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New Entrant Program Review Summary

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Introduction

Egg Farmers of Alberta (EFA) initiated a review of the New Entrant Program (NEP) in December 2015. The review was conducted to help ensure continuous improvement and to address key issues or concerns with the program. The program review involved input from a broad range of stakeholders including past applicants, new entrants, registered producers, financial institutions, government representatives as well as other industry stakeholders. In total EFA received 116 responses to the questionnaire.

The review was intended to evaluate the current NEP and determine whether its structure and processes are effective in meeting the objective of bringing new people and new investment into the industry. The NEP operate by providing a certain percentage of the province's egg quota increases to assist individuals and families who want to own an egg farm in Alberta.

Summary

EFA's New Entrant Program was developed and launched in 2012. EFA sets aside 10% of each new allocation for the NEP pool. Interested parties submit applications to EFA which are evaluated for eligibility. Quota is issued in lots up to 1,500 birds. If the total number of birds requested by all approved applicants exceeds the number of birds available, a draw is held to determine the allotment.

New entrant quota is issued at no cost, however new entrants must pay the over base user fee. For the first 10 years, the quota is allotted in the form of a production permit. During the 10-year phase in period, new entrant quota cannot be transferred or sold and new entrants will not be subject to quota increases or decreases.

New Entrants

In 2012, EFA transitioned quota that was previously allocated for the Market Development Leasing Program (MDLP) for new organic producers into the NEP. To facilitate the transition, NEP quota lots of 1,000 birds were allotted to existing MDLP producers. As a result EFA welcomed 5 new producers under the NEP.

In 2014, EFA awarded 7 lots of 1,500 birds of new entrant quota. At this time two of these producers are in production, with the remainder planning to begin production in the next year. In 2015, another 13 new entrants were awarded lots of 1,500 birds through the New Entrant Program.

Purpose of the review

The purpose of the review was to evaluate the current NEP structure and determine whether its structure and processes are effective and strategic in meeting:

1. Policy intent related to sector sustainability and renewal
2. Potential producer (applicant) needs
3. New producer needs

Questionnaire

The questionnaire was sent out to registered producers, pullet producers, feed companies, hatcheries, grading stations, breaking plans, financial institutions, government representatives, equipment dealers, past applicants, NEP quota recipients and Organic Alberta. EFA received 112 survey responses.

Report Review

Overall there seemed to be very good support for EFA's New Entrant Program with 77.78% of the respondents acknowledging the program's success in terms of bringing new people and new investment into the industry.

Upon review, here is a summary of the key themes and suggestions for improvement that were noted as part of the review of the survey results and comments:

1. Success of the Program

The New Entrant Program increases the opportunity for applicants to own their own egg farm, which they otherwise would not be able to afford or access quota for.

2. Support by Registered Producers

The vast majority of respondents (68.10%) were registered producers, with most comments being positive and supportive of the program. There were a couple of cautions noted about how fast and how many new entrants have been added, while concerns were raised about control of the program and the added resources required to get these producers up and running on all of the program requirements. There were only a few suggestions that this quota should be allocated to registered producers.

3. Allotment of 1,500 birds

There were several comments regarding the sustainability of the 1,500 bird allotment. Overall, there seemed to be support to increase the number of birds made available through the program. The preferred option seems to be to increase the lot size to 3,000 birds. There was also strong support for providing existing new entrants with the same incentive.

4. Access to Capital

Concerns were expressed regarding the challenges related to securing financing. Some of this relates to the small number of birds allocated, while others noted that the 10- year permit (not base quota) with no access to quota increases, presents a challenge. A couple of participants noted that longer-term lease arrangements could help in this area.

5. Public Image

There were specific comments acknowledging the importance of this program for our industry on several fronts including the public image of the industry and bringing new people with new ideas into our organization.

6. Application Fee

The majority of comments regarding the \$1,000 application fee felt it was fair, and several noted that this was a way to help ensure that only those who are serious about becoming an egg farmer apply. Some other suggestions included higher/lower fees, refundable fees, capping fees at 3 draws, a one-time fee with a waiting list of eligible entrants, and an increased fee if we allotment is increased.

7. Eligibility/Draw

In terms of eligibility for the draw, there were a couple of points suggesting that the program be restructured somewhat. Some of the suggestions were geared towards attracting young/new farmers, attracting more organic egg production, targeting smaller operations (less well-funded) that truly need the help to get started, giving consideration for the location for egg pick-up and placing restrictions on the number of people from one family that can apply.

In addition, there were a few comments about verifying that the new entrants have the capacity to be an egg farmer. Some of the verification could include: security of land, presentations by the new entrant, references, interviews, background/credit check, sending out EFA ambassadors to eligible program applicants to observe proposed sites and facilities

8. Resources and Support

Just over 50% agreed that that the New Entrant Package was an effective resource, 40% agreed for the Welcome Reception and 25% agreed for the Town Hall Meeting. Most comments were quite favourable, while offering suggestions for how to:

- Too much information for one sitting at the training session, suggestion that video would be helpful.
- Opportunity to tour and talk to the owners of different egg production facilities.
- New entrant buddy system
- More information/help on equipment suppliers, barn design/requirements
- More information/help on finances, options for financing
- Better more clear rules on bird space, perch space for different types of set-ups
- Training session in place for producers so that new producers fully understand the supply management system and the Start Clean Stay Clean programs and biosecurity necessary to protect our industry
- Very detailed order of forms and what the deadlines/requirements are for each

9. Other suggestions/comments not captured above:

- Producers should be given 3 years to get up and running.
- Allocation should be in the equivalent dollar value of the quota at the time of allocation. Producers should be given the opportunity to choose between free quota or a discount on

substantially more quota. This creates less individual producer, but more serious and sustainable producers that are more invested in the egg production business.

- Clarify the NEP short/long-term goals.
- After 10 years if they don't want to produce, the quota should come back to the Board.
- Lease out their quota for two years and only if they are going forward and becoming an egg producer they would get paid their lease. This would prevent those from leasing out their quota for the first two years and then giving it back.
- Would like to see the program run a bit longer to see how it works before we make any changes to it.
- Producers should introduce themselves to the new entrants at regional meetings.

Clarification on Detailed Comments

Comment: If one application is chosen over another, the information should be shared on what was accepted and what was not.

Clarification: As long as the application met all of the eligibility criteria then they were put into the draw.

Comment: Not sure why we can only apply 5 times.

Clarification: Applicants can apply until they are selected, however they only have to pay the application fee 5 times as the maximum is \$5,000.

Next Steps

The EFA Board of Directors received the Review Report at their meeting on March 15, 2016. At that time they decided on the following timelines:

- Complete review and finalize new program by the end of 2016.
- Review new program at the January 2017 Regional Meetings.
- Launch new program Spring of 2017.

EFA would like to thank all of the stakeholders who took the time to provide their views and comments.