

New Processor Allocation Agreement

Processor Scenarios

Background

Sometimes the easiest way to learn about new processes, rules or ideas is to think about situations or scenarios that could come up and review what would be different. In this document, we've described what we think might be some of the typical scenarios that processors encounter. If you would like additional clarification on any of these processor scenarios, or if you have more processor-related questions, please contact **Jan Rousell** at 905 637-0025 ext. 240, or email jrousell@cfo.on.ca

Processor Scenarios

- 1 *The contracting window for the next quota period is going to open soon. You know that your current processor base is one million kilos, but you are not sure how much you can sign up for the next quota period, given the new open sign-up pool.*

16 weeks prior to each quota period, the CFO Board will advise you of:

- your sign-up ceiling,
- the minimum contracting requirement,
- the maximum size of the open sign-up pool,
- estimate of your guarantee (your primary supply).

After the Chicken Farmer of Canada (CFC) determines the volume for the period, CFO will let you know what your actual guarantee or primary supply is.

- 2** *You've had some unexpected changes in the contracts with a couple of major producers. As you approach the end of the sign-up window for the next quota period, you're not sure you are going to make your guarantee. What happens if you don't?*

When you receive your final primary supply from CFO, you will also receive a listing of processors who have over-signed. Working with this list, it is up to you to reach your guarantee through either:

- Form 122 - having kilograms of chicken reassigned from another processor without reassigning Form 101s. In this case, you and the other processor have simply agreed to reassign some kilograms for this quota period only.
- Form 121 – having one or more producers' Form 101s reassigned from another processor. This will require a new Form 101 between you and the reassigned producers.
 - An ongoing rollover Form 101 will be required in the case where the reassigned producer has an ongoing rollover Form 101 in place with his original processor. In this case, the producer will stay with you on an ongoing rollover agreement, unless you or the producer files a Form 201.
 - A 1-quota period only Form 101 will be required in the case where the reassigned producer is on a fixed term Form 101 with his original processor. In this case, the producer will revert back to the original processor for the balance of the fixed term 101.

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- 3** *It seems to you that the Form 122 process is the most efficient route to take when reassigning kilos. Is that process available regardless of the number of kilos that need to be reassigned?*

Yes. There is no minimum or maximum limitation on using the Form 122 process. As long as you can make an agreement directly with another processor, you can use Form 122. If you are not able to strike an agreement directly with another processor, a Form 121 is required. New Form 101s need to be signed with the producers who are affected.

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- 4** *After going through the initial sign-up period, you see that you have exceeded your primary supply by 1,000 kilos. Does that mean that you have to reassign the 1,000 kilos?*

No. If you are within 1,000 kilos of your primary supply, then no further action is required.

- 5 *As you work through the sign-up window for the quota period, you see that you have exceeded the primary supply estimate CFO gave you at the start of the sign-up window. You know that the final primary supply number is coming, but you wonder how you are going to know how many kilos to reassign.*

CFO will tell you how many kilos you have to reassign when you receive your actual primary supply for the quota period.

- 6 *You are planning some renovations and upgrades at your processing plant. Since the work may interfere with operations, you would like to limit the kilos you receive in the upcoming quota period. Is there an option to limit the kilos you receive?*

Processors can limit the kilos they receive for any specific quota period by advising the CFO Board 18 weeks prior to the start of the quota period. When advising CFO, you must do so in writing – please send CFO a letter with your processor stamp on it explaining your circumstances and request.

- 7 *You have missed the deadline to advise the CFO that you would like to take fewer kilos for the upcoming quota period. What are the implications if you refuse to take kilos you are required to receive?*

Any processor that refuses to take the kilos required and has not advised CFO by the appropriate deadline will be penalized by CFO through a reduction in base.

- 8 *You have had a very successful set of negotiations during the sign-up window for the next quota period. You know that you have exceeded your sign-up ceiling but, based on your current market opportunity, would really like to keep all of the kilos you have contracted with producers. What are the implications if you do?*

You will be assessed a monetary penalty of \$0.44 for every excess kilo you have contracted above your sign up ceiling. In addition, you will still have to reassign the kilos you are over.

- 9 *Under the new allocation system, you know that you no longer have to slaughter 100% of the chicken you contract – the rule has been relaxed to 75%. You don't understand, however, how CFO is going to measure your compliance to the new slaughter rule.*

CFO will measure processor compliance to the new slaughter rule by comparing the amount of your supply during a quota period relative to your actual marketed kilos (paid weight) for the same 8 weeks.
