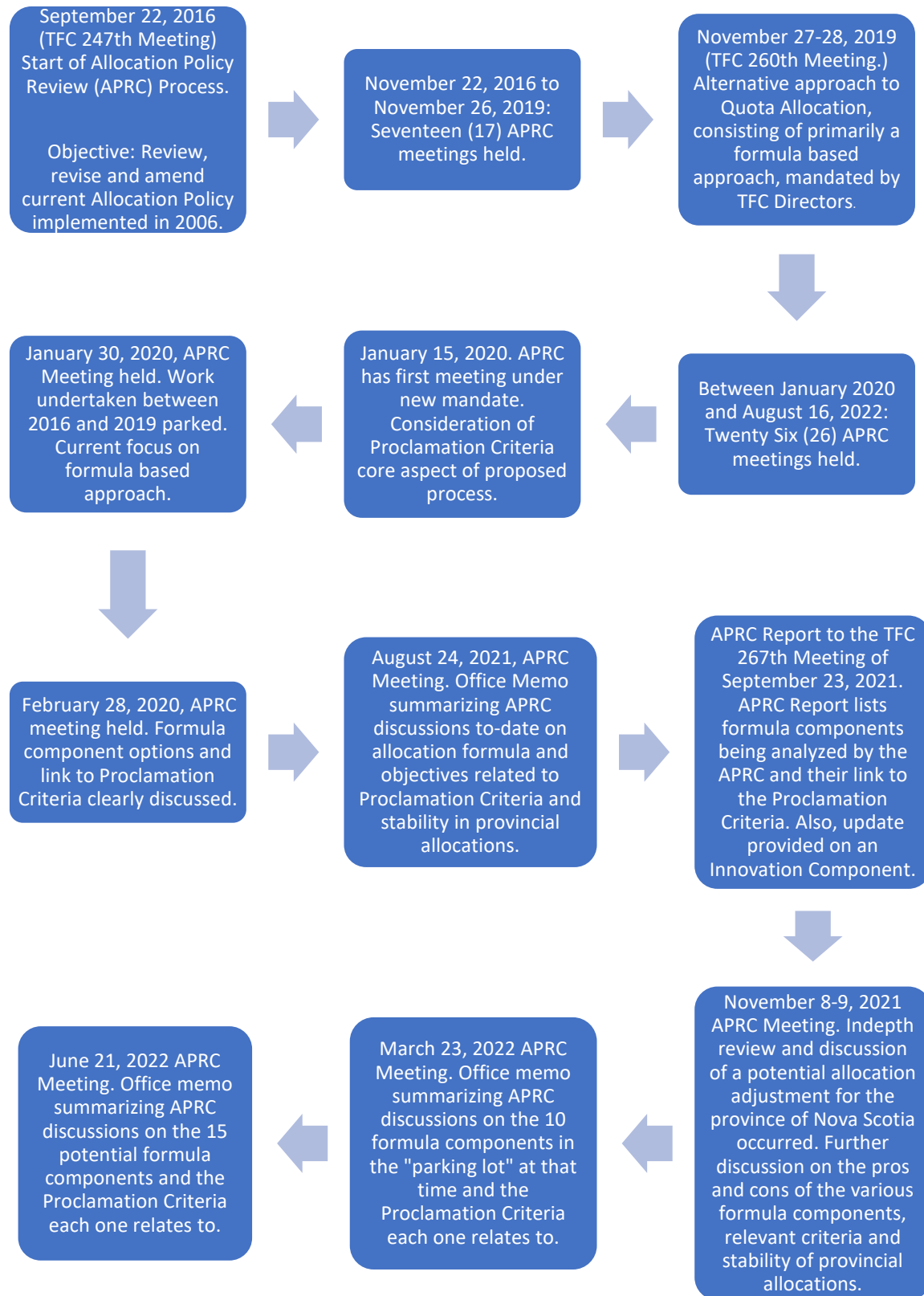


TFC Allocation Policy Review Committee (APRC) Timeline (2016 to 2022)



TFC Allocation Policy Review

Responses - Areas of Commonality

TFC 247th Meeting

Policy Completion/Enhancements

- Monitoring and reporting of WB/FP, better disclosure of information (8).
- Update/review reference point allocations (3).

Changes – Policy Mechanics

- Review WB allocation methodology (2).
- Replace regional with national approach under the Allocation Policy (1).
- Review how WB allocation decreases are dealt with below reference (3).
- Periodic allocations (1).
- Revert from WB/FP allocation segmentation to one allocation number (2).

Quota Setting Process Improvements

- TMAC functionality/process, market information transparency (3).
- Linkages between policies (Allocation and Export) (3).

Proposed Next Steps

The Executive Committee recommends the following approach for review of the Policy:

- Categorization of identified issues as per previous slides
- A Committee be formed consisting of one representative per province, CPEPC and FPPAC, named by each organization

TFC ALLOCATION POLICY REVIEW:

S. Ramkissoonsingh highlighted the summary of comments received with regard to the Allocation Policy. The Executive Committee reviewed the submissions and has categorized the comments and similarities, and recommended a potential Committee structure of one representative from each member organization.

It was proposed and agreed that the first priority would be to address the comments from all dealing with the outstanding issues around the whole bird allocation, monitoring and transparency.

N. Paillat clarified CPEPC's position, as they are in favour of sharing agreements; they just want them included in the overall policy so that all can be informed of who receives what amount.

R. de Valk stated that even though FPPAC did not submit a position they do, however, have an interest. They did observe within the comments received the need for ensuring processors that ask for FP increases receive the associated live volume.

D. Hart noted that all that responded referenced concerns over the whole bird. It is important that the representatives on the Committee can in fact implement these changes.

J. Falcao commented that discussions should also consider and include growth factors.

TFC staff will act as secretariat and an aggressive timeline to finalize the work prior to the start of the next control period has been set.

B. Cyr stated that there are legal considerations in each province, as well as considerations for processors to do things differently than they do now.

Provinces are requested to name their appointed representative by the end of next week. Appointees can be either a Director, Alternate, or Provincial Board Manager.

V. Redekop endorsed the initial direction for the Committee due to the dynamics surrounding the current policy and circumstances.

It was agreed to proceed as outlined.

ON-FARM PROGRAMS COMMITTEE (OFPC) REPORT:

C. Gonano provided updates to the following files:

T. Tavares mentioned that the issue is commodity birds. Industry needs wholesale prices in the low \$4 range, with a 60-cent premium on Grade A. We are nowhere near that. A 20% stock-to-use ratio is about right.

M. Pépin stated that January 1st whole bird inventories of 8 or 9 Mkg is too much. That is two (2) months of inventory.

D. Ference noted that we have to have a discussion around the table about bringing a third- party to find that number.

B. Ricker noted that we need the processors to buy the products; we need to hear that they are able to make some profit. He is in agreement to bring a third-party and is okay with a stock-to-use ratio.

J. Wiersma is in agreement to handle it internally with staff.

S. Heppell noted that the wealth of knowledge in our table is more than we can have with a third-party. The market always changes and producers always want more stocks and processors less.

A. Power voiced that there are many people involved trying to find a number; he is sure, we have the capability but not sure, we have the time.

R. Brown noted that third-party would take the politics out and suggested that it might be easier to find a percentage than a hard number.

B. Cyr voiced that we have the expertise; need the right number to get the right price to the consumer.

S. Olson communicated that in his opinion, we can handle this internally.

P. Boyd noted that TMAC would look at this and make a recommendation to the Board.

D. Hart voiced that the TMAC report findings resonate with the CPEPC, with a combined allocation cut in the 6-7 Mkg range.

R. Brown reminded the table that in respect to whole bird cuts, vulnerable provinces and the floor need to be considered.

ALLOCATION POLICY REVIEW

S. Ramkissoonsingh informed that the Allocation Policy Review Committee met on Tuesday, November 26th. The objective of the meeting was to try and clean up outstanding issues regarding the original mandate on amending and fixing the current Allocation Policy.

There were TFC members at the meeting that made it clear they could no longer support the processor and Provincial Board regional FP request (i.e., bottom up) process.

The Province of Quebec made a presentation on an alternative approach to Quota Allocation, consisting of primarily a formula based approach. There was good uptake on investigating the Quebec proposal further. Regardless of how the Agency moves forward, it was clear that there needs to be a rebuilding of trust between industry stakeholders (i.e., producers, processors and TFC members) and how a new policy supports innovation and product development at a processor level.

Upon discussion, it became clear it is difficult, if not impossible, to move forward on developing a new Allocation Policy until TFC members can come to an agreement on allocations, specifically how to reduce supply for the 2020/21 control period, and possibly the 2021/22 control period.

The TFC office will do an assessment of the Committee's progress, work completed to-date and the Quebec proposal, and see where there may be opportunities to integrate important elements. In addition, the office will look at developing an aggressive meeting and work schedule for the Committee over the next year.

S. Ramkissoonsingh noted that when the Committee was first structured, representation included one per province, one FPPAC and three CPEPC members. Since that time, observers have recently been permitted and, at yesterday's meeting, two (2) representatives per province attended. Upon discussion of the members of the Committee, the TFC Directors agreed to allow provinces and FPPAC to have two (2) members attend, and for CPEPC to continue to have three (3) representatives.

It was noted that at yesterday's meeting that some of the members might want a new mandate.

J. Wiersma: We need a new mandate.

B. Cyr: Agreed with a new mandate.

N. Paillat: Noted that he does not believe that it is a matter of mandate; it is a matter of working on a new Allocation Policy. The changes required are bigger than we thought.

S. Olson: Agrees with a new mandate, noting that with a new mandate, we might accomplish more.

- R. Brown: Agrees with a new broad mandate, which could be as simple as get a new policy.
- A. Power: Noted that he is somewhat indifferent, as he believes we can accomplish what we need with this mandate, but if the membership wants a new mandate, he is fine as long as it does not delay the process.
- S. Heppell: Need a clean start. It is a matter of working on a new Allocation Policy.
- M. Pépin: Noted that we need a date for a new Allocation Policy rather than a new mandate.
- D. Hart: Favour a fresh start.
- S. Eadie: Favour whatever it takes to get it done.
- B. Ricker: Fine with either way.
- C. McBain: A new Allocation Policy and a new mandate will be beneficial, with a timeline.

MOVED by R. Brown (MB) and SECONDED by J. Wiersma (SK) to mandate the Allocation Policy Review Committee to find a new Allocation Policy, extending from the work of November 27, 2019, at the TFC 260th Meeting for 2021/22 implementation.

CARRIED

Discussion on the motion:

D. Hart asked the membership to allow the Allocation Policy Review Committee the necessary time to make the changes and take into account the time needed for the Board to approve this.

AUDIT AND FINANCE COMMITTEE REPORT

2020 Preliminary Budget

C. McBain, Chair of the Committee, reviewed the meeting report with details highlighted by A. Goldman, TFC staff. Details and significant changes to expenses as compared to the 2019 Final Budget were outlined as follows:

- For the current 2019 year-end, the projection forecast shows a net general



MEMO

DATE: January 15, 2020

Agenda Item #5

TO/ À: TFC Allocation Policy Review Committee

FROM/ DE: TFC Office

RE/ OBJET: Allocation Policy Review – Proposed Next Steps

Background

At the November 26, 2019 Allocation Policy Review Committee meeting, the ÉVQ made a presentation titled “Proposal for a new quota allocation formula for turkey production”. The presentation consisted of two distinct parts:

- 1) segregating the national commercial allocation according to under 9 and over 9 kg weight categories; and,
- 2) a formula for allocating growth in commercial allocations (i.e., weight category allocations). The formula presented consisted of the following sub-components and weightings:
 - a. pro-rata production (40%) (by weight category);
 - b. pro-rata provincial population (25%);
 - c. pro-rata provincial slaughter (20%);
 - d. Farm Input Price Index (FIPI) for Commercial Feed (10%) [i.e., using the FIPI Commercial Feed index to adjust provincial allocation percentage shares to reflect a "feed cost advantage" among provinces];
 - e. Innovation/further processed (5%), with the criterion to be used to value the development of new products and value added by the province to be determined.

Note: the ÉVQ formula approach as proposed would apply only to increases in allocation, decreases would be on the basis of historic volumes.

Regarding the idea of segregating the national commercial allocation according to +/- 9 kg weight categories, some provinces expressed concern and preferred allocating one number to the provinces. One suggestion was to monitor/assess two market segments (e.g., +/- 9 kg or WB/FP) but allocate one number to the provinces.

Proposed Next Steps

As there was agreement in November to exploring the use of a formula for allocating quota, the following steps are proposed.

1. Each of the 5 components of the ÉVQ formula be analyzed by the Committee. This would include looking at the source data and the math used to calculate how quota would be shared under each component. Also understanding the rationale for using each component, with consideration given to the Proclamation Criteria (copy attached) or other market criteria.
2. Identify which of the 5 components have broad support of the Committee. Where a component does not have broad support, identify options for addressing the concerns, identify a different component for inclusion that has broad support or reduce the number of components. If a new component is proposed, identify the technical work to be undertaken.
3. Once the Committee has consensus on the components of an allocation formula, then the Committee could discuss the weighting each component would have in the formula (e.g., 10%, 20%, 30% weighting) and the rationale for the weighting.
4. After the development of an allocation formula with different components and weightings, the Committee will then need to determine how the formula is to be applied to an allocation. For example, is the formula to be applied to the total commercial allocation or as proposed by ÉVQ +/- 9 kg allocations or some other alternative.
5. The Committee will also need to discuss the starting point for the formula (e.g., fixed reference point, rolling allocations, etc.) and the manner in which reductions in allocation above and below the starting point will be treated.
6. There is a tendency provincially to measure any allocation formula outcome to the province's current share of commercial allocation/production. As some provinces will get more and some less than their pro-rata share when forecast scenarios are applied to the formula, the committee may want to consider upper and lower limits on the degree of differential growth to be available under a formula.

Proposed Committee Meeting and Teleconference Schedule

Set out below is a proposed meeting schedule for the Committee's consideration and feedback, with the objective of a September 2020 completion date.

<u>Date</u>	<u>Type of Meeting</u>	<u>Agenda Items</u>
1. Thursday, January 30 th	1/2 day meeting	Agree on review process; Q&A on EVQ proposal; identify work items for end of February.
2. Friday, February 28 th	2 hour conference call	Review work completed since January meeting. Identify work items for next face-to-face meeting.
3. Tuesday, March 24 th /Thursday March 26 th	face-to-face meeting(s), ½ to 1 full day	Review progress between January and March. Identify work items for end of April.
4. Tuesday, April 28 th	2 hour conference call <u>or</u> full face-to-face meeting	Review work completed since March. Identify work items for end of May.
5. Thursday, May 28 th	2 hour conference call	Review work completed since April. Identify work items for June Committee meeting.
6. Wednesday, June 17 th and/maybe Friday, June 19 th	face-to-face meeting(s)	Review work completed since May. Identify work items for next conference call in mid-summer.
7. Conference call mid-summer. Date to be determined.	2 hour conference call	Review work completed since June. Finalize work items for September face-to-face meeting.
8. <i>(Tentative)</i> Wednesday and Thursday, September 23-24 th . <i>(Subject to direction by TFC Executive Committee).</i>	Two full days of face-to-face meetings.	To complete Committee work and finalize recommendations and proposals for TFC Directors.

Attachment

1. Canadian Turkey Marketing Agency Proclamation Criteria.

Canadian Turkey Marketing Agency Proclamation

Quota System

- **2 (1)** The Agency shall, by order or regulation, establish a quota system by which quotas are assigned to all members of classes of turkey producers in each province to whom quotas are assigned by the appropriate Board or Commodity Board.
- **(2)** The Agency, in establishing a quota system, shall assign quotas in such manner that the number of pounds of turkey meat produced in a province and authorized to be marketed in interprovincial and export trade in the year 1973, when taken together with the number of pounds of turkey meat produced in the province and authorized to be marketed in intraprovincial trade in the same year, pursuant to quotas assigned by the appropriate Board or Commodity Board, and the number of pounds of turkey meat produced in the province and anticipated to be marketed in the same year, other than as authorized by a quota assigned by the Agency or by the appropriate Board or Commodity Board, will equal the number of pounds of turkey meat set out in section 3 of this Plan for the province.
- **3** For the purposes of subsection 2(2) of this Plan, the number of pounds of turkey meat set out in this section for a province or for the unregulated area is the number of pounds set out in Column II of an item of the following table in respect of the province or the unregulated area set out in Column I of that item.

TABLE

Item	Column I	Column II
	Province or Area	lb.
1	British Columbia	20,500,000
2	Alberta	18,250,000
3	Saskatchewan	8,000,000
4	Manitoba	17,250,000
5	Ontario	92,000,000
6	Quebec	54,000,000
7	New Brunswick	1,440,000
8	Nova Scotia	2,500,000
9	Unregulated Area	60,000

Canadian Turkey Marketing Agency Proclamation

- **4 (1)** No order or regulation shall be made where the effect thereof would be to increase the aggregate of
 - **(a)** the number of pounds of turkey meat produced in a province and authorized by quotas assigned by the Agency and by the appropriate Board or Commodity Board to be marketed in intraprovincial, interprovincial and export trade, and
 - **(b)** the number of pounds of turkey meat produced in a province and anticipated to be marketed in intraprovincial, interprovincial and export trade other than as authorized by quotas assigned by the Agency and by the appropriate Board or Commodity Boardto a number that exceeds, on a yearly basis, the number of pounds of turkey meat set out in section 3 of this Plan for the province **unless the Agency has taken into account**
 - **(c)** the principle of comparative advantage of production;
 - **(d)** any variation in the size of the market for turkeys;
 - **(e)** any failures by turkey producers in any province or provinces to market the number of pounds of turkey meat authorized to be marketed;
 - **(f)** the feasibility of increased production in each province available to be marketed;
 - **(g)** the existing production and storage facilities in each province; and
 - **(h)** the comparative transportation costs to market areas from alternative sources of production.
- **(2)** No order or regulation shall be made pursuant to subsection (1) unless the Agency is satisfied that the size of the market for turkeys has changed significantly.
- **5 (1)** The Agency may require each turkey producer to whom a quota is assigned as a condition of the assignment thereof to make available to the Agency or its agent all turkeys produced by him and available to be marketed in excess of the quotas assigned to him at a price not exceeding the difference, if any, between the price realized by the Agency or its agent on the marketing of such turkeys and its expenses related to such marketing.
- **(2)** The Agency shall, in any province where an equivalent requirement is enforced by the appropriate Board or Commodity Board, require each turkey producer to whom a quota is assigned, as a condition of the assignment thereof, to make available to the Agency or its agent all turkeys to be marketed in accordance with the quota assigned to him.
- **6** The Agency may market turkeys made available to it or its agent on an individual or collective basis and may pool the receipts from the marketing thereof and deduct from the pool the expenses incurred by it or by its agent in marketing such turkeys before any payment is made to the producers.

Canadian Turkey Marketing Agency Proclamation

- **7** The Agency shall, with the concurrence of the Commodity Board, appoint that Commodity Board to administer on its behalf all orders and regulations made by it for the purpose of establishing and implementing a quota system.
- **8** In making orders and regulations establishing and implementing a quota system, the Agency shall have regard to equivalent orders and regulations made by the appropriate Board or Commodity Board and shall, in so far as possible, make orders and regulations in such a manner as to complement those made by the Board or the Commodity Board.

MINUTES

Turkey Farmers of Canada

Allocation Policy Review Committee Meeting

Holiday Inn Toronto International Airport, 970 Dixon Road, Toronto, Ontario

Roof Garden 12th Floor

Thursday, January 30, 2020

ATTENDANCE: COMMITTEE MEMBERS AND OBSERVERS

Darren Ference, Chair
Michel Benoit (BCTMB)
Debbie Etsell (BCTMB)
Scott Olson (ATP)
Jelmer Wiersma (TFS)
Helga Wheddon (MTP)
Mike Reimer (MTP)
Leroy Loewen (MTP)
Matt Steele (TFO)
Jon-Michael Falconer (TFO)
Ryan Brown (TFO)
Bertin Cyr (TFNB)
Louis Martin (TFNB)
Hugo Therrien (TFNB)
Steven Eadie (TFNS)
Sonya Lorette (TFNS)
Pierre Luc LeBlanc (ÉVQ)
Marie-Ève Tremblay (ÉVQ)
Richelle Fortin (ÉVQ)
Adam Power (FPPAC)
Nicolas Paillat (CPEPC)
Tony Tavares (CPEPC)

TFC Staff: P. Boyd, J. Sheldon, S. Singh

TFC Executive Committee: Calvin McBain, Brian Ricker

CALL TO ORDER:

The meeting was called to order at 11:33 a.m.

APPROVAL OF AGENDA

D. Ference noted that TFO would be making a PowerPoint presentation under agenda item 4a), regarding feedback on the ÉVQ allocation proposal from the November meeting. Also, that Agenda Item #5, proposed next steps and preliminary meeting schedule, would be moved up in the agenda.

MOVED by S. Olson and SECONDED by A. Power to approve the agenda.

CARRIED

APPROVAL OF MINUTES

MOVED by A. Power and SECONDED by J. Wiersma to approve the Meeting Minutes of November 26, 2019.

CARRIED

PROPOSED NEXT STEPS AND PRELIMINARY MEETING SCHEDULE

D. Ference clarified that the work undertaken to-date on the current Allocation Policy, is parked. The Committee will now focus on the formula based approach proposed by ÉVQ and taking into account the feedback received.

S. Singh highlighted the proposed committee meeting and teleconference schedule between January and September. Of note was the potential to meet on two days (Wednesday and Friday) in conjunction with the TFC June meeting and meeting for two full days in September to finalize recommendations.

In response to N. Paillat, the next steps to be taken between September and the November TFC meeting would depend on the outcome of the Committee's September meeting.

There were no objections to the proposed schedule by Committee members. *TFC office to confirm dates and duration of meetings as soon as possible.*

S. Singh summarized the proposed approach, set out in the memo to agenda item #5, to developing a formula based approach to allocation and analyzing the ÉVQ proposal, the provincial feedback received and the TFO proposal. *There was agreement to proceed as outlined in the meeting memo.*

ÉVQ ALLOCATION PROPOSAL/FEEDBACK SUBMITTED

J.M. Falconer presented the TFO feedback and proposal by PowerPoint. The following comments and discussion ensued.

- Are we working with one commercial allocation number to each province?
 - Yes, there would be no enforcement of whole bird (WB) and further processed (FP); both would be rolled up for one number to a province.
- There are two markets but should go up and down on one number. The “top up” under the innovation component would/could create a surplus (particularly in a situation where a smaller province had a significant innovation volume).
- Decreases under the innovation component, how far back in history would we go?
- What about a cap on innovation in a year? And, an incentive to convert WB to FP?
- Would the innovation component be available in a year when the global allocation is decreasing?
 - TFO is open to discussing these matters at the Committee level.
- A kg is a kg. Processor will do with it what they want. Use WB and FP as indicators and allocate one number.
- Let processors decide what to do with the birds, then how checked at the national level if bagged or FP?
- What to grow needs to be left to the province.
- Innovation component needs to be very limited; if no natural growth then no special requests; agree with two markets as there are two ways to consume.
- If there is a bottom up component, then the processor needs to receive the kg requested.
- No need for differential growth for a while. Better to have once-off allocations and park this until after November.
- Let’s not replicate problems of the past; must all take part in growth; how to ensure flexibility for one processor does not impact others?
- Why analyze two markets if only having one number per province and the province can do what it wants? Each province must respect what we decided to produce.
 - Control is on the total allocation.
 - Two market measurements over the last few years enables us to be certain that we have the right total kg number; we monitor month to month the two markets (WB and FP); if markets change we need to adapt; relatively close each year by about 1.0 Mkg; check what is produced and “not enforce what is produced”.

- The processor decides to shift bird size mid-year; one number gives flexibility to the processor to make the most money. Allows the processor to respond quickly to consumer demand.
- Agree we need flexibility for processors. Meet 4 or 5 times a year to discuss what each slaughter house will ask for, pool the information, the Canadian market is what each province requests.
- Can we model out the TFO proposal; think we are close; the consumer drives the market.

MATTERS FOR CONSIDERATION UNDER A FORMULA APPROACH TO ALLOCATION

S. Singh outlined the memo prepared under this agenda item. With respect to the upper limits under Section 1 of the Export Policy, there is a direct link between them and the processor request process under the current Allocation Policy. Regarding the memorandum of understanding (MOU) of 2006, there was a linkage between the one-time adjustments, reference levels and the two-market approach.

Committee members were asked to consider these two matters and to be prepared to speak to them at the Committee's March meeting. Specifically, are members prepared to put the past behind them.

B. Cyr, need to get rid of the parts of the Policy that are not working, which is the bottom-up portion. There needs to be safeguards, etc. in any new policy.

L. Martin, consideration could be given to a "pool concept", with a percentage factor, with safeguards for the innovation component.

OVERVIEW OF COMPONENTS PROPOSED IN ÉVQ'S NOVEMBER 26, 2019 PROPOSAL

The committee discussed each of the allocation components proposed by the ÉVQ in their allocation proposal.

Pro-Rata Production Component

M. Benoit, okay with using under/over 9 production data in the component.

S. Olson, weight categories will not give a clear picture of what is cut up and bagged. J. Wiersma, agree.

R. Fortin, proposal would allocate kilograms in the same way as they are produced.

H. Wheddon, can we use weight categories as indicators?

B. Cyr, can live with using production numbers but prefer to use previous year's allocation; would address the potential for force majeure situations that impact the production number.

S. Eadie, prefer using allocation numbers over production.

N. Paillat, agree with allocation numbers versus production.
T. Tavares, prefer allocation numbers.
M. Reimer, prefer allocation numbers.
S. Olson, prefer allocation numbers.
J. Wiersma, can work with allocation.
M. Benoit, allocation.
M. È. Tremblay, ÉVQ's proposal was production. What is the implication of using allocation?
N. Paillat, production would include export production which could significantly shift market shares year to year.

P. Boyd, based on the discussion there appears to be consensus to have a pro-rata component based on the previous year's commercial allocation. Consider this component in the parking lot for now.

Pro-Rata Population

R. Fortin, the purpose of this component in the ÉVQ proposal was to link allocations to consumption. Quebec is in favour of using pro-rata provincial population as an allocation component.

D. Ference polled the other committee members on if they supported this component.

M. Benoit, yes.
J. Wiersma, yes.
S. Olson, yes.
A. Power, yes.
H. Wheddon, yes.
T. Tavares, yes.
N. Paillat, yes. But change in population better linked with changes in allocation.
S. Eadie, yes.
B. Cyr, yes to total provincial population.
M. Steele, yes.

S. Singh, based on the feedback there is consensus to have a pro-rata provincial population component in an allocation formula. Consider this another component in the parking lot for now.

Pro-rata Provincial Slaughter

R. Fortin, pro-rata provincial slaughter is included in the ÉVQ proposal to take processing into account. Reflects where slaughter occurs in Canada and captured inter-provincial movement. If no slaughter capacity in a province, then it is a disadvantage.

D. Ference polled the committee members on if they supported this component.

R. Fortin, yes.

M. Benoit, no because it would include export activity.

J. Wiersma, opposed.

S. Olson, yes.

A. Power, opposed.

M. Reimer, would need to include all kilograms slaughtered including mature, which the ÉVQ proposal excludes.

T. Tavares, no comment.

N. Paillat, no comment.

S. Eadie, in favour.

B. Cyr, opposed. The ÉVQ proposal only captures processing activity and investment in farms is not captured. Loss of efficiency on farms if there is a component where a province gets zero allocation.

M. Steele, in favour if mature slaughter is included.

S. Singh, clearly no consensus (3 are an unconditional yes; 2 a conditional yes; and, 4 opposed) at the Committee to including pro-rata slaughter as a component in the allocation formula. As there is agreement on a pro-rata allocation component, and the two are fairly similar in terms of capturing where turkey is grown and ensuring all provinces receive some allocation growth, suggest that this component be dropped.

Farm Input Price Index (FIPI) Commercial Feed

M. È. Tremblay, the purpose of the FIPI component is to include a competitive element of production.

M. Benoit, feed prices can fluctuate due to factors outside of our control (e.g., flood) anywhere in the world. In favour of the FIPI for all feeds with the index being rebased to a current period. Can use it if would be magic bullet to address comparative advantage.

J. Wiersma, rebase or do not use an index. Okay with feed but use current feed prices, don't like 2012 reference year.

S. Olson, don't want to use FIPI but can be flexible.

A. Power, indifferent.

M. Reimer, hard no for me. Using FIPI as useful as using "chicken" slaughter to allocate turkey quota. Prefer to use actual turkey feed costs in our province.

S. Eadie, Okay with it.

M. Steele, Okay with it.

L. Martin, Okay with it.

S. Singh, TFC staff will look at other options, that the Committee members can provide feedback on.

Innovation Component

D. Ference requested the committee members to provide their feedback on this proposed component.

L. Martin, what about an allocation pool (e.g., 5%) that provinces could access when the market is good. Would not be bottom up like we have now.

M. Reimer, could you carry any unused pool volumes forward?

A. Power, if the pool is exhausted do you stop innovating?

L. Martin, there needs to be a limit, with safeguards, proposing disciplined innovation.

P. Boyd, is there a way to build on this idea. Needs to be flexibility to allow for innovating out of a bad market. Can we build in vetting?

M. Reimer, is it possible for everyone to get a base (e.g., 20%) and have 80% for differential growth. Maybe, equal share on the first 20% and then differential growth.

Next step. MTP/H. Wheddon to provide an example to the TFC office for circulation to the committee.

N. Paillat, CPEPC and FPPAC will discuss and come back with some ideas and options on the TFO approach as presented at the beginning of the meeting.

A. Power, our understanding is that the key issue is the sharing of bottom up requests. How to share and how the requests are vetted.

M. Benoit, also needs to consider how vetted requests are withdrawn if not needed, and is used for intended purpose, etc.

ADJOURNMENT

J. Wiersma moved that the meeting be adjourned at 3:52 p.m.

TELECONFERENCE MINUTES

**Turkey Farmers of Canada
Allocation Policy Review Committee Teleconference
Friday, February 28, 2020**

ATTENDANCE:

Darren Ference, Chair

Michel Benoit (BCTMB)
Shawn Heppell (BCTMB)
Scott Olson (ATP)
Jelmer Wiersma (TFS)
Helga Wheddon (MTP)
Mike Reimer (MTP)
Matt Steele (TFO)
Jon-Michael Falconer (TFO)
Bertin Cyr (TFNB)
Louis Martin (TFNB)
Steven Eadie (TFNS)
Richelle Fortin (ÉVQ)
Adam Power (FPPAC)
Nicolas Paillat (CPEPC)
Tony Tavares (CPEPC)
Gary Raycroft (CPEPC)

TFC Staff: P. Boyd, S. Singh

TFC Executive Committee: Calvin McBain (Observer)

CALL TO ORDER:

The teleconference was called to order at 12:06 p.m.

APPROVAL OF AGENDA

MOVED by J. Wiersma and SECONDED by T. Tavares to approve the agenda.

CARRIED

APPROVAL OF MINUTES

M. Steele requested that minutes of the January 30, 2020 committee meeting be amended on the bottom of page 2, by removing the word “counter” from the last paragraph.

MOVED by S. Olson and SECONDED by M. Reimer to approve the Meeting Minutes of January 30, 2020 as amended.

CARRIED

WORK ITEMS ARISING FROM JANUARY 30, 2020 MEETING

Allocation Formula Components: Two Options for Consideration

S. Singh highlighted the allocation components currently in the parking lot from the January 30th meeting (i.e., pro-rata previous year’s commercial allocation and pro-rata total provincial population). Under Agenda Item #4a), the office prepared two additional components for the Committee’s consideration: i) a component based on the provincial average hourly agricultural wage rate from Statistics Canada; and, ii) a component based on average turkey farm size by province. It was noted that both these proposed components could be used to account for comparative advantage of production (CAP).

Average Hourly Agricultural Wage Rate:

T. Tavares, comparing provincial live prices would reflect competitive advantage and capture elements such as feed and poult costs, labour costs, etc. Not saying this would be a good or bad method to account for comparative advantage, just that it could capture it.

B. Cyr, concerned with provinces manipulating the published live price to benefit from quota allocations. Think that the labour wage component could work.

R. Fortin, CFC at the very beginning when developing their formula, put aside factors that could be manipulated by players in the industry.

S. Heppell, agree we do need a CAP component in the policy to be compliant with the Proclamation. Do not need to give it significant weight in the formula.

J. Wiersma, not opposed to the live price idea. Do not think any province would manipulate their live price for a few additional kilograms. Can give it a lower weighting in the formula.

S. Heppell, who pays for catching costs, lease back of conditional allocations, all impact the posted live price. Cash goes in and out differently in the provinces and assessing a paid live price would be a complex thing to figure out. Use of third party data is more critical.

S. Singh, live prices vary by weight category and “grade A” versus un-graded, etc. Thought would need to be given on how to compare pricing across the provinces.

T. Tavares, is it possible to look at wages paid in processing plants at a provincial level and at farm wages?

S. Heppell, can look at wages from two perspectives. The lower the wage the more advantage you have; or, the higher the wage paid, the more advantage you have since you are able to pay that higher wage.

J.M. Falconer, Stats Canada also has a wage series that reflects full time employees only and over the age of 25 (i.e., excludes student labour 15-25 years of age). Could that scenario be run? S. Singh, yes.

M. Reimer, not strongly for or against the labour wage component idea. Would prefer to use turkey specific data rather than general agricultural data.

M. Steele, no strong opinion. Proposed methodology is simple. Include more broad farm measurement. Farm size makes more sense.

J. Wiersma, would support the wage component, as it satisfies the Proclamation.

S. Heppell, we have maximum farm sizes in BC due to government mandates. Potential for the number of growers to increase (average farm sizes decrease) due to politics around preference for smaller farms.

M. Steele, in Ontario the minimum wage is out of the Board’s control; and, not in support of the wage component.

S. Olson, simple is good. Will not say no, okay with parking lot. Also okay with pro-rata allocation and population. Also like the idea of live prices, as data is crystal clear.

R. Fortin, can support wage component.

B. Cyr, can support wage component.

S. Eadie, yes to the wage component in the parking lot, depends on weighting. On the fence on live price. Not in favour of growing turkeys where they are cheaper.

T. Tavares, okay with looking at full time labour wage.

D. Ference, based on the feedback today, seems there is support have further discussion at the March meeting.

Average Farm Size:

S. Singh, prior to this call we received feedback from Quebec noting that they have many producers with chicken and turkey production. Comments on today's call regarding maximum provincial farm sizes raises issues regarding the practicality of this component.

S. Heppell, if you are a small producing province, how can you have a large farm size? Governments want more farms and more sharing.

M. Reimer, an appropriate farm size is subjective. We have maximum farm sizes in Manitoba. Not sure I can support this.

M. Steele, if practical it would be a good indicator of CAP.

J. Wiersma, pro-rata allocation in the province already favours large producers.

R. Fortin, share the comments already stated on why this is not practical. Cannot support.

B. Cyr, in New Brunswick this methodology could be manipulated.

S. Singh, based on the feedback today, we will dismiss looking any further into this proposed methodology on average farm size.

Live Prices:

T. Tavares, using live prices captures all elements of CAP. Maybe use 80/20 rule on grade A versus under/un-graded prices.

S. Eadie, willing to look at it. Can a chart be prepared?

M. Steele, yes, okay to look at it.

M. Benoit, we know that in some cases premiums are paid and cannot account for that by just using published prices. Posted live price does not apply to all inter-provincial shipments.

G. Raycroft, look at the minimum live price in each province and then standardize those prices.

B. Cyr, people will find ways to get more kilograms.

J. Wiersma, am on the fence given the comments.

M. Reimer, if a low weighting (5%), then maybe can support it.

S. Singh, the office will look at options for developing a component based on live prices for the Committee's March meeting.

Innovation Component

N. Paillat informed the Committee that CPEPC/FPPAC would have formal input on the innovation component for the Committee's March meeting; but, highly unlikely that it would be available by March 10th as requested by the TFC office.

M. Reimer, our initial thinking is to have an equal share component (e.g., some portion of allocation e.g., 20%, allocated equally e.g., 1/8, across the 8 provinces). Not sure if it would fall under Innovation or the natural growth formula. Will send a formal letter in advance of the Committee's March meeting.

Other

R. Fortin, noted that Quebec had forwarded to the TFC office a proposed component based on a population to allocation ratio. It is not a CAP component. It is intended to redistribute kilograms between provinces based on population. The CFC has a similar component in their allocation policy. The one provided to the TFC office is the methodology used by EFC. S. Singh, noted that it would be made available at the Committee's March meeting.

M. Reimer, is there any data from the control period reconciliation process that could be used to develop an allocation component? For example, the reconciliation provides final slaughter and export data. Could we use exports as a factor for CAP; the more you export the better it is?

M. Benoit, export credits can be shifted between provinces, so the utilizations in the reconciliation may not reflect boning in a province.

WORK ITEMS FOR NEXT MEETING (MARCH 24, 2020)

R. Fortin, would it be possible for all the work undertaken at the Committee level, including Excel files, to be kept on the TCF members' portal so that the information can be readily accessed? S. Singh, yes we will look into that.

S. Olson, will need give and take on the innovation component. An idea is that the further you are down from your reference percentage you get a bigger piece of the pie.

L. Martin, maybe have a correction if you are below 90% of a threshold, you are able to access additional kilograms.

ADJOURNMENT

T. Tavares moved that the teleconference be adjourned at 1:31 p.m.



MEMO

DATE: August 24, 2021

TO/ À: Allocation Policy Review Committee

Agenda Item 6

FROM/ DE: TFC Office

RE/ OBJET: Allocation Formula (for allocating natural growth in the Total National Commercial Allocation)

Background

To date, discussions on a (mathematical) allocation formula has centred on two objectives.

One, is to address certain **key** allocation criteria under the Agency's Proclamation (Section 4(1)).

- (c) the principle of comparative advantage of production;
- (d) any variation in the size of the market for turkeys;
- (e) any failures by turkey producers in any province or provinces to market the number of pounds of turkey meat authorized to be marketed;
- (f) the feasibility of increased production in each province available to be marketed;
- (g) the existing production and storage facilities in each province; and
- (h) the comparative transportation costs to market areas from alternative sources of production.

The second, is to provide "stability" in provincial allocations from year-to-year.

Allocation Formula Components in the Parking Lot

There are currently eight (8) formula components in the "parking lot" for further negotiation in terms of: i) being part of the final allocation formula; and, ii) weighting in the formula. They are:

1. Pro-rata commercial allocations, based on the most recent control period [or alternatively a fixed current control period allocation].
2. Pro-rata commercial allocations, for a previous (historic) control period.
3. Pro-rata July 1st provincial populations, for the year prior to the most recent control period.
4. Allocation/Population formula (i.e., compares Provincial Commercial allocation % shares to provincial population % shares; and, only where a province's population % share is less than its commercial allocation % share, would it receive an allocation under this component).
5. Average agricultural hourly wage rate (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).
6. Average hourly food manufacturing wages (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).
7. Average live turkey prices (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial live price is below the national average).
8. Allocation/Population ratio (i.e., only where a province's per capita commercial allocation is less than the national per capita commercial allocation, would a province receive an allocation under this component).

Using "agricultural hourly wage rates", "average hourly wages for Food Manufacturing", and "average live prices", could account for Comparative Advantage of Production (CAP) in the allocation formula. Note: these three components produce results that vary only slightly from pro-rata allocation. If a province is below average on one of these measures, they get slightly more allocation, and if they are above average they get slightly less allocation.

Using the three (3) population components could account for any variation in the size of the market for turkeys.

Pro-rata commercial allocation, could account for feasibility of increased production in each province and existing production facilities.

Status of Committee Discussions on Weighting

Set out below is a summary of the discussions from last summer on member support and weightings for the components. CPEPC chose not to provide comments.

1. Pro-rata commercial allocation: weighting varied from 15% to 80%, with an average weighting of 43%. All provinces and FPPAC supported this component.

2. Pro-rata provincial population: weighting varied from 5% to 25%, with an average weighting of 16%. All provinces and FPPAC supported this component.
3. 6 of 8 provinces and FPPAC supported the agricultural hourly wage rate, with a weighting between 5% and 15%, and an average weighting of 10%.

There was significantly less consensus on the other two population components (4 of 8 provinces on the allocation/population formula; and, 3 of 8 on allocation/population ratio); and, on the average hourly food manufacturing wage rate (4 of 8 provinces).

Regarding the turkey live price component, support for its inclusion varied last year from one meeting to the next.

Other Formula Components Discussed

There are three other formula components that have been previously discussed.

1. Innovation Component. ÉVQ is currently undertaken further work on the proposal tabled at the Committee's May 26th meeting.
2. Average Farm Size.
3. Farm Input Price Index (FIPI) for Commercial Feed.

[ALLOCATION POLICY REVIEW COMMITTEE REPORT]

Status of Committee Deliberations as of August 24, 2021

Quota System: Market, Supply, Policy

Background

As reported at the TFC June 2021 meeting, the Allocation Policy Review Committee has been working on the following two major elements of a new Commercial Allocation Policy.

1. Natural Growth (NG) Formula to be used for allocating (distributing) increases in the national commercial allocation above a certain starting point allocation (e.g., above 136.0 Mkg) to the eight provinces.
2. An Innovation Component that is outside and separate from the NG formula. This component consists of a commercial allocation request process, where Provincial Commodity Board's can request commercial allocation, when their processors develop new innovative turkey products.

Current Status/Situation

Natural Growth (NG) Formula

To date, discussions on a (mathematical) allocation formula has centred on two objectives.

One, is to address certain key allocation criteria under the Agency's Proclamation (Section 4(1)).

- (c) the principle of comparative advantage of production;
- (d) any variation in the size of the market for turkeys;

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- (e) any failures by turkey producers in any province or provinces to market the number of pounds of turkey meat authorized to be marketed;
- (f) the feasibility of increased production in each province available to be marketed;
- (g) the existing production and storage facilities in each province; and
- (h) the comparative transportation costs to market areas from alternative sources of production.

The second, is to provide “stability” in provincial allocations from year-to-year.

Allocation Formula Components in the Parking Lot

There are currently eight (8) formula components in the “parking lot” for further negotiation in terms of: i) being part of the final allocation formula; and, ii) weighting in the formula. They are:

1. Pro-rata commercial allocations, based on the most recent control period [or alternatively a fixed current control period allocation].
2. Pro-rata commercial allocations, for a previous (historic) control period.
3. Pro-rata July 1st provincial populations, for the year prior to the most recent control period.
4. Allocation/Population formula (i.e., compares Provincial Commercial allocation % shares to provincial population % shares; and, only where a province’s population % share is less than its commercial allocation % share, would it receive an allocation under this component).
5. Average agricultural hourly wage rate (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).
6. Average hourly food manufacturing wages (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).
7. Average live turkey prices (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial live price is below the national average).
8. Allocation/Population ratio (i.e., only where a province’s per capita commercial allocation is less than the national per capita commercial allocation, would a province receive an allocation under this component).

Using “agricultural hourly wage rates”, “average hourly wages for Food Manufacturing”, and “average live prices”, could account for Comparative Advantage of Production (CAP) in the allocation formula. Note: these three components produce results that vary only slightly from pro-rata allocation. If a province is below average on one of these measures, they get slightly more allocation, and if they are above average they get slightly less allocation.

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Using the three (3) population components could account for any variation in the size of the market for turkeys.

Pro-rata commercial allocation, could account for feasibility of increased production in each province and existing production facilities.

Status of Committee Discussions on Weighting

Set out below is a summary of the discussions from last summer on member support and weightings for the components. CPEPC chose not to provide comments.

1. Pro-rata commercial allocation: weighting varied from 15% to 80%, with an average weighting of 43%. All provinces and FPPAC supported this component.
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3. 6 of 8 provinces and FPPAC supported the agricultural hourly wage rate, with a weighting between 5% and 15%, and an average weighting of 10%.

There was significantly less consensus on the other two population components (4 of 8 provinces on the allocation/population formula; and, 3 of 8 on allocation/population ratio); and, on the average hourly food manufacturing wage rate (4 of 8 provinces).

Regarding the turkey live price component, support for its inclusion varied last year from one meeting to the next.

Other Formula Components Discussed

Other formula components that have been previously worked on, discussed or mentioned at Committee include:

1. Innovation Component. ÉVQ is currently undertaken further work on the proposal tabled at the Committee's May 26th meeting.
2. Average Provincial Farm Size
3. Farm Input Price Index (FIPI) for Commercial Feed
4. Cost of Production Model
5. Pro-Rata Total Provincial Slaughter
6. Gross Domestic Product (GDP)
7. Turkey Consumption Ratio (using Provincial Per Capita Consumption)
8. Minimum Processor Grade by Province
9. Equal Share
10. Recognition of provincial turkey breeding industries.

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Next Steps

To finalize the NG formula, decisions are required on the components to be retained (or possibly added) and the weighting of each component in the formula. Guidance from the TFC Directors on how to proceed on these two matters is requested.

“Innovation Component Outside” the Natural Growth (NG) Formula

Attached is the June 29, 2021 report and recommendations of the allocation sub-committee on an Innovation Component Outside of the Natural Growth Formula. The attached report was discussed at the Allocation Policy Review Committee’s June 29th and August 24th meetings and is in the parking lot for further discussion and negotiation.

At the Committee’s August 24th meeting, the following aspects of the sub-committee’s report and recommendations emerged.

1. Regarding the 3-year vetting process, a number of Committee members could support that length of time provided there was sharing of allocation requests while the new product was being established in the marketplace. Those Committee members’ also favoured a combination of options 1 and 2 from the sub-committee’s report. That is, an innovation request would be shared across provinces that had a common primary processor making the request; and, further shared between those provinces where there was live inter-provincial movement.

For example, if a primary processor with plants in three provinces made a request, and each plant had identical output; the request if allocated by the Agency would be shared 1/3, 1/3 and 1/3. If one of those plants processed live birds from another province and those inter-provincial shipments equalled 50% of the plant’s slaughter, then the province where the plant was located would receive 50% of 1/3 = 16.7% of the allocated request and the other province would receive 16.7%.

Some committee members expressed concerns that sharing in the first three years may add costs to the processor and therefore threaten the viability of the product launch; and, could have unintended consequences, such as concentrating investment in larger plants and provinces.

2. Concerning a “cap” on the amount of allocation that could be requested under this component, discussions started to take shape around a fixed percentage (e.g., 1%) of the previous year’s total commercial allocation, with additional discretion provide to TFC Directors to adjust the cap based on market conditions and the number of requests received.

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3. The Committee also discussed linking the innovation request process to growth in the national commercial allocation; and, the establishment of stock-to-use ratios to measure the health of the market for increases in natural growth and by extension access to the innovation request process.

At this point in the discussion, concern was raised on making the process so complicated or administratively burdensome that it would undermine its intent to stimulate processors to innovate. Also as TFC Directors have the final decision on quota allocations, why could this not be used as the final safeguard?

Next Steps

Providing the members see value in an allocation request process outside of the NG formula, work can continue in order to finalize the details of the sub-committee's proposal.

Attachments:

- 1) *June 29, 2021 Sub-Committee Report and Recommendations on an Innovation Component Outside of the Formula*
- 2) *Overview of Allocation Policy Review Committee Process since Inception*



MEMO

DATE: June 29, 2021

TO/ À: Allocation Policy Review Committee

FROM/ DE: Sub-Committee on an Innovation Component Outside of the Formula

RE/ OBJET: Report and Recommendations

Innovation Component: Outside of the Natural Growth Formula

The five (5) concerns previously raised by TFC members with an allocation request process outside of a natural growth formula include:

1. The product (for which the allocation is being requested) is unique.
2. The allocation to the province is used for its intended purpose.
3. These requests cannot displace (natural) growth allocated through the policy (i.e., the formula).
4. Sharing of innovation allocation requests, to prevent provinces (especially smaller provinces) from falling behind from a commercial allocation perspective.
5. Because processing plants are concentrated, an allocation request system gives processors too much control and results in their producers/provinces focusing on who produces turkey.

Work Undertaken by the Sub-Committee

Set out below is a proposed framework for taking into account innovation allocation requests by processors outside of the natural growth formula. The sub-committee believes this 5-part framework addresses the five (5) concerns listed above by Committee members.

Not all aspects of the framework are finalized, as some aspects will require negotiation by the TFC members. Please note that this is a framework document and not a “policy” document; therefore, additional technical details will need to be rounded out.

Proposed Framework for an Innovation Allocation Request Process

1. Assessing Product Eligibility:

- ❖ It is proposed that a “committee” be formed to review (vetting of) an allocation request for any new product.
 - The committee could be comprised of three voting members:
 - a Chair and two other members;
 - all three committee members would come from outside of the TFC membership; and, would have knowledge about consumer demand and product development in the food industry.
 - Regarding “Transparency” of the committee process, upon completion of the vetting (successful or not), the committee would prepare a confidential report to the TFC directors detailing where the request met the below marketing plan requirements or not; and, make a recommendation if the innovation allocation request should be granted.
- ❖ Highly confidential proprietary information could be tabled just with the Committee.
- ❖ A request for any specific new product could only be submitted for three consecutive control periods. After that, the product would be considered as established in the market place.
- ❖ For a new product to be considered eligible in year one, it would need to be supported by a detailed marketing plan that normally includes:
 - description of the innovation; forecasted sales data; identified target market;
 - be seen to add to the total demand for turkey in Canada through supporting market research data;
 - illustrate the value proposition of the product (e.g., why the product needs to exist, how the product addresses a consumer/market need); (examples):
 - business in a new channel (e.g., retail) for an existing item (e.g., foodservice item).
 - that is supported by investment in new technology/processing equipment; or, that results in a superior product, better shelf life, more convenient to handle, cook, consume by the end consumer.
 - first of its kind to the Canadian market, introduces one or more consumer-facing value propositions previously not available in that marketing channel;
 - the campaigns to be initiated;
 - volume of allocation requested and type of meat needed;
 - metrics to be used to assess the effectiveness of marketing initiative, etc.

- ❖ For a request re-submitted after year one, for the product to be considered eligible, it would need to be supported with all items listed above, plus available historical sales and production data to date.

2. Allocation Used for Intended Purpose:

- ❖ Successful applicants must demonstrate any allocation granted was used as originally intended (as per the marketing plan submitted) through:
 - periodic reports in a form and frequency as may be determined by the committee/Agency;
 - verifiable information concerning sales of the new business (actual sales data/invoices), to be submitted with subsequent years' request applications;
 - up to the provincial board to ensure that the processor receives the kilograms allocated so the sales can match the innovation allocation.
- ❖ An allocation for a "new product" would expire after one-control period.
- ❖ The applicant could resubmit the "new product" (renew the request) for a second and third year but the vetting process recommences; and, vetting takes into account available prior sales data to date.
- ❖ If no sales data is provided the applicant cannot resubmit the request in Year 2.
- ❖ Depending on the volume of the request and anticipated timing of sales during the control period, periodic sales data can be requested by the Committee/Agency.

3. Innovation Requests Cannot Displace Natural Growth through the Formula:

- ❖ An allocation for a new product expires after one-control period; and, three at the most if the request is renewed.
- ❖ In its discussions, the subcommittee discussed the option of capping the volume that could be requested for any one individual product. The subcommittee is of the view that amidst the other elements proposed in the framework that address member concerns of sharing of requests and ensuring allocations are used for their intended purposes, implementing an individual product cap in addition to those elements is not necessary, i.e.:
 - enhanced vetting of requests and monitoring of sales data (see Section 2);
 - increased transparency at the TFC Director level via the confidential reports of the proposed innovation committee (see Section 1);
 - the maximum time limits proposed that the product can be eligible before sharing commences (see Section 4);

- the options for the innovation kilograms to be shared across all provinces (see Section 4 below);
- final decision to accept or reject innovation committee's recommendation rests with the TFC Directors, taking into account general market requirements.

4. Sharing of Innovation Allocation Requests:

The following are options for sharing successful innovation allocation requests across all provinces.

These options are for further discussion by the full Allocation Policy Review Committee and potentially the TFC Directors.

Note that the sub-committee recommends that there be sharing starting in year 4 (i.e., following year 3 of a resubmitted request).

Options for Sharing an Innovation Request (to be further negotiated):

- 1) 100% of the vetted innovation request is directed/allocated to the processing plant/province of the applicant's choosing.

However, all provinces shipping birds to that processing plant would be eligible to participate in growing birds under the innovation allocation.

Rationale: objective of option 1 is to support the establishment of new products in their early stages and maximize the potential for new products to find long-term success in the market.

- 2) 100% of the vetted innovation request is shared by all Provinces (based on the percentage share of production to that common processor which is making the innovation request) where their producers are shipping turkeys to that processor.

Rationale: option 2 is not the sub-committee's preferred option. But, is proposed for consideration as a political compromise to have this type of request process in the Agency's allocation system.

Options for Sharing after Year 3 of an Innovation Request:

After three (3) years of successful vetting and marketing it is proposed that the innovation kilograms be shared across all provinces (by one of the following options, to be further negotiated):

- a) X% of the innovation request volume allocated to the applicant's province (i.e., province/processing plant utilized in years 1 to 3) and Y% allocated under the natural growth formula.
- b) 100% of the innovation request volume allocated under the natural growth formula.

5. Processing Plant Concentration (gives processors too much control) (i.e., Differential growth between provinces is problematic):

- ❖ After three (3) years of successful vetting and marketing, the innovation kilograms are to be shared across all provinces (see options above).

Rationale: by requiring sharing of innovation allocations after year 3 across all provinces, all provinces benefit from the success of the program. Even provinces that don't have processors that innovate benefit from successful innovation in other provinces.

By addressing the core issues of: vetting (by independent committee); auditing of innovation requests; and, allocation sharing (all provinces share in successful innovation); the issue of processor control/differential growth is addressed by the TFC members.

Proposed Next Steps

It is proposed that this framework document be placed in the "parking lot" for further discussion, refinement and negotiation when the TFC members meet face-to-face to finalize the natural growth formula.

Overview of Allocation Policy Review Committee Process Since Inception

September 2016 (TFC 247th Meeting)

Original Committee Mandate (Improve Current Policy)

- Monitoring and reporting of WB/FP, better disclosure of information.
- Update/review reference point allocations.
- Review WB allocation methodology.
- Replace regional with national approach under the Allocation Policy.
- Review how WB allocation decreases are dealt with below reference.
- Assess feasibility of Periodic allocations.
- Revert from WB/FP allocation segmentation to one allocation number.
- Quota Setting Process Improvements: TMAC functionality/process, market information transparency. Linkages between policies (Allocation and Export).

Committee report to TFC June 2017 meeting: the two components of the Commercial Allocation Policy would be maintained (i.e., WB and FP); the processor FP request process would remain as it is now and would be based only on additional demand; monitor whole bird production at a provincial level relative to the allocation; verification - at the end of each control period, the provincial WB allocation would be compared to provincial WB production; updating of Provincial WB and FP Reference Point Allocations.

In the Committee report to TFC June 2018 meeting, recommendations were provided on the following matters: updating of reference point allocations (rolling starting point); revert from WB and FP allocation segmentation to one allocation number; in arriving at a total provincial commercial allocation the current process of assessing market needs based on a two market segment approach (WB and FP) would be retained; monitoring and reporting of Whole Bird (WB) and Further Processed (FP) production and the better disclosure of information; FP requests for new products would be verified through sales information for the first two control periods; each province's percentage share of the Whole Bird market updated annually and used to allocate changes in the national WB allocation; replace regional [FP processor meetings] with national approach; "trial-project" conversion of Section 1 Parts Export Allocations to FP allocations. Original Committee mandate completed/nearing completion.

September to December 2018: regional meetings held with provincial boards; EVQ letter of November 27, 2018 received stating "ÉVQ consider it premature to propose any adjustments to conclude the 2019/2020 allocation and are rather strongly adamant on inquiring a reconsideration and complete revision of the current policy..." and "ÉVQ will not endorse any additional allocation until a commitment to the overall review of the allocation policy is made, which must include a proper mandate and a detailed timeline". Letter from NB, SK, MB, BC dated November 22, 2018 stating "...some Provincial Boards believing that a fundamental change to the policy needs to occur in order for all Provincial Boards to participate in the natural growth in the FP market". One thrust of this letter was to separate natural FP growth from new FP requests. Issue of "vulnerable provinces" also raised for the first time over this time period.

Spring of 2019 to Fall of 2019: TFC Executive Committee met with representatives from TFNB and the ÉVQ to discuss their concerns with the allocation review process. Allocation Committee explored the concept of an allocation floor for vulnerable provinces. Weight category allocations now part of the

discussions. Additional options (i.e., provincial percentage shares) for allocating natural growth and new FP business requests being discussed. Definition of new FP business receiving increased scrutiny, as definition seen to impact natural growth volume.

TFC November 2019 Meeting: ÉVQ made a presentation on an alternative allocation methodology to a Provincial Boards' meeting and to the Allocation Committee. Concept presented similar to the CFC allocation system (formula approach). Concept of an "Innovation Component" raised in the ÉVQ presentation. Although the Innovation Component as presented by ÉVQ was originally intended to be inside the formula, discussions since that time at the Committee level has also focused on having it outside of the formula.

Allocation Committee representation included one per province, one FPPAC and three CPEPC members. TFC Directors at November 2019 meeting agreed to allow provinces and FPPAC to have two (2) members attend, and for CPEPC to continue to have three (3) representatives. TFC Directors passed a motion at the November meeting as follows: *to mandate the Allocation Policy Review Committee to find a new Allocation Policy, extending from the work of November 27, 2019, at the TFC 260th Meeting for 2021/22 implementation.*

Upon discussion (at the TFC November 2019 meeting), it became clear it is difficult, if not impossible, to move forward on developing a new Allocation Policy until TFC members can come to an agreement on allocations, specifically how to reduce supply for the 2020/21 control period, and possibly the 2021/22 control period. This process to reduce allocations was not concluded until June 2020, which reflected the 10.6 mkg reduction to correct the supply and a 10.0 mkg reduction for COVID.

Record of Discussion

Turkey Farmers of Canada

Allocation Policy Review Committee (Hybrid) Meeting

November 8-9, 2021

Holiday Inn Toronto International Airport Hotel, 970 Dixon Road, Toronto

ATTENDANCE IN PERSON:

Darren Ference, Chair
Michel Benoit (BCTMB)
Scott Olson (ATP)
Cara Prout (ATP)
Jelmer Wiersma (TFS)
Mike Reimer (MTP)
Helga Wheddon (MTP)
Matt Steele (TFO)
Jon-Michael Falconer (TFO)
Jennifer Paquet (ÉVQ)
Richelle Fortin (ÉVQ)
Marco Volpé (TFNB)
Louis Martin (TFNB)
Steven Eadie (TFNS)
Mike de Graaf (TFNS)
Adam Power (FPPAC)
Gary Raycroft (CPEPC)
Nicolas Paillat (CPEPC)

TFC Staff: P. Boyd, J. Sheldon, S. Singh

ATTENDANCE BY VIDEO: Shawn Heppell (BCTMB), Sonya Lorette (TFNS), Tony Tavares (CPEPC), Cinthya Wiersma (TFS), Calvin McBain (TFC Executive Committee)

Absent: Pierre-Luc Leblanc (ÉVQ),

CALL TO ORDER:

The video conference was called to order at 8:45 a.m. on November 8, 2021.

APPROVAL OF AGENDA:

D. Ference noted the TFO correspondence dated November 3, 2021 as an addition to the Agenda.

MOVED by M. Steele and SECONDED by M. Reimer to approve the agenda.

CARRIED

APPROVAL OF MINUTES

MOVED by J. Wiersma and SECONDED by S. Olson to approve the amended Video Conference Minutes of October 5, 2021.

CARRIED

D. Ference spoke to the need to find a path forward on developing and finalizing a new allocation policy. The committee concurred with proceeding through the agenda items as set out.

VULNERABLE PROVINCES

S. Eadie, based on phone calls with members, they are receptive to NS's request and understand the situation but are not receptive to our solution.

J. Sheldon presented at the request of TFNS the estimated impact, undertaken by the office, of converting NS's further processed (FP) allocation to whole bird (WB) allocation in 2016/17. The estimated impact is 335,890 kg in 2016/17, 270,683 kg in 2017/18 and 452,905 kg in both 2018/19 and 2019/20 the final control period of the policy application. This analysis is specific to the change in FP allocation to WB allocation in 2016/17.

Discussions ensued on the calculation methodology used by the office; and, the impact of this level of adjustment to NS relative to other provinces such as SK and MB. It was noted that it was necessary to estimate what the FP request allocations would have been in the years 2016/17 to 2019/20, but that the difference from actual was likely not more than 10,000 kg either way.

Staff circulated an Excel file to the Committee members illustrating that this level of adjustment, 452,905 kg, to NS's current 2021/22 allocation would result in raising their allocation to 90.5% of their reference allocation under the previous policy. On day two of the meeting, staff noted that it would equal 88.8% of their reference allocation if based on their 2020/21 allocation. In either calculation it would bring NS in line with that of MB and SK, which are 90.9% and 90.8% respectively on 2021/22 allocations.

S. Eadie, NS does not have the same opportunity as other provinces to grow its allocation through FP production or export activity.

D. Ference canvassed the committee members on NS's request.

AB – if an issue let's do it on future growth but want to hear NS's options.

SK – not opposed to take the adjustment out of growth; not out of existing allocation.

NB – agree with addressing out of growth. NB switched production into FP and do not want to lose by giving up kilograms, so this has to be out of growth.

ON – we saw the 2020/21 allocation using a 90% factor as the compromise, when we gave 1.8 mkg for vulnerable provinces. If an adjustment for NS is needed it needs to come from growth. Can agree in principle to NS's allocation correction out of future growth.

MB – understand NS's sense of urgency. Need to protect vulnerable provinces. Can't operate boards, etc., when you get to this point. It is critical that NS gets something quickly to be more viable.

QC – will an adjustment really change anything? Would it just be a patch? Can we seek other options over the next 5 years?

FPPAC – okay with the adjustment out of future growth but NS also has to be adaptable as part of the solution.

QC – an aspect of supply management is production being spread out evenly so suggesting that the FP kgs go back into NS and then processors could trade FP for WB.

CPEPC – okay with the adjustment for NS. Needs to be out of growth. They are also okay with fixing over time out of growth.

D. Ference – majority of the Committee is agreeable to an allocation adjustment for NS out of allocation growth.

INNOVATION COMPONENT

S. Singh summarized the survey responses. Committee is split with 5 in favour and 5 opposed to an innovation component. Regarding the sub-committee report and the NB proposal, they are equally supported at 4 yeses and 3 noes.

A. Power, FPPAC supports a request system. As a last-ditch attempt to salvage something could support request system where the requested volume is allocated through the natural growth formula.

M. Reimer, still not sure of the benefit of an innovation component to the country. A lot of key components still not addressed.

J. Paquet, a request system is out for Quebec.

J. Wiersma, okay to address innovation inside the formula (e.g., 10% weighting). Also okay with the NB proposal.

M. Benoit, do not support differential growth. We are back to good returns and need tight controls for the next 2-5 years.

S. Olson, yes to innovation; keep it flexible; okay with ad hoc transparent requests to the TFC directors (e.g., McDonalds and Tim Horton type requests).

M. Steele, support outside of the formula approach. Believe all the concerns are well addressed in the sub-committee proposal. The NB proposal does not meet the consideration of the criteria.

J-M. Falconer, 10% set aside under the formula may not fund the requested need for innovation. If put requests through the formula, the product does not get where it is needed.

G. Raycroft, agree if kilograms go through the formula the supply does not go where it is needed.

M. Benoit, there are other ways to deal with processor supply needs in your province (e.g., direct allocations to processors, get processors to buy quota, processors get your producers to buy more quota). Okay with something that is not part of the TFC policy so it cannot be challenged to FPCC.

R. Fortin presented the revised ÉVQ proposal and the following comments were made.

CPEPC – do not understand using all poultry plants as a measure.

R. Fortin, intended to reflect processing potential in further processing.

FPPAC – number of plants not as reflective as capacity. Do not see this approach as dealing with requests for innovation.

NB – our proposal is to provide a pool of kilograms to stimulate innovation and take the political decision making out of the process.

An exchange of questions and answers on the NB proposal then took place.

CPEPC – if a province can apply for the kilograms and the kilograms stay in the province; and it can be justified and verified.

NB – yes, that is the idea.

MB – after the year does it all get vetted again? If MB got 50,000 kg what happens next year?

NB – TFC would audit the Board, processor and producer (not free kilograms). In the second year you would get that same 50,000 kgs again; but, the total national allocation also goes up due to the previous year's volumes going through the system.

BC – we can support the NB proposal with some massaging.

NB – province needs to declare they will use the pool, what they will use it for and the volume is capped by province.

AB – see this as a training wheel approach.

ON – concerned that this is simply an automatic pro-rata allocation.

MB – if upon vetting the innovation did not occur is the allocation conditional?

P. Boyd, there would be verification of the innovation kilograms. NB proposal keeps vetting of requests local at provincial board level and minimizes clutter at the TFC table. NB proposal is aimed at streamlining the process.

MB – so each province has its own kilograms to use and someone else cannot use it? My concern is rewarding an individual processor.

S. Singh, that is correct in that each province would have its own pool of quota. Each province could develop its own definition of innovation and its own policy for how processors/producers can access the kilograms in their province. Kilograms would be conditional as TFC would audit the provincial board's policy.

NATURAL GROWTH FORMULA

S. Singh summarized the survey responses. Only 3 of the 8 components (pro-rata recent allocation, pro-rata historic allocation and pro-rata population) have significant support.

N. Paillat, why is pro-rata population so important?

M. Benoit, prefer to look at population as a growth factor we can anchor to.

S. Olson, pro-rata allocation is not transparent (50 years of wheeling and dealing) so put all the weighting on the customer via population.

S. Heppell, we are not winding down allocations and not taking away allocation based on historical investment. We are looking at a policy for future growth. Pro-rata allocation has nothing to do with future growth.

The discussion transitioned to the Starting Point.

M. Volpé, we have investments on farm up to 156.6 mkg. Where do we start the policy on growth?

S. Olson, for me it is 136.0 mkg.

M. Steele, the reduction of 10.6 mkg from 146.6 mkg was difficult for ON, so 146.6 mkg.

M. Benoit, the 136.0 mkg fixed a lot of the past problems with the old policy, so can live with that as the starting point.

J. Wiersma, okay with 136.0 mkg as well.

J. Paquet, key issue for QC is using a fixed base and not a rolling base. We are open to looking at 136.0 mkg.

A. Power, understand logic of 136.0 mkg.

M. Reimer, some historical wrongs need to be fixed. Can live with 136.0 mkg but need to fix bottom provinces first.

S. Eadie, cannot commit at this time. Need to see how NS is dealt with.

M. de Graaf, how do we go down?

M. Volpé, by going back to the highest point it reflects investments made and also addresses those provinces that came down the most, so propose 156.6 mkg.

M. Benoit, 156.6 mkg caused high inventories. To S. Eadie, would like to see a proposal from NS and where is your starting point?

T. Tavares, suggest finding a compromise between 156.6 mkg and 136.0 mkg. Two years ago were at 146.6 mkg. Can we go up how we came down? 146 mkg is likely reachable pretty soon.

G. Raycroft, agree. Can we look at going up the way we went down?

M. Reimer, problem with that idea is that three provinces would get less allocation, as we are already at 139.0 mkg.

S. Heppell, cannot agree with that idea either as 146.6 mkg includes failed further processed (FP) kilograms.

S. Eadie, could support 136.0 mkg if we can get the adjustment out of natural growth, even if it is over two years. Otherwise still need the adjustment another way if not out of natural growth.

M. Steele, 146.6 mkg makes sense to ON. Disagree on the comment of failed FP requests. Do not recall that in any minutes.

J. Paquet, leaning to 136.0 mkg over 146.6

T. Tavares, to address MB's point, maybe 141 or 142 as a middle point. Pro-rata up to 141 mkg; from 141 to 146.6 mkg go up the way you came down?

M. Volpé, we can compromise at 136.0 mkg.

M. Reimer, would like to see what 141 mkg looks like.

CPEPC and TFC staff directed to consult with T. Tavares and bring back the proposal at 141 mkg.

The Committee members that could compromise at 136.0 mkg were: NB, AB, BC, SK, FPPAC, MB. NS, yes, with the requested adjustment. QC was open to discuss. ON's preference was 146.6 mkg.

The discussion transitioned to going up and down on allocations.

M. Reimer, the formula is how we will go up and down?

J. Wiersma, are we applying the formula up and down? Or, are we coming down the way we went up?

S. Heppell, there are two points: how do we go down from the starting point, and, how do we go down from above the starting point?

A. Power, if a province invests due to the application of the formula (e.g., investment in marketing) should they then come down less?

S. Singh, historically have gone down pro-rata below the starting point to recognize investment and application of criteria to that point. If acceptable, then looking at how to allocate above the starting point (e.g., 136 mkg). Three options: i) up and down on the

formula; ii) re-allocate all of the kilograms above the starting point each year using updated data; iii) go down based on how you went up (i.e., last kgs in are first kgs out).

P. Boyd, provided the following example:

- Starting point at 136.0 mkg.
- If at 140.0 mkg, the formula applies to 5.0 mkg.
- If at 138.0 mkg, the formula applies to 2.0 mkg.
- If at 134.0 mkg, pro-rata reduction from 136 to 134 mkg (minus 2 mkg).
- Lock in a review after 5 years. Agree to the formula for a fixed amount of time.

M. Benoit, alternative to a review is a sunset on the policy. Also, the committee could consider applying the formula to a certain volume of quota (e.g., 5 mkg).

J. Paquet, the lower the starting point the less likely we will need to go below it. If rebasing the starting point, should be above it for 3 years in a row to ensure the kilograms are locked into the demand side of the system.

M. de Graff, the further you are away from the starting point, you get a bigger difference under the formula.

M. Benoit, is protection on not going down for NS a means to balance out the NS adjustment request?

The discussion went back to the natural growth formula.

BC – live price component is out. FIPI would need to be rebased to 100 on a current year if it is to be used, otherwise don't use it. Don't know what FIPI will do to the formula with all the changing input costs that is/could happen. Pro-rata allocation is an option and it captures what has happened since the 1970's; but, if using that, we would want population to be equally weighted. Catch up needs to be looked at.

SK – need heavy weighting on current pro-rata allocation. No FIPI.

QC – okay with averaging the two population catch up components. Prefer another index for wages. Prefer FIPI as it is better for stability. The more factors the more stable the formula is.

CPEPC – opposed to the labour wage components. Does not capture comparative production. Fewer components are better. CPEPC could support pro-rata population.

NB – don't want to use a component that might generate a zero. Could look at pro-rata population. Nielsen data shows we are eating more turkey in the Maritimes than elsewhere, yet not captured in the population components. Can look at pro-rata current allocation (component #1).

AB – hard no for us on pro-rata allocation.

NS – historically we have high per capita consumption; so why include pro-rata allocation?

CPEPC – concur more turkey is eaten in the Maritimes. On an index basis the Maritimes would be 150 versus 100 for Canada and 75 in QC. So use the Nielsen data we have on hand.

BC – we question the Nielsen data and what is not captured.

MB – pro-rata allocation and pro-rata population brings stability to the formula, and leads to sustainability and predictability that we need to take to the bank for investment. Support live price component (only turkey component) but willing to compromise on it. Good with components #1 (current allocation) and #3 (pro-rata population).

BC – okay with #2 (pro-rata historic allocation), against #1 (pro-rata current allocation), need to talk about catch-up.

FPPAC – catch-up reverses everything else.

NB – question to BC and AB, is #1, #2 and #3 a possibility for you?

ON – support pro-rata allocation for stability; and, the innovation component for growth.

BC – we will never catch up; it is an illusion. Looking for some recognition of our population growth.

DAY II – NOVEMBER 9th

TFC Staff provided a PowerPoint summary of the previous day's discussions (copy attached to these minutes). The committee agreed it reflected the discussions and potential landing zones.

Innovation Component Framework

The following points were expressed on the potential framework outlined by staff based on the NB proposal.

- Each province will need to develop its own policy. Similar to provincial administration of the Export Policy.
- Concerned with 8 individual policies versus 1 national policy.
- Have made little progress over last 5 years on a national policy.
- Provinces will need some guidelines to audit to.
- Like the conditional aspect. The penalty can apply the next year. Can change or adapt over time.
- Need TFC template on guidelines.
- If TMAC looks at the request volumes, looking at it without prior vetting and there is no requirement on successfulness.
- Okay with penalty and understand the timing issue raised by FPPAC.
- Need to see a TFC paper on the parameters that provinces will need to meet on their provincial policies. The pool volume proposed by NB may not be enough kilograms.

- What is the criteria that needs to be met for the innovative product? As long as the criteria is followed there should not be a penalty. Question is, did you bring the product to market?
- Failure is putting the kilograms into an existing product.

D. Ference polled the Committee for their views on the framework outlined by staff.

CPEPC – yes, okay with framework. Is leasing pool kilograms between provinces an option?

ON – open to talk about it. Kilograms volume proposed is an issue.

AB – okay.

BC – okay.

SK – okay.

QC – okay, with small volumes.

FPPAC – can work with this.

MB – okay to proceed working on this.

NS – acceptable to move forward on.

NB – acceptable to move forward on but need to see product was launched.

Quota Reductions Framework

MB – concerned about going below the starting point (136 mkg) on pro-rata and not on the formula. Does not match what I thought coming into the meeting yesterday.

CPEPC – should come down the way you went up.

NB – should come down pro-rata from the floor of 136 mkg.

QC – pro-rata below 136 mkg.

AB – framework is clear to me.

ON – understand MB's concern. But what is on the screen makes sense to me, except the 136 mkg starting point number.

NS – other option is to go down by the formula also.

Formula Components

BC – have flexibility but want a population catch-up component included.

AB – opposed to only pro-rata population. For future allocations do not want to base decisions on the past allocations.

SK – pro-rata allocation protects farmers and brings stability to the formula.

MB – you can get into yo-yo effects without a pro-rata allocation element.

Staff noted that an element of both population catch-up components was the use of past allocations as a reference point.

Starting Point

FPPAC – if we revert to 136 mkg every year would the pro-rata component be 136 mkg every year or can you use the previous year's allocation?

SK – you could get a compounding effect in the formula if using previous year's allocation.

AB – willing to work these technical things out. We want a catch-up component for future growth. Okay with weighting the two catch-up components evenly.

FPPAC – would like to see how the catch-up will impact the numbers. Would propose using the base year 136 mkg all the time. Five-year lens at 5, 10 and 15 mkg growth.

NS Adjustment

NS – the adjustment number for NS, as displayed by staff, is 452,905 kg.

QC – every time we are above 136 mkg a chunk of allocation would go to NS?

NB – adjustment may come from one or a few provinces if the formula is too heavily weighted on population.

FPPAC – this NS catch-up is a one-time catch-up within a new base number (e.g., 136 mkg + 0.5 mkg = 136.5 mkg) and pro-rata below that.

SK – understand it as per FPPAC's example.

NS – also want a threshold stop and that we would not go below.

Meeting Assessment

CPEPC – no major sticking points. For innovation looking for lots of rigour, discipline and accountability.

ON – flexible on the formula. Looking for a meaningful innovation component. Starting point is 146.6 for reasons stated on the criteria.

AB – can compromise on anything. Catch-up is a hill to die on for AB.

BC – catch-up also important for BC.

SK – have flexibility on formula components. Base at 136 mkg is important.

QC – NB proposal on innovation makes sense but keeping volume low for a couple of years is important. We have flexibility on the formula.

FPPAC – key issue is what the right percentage number is on the innovation pool. This will influence the provincial policies.

MB – feeling a little beat up. Not sure I want to support the 136 mkg starting point. I am willing to put in pro-rata population even though it costs Manitoba. But in general, everyone else wants a good number for their province. Willing to look at all the criteria. This has not been a good meeting for MB. Will need to look at a safeguard mechanism for us.

NS – on innovation what is Ontario's number? We like NB's innovation proposal. Can work on all the formula components.

NB – not in favour of too many population components.

BC – weightings when discussed will flesh things out.

Ontario agreed to discuss and come back to the committee with some thinking on the size of the innovation pool.

Next Meeting

D. Ference – the next Committee meeting will be a hybrid meeting and held on Tuesday, November 23rd at 1:00 pm Mountain Time in conjunction with the TFC November meeting.

Next Steps

Staff noted the following next steps:

1. CPEPC to clarify and round out their starting point proposal at 141.0 mkg and going up to 146.6 mkg.
2. Model out the natural growth formula, specifically the population and allocation components, as requested by FPPAC. The Committee understands that the weightings of the components will impact the analysis.
3. Modelling of the reduction framework.
4. Round out the framework on Innovation by drafting guidelines to be used by provinces to develop their provincial innovation policies.
5. Ontario to discuss and come back with ideas on the size of the innovation pool.
6. Regarding NS's requested adjustment, clarification from NS on how they see this adjustment going into place.

ADJOURNMENT

S. Olson, moved that the meeting be adjourned at 11:47 a.m.

Allocation Committee Day 1 Overview

• Nova Scotia Request

- SK, NB, MB, FPPAC, CPEPC, AB, ON (7 committee members) could support/agree in principle with addressing the NS request (correcting their allocation) from future allocation growth.
- QC – open to discuss; from future growth; adjustment cannot be a patch.
- BC – open to discuss; protection on future quota reductions for Nova Scotia, to balance the adjustment ask.
- FPPAC – adaptability needs to be part of the solution.
- 452,905 kg adjustment would bring NS from 80.4% to 90.5% of Reference Allocation (similar to SK, MB)

Innovation Component

- New Brunswick Proposal Focus of Discussion
 - Each province would have its own pool of allocation for Innovation.
 - Size of provincial allocation pool to be determined by TFC (e.g., “x”%).
 - Each Provincial Board to administer the program provincially.
 - Provincial Board to develop an Innovation Policy: i) define innovation for the province; ii) how application will be evaluated (vetted); iii) how allocated to producers; iv) develop the procedures for verifying the allocation was used as intended.
 - Provincial Board Innovation Policy to be available to TFC members in the form of a conditional allotment – conditions to be determined.
 - Provincial Board would apply to TFC to use the pool. Demonstrate that application met the provisions of the Board’s policy.
 - The live kilograms applied for would be grown in the province applying.
 - TFC audit of Board to ensure Provincial Policy properly administered.

Innovation Component (Cont'd)

- If provincial policy not administered as set out, quota allocated by TFC reduced in a subsequent control period.
 - Utilization of allocation from TFC could be conditional on a Provincial Policy vetted by TFC members in advance; and proper administration of the Policy.
- If innovation policy is administered as set out, as kilograms move through the system, then innovation kilograms will be reflected in total domestic disappearance.
- As total domestic disappearance increases, this should lead to increased total commercial allocations (natural growth) over time.

Starting Point

- NB, AB, BC, SK, MB, FPPAC (6 committee members) can support a Starting Point of 136.0 mkg.
- QC – open to discussing 136.0 mkg; but the starting point must be kept constant for the duration of the Policy. Prefer 136 to 146.6 mkg
- NS – can support 136.0 mkg if there is agreement to the NS adjustment out of Natural Growth above 136.0 mkg (okay if done over 2 control periods). If not out of natural growth, need adjustment another way.
- ON – 146.6 mkg
- CPEPC – proposed mid-point between 141 and 146.6 (to be clarified)

Quota Reductions (Framework Discussed)

Using 136.0 mkg Starting Point Allocations for Illustrative Purposes

- 1) Natural Growth Formula used for allocations above 136.0 mkg.
- 2) Formula is updated annually with a current data set.
- 3) If allocation is 140 mkg in year 1; 4.0 mkg allocated through the formula (i.e., $140 \text{ mkg} - 136.0 \text{ mkg} = 4.0 \text{ mkg}$).
- 4) If allocation is 138 mkg in year 2; 2.0 mkg allocated through the formula (i.e., $138 \text{ mkg} - 136.0 \text{ mkg} = 2.0 \text{ mkg}$).
- 5) Reductions below 136.0 mkg based on pro-rata provincial allocation percentage shares.
 - i. If allocation is 134.0 mkg in year 3; pro-rata reduction of 2.0 mkg (i.e., $136.0 \text{ mkg starting point} - 2.0 \text{ mkg} = 134.0 \text{ mkg}$). Formula does not apply.

(Framework Cont'd)

- Other ideas discussed:

- 1) Policy review locked in after 5 years/or Sunset Clause.
- 2) Natural Growth Formula applied to a maximum of kilograms (e.g., 5.0 mkg) then Starting Point is updated.
- 3) Total Commercial Allocation needs to be stable for some amount of time (e.g., “x” years) before starting point is updated.

Formula Components

- CPEPC – can support pro-rata provincial population as a component.
- NB – can look at pro-rata provincial population as a component.
 - With CPEPC support and NB willingness to look at it, there are 10 Committee Member Organizations open to including Pro-Rata Population in the formula.
- Pro-Rata Commercial Allocation
 - Current/recent (component #1)
 - Historical (component #2)
 - Further Discussion Required on Day 2
 - AB opposed to pro-rata allocation.
 - BC could support component #2.



MEMO

Agenda Item #6

DATE: March 23, 2022

TO/ À: Allocation Policy Review Committee

FROM/ DE: TFC Office

RE/ OBJET: Allocation Formula (for allocating natural growth in the Total National Commercial Allocation)

Allocation Formula Components in the Parking Lot

There are currently eight (8) formula components in the “parking lot”.

1. Pro-rata commercial allocations, based on the most recent control period [or alternatively a fixed current control period allocation].
2. Pro-rata commercial allocations, for a previous (historic) control period.
3. Pro-rata July 1st provincial populations, for the year prior to the most recent control period.
4. Allocation/Population formula (i.e., compares Provincial Commercial allocation % shares to provincial population % shares; and, only where a province’s population % share is less than its commercial allocation % share, would it receive an allocation under this component).
5. Average agricultural hourly wage rate (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).
6. Average hourly food manufacturing wages (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).
7. Average live turkey prices (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial live price is below the national average).

8. Allocation/Population ratio (i.e., only where a province's per capita commercial allocation is less than the national per capita commercial allocation, would a province receive an allocation under this component).

Additional Formula Components

Based on the Committee's discussions of February 15, 2022, and the methodology used by the Agency for the 2022/23 control period, two additional components have been added to the Natural Growth Formula Excel file.

9. An **Equal Share component** (i.e., under this component each province would receive 12.5% of the quota allocated) ($100\% \div 8 = 12.5\%$).
10. **A.C. Nielsen retail sales data** (i.e., this component calculates the provincial percentage shares of estimated provincial retail sales of turkey. This data is only available starting in 2016).

Summary

<u>Component:</u>	<u>Relates to:</u>
1. Pro-rata commercial allocations	feasibility of increased production; existing production facilities
2. Pro-rata July 1 st provincial populations	any variation in the size of the market for turkeys
3. Allocation/Population formula	any variation in the size of the market for turkeys
4. Average agricultural hourly wage rate	principle of comparative advantage
5. Average hourly food manufacturing wages	principle of comparative advantage
6. Average live turkey prices	principle of comparative advantage
7. Allocation/Population ratio	any variation in the size of the market for turkeys
8. Allocation/Population ratio	any variation in the size of the market for turkeys
9. Equal Share component	feasibility of increased production; existing production facilities
10. Nielsen retail sales data	any variation in the size of the market for turkeys



MEMO

DATE: June 21, 2022

AGENDA ITEM #4

TO/ À: Allocation Policy Review Committee (APRC)

FROM/ DE: TFC Office

RE/ OBJET: Natural Growth (NG) Allocation Formula Components

Direction from May 27, 2022, APRC Video Conference

At the May 27th video conference, the committee agreed as follows:

- 1) The committee would discuss the Natural Growth (NG) formula at their June 26th meeting.
- 2) Previous components discussed but not currently in the NG formula would be re-included into the Excel Formula. The TFC office would coordinate with ÉVQ in that regard.
- 3) TFC office would re-circulate the NG formula Excel file to the APRC.

Information Received from ÉVQ

The list of proposed components and supporting information received from ÉVQ included:

1. **A total Farm Input Price Index (FIPI) component.** ("Farm Input Price Index - All Items, Stats Canada Table: 18-10-0258-01 (formerly CANSIM 328-0016) - Q4, 2012 Average =100"
2. **FIPI Commercial Feed component.** ("Farm Input Price Index – Feed, Stats Canada Table: 18-10-0258-01 (formerly CANSIM 328-0016) - Q4, 2012 Average =100"
3. **Total provincial production (eviscerated kg) component.** With production as reported by AAFC.
4. **Provincial poultry processing plants component** (includes poultry plants of all types involved in canning, boning, cutting and other processing, but not slaughter only). Data as reported by CFIA.

5. **Income Based Gross Domestic Product (GDP) component.** This component is used by CFC. "Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000), Stats Canada Table: 36-10-0221-01 (formerly CANSIM 384-0037)".

Natural Growth (NG) Formula Status

Based on the information provided by ÉVQ, the TFC office has updated the NG formula Excel file. There are now 15 mathematical components in the Excel File.

<u>Component:</u>	<u>Proclamation Criteria it Could Relate to:</u>
1. Pro-rata commercial allocations, based on the most recent control period.	feasibility of increased production; and existing production facilities Note: also, could be said to allocate new kilograms to reflect historic production patterns (capturing where turkey is grown); and ensuring all provinces receive some allocation growth (formula stability).
2. Pro-rata commercial allocations, for a previous (historic) control period.	the feasibility of increased production; Note: also, could be said to allocate new kilograms to reflect historic production patterns (capturing where turkey is grown); and ensuring all provinces receive some allocation growth (formula stability).
3. Pro-rata July 1 st provincial populations	any variation in the size of the market for turkeys
4. Allocation/Population formula. (i.e., compares Provincial Commercial allocation % shares to provincial population % shares; and, only where a province's population % share is less than its commercial allocation % share, would it receive an allocation under this component).	any variation in the size of the market for turkeys
5. Average agricultural hourly wage rate (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).	principle of comparative advantage

<u>Component:</u>	<u>Proclamation Criteria it Could Relate to:</u>
6. Average hourly food manufacturing wages (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial wage rate is below the national average).	principle of comparative advantage
7. Average live turkey prices (all provinces receive an allocation under this component but there is a slight adjustment to those provinces where the provincial live price is below the national average).	principle of comparative advantage
8. Allocation/Population ratio (i.e., only where a province's per capita commercial allocation is less than the national per capita commercial allocation, would a province receive an allocation under this component).	any variation in the size of the market for turkeys
9. Equal Share component i.e., under this component each province would receive 12.5% of the quota allocated) ($100\% \div 8 = 12.5\%$).	feasibility of increased production; and existing production facilities Note: could be said to provide stability to lower production provinces within the NG formula.
10. A.C. Nielsen retail sales data (i.e., this component calculates the provincial percentage shares of estimated provincial retail sales of turkey. This data is only available starting in 2016).	any variation in the size of the market for turkeys
11. Total Farm Input Price Index (FIPI) component. Compares the change in total farm input prices across provinces. Index based comparison. The time period for which the FIPI equals 100 is the year 2012.	principle of comparative advantage
12. FIPI Commercial Feed component compares the change in feed prices across provinces. Index based comparison. The FIPI for "commercial feed" is an aggregate of "prepared feed" for all commodities. The time	principle of comparative advantage

<u>Component:</u>	<u>Proclamation Criteria it Could Relate to:</u>
period for which the FIPI equals 100 is the year 2012.	
13. Pro-rata Total Provincial Production, based on the most recent control period. Includes production from conditional utilizations (export and breeder policies).	feasibility of increased production; and existing production facilities Note: also, could be said to allocate new kilograms to reflect historic production patterns (capturing where turkey is grown); and ensuring all provinces receive some allocation growth (formula stability).
14. Pro-rata of provincial poultry processing plants involved in the boning and further processing of all types of poultry as reported by CFIA. Federally registered processing plants only. Poultry plant numbers include plants engaged in the processing of poultry of all types. These are not exclusively poultry processing plants. Of the 448 plants involved in the boning and further processing of poultry, 347 also process red meat. CFIA figures used need to be discussed, as the intent is to exclude double counting of processing activities.	feasibility of increased production; and existing production facilities
15. Income-based Gross Domestic Product (GDP) Growth. Calculated based on the average annual growth in income-based GDP as measured by Statistics Canada in the three most recent years for which data is available, multiplied by the provincial shares of the most recent commercial. Provinces that had an increase in income-based GDP will share in the growth available under this component. It is possible for a province not to receive an allocation under this component if GDP growth is zero or negative. Discussion is required on the calculation of the three-year average. Discussion is also required on changes in GDP, up and down, in provinces with a heavy reliance on the resource sector.	

Additional Points to Consider

- a. Provincial average hourly agricultural wage rate from Statistics Canada. The third largest cost on a poultry farm is labour, representing about 15% of total expenses based on Statistics Canada data (Farm operating revenues and expenses).
- b. Allocation/Population Formula (#4) and Allocation/Population Ratio (#8). Implicit in these two components is that the per capita consumption of turkey is the same in all provinces. Implicit in the A.C. Nielsen retail data (#10) component is that per capita consumption varies by province.
- c. Farm Input Price Index (FIPI). (FIPI) is a quarterly indicator of the change in input costs faced by Canadian farmers. The index provides a comparison of recent prices compared to a base period of 2012. Therefore, if a province had relatively low prices in 2012, but their prices have increased in percentage terms faster relative to other provinces, that province would have a lower “rebased FIPI” calculation in the formula and a lower provincial percentage share, under this component. The FIPI methodology does not identify provinces with the lowest prices or costs. The FIPI methodology is not specific to turkey prices.
- d. Pro-rata of provincial poultry processing plants as reported by CFIA. Only current data is available from CFIA (no historic data for comparison purposes). Most of these plants are also engaged in the processing of red meat.
- e. Income based Gross Domestic Product (GDP) Growth. Only provinces that experience GDP growth receive an allocation under this component. Provinces that are more heavily resource or commodity based will be more prone to negative growth and periodically, large increases compared to more diversified provincial economies.

The TFC Proclamation Criteria (for reference purposes)

...the Agency has taken into account:

- (c) the principle of comparative advantage of production;
- (d) any variation in the size of the market for turkeys;
- (e) any failures by turkey producers in any province or provinces to market the number of pounds of turkey meat authorized to be marketed;

- (f) the feasibility of increased production in each province available to be marketed;
- (g) the existing production and storage facilities in each province; and
- (h) the comparative transportation costs to market areas from alternative sources of production.