



## OPERATING POLICY

<b>Policy #:</b>	<b>9.34</b>
<b>Section Heading:</b>	<b>Quota &amp; Production Facilities</b>
<b>Policy Title:</b>	<b>Quota Exchange</b>

**POLICY**

**Last Updated:**

**March 16, 2021**

### 1. Introduction

As part of the Board's Strategic Planning Session in October 2016, the Board determined that by December 2017, a system is in place to ensure equal access to quota sales and transfers.

The goal is to ensure accessibility, transparency and equal access to Alberta's egg quota transactions.

### 2. Regulations

Section 13.1 & 13.2 applies to transfer of quota without production facilities.

- 13.1(1) No registered producer shall transfer any of the registered producer's quota, without production facilities, except in accordance with this section and a transfer of quota other than in accordance with this Regulation is void.
- (2) The Board shall establish a quota exchange for the purpose of facilitating the transfer of quota without production facilities between registered producers.
- (3) No registered producer shall transfer a quota without production facilities other than through the quota exchange.
- (4) A registered producer who wishes to transfer a quota without production facilities through the quota exchange shall
  - (a) make an application for transfer of quota to the Board in accordance with the quota policies, and
  - (b) pay any transfer fee required under the quota policies
- (5) This section does not apply to a registered producer who is transferring quota without facilities to
  - (a) a name change for the registered producer, or
  - (b) a family member of the registered producer, or
  - (c) a daughter colony originating from the registered producer's colony of the Hutterian Brethren Church.



- 13.2(1) The Board shall not approve an application to transfer a quota under section 13 or 13.1 unless the following requirements are met:
- (a) the transferee has been or will be issued a licence to operate as producer under this Regulation.
  - (b) subject to subsection (2), the registered producer applying to transfer the quota has been in continuous production of the regulated product for not less than 3 years immediately preceding the date of the application to transfer the quota to the transferee;
  - (c) the transferee undertakes to the Board that the quota to be transferred will be in production in the production facilities of the transferee within 10 years after the date the quota is transferred;
  - (d) The transferee and the transferee's production facilities comply with the on-farm food safety policy and the animal care policy;
  - (e) The registered producer applying to transfer the quota has paid the transfer fee required under section 13(4) or the quota policies as applicable.
- (2) The Board may exempt a registered producer from the requirement under subsection (1)(b) if the Board is satisfied that extenuating circumstances exist.

Family member is defined in the Plan/Regulation as spouse, adult interdependent, partner, child, parent, sibling, son-in-law, daughter-in-law, father-in-law, mother-in-law, first cousin, aunt, uncle, niece or nephew.

### **3. General**

- A Person or Related Corporate Producers may submit only one offer to sell or offer to buy on each QE.
- The Board reserves the right to limit a person's participation in the QE.
- The Board has no liability of obligation to a person in the event the QE is cancelled, or in the event that layer quota does not transfer.
- Provided that at least one offer to sell has been submitted by a prospective seller, the QE will be held on quarterly basis.
- Notice of a pending QE will be sent to all registered producers and published on EFA's website at least 4 weeks in advance of the date of which the QE is to be held.
- All QEs will be conducted by EFA.
- Family transfers of quota, Colony splits or quota transfers for tax purposes are exempt from participating on the QE.
- Quota transfers with production facilities may also be exempt from participating on the QE, however the Board must be notified of these transactions in advance.



#### **4. What is the Egg Farmers of Alberta (EFA) Quota Exchange Policy (QE)?**

EFA's Quota Exchange policy details the process by which egg quota is transferred in Alberta.

It operates on the premise that each buyer who wishes to buy quota has a maximum price that he/she is willing to pay for it and each seller has a minimum price that he/she is willing to accept. At the point where the volumes of quota and prices offered for sale equals or comes closest to the amount of quota bid for, the quota is exchanged.

Through the QE, in no case do the buyers and sellers interact and all quota loses its identity.

#### **5. How does the QE System Operate?**

Producers who wish to sell quota will submit offers indicating the volume of quota for sale, the price per unit of quota that they would like to sell at and the date the quota will be available.

Producers who wish to buy quota will submit bids indicating the volume of quota to purchase, the price per unit of quota that they would like to pay and the date the quota will be placed.

All of the offers to sell and all bids to buy quota will be submitted to the Board office. The quota transfer system will be run by staff members of EFA. It is important to note that other than following specific operating procedures to confirm that the quota is eligible to be transferred and that the transfer meets regulatory and policy requirements, the exchange will not be subject to Board involvement.

#### **6. Quota Exchange Schedule**

The Quota Exchange Schedule will be populated so that producers are able to determine the dates for the next 4 exchanges. This schedule will be posted to the producer website prior to the launch of each of exchange. The following is a list of deadline dates which will be included in the schedule:

Notification:	Notice announcing the launch of the Quota Exchange
Sales deadline:	Final date for farmer to submit units for sale in the quota exchange
Red/Green Date:	"GO" or "NO GO" for a Quota Exchange to be held; EFA will announce the number of units in the QE available for sale



Purchase deadline:	Final date a farmer can submit purchase bids and documents required to participate in the Quota Exchange.
QE Date:	The date the exchange will run
Summary of the QE:	Successful/unsuccessful buyers and sellers will be notified.
Quota Transfer Date:	Earliest date that the quota can transfer

## 7. How Do I Buy or Sell Quota?

All offers to buy and sell quota must be submitted to the Board office in a sealed envelope. The outside of the envelope must be clearly marked "Quota Exchange Application – Seller" or "Quota Exchange Application –Buyer". For confidentiality purposes the envelopes will not be opened until the respective deadline has passed.

All offers to purchase or sell quota must be made on forms approved by the Board. Applications forms may be obtained from the producer website or by contacting the Board office. Offers to sell and offers to buy must be signed by the prospective buyer or seller as the case maybe. In the case of a partnership, or corporation, the offer must be signed by all partners or by the corporation's legally authorized signatories, as the case may be.

Every offer to buy must include:

- (a) Confirmation of an automatic download of funds to the Board's bank account, a certified cheque drawn on a bank account of the purchaser, or irrevocable letter of credit, payable to the Board, in an aggregate amount equal to 10% of the full value of the offer to buy, and
- (b) Certification by a responsible financial institution indicating that the prospective buyer has made the necessary financial arrangements to purchase the full value of the layer quota set out in the offer to buy.
- (c) A quota exchange fee of \$105.00 (including GST)

Any monies received on behalf of the Board as a deposit payment towards the purchase price of the layer quota shall be non-refundable except where:

- (a) The offer to buy is withdrawn prior to the purchase deadline
- (b) The offer to buy is unsuccessful, or
- (c) The Board elects, in its sole discretion, not to retain the deposit.

Registered producers who wish to sell and have a financial interest or appointment of attorney registered with EFA, must along with his/her application provide consent by the financial interest holder or attorney.

If either a application to purchase or application to sell is incomplete or incorrect, the producer will be given a maximum of 3 business days to provide any missing documentation or correct any errors, failing which the Board will disallow the sale offer to be included on the QE. Sellers need to ensure the quota they wish to transfer is free of lease commitments as of the effective date of transfer.



No offer to sell or offer to buy may be withdrawn unless written notice of withdrawal is received by EFA no later than the quota exchange date.

All offers to sell and all offers to buy that are not received by the prior to the applicable deadline will be rejected and must be resubmitted for a subsequent QE in order to be processed.

For producers who are offering to purchase quota for which they do not have capacity, a signed undertaking must accompany the application form which commits the purchaser to activate the quota within a 10-year time frame.

Any offer to purchase received in excess of the amount offered for sale, will be reduced to amount offered for sale and the purchaser will be notified by email of the adjustment.

## **8. Eligibility**

The Sellers and Purchases must be in compliance with the Board's Regulations. An individual producer cannot submit an application to purchase and application to sell on the same Quota Exchange. If a producer who has submitted an application to sell subsequently submits an application to purchase for the same exchange, the producer's application to purchase will be rejected.

## **9. What do I Pay for the Service?**

Eligible persons must pay a \$105.00 application fee inclusive of GST, to the Board for each offer to purchase or sell quota. The quota exchange fee will not be withdrawn, nor deposited unless successful. An additional \$105.00 must be paid to the Board to cancel or change an offer to purchase or sell quota. Applications that do not include the application fee will be rejected.

## **10. Minimum and Maximum Amounts**

A prospective seller may specify in an offer to sell that the offer is to be withdrawn from the QE if there are insufficient offers to buy and clear 100% of the layer quota offered for sale in that offer to sell.

A prospective buyer may specify in an offer to buy that the offer is to be withdrawn from the QE if there are insufficient offers to sell to clear a specified minimum amount of layer quota sought to be purchased in that offer to buy.

The maximum amount of layer quota which may be contained in an offer to buy is 10,000 layers through the QE provided that his quota does not exceed 7.0% of the total provincial allocation.

## 11. Market Clearing Price (MCP)

Actual offers to sell and bids to purchase quota are used to establish the MCP of each exchange.

1. Offers to sell quota are accumulated based on the prices at which the quota is offered for sale from the lowest price to the highest price offered.
2. Offers to purchase quota are accumulated based on the prices at which producers have offered to purchase quota from the highest price to the lowest price bid.
3. At a price where a volume of quota offered for sale will equal, or very nearly equal, a volume of quota bid for the marketing clearing price established.

### Example of the MCP

Buyers			
Bidder #	A # of birds	B Price	C=(A*B)
1	3,000	\$ 50.00	\$ 150,000.
2	8,400	\$ 55.00	\$ 462,000.
3	600	\$ 50.00	\$ 30,000.
4	4,000	\$ 52.00	\$ 208,000.
5	1,100	\$ 53.00	\$ 58,300.
6	2,000	\$ 55.00	\$ 110,000.
Total	19,100		\$ 1,018,300.

Sellers			
Seller #	D # of birds	E Price	F=(D*E)
1	92	\$ 45.00	\$ 4,140.00
2	185	\$ 50.50	\$ 9,342.50
Total	277		\$ 13,482.50

# of birds		
Buyers	19,100	\$ 1,018,300.00
Sellers	277	\$ 13,482.50
Total	19,377	\$ 1,031,782.50
	G	H
MCP	H/G	\$ 53.25

In this example, both sellers would be successful and receive \$53.25/bird and any buyer who is at or above \$53.25 would be successful (bidder 2 and 6) would be successful and they each would receive 138 birds.

## 12. Allocation Process

Where there are **less birds for sale than there are offers to buy**, the available layer quota will be allocated on an incremental basis to successful buyers. The incremental allocation process allocates the available quota in increments or blocks of a specific size until the quota has been fully equally distributed. In a situation where there is rounding, or distributing the quota equally leaves quota undistributed, the Board will hold the quota to sell on the next quota exchange at the market clearing price established in the next exchange.

### Allocation Example:

Assume that 9 persons were eligible to purchase 3,000 units of quota at the MCP, but only 2,496 units were available at that price. The attached table lists the producers, the total amount of quota of which they would be eligible to buy, the incremental distribution in block of 100 units and the distribution of available quota.

Quota would be distributed to the eligible producers in blocks of 100 units until their bid was satisfied or until there was insufficient left to provide all the remaining producers with another block of 100 units. In this example, there is sufficient quota to provide every producer with 300 (3 x 100) or the total of 2,325 which leaves a remainder of 171 to be allocated. At this point there are 5 producers left which have not had their bids fully satisfied; the remainder is divided equally amongst them, which will leave 1 unit remaining unsold. Each producer will receive 334 units of quota or full satisfaction of their offer to purchase whichever is the lesser. In this case, the Board would hold the 1 unit of quota at the market clearing price to be sold on the next successful exchange, at that exchanges market clearing price.

<i>Producers</i>	<i>Offer to Purchase</i>	<i>A1</i>	<i>A2</i>	<i>A3</i>	<i>B</i>	<i>Distribution</i>
A	500	100	100	100	34	334
B	350	100	100	100	34	334
C	400	100	100	100	34	334
D	125	100	25	-	0	125
E	500	100	100	100	34	334
F	150	100	50	-	-	150
G	300	100	100	100	-	300
H	250	100	100	50	-	250
I	425	100	100	100	34	334
<i>Total</i>	3,000	900	775	650	170	2,495

----2,325----

Where there are less offers to buy than there are birds available for sale:

- (a) The available layer quota will be transferred from each prospective seller on a pro rata basis to prospective purchasers.
- (b) The Board may use the following procedure to try and clear all the sellers' quota.
  1. The Board shall offer to all successful purchasers the right to buy additional quota at the market clearing price. If the purchasers agree to buy more

quota than is available on the exchange, the allocation process will be used to distribute the available quota.

2. If the purchasers of the quota in number one do not wish to buy all of the quota available, the Board will then offer to those producers that participated in that quota exchange but who were not successful in purchasing quota the right to buy quota at the current market clearing price. If these purchasers then agree to buy more quota than is available, the allocation process will be use to distribute the available quota.
3. If the Board is unsuccessful in selling the quota through subsection (1) or (2) the Board will use the allocation process to determine how much quota each producer will sell on that quota exchange. Some sellers may not be able to sell their entire quota on one exchange.

### 13. Transfer Dates

As part of the Quota Exchange application process, sellers will need to indicate when the birds will be available to transfer to the new buyer with the latest time frame being the conclusion of the current Quota Leasing Pool or the date of flock disposal.

Buyers will also need to specify the date that they would like the effective transfer to take place with the latest transfer date being at the conclusion of the current Quota Leasing Pool or the 19-week date of their flock end of lay.

The transfer date of the seller(s) will be used to match the dates with the needs of the buyer in date order. EFA will determine if these dates can be accommodated by utilizing birds in reserve. In the event Alberta, is fully allocated, the following example outlines the methodology to be used to match up the transfer dates:

Two successful sellers:

1. 1,000 birds that will be available after the conclusion of pool April 2019
2. 500 birds that are not in the leasing pool and are available immediately.

Five successful buyers who after using the allocation process

1. 300 birds immediately
2. 500 birds required on August 1, 2017
3. 500 birds required on September 1, 2017
4. 100 birds required on December 1, 2017
5. 200 birds required at the conclusion of the pool

Distribution

- The 500 birds that are available immediately would be distributed on a pro rata basis to buyers 1-4 on the dates the buyers want
- The balance would be distributed at the conclusion of the pool





## 14. Notification and Payment

EFA will notify all persons participating in the QE of the results as per the above schedule.

EFA will provide all successful sellers and purchasers with statements. Purchasers shall be required to pay an amount equal to the balance of the purchase price required for the purchase of the layer quota. Such payment shall be made to EFA, not later than transfer date by direct deposit, certified cheque, money order or bank draft.

If payment is not made as required:

- (a) The offer to buy made by the defaulting purchaser shall be deemed to be withdrawn;
- (b) The whole or any part of the deposit paid by the defaulting purchaser together with any accrued interest, shall be forfeited to the Board, and
- (c) The amount of layer quota sold by all successful sellers will be reduced proportionately by the amount of layer quota not transferred by the defaulting purchaser.

Payment to the seller(s) will be calculated by multiplying the MCP for a QE by the amount of the layer quota sold by the seller on that QE. Payment to a successful seller will be made by cheque drawn on EFA's bank effective the date of transfer.

## 15. Pullet Orders

When a producer chooses to sell his quota, it is their responsibility to ensure that he has no chicks on order or pullets being grown. As the onus is on the seller he/she must make appropriate arrangements with his hatcheryperson or pullet grower. The Board may withhold the costs of chicks or pullets from payment to the producer to compensate the hatcheryperson or pullet grower for any losses that may occur.

## 16. Ineligible Applications

In the event a bid or offer submitted to the exchange is considered to be an obvious attempt to disrupt the success of the QE, the Board of Directors may use discretion to reject the bid or offer. The application will be returned with notification as to why it has been rejected.

## 17. Cancellation of the Quota Exchange

The Board at its sole discretion may cancel the Quota Exchange at any time.

### For Internal Use Only

Policy updates must be uploaded	Specify location
Producer Website	<a href="http://www.albertaeggproducers.ca/information-center/EFA-Policies/">http://www.albertaeggproducers.ca/information-center/EFA-Policies/</a>



Consumer Website	N/A
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