

Chicken Farmers of Ontario
Supplemental Quota Policy
No. 171-2005

Made under: The Farm Products Marketing Act

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

Determination and Distribution of Supply

Section 1.0 - Supply Distribution

- 1.01 In fixing and allotting crop quotas to producers, the Board will distribute, in respect of a particular processor, the quantity of chicken, which that processor is authorized to purchase from producers through the Board pursuant to this Policy.
- 1.02 Commencing in Quota Period A-72, each processor shall have a *calculated base* in the amount set out in Schedule A of this Policy.
- 1.03 Processors with anti-seasonal 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 quota periods.
- 1.04 Commencing in Quota Period A-72, each processor shall have a *supply* that is comprised of the sum of its *primary supply* and *additional supply*.
- 1.05 Notwithstanding the definition of *calculated base* in Regulation No.2070-2005, processors granted new entrant or deemed new entrant status in the third term of the new entrant or deemed new entrant program pursuant to Supplemental Quota Policy No.161-2003 shall have a *calculated base* equal to the volume of kilograms granted pursuant to its approval as a new entrant or deemed new entrant.
- 1.06 The Board will indicate the existing amount of *special purpose kilograms* and *self-marketing kilograms*, that existed prior to the implementation of this Policy, as per Schedule E of this Policy.

Section 2.0 - Open Sign-up and Growth Distribution

- 2.01 During the timeframe of Quota Period A-72 through to Quota Period A-77 inclusive, the estimated maximum size of the *open sign-up pool* amount will be determined after the estimated authorized volume of domestic production for the crop quota period is determined. The estimated maximum size of the *open sign-up pool* will consist of the sum of the following:
- i. 1.5% of the sum of processors *periodic bases* for the crop quota period;
 - ii. The amount remaining when the *Ontario processor share* multiplied by the authorized volume of domestic production for the crop quota period is subtracted from the authorized volume of domestic production for the crop quota period; and
 - iii. Half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* for the crop quota period.
- 2.02 During the timeframe of Quota Period A-72 through to Quota Period A-77 inclusive, *growth* up to the equivalent of 1.5% of the sum of processors *periodic bases* will be distributed to processors in accordance with each processor's *percentage share*. Any remaining *growth* in each crop quota period during this timeframe shall be distributed equally between the *open sign-up pool* and processors, in accordance with each processor's *percentage share*.
- 2.03 During the timeframe of Quota Period A-78 through to Quota Period A-83 inclusive, the estimated maximum size of the *open sign-up pool* amount will be determined after the estimated authorized volume of domestic production for the crop quota period is determined. The estimated maximum size of the *open sign-up pool* will consist of the sum of the following:
- i. 1.5% of the sum of processors *periodic bases* for the crop quota period;
 - ii. The amount remaining when the *Ontario processor share* multiplied by the authorized volume of domestic production for the crop quota is subtracted from the authorized volume of domestic production for the crop quota period; and
 - iii. The average of half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* during Quota Periods A-72 to A-77.
- 2.04 During the timeframe of Quota Period A-78 through to Quota Period A-83 inclusive, *growth* up to the equivalent of 1.5% of the sum of processors *periodic bases* will be distributed to processors in accordance with each processor's *percentage share*. Any remaining *growth* in each crop quota period during this timeframe shall be distributed to processors, in accordance with each processor's *percentage share*.
- 2.05 During the timeframe of Quota Period A-84 to Quota Period A-89 inclusive, the estimated maximum size of the *open sign-up pool* amount will be determined after the estimated authorized volume of domestic production is determined. The estimated maximum size of the *open sign-up pool* will consist of the sum of the following:
- i. 1.5% of the sum of processors *periodic bases* for the crop quota period;
 - ii. The amount remaining when the *Ontario processor share* multiplied by the authorized volume of domestic production is subtracted from the authorized volume of domestic production for the crop quota period;
 - iii. Half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* for the crop quota period; and
 - iv. The average of half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* during Quota Periods A-72 to A-77.

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- 2.06 Commencing with Quota Period A-84, *growth* up to the equivalent of 1.5% of the sum of processors *periodic bases* will be distributed to processors in accordance with each processor's *percentage share*. Any remaining *growth* in each crop quota period shall be distributed equally between the *open sign-up pool* and processors, in accordance with each processor's *percentage share*.
- 2.07 During the timeframe of Quota Period A-90 to Quota Period A-95 inclusive, the estimated maximum size of the *open sign-up pool* amount will be determined after the estimated authorized volume of domestic production is determined. The estimated maximum size of the *open sign-up pool* will consist of the sum of the following:
- i. 1.5% of the sum of processors *periodic bases* for the crop quota period;
 - ii. The amount remaining when the *Ontario processor share* multiplied by the authorized volume of domestic production is subtracted from the authorized volume of domestic production for the crop quota period;
 - iii. Half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* for the crop quota period;
 - iv. The average of half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* during Quota Periods A-72 to A-77; and
 - v. The average of half of the *growth* in excess of 1.5% of the sum of processors *periodic bases* during Quota Periods A-84 to A-89.
- 2.08 Commencing with Quota Period A-96, the estimated size of the *open sign up pool* will be determined consistent with the methodology established in sections 2.05 and 2.07.
- 2.09 Schedule C translates the intent of this section into more precise terms using mathematically oriented formulas. This schedule constitutes the final definition of the concepts described in this Section.

Section 3.0 - Industry Stakeholder Meeting

- 3.01 Prior to the Board making its initial Ontario request to CFC, the Board will convene a meeting of industry stakeholders.
- 3.02 When the meeting of industry stakeholders is convened pursuant to section 3.01, the following provisions will apply:
- i. The date and time of the meeting will be determined and scheduled by the Board;
 - ii. A representative of the Board will act as chair for the meeting;
 - iii. The purpose of the meeting is for the industry stakeholders to attempt to attain a consensus (an absence of dissent), regarding the amount that the Board will submit to CFC as constituting Ontario's domestic market requirements for the crop quota period.
- 3.03 In advance of an industry stakeholder meeting and at the request of the administrator, each industry stakeholder who wishes to participate at the industry stakeholder meeting shall complete and forward to the administrator a common template to present its opinion and recommendations. The template will set out relevant information, data and statistics concerning projected Ontario market requirements for the crop quota period.
- 3.04 The chair of the industry stakeholder meeting will present the results of the meeting to the Board. The Board will consider these results in its determination of the Ontario request that the Board will submit to CFC for the relevant crop quota period.

Section 4.0 - Supply Information

- 4.01 At 16 weeks in advance of each crop quota period the Board shall provide each processor with the following:
- i. Its *historical Ontario supply*,
 - ii. Its *sign-up ceiling* calculated in accordance with Schedule B of this Policy,
 - iii. An estimate of producers' crop quotas,
 - iv. The maximum size of the *open sign-up pool* estimated in accordance with Schedule C of this Policy,
 - v. Its *minimum contracting requirement* calculated in accordance with Schedule B of Regulation No. 2073-2005.
- 4.02 Prior to the final sign-up phase in advance of each crop quota period the Board shall provide each processor with the following:
- i. Final producers' crop quotas,
 - ii. A listing of each processor's *primary supply* in accordance with Schedule D,
 - iii. A listing of all processors' reassignment amounts calculated in accordance with Schedule A of Regulation No.2073-2005,
 - iv. A listing of all processors' *supply*.

Section 5.0 - New Entrant Processors

New Entrants

- 5.01 A person seeking to become licenced as a *new entrant processor* shall make a written application to the Board for its consideration, which application shall include:
- i. A business plan that includes a marketing plan;
 - ii. Verification that the applicant has or is seeking a CFIA or provincial inspection approval;
 - iii. Confirmation from a recognized financial institution that the applicant will be able to provide a Letter of Credit in the manner and amount required by Regulation No.2073-2005; and
 - iv. Such other information as the Board may require.
- 5.02 The Board will advise the applicant regarding the outcome of its application.

Deemed New Entrants

- 5.03 A processor seeking to become a *deemed new entrant* shall make a written application to the Board for its consideration and subject to the following terms and conditions:
- i. The processor's *calculated base* shall be less than 300,000 kilograms;
 - ii. The application shall consist of a business plan that includes a marketing plan;
 - iii. A processor that has previously been granted *new entrant* or *deemed new entrant* status is prohibited from making a subsequent application; and
 - iv. The processor shall provide confirmation from a recognized financial institution that it will be able to provide a Letter of Credit in the manner and amount required by Regulation No.2073-2005.

Other Conditions Applicable to New Entrant and Deemed New Entrant Processors

- 5.04 Upon being granted approval by the Board, a *new entrant* or *deemed new entrant processor* shall have a *sign-up ceiling* of 300,000 kilograms for each of the next seven crop quota periods.
- 5.05 No *new entrant processor* shall receive or be entitled to a *calculated base*. No *deemed new entrant processor* shall receive or be entitled to a *calculated base* beyond the level of their *calculated base* at the time of application as a *deemed new entrant*.
- 5.06 Upon the completion of seven quota periods of operation, a *new entrant* or *deemed new entrant processor's* status as a *new entrant* or *deemed new entrant processor* will terminate and it will then be considered a processor.
- 5.07 At all times a *new entrant* or *deemed new entrant processor* shall be governed by all applicable policies, regulations, orders and directions of the Board.

Section 6.0 - Sale of a Processor and Transfer of Calculated base

- 6.01 Commencing with Quota Period A-73, a processor may apply to the Board to transfer *calculated base* pursuant to this section.
- 6.02 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 person seeking to become a processor. 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.
- 6.03 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 the purchaser's compliance with this Policy and all other applicable regulations, policies, orders and directions and the approval of the Board.
- 6.04 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 the purchaser's compliance with this Policy and all other applicable regulations, policies, orders and directions and the approval of the Board.
- 6.05 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.
- 6.06 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, slaughter utilization penalties, sign-up penalties or other breaches or violations of any policies, orders, directions or regulations of the Board of the acquired processor.
- 6.07 Where a person or a processor acquires the entire *calculated base* of a processor such person or processor shall assume all existing *ongoing rollover Form 101* and *fixed term Form 101* agreements.
- 6.08 A processor that carries on business through more than one entity, division, corporation or business shall have a *calculated base* on Schedule A of this Policy.

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 Supplemental Quota Policy for the purpose of furthering the intended effect of its application.

Section 8.0 - Revocation

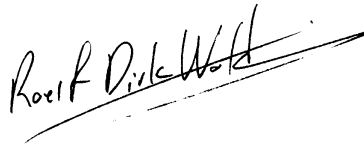
8.01 Supplemental Quota Policy No.161-2003 made by the Board on the 1st day of October 2003 (the 2003 Policy) is hereby revoked as of the effective date and this Supplemental Quota Policy is substituted therefor, provided that such revocation shall not affect the previous effect of said Policy or anything 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 29th day of December, 2005.



Chairman



Secretary

Schedule A

Processor	Calculated Base
A.S. Poultry	
Abate Rabbit Packers	
Barron Poultry	
CAMI International Poultry Inc	
Cericola Farms	
Chai Kosher Poultry Inc.	
Farm Fresh Co-op	
Grand River Poultry	
Hafiz Halal Poultry Inc.	
Horizon Poultry Products Inc. Maple Leaf Poultry	
King Capon	
Lowbank Farms	
Maple Lodge Farms	
M.W.F. Poultry	
Niagara Country Fresh Poultry Inc.	
P&H Foods	
Port Colborne Poultry	
Remy Poultry Ltd.	
Riverview Poultry	
Sargent Farms	
Sun Valley Foods	
Sunnybrook Farms	
Wellington Poultry	
TOTAL	

Note: Information in the *Calculated Base* column above will not be published until the new system commences.

Schedule B

In Quota Period A-72 to Quota Period A-77 inclusive, each processor's *sign-up ceiling* will be calculated as the lower of the following:

- i. $\text{MDR} + (\text{HOS} * 130\%)$, or
- ii. $\text{MDR} + (\text{HOS} + 50\% * \text{OSP})$

Commencing in Quota Period A-78, each processor's *sign-up ceiling*, will be calculated as the lower of the following:

- i. $\text{MDR} + (\text{HOS} * 115\%)$, or
- ii. $\text{MDR} + (\text{HOS} + 50\% * \text{OSP})$

where;

MDR is market development request

HOS is *historical Ontario supply*

OSP is the estimated maximum size of the *open sign-up pool*, calculated in accordance with Schedule C

Schedule C

The maximum estimated size of the *open sign-up pool* is calculated as follows:

1. During Quota Period A-72 to Quota Period A-77 inclusive:

The sum of:

- i. $1.5\% * SPB$,
- ii. $(eAVDP - (OPS * eAVDP))$
- iii. $X_i/2$ [zero if negative]

where $X_i = (GRTH - 1.5\% * SPB)$

2. During Quota Period A-78 to Quota Period A-83 inclusive:

The sum of:

- i. $1.5\% * SPB$,
- ii. $(eAVDP - (OPS * eAVDP))$
- iii. $avg(X_i)/2$

3. During Quota Period A-84 to Quota Period A-89 inclusive:

The sum of:

- i. $1.5\% * SPB$,
- ii. $(eAVDP - (OPS * eAVDP))$
- iii. $X_{iii}/2$ [zero if negative]
- iv. $avg(X_i)/2$

where $X_{iii} = (GRTH - 1.5\% * SPB)$

4. During Quota Period A-90 to Quota Period A-95 inclusive:

The sum of:

- i. $1.5\% * SPB$,
- ii. $(eAVDP - (OPS * eAVDP))$
- iii. $X_{iv}/2$ [zero if negative]
- iv. $avg(X_i)/2$
- v. $avg(X_{iii})/2$

where $X_{iv} = (GRTH - 1.5\% * SPB)$

where;

SPB is the sum of processors' *periodic bases*

GRTH is *growth*

eAVDP is the estimated authorized volume of domestic production

OPS is *Ontario processor share*

X is the GRTH minus 1.5% of the sum of processors' *periodic bases*,
and

i or iii denotes the first 6 quota periods or third 6 quota periods and where iv denotes the fourth 6 quota periods and so on respectively, e.g., v, vi, vii, viii, etc.

Note: In determining 'avg(Xi)', the true average of Xi during each of the quota periods will be used.

Schedule D

The final *primary supply* is calculated as follows:

For Quota Period A-72 to Quota Period A-77 inclusive:

1. AOS= the lesser of
 - i. AVDP-DK, or
 - ii. (AVDP*OPS)-SP-SM
2. DK=OPP+SP+SM
3. PB=AOS*Pshare
4. AK= Pshare*((GRTH – 1.5%*SPB)/2), if negative then =0
5. PS=(PB*98.5%) - AK + MDS

For Quota Period A-78 to Quota Period A-83 inclusive:

1. AOS= the lesser of
 - i. AVDP-DK-avg(Xi)/2, or
 - ii. (AVDP*OPS)-SP-SM-avg(Xi)/2
2. DK=OPP+SP+SM
3. PB=AOS*Pshare
4. PS=(PB*98.5%) +MDS

During Quota Period A-84 to Quota Period A-89 inclusive:

1. AOS= the lesser of
 - i. AVDP-DK- avg(Xi)/2, or
 - ii. (AVDP*OPS)-SP-SM- avg(Xi)/2
2. DK=OPP+SP+SM
3. AK= Pshare*((GRTH – 1.5%*SPB)/2), if negative then=0
4. PS=(PB*98.5%) - AK + MDS

During Quota Period A-90 to Quota Period A-95 inclusive:

1. AOS= the lesser of
 - i. AVDP-DK- avg(Xi)/2 - avg(Xiii)/2, or
 - ii. (AVDP*OPS)-SP-SM- avg(Xi)/2 - avg(Xiii)/2
2. DK=OPP+SP+SM
3. AK= Pshare*((GRTH – 1.5%*SPB)/2), if negative then=0
4. PS=(PB*98.5%) - AK + MDS

where;

AVDP is authorized volume of domestic production

AOS is *available Ontario supply*

DK is *dedicated kilograms*

OPP is out-of-province kilograms

SP is *special purpose kilograms*

SM is self-marketed kilograms

PB is *periodic base*

SPB is the sum of processors' *periodic bases*

Pshare is *percentage share*

PS is *primary supply*

OPS is *Ontario Processor Share*

GRTH is *growth*

MDS is market development supply

AK is adjusted kilograms

X is the *growth* above 1.5% of the sum of processors' *periodic bases*, and

i or iii denotes the first 6 quota periods or third 6 quota periods and where iv denotes the fourth 6 quota periods and so on respectively eg. v, vi, vii, viii, etc.

Note: In determining 'avg(Xi)', the true average of Xi during each of the quota periods will be used.

Schedule E

Note:

- CFO will provide a chart for this schedule that lists grandfathered exemptions related to *special purpose kilograms* and *self-marketing kilograms*
- The chart will not show names to protect privacy.
- It will not be published until the new system commences.