Farm Products Council of Canada | Conseil des produits agricoles du Canada

Central Experimental Farm
Building 59
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December 12, 2024

Mr. Roger Pelissero
Chair
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 presentation to Council on December 12, 2024, on the challenges and opportunities faced by the egg sector.

As you are aware, Council met on December 11 and 12, 2024, to review the proposed amendments to the *Canadian Egg Marketing Levies Order*, as well as the *Canadian Egg Marketing Agency Quota Regulations, 1986*, as outlined in your letters of November 18, 2024.

Following a thorough review of the rationale provided by EFC and internal analysis, Council members found that the amendments are necessary for the implementation of EFC's marketing plan.

Should you have any questions, please do not hesitate to contact me or Lisa Melanson-Daigle, Council Secretary, by email at fpcc.secretariat.cpac@fpcc-cpac.gc.ca.

Sincerely,

Brian Douglas
Chair

Canada

November 18, 2024

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

Re: 2025 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 2025 (December 29, 2024 to December 27, 2025), which was unanimously approved by the EFC Board of Directors (EFC Board) on November 14, 2024. 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 fiscally prudent risk mitigation tool to increase domestic supply for the processing industry, lessening reliance on imports, specifically supplementary requests. STMRQ focuses on identifying eligible flocks to produce beyond the typical flock cycle where facility and other conditions have been met. Flocks participating in STMRQ do so on a temporary basis in response to urgent requirements in the processing marketplace. As such, STMRQ production is dedicated to processors and subject to the prevailing pricing under the Industrial Products (IP) Program; no eggs produced under STMRQ are destined to the table market. To ensure an equitable, predictable and controlled supply to Canadian processors, the IP Program assumes the expenses for transportation from the production facility to the processor. No other costs of STMRQ production are incurred in the IP Program. Egg boards are responsible for the management of the program through Memorandums of Understanding (MOUs) with EFC and the respective processing stations. When STMRQ supply is no longer required, EFC directs egg boards to remove participating flocks from production as soon as it is feasible to do so.

At time of the writing of this letter, there is an ongoing outbreak of Highly Pathogenic Avian Influenza (HPAI) in both Canada and the United States. In Canada, approximately 575,000 layers have been removed from production so far as a result of this latest outbreak which is still ongoing. The EFC Board unanimously approved having STMRQ ready to utilize in 2025 if deemed necessary.

For 2025, forecasts suggest the projected weekly average of processor market shortage is equivalent to 1,320,728 layers. This calculated weekly shortage considers the recent decision by the EFC Board based on the recommendation from the EFP Review and Redevelopment Project Team to end the EFP Program and convert EFP quota to Federal quota. It is proposed to use the excess barn capacity

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numbers collected from the egg boards between May and July 2024 to proportionately split this quota among provinces/territories, while implementing a minimum threshold of 15,000 layers so that relatively small provinces/territories can still accommodate common flock sizes. One exception to this minimum is for Northwest Territories, which is set at zero due to its geographical location and because the egg board has reported no excess barn capacity available.

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 1,320,728 layers from December 29, 2024 to December 27, 2025.

Please see Schedule 1.1 below for the period from December 29, 2024 to December 27, 2025.

Schedule 1.1 Dec. 29, 2024-Dec.27, 2025		
	Special Temporary Market Requirement (layer)	Limits to Special Temporary Market Requirement Quota (doz.)
BC	102,521	2,720,907
AB	174,058	4,619,499
NT	-	-
SK	15,000	398,100
MB	175,013	4,644,845
ON	516,810	13,716,137
QC	256,409	6,805,095
NB	15,000	398,100
NS	35,917	953,237
PE	15,000	398,100
NL	15,000	398,100
TOTAL:	**1,320,728**	**35,052,121**

Best regards,

Roger Pelissero
Chair

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

November 18, 2024

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

Re: 2025 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 29, 2024, to December 27, 2025. This amendment was unanimously approved by the EFC Board of Directors (EFC Board) on November 14, 2024. 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 14 EFC Board meeting package included a copy of Dr. Maurice Doyon's document *Discussion of Canadian Egg Quota Allocation Overbase Factors* (section 19.A of the EFC Board package), which EFC uses to assess the five overbase criteria as per the Canadian Egg Marketing Agency Proclamation. The meeting package also 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 19.B of the EFC Board package).

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.

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.

The EFC Board reviewed per capita disappearance for all markets, as well as updated growth rates for table disappearance and population. Per capita consumption increased overall; however, all of the growth was in the table market. Consumers are expected to consume 3.5% more table eggs per person in 2024 compared to 2023, with anticipated higher growth in 2025 of 4.0% more eggs per person. On the other hand, the processed market per capita consumption continues to struggle as demand growth has not been strong enough to keep pace with the high increase in population. Per capita consumption in the processed market is forecasted to decrease 0.7% in 2024 but trend is likely to reverse in 2025 as expected lower processor prices release pent-up demand, resulting in a growth of 4.6% per capita consumption of processed eggs.

Estimated 2025 Table Disappearance (TD) Growth Rate

As per the memo found in section 16.A of the November 14 EFC Board meeting package, EFC has incorporated relevant market information and has applied statistical modeling techniques to estimate a TD growth rate for 2025. Final TD data is available through 2023. The average growth over the past five years (2019-2023) was 2.28% 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 (2014-2023), TD growth has averaged 3.31% per year including a growth of 5.33% in 2023.

Preliminary TD data for 2024 is available through Period 9 and indicates very strong year-to-date growth of 6.79% over the same periods last year. This growth has exceeded our initial expectations of 4.89% from November 2023 and updated estimated growth of 5.36% in July 2024. We now estimate 2024 TD growth to be 6.44% by the end of the year.

Changes in population growth have been and continue to play a key role in demand growth, triggered by temporary residents. Population growth, which accelerated in the second half of 2022, may begin to decrease based on public commitments made by the government and measures taken to control the increase in temporary residents. As such, immigration is expected to decrease beginning in 2025. TD growth in 2025 will likely moderate as population growth falls. At the July 2024 EFC Board meeting, staff used preliminary estimates of 2.87% for 2025 TD growth in QAC calculations.

Since this previous estimate was completed, additional data for 2024 has become available. TD growth in 2024 has been higher than expected since the July estimates, signifying stronger than expected growth in per capita consumption. As a result, modelling now suggests that the 2025 TD growth is expected to reach a high of 4.12%.

Canadian Poultry and Egg Processors (CPEP) has reviewed the Executive Committee's 2025 TD growth rate recommendation of 4.12% and supports the decision to use this growth rate in 2025 QAC calculations. In correspondence, CPEP further detailed strong retail sales and improved discretionary spending on food service sales.

2026 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 which 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%.

Population growth has been driven almost exclusively through immigration. It is estimated that immigration will continue to increase in 2024; however, the Government of Canada has signaled its intent to reduce immigration targets back to pre-COVID levels in 2025 and thereafter. Total population growth is expected to be 2.80% in 2024, which is driving demand for eggs. A lower population growth rate of 0.14% is foreseen for 2025. Both estimates are derived from Statistics Canada's quarterly population estimates.

The estimated population growth rate used in the QAC is the average population growth rate for the last three years. The 2026 population growth estimate is 2.59%, which is the average annual population growth rate from 2022-2024.

2025 Quota Allocation Review

The 2025 Federal Quota allocation review can be found in section 16 of the November 14 EFC Board meeting package. The annual TD calculations used can be found on page 353 of the same EFC Board meeting package.

The 2025 quota allocation review contains the following components:

i. First Reconciliation of the 2025 Market Population Growth (MPG) QAC Allocation;
ii. First Calculation of the 2026 Market Population Growth (MPG) QAC Allocation; and,
iii. EFP Conversion to Federal Quota.

2025 MPG QAC – First Reconciliation

The 2025 MPG QAC was a new allocation for 2024, which was first presented to the EFC Board in November 2023 for an increase of 767,756 layers. A preliminary first reconciliation was presented in July 2024, rather than November 2024, which stated an additional 122,714 layers were required, based on finalized growth rates for 2023 (5.33%) and renewed estimates for 2024 and 2025 (5.36% and 2.87%, respectively).

As per the QAC Policy the first reconciliation is scheduled to occur at the November 2024 EFC Board meeting. This reconciliation uses the most recent TD estimates from the following combination of years to update the number of layers required to be put into production to meet future increases in demand:

- Year 1 (2023) – final 2023 TD data (5.33% growth);
- Year 2 (2024) – Year 2 TD uses Year 1 final TD plus the growth rate of 6.79%, extrapolated from Periods 1-9 2024 TD relative to the same periods in 2023; and,
- Year 3 (2025) – Year 3 TD uses the Year 2 TD extrapolation plus the 2025 estimated growth rate of 4.12% as described above.

This results in a total 2025 MPG QAC allocation increase of 1,216,900 layers. After accounting for the 890,470 layers allocated (767,756 through the first calculation and an additional 122,714 layers through the preliminary first reconciliation), the net increase is 326,430 layers. The 2025 MPG QAC will be reconciled again in August 2025 to incorporate finalized 2024 TD and reassess the 2025 market growth.

2026 MPG QAC – First Calculation

A preliminary calculation of the 2026 MPG QAC was first presented in July 2024, and as per the QAC Policy the first calculation is scheduled to occur at the November 2024 EFC Board meeting. 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 (2024) – current year of preliminary TD data (Periods 1 to 9), which is extrapolated for a full year relative to the same periods in 2023, resulting in an increase in TD of 6.79%;
- Year 2 (2025) – Year 2 TD uses Year 1 extrapolated TD plus the growth rate estimate of 4.12%; and,
- Year 3 (2026) – Year 3 TD uses the estimate for Year 2 TD plus the population growth factor of 2.59%.

This results in a total 2025 MPG QAC allocation increase of 793,265 layers. After accounting for the 629,203 layers already allocated through the preliminary first calculation presented in July, the net increase is 164,062 layers. The 2026 MPG QAC will be next reconciled in August 2025 to incorporate finalized 2024 TD and reassess the 2025 and 2026 market growth.

EFP Conversion to Federal Quota

The Eggs for Processing (EFP) Program has been under review through the EFP Review and Redevelopment Project since 2021. The recommendations of the EFP Review and Redevelopment Project can be found in section 15 of the November 14 EFC Board meeting package.

Following a report on the outcome of the Natural Overrun Review Team (NORT) and the proposed Natural Overrun Fee Program, the EFP Review and Redevelopment Project Team completed an impact analysis on the desired path forward and developed a recommendation for the future of EFP quota. This recommendation, which the EFC Board approved, recommends that EFP quota be converted to Federal quota and distributed to egg boards through the QAC methodology. The total amount of quota to be allocated is calculated in order to achieve no loss of current layer inventories for any egg boards that have current EFP production. EFC has worked with egg boards with current EFP production to build a transition plan that ensures a continued supply of eggs to the intended markets and mitigates potential disruptions.

Throughout 2024, Ontario had the highest utilization of EFP Quota, maintaining 767,452 layers in inventory. After distributing the 2025 MPG QAC – First Reconciliation and 2026 MPG QAC – First Calculation through the QAC Policy, a recommended allocation of 2,003,517 layers reflects the lowest total allocation that still maintains each province's current QAC utilization. After accounting for the 1,517,452 layers currently allocated through the expiring Schedule 1.2, the net increase is 486,065 layers. Since the EFC Board has recommended to disband the EFP Program, Schedule 1.2 will be repealed from the quota regulations. Draft Regulations will be provided to FPCC as part of the 2025 CEMA Quota Regulations prior-approval process.

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 2025 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 2,494,009 layers for a total allocation of 33,897,644 layers. EFC recognizes that this is an ambitious allocation increase relative to the allocation increases that occurred during the COVID 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. This allocation increase also incorporates 1,517,452 equivalent layers currently allocated in Schedule 1.2 of the quota regulation.

It should be noted that these new layers would likely not be put into production immediately as it takes 19-weeks to raise layers to production maturity. The placement of new quota allocations is managed by egg boards. Excluding EFP birds already in production, EFC estimates 17% of the new allocation will be placed by the end of Q2 2025, with an additional 49% placed by the end of 2025, ready to meet the demands of the 2026 market. The remaining 34% will be placed by the end of Q3 2026. Including EFP birds already in production, 55% of the allocation will be placed by Q2 2025, with an 27% additional by end of the year, and remaining 18% by end of Q3 2026. It is estimated the increased production capacity will meet future demands of both table and processing markets.

With this proposed increase, Schedule 1 of the quota regulation would provide for the maximum production of approximately 931 million dozens for the period of 52-weeks from December 29, 2024, to December 27, 2025; this is not intended to be a proxy for layer inventories nor gradings information.

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Schedule 1 Dec. 29, 2024 - Dec. 27, 2025 Effective date: Dec. 29, 2024		
	Domestic Regulated Quota (layer)	**Limits to Federal Quotas (doz.)**
BC	4,275,979	117,477,963
AB	3,642,779	100,627,639
NT	149,408	3,965,288
SK	1,551,114	42,722,300
MB	2,908,564	79,159,095
ON	12,205,203	335,886,939
QC	6,904,143	189,763,232
NB	652,878	17,809,743
NS	986,142	27,088,109
PE	165,559	4,497,872
NL	455,875	12,138,821
TOTAL	**33,897,644**	**931,137,001**

In summary, EFC looks forward to moving ahead with its QAC Policy allocations for 2025 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 18, 2024

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

Re: 2025 Vaccine Quota Allocation Amendment

Dear Brian,

At our November 14, 2024, EFC Board of Directors (EFC Board) meeting, the EFC Board considered applications from the provinces of Quebec and Ontario for vaccine quota layers for the period December 29, 2024 to December 27, 2025 and unanimously approved the request as detailed below. Drafting instructions reflecting the amendment have been provided to Farm Products Council of Canada at the same time as the Department of Justice.

As part of the annual vaccine production cycle, industry stakeholders and Glaxo-Smith-Kline (GSK), the vaccine manufacturers, meet in June every year to consider vaccine production requirements for the following year. It should be noted that there were no changes in the quota request numbers from 2020 to 2024. However, for 2025 the demand has decreased significantly. GSK have given the reason for the reduction in the vaccine quota requirement as a decrease in their market demand following the COVID pandemic and general consumer vaccination fatigue.

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 2024 in Dozens	Total Number of Eggs for 2025 in Dozens	Changes in Dozens
Ontario	2,661,750	2,155,083	-506,667
Quebec	10,674,090	6,735,477	-3,938,613
Total	**13,335,840**	**8,890,560**	**-4,445,280**

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

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Chair

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

Encl.

Fédération des
producteurs d'œufs
du Québec

Longueuil, July 31th 2024

<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 2025**

Mr. Newlands,

We are confirming the vaccine quota request for the production year 2025 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 2022-2024 numbers as a reference. For the year 2025, demand has decreased.

Fédération des producteurs d'œufs du Québec

	2022 Embryos/ week	Layers	2023 Embryos/ week	Layers	2024 Embryos/ week	Layers	2025 Embryos/ week	Layers
Quebec	2 033 160	508 290	2 033 160	508 290	2 033 160	508 290	1 282 948	320 737
Ontario	507 000	126 750	507 000	126 750	507 000	126 750	410 492	102 623
Grand Total	2 540 160	635 040	2 540 160	635 040	2 540 160	635 040	1 693 440	423 360
Total Canada	2 540 160	635 040	2 540 160	635 040	2 540 160	635 040	1 693 440	423 360

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. Sylvain Lapierre, FPOQ

Mr. Nicolas Tremblay, FPOQ

Mrs. Lise-Anne Girard, FPOQ

November 18, 2024

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

Re: 2025 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 14, 2024. Drafting instructions reflecting the amendment were provided to the Farm Products Council of Canada (FPCC) and the Department of Justice on November 15, 2024. Official stamped copies of the Levies Order amending package will be forwarded to your office in accordance with established blue stamp process timelines.

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 2025 fiscal year with a federal levy rate of 47.95 cents per dozen.

Trigger Points
On an annual basis, EFC considers the appropriateness of the established trigger points for each of EFC's funds. At the October 2024 Budget Committee meeting, a comprehensive review of the trigger points for all funds was completed by the committee, resulting in recommendations to the EFC Board. A comprehensive review of EFC's trigger points is conducted every three years.

Unrestricted Administration Fund (Admin Fund)
The Admin Fund's minimum trigger point of $1M has been in effect since December 31, 2000 (the start of the 2001 fiscal year). The Admin Fund currently operates without a maximum trigger point. On November 14, 2024, the EFC Board approved a change to the Admin Fund minimum trigger point. Effective Week 1 2025, the Admin Fund minimum trigger point will be $4M.

The rationale for the minimum trigger point is the expense commitment should a loss of funding to the Admin Fund occur, such as the denial of a Levies Order or non-payment of levies from egg boards. In the unforeseen circumstance whereby the Government of Canada decides to dismantle the supply management system, the minimum trigger point also takes into account the expenses that would be incurred by EFC in order to meet its contractual obligations during the winddown process. The new minimum trigger point is calculated as three months of expenditures considered essential to maintaining operations without levy revenue. These expenditures include: 1) salaries and benefits for EFC staff; 2) Board of Directors per diems and travel expenses for emergency board meetings; 3) field inspector travel expenses to conduct farm inspections; 4) utilities, repairs and maintenance for the 21

Florence Street office building; 5) legal fees for regulatory work; 6) Information technology expenditures such as software and hardware maintenance, internet connection, server support and 7) commitment for media contracts.

Unrestricted Pooled Income Fund (PIF)

The PIF's minimum and maximum trigger points have been adjusted multiple times since their establishment in 1996 to reflect market changes. The current trigger points of $45M and $105M have been in effect since the start of the 2023 Fiscal Year. The recent changes were based on the analysis of how the PIF is impacted generally and the effects of Highly Pathogenic Avian Influenza (HPAI) in the environment, a situation the market continues to face.

The 2024 analysis does not factor in the impacts of the recommended 2025 allocation, which includes the Eggs for Processing (EFP) conversion of 2.0M layers. The impacts on the PIF balance and trigger points will be highly dependent on the Natural Overrun Fee Program which will support egg production in excess of the table market. As such, a formal review of the PIF's trigger points will be completed when more actual data is collected following the implementation of the 2025 allocations and Natural Overrun Fee Program.

The PIF minimum trigger point must be effective to ensure the solvency of the PIF, and that the spread between the trigger points is sufficient to sustain the extreme changes in market conditions, without large and frequent changes to the PIF levy rate.

The 2024 analysis calculated the "cash runway", which is the amount of time it takes for the PIF to deplete funds from the minimum trigger point without additional levy support. The cash runway should, at a minimum, be long enough to sustain the fund for the amount of time it takes to go through the levy change approval process with regulatory authorities and Farm Products Council of Canada (FPCC), which is typically 12 weeks.

With the current $45M minimum trigger point, the cash runway would decrease under eight weeks, which would be below its long-term average. An increase of $15M to the trigger points would be required in order to maintain a 12-week cash runway.

With regard to the current $60M spread between the PIF trigger points, the analysis showed that the spread is likely to remain feasible for many years going forward. Once the market adjusts itself from the high processor prices, the annual changes in net Industrial Product (IP) costs should normalize and remain within the current $60M trigger point spread and reduce the number of changes required to the PIF levy rate.

On November 14, 2024, the EFC Board approved changes to the PIF minimum and maximum trigger points. Effective Week 1 2025, the PIF minimum trigger point will be $60M and the maximum trigger point will be $120M.

Other Funds

EFC did not change the trigger points for the Restricted Research Fund, Restricted Risk Management Fund, nor established a target balance for the Natural Overrun Fee Fund.

PIF 2025 Budget

The EFC Board reviewed updated Q3 2024 projections and approved the budget for 2025. The Budget Report can be found in section 24 of the November 14, 2024, Board package.

The PIF balance is projected to end 2025 at $73,663K, which is above its new minimum trigger point of $60M. The projected ending fund balance includes an increase in IP volumes from the placements from recent allocations and conversion of EFP quota to Federal quota; no change to the PIF levy rate; an average processor price of $1.0576 per dozen; no Low-High Price (LHP) Program; an average Buyback price of $2.0754 and lower Import Allowance costs. The PIF's financial situation will continue to be monitored closely, and a reassessment will be completed in early 2025.

For 2025, the Table Disappearance (TD) growth estimate is forecasted to increase to 4.12%. IP volumes are forecasted to be higher than 2024, resulting from increased domestic supply. Processor demand is forecasted to increase in 2025, with a growth rate of 4.5%, compared to 2.18% as in the 2024 forecast. Processor prices are forecasted to be significantly lower compared to the 2024 HPAI price levels and are expected to return close to historical averages towards the second half of the year. HPAI is not included in the budget due to the uncertainty and high volatility. Buyback prices are forecasted to remain high in 2025 as global layer feed costs have been relatively stable at a high level. Buyback prices also include an estimated increase from the draft BART Policy effective Period 5, 2025, including a change to the handling fees for Graded and Nest-Run IP, as well as the implementation of the updated Nest-Run Grid.

IP and Table Volumes
IP volumes for 2025 are projected to equal 14,871,452 boxes, an increase of 39.5% from the 2024 forecast. IP volumes are projected to increase significantly as growth in consumption is forecasted to moderate, HPAI flocks are all repopulated, and a large percentage of layers from recent allocations will be in production.

The projections are based on the assumption that TD will grow by 4.12%. IP volumes also assume placement of layers from the following allocations:

- All layers from the first 2024 allocation (1.4M layers) have been placed by the end of 2025;2024;
- Partial placements of the second 2024 quota allocation (1.3M layers): 52% of layers to be placed by Q2 2025 and 85% of layers to be placed by end of 2025; and,
- Partial placements of the recommended 2025 allocation of 2,494,009 layers, which includes EFP conversion of 2,003,517 layers: 1.1M layers will already be placed effective Period 1, 2025 and 66% of the remaining layers to be placed by end of 2025.

IP volumes are forecasted to ramp up during the second half of 2025 and there is the potential of additional storage costs in the last periods of 2025. No Special Temporary Market Requirement Quota (STMRQ) has been included in the total budgeted IP supply for 2025. STMRQ volumes are included in

the supply to processors, but the program's net costs do not run through the IP Program, with the exception of transportation costs.
Table Egg Sales volumes to date are forecasted to reach 1,380,720 boxes, consistent with 2024 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 2025 is projected to be $1.0576 per dozen, $0.5582 lower than the 2024 forecast of $1.6158 per dozen (with LHP). A lower processor price is forecasted in 2025 due to lower Urner Barry (UB) prices as bird inventory levels in the US are forecasted to return to normal levels; however, this will be impacted if additional HPAI outbreaks occur. UB prices are forecasted to start the year at higher levels and reach a peak over the Easter period, then decrease in the middle of the year; followed by a small rise in prices towards the year-end holiday season. The average UB price is forecasted to be $0.9276 per dozen compared to the 2024 forecast of $1.5995 per dozen (with LHP). Also, as the Total Differential Balance (TDB) is expected to be fully recovered by the end of 2024, the LHP program is not projected to be in place for the 2025 year.

The other component affecting processor prices is grain prices. Corn and soybean meal prices have fallen considerably since last year and currently sit slightly above long-term averages. Projections from the US Department of Agriculture (USDA) suggest both commodities will fluctuate around current levels through the fall of 2025. The US grain-based price, which was between 50- to 60-cents over the past several years, is forecasted to reach an average of $0.6843 in 2025, compared to an average of $0.6844 in 2024.

In addition to the UB and Grain-Based (GB) prices, the processor price includes 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 calculation of the processor does not include the impacts of the Processor Protocol update.

LHP/HLP Program
Following the approval of the 2025 Budget, the LHP program has been extended to the end of Q1 2025, with a reconciliation completed early in 2025.

Egg Purchase Costs
For 2025, the average Buyback price is forecasted to be $2.7054 per dozen, compared to the 2024 forecast of $2.6904. It includes the increase to the Provincial Administration Levy (PAL) from 4.0-cents to 4.1-cents, effective the start of Period 1, 2025, as well as an estimate for the BART Policy effective Period 5, 2025, which includes:

- Graded buyback handling fee of 15.4 cents;
- Nest-Run handling fee of 9.45 cents; and,
- Implementation of updated Nest-Run Grid.

The average Buyback price also reflects lower feed prices forecasted for 2025. It does not include the impacts of the COP Study and outcomes of Free Run Integration Team (FRIT) and Conventional to Enriched Transition Producer Price (CETPP) Project.

Exchange Rates
The Canadian Dollar exchange rate to the US Dollar is forecasted to reach an average of $1.36 (or 1 Canadian Dollar equals $0.7353 US Dollar) compared to the 2024 forecast of $1.37 (or 1 Canadian Dollar equals $0.7299 US Dollar).

Summary
The opening 2025 PIF balance is projected to be $119,196K. Total revenues are forecasted to be $658,902K, based on a levy rate of 43.65-cents per dozen and the 2024 layer allocation of 31,403,635 layers. Total expenses are expected to reach $704,435K, resulting in a net loss of $45,533K. It is forecasted that the ending PIF balance will be $73,663K, which is within the newly established trigger points of $60M and $120M.

EFC continues to actively monitor all EFC funds. Depending on financial health and long-term sustainability of PIF, the Board could contemplate cash transfers from other funds or a levy change.

National Policy on the Natural Overrun Fee Program
In September 2022, the Board of Directors suspended all calculations related to the National Policy on the Natural Overrun Fee Program (Program) including the forecasted PIF Requirement and the 2023 Natural Overrun Fee, pending a review of the Program. The Board of Directors formed the Natural Overrun Review Team (NORT) to perform this review.

The NORT Project Definition reaffirmed that the goal of the project was to determine how the Policy and Program could be used to complement levy, in order to maintain the sustainability of the IP Program. The following were key objectives of the project:

- Review and evaluate the relationship between the Program principles and process, the Policy, and any other related programs or policies;
- Develop potential amendments to the Program, taking into consideration the original defining principles of the Natural Overrun Project Team, and other related programs; and,
- Conduct an impact assessment of any potential amendments to the Program and other related programs.

Revenue for the Natural Overrun Fee Fund (NOFF) will be collected by invoicing egg boards directly for their portion of the Program's required funding. Each egg board's share of the funding requirement will be communicated annually at the EFC Board of Directors meeting in August, for the previous fiscal year in which the Program requirements are assessed. For example, the 2025 funding requirement will be finalized in the summer of 2026, at which point egg boards will be notified of their funding requirement to sustain the NOFF. Upon calculation of the Program Funding Requirement, each egg board will be provided with the opportunity to remit their funding requirement to EFC in equal installments over the subsequent twelve (12) EFC Periods, without interest.

The NOFF will operate with a target balance that represents the 3-year average of expected expenses for the Program. Should a transfer of funds from the NOFF to the Unrestricted Pooled Income Fund (PIF) result in the fund balance falling below this target, then revenue would be generated by egg boards.

The PIF Requirement will cover the expenses of a three-year average of production that exceeds a three-year average of Natural Overrun. Natural Overrun will be calculated using the EFC National Natural Overrun Policy. The cost of additional production that exceeds the production threshold of Natural Overrun will be calculated as the average cost of the IP program for the assessment year and two years prior. The cost per box is represented as expenses less revenue, where the expenses are the Cost of Buyback (Egg Purchases), and the revenue is Egg Sales price received per box of IP, plus the average amount of levy received per box of all eggs produced for the year.

In addition to the costs to manage production through the IP Program, the NOFF will also be used to cover the expenses for surplus management for any production (realized or unrealized) over and above Natural Overrun. Unrealized production relates to production removed through Early Fowl Removal (EFR)/Modified Early Fowl Removal (MEFR). Boxes of production will be calculated by EFC at the COP Rate of Lay (ROL). Costs of surplus management relates to EFR or MEFR payments made to egg boards, as well as any invoices paid for eggs destined to alternative markets.

Unrestricted Administration Fund

The Unrestricted Administration Fund is forecasted to open the 2025 year with a balance of $8,459K. The Unrestricted Administration Fund has a new minimum trigger point of $4M, effective Period 1, 2025.

Levy revenue is based on 3.75-cents per dozen, since the start of Period 12, 2023 (November 5), and on 31,403,635 layers. Levy revenue is also based on the National COP ROL included in the 2015 COP Study, equaling 26.54 dozen/per year/per layer. Total revenue, including levy revenue for 52-weeks of the 2025 fiscal year, is budgeted at $31,254K. Miscellaneous income includes rental revenue from Canadian Seed Growers Association, which are occupying a portion of the second floor of 21 Florence Street.

Administration expenses are projected to total $36,415K, which is $5,053K higher than the 2024 forecast. Offset by $6,474K in Transfer Costs to the Unrestricted Pooled Income and Restricted Research Funds, an excess of revenue over expenses is budgeted to equal $1,457K. This will result in an ending fund balance of $9,916K, which is above the new $4M minimum trigger point for the fund. The budget is completed using a zero-based budgeting approach and is guided by EFC's Strategic Plan (2025-2027). Due to other priorities that may occur during the year, some projects and activities may not be completed according to the original timelines.

The Board also reviewed the Directors Conference Attendance Policy and requests an increase to the allowance from $8,000 per year to $10,000 per year, which is in alignment with inflation.

Restricted Funds

The Restricted Research Fund is projected to end the 2025 year at $4.8M, which is within the fund's trigger points of $2M and $5M.

The Restricted Risk Management Fund (RMF) 2025 ending balance is projected to be $8,3M, which is above the $8M minimum trigger point. EFC approved changes to the Risk Management Fund (RMF) Policy effective November 14, 2024. These changes include:

- An amendment to Phase 3 for the use of the RMF to focus on emerging risks and opportunities of the egg industry. The Board will continue to have discretion over the use of the RMF and can deem risks which have either been mitigated or become part of common practices within the industry to no longer be expensed from the RMF.
- In June 2017, EFC identified additional industry risks to be covered by the RMF Policy under Phase 2, which were approved by the EFC Board. At that time, these risks included expenses for the Animal Care Redevelopment Project, the Egg Quality Assurance Program, the impending NAFTA renegotiations, which became the Canada-United States-Mexico Agreement (CUSMA), the Animal Care Program third-party audits, the National Audit Oversight Program, and eventually in 2020, the Anti-Microbial Use Project. These risks are generally seen to be integrated into normal practice of the egg industry and are no longer considered 'emerging'. Applicable expenses for these issues, with the exception of Enhanced Early Fowl Removal (EEFR) Program disposal costs, have been included in the 2025 Unrestricted Administration Fund budget. The EFC Board will continue to maintain flexibility for flock removal programs, including the EEFR Program disposal costs to be funded from the RMF during rare and extreme circumstances, such as another pandemic.

The Natural Overrun Fee Fund is projected to end the 2025 year at $16.3M and incorporates the National Policy on the Natural Overrun Fee Program.

Summary

The 2025 levy rates are summarized in the following table.

Fund	2025 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 28, 2025. This amendment renews the Levies Order effective December 29, 2024, with an expiry date of March 27, 2026. The following table summarizes the proposed Levies Order for Period 1, 2025 (December 29, 2024) which comprises the proposed EFC levy of $0.4795 per dozen; and provincial/territorial levies to be paid by each producer, effective December 29, 2024. The amendment also reflects the most recently approved provincial levy amounts.

Province/Territory	Total Levy Cents/ dozen
Ontario	54.45
Quebec	54.75
Nova Scotia	51.95
New Brunswick	53.75
Manitoba	53.95
British Columbia	56.77
Prince Edward Island	51.95
Saskatchewan	57.10
Alberta	56.07
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 2025 marketing plans.

Best regards,

Roger Pelissero
Chair

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