

MANITOBA CHICKEN PRODUCERS ANNUAL SPECIALITY QUOTA PROGRAM

OVERVIEW

Under Manitoba Chicken Broiler Producers Marketing Plan Regulation (Manitoba Regulation 246/2004) (the “Plan”) Manitoba Chicken Producers (the “Board”) has been established and has been given certain production and marketing authority over “regulated product”. Regulated product includes a chicken broiler raised or kept in Manitoba.

The Plan is applicable to the production of a chicken broiler as well as to the marketing of a chicken broiler. The only exceptions are to the Board's regulatory authority to regulate the production and marketing activities of a person who produces fewer than 1,000 chicken broilers in a calendar year or to any person who has provided the Board with a satisfactory undertaking that he or she will market fewer than 1,000 chicken broilers in a calendar year (provided that such person markets fewer than 1,000 chicken broilers in that year). The Board does have regulatory authority over these persons with respect to certain matters, including matters set out in the Information Order made by the Board.

The Plan provides that in certain circumstances chicken broilers produced or marketed by one person is deemed to be produced or marketed by another person or persons so that such persons will be treated as a single person for the purpose of determining the number of chicken broiler produced or marketed by any of them.

The Board has established a supply management system (the “quota system”) that determines who may produce and market chicken broilers under the quota system (“registered producers”), the quantity of chicken broilers a registered producer may produce and may market, and the period of time in which the registered producer may produce and market such chicken broilers. Any marketing contrary to the quota system (by both registered producers and unregistered persons) could result in a penalty levy being imposed on such unauthorized production or marketing, as well as other consequences as set out in the Orders and Regulations of the Board and *The Farm Products Marketing Act*.

The supply management system managed by the Board was grounded on the dedication and the personal and financial commitments made by producers prior to the initiation of the supply management system, and facilitates the orderly transfer of a registered producer's production facilities to the producer's successors, in order to ensure a continued strong and vibrant value added industry in Manitoba, able to compete with chicken producers nationally and internationally.

The system does provide for a sharing of market expansion with new entrants from time to time. In order to maintain Manitoba's economic advantage of efficient production the Board's new entrant program has established a minimum size for new production units, and from time to time has increased that minimum size. The current minimum allotment for new entrants is 30,000 kilograms per seven week cycle, operated on an “all in – all out” basis.

The Board is also a signatory to a Federal-Provincial Agreement (along with the Minister of Agriculture and the Manitoba Farm Products Marketing Council) which has the effect of providing an overall limitation on the number of chicken broilers that may be produced and marketed in Manitoba during each calendar year (“Manitoba's Annual Allotment”).

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It is appreciated that modern, highly developed methods of raising and of processing chicken broiler to meet consumer demand and to fill Manitoba's Annual Allotment may mean that registered producers and large federally inspected processing plants cannot meet certain market demand for chicken broiler (i.e. unique sizes of birds; birds raised in an unique manner; birds slaughtered following a formal religious or ethnic ritual in order to meet a targeted market, and the like). Although the Chicken Broiler Quota Order refers to three categories of chicken broilers (Cornish game hen, Regular chicken broiler and Roaster) the quota system is currently limited to the production and supply of Regular chicken broiler to these processors.

In order to deal with unique or specialized markets the Board now establishes this Annual Speciality Quota Program under which a successful applicant (a person who is not a registered producer) can be given permission to produce and market a specific variety, size or class of chicken broiler in a specified manner, or to produce and market a specific variety, size or class of chicken broiler for processing or marketing in a specified manner.

A) Chicken Broiler Quota Order

Part III.1 of the Chicken Broiler Quota Order includes the following reference to Annual Speciality Quota:

Part III.1 Annual Speciality Quota

Issuance of annual speciality quota

19.2 A person who is not a registered chicken broiler producer may apply to the board for a designation as a designated annual speciality producer and for allotment of an annual speciality quota.

Facility requirement

19.3 Each applicant for designation as a designated annual speciality producer and an annual speciality quota must be the registered owner of or the sole operator of a facility that meets all of the requirements or standards for buildings and equipment established by the board.

Terms and conditions of issue of annual speciality quota

19.4 The board may designate an applicant as a designated annual speciality producer and may issue an annual speciality quota to the applicant on terms and conditions.

The Chicken Broiler Quota Order includes the following definitions:

“annual speciality quota” means the maximum number of chicken broilers of a category or of a type that a designated annual speciality producer has been authorized to produce and market during a year; and

“designated annual speciality producer” means a producer who has been issued an annual speciality quota.

B) Phase Out of Special Market Development and Servicing Policy and Annual Farm Site Marketing Permit System

Prior to establishment of this Annual Speciality Quota Program, the Board has, from time to time granted exemptions pursuant to a **Special Market Development and Servicing Policy** under which a designated applicant was given permission to produce and market chicken broiler of a specific size, or to market chicken broiler for processing or marketing in a specified manner, in the form of exemptions from certain Orders and Regulations of the Board. Through such exemptions the Board facilitated a supply to market of unique sizes of birds (i.e. a size not normally grown commercially by registered producers), birds raised in an unique manner, and to provide birds for slaughter following a formal religious or ethnic ritual, in order to meet a targeted market.

Effective December 31, 2016 the Special Market Development and Servicing Policy is cancelled and all such exemptions will expire, and no further exemptions will be issued by the Board.

The Board also facilitated the production and marketing of a specific size of chicken broilers pursuant to an **Annual Farm Site Marketing Permit System**.

Effective December 31, 2016 the Annual Farm Site Marketing Permit System is cancelled and all Permits issued under the System will expire effective December 31, 2016, and no further Permits will be issued.

C) Annual Speciality Quota Program Parameters

1. The aggregate allotments of all Annual Speciality Quotas allotted by the Board will be “capped” at a percentage of the anticipated demand for chicken broilers of all categories raised in Manitoba during a calendar year (previously referred to as Manitoba’s Annual Allotment).*
2. Annual Speciality Quotas belong to the Board. No person shall
 - (a) transfer, assign or sell an Annual Speciality Quota to another person, or
 - (b) offer to transfer, assign or sell an Annual Speciality Quota to another person or receive payment for an Annual Speciality Quota, or offer to buy an Annual Speciality Quota from a person or make a payment to a person for an Annual Speciality Quota.
3. Except as provided below, the designation of a Designated Annual Speciality Producer is not transferable and will automatically terminate in the event
 - (a) the Designated Annual Speciality Producer ceases to be the registered owner or the sole operator of the facility specified by the Board for the purpose of producing and marketing chicken broiler, or
 - (b) there is a change in the legal or beneficial ownership of a corporation or a partnership which has been designated as a Designated Annual Speciality Producer.

*See Transitional Program

A Designated Annual Speciality Producer who is an individual may request an amendment to the producer's designation to include the spouse of the producer in the designation. In the event of the death of an individual who is a Designated Annual Speciality Producer, the Board may, on a written request of the personal representative of such deceased producer, designate the spouse of such deceased producer as a Designated Annual Speciality Producer if such spouse becomes the owner of the chicken broiler production business carried on by the deceased producer and of the land, buildings and equipment used by the deceased producer for keeping chicken broilers.

4. A Designated Annual Speciality Producer is not eligible to obtain a Temporary Market Allotment Permit under Part III of the Chicken Broiler Quota Order (except as provided in section 19 of that Order).
5. A Designated Annual Speciality Producer is not eligible to obtain a Communal Group Permit.
6. A Designated Annual Speciality Producer is eligible to apply to become a new entrant as described in section 6 of the Chicken Broiler Quota Order.

D) Application for Designation

Persons participating in the Special Market Development and Servicing Policy or the Annual Farm Site Marketing Permit System prior to January 1, 2016 may apply to the Board for designation as a Designated Annual Speciality Producer and for an allotment of an Annual Speciality Quota. Any such designations and any such allocations will be effective from January 1, 2017 forward. After that date the Board may consider providing an opportunity for other persons to apply for such designation and allotment.

Each Application for Designation as an Annual Speciality Producer must be accompanied by a non-refundable processing charge of \$200.

Applicants will be required to submit a business plan which details an applicant's proposed speciality market production plans, processing plans, and marketing plans (the "Business Plan").

All production and marketing facilities of a Designated Annual Speciality Producer must be identified in the Business Plan of the Designated Annual Speciality Producer. The Designated Annual Speciality Producer must be the registered owner or the sole operator of that facility and that facility must meet all of the requirements or standards for buildings and equipment established by the Board from time to time.

The Board may certify the capacity of the Applicant's facility from time to time. Such certified capacity shall only include useable production floor space (excluding service rooms).

Applicants are cautioned that the Board may, in absolute discretion, refuse an Application for Designation as a Designated Annual Speciality Producer and for the allotment of an Annual Speciality Quota.

E) Annual Allotments

1. Annual Speciality Quota will be allotted on a calendar year basis. Any renewal of a Designation and issue of an Annual Speciality Quota will be at the discretion of the Board.
2. Each Application for an Annual Speciality Quota by a Designated Annual Speciality Producer must be accompanied by an annual designation charge of \$500.
3. No Designated Annual Speciality Producer will be entitled to the allotment of an Annual Speciality Quota which would result in the marketing of less than 10,000 kilograms annually or in excess of 30,000 kilograms annually.*
[Revised February 27, 2017]
4. At the time a Designated Annual Speciality Producer's Business Plan is approved for the next calendar year, the Board will issue a Chick Placement Permit to such producer authorizing the acquisition of chicks by the Designated Annual Speciality Producer from the hatchery specified in the Business Plan to be raised for marketing pursuant to the Annual Speciality Quota.
5. In allotting an Annual Speciality Quota to a Designated Annual Speciality Producer, the Board may specify the facility in or on which the producer's chicken broilers, or any portion of such chicken broilers, must be produced.
6. In allotting an Annual Speciality Quota to a Designated Annual Speciality Producer, the Board may establish two or more production periods during the calendar year for that producer and may allot a portion of the Annual Speciality Quota to each production period.
[Revised February 27, 2017]
7. All marketings pursuant to an Annual Speciality Quota must be marketed in strict compliance with the then current Business Plan of the Designated Annual Speciality Producer which has been approved by the Board for that calendar year and any terms and conditions established by the Board for that calendar year.
8. A Designated Annual Speciality Producer must promptly pay to the Board all levies imposed by the Board on the marketing of chicken broiler by the Designated Annual Speciality Producer, as well as all marketing penalty levies and all production penalty levies imposed on that producer under the Chicken Broiler Penalty Levies Regulation.
9. In order to maintain designation as a Designated Annual Speciality Producer the producer will have to submit to the Board no later than October 31 in each year an update of the producer's Business Plan for the next calendar year.

*See Transitional Program

F) Additional Conditions and Enforcement

1. It is a condition of an allotment of Annual Speciality Quota to a Designated Annual Speciality Producer that the producer
 - (a) equip and operate the facility in or on which such producer produces chicken broilers in such a manner as to provide adequate production floor space, proper ventilation, heating, feed and water, and sanitation for the chicken broilers kept in such facility and in accordance with the applicable provisions of the On-Farm Food Safety Assurance Program and the Animal Care Program of Chicken Farmers of Canada;
 - (b) otherwise care for and handle chicken broilers raised or kept by such producer in accordance with the applicable provisions of the “Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens and Turkeys” distributed by the National Farm Animal Care Council; the Animal Care Program of Chicken Farmers of Canada; and in accordance with the applicable provisions of the On-Farm Food Safety Assurance Program; and
- [Revised February 27, 2017]
- (c) allow representatives of the Board to enter such facility, inspect such facility and to take samples from such facility as well as observe and monitor production and marketing activities within such facility.
2. It is a condition of the allotment of an Annual Speciality Quota to a Designated Annual Speciality Producer that such producer allow any duly authorized representative of the Board to examine and measure the interior and exterior dimensions of such producer's facility from time to time for the purpose of certification or re-certification of such facility by the Board and to examine such facility to ensure compliance of same with the provisions of paragraph 1 above. Prior to such examination, the Board will give reasonable notice to the producer of its intention to conduct such examination.
3. In the event a Designated Annual Speciality Producer
 - (a) raises or keeps more chicken broiler of a category than that specified in the Annual Speciality Quota allotted to such producer, or
 - (b) markets more chicken broiler of any category in excess of such Annual Speciality Quota, or
 - (c) raises or keeps chicken broiler on a facility that has not been specified on a Certificate of Production Premises issued to such producer by the Board for such purpose, or
 - (d) raises or keeps chicken broilers in or on a facility in excess of the number of chicken broilers specified by the Board to be raised or kept by such person in such facility in any point in time, or

- (e) markets a chicken broiler that was not raised and kept by that producer in or on the facilities specified on a Certificate of Production Premises issued to such producer by the Board, or
- (f) markets chicken broiler in a manner inconsistent with the then current Business Plan approved by the Board for that Designated Annual Speciality Producer or inconsistent with any terms and conditions established by the Board for that calendar year,

the Board may cancel the designation of that producer and any Annual Speciality Quota allotted to that producer.

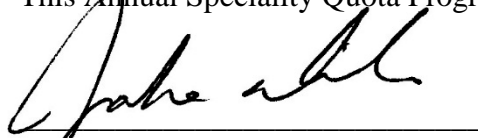
- 4. Annual Speciality Quotas may be cancelled on the same terms the Board may cancel quotas and allotments allotted to a registered producer under Part VI of the Chicken Broiler Quota Order.
- 5. The Board may also suspend, reduce or cancel, either on a temporary basis or on a permanent basis, an Annual Speciality Quota on the grounds set out in section 29 of the Chicken Broiler Quota Order.
- 6. A Designated Annual Speciality Producer must comply with all of the provisions of the Chicken Broiler Information Order (including keeping and maintaining complete and accurate books and records of all matters relating to the producer's production and marketing; at all times must permit any authorized representative of the Board to inspect such books and records and facilitate such inspection; and upon request of the Board, must promptly report to the Board such information respecting such production and marketing as the Board may require).

G) General

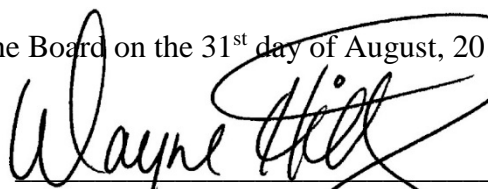
The Board reserves the right to change the terms and conditions of this Annual Speciality Quota Program from time to time and to terminate the Program in whole or in part.

For more information with respect to the Annual Speciality Quota Program of the Board or the Board's administration of the Annual Speciality Quota Program please contact the Executive Director of the Board.

This Annual Speciality Quota Program is adopted by the Board on the 31st day of August, 2016.



Chair



Executive Director

The text of the Program was revised by the Board on the 27th day of February, 2017.

The text of the Program is subject to change from time to time. Persons are cautioned to contact the Board Office to discover if any changes or alterations have been made to same.

TRANSITIONAL PROVISIONS

The following transitional provisions apply to the Annual Speciality Quota Program adopted by the Board on August 31, 2016.

1. The aggregate of all annual allocations made under the Annual Speciality Quota Program shall not exceed 2% of the anticipated demand for chicken broilers for all categories raised in Manitoba during a calendar year (Manitoba's Annual Allotment).
2. Notwithstanding the Program Parameters which indicate that no Designated Annual Speciality Producer will be entitled to the allotment of Annual Speciality Quota which would result in the producer marketing in excess of 30,000 kilograms for a calendar year, certain producers may be eligible for a Supplementary Allocation and for an exception to such maximum.

[Revised February 27, 2017]

Designated Annual Speciality Producers who may be eligible for a Supplementary Allocation will be producers who have received an allocation under the Special Market Development and Servicing Policy or under the Annual Farm Site Marketing Permit System which permitted the marketing in excess of 30,000 kgs per calendar year in each of the three calendar years prior to January 1, 2016 (“Eligible Designated Producers”).

[Revised February 27, 2017]

The maximum Supplementary Allocation which may be allotted to an Eligible Designated Producer will not permit the marketing that would exceed the lesser of

[Revised February 27, 2017]

- (a) the average permitted marketings allotted to that Eligible Designated Producer during the calendar years 2013, 2014 and 2015 in excess of 30,000 kgs, and
- (b) the average actual marketings of that Eligible Designated Producer during the calendar years 2013, 2014 and 2015 in excess of 30,000 kgs.

In submitting a request for an Annual Speciality Quota and a Supplementary Allotment for a calendar year the Applicant must submit an additional administration charge. The additional Administration Charge for 2017 is \$0.20 for each kilogram of the requested Supplementary Allocation. The Board will establish the additional administration charge for subsequent Calendar Years from time to time.

[Revised February 27, 2017]

3. Possible Retirement and Annual Speciality Quota Reallotment System.

After a review period of 10 years, Manitoba Chicken Producers will consider the possible establishment of a Retirement and Annual Speciality Quota Reallotment System to accommodate the retirement of Designated Annual Speciality Producers from the Industry. The purpose of such System would be to facilitate:

- the exit of a Designated Annual Speciality Quota Producer from the chicken production and marketing business;
- the continuity of supply to the market of the type of chicken broiler to the targeted market previously filled by that Designated Annual Speciality Quota Producer consistent with the then current approved Business Plan of the retiring Designated Annual Speciality Producer.

If established, an expected requirement of a successful bidder would be that the bidder would have to undertake to continue the production and marketing activities of the retiring Designated Annual Speciality Producer for the balance of the calendar year in the manner described in the then current approved Business Plan of the retiring Designated Annual Speciality Producer.

If proceeded with such a System would require an amendment to the Chicken Broiler Quota Order and the approval of Manitoba Farm Products Marketing Council.