

# New Processor Allocation Agreement Producer 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 producers encounter and we have described how the new processor allocation system would apply to the key questions in each situation. If you would like additional clarification on any of these scenarios, or if you have more questions, please contact **Janet Cioruch** at 905 637-0025 ext. 261, or email [jcioruch@cfo.on.ca](mailto:jcioruch@cfo.on.ca)

## The New Agreements

- 1 *You're at a local district meeting and talk to another producer who says he's now on a fixed-term agreement with a processor and, for the next 6 quota periods, he's committed to this agreement. That's a surprise to you. You didn't think that producers necessarily had long-term contracts with their processors right off the bat in the new processor allocation system. What happened?*

There are two types of agreements in the new processor allocation system:

1. a 1-quota period ongoing rollover agreement, and
2. a 6-quota period fixed-term agreement

The vast majority of producers will go into Quota Period A-72 (the first quota period governed by the new allocation system) on a 1-quota period ongoing rollover agreement. As long as you are working with the same processor under the same obligations in Quota Period A-71, then you simply continue on the one-quota period agreement you currently have. In other words, the terms of the agreement that you have with your current processor simply rollover into Quota Period A-72.

The producer you talked to switched to a new processor for Quota Period A-72 or a quota period after that. Under the new processor allocation system, a producer-cancelled agreement **usually** triggers the requirement to enter a 6-quota period fixed-term agreement with the new processor.

- 2 *The start of Quota Period A-72 is coming up and you're concerned that you need to get the right paperwork in place with your processor so that you have a valid agreement under the new processor allocation system. What do you need to do?*

In most cases, you don't need to do anything. The agreement you have in place for Quota Period A-71 will automatically rollover to Quota Period A-72, and then rollover to Quota Period A-73, etc. (1-quota period ongoing rollover agreement), **unless** you or your processor cancels your agreement by filing a Form 201 by the deadline date of the quota period.

## Changing Processors

- 3 *Company "X" has been processing your chicken for a few years now. In recent months, however, you've been thinking about starting a new working relationship with a different processor. You decide to go ahead and negotiate a new contract with a different processor for the next quota period and send in a Form 101 by the deadline date for that quota period. CFO returns the agreement and says it is not valid. Why is that?*

Before you can submit a new agreement with a different processor, you must **cancel** the agreement you currently have with Company "X". You do that by submitting a Form 201 no later than 18 weeks before the start of the quota period in which you will change processors. Then, you can submit your new Form 101 agreement with a new processor for 6 quota periods. The new Form 101 sign-up window is 14 to 16 weeks before the start of the quota period.

- 4 *You've enjoyed a long and positive business relationship with your current Ontario processor. Recently, you have also heard some very positive things about a new Ontario processor that has just started working with a neighboring farmer in your area. You think it would be worthwhile to explore that a bit further by allocating a portion of your chicken to the new processor and see how it goes for one quota period. After your experience in this first quota period, you will decide if you'd like to do more business with the new processor in the future. Can you do this?*

You are free to cancel the agreement you have with your current Ontario processor by submitting a Form 201 and negotiating a new agreement with one or more processors. You must file a Form 101 which documents this agreement with your new processor with CFO.

**However, you will not be able to make these changes effective for just one quota period.**

When you cancel a current agreement (Form 101), you will have to enter a 6-quota period fixed term agreement (Form 101). In this scenario, you will have to enter a 6-quota period fixed term agreement (Form 101) with **both** your current processor and with the new processor. At the end of the 6-quota periods, you once again have the option of canceling one or both agreements by filing two Form 201s and negotiating one or more new agreement(s) via Form 101.

- 5 *Your Quebec processor recently told you about some changes he is going to make to his operations. That has you thinking about your other processing options, particularly closer to home in Ontario. You're prepared to enter into an agreement with an Ontario processor, but you're not keen to sign up for 6 quota periods since you haven't worked with an Ontario processor in a long time. What are your options?*

You can cancel your current out-of-province agreement via Form 201 and then enter a **1-quota period ongoing rollover agreement with an Ontario processor**. You also have the option of signing with a different out-of-province processor but, in this case, you would have to sign a 6-quota period fixed-term agreement.

- 6 *You and your processor are in the second quota period of a 6-quota period fixed-term agreement. You've heard from a neighbouring farmer that he has an excellent relationship with his processor. You'd like to switch to that processor for the next quota period. Is there an option to do that?*

The 6-quota period fixed-term agreement you have entered with your processor is a legal and binding contract. You and your processor must each fulfill your obligations under that agreement.

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# Form 101

7 You've recently filed a Form 201 to end the 1-quota period ongoing rollover agreement you have with your current processor. You've had some discussions with a new processor and you're ready to complete a Form 101 with this company. When you review the new Form 101, you're not sure what the implications might be of some of the new sections, whether every section has to be filled out and what the options are to make changes down the line. What does a typical completed example look like?

**Chicken Farmers of Ontario - Form 101**  
**Agreement for Producing & Marketing Chicken**  
 Quota Period # A-72 (May 28, 2006 to July 22, 2006)

For Office Use Only

**Note:** This agreement includes the terms and conditions set out on the reverse side of this form, which the parties are advised to review carefully.

<b>BETWEEN</b> Producer's Name: <b>John &amp; Jane Smith's Chicken Farm</b>					File No: <b>P9Z999-1</b>
<b>1-2</b>	<b>3</b>	<b>Egremont</b>	<b>Grey</b>	<b>1</b>	Phone No: <b>(519) 123-4567</b>
Lot	Concession	Township	County	District	

**AND Processor's Stamp:**

**Deadline Date:**  
**4:00 p.m.**  
**Friday, February 17, 2006**

Units	Crop Cycle	Placement Date	Home Week	Marketing Week	Category Code
Basic Quota Units	8/9/10/12	MM/DD/YY	Ending Saturday Date MM/DD/YY	Ending Saturday Date MM/DD/YY	See Chart on Right
<b>14,000</b>	<b>9</b>	<b>05/29/2006</b>	<b>07/15/2006</b>	<b>07/15/2006</b>	<b>9</b>

Market Weight Specification Section (Optional)			
Gender P = Pullet C = Cockerel M = Mixed	Number of Days Growth	Marketing Incentives/Disincentives	
		Incentive	Disincentive
<b>C</b>	<b>45</b>	Target <b>2.4</b> Low	Target Low
		Target <b>2.6</b> High	Target High
	<b>+1</b>		
		Price: \$/kg	Price: \$/kg

Category Code (Average Live Weight)	
1	Below .90 kg
2	.90 kg to 1.10 kg inclusive
3	Over 1.10 kg to 1.60 kg
4	Over 1.60 kg to 1.77 kg inclusive
5	Over 1.77 kg To 1.84 kg
6	Over 1.84 kg to 1.95 kg
7	Over 1.95 kg to 2.15 kg inclusive
8	Over 2.15 kg to 2.45 kg
9	Over 2.45 kg to 2.65 kg
10	Over 2.65 kg to 3.2 kg inclusive
11	Over 3.2 kg to 3.5 kg
12	Over 3.5 kg

<b>Self-Imposed Allotment Limitation:</b>	To limit the total allotment (domestic and market development combined) of this registered premise to a specific amount, please indicate that amount: _____ kg
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<b>Term of Agreement # Quota Periods:</b> <i>Check one</i>	<input type="checkbox"/> 6-Quota Period Fixed-Term Agreement <input checked="" type="checkbox"/> 1-Quota Period Ongoing Rollover Agreement <input type="checkbox"/> 1-Quota Period Only Agreement <i>(to be used when a producer on a 6-Quota Period Fixed-Term Agreement is reassigned via a Form 121)</i>
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<b>Application For Market Development (formerly Export) Allotment:</b> <i>Applicable to Producers Only</i>	Do you want to participate in the market development program? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The preliminary weighted market development price adjustment for A-72 is -xx.xx cents per kg The total market development volume requested by processors for A-72 is x,xxx,xxx kilograms Producer Signature: <i>J. Smith</i> <i>(Market Development Only)</i>
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<b>Producer Signature:</b>	<i>J. Smith</i>	<b>Date:</b> <i>(MM/DD/YY)</i>	<b>02/14/06</b>
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**7**  
(continued)

Example Only  
**Notes on the Completed Form 101 (Previous Page)**

- In this case, the producer and processor have agreed on terms for the Market Weight Specification Section of a one cent incentive for marketing between 2.4 and 2.6 kilograms at 45 days.
- The incentives and disincentives were agreed to by the producer and the processor. In coming to this arrangement, they balanced the incentive with the degree of risk for the producer or processor. For example, the weight incentive for a broad range may be lower than an incentive for a narrow range, because of the increased difficulty that a producer could have in delivering within the narrow range.
- Be sure to complete the 'Terms of Agreement # Quota Periods' section to indicate either a 6-quota period fixed-term agreement, a 1-quota period ongoing rollover agreement, or a 1-quota period only agreement, as appropriate. A '1-quota period only agreement' would apply only in the case where a producer on a 6-quota period fixed-term agreement is reassigned via a Form 121.
- Review the Application for Market Development Allotment section and complete it. In the past this has sometimes been left blank, but it's important to CFO record keeping that you indicate 'yes' or 'no'.

## Amending Agreements

- 8 *Based on a new agreement your processor has landed with a major food services chain, he approaches you with an offer of an incentive for meeting tight market weight specifications (1.6 to 1.8 kilo bird). This is a departure from the agreement you currently have with this processor. While the offer of the incentive is appealing, you wonder what the impact will be on your contractual obligations to this processor going forward.*

You and your processor may amend your agreement by filing a revised Form 101 with CFO before any chicken is marketed under the new agreement. Remember that you are not obligated to make the amendment. Both parties must agree to any change. If you do sign an amendment, remember that you are legally obligated to live up to the terms of the new agreement.

If you are on a 6-quota period fixed-term agreement, the amendment will be in effect for all of the remaining quota periods of the agreement, and will then rollover (one quota period at a time) until another amendment is made or you cancel your agreement with the processor via a Form 201. Similarly, if you are currently on a one-quota period ongoing rollover agreement, the amendment will rollover until another amendment is made or you or your processor cancel the agreement via a Form 201.

- 9 *You are on a fixed-term agreement with a new processor and, as you gain more experience in working with the processor, you believe it would be best to change categories, or home weeks, or marketing weeks. Is there an option to make these changes?*

As a general principle, producers and processors may change categories, home weeks or marketing weeks as long as both parties agree to the changes.

You must submit an amended Form 101 at the time that the processor and you agree to the change. For each crop for which you make such an amendment, you must file the amended Form 101 prior to any marketings for that crop.

The amendments that you make may **NOT INCLUDE** the following:

- shifting marketings to another quota period, or
- changing a crop exception period for quota periods already allotted.

- 10 *You are on a fixed term agreement with Processor "A". On your marketing day, a truck from Processor "B" shows up to pick up your chicken. This doesn't seem right to you. What should you do?*

There's no need to do anything. Under the new processor allocation agreement, processors have the flexibility to balance out temporary capacity issues by working out agreements with other processors. Simply ship your chicken.

- 11** You are on a **1-quota period ongoing rollover agreement** (Form 101). Your processor has just notified you that he has contracted for more chicken than his guaranteed amount. That means your processor is going to reassign you to another processor for the upcoming quota period. Your processor has filed a Form 121 that formally notifies CFO of the temporary re-assignment. Now he's saying that you have to sign a **1-quota period ongoing rollover** Form 101 with the other processor. Does a producer have any other options in this situation?

If you are on a 1-quota period ongoing rollover agreement (Form 101), you must file a new Form 101 with CFO that covers your temporary reassignment to this other processor. In this case, tick the box in the upper right hand corner of the section of Form 101 shown below.



<b>Term of Agreement</b> <b># Quota Periods:</b> Check one	<input type="checkbox"/> 6-Quota Period Fixed-Term Agreement	<input type="checkbox"/> 1-Quota Period Ongoing Rollover Agreement
	<input type="checkbox"/> 1-Quota Period Only Agreement (to be used when a producer on a 6-Quota Period Fixed-Term Agreement is reassigned via a Form 121)	

If, by the next Form 201 deadline date, you do nothing, you will remain on this ongoing rollover agreement (Form 101) with the new processor.

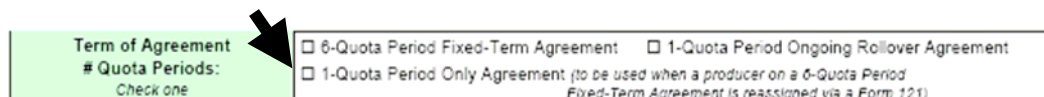
Like any producer on a 1-quota period ongoing rollover agreement, you have the option of canceling the agreement with your new processor by submitting a Form 201 by the deadline for that next quota period.

If you do choose to file such a Form 201 by the deadline date for the next quota period, you may then do either of the following.

- You may sign an ongoing rollover agreement with the original processor who reassigned you. (That is, you are returning to your original processor.)
- Or, you may sign a 6-quota period fixed-term agreement (Form 101) with another Ontario or out-of-province processor.

- 12** You are on a **6-quota period fixed-term agreement** (Form 101). Your processor has just notified you that he has contracted for more chicken than his guaranteed amount. That means your processor is going to reassign you to another processor for the upcoming quota period. Your processor has filed a Form 121 that formally notifies CFO of the temporary reassignment. Now he's saying that you have to sign a **1-quota period only agreement** (Form 101) with the other processor. What are your options in this situation?

You must file a new Form 101 with CFO that covers your temporary reassignment to this other processor. In this case, tick the box in the lower left hand corner of the section of Form 101 shown below.



<b>Term of Agreement</b> <b># Quota Periods:</b> Check one	<input type="checkbox"/> 6-Quota Period Fixed-Term Agreement	<input type="checkbox"/> 1-Quota Period Ongoing Rollover Agreement
	<input type="checkbox"/> 1-Quota Period Only Agreement (to be used when a producer on a 6-Quota Period Fixed-Term Agreement is reassigned via a Form 121)	

In the next quota period, you will revert back to your 6-quota period fixed-term agreement (Form 101) with your original processor for the balance of the agreement.

- 13** *You are on a 6-quota period fixed term agreement. Your processor has just advised you, for the second quota period during the fixed term agreement, that you are going to be reassigned to another processor and you need to complete another Form 101 agreement with that processor. When you talk to that processor, you find out that he wants to change the category for your birds and the marketing week for the quota period. You're not very satisfied with the situation but you think you can probably meet the requirements. Do you have to accommodate the processor's request?*

Generally, if you can reasonably accommodate a processor's request during a temporary reassignment, then you are obligated to do so. In this case, however, it is significant to note that this is the second time you have been reassigned during your fixed-term agreement. As such, you also have the option to cancel the contract with your current processor by filing a Form 201 by the quota period deadline date and to negotiate a new agreement with a different processor.

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- 14** *You are a producer that plans to sell part or your entire quota. What do you need to do to complete the transaction under the new processor allocation agreement?*

The exact requirements will depend on whether or not you are on an ongoing rollover agreement or a fixed-term agreement with your processor(s). Since you would normally contact CFO to arrange for the transfer of quota, please provide the details of your current processor agreements to CFO when you do this. CFO staff will help you sort out exactly what you can and must do. Since what you can do will depend on the terms of these agreements, and the deadline dates which relate to them, the sooner you contact CFO staff in these circumstances, the better.