processors To Deliver a Letter of Credit  
or Total Supply Request**

- 5.01 A processor that fails to submit a total request within the timeframe prescribed by the Board shall not receive a *supply* for the crop quota period and any Form 101s to which the processor is a signatory for that crop quota period shall become null and void.
- 5.02 A processor that fails to submit a Letter of Credit within the timeframe prescribed by the Board shall not receive a *supply* for the crop quota period and any Form 101s to which the processor is a signatory for that crop quota period shall become null and void.

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## Section 6.0 - Draws on Letters of Credit and Disposition of Proceeds

- 6.01 The letter of credit filed by a processor that has refused or neglected to re-assign a Form 101 via a Form 121 or kilograms via a Form 122 despite being over signed may be drawn upon in whole or in part by the Board, with the proceeds being payable to the Board or to a party aggrieved by the processor's actions or both.
- 6.02 The letter of credit filed by a processor that has refused or neglected to accept a Form 101 via a Form 121 despite being under signed may be drawn upon in whole or in part by the Board, with the proceeds being payable to the Board or to a party aggrieved by the processor's actions or both.
- 6.03 The letter of credit filed by a processor that has refused or neglected all or part of its *supply* may be drawn on in an amount equal to the monies lost by the producer due to the processor's failure to accept chicken. The monies so drawn will be paid to the producer affected.
- 6.04 The letter of credit filed by a processor that has failed to pay a producer for kilograms of chicken received by the processor in contravention of the Board's regulations regarding payment to producers or any order made by the Board respecting the time and manner of payment may be drawn on in an amount equivalent to the amount owing to the producer with the proceeds being payable to the producer.
- 6.05 The provisions of Section 6.04 shall not apply where the monies owing by the processor are less than \$1,000.00.
- 6.06 The Board will notify a processor in writing that it has determined to authorize and direct the administrator to draw in whole or in part on the letter of credit filed by the processor. Upon receipt of the notice the processor has 24 hours to request that the Board immediately schedule a hearing at which the processor will be required to show cause as to why a draw on its letter of credit should not be made in all of the circumstances.
- 6.07 When the administrator is authorized and directed by the Board on a Form "DT" to draw, in whole or in part, on a Letter of Credit filed by a processor, the administrator will file a Demand Certificate on a Form "DC" with the financial institution that issued the letter of credit.

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## **Section 7.0 - Orders and Directions**

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

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## Section 8.0 - Revocation

8.01 Regulation No. 1887-2003 made by the Board on the 11<sup>th</sup> day of February 2003 is hereby revoked as of the effective date and this Regulation is substituted therefor, provided that such revocation shall not affect the previous effect of said Regulation or anything duly done or suffered thereunder, or any right, privilege, obligation or liability acquired, accrued, accruing or incurred under said Regulation; or any contravention committed against said Regulation 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.

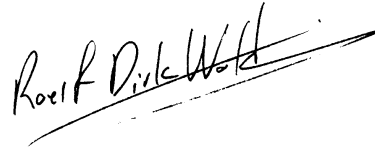
**BY ORDER OF** Chicken Farmers of Ontario

**Dated** at Burlington, Ontario this 29<sup>th</sup> day of December, 2005.



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**Chairman**



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**Secretary**

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## Schedule A

Where the provisions of Section 2.06 apply, processor reassignment amounts will be calculated in the following manner:

SLV = 3.0%\*(PS-MDS); SLV shall not be less than the lower of the processor's *primary supply* minus *market development supply* or 20,000 kgs, and not greater than 100,000 kgs

OC = CK – (PS) (must be positive)

AOC = OC – SLV

TOC = sum of processors individual AOC

UC = CK – (PS) (must be negative)

TUC = sum of processors individual UC

RA = (AOC/TOC)\*TUC

Where;

SLV=sign-up sleeve

PS=*primary supply*

OC=over-contracted kilograms

CK=contracted kilograms

AOC=adjustable over-contracted kilograms

TOC=total adjustable over-contracted kilograms

UC=under-contracted kilograms

TUC=total under-contracted kilogram

RA=reassignment amount

MDS = market development supply

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## Schedule B

In Quota Period A-72 to Quota Period A-77 inclusive, each processor's *minimum contracting requirement* shall be calculated as follows:

$$\text{MCR} = 80\% * \text{Pshare} * \text{eAOS} + \text{MDR}$$

In Quota Period A-78 forward, each processor's *minimum contracting requirement* shall be calculated as follows:

$$\text{MCR} = 85\% * \text{Pshare} * \text{eAOS} + \text{MDR}$$

where;

MCR=*minimum contracting requirement*  
Pshare=*percentage share*  
eAOS=*estimated available Ontario supply*  
MDR = market development request