



Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

INQUIRY INTO THE MERITS OF ESTABLISHING A PULLET MARKETING AGENCY:

*Panel Summary of the Process
and Public Hearings*

APRIL 2014

FARM PRODUCTS COUNCIL OF CANADA

Canada

Central Experimental Farm
960 Carling Avenue, Building 59
Ottawa, Ontario K1A 0C6
Telephone: 613-759-1555
Facsimile: 613-759-1566
Teletypewriter/TDD: 613-759-1737
Email: fpcc-cpac@agr.gc.ca

© Minister of Public Works and Government Services Canada, 2014
A99-1/8-2014E-PDF
978-1-100-23151-8

Table of Contents

1. OVERVIEW OF PROCESS	1
2. BACKGROUND	4
3. SUMMARY OF PROPOSAL	8
4. SUMMARY OF EVIDENCE	9
5. APPENDICES	18

1. OVERVIEW OF PROCESS

The role of Farm Products Council of Canada

The *Farm Products Agencies Act* (FPAA) prescribes the role of the Farm Products Council of Canada (FPCC) in considering a request for establishing a new agency under the FPAA.

Among its duties, the Council must advise the Minister on all matters relating to the establishment of agencies; inquire into the merits of establishing a marketing agency when a proposal from a producers association has been received, including public hearings and report its recommendations to the Minister, including whether it is satisfied that the majority of the producers of the farm product in question are in favour of establishing the agency.

The law

There are key legal points to consider in the establishment of a new agency under Part II of the FPAA.

The Council is vested with the following duties and powers under Part I of the FPAA.

In paragraph 6(1)(a) of the FPAA, the Council exercises the duty “to advise the Minister on all matters relating to the establishment and operations of agencies...with a view to maintaining and promoting an efficient and competitive agriculture industry.”

Furthermore, in paragraph 7(1)(a) of the FPAA, the Council exercises the following power: “[I]n order to fulfil its duties...on receipt of a written request from one or more associations representing a significant number of persons engaged in the growing or production of any farm product in Canada or if directed to do so by the Minister shall, or on its own initiative may, inquire into the merits of (i) establishing an agency in respect of the farm product and vesting it with all or any of the powers set out in section 22...and report its recommendations to the Minister, including the terms of an appropriate marketing plan...where, in its opinion, it is appropriate that an agency be vested with power to implement such a plan in relation to the farm products to which the inquiry relates.”

According to paragraph 7(2)(a) of the FPAA, “[T]he Council, in reporting to the Minister under subsection (1) shall not recommend the establishment of an agency...unless it is satisfied that in the case of a marketing agency, the majority of the producers of each of those farm products, in Canada or in the region of Canada to which the recommendation relates, is in favour of that action...”

Finally, agencies are established pursuant to the authority of subsection 16(1) in Part II of the FPAA.

Panel

The application from Pullet Growers of Canada (PGC) was officially filed on July 17, 2012, and the Council’s Chairman announced the appointments of Mr. Brent Montgomery as the Panel Chair and Mr. John Griffin as the Panel Member on August 16, 2012. The mandate of the Panel is to inquire into the

merits of establishing a Pullet Marketing Agency under Part II of the FPAA and to report to the Council. The PGC application is on public record and available for consultation by the public at FPCC's offices in Ottawa or on its website at www.fpcc-cpac.gc.ca.

Once the Panel determined that the proposal was receivable, it defined the scope of its inquiry, determined the rules of conduct and set timelines. At the outset, the Panel focused on putting in place a set of guidelines. In fact, the FPCC regulated its own hearings by gazetting rules of procedures in 2000, titled *National Farm Products Marketing Council General Rules of Procedure*¹. In 2012, FPCC made the decision to simplify these general rules by creating sets of guidelines specific to each hearing it conducts that also convey decisions made by the Panel.

The purpose of the *Public Hearing Guidelines - Pullet Growers of Canada – March 2013* is to help participants understand the rules pertaining to the proposal, submissions, replies and appearances. It describes the process that the Panel members and the Hearing Secretary will follow, as well as their expectations in terms of documentation and presentation. The guidelines further inform the reader about dates, times and deadlines related to the various stages of the hearings and set the rules for media attendance.

Additionally, as part of the process for conducting this public hearing, the identification of industry stakeholders was an added exercise focused on reaching out to those potentially most affected by the proposal, with the goal of making as much of the industry as possible aware of this initiative. This list of stakeholders was used throughout the process for email communications that included all parties that had filed submissions and requests to participate.

Public notices

The Panel used various media to advertise its process. Section 9 of the FPAA states that the notice must be published in Part I of the Canada Gazette. This was achieved on January 4, 2013, at which time the FPCC's website was ready to accommodate and facilitate this public hearing process. The notice informed the public of the Panel's composition, the process as stated in the Act, the scope of the enquiry, how to file submissions, timelines and deadlines, as well as the date of the pre-hearing conference.

Other newspapers and agricultural journals were used to publicise the enquiry, such as *The Globe and Mail*, the *Montreal Gazette*, *La Presse*, *The Chronicle Herald* (Maritimes), *La Terre de chez-nous* (Quebec), *The Western Producer* and *Ontario Farmer*. They carried the announcement over the course of the month of January 2013. FPCC also sent the notice by email to an extensive list of industry stakeholders on January 14, 2013, and also posted it on its website.

Submissions

As stated in the notice, the deadline for filing submissions (comments of support for or opposition to PGC's proposal) was set for February 14, 2013, at 5 pm Eastern Time. A total of 84 submissions and 23 requests to appear in person were received. All submissions were posted on FPCC's website, so that they are on the public record and accessible to consult at any time.

¹ *National Farm Products Marketing Council was changed to the Farm Products Council of Canada in 2009.*

Pre-hearing conference

The pre-hearing conference was held on March 12, 2013, at 1 pm Eastern Time. A reminder of the pre-hearing conference was emailed to the list of stakeholders on March 6, 2013. This event was held by teleconference, and transcripts were emailed to the stakeholders and posted on FPCC's website. During this pre-hearing conference, the Panel and Hearings Secretary shared information with participants on the dates of the sittings and clarified procedural matters related to the public hearings.

Hearings

As stated in paragraph 8(1)(a) of the FPAA, “[A] public hearing shall be held by the Council in connection with an inquiry into the merits of establishing an agency...”. The first sitting was held in Ottawa, on April 23, 2013; the second sitting was held in Winnipeg on May 22, 2013. Both events were available “live” via webcast and transcripts were also recorded, distributed to industry stakeholders and posted on FPCC's website.

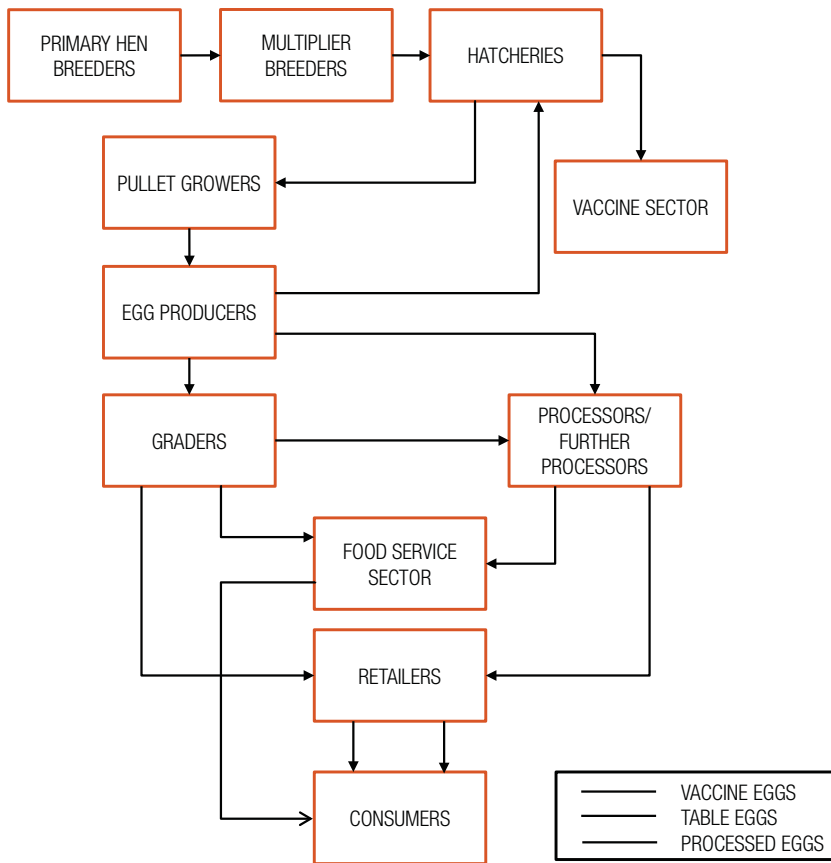
Report to Council

Pursuant to subsection 8(3) of the FPAA, the Panel prepared its report resulting from the inquiry. This report has been presented to the Council and considered in preparation of its recommendation to the Minister.

2. BACKGROUND

The Canadian pullet industry

Pullet growing is an essential farm activity in the egg supply chain which results in the daily supply of fresh shell eggs for the table and processed egg markets. The diagram below illustrates this supply chain. Pullet growing is a specialised activity where the day-old chicks are received from the hatcheries and raised under carefully managed environmental and feeding conditions for 19 weeks until the finished pullets are ready to lay eggs. At this point they are transferred or shipped to the egg production facility.



The egg production sector has been under supply management for 40 years, being established in 1972. Egg Farmers of Canada (EFC, previously known as the Canadian Egg Marketing Agency) sets the national and provincial annual quota for egg production, the national levies to be paid on production and establishes the cost of production (COP) formula. Pullet growers, many of whom are also egg producers, have no involvement in these decisions of the national egg agency. The EFC Board has three non-egg producer directors, none of which represents pullet growers. There is a pullet grower representative on EFC's Production Management Committee.

The PGC was originally formed as the National Pullet Growers Association in 2006 to represent the common interests of Canada's pullet growers. Its goal was to create a strong pullet industry by providing leadership in production and management practices and by being the producer's voice in effective communication and industry engagement. Currently the PGC has pullet grower members from nine provinces (British Columbia is not a member), and each member province is represented on its Board of Directors.

The PGC passed a motion at its Board of Directors meeting in November 2010 to pursue the establishment of a pullet marketing agency, operating under supply management, as provided for in Part II of the FPAA as a means to make the industry more profitable and viable and to create equitable conditions for its members who are major stakeholders in the egg supply chain.

Province	Number of pullet growers reported by PGC*	Number of pullet growers from other sources**	Number (per cent) of independent pullet growers**	Number (per cent) of pullet growers with egg quota**
British Columbia	80	91***	4 (4%)	87 (96%)
Alberta	111	116	4 (3)	112 (97)
Saskatchewan	44			
Manitoba	83	81	10 (12)	71 (88)
Ontario	118	114	37 (32)	77 (68)
Quebec	84	82	36 (44)	46 (56)
New Brunswick	12			
Nova Scotia	18			
Prince Edward Island	2			
Newfoundland	2			
CANADA	554			

*As presented by PGC in its proposal to FPCC, dated July 2012.

**British Columbia Egg Marketing Board, 2013; Egg Farmers of Alberta, 2013; Manitoba Egg Farmers, 2012; Egg Farmers of Ontario, 2012; Fédération des producteurs d'œufs de consommation du Québec and Régie des marchés agricoles et alimentaires du Québec, 2011.

***70% of 130 registered egg producers that grow pullets.

Growers and production

According to the Pullet Growers of Canada, there are around 550 pullet growers in Canada operating in every province (see table above). The number of pullet growers is not registered by Statistics Canada nor Agriculture and Agri-food Canada (AAFC), but some of the provincial egg boards provided data which confirmed reasonably well PGC's numbers.

According to AAFC, data production in 2012 is estimated at 24.1 million from the number of chicks placed for pullet growing. The province of Ontario produces around 40% of the national pullet flock (see table below).

Province	Number of pullets produced in 2012 (thousands)	Percent total national production
Manitoba	2,517	10.5
Ontario	10,104	42.0
Quebec	4,812	20.0
Nova Scotia	798	3.3
Total of 4 provinces	18,231	75.8
Estimated national production*	24,049	100.0

*See Appendix 1, Statistics Canada data.

Categories of pullet producers

In all of the provinces the majority of pullet growers are also egg producers who possess egg quota and benefit from the supply management system for eggs. Some of these egg producers may grow pullets only for their own use. Others grow pullets for their own use as well as for sale to other egg producers.

Many of these egg producers see pullet production as a cost to be passed through to their egg production operation. For those with egg quota, they are paid an average pullet price in the layer cost component of the COP for eggs. The national agency, EFC sets the national COP and adjusts for each province according to the results of a COP survey which is carried out every five years across the country.

Finally there is a third group of pullet growers, often the smallest proportion, the independent growers, who grow pullets only for sale to egg producers and, in many provinces, also to hatcheries or feed mills, as contractors for a growing fee. The number of independent growers varies across the provinces, with the highest proportion, above 30%, in Ontario and Quebec.

Provincial pullet industry management

Pullets are a crucial part of the egg supply chain and all Canadian provinces have a certain degree of oversight. Although this level of supervision varies across the country, the definition of a pullet is fairly constant in most provinces. A pullet is defined as a female chicken, a hen, raised for the purpose of egg production that is less than 19 or 20 weeks of age. What varies widely is how the pullet industry is regulated and managed.

The regulations on pullet production across Canada vary widely. In Manitoba, Ontario, Quebec, and Nova Scotia, legislation permits the establishment of a quota system that has an influence over pullet prices and quantities produced within each province.

Some provinces and territories elected not to regulate the marketing of pullets, such as Alberta, Saskatchewan, the Northwest Territories, New Brunswick and Prince Edward Island. The absence of regulation on pullets means these provinces rely solely on market forces to set prices and production quantities.

Other provinces have established a certain level of regulation to exert a varying level of control over the production and prices of pullets. For instance, permits for the production and licences for sale of pullets are required in British Columbia. In Newfoundland and Labrador, the province elected to exert limited control over the production of pullets, requiring producers to acquire a licence from the provincial egg board.

A common practice in several provinces is the delegation of powers relating to the management of pullets to the respective provincial egg marketing board. This way of handling pullet affairs is used by British Columbia, where the Egg Industry Advisory Committee of the BC Egg Marketing Board manages the sector. This committee may include a pullet grower representative. Similarly, the respective egg marketing boards of Saskatchewan, Manitoba, Nova Scotia and Newfoundland and Labrador also manage pullet related affairs. In New Brunswick, a Pullet Growers Advisory Committee was established by the NB Egg

Producers to represent pullet producers on provincial and national pullet issues. At the opposite end of the spectrum, Alberta and Prince Edward Island egg marketing boards are not responsible for pullet related issues. However the Alberta board does work closely with pullet growers in the province.

Some provincial egg marketing boards have specific regulations on pullets within their egg marketing legislation which is to be administered by their egg board. In Ontario, the Egg Farmers of Ontario (EFO) manages provisions that include the production and marketing of pullets using quotas, licensing and service charges. The Ontarian legislation also provides for a Negotiating Agency for Chicks-for-Placement (pullets) composed of persons appointed by EFO and pullet contractors with powers to adopt and agree to conditions and any charges, costs or expenses relating to pullet growing.

In Nova Scotia, the Egg Producers' Pullet Regulations prescribe how pullet quota is to be managed by the provincial egg board, which also has authority to regulate prices under the *Natural Products Act*, but this is not actively regulated, as prices are determined in the free market.

Manitoba Egg Farmers has the authority to regulate pullet production and marketing in the province by establishing a quota and levy system. The Manitoba Egg Farmers also have the authority to fix pullet prices, but currently do not use this authority. Manitoba is the only province that has established under the *Agricultural Products Marketing Act* a levy on interprovincial trade of pullets.

Quebec is the only province where a pullet marketing agency has been established to deal exclusively with the pullet sector. In fact, legislation in Quebec permits the establishment of a quota and levy system, similar to the one used in the supply management system nationally for poultry and eggs.

Although there are some differences across the country on quota and price regulations, no provincial marketing board directly or intentionally fixes pullet prices. However, provincial organisations that are involved in the management of production quotas do exercise a certain degree of influence on the pullet market.

3. SUMMARY OF PROPOSAL

On July 17, 2012, the PGC submitted its *Detailed Request for Agency Status* to FPCC. In its proposal, PGC presented its case for establishing a supply management marketing agency under Part II of the FPA, which would address its needs for:

- “Enhancing national representation for pullet growers;
- Improving returns to individual producers; and
- Ensuring the legal context by which the Pullet Growers of Canada will represent pullet producers.”

The proposal is organised according to (1) stakeholder support; (2) merit; and (3) feasibility of operating an agency.

Stakeholder support

The PGC proposal states that there is majority support among pullet growers: “The provincial representatives for pullets have consulted with their growers and have stated to the PGC that the majority of pullet producers in their province support supply management for pullets and the development of a Part II agency.” A motion to proceed was passed at the November 2010 AGM of the PGC by all provincial board directors, except for British Columbia. For the five provincial pullet groups in favour of initially forming the agency (Nova Scotia, New Brunswick, Quebec, Ontario and Manitoba), PGC reports that these cover 57% of the pullet growers in Canada and 73% of the national production of pullets. The PGC also received support in letters from some of the provincial egg boards (Nova Scotia, New Brunswick, Quebec, Ontario and Manitoba) as well as the national agency Egg Farmers of Canada.

Merit

The PGC’s proposal for Agency status is based on its statement: “...without managing the supply of pullets in Canada, producers will be unable to achieve their Cost of Production (COP) on a consistent basis and will always be secondary to and dependent on the egg industry in Canada. COP and autonomy are key to the viability and growth of the pullet industry in Canada.” The proposal provides details of a COP survey carried out in Ontario and Quebec on 2009 data of 41 producers, which indicates that the average “growing fee” (cost of production less cost of chicks and feed) incurred by pullet growers is higher than generally received by them from egg producers. PGC provided copies of five contracts for growing pullets to illustrate this situation.

Feasibility

PGC’s proposal describes its business plan, by-laws and committee structure. An annual budget is also presented based on a levy of 5 cents per pullet on 15 million pullets (pullets grown in 4 potential signatory provinces: MB, ON, QC, NS). This would generate an income of \$750,000 per year. Expenses are estimated at \$500,000 annually with a balance for reserves of \$250,000.

With regard to quota allocation and management, PGC provides a presentation on the process used in Quebec for reference. With respect to quota value, PGC indicates that it will start with the principle of “no value on quota”, using the Quebec model.

With respect to controls on pullet imports, PGC indicates that it plans to work on them only when the Federal-Provincial Agreement (FPA) is in place for operating the Agency. PGC reports that it had initial discussions with Agriculture and Agri-Food Canada and the Department of Foreign Affairs, Trade and Development on possible models for controls, but no details were provided in the proposal.

4. SUMMARY OF EVIDENCE

This section summarises the evidence collected by the Panel through the Public Hearing process – the written submissions, the presentations made at the sittings as well as answers to questions from the Panel.

Summary of public submissions

During the six week period set aside for the receipt of public submissions on the PGC proposal, a total of 84 submissions were received.

Evidence of support

The arguments were presented to support the establishment of a pullet marketing agency. These covered some 18 distinct points, each of which recurred with different frequency. Over half of the submissions presented the same seven points:

- A pullet marketing agency would allow producers to fund and implement consistent national programs across Canada, assuring consistent quality;
- Supply management will establish reliable COP formulas;
- Supply management will ensure food safety by improving disease control, HACCP² programs and pullet housing standards;
- An agency would provide producers with a stable income and help rural communities by creating jobs;
- Supply management will guarantee a quality product at a fair and constant price;
- Consumers would only see an increase of about 1 cent per dozen in the retail price of table eggs; and
- Trade would not be affected by the regulation of this commodity since pullets are not imported or exported.

The remainder of the submissions listed a number of other points in support of the establishment of a pullet marketing agency. The most frequently points mentioned related to the improvement of animal welfare;

² Hazard And Critical Control Point

improvement of investment in research and development as well as the reduction of dependability on governmental programs. The remaining points, mentioned in one single submission, touched a variety of topics such as:

- Better insurance coverage to bridge the gap with current producer insurance plans;
- A structured marketplace produces more predictable and effective management practices;
- Supply management agencies can unite in international negotiations to defend a common front;
- Supply management respects sustainable development;
- Supply management promotes local development and uses local land;
- Supply management improves the stability of supplies;
- Some provinces already have a supply management system that is working well for pullets; it could be the same on a national scale; and
- A national system for pullets would not cause significant changes to egg production quotas.

Evidence of opposition

The arguments against the establishment of a pullet marketing agency were not as diverse and elaborate as the arguments in favour. Most of the opposing submissions did not specifically target the establishment of a pullet marketing agency; rather they presented arguments against the supply management system in general.

There were two major arguments against the PGC plan:

- The link between supply management and the increase in prices for consumers; and
- Producers would overly benefit from the new system since entry barriers to the industry would be erected, effectively preventing any newcomers from joining the industry, and high returns would be achieved.

Other points were less frequently mentioned:

- The supply management system was described as a detriment to the expansion of international trade and the competitiveness of Canadian products internationally;
- Supply management is inefficient;
- Supply management boards are costly, protect their own interests and are not transparent;
- Consumers have limited input into the administration of the system;
- Supply management is a tax on consumers;
- Supply management reduces innovation; and
- Supply management reduces the number of family farms.

Summary of presentations at public hearings

At the Ottawa sitting, after a presentation by PGC of its proposal and answering questions from the Panel, presentations were made by nine interveners (see Appendix 3). Of the nine, seven were pullet producers and two were representatives of egg boards, one from Egg Farmers of Ontario (EFO) and another from the national agency, EFC.

At the Winnipeg sitting, PGC made an updated version of its proposal. Then presentations were made by eleven interveners (see Appendix 4), seven of whom were pullet producers. The remainder were representatives of four provincial egg boards from British Columbia, Alberta, Manitoba and Ontario. Ten of the interveners supported PGC's application for Agency status. The BC Egg Marketing Board stated it was neither in favour nor against the proposal; its position was that there was not sufficient information provided in PGC's proposal for a definitive decision to be made.

Pullet Growers of Canada (PGC) presentation

The PGC delegation explained that the public interest would be served by having a national pullet marketing agency through:

- Ensuring the production of the highest-quality pullets across the country that respects national food safety and animal welfare standards;
- Providing a consistent supply of high-quality pullets for the egg production industry in each region of the country at a sustainable price; and
- Consistently supplying pullets for the production of safe, high-quality eggs as well as maintaining viable family farms in rural Canada at a cost to the consumer of only one cent per dozen eggs, so that pullet growers can increase their returns to cover their costs.

Summary of the facts

- Incomes of pullet growers were falling and often they had to supplement their income with off-farm jobs, or amalgamation of farms or subsidizing the pullet production with other enterprises, often table egg production. Every year, several pullet growers, especially independent growers, leave the business because of the low and irregular incomes. The pullet industry was at a critical point, due to the uncertainty and inadequacy of pricing and, if left unregulated, the pullet industry would fail.
- Although egg producers were willing to pay the proper cost of production fee to pullet growers, due to competition they could often find a lower price in the area offered by another pullet grower or through an intermediary such as a hatchery or feed mill.
- EFO indicated that they had asked for the authority to set pullet prices from its supervisory board, but attempts were unsuccessful, due to feed and hatchery industry opposition. The Quebec pullet agency has the mandate and is negotiating with egg producers to set a provincial pullet price. Manitoba has not been able to set a price due to competition from cheaper pullets being shipped from other provinces.

- PGC stated that it will work with hatchery and feed mill stakeholders to establish a pullet price, including a growing fee, which will not be negotiated but rather based on a survey of the costs of growing pullets from 1 day old to 19 weeks. PGC recognises that there are a variety of relationships among value chain participants across the country so that the development of a stable price will evolve according to how these relationships progress in each region.
- All categories of pullet grower are not able to cover their cost of production. PGC does not believe that independent pullet growers are any more or less efficient than other pullet growers, but rather that the size of the production unit will more likely determine efficiency. Currently all pullet growers need to subsidize their pullet enterprise by returns from another activity. The type of producer is not relevant, what is more important is that the entire pullet price charged to the egg COP should reach the pullet producer which is not the case today.
- Interprovincial movement of pullets was a continuing and serious problem, especially with price undercutting. The cost of production study in Ontario and Quebec had shown that the COP was essentially the same in both provinces so price cutting at the border was not rational and was threatening the survival of some pullet producers.
- Manitoba affirmed that a delegation order under the *Agricultural Products Marketing Act (APMA)*³ had been established, in 1980, to regulate the marketing of pullets, but participants were not clear on why this was done at that time. The EFO representative was not able to explain why this had not been done in Ontario. The Quebec participants were not aware whether this delegation had been sought by the *Régie des marchés agricoles et alimentaires du Québec*.
- In terms of COP studies, apart from the Ontario and Quebec study of 41 farmers, Manitoba had carried out a small study using much the same methodology on a sample of around five farmers and found similar results, although their growing fee was not as far from their COP estimate as was found in Ontario and Quebec.
- Controls of production, through quotas, will be needed before a COP price could be implemented, to limit speculation.
- With respect to quota, where provincial quota systems exist they may or may not change according to how the future Federal-Provincial Agreement prescribes the national quota system and how it allocates quota to the provinces.

³ The APMA allows the provincial boards to regulate the marketing of products in interprovincial and export trade and for the collection of levies.

- Provinces, such as Quebec will be working to reduce the excess production of pullets and at the same time opening up opportunities for new pullet growers to enter the industry.
- In terms of quantifying support for its proposal, PGC affirmed that in Nova Scotia, New Brunswick, Ontario and Manitoba where the egg board represented pullet growers, these boards consulted with their growers and found that the majority of pullet producers in their province supported the development of a Part II Agency together with negotiation of a Federal-Provincial Agreement and marketing plan. In Quebec, the pullet growers board (*Les Éleveurs de Poulettes du Québec*) voted in favour, supplemented by a unanimous vote of pullet producers at their annual general meeting. At the PGC Board meeting in November 2010, all the provincial representatives voted in favour of the proposal. PGC believed that this constituted a majority of producers in support across Canada. PGC also stated that it is committed to providing support to pullet growers in those provinces which were not able to support its proposal at this time, and to assist them with their path forward according to their needs.
- On quota value, PGC's aim at the national level is that there would be no value for quota, but that ultimately provincial boards and authorities must decide. Where pullet quota already has value, as in Ontario, the national agency will not be able to intervene.
- PGC's position on differential growth is that the proposed operating agreement would need to be flexible enough to deal with the situation in each province; there is no policy in place, but negotiations will include this issue.
- With regard to imports, PGC had been informed by government international trade officials⁴ that import controls would not be possible, since there were currently none in place and no new restrictions could be introduced under current international trade agreements. PGC stressed that essentially no pullets or very small quantities were being imported and that its *Salmonella enteritidis* (SE) disease control requirement for the Canadian Egg Industry Reciprocal Alliance (CEIRA) insurance scheme would act to limit the importation of pullets from the United States. PGC stated that the import of day old pullet chicks would not come under PGC's remit rather it would need to be controlled by hatcheries.
- The PGC maintained its view that all pullet producers would be treated equally by the proposed agency, even though there were a wide variety of conditions experienced by pullet growers across the country. PGC did not wish to recognise the different circumstances and needs of independent pullet growers, when compared with those growers who also have egg layer quota and produce for their own use solely or who produce for their own use as well as sales to other egg producers. PGC's goal was to work for all pullet growers in order to have a unified body.

⁴ Department of Foreign Affairs, International Trade and Development (DFATD, formerly DFAIT) and Agriculture and Agri-Food Canada (AAFC).

Issues raised by pullet growers and egg producers

The fourteen pullet growers who intervened at the hearings each described their situations. Four were independent growers, producing pullets only for sale to egg producers and/or intermediaries, while ten also had egg layer quota. All were in support of the PGC proposal for a national agency, citing the following reasons and benefits:

- The national agency would represent all pullet growers across the country, especially for dealings with government on disease outbreaks. Representation of pullet growers, through a dedicated pullet agency, is needed on national programs such as EFC's Start Clean/Stay Clean program, revisions to the codes of practice, etc. for the egg industry. It would also help gather and disseminate information, facilitate research and be a voice for all pullet producers, nationally and internationally.
- Agency status would maximize the number of pullets grown and the number of chicks that are hatched in Canada and maximize the economic benefits right across Canada.
- Structured marketing (pullets produced according to demand from egg producers) at a price based on COP, would reduce problems with interprovincial trade, such as between Quebec and Ontario. Manitoba also has experience of pullets entering from other provinces at prices which undercut local growing fees. It will therefore be necessary to have agreements between trading provinces, signatory and non-signatory provinces, to prevent predatory pricing practices. Ontario has always brought in about 300,000 pullets from Quebec each year. Even with a national agency, this market would continue to be served.
- Pullet producers in Quebec are selling pullets at a lower price than in Ontario and contractors are not willing to pay any premium for specialty birds – free range or organic. This means it is very difficult to compete because the feed mill controls where they supply feed: if the pullet grower does not accept the price set by the feed mill, he loses the contract and the contractor will find another grower who will accept his price. Contractors retain a portion of the price paid by egg producers, so pullet growers do not receive the full pullet price paid by egg producers when pullets are grown under contract for hatcheries or feed mills.
- All pullet growers will need to adhere to an agreed growing fee or COP based price in each province in order to ensure adequate returns and to strengthen the industry.
- National standards for pullet production, quality and food safety would be implemented to meet egg producer and consumer requirements.
- Stable pricing, based on a national COP would result in:
 - Predictable revenue, financial stability and investment by pullet growers in improved barns, facilities, environmental and animal welfare programs;
 - Elimination of the need for outside income, or subsidization by egg or feed production and permit pullet growers to maintain their farms;

- Payment of competitive wages and benefits to employees;
 - Reduced undercutting of prices and volatility in pricing caused by current competition (within and between provinces) and excess supply in some regions;
 - Limiting the involvement of hatchery and feed mill intermediaries in setting prices; and
 - Promotion of new entrants to the sector and rural community development.
- Consumers would see an increase of only 1-2 cents in the retail price of a dozen table eggs, if the increase due to the COP was passed through the chain. In return, PGC would communicate the value of common standards across the country for the production of high quality pullets, as part of the egg supply chain.
 - Pullet growers should get their COP, since they are part of the same supply chain as egg producers, who, together with other farmers governed by supply management, recover their COP.
 - Nationally there is overcapacity of production and in some areas, excess quota, so there is a need to control national and provincial production quotas. Excess quota and capacity in Nova Scotia would be difficult to reduce to match supply and demand. Also the excess production in Saskatchewan and Alberta affects pullet pricing in Manitoba.

Issues raised by industry stakeholders

Egg Farmers of Ontario (EFO)

The EFO highlighted the fact that although pullet quota has been successfully managed by EFO since 1981 when it was established, there had not been the same success with achieving an adequate growing fee for pullet growers. Despite several attempts to secure this authority, EFO has been mandated by the Ontario Farm Products Marketing Commission to work with industry partners (hatcheries and feed mills) to negotiate a growing fee. However pressure from the industry has resulted in growing fees which have not been sufficient to cover COP. EFO would like to develop the fee directly with pullet farmers through a proper COP carried out by PGC. EFO stressed that a key responsibility of the PGC agency should be to ensure that the growing fee or COP in the various provinces and regions is not used as a marketing tool.

EFO explained that no pullet grower or egg farmer was importing 19 week old pullets from the US. There is little supply, since most US pullets are grown within massive closed-loop egg production operations. Pulletts would only be imported in emergency situations, following a barn fire or storm damage, for example.

British Columbia Egg Marketing Board (BCEMB)

BCEMB did not express an opinion for or against the PGC's request either in writing or verbally. However, BCEMB was critical of the PGC proposal. BCEMB believed the proposal did not provide

sufficient information for it to be able to make an informed decision. It was therefore unable to make the case to its supervisory board and government that BC pullet growers wanted or needed a national agency and that this development was of sufficient public interest for British Columbia to support it. British Columbia is not a member of the PGC. The BCEMB representatives stressed the egg industry in the province was quite different from that of other provinces due to the high costs of land, the high costs of feedstuffs and the high proportion of specialty eggs that are sold, which depend on specialty pullet production. There was only one independent pullet grower (of 4 in the province) who had difficulty covering his COP from local pricing. Most pullet growers who have layer quota (70% of egg producers grow pullets), view this as a flow through cost not as a profit centre, so they have no complaint on price. There was no interprovincial trade in pullets.

In addition, 50% of pullet chicks and breeder eggs are imported from the US, although no 19 week old pullets are imported. It would be of concern to British Columbia if import controls were to be implemented. BCEMB recommended that import controls be discussed in the federal-provincial negotiations and not left to some later date, when it may be difficult for all parties to agree.

BCEMB believes that locally, current egg prices have reached a saturation point in terms of acceptance by consumers. The ease of cross-border shopping for lower priced US eggs has resulted in lower regular egg consumption in British Columbia compared with the national average in recent years. So there is particular concern if 1-2 cents per dozen were to be added to retail egg prices due to the pullet price increase, as suggested by PGC in its proposal. In BCEMB's view, this would have to be covered from a reduction in the egg producer price, as no increase would be acceptable to its regulators or consumers. The British Columbia Farm Industry Review Board's current view is that, in general, costs and levies need to be reduced going forward, not increased.

BCEMB affirmed that in British Columbia there is strong support for the supply management system, since this has contributed to the important scale of value added processing in the chicken, egg, turkey and dairy industries that exists today in the province.

Manitoba Egg Farmers (MEF)

MEF was established in 1971 as the Egg and Pullet Producers Council, operating under the Manitoba Egg and Pullet Producers Marketing Plan Regulation. Pullet quota is regulated according to the needs of the egg producers. MEF supports the PGC proposal since a national agency would ensure adequate returns to pullet producers in neighbouring provinces. This would result in a more predictable pullet price and growing fee, and would ensure that producers in Manitoba and other provinces are working under the same framework.

MEF indicated that there is usually some underutilized quota (2012 utilization was 94%), which is due to natural turnover, emergencies, etc. This utilization figure is also affected by the number of pullets traded to the western provinces, which is of the order of 30,000 annually.

Egg Farmers of Alberta (EFA)

EFA currently has no regulatory authority over pullet growers in the province, however pullet growers form an integral part of the organisation. In Alberta, there is not the level of involvement by feed companies or hatcheries in contracting or price-setting as in other provinces, as egg producers either grow their own pullets or they negotiate directly with a pullet grower. Even though Albertan pullet producers will not be able to fully participate in quota and COP pricing, as Alberta will be a non-signatory province, they can benefit from the benchmarking that pricing will have in the signatory provinces.

EFA stated that due to the pullet growers complete reliance on egg production and marketing industry, there has to be cooperation and integration between pullet and egg production. EFA has been providing funding and representation to PGC from Alberta and in registering annually all pullet producers in the province. EFA also involves pullet growers in the formalized food safety programs and the disease insurance scheme promoted by EFC. EFA believes however, that pullet growers would be better positioned to take on these programs and industry challenges if they had a formal organization like the proposed PGC agency to oversee the development and uptake of the programs and to ensure quality and consistency.

In Alberta, EFA and Albertan pullet growers would like to see pullets integrated into the Egg Farmers of Alberta, which would require EFA having some regulatory authority over pullets. Currently, the provincial government is not supportive of establishing a new supply-managed commodity under the *Marketing of Agricultural Products Act*. EFA believes that the pullet industry and the egg industry both will be stronger and better positioned for the future if PGC is successful in its efforts to establish a pullet agency under Part II of the FPAA. EFA will await the outcome of the PGC process and then consider how best to move forward in Alberta.

Egg Farmers of Canada (EFC)

EFC added to the arguments for support. It believes that the request from the pullet growers to form a national agency should be assessed not only from the perspective of how it will help and be fairer to pullet farmers, but how it will also strengthen rural communities and the egg industry overall to the ultimate benefit of consumers.

EFC stated that the establishment of a national pullet agency was in the public interest as this would result in more successful supply-managed agriculture, in which pullet growers ought also to participate. With respect to the issue of egg farmers often not paying a realistic growing fee to pullet growers, EFC admitted that it was normal business practice to find the cheapest input. However, having a credible, third party COP, as proposed by PGC, would help to set more realistic and standardized prices and stabilize the pullet industry.

5. APPENDICES

Appendix 1 Statistics on the Canadian Pullet Industry

Appendix 2 Current provincial and territorial pullet regulations and management

Appendix 3 Agenda for Ottawa Public Hearing

Appendix 4 Agenda for Winnipeg Public Hearing

APPENDIX 1

STATISTICS ON THE CANADIAN PULLET INDUSTRY

Table 1: Production of Pullet Chicks for Egg Production

In Thousands ('000)	2012	2011	2010	2009	2008
British Columbia	1,840	1,711	2,409	2,451	2,137
Alberta	2,222	2,243	2,148	2,237	2,108
Saskatchewan	885	895	847	809	749
Manitoba	2,517	2,270	2,406	2,420	2,338
Ontario	10,104	9,913	9,886	10,078	9,774
Quebec	4,812	4,825	4,850	4,790	4,377
New Brunswick*	539	320	567	754	601
Nova Scotia*	798	614	868	848	917
P.E.I.*	98	102	107	86	90
Newfoundland*	234	214	235	209	278
Total	24,049	23,106	24,323	24,681	23,369

*Beginning in 2012, data for the Atlantic provinces has been combined due to the confidentiality requirements of Statistics Canada. As such, an estimate of each Atlantic province's production was calculated using the average of their respective shares of total Atlantic production from 2008 to 2011. Overall, Atlantic provinces produced 1,668,135 chicks in 2012.

Source: Statistics Canada CANSIM Table 003-0021, Calculation : FPCC

Table 2: Production of Pullet Chicks for Egg Production in 5 Provinces

Percent of National Production	2012	2011	2010	2009	2008
Manitoba	10.5	9.8	9.9	9.8	10.0
Ontario	42.0	42.9	40.6	40.8	41.8
Quebec	20.0	20.9	19.9	19.4	18.7
New Brunswick*	2.2	1.4	2.3	3.1	2.6
Nova Scotia*	3.3	2.7	3.6	3.4	3.9
Total	78.0	77.6	76.4	76.5	77.1

*Beginning in 2012, data for the Atlantic provinces has been combined due to the confidentiality requirements of Statistics Canada. As such, an estimate of Nova Scotia and New Brunswick's percentage of total production was calculated using the average of their respective shares of Atlantic production from 2008 to 2011. Overall, Atlantic provinces accounted for 6.9% of national production in 2012.

Source: Statistics Canada CANSIM Table 003-0021, Calculation : FPCC

Table 3: Pullet Imports, by Province of Import

Number of Chicks	2012	2011	2010	2009	2008
British Columbia	1,671,496	1,471,431	812,271	657,738	945,041
Alberta	124,208	750	50,300	38,150	36,380
Saskatchewan	-	-	199	120	-
Manitoba	150,500	537,360	745,206	663,941	879,326
Ontario	219,982	342,227	213,369	235,253	152,713
Quebec	-	-	-	909	-
New Brunswick	-	160	150	300	988
Total	2,166,186	2,351,928	1,821,495	1,596,411	2,014,448

Note: Pullet import data is based on H.S. code 0105.11.90.00 (Fowls, (Gallus dom), live, except breeding, weighing not more than 185g)

Source: Statistics Canada - Agriculture and Agri-Food Canada (Catsnet Analytics)

Table 4. Interprovincial Movement of Pullet Chicks for Egg Production - Female

Number of Chicks -2012								
To \ From	BC	AB	SK	MB	ON	QC ¹	ATL	Total To
British Columbia	0	58,835	0	0	6,518	1,040	0	66,393
Alberta	463,798	0	0	1,257,346	312	4,919	0	1,726,375
Saskatchewan	319,158	16,834	0	549,334	0	0	0	885,326
Manitoba	0	3,068	0	0	186	9,464	0	12,718
Ontario	0	255	0	68,631	0	675,786	0	744,672
Quebec ¹	5,957	0	0	0	1,262,337	0	36,213	1,304,507
Atlantic	0	96	0	0	2,926	7,535	1,273,664	1,284,221
Total From	788,913	79,088	0	1,875,311	1,272,279	698,744	1,309,877	6,024,212

Note: Totals of female egg-type chicks which are moved interprovincially and placed for egg production. Does not include breeders or imported chicks.

¹Source: Statistics Quebec

Source: AAFC Poultry Marketplace - Hatchery Review

APPENDIX 2 CURRENT PROVINCIAL AND TERRITORIAL PULLET REGULATIONS AND MANAGEMENT

Province/Territory	Definition of Pullet/ pullet grower	Pullet regulations	Interprovincial trade agreements	Pullet pricing
British Columbia	<p>P: Female chicken raised for the purpose of egg production that is less than 19 weeks of age.</p> <p>PG: Person who grows pullets.</p>	<p>BC Egg Marketing Board Consolidated Orders include some regulations with respect to pullets. Chick-Placement permits required from the BC Egg Marketing Board before production of pullets or sale of pullets.</p> <p>Egg producer cannot acquire pullets from party that does not have a valid licence.</p> <p>The BCEMB manages the pullet sector through the Egg Industry Advisory Committee that, may include a pullet grower representative.</p>	None	Price negotiated between pullet grower and egg producer. It is assumed to be close to EFC's COP. BC imports in excess of a million pullets from the US, which would affect the pullet price point.
Alberta	<p>P: Female common domestic fowl...that is less than 19 weeks of age.</p>	<p>None. Egg production and marketing regulations do not address the marketing of pullets.</p> <p>Egg Farmers of Alberta indirectly deals with pullet sector issues.</p>	None	Pullet prices are established by pullet producers.
Northwest Territories	None	None	None	None
Saskatchewan	None	<p>None</p> <p>Provincial Egg Board deals with pullet issues.</p>	None	Open market, majority of pullets produced by egg quota holders.

Province/Territory	Definition of Pullet/ pullet grower	Pullet regulations	Interprovincial trade agreements	Pullet pricing
Manitoba	<p>P: A hen that is not a laying hen.</p> <p>PG: A person who keeps or raises pullets or is engaged in any activity in preparing live pullets for market.</p>	<p>Manitoba Egg and Pullet Producers' Marketing Plan Regulation, which includes management of quota on pullet production, as well as levies and licensing. The quota belongs to the board.</p>	<p>Levy can be charged.</p>	<p>n/a</p>
Ontario	<p>P: Described as "chick-for-placement": female chickens 19 weeks of age or less.</p> <p>PG: "Producer": any person engaged in the production of chicks-for-placement</p>	<p>Pullet marketing regulations included in Egg Marketing Regulations, under <i>Farm Products Marketing Act</i>, to be administered by Egg Farmers of Ontario.</p> <p>This includes a provision for production and marketing of pullets on a quota basis, licensing and charging of licence fees, service charges and other fees to cover the EFO's expenses.</p> <p>There is a specific provision for the Negotiating Agency for Chicks-for-Placement, composed of persons appointed by EFO and pullet contractors with powers to adopt or agree to conditions and any charges, costs or expenses relating to the pullet growing.</p>	<p>None</p>	<p>Open market negotiation.</p>

Province/Territory	Definition of Pullet/ pullet grower	Pullet regulations	Interprovincial trade agreements	Pullet pricing
Quebec	<p>P: 1 day to 19 weeks.</p> <p>PG: Any person growing at least 100 pullets that are acquired by egg producers having an egg quota.</p>	Several regulations and decisions by the Regie on quota and levy specifically on pullets, as a provincial pullet marketing agency has been established.	None	No regulation or agreement. Price to be negotiated between pullet growers and egg producers/producer groups, based on COP.
New Brunswick	<p>P: A laying hen less than 19 weeks of age.</p> <p>PG: A person who grows laying hens from day 1 to 19 weeks of age and sells them to an egg quota holder in the province. Also a person named on valid Chick Placement Permit resident in NB, with at least one flock of pullets per year.</p>	No legislation on pullets. NB pullet grower advisory committee (committee established by motion of NB Egg Producers) represents pullet growers at national and provincial levels on pullet issues.	None	Negotiated between buyer and seller.
Nova Scotia	<p>P: Hen less than 19 weeks of age produced for the purpose of laying eggs for human consumption.</p> <p>PG: Person engaged in producing pullets in the regulated area (quota for growers of 100 or more birds).</p>	<p>NS Egg Producers' Pullet Regulations describes how pullet quota is to be managed by the provincial Egg Board. These regulations are linked to the NS Egg Producers' Marketing Plan.</p> <p>The provincial Egg Board has authority to act on pullet issues.</p>	None	Not actively regulated, although there is authority under the <i>Natural Products Act</i> to regulate the price of any natural product. Price is determined by the market.
Prince Edward Island	P: Female chicken of 19 weeks of age or less or any class intended for use in egg production or marketing.	None. Egg Producers of PEI has no mandate to deal with pullet issues, but the Board would deal with them, as there are only two commercial growers in the province.	None	No price setting; prices agreed between buyer and seller.

Province/Territory	Definition of Pullet/ pullet grower	Pullet regulations	Interprovincial trade agreements	Pullet pricing
Newfoundland and Labrador	P: Female hen not more than 20 weeks of age.	Provincial Egg Marketing Board Order requires that pullet growers have a licence from the provincial egg board, and the board can regulate and control the marketing of pullets, including quota, as well as establish price negotiating agencies.	None	Pullets are purchased interprovincially; chicks must come from a licensed hatchery. Prices are set on an individual basis between buyer and seller.

This information was obtained from the provincial supervisory boards in each province or territory and from review of provincial regulations, where available.

APPENDIX 3

AGENDA FOR OTTAWA PUBLIC HEARING

In the matter of:

Public Hearings into the proposal for a Canadian Pullet Marketing Agency

Minto Suite Hotel (Salon Stanley)

185 Lyon Street North

Ottawa, Ontario

April 23, 2013, 9:00 am

ORDER OF APPEARANCE

7:45 – 8:45	Registration
9:00	Opening Remarks by the Panel Chair, Mr. Brent Montgomery
9:10	Instructions from the Hearing Secretary
9:20	Presentation by the Pullet Growers of Canada
10:00	Qs and As from the Panel
10:30	Break

INTERVENERS

11:00	Marcel Leroux, Ferme avicole M. S. Leroux Ltée (Ontario)
11:15	Roger Pelissero (Ontario)
11:30	Laurent Souigny, Ferme avicole Souigny (Ontario)
11:45	Harry Pelissero, Egg Farmers of Ontario
12:00	Lunch Break
1:15	Peter Clarke, Tim Lambert and David Wilson, Egg Farmers of Canada
1:30	Dan Veldman, Veldcroft Farms Ltd. (Ontario)
1:45	Carl Bouchard, Pondoir B.J. Inc. (Quebec)
2:15	Alvin Brunsveld, Alvenaveld Farm (Ontario)
2:30	Break
3:00	Jeffrey Clarke, Excel Farms Ltd (Nova Scotia)
3:15	Comments from the floor
4:00	Closing Remarks by the Panel Chair, Mr. Brent Montgomery

APPENDIX 4 AGENDA FOR WINNIPEG PUBLIC HEARING

In the matter of: **Public Hearings into the proposal for a Canadian Pullet Marketing Agency**
Victoria Inn Hotel & Convention Centre (Embassy Room)
1808 Wellington Avenue
Winnipeg, Manitoba
May 22, 2013, 9 am

ORDER OF APPEARANCE

7:45 – 8:45	Registration
9:00	Opening Remarks by the Panel Chair, Mr. Brent Montgomery
9:20	Instructions from the Hearing Secretary
9:30	Presentation by the Pullet Growers of Canada
10:00	Qs and As from the Panel
10:30	Break

INTERVENERS

11:00	Harvey Sasaki, representing the BC Egg Marketing Board (Abbotsford, British Columbia)
12:00	Lunch
13:30	Harold Froese (Winnipeg, Manitoba)
13:45	Cory Rybuck, Manitoba Egg Farmers
14:00	Ed Kleinsasser (Newton Siding, Manitoba)
14:15	Susan Gal, Egg Farmers of Alberta
14:30	Susan Schafers (Stony Plain, Alberta)
14:45	Harry Pelissero, Egg Farmers of Ontario
15:00	Tim Corput (Bainsville, Ontario)
15:15	Jean-Guy L'Écuyer (St-Isidore, Ontario)
15:30	Eric Gareau (Casselman, Ontario)
15:45	Comments from the floor
16:15	Closing Remarks by the Panel Chair, Mr. Brent Montgomery

Canada 