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

December 14, 2023

Mr. Roger Pelissero
Chairman
Egg Farmers of Canada
21 Florence Street
Ottawa, Ontario K2P 0W6

Subject: **Proposed Amendments to the *Canadian Egg Marketing Levies Order* and the *Canadian Egg Marketing Agency Quota Regulations, 1986***

Dear Mr. Pelissero:

I would like to take this opportunity to thank you, the Executive Committee and staff of the Egg Farmers of Canada (EFC) for your excellent and informative presentation to Council on December 12, 2023, on the challenges and opportunities faced by the egg sector.

As you are aware, Council met on December 12 and 13, 2023, to review the proposed amendments to the *Canadian Egg Marketing Agency Levies Order* (Levies Order) as well as the amendments to the *Canadian Egg Marketing Agency Quota Regulations, 1986 (*Quota Regulations), as outlined in your letters of November 15, 2023, and November 24, 2023, respectively.

With respect to the Levies Order, I am pleased to inform you that the proposed amendments were approved following a thorough review of the rationale provided by EFC and internal analysis. The Levies Order will come into effect on December 31, 2023, and expire on March 28, 2025.

The proposed amendments to the Federal Quota (Schedule 1), Special Temporary Market Requirement Quota (Schedule 1.1), Egg for Processing Quota (Schedule 1.2) and Vaccine Quota (Schedule 2) were also approved. The amendments to the four schedules come into effect on December 31, 2023, and expire on December 28, 2024.

Council members were satisfied that there were sufficient grounds and information to conclude that the amendments to both the Levies Order and the Quota Regulations, are necessary for the implementation of the EFC's marketing plan.

Should you have any questions, please do not hesitate to contact me or the Secretariat by email at fpcc.secretariat.cpac@fpcc-cpac.gc.ca.

Sincerely,

Brian Douglas
Chairman

Canada

EGG FARMERS OF CANADA | LES PRODUCTEURS D'ŒUFS DU CANADA

November 15, 2023

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

Re: 2024 Special Temporary Market Requirement Quota Allocation

Dear Brian:

We are seeking Farm Products Council of Canada (FPCC) prior approval for an amendment to Schedule 1.1, Special Temporary Market Requirement Quota (STMRQ), of the Canadian Egg Marketing Agency Quota Regulations for 2024 (December 31, 2023 to December 28, 2024), which was unanimously approved by the EFC Board of Directors (EFC Board) on November 9, 2023. Drafting instructions reflecting the amendments have been provided to FPCC at the same time as the Department of Justice. Official stamped copies of the Quota Regulations amending package will be forwarded to your office in accordance with established blue stamp process timelines.

The STMRQ category was created as a risk mitigation tool to assist the processing industry by temporarily increasing Canadian production and has been implemented to address market shortages and the unavailability of imports due to Highly Pathogenic Avian Influenza (HPAI) outbreaks, most recently in 2022 and 2023 ongoing. Due to the endemic nature of the recent strains of HPAI and with the number of active cases in Canada currently growing, the EFC Board unanimously approved having STMRQ ready to utilize in 2024 if deemed necessary.

After having duly taken into account the overbase factors and EFC's objects, the EFC Board approved the overall Special Temporary Market Requirement quota allocation for the equivalent of 2,105,001 layers from December 31, 2023 to December 28, 2024.

Please see Schedule 1.1 below for the period from December 31, 2023 to December 28, 2024.

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Schedule 1.1 Dec. 31, 2023 -Dec. 28, 2024 Effective date: Dec. 31, 2023 (Based on 52 weeks of production)		
	Special Temporary Market Requirement Quota (layer)	**Limits to Special Temporary Market Requirement Quota (doz.)**
BC	242,779	6,443,355
AB	83,779	2,223,495
NT	0	0
SK	140,779	3,736,275
MB	161,889	4,296,534
ON	865,555	22,971,830
QC	316,666	8,404,316
NB	69,666	1,848,936
NS	168,888	4,482,288
PE	15,000	398,100
NL	40,000	1,061,600
TOTAL	**2,105,001**	**55,866,729**

Best regards,

Roger Pelissero
Chair

copy: EFC Board of Directors
FPCC Members
Drew Black, Chief Executive Officer

EGG FARMERS OF CANADA | LES PRODUCTEURS D'ŒUFS DU CANADA

November 15, 2023

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

Re: 2024 EFP Quota Allocation

Dear Brian:

We are seeking FPCC's prior approval for an amendment to Schedule 1.2, Eggs for Processing (EFP) Quota, of the Canadian Egg Marketing Agency Quota Regulations for 2024 (December 31, 2023 to December 28, 2024), which was unanimously approved by the EFC Board of Directors (EFC Board) on November 9, 2023. Drafting instructions reflecting the amendments have been provided to FPCC at the same time as the Department of Justice. Official stamped copies of the Quota Regulations amending package will be forwarded to your office in accordance with established blue stamp process timelines.

The EFP Program is designed to provide production for Canadian processors and is governed by the EFP Quota Bridging Policy. All EFP Programs are monitored closely as they are integrated with the Industrial Products Program to ensure minimal financial impact to the Unrestricted Pooled Income Fund. There are no requested changes to the EFP quota amount in layers for 2024.

After having duly taken into account the overbase factors and EFC's objects, the EFC Board approved the overall eggs for processing quota allocation for the equivalent of 1,517,452 layers with the provincial split as indicated below for the period from December 31, 2023 to December 28, 2024.

Please see Schedule 1.2 below for the period from December 31, 2023 to December 28, 2024.

EGG FARMERS OF CANADA | LES PRODUCTEURS D'ŒUFS DU CANADA

Schedule 1.2 Dec. 31, 2023 - Dec. 28, 2024 Effective date: Dec 31, 2023 (Dozens based on 52 weeks of production)		
	Eggs for Processing Quota (layer)	**Limits to Eggs for Processing Quotas (doz.)**
BC	100,000	2,654,000
AB	25,000	663,500
NT	-	-
SK	125,000	3,317,500
MB	200,000	5,308,000
ON	767,452	20,368,176
QC	300,000	7,962,000
NB	-	-
NS	-	-
PE	-	-
NL	-	-
TOTAL	**1,517,452**	**40,273,176**

Best regards,

Roger Pelissero
Chair

copy: EFC Board of Directors
FPCC Members
Drew Black, Chief Executive Officer

EGG FARMERS OF CANADA | LES PRODUCTEURS D'ŒUFS DU CANADA

November 24, 2023

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

Re: 2024 Federal Quota Allocation

Dear Brian:

Egg Farmers of Canada (EFC) is seeking FPCC's prior approval for an amendment to Schedule 1, Federal Quota, of the Canadian Egg Marketing Agency Quota Regulations effective December 31, 2023 to December 28, 2024. This amendment was unanimously approved by the EFC Board of Directors (EFC Board) on November 9, 2023. Drafting instructions reflecting the amendments have been provided to Farm Products Council of Canada (FPCC) at the same time as the Department of Justice. Official stamped copies of the Quota Regulations amending package will be forwarded to your office in accordance with established blue stamp process timelines.

The November 9 EFC Board meeting package included a memo from our legal counsel, David Wilson, outlining EFC's legal and fiduciary duties pertaining to quota allocation, and to ensure that the obligations of the Federal-Provincial Agreement (FPA) and Farm Products Agencies Act (FPAA) are met (section 14.4 of the EFC Board package). The meeting package also included a copy of Dr. Maurice Doyon's document *Discussion of Canadian Egg Quota Allocation Overbase Factors* (section 14.3 of the EFC Board package), which EFC uses to assess the five overbase criteria as per the Canadian Egg Marketing Agency Proclamation.

Mr. Wilson's memo emphasized that the EFC Board has discretion regarding the allocation of quota, as determined in the 2006 Justice Shore ruling, and that the Quota Allocation Calculation (QAC) Policy can be used as a guideline in exercising that discretion to supply the Canadian market. Mr. Wilson also underlined the importance of the QAC Policy and that it was achieved by consensus. This consensus has allowed the QAC Policy to adapt and evolve in order to respond to various challenges and issues since the QAC Policy's initial adoption.

Dr. Doyon's report begins with the principle of comparative advantage of production and then addresses various province-by-province indicators related to overbase factors, as updated using the most current, finalized data. Professor Doyon's paper also explained the linkages of the various indicators to the overbase factors in the Proclamation and to EFC's statutory objects. Since 2016, the report also includes a discussion regarding initiatives implemented to reduce EFC's reliance on levy such as the Processor Agreement and the Natural Overrun Fee Program (previously the Service Fee Program), which have offset the cost of surplus production that is not required to satisfy table disappearance.

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The EFC Board continues to support Dr. Doyon's view that the indicators are best assessed in a holistic manner, rather than in isolation. This includes the use of alternative tools to augment decision-making, rather than relying solely on the overbase indicators. The selected indicators remain instructive and are closely linked to EFC's mandate.

Estimated 2024 Table Disappearance (TD) Growth Rate

As per the memo found in section 14.2 of the EFC Board meeting package, EFC has incorporated relevant market information and has applied statistical modeling techniques to estimate a TD growth rate for 2024. Final TD data is available through 2022. The average growth over the past five years (2018-2022) was 2.06% per year; however, it should be noted that the COVID pandemic had a significant impact on three of these five years. Over the past ten years (2013-2022), TD growth has averaged 3.07% per year.

Preliminary TD data for 2023 is available through Period 9. This data indicates very strong year-to-date growth of 4.38% over the same periods last year. Part of this strong growth in 2023 was expected because TD growth for Period 1 through Period 5 of 2022 was still affected by COVID restrictions, resulting in negative growth. That said, year-to-date growth in 2023 has exceeded our initial expectations for the year. We estimate the 2023 TD growth to be 3.95% by the end of the year.

Changes in population growth have been and continue to play a key role in demand growth. Statistics Canada data shows that the number of residents in Canada has grown 2.98% year over year as of July 1, 2023. This is an incredible growth rate and is almost entirely driven by increases in immigration. Canada has not experienced population growth this high since the early 1970s. Moving forward, population growth is expected to slow to 1.8% due to a decrease in immigration (both in the second half of 2023 and the full year of 2024), which has been incorporated into our forecasts. Based on recent trends in per capita demand growth and estimated future population growth, EFC is projecting a 2024 total TD growth of 4.89%, which is within the range of demand estimates.

2025 Population Growth Factor

In 2018, EFC implemented the Market and Population Growth (MPG) QAC, which in addition to current year TD estimates, uses TD estimates for both one year and two years in advance to assess Federal Quota changes. This enabled EFC to approve quota increases immediately that would meet a portion of the estimated growth in demand a year or two away when the additional layers are eventually put into production. Given the challenge to forecast future growth, the TD estimate for two years in advance uses historical population growth. Population growth has tended to be lower than total TD growth, so it was a conservative estimate to reduce the risk of over allocating quota, but still allow for an increase in quota to meet future demand. The growth estimate for this given year would be updated with the subsequent reconciliations of the QAC in future years. Specifically, the MPG QAC uses the simple average of the last three years of population growth to determine a population growth factor, which has typically been between 1 and 1.5%.

However, as a result of government policy and the removal of pandemic restrictions, population growth has recently increased significantly. According to Statistics Canada, the population grew by 1.83% from July 1, 2021 to July 1, 2022 and then by another 2.98% from July 1, 2022 to July 1, 2023. This is in stark contrast to the low population growth of 0.56% from July 2020 to July 2021.

In an effort to maintain pace with current population growth, the EFC Board decided to use the average of the last two years of population growth to determine a population growth factor of 2.4% to be applied to the Year

3 (2025) TD estimate in the 2025 MPG QAC. This is equal to the estimated annual average of population growth for the two-year period from July 1, 2021 to July 1, 2023 and removes the low population growth from July 2020 to July 2021 at the height of the pandemic when travel and migration were heavily restricted. While increasing the population growth factor may lead to a risk of over allocation, there is also an opportunity cost to producers in under allocating by not having enough domestic production to meet demand. Furthermore, the QAC reconciliation process in future periods can correct any over allocation of quota.

The proposed change for the population growth factor is not meant to be a permanent change to the QAC Policy and for now is only meant to apply to the Year 3 TD estimate in the 2025 MPG QAC but can be reviewed on an annual basis for future MPG QAC reviews. In addition, this Year 3 TD estimate will be updated in subsequent QAC reconciliations when more information is known.

2024 Quota Allocation Review

The 2024 Federal Quota allocation review can be found in section 14.5 of the November 9 EFC Board meeting package. The annual TD calculations used can be found on page 211 of the EFC Board meeting package.

The 2024 quota allocation review consists of the following parts:

i. Final Reconciliation of the 2023 MPG QAC
ii. First Reconciliation of the 2024 MPG QAC
iii. 2025 MPG QAC

2023 MPG QAC – Final Reconciliation

The 2023 MPG QAC of 210,005 layers was approved by the EFC Board in November 2021, and implemented in Week 1 of 2022. On November 9, 2022, the EFC Board was presented with the first reconciliation of the 2023 MPG QAC resulting in an allocation adjustment of 365,650 layers. The final reconciliation resulted in a reduction of 41,869 layers and was reviewed by the EFC Board in July 2023. In accordance with the QAC Policy, the negative reconciliation was deferred until the next allocation. Therefore, the negative reconciliation of 41,869 layers is combined with the 2024 allocation.

After the reconciliations, the final 2023 MPG QAC was 533,786 layers.

2024 MPG QAC – First Reconciliation

The 2024 MPG QAC was a new allocation for 2023, which was presented to the EFC Board on November 9, 2022 for an increase of 409,276 layers. The reconciliation uses TD from the following combination of years to mitigate the time it takes for layers from allocations to be put into production and ensure birds will be available to meet future increases in demand:
Year 1 (2022) – final 2022 TD data.
Year 2 (2023) – Year 2 TD uses Year 1 final TD plus the growth rate of 4.38%, extrapolated from periods 1-9 2023 TD relative to the same periods in 2022.
Year 3 (2024) – Year 3 TD uses the estimate for Year 2 TD plus the 2024 estimated growth rate of 4.89% as described above.

This results in a total allocation increase of 1,081,204 layers but after accounting for the 409,276 layers allocated last year, the net increase is 671,928 layers. The 2024 MPG QAC will require one more reconciliation in July 2024 in which EFC will use finalized 2023 TD and reassess the 2024 market growth.

2025 MPG QAC

The 2025 MPG QAC is a new allocation for 2024, which was presented to the EFC Board on November 9, 2023. It uses TD from the following combination of years to mitigate the time it takes for layers from allocations to be put into production and ensure layers will be available to meet future increases in demand:

Year 1 (2023) – current year of preliminary TD data (Periods 1 to 9), which is extrapolated for a full year relative to the same periods in 2022, resulting in an increase in TD of 4.38%.
Year 2 (2024) – Year 2 TD uses Year 1 extrapolated TD plus the growth rate estimate of 4.89%
Year 3 (2025) – Year 3 TD uses the estimate for Year 2 TD plus the population growth factor of 2.4%

This results in an allocation increase of 767,756 layers. The 2025 MPG QAC will require two reconciliations. In November 2024, EFC will assess the 2024 market growth estimate using extrapolated data up to Period 9, 2024, and also estimate the 2025 market growth to reconcile the amount already allocated for population growth. A second reconciliation will also occur in July 2025 when the TD for 2024 is final.

In total, the net allocation increase from all three parts is 1,397,815 layers. EFC recognizes that is an ambitious allocation increase relative to the allocation increases that occurred during the pandemic; however, the increase is required in order to meet demand with domestic supply and mitigate the risk of reliance on imports over and above trade requirements.

It should be noted that these new layers would likely not be put into production immediately. The placement of new quota allocations is managed by egg boards; that, and the fact that it takes 19-weeks to raise layers to production maturity, EFC estimates 39% of the allocation will be placed by the end of Q2 2024, with an additional 31% placed by the end of 2024, ready to meet the demands of the 2025 market. The remaining 30% will be placed by the end of Q3 2025.

This will provide EFC with time to make any required adjustments to the Federal Quota allocations as part of the normal MPG QAC reconciliation process (July and November 2024). The MPG QAC reconciliation process is a regular occurrence that consistently sees EFC making adjustments up or down in the allocation in order to respond to the market.

Egg Industry Support for the QAC Policy

The egg industry strongly supports the QAC Policy as a reasonable balance between differential growth and economic activity in all jurisdictions. The QAC Policy strikes a balance between regional needs and the management of a national system. The EFC Board was unanimous in its agreement to use the QAC Policy guidelines in order to allocate quota for the 2024 fiscal year, after duly considering the overbase factors and EFC's objects.

EFC views the results of the QAC Policy as achieving regional balance, while addressing competitiveness. 88% of the proposed allocation increase is distributed to 89% of the Canadian population, recognizing areas with differential growth. Supply management is also a cornerstone of economic activity in many provinces, including the four Atlantic Provinces.

Schedule 1 of the Quota Regulation
EFC is seeking an allocation increase of 1,397,815 layers for a total allocation of 30,043,303 layers. With this proposed increase, Schedule 1 of the quota regulation would provide for the maximum production of approximately 829 million dozens for the period of 52-weeks from December 31, 2023, to December 28, 2024; this is not intended to be a proxy for layer inventories nor gradings information.

Schedule 1 Dec. 31, 2023 - Dec. 28, 2024 Effective date: Dec. 31, 2023		
	Domestic Regulated Quota (layer)	**Limits to Federal Quotas (doz.)**
BC	3,713,235	102,542,738
AB	3,131,819	87,066,760
NT	140,599	3,731,498
SK	1,367,649	37,853,138
MB	2,737,042	74,606,901
ON	10,733,440	296,826,349
QC	6,125,124	169,088,067
NB	581,621	15,918,583
NS	927,987	25,544,675
PE	155,795	4,238,736
NL	428,992	11,425,346
TOTAL	**30,043,303**	**828,842,791**

In summary, EFC looks forward to moving ahead with its QAC Policy allocations for 2024 to ensure EFC can provide enough domestic supply to meet demand.

Best regards,

Roger Pelissero
Chair

copy: EFC Board of Directors
FPCC Members
Drew Black, Chief Executive Officer

EGG FARMERS OF CANADA
LES PRODUCTEURS D'ŒUFS DU CANADA

November 15 2023

Mr. Brian Douglas
Chairman
Farm Products Council of Canada
Central Experimental Farm
Building 59, 960 Carling Avenue
Ottawa, ON K1A 0A6

Re: 2024 Vaccine Quota Allocation Amendment

Dear Brian,

At our November 9, 2023, meeting, the EFC Board of Directors (EFC Board) considered applications from the provinces of Quebec and Ontario for vaccine quota layers for the period from December 31, 2023 to December 28, 2024.

As part of the annual vaccine production cycle, industry stakeholders and Glaxo-Smith-Kline (GSK), the vaccine manufacturer, meet in June every year to consider vaccine production requirements for the following year. It should be noted that there is no change from the current allocation numbers or provincial allocations.

The rate of lay remains consistent with last year's application at 21 dozen eggs per layer per year as per the following table:

Province	Total Number of Eggs for 2023 in Dozens	Total Number of Eggs for 2024 in Dozens	Changes in Dozens
Ontario	2,661,750	2,661,750	0
Quebec	10,674,090	10,674,090	0
Total	**13,335,840**	**13,335,840**	**0**

At the November 9, 2023 meeting, the EFC Board unanimously approved the vaccine quota as per above.

Drafting instructions reflecting the amendment have been provided to Farm Products Council of Canada at the same time as the Department of Justice.

Please see the attached letter from Fédération des producteurs d'œufs du Québec which is included for your reference.

Feel free to contact me should you have questions.

Sincerely,

Roger Pelissero
Chair

copy: EFC Board of Directors
FPCC Members
Drew Black, Chief Executive Officer

Encl.

Fédération des producteurs d'œufs du Québec

Longueuil, July 25th 2023

<u>SENT BY EMAIL</u>

Mr. Neil Newlands
Chief Operating Officer
Egg Farmers of Canada
21, Florence Street
Ottawa, (Ontario) K2P 0W6

Objet : **Vaccine Quota Request for 2024**

Mr. Newlands,

We are confirming the vaccine quota request for the production year 2024 on behalf of the Ontario and Quebec vaccine egg producers.

Please keep in mind that the vaccine egg production is quite different from our own in many instances:

- A demand that is very stable for long periods of time and generally nonexistent for short periods of time;
- A laying cycle that varies from 7 to 10 months;
- A down time that varies from $1^{1/2}$ to 3 months;
- An end product that depends on the rate of lay, fertility rate and embryos survival rate, all factors that vary greatly with the age of the bird and the type of management;
- Pandemic production versus regular production.

These parameters contribute to complicate the conversion of the vaccine producing set in <u>embryos per week</u> to the allocation request that is expressed in <u>total birds.</u>

So the number of birds in the request represents a good estimate, although the actual number may vary, ever so slightly. The number of birds in the request is based on the barn capacity per producer and the conversion of embryos per week to birds. We used the conversion rate of 4 embryos per bird per week for the request, but this conversion may reach 5,5 embryos per week in certain circumstances.

We include the 2020-2023 numbers as a reference. The 2024 numbers are the same as the 2020-2023 ones.

Fédération des producteurs d'œufs du Québec

	2021 Embryos/ week	Layers	2022 Embryos/ week	Layers	2023 Embryos/ week	Layers	2024 Embryos/ week	Layers
Quebec	**2 033 160**	**508 290**	**2 033 160**	**508 290**	**2 033 160**	**508 290**	**2 033 160**	**508 290**
Ontario	**507 000**	**126 750**	**507 000**	**126 750**	**507 000**	**126 750**	**507 000**	**126 750**
Grand Total	**2 540 160**	**635 040**	**2 540 160**	**635 040**	**2 540 160**	**635 040**	**2 540 160**	**635 040**
Total Canada	**2 540 160**	**635 040**	**2 540 160**	**635 040**	**2 540 160**	**635 040**	**2 540 160**	**635 040**

Feel free to contact us if you need further information.

Best regards.

Denis Frenette, agr.
General Manager

DF/mf

c.c. Mr. Ryan Brown, EFO

Mr. Paulin Bouchard, FPOQ

Mr. Nicolas Tremblay, FPOQ

Mrs. Lise-Anne Girard, FPOQ

EGG FARMERS OF CANADA | LES PRODUCTEURS D'ŒUFS DU CANADA

November 15, 2023

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

Re: 2024 Levies Order Amendments

Dear Brian:

We are seeking FPCC's prior approval of amendments to the Canadian Egg Marketing Agency's Levies Order, which were unanimously approved by the EFC Board of Directors (EFC Board) on November 9, 2023. Drafting instructions reflecting the amendment were provided to the Farm Products Council of Canada (FPCC) and the Department of Justice on November 10, 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 you are aware, Levies Orders were published reflecting the Unrestricted Administration Fund and the Unrestricted Pooled Income Fund (PIF) levy changes effective Period 12, 2023 (November 5, 2023).

At this time, EFC is not requesting any further changes to the established levy rates for EFC's unrestricted and restricted funds. EFC will begin the 2024 fiscal year with a federal levy rate of 47.95 cents per dozen.

PIF 2024 Budget

The EFC Board reviewed updated Q3 2023 projections and approved the budget for 2024. The Budget Report can be found in section 15 of the November 9, 2023, Board package.

The PIF balance is projected to end 2024 at $40,870K, which is below its minimum trigger point of $45M. The projected ending fund balance includes the full year impacts of the 10-cent (effective the start of Period 8, 2023) and 11.25-cent (effective the start of Period 12, 2023) levy rate increases, and also continues to include the temporary cash transfers from the Risk Management and Natural Overrun Fee Funds of $8M and $12M, respectively. The 2023 levy rate increases are expected to maintain the PIF balance at a sustainable level for the short-term and EFC will continue to follow a measured approach to bring the PIF balance to within the established minimum ($45M) and maximum ($105M) Trigger Points. The PIF's financial situation will continue to be monitored closely and a reassessment will be completed in early 2024.

For 2024, the Table Disappearance (TD) growth estimate is forecasted to increase to 3.39%.

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Industrial Product (IP) volumes are forecasted to be higher than 2023, resulting from increased domestic supply as all Highly Pathogenic Avian Influenza (HPAI) flocks should be repopulated, and due to partial placements of the 2024 quota allocation. Processor demand is forecasted to increase in 2024, with a growth rate of 3.5%, compared to 1.29% as in the 2023 forecast. Processor prices are forecasted to be significantly lower compared to the 2023 HPAI price levels and are expected to return close to historical averages. The 2024 budget projections indicate that the Total Differential Balance (TDB) could be fully recovered by the end of Period 2, 2024, which also results in a lower processor price. Buyback prices are forecasted to remain high in 2024 as global layer feed costs have been relatively stable at a high level and also include the full year impacts of the 10-cent (effective the start of Period 8, 2023) and 12-cent (effective the start of Period 12, 2023) levy rate increases.

IP and Table Volumes
IP volumes for 2024 are projected to equal 12,433,361 boxes, an increase of 8.8% from the 2023 forecast. The projections are based on the assumption that TD will grow by 3.39%. IP volumes also assume that all layers from prior years' new quota allocation increases and layers impacted by HPAI have been placed by the end of 2024. It also assumes partial placements of the 2024 quota allocation increase of approximately 1.4M layers. The 2024 allocation was calculated using the Market & Population Growth (MPG) QAC methodology and includes an amount based on a production risk factor to mitigate the risk of HPAI outbreaks and placing less reliance on egg imports. As IP volumes are historically high in the first periods of the year combined with low table demand, there is the potential of 136K boxes that may require storage resulting in additional storage and handling costs in 2024.

Table Egg Sales volumes to date are forecasted to reach 1,749,475 boxes, consistent with 2023 levels. Overall, table eggs sales have a minimal impact on the PIF balance as the eggs are sold to graders at the producer price for the destination province.

Processor Price
The average Processor Price for 2024 is projected to be $1.0327 per dozen, which is $0.7178 lower than the 2023 forecast of $1.7505 per dozen. A lower processor price is forecasted in 2024 as the Urner Barry (UB) prices are expected to follow normal seasonal patterns. Normal patterns consist of low UB prices in the start of the year with a spike at Easter and then a decrease in the middle of the year; prices then begin to rise in October for the holiday season. Also, the TDB is forecasted to be fully recovered by the end of Period 2. The average UB price is projected to be $0.8334 per dozen, which is $0.6390 lower than the 2023 forecast.

In addition to the UB price, the processor price includes a grain-based (GB) component, exchange rate impacts, regional add-ons and the value-added product amount as per the processor protocol. The processor price is calculated using 50% of the UB price and 50% the GB price. The US grain-based price, which was between 50- to 60-cents over the past several years, is forecasted to reach an average of $0.7200 in 2024, compared to an average of $0.7874 in 2023.

LHP/HLP Program
The average Processor Price includes the impact of the Low-High Price (LHP) Program for only part of 2024. The TDB, which had a balance of $25.6M owing from processors as of the end of Period 10 (October 7), is expected to be fully recovered before the end of Quarter 1, 2024.

Feed Prices
For 2024, the average buyback price is forecasted to be $2.6909 per dozen which includes the full year impacts of the 10-cent (effective the start of Period 8, 2023) and 12-cent (effective the start of Period 12, 2023) levy rate increases and incorporates the egg boards' price changes in order to capture the recent levy rate change. It also includes the impact of an additional 4-cent handling fee for the entire year and an increase to the Provincial Administration Levy (PAL) from 3.8-cents to 4.0-cents, effective the start of Period 12, 2023 (November 5). Overall, buyback prices are forecasted to remain high in 2024 as global layer feed costs have been relatively stable at a high level.

Exchange Rates
The Canadian Dollar exchange rate to the US Dollar is forecasted to reach an average of $1.33 (or 1 Canadian Dollar equals $0.7518 US Dollar) compared to the 2023 forecast of $1.34 (or 1 Canadian Dollar equals $0.7463 US Dollar).

Summary
The opening 2024 PIF balance is projected to be $56,599K. Total revenues are forecasted to be $597,734K, based on a levy rate of 43.65-cents per dozen and an average 2024 layer allocation of 28,645,488 layers in accordance with the National Uniform Levy Policy. Total expenses are expected to reach $613,463K, resulting in a net loss of $15,729K. It is forecasted that the ending PIF balance will be $40,870K, which is below the minimum trigger point of $45M. EFC continues to actively monitor all EFC funds. Depending on financial health and long-term sustainability of PIF, Board could contemplate cash transfers back to Risk Management (RMF) and Natural Overrun Fee Funds (NOFF) or a levy change.

Unrestricted Administration Fund

The Unrestricted Administration Fund is forecasted to open the 2024 year with a balance of $4,015K. The Unrestricted Administration Fund continues to have minimum Trigger Point of $1M.

Levy revenue is based on 3.75-cents per dozen, an increase of 0.75-cents effective the start of Period 12, 2023 (November 5), and an average 2024 layer allocation of 28,645,488 layers. Levy revenue is also based on the National Rate of Lay included in the 2015 COP Study, equaling 26.54 dozen/per year/per layer. Total revenue, including levy revenue for 52 weeks of the 2024 fiscal year, is budgeted at $29,216K. Miscellaneous income includes rental revenue from the 20 James Street property as well as from the Canadian Seed Growers Association, which are occupying a portion of the second floor of 21 Florence Street, effective May 1, 2021.

Administration expenses are projected to total $32,563K, which is $727K higher than the 2023 forecast. Offset by $5,840K in Transfer Costs to the Unrestricted Pooled Income and Restricted Research Funds, an excess of revenue over expenses is budgeted to equal $2,493K. This will result in an ending fund balance of $6,508K, which is above the $1M minimum Trigger Point for the fund. The budget is completed using a zero-based budgeting approach and is guided by EFC's Vision 2020/Crack 300 Business Plan and its seven strategic pillars. Due to other priorities that may occur during the year, some projects and activities may not be completed according to their original timelines.

Restricted Funds

The Restricted Research Fund is projected to end the 2024 year at $4.0M, which is within the fund's trigger points of $2M and $5M.

The Restricted Risk Management Fund is projected to end the 2024 year at $3.2M, which is below the fund's minimum trigger point of $8M. The projected ending balance takes into consideration the temporary cash transfer to the PIF of $8M effective in Period 2, 2023.

The Natural Overrun Fee Fund is projected to end the 2024 year at $3.4M. The projected ending balance takes into consideration the temporary cash transfer to the PIF of $12M effective in Period 2, 2023.

Summary

The 2024 levy rates are summarized in the following table.

Fund	2024 Levy
PIF Unrestricted	$0.4365
RMF	$0.0010
Total PIF Levy	$0.4375
Admin Unrestricted	$0.0375
Restricted Research	$0.0045
Total Admin Levy	$0.0420
Total National Levy	**$0.4795**

Amendment to the Levies Order

The current Levies Order expires March 30, 2024. This amendment renews the Levies Order effective December 31, 2023, with an expiry date of March 28, 2025. The following table summarizes the proposed Levies Order for Period 1, 2024 (December 31 2023) which comprises the proposed EFC levy of $0.4795 per dozen; and provincial/territorial levies to be paid by each producer, effective December 31. The amendment also reflects recent changes to the provincial levy amounts in

Ontario, Nova Scotia and British Columbia whose provincial levy rates are now negative 4-cents, 4-cents and 3.48-cents, respectively.

Province/Territory	Total Levy Cents/ dozen
Ontario	43.95
Quebec	54.75
Nova Scotia	51.95
New Brunswick	54.25
Manitoba	53.95
British Columbia	51.43
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 2024 marketing plans.

Best regards,

Roger Pelissero
Chair

copy: EFC Board of Directors
FPCC Members
Drew Black, EFC Chief Executive Officer