



Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

Central Experimental Farm
Building 59
960 Carling Avenue
Ottawa, Ontario K1A 0C6

Ferme expérimentale centrale
Édifice 59
960, avenue Carling
Ottawa, Ontario K1A 0C6

Le 19 octobre 2023

Monsieur Roger Pelissero
Président
Les Producteurs d'œufs du Canada
21, rue Florence
Ottawa (Ontario) K2P 0W6

Objet : Modifications proposées à l'Ordonnance sur les redevances à payer pour la commercialisation des œufs au Canada

Cher Monsieur Pelissero,

La présente a pour but de vous informer que lors de sa réunion du 18 octobre 2023, le Conseil des produits agricoles du Canada (le Conseil) a approuvé la proposition de modifications de l'*Ordonnance sur les redevances à payer pour la commercialisation des œufs au Canada*, tel que demandé dans votre lettre datée du 21 septembre 2023.

Après un examen approfondi de la justification fournie par les Producteurs d'œufs du Canada (POC), les membres du Conseil ont convenu que les modifications proposées sont nécessaires à la mise en œuvre du plan de commercialisation de l'Office. Les modifications entrent en vigueur le 5 novembre 2023 et prennent fin le 30 mars 2024.

Pour toute question, n'hésitez pas à communiquer avec moi ou avec Lisa Melanson-Daigle, secrétaire du Conseil, par courriel à fpcc.secretariat.cpac@fpcc-cpac.gc.ca.

Sincères salutations,

Signature sur la version originale

Brian Douglas
Président

September 21, 2023

Mr. Brian Douglas
Chairman
Farm Products Council of Canada
Central Experimental Farm
Building 59, 960 Carling Avenue
Ottawa, ON K1A 0C6

Re: Period 12, 2023 Levies Order Amendments

Dear Brian:

We are seeking FPCC's prior approval of the amendment to the Canadian Egg Marketing Agency's Levies Order, which was unanimously approved by the EFC Board of Directors (Board) on September 20, 2023. Drafting instructions reflecting the amendment were provided to the Farm Products Council of Canada (FPCC) and the Department of Justice on September 20, 2023. Official stamped copies of the Levies Order amending package will be forwarded to your office in accordance with established blue stamp process timelines.

As a result of several factors affecting both the Unrestricted Administration Fund and the Unrestricted Pooled Income Fund (PIF), EFC is requesting a 12-cent levy rate increase effective Period 12, 2023 (November 5, 2023); with 0.75-cents of this increase allocated to the Unrestricted Administration Fund and 11.25-cents allocated to the PIF.

In addition, on September 20, 2023, the Board approved a change to the Provincial Administration Levy (PAL), a federal component of the Cost of Production (COP) formula, increasing the PAL to 4.0-cents per dozen, up from 3.8 cents per dozen, also effective Period 12, 2023 (November 5, 2023). All levy changes will go into effect at the same time, Period 12, 2023, which provides adequate time for the regulatory process as well as the egg boards pricing call scheduled for October 5. EFC is cognizant of the impacts changes in levy may have if they were done in a piecemeal manner.

2023 and 2024 PIF Projections

The Board approved updated PIF projections on September 20, 2023, which indicate that the 2024 PIF ending fund balance will be in a deficit position if no further action is implemented. A copy of the projections is included with this letter.

The previous financial update was provided to the Board on July 11, 2023. This update can be reviewed in section 10.6 of the July 11, 2023, Open Board package. At that time, the PIF was projected to close 2023 at \$23M, and also be in a deficit position in 2024.

The requested 12-cent levy increase for Period 12 builds on EFC's measured approach for levy

increases discussed in the May 17, 2023 rationale letter for a 10-cent PIF levy increase that came into effect in Period 8. At that time, it was noted that an 18-cent levy increase would be needed to bring the PIF year-end balance above the \$45M lower trigger point at the end of 2023. EFC recognized the challenges with proposing a large levy increase; therefore, the Board requested the 10-cent levy increase in May 2023, to ensure the solvency of the fund, and reserved the right for the Board to consider a further levy increase in either September or November, if required.

The PIF balance at the end of Period 8 was \$41.8M and is forecasted to end the year at \$38.9M compared to \$22.9M based on the Q2 2023 projections. The PIF ending balance reflects the 10-cent levy rate increase effective the start of Period 8 (July 16, 2023). The Table Disappearance (TD) growth estimate has increased to 3.85% for 2023 compared to the original forecast of 3.09%. The Processor Demand growth rate projection has decreased to 2.88% compared to 4.24% per the Q2 2023 projections. Updated PIF projections do not assume any new significant Highly Pathogenic Avian Influenza (HPAI) outbreaks and presumes that all 2022 HPAI affected layers are placed in 2023.

Due to the increase in TD for the remainder of 2023, Industrial Product (IP) volumes are forecasted to decrease by 357K boxes compared to Q2 2023 projections. Processor prices have been revised slightly higher compared to Q2 2023 projections to reflect the latest Urner Barry (UB) trends and they are projected to be \$0.0317 per dozen higher than Q2 2023 projections. Since June 16, 2023, the UB price was \$0.84 per dozen, then reached a high of \$0.89 per dozen on September 11, 2023, and is currently at \$0.82 per dozen (as at September 20). The Low-High Price (LHP) Program continues to be in effect as the Total Differential Balance (TDB) is recovered from processors. The most recent LHP price has been set for Period 10 at \$1.5984 per dozen with a projected \$0.4973 per dozen spread between the LHP price and the Processor Protocol price. The LHP price is forecasted to return to a 30-cent price spread between the LHP price and Processor Protocol price starting in Period 11. Updated projections indicate that the TDB could be fully repaid by the end Period 3, 2024. Buyback prices are forecasted to be consistent with Q2 2023 projections and continue to include an additional 4-cent Buyback handling fee for the entire year. Import allowance costs are forecasted to total \$35,730K, which is higher than Q2 2023 projections. The increase is due to higher import costs, especially in Period 4 as higher import costs were paid even though the UB price started to decrease. For the last part of the year, lower import volumes are expected due to lower processor demand growth; however, import costs per box continue to remain high.

For 2024, the TD growth estimate is forecast to increase to 3.39% compared to the original forecast of 3.00%. IP volumes are forecasted to be higher than 2023 as all HPAI affected flocks should be repopulated, but a higher TD growth rate will result in lower IP volumes compared to previous 2024 projections. Processor demand is forecasted to pick up in 2024, with a growth rate of 3.5%. Processor prices are forecasted to be significantly lower compared to the 2023 HPAI price levels and are expected to return close to historical averages. As previously mentioned, updated projections indicate that the TDB could be fully recovered by the end Period 3, 2024, which also results in a lower Processor Price during the remainder of the year. Buyback prices are forecasted

to remain high in 2024 as global layer feed costs have relatively stabilized at a high level. However, due to the decrease in processor prices and continued high buyback prices, the PIF balance is forecasted to end 2024 in a significant deficit position of \$33.2M without a further levy rate increase. EFC recognizes that it is extremely difficult to predict how 2024 will unfold this far in advance.

A 2024 year end PIF balance, which is much lower than the balance at the end of 2023 would result in the continued deterioration of the PIF increasing the risk for larger levy increase in the near future.

Therefore, EFC is requesting a PIF levy rate increase of 11.25-cents, which results in an ending balance of \$48.2M for 2023 and \$41.6M for 2024. This would bring the PIF levy rate to \$0.4365 per dozen in order to maintain the PIF balance at a sustainable level for the short-term as continuing to take a conservative approach presents an even larger risk to the future of the PIF. Moving forward with a more balanced approach provides the PIF with the flexibility to withstand fluctuations of the environment in which it operates. EFC also considered potential risks associated with the Urner Barry price and future HPAI events, and their potential impact on the PIF.

EFC closely monitors the PIF's financial health and follow a measured approach, reassessing should further levy changes be needed. Our focus for 2024 will be to maintain the fund between its established minimum (\$45M) and maximum (\$105M) Trigger Points and consider transferring the \$20M back to the RMF and NOFF.

The main factors affecting the PIF are IP and Table volumes, Processor Price, the Low-High Price (LHP) Program/High-Low Price (HLP) Program, feed prices, and exchange rates.

IP and Table Volumes

IP volumes are forecasted to total 11,471,167 boxes, 357,112 boxes lower than the Quarter 2, 2023 projections. TD growth is now forecasted to be 3.85% for 2023 compared to the original forecast of 3.09% (approved by Board in November 2022), resulting in more eggs being directed to the table market.

Table Egg Sales volumes are forecasted to reach 1,794,691 boxes which are 81,374 boxes higher than Quarter 2, 2023 projections.

For 2024, IP volumes are forecasted to increase significantly to 12,143,818 boxes compared to 2023, as the HPAI affected flocks should all be repopulated, and placements of recent allocations continue. These volumes are partially offset by the forecasted increase in the TD growth rate for 2024. Table Egg Sales volumes are forecasted to be consistent with 2023 forecasted levels.

Processor Price

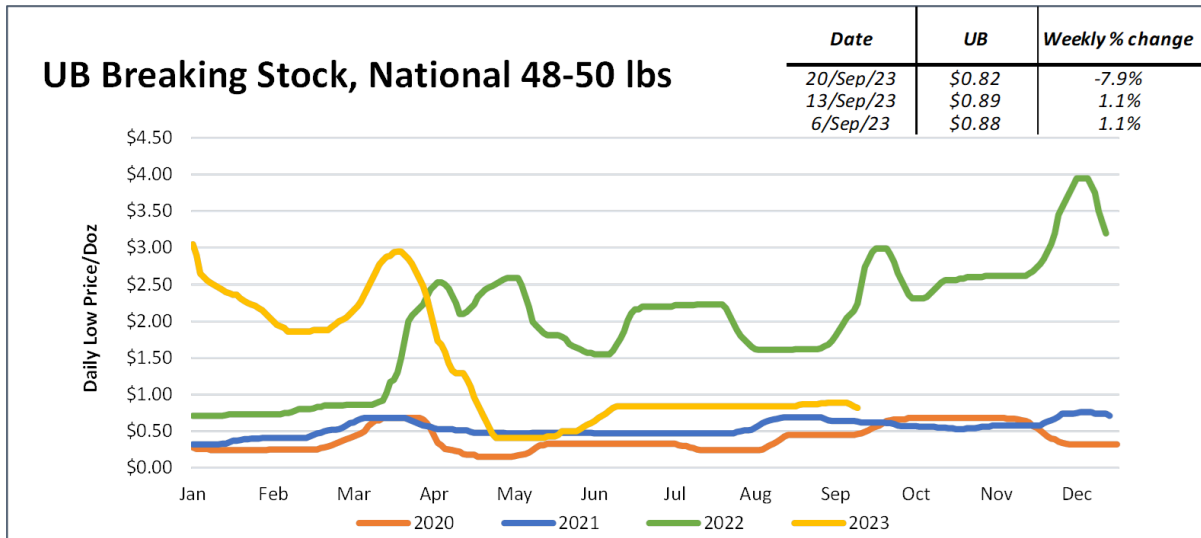
The average Processor Price for 2023 is forecasted to be \$1.7196 per dozen, which is \$0.0317 higher than Q2 2023 projections and \$0.0426 higher than Q1 2023 projections. The average UB price for 2023 (with Period 8 year-to-date actuals) is \$1.4235 per dozen. Following the Easter period, the UB price experienced a dramatic decrease, from a high at the end of March near \$3.00 per dozen, to a low by early May of just \$0.41 per dozen. Reports indicated that U.S. producers stock-piled eggs in advance of the Easter period; however, U.S. consumer demand was lower than projected, resulting in a flood of eggs into the market at the end of the Easter period. In addition to recent price trends, projections for HPAI repopulation in the U.S. have changed and layers were expected to return to production faster than expected. The UB price then increased to \$0.84 per dozen on June 16, 2023, remaining at the same level until September and is currently at \$0.82 per dozen (September 20). UB prices continue to be very volatile as a result of the HPAI crisis as well as swings in retail demand in the food sector which have occurred over the past few years. Forecasting the Processor Price continues to be very difficult due to these fluctuations.

In addition to the UB price, Grain-Based (GB) prices, (currently a larger percentage in the calculation of the Processor Price) are forecasted to be an average of \$0.7951 per dozen. The U.S. grain-based price, which was between 50- to 60-cents over the past several years, has now reached over 70-cents, and is expected to remain high for the foreseeable future.

The UB price is expected to continue to follow normal seasonal patterns throughout the remainder of the year. In addition to the UB price, the Processor Price includes a grain-based component (as previously mentioned), exchange rate impacts, regional add-ons and the blended segment discount reduction as per the Processor Protocol.

For 2024, the average Processor Price for 2024 is forecasted to be \$1.0434 per dozen, significantly lower than the 2023 forecast price. The average UB price and GB price are forecasted to be \$0.7905 per dozen and \$0.7413 per dozen, respectively. UB prices in 2024 are expected to decrease significantly compared to 2023 HPAI affected levels and are likely to maintain historical averages. Grain prices are expected to continue to be higher than their historical averages based on expected lower production levels and ending stocks in 2023.

The chart below reflects the projected fluctuations of the UB price in 2023. Historically, prices have been very volatile as indicated. (i.e., 2020 and 2021 – Swings of retail demand increase in the U.S. partially offset by swings of sharp decreases in volumes in the food service sector over the COVID-19 pandemic; 2022 and 2023 – Ongoing HPAI crisis). Forecasting the Processor Price continues to be very difficult due to these fluctuations.



LHP/HLP Program

The average Processor Price for 2023 continues to include the impact of the LHP Program for all of 2023, due to the HPAI crisis in the U.S., which has caused significant fluctuations in the UB price.

The LHP Program was implemented effective June 16, 2019 (the start of Period 7). Under this program, the Processor Price is set at a level higher than the actual UB price (known as the “Low Price”). The difference between the Price per the LHP Program and the Price per the Processor Protocol is tracked by EFC and referred to as the TDB. At the end of 2020, the TDB was \$931K, recoverable to processors. Additions to the TDB are reduced on future egg sales when the price per the LHP Program is higher than the price per the processor protocol. However, the program continued to be extended in 2021 in order to manage the continuing volatility in the processed market. At the end of 2021, the TDB was \$1,853K, recoverable from processors.

Due to the HPAI crisis in the U.S., the LHP Program continued into 2022 and 2023 with the aim of providing increased price stability and to reduce uncertainty for processors during the time of extreme price fluctuations. At the end of 2022, the TDB reached \$66,731K, owing from processors. This initiative is revenue neutral to EFC and will provide some relief to processors through this period of extraordinarily high prices. The TDB is estimated to be \$10.9M due from processors at the end of 2023.

The LHP price is forecasted to return to a 30-cent price spread between the LHP price and Protocol Price starting in Period 11, 2023. Updated projections indicate that the TDB could be fully repaid by the end of Quarter 1, 2024.

Feed Prices

The average Buyback price for 2023 has been adjusted to \$2.5636 per dozen, an increase of \$0.0165 compared to Q2 2023 projections and an increase of \$0.0022 compared to Q1 2023 projections. The

updated average Buyback price includes the impact of the levy rate increase of 10-cents effective the start of Period 8 (July 16), the requested levy rate increase of 12-cents effective the start of Period 12 (November 5), as well as incorporating egg board price changes in order to capture the P8 levy rate change. It also includes the impact of an additional 4-cent Buyback handling fee for the entire year, and an increase to the PAL from 3.8-cents to 4.0-cents, effective the start of Period 12, 2023 (November 5). The Buyback is based on the COP, which includes a component for all EFC levies, as well as the PAL.

For 2024, the average Buyback price is forecasted to be \$2.6869 per dozen which includes the full year impact of the requested levy increase of 12-cents per dozen. Overall, buyback prices are forecasted to remain high in 2024 as global layer feed costs have relatively stabilized at a high level.

Exchange Rates

The Canadian Dollar exchange rate to the U.S. Dollar is forecasted to reach an average of \$1.34 (or 1 Canadian Dollar equals \$0.7462 U.S. Dollar) compared to the 2022 actual of \$1.30 (or 1 Canadian Dollar equals \$0.7692 U.S. Dollar).

Summary

The opening 2023 PIF balance was \$7,675K. The PIF forecasted revenues and expenses have been updated to reflect the requested 11.25-cent levy increase, the changes to the PIF factors mentioned above as well as the Period 8 actual results. It is forecasted that the 2023 ending PIF balance will be \$48,211K, which is above the \$45M minimum trigger point. For 2024, the ending PIF balance is forecasted to be \$41,576K, which is slightly below the \$45M minimum trigger point. The PIF projected ending balances for both 2023 and 2024 include the temporary transfers from the Risk Management and Natural Overrun Fee Funds of \$8.0M and \$12.0M, respectively.

Appendices A, B, and C show a detailed statement of the 2023 Quarterly Forecasted Revenue and Expenses, a detailed statement of the 2024 Quarterly Forecasted Revenue and Expenses, and a chart of the 2023/2024 Quarterly Unrestricted PIF balances, respectively.

Unrestricted Administration Fund

The levy allocated to the Unrestricted Administration Fund is currently set at 3-cents (\$0.03) per dozen and has remained unchanged since Week 5, 2011. Based on the latest Quarter 2, 2023 projections (summarized in the table below), the 2023 year-end fund balance is projected to be \$2.4M, which is above the fund's \$1.0M minimum trigger point.

Administration Unrestricted	Annual	YTD		Total		
	Budget	Actual	Projected	Forecast	Variance \$	Variance %
Beginning Fund Balance	\$ 6,162,290	\$ 7,474,224			\$1,311,934	
Levy	\$22,292,517	\$10,276,513	\$11,972,330	\$22,248,843	(\$43,674)	0%
Interest Income	\$92,560	\$14,662	\$25,338	\$40,000	(\$52,560)	(57%)
Miscellaneous Income	\$150,267	\$71,550	\$78,717	\$150,267	\$0	0%
Total Revenue	\$22,535,344	\$10,362,725	\$12,076,385	\$22,439,110	(\$96,234)	0%
Expenses						
Board of Directors	\$2,871,454	\$1,276,635	\$1,937,692	\$3,214,327	(\$342,873)	(12%)
Management	\$873,402	\$394,145	\$365,016	\$759,161	\$114,241	13%
Trade	\$106,550	\$61,610	\$58,749	\$120,359	(\$13,809)	(13%)
Corporate & Public Affairs	\$3,780,670	\$1,533,792	\$2,335,816	\$3,869,608	(\$88,938)	(2%)
Marketing Programs	\$9,324,049	\$3,179,708	\$6,067,289	\$9,246,997	\$77,052	1%
Human Resources	\$9,012,650	\$4,179,499	\$5,513,524	\$9,693,023	(\$680,373)	(8%)
Corporate Services	\$2,543,798	\$1,247,655	\$1,301,143	\$2,548,798	(\$5,000)	0%
Finance	\$614,831	\$419,573	\$1,027,829	\$1,447,402	(\$832,571)	(135%)
Operations	\$1,674,229	\$703,848	\$1,139,373	\$1,843,221	(\$168,992)	(10%)
Total Administrative	\$30,801,633	\$12,996,465	\$19,746,431	\$32,742,896	(\$1,941,263)	(6%)
PIF/Restricted Transfer Costs	(\$5,004,980)	(\$2,539,460)	(\$2,719,840)	(\$5,259,300)	\$254,320	(5%)
Net Administrative	\$25,796,653	\$10,457,005	\$17,026,591	\$27,483,596	(\$1,686,943)	(7%)
Excess (Shortfall)	(\$3,261,309)	(\$94,280)	(\$4,950,206)	(\$5,044,486)	(\$1,783,177)	(55%)
Ending Fund Balance	\$2,900,981	\$7,379,944		\$2,429,738	(\$471,243)	(16%)

At this point, all programs and activities can be completed without a change to the levy allocated to the Unrestricted Administration Fund. The forecasted shortfall for the Administration Fund is \$5.0M based on the above Q2 2023 projections. As a result, using the Q2 2023 projections as a baseline, the current levy rate of 3.0-cents per dozen needs to be increased in future years as costs to maintain the programs within the Unrestricted Administration Fund continue to increase. A levy rate increase to the Unrestricted Administration Fund would have been required several years ago; however, the COVID-19 pandemic resulted in significant savings in travel and meeting expenses, deferring the need to implement levy changes.

2024 Budget projections include financial considerations for planned major initiatives as follows:

- Travel and meeting expenses for new and existing project teams;
- Programs and activities for the Egg Supply Management Project and all other engagement activities;
- Execution of Marketing and Nutrition strategies;
- Full year impacts of new staff positions; and,
- The COP Study will be concluding data analysis and presentation of the final report to the Board of Directors. This will entail significant expenditures including and an increase the in frequency of committee meetings, data verification, and report writing.

EFC is requesting a levy rate increase of 0.75-cents per dozen to the Unrestricted Administration Fund, from 3.0-cents to 3.75-cents, effective the start of Period 12, 2023 (November 5). The proposed levy rate increase would be implemented at the same time as the proposed levy rate increase for the PIF. The Unrestricted Administration Fund's proposed new levy rate would increase levy revenue by

an estimated \$5.5M on an annual basis. For 2024, this levy increase would maintain the Unrestricted Administration Fund's ending balance at the same level as 2023 of \$2.4M.

Other Funds

The Restricted Research Fund is projected to end the year at \$4.4M, which is within the fund's trigger points of \$2M and \$5M.

The Restricted Risk Management Fund is projected to end the year at \$2.7M, which is below the fund's minimum trigger point of \$8M. The projected ending balance takes into consideration the temporary transfer to the PIF of \$8M effective in Period 2, 2023.

The Natural Overrun Fee Fund is projected to end the year at \$3.1M. The projected ending balance takes into consideration the temporary transfer to the PIF of \$12M effective in Period 2, 2023.

A further update will be provided in November as part of the 2024 budget review.

Provincial Administration Levy

The Board approved an increase to the PAL to 4.0 cents per dozen effective Period 12, 2023 (November 5).

The PAL is a national component of the COP formula, which reflects the national average of provincial and territorial egg boards' eligible administrative expenses. Previously, the review and updating of the PAL coincided with the implementation of the results of the latest COP Study, approximately every five years, unless circumstances arose that required an earlier review. The previous PAL update was completed in August 2019, resulting in a PAL of 3.8-cents per dozen as of Week 37 of 2019.

In November 2022, the EFC Board of Directors approved revisions to the PAL Methodology, including the implementation of an annual review of the PAL, beginning in 2023.

For the 2023 review, each egg board's eligible administrative expenses were determined from their 2022 audited financial statements. To determine the administrative expenses per dozen, each egg board's eligible administrative expenses, adjusted for inflation of 3% (inflation grew by 3.27% from July 2022 to July 2023), were divided by the egg board's 2023 Federal Quota Allocation, multiplied by a Rate of Lay (ROL) of 26.54 dozens per bird per year, plus unregulated dozens as reported on their 2022 levy remittances. The PAL National Average was then calculated using the weighted average of provincial market shares, rounded up to the nearest one-tenth of a cent. The national PAL results are shown in the following table.

2022 Administrative Expenses adjusted for 3% inflation A	\$30,333,355
Maximum issuance – 2023 Allocation (layers) B	28,645,488
Unregulated dozens C	12,995,072
Provincial Administration Levy (\$/doz) A/(Bx26.54 + C)	\$0.0392
Provincial Administration Levy – Rounded up to the nearest 0.1 cent (\$/doz)	\$0.0400

Summary

EFC is requesting a 12-cent levy rate increase to support the Unrestricted Administration and Unrestricted Pooled Income funds. The Board understands and is sensitive to the pressures Canadian consumers are facing due to high food inflation. The Board does not take the decision to increase levy lightly; however, the Board is in unanimous agreement that this increase is necessary to keep the fund balances in a healthy financial position, close to or above the minimum fund balance trigger points, for the remainder of 2023 and into 2024. As EFC has always demonstrated in the past, levy rates will be quickly reduced if the factors and conditions affecting the funds become more favourable.

The current and proposed levy rates are summarized in the following table.

Fund	2023 Current Levy	2023 P12 Levy change	\$ Change
PIF Unrestricted	\$0.3240	\$0.4365	(0.1125)
RMF	\$0.0010	\$0.0010	0.0000
Total PIF Levy	\$0.3250	\$0.4375	(0.1125)
Admin Unrestricted	\$0.0300	\$0.0375	(0.0075)
Restricted Research	\$0.0045	\$0.0045	0.0000
Total Admin Levy	\$0.0345	\$0.0420	(0.0075)
Total National Levy	\$0.3595	\$0.4795	(0.1200)

Amendment to the Levies Order

The current Levies Order expires March 30, 2024. The amendment is to renew the Levies Order effective November 5, 2023. The following table summarizes the proposed Levies Order for Period 12, 2023 (November 5). The amounts are comprised of the proposed EFC levy of \$0.4795 per dozen; and provincial/territorial levies to be paid by each producer, effective November 5.

Province/Territory	Total Levy Cents/ dozen
Ontario	51.95
Quebec	54.75
Nova Scotia	51.75
New Brunswick	54.25
Manitoba	53.95
British Columbia	54.43
Prince Edward Island	54.15
Saskatchewan	57.10
Alberta	54.68
Newfoundland and Labrador	52.95
Northwest Territories	55.35

I would kindly ask that FPCC review and prior-approve the Levies Order amendment in order for EFC to continue to support its 2023 and 2024 marketing plans.

Best regards,



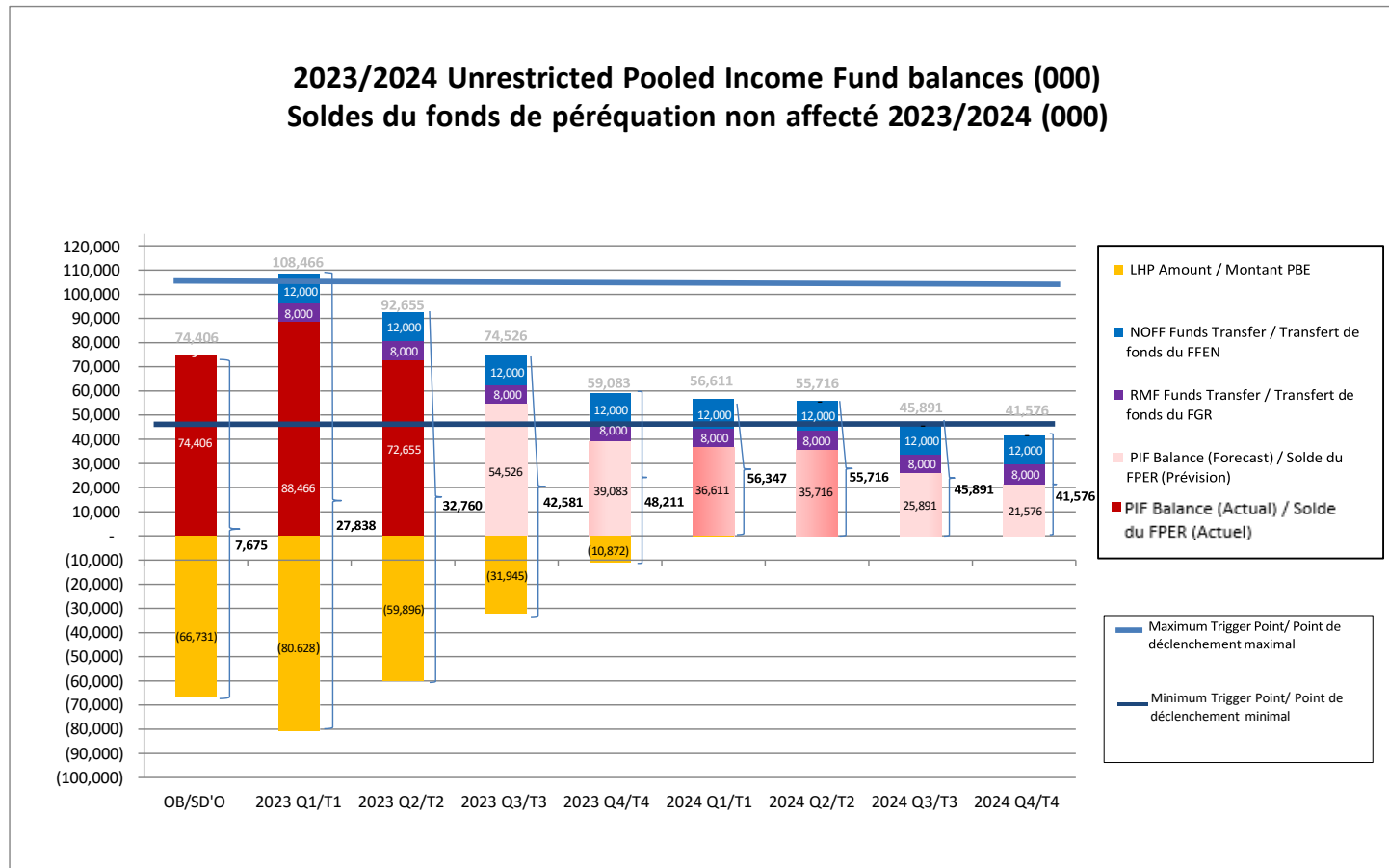
Roger Pelissero
Chair and Acting Chief Executive Officer

cc: EFC Board of Directors
FPCC Members

C. PIF 2024 FORECASTED REVENUE AND EXPENSES (Continued)

	Q1	Q2	Q3	Q4	2024 Forecast	2023 Forecast	Variance to 2023 Forecast	
							\$	%
	2,926,946	2,695,828	2,986,681	3,534,362	12,143,818	11,471,167	(672,651)	(5.9%)
D	511,542	351,842	339,008	533,419	1,735,811	1,794,691	58,880	3.3%
A	1.2709	0.9756	0.9387	1.0021	1.0434	1.7196	(0.6762)	(39.3%)
T	2.6833	2.6943	2.6923	2.6801	2.6869	2.5636	(0.1233)	(4.8%)
A	0.4365	0.4365	0.4365	0.4365	0.4365	0.3013	0.1352	44.9%
	28,645,488	28,645,488	28,645,488	28,645,488	28,645,488	27,398,638	1,246,850	4.6%
\$	REVENUE							
	\$ 76,730,693	\$ 76,730,693	\$ 76,730,693	\$ 102,307,591	\$ 332,499,671	\$ 222,550,250	\$ 109,949,422	49.4%
	55,875,815	39,203,619	42,047,550	53,123,108	190,250,091	299,392,583	(109,142,492)	(36.5%)
	20,590,648	14,220,632	13,685,379	21,449,781	69,946,440	68,804,234	1,142,206	1.7%
	235,143	270,439	238,333	268,998	1,012,912	814,812	198,101	24.3%
\$	\$ 153,432,299	\$ 130,425,383	\$ 132,701,956	\$ 177,149,477	\$ 593,709,115	\$ 591,561,878	\$ 2,147,236	0.4%
\$	EXPENSE							
	\$ 138,406,197	\$ 123,168,726	\$ 134,309,011	\$ 163,561,319	\$ 559,445,253	\$ 510,293,792	\$ (49,151,461)	(9.6%)
	3,928,215	3,498,728	3,825,411	4,659,140	15,911,493	15,733,535	(177,959)	(1.1%)
	207,426	95,450	95,450	127,267	525,593	1,277,647	752,053	58.9%
	388,800	388,800	388,800	518,400	1,684,800	1,535,087	(149,713)	(9.8%)
	887,574	2,426,474	2,430,715	10,628,544	16,373,307	35,729,706	19,356,398	54.2%
	1,130,769	1,130,769	1,130,769	1,507,693	4,900,000	4,898,395	(1,605)	(0.0%)
	279,462	279,462	279,462	372,616	1,211,002	1,211,002	-	0.0%
	45,000	45,000	45,000	60,000	195,000	250,000	55,000	22.0%
	22,500	22,500	22,500	30,000	97,500	97,500	-	0.0%
\$	\$ 145,295,944	\$ 131,055,909	\$ 142,527,118	\$ 181,464,978	\$ 600,343,949	\$ 571,026,663	\$ (29,317,286)	(5.1%)
\$	\$ 8,136,355	\$ (630,526)	\$ (9,825,162)	\$ (4,315,501)	\$ (6,634,835)	\$ 20,535,215	\$ (27,170,050)	(132.3%)
\$	\$ 48,210,656	\$ 56,347,011	\$ 55,716,485	\$ 45,891,323	\$ 48,210,656	\$ 7,675,441	\$ 40,535,215	
\$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000,000	\$ (20,000,000)	
\$	\$ 56,347,011	\$ 55,716,485	\$ 45,891,323	\$ 41,575,822	\$ 41,575,822	\$ 48,210,656	\$ (6,634,835)	

D. PIF 2023/2024 FORECASTED REVENUE AND EXPENSES (Continued)



Notes:

- The current actual/forecasted ending PIF fund balance (in black) is indicated on the right hand side of each quarterly stacked column.
- The actual/forecasted ending PIF fund balance, including the amounts outstanding from LHP program (in shaded grey), is indicated at the top of each quarterly stacked column.

October 13, 2023

Mr. Brian Douglas
Chairman
Farm Products Council of Canada
Central Experimental Farm
Building 59, 960 Carling Avenue
Ottawa, ON K1A 0C6

Re: Unrestricted Administration Fund Levy Increase – Additional Rationale

Dear Brian,

Egg Farmers of Canada (EFC) is providing additional rationale to supplement the rationale provided to Farm Products Council of Canada (FPCC) in our letter dated September 21, 2023. In the September 21 letter, EFC requested an increase to the Unrestricted Administration (Admin) Fund levy, from \$0.0300-cents per dozen to \$0.0375-cents per dozen, effective November 5, 2023.

Based on the Quarter 2, 2023, projections provided in the September 21 letter, the projected Admin Fund balance will be \$2.5M at the end of 2023, following a projected loss of \$5.0M for the year. If Admin Fund expenses remain consistent with 2023, there will be another projected shortfall of approximately \$5.0M in 2024. This shortfall would result in a deficit balance in the Admin Fund of \$2.5M. This deficit would continue to grow in future years as expenses exceed revenues earned.

In early 2011, the Admin Fund levy was reduced from \$0.0325-cents per dozen to \$0.0300-cents per dozen, and has remained at that level until now. Although there has been growth in production and corresponding higher levy revenues, the expenses to fulfill EFC's mandate have increased in order to encompass the breadth and scope of the egg industry. In addition to financial considerations for planned major initiatives listed in our September 21 letter, EFC will continue to develop important projects and activities such as:

- Improvements and new features to the National Environmental Sustainability and Technology Tool (NESTT);
- Continued tracking and analysis related to the hen housing transition, and continued improvements to reporting;
- Execution of the Breaking Egg Yield Study project, which studies the egg liquid yielded from breaking each egg size to update the processor price egg size formulas;
- Establishment of a system to collect data, track progress and support sustainability reporting initiatives. Communications programming that educates and expands the narrative on all things related to our sustainability efforts will continue; and,
- Continued marketing programs to promote the nutrition and consumption of eggs.

EFC incurred lower Admin Fund expenses during the COVID-19 pandemic, particularly in the areas of travel and marketing outreach expenditures. While travel and marketing outreach expenditures have returned to pre-pandemic levels; the costs have increased due inflation. Had the pandemic not occurred, an Admin Fund levy increase would have been required in 2021.

In the September 21 letter, the levy rates in the proposed Levies Order amendment not only include the 12-cent increase in EFC's levy rate, but also adjustments to the provincial levy rates in British Columbia and Alberta. Both provinces decreased their provincial levy rates by 2.94- and 2.19-cents per dozen, respectively. These decreases occurred in the summer but an amendment to the Levies Order to reflect these decreases were delayed as a result of the implementation of an EFC levy change effective July 16, and have now been combined with the proposed Levies Order amendment for November 5. As these are changes to provincial levy rates that are outside the authority of EFC and FPCC, a rationale is not required.

Sincerely,



Roger Pelissero
Chair and Acting Chief Executive Officer

cc: EFC Board of Directors
FPCC Members