

## EGGSASPERATING!<sup>1</sup>

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Karl Hann navigates his big white van through rush hour traffic in Vancouver's Kitsilano neighborhood. He slows down and hangs a left into the alley just north of trendy 4th Avenue. Hann pulls the truck in beside a dumpster, jumps down from the front seat and carefully lifts a large cardboard box out of the back. Balancing it on one hip, he walks up a few steps and opens a screen door into the tiny kitchen of a fine-dining restaurant. This is the part of Bishop's that its patrons rarely see.

Sous chef Geoff looks up and greets Hann, but he's preparing for the dinner rush and there's not much time for chitchat. The box goes in the fridge, Hann confirms the next week's order, and then he's on his way. Three times a week Hann loads up his van and drives into the city to sell eggs from his Abbotsford farm. Mondays and Thursdays are delivery days, and most Saturdays he's at the Trout Lake farmers' market. A growing demand for organic eggs has allowed Hann expand his flock from a few hundred to 2,000 birds. But technically, he's not supposed to be selling these eggs at all -- he doesn't have the quota required to produce them.

But Hann says he's filling a much-needed supply. He and other producers assert that the *B.C. Egg Marketing Board* (BCEMB), the body that oversees egg production in the province and administers quota, has not been responsive enough to an increasing consumer demand for organic, and other types of specialty eggs, which include free-range, free-run and omega enriched eggs. And although the BCEMB disagrees, pointing to a new organic producer program as proof, the whole debate raises questions about the role of marketing boards and the challenges that new, non-conventional farmers face when trying to break into supply-managed industries.

### The Problem With Quota

Eggs are one of three supply-managed agricultural industries in Canada (the others are poultry and dairy), which means the markets are regulated with fixed prices on domestically provided products, high tariffs on imports, and quotas on production. The national egg marketing board sets quota for each province, and the BC Egg Marketing Board is responsible for allocating that quota to producers around the province. The board was created in 1967 -- as the first egg marketing board with quota in Canada -- after egg production outpaced demand and drove down prices in B.C. With so many suppliers to choose from, people who operated graders (which sort eggs according to quality, or "grade" and size, and then wash and package them) could threaten to move on to the next guy if they didn't get a price they demanded.

"You are not supposed to go out and say, 'Oh, I can produce cheaper eggs,'" says Hann. "No, you are supposed to fill a market, you are not supposed to undercut. On that point I agree with the regulations. "But the way the system has evolved has gone haywire. Somebody has not paid attention to it." One of the ways in which supply-managed systems have changed is the fact that the value of quota in these industries has shot up over the years. Quota can be bought, sold or traded on the market. According to BCEMB chair Al Sakalaskus, quota to produce eggs is worth anywhere from \$160 to \$200 per hen, depending on the type.

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While food security advocates say supply-managed markets are ultimately good for the farmer, they also acknowledge that the high price of quota has stifled innovation and change. "The only lucrative farming that exists now is supply-managed farms, or micro-farms," says Herb Barbolet, an associate with the Centre for Sustainable Community Development at SFU. "Basically, the supply-managed commodity farmers are the ones who are maintaining economic viability." But it's not perfect, he says. "The way it's run requires a lot more transparency and a lot more flexibility," says Barbolet. "And the old guard is holding on tight."

A recent report by the *Metcalf Foundation* acknowledged this as well. "Supply management does not, however, work as well for those who engage in non-conventional forms of farming and for new farmers. Non-conventional farmers depend on their ability to differentiate themselves in the market, and they do their own marketing to let customers know about what they do differently. They do not benefit from economies of scale to the same degree, and they cannot justify the market price for quota given the production methods they use," stated the report.

#### **LOCAL FOOD TAKEAWAY: OPEN UP TO SPECIALTY PRODUCERS**

The value of quota, and power structure of the status quo, can make it difficult for new and alternative producers to break into Canada's supply-managed commodity markets, which include eggs, dairy, and poultry.

Solution? A June, 2010 *report* by the *Metcalf Foundation* looked at how to better accommodate these producers. Among its recommendations include increasing quota exemptions for specialty producers or those who sell through direct marketing, decreasing minimum quota levels and establishing separate quotas for specialty products. The egg marketing authority in Quebec recently introduced a program for new producers that loans them quota, for free. That quota can be passed down to children, but if egg production stops, the quota goes back to the egg board.

### **Demand for Organic Outpacing Supply**

Organic producers province-wide can't keep up with demand for organic eggs in B.C. According to the *BC Farm Industry Review Board*, this province imported 200,000 dozen organic and free-run eggs from Alberta and Manitoba in 2008, compared to 11,800 that were exported from the province. The legislated role of the BCEMB is to monitor market changes and adjust quota accordingly. Specialty eggs (which includes organic, free run, free range and omega) account for 16 per cent of egg sales at major grocery stores. But add actual sales of specialty eggs from farmers' markets or smaller health food stores, and that share is certainly higher. According to a *survey* by the Vancouver Humane Society, 21 per cent of British Columbians buy non-conventional, battery-cage-raised eggs. But the share of quota these producers received from the BCEMB in 2008 was just 11 per cent of total production.

In 2005, the Farm Industry Review Board instructed all of the supply-managed industries in the province to come up with plans to serve this growing demand for organic and specialty products. The BCEMB responded four years later with a new producer program focused specifically on bringing more organic eggs into the market, quota for 12,000 hens. (The BCEMB plans to allocate quota for another 6,000 hens over the next two years, which would bring the percentage of total specialty egg production to about 15 per cent.)

But with this latest quota allocation, rather than give quota to egg producers who were already producing eggs and had requested the capacity to expand, it asked interested parties to submit business plans, and then drew winners through a lottery. All four winners are located in the already-saturated Fraser Valley, and one didn't even own any property yet, the Vancouver Sun *reported* at the time. *Stakeholder submissions* on the lottery program were posted on the boards' website. One common thread was that the lottery system did nothing to address an immediate lack of supply for organic eggs particularly in regions outside of the Fraser Valley.

"If this lottery system is really the best strategy you can come up with, then at least use separate 'hats' for each specialty egg: certified organic, free range, omega 3 enhanced, etc., and replicate it for each region of the province in the interest of fairness and diversity," wrote Susan Davidson of Glorious Organics.

### **'The Worse Thing They Can Do Is Ignore It'**

Ian Christison owns *Daybreak Farms* in Terrace. He produces and grades conventional as well as omega and free-run eggs for wholesale across the province. "The marketing board has to be looking at the requirements of a region and focus on the marketing of the product to ensure that we are supplying 100 per cent of B.C.'s market with B.C. production," says Christison. "That to me is where 90 per cent of the problem is. But they don't seem to get it and they don't want to." He says they can't produce enough organic eggs in the Interior to fill demand. "We bring in eggs from [Lower Mainland producer/grader] Golden Valley wherever we can in terms of omega and free run," Christison says. "We have no idea at this point what kind of a market we could have. We could only assume that the market up here would be no different from anywhere."

The Farm Industry Review Board (FIRB) is an administrative tribunal responsible for supervising the BCEMC and other regulated marketing boards. Chair Jim Collins says his board has told the BCEMB more than once that it has to engage with what he calls the "social movement" that is driving demand for specialty eggs. "The egg industry is in transition," says Collins. "We're asking them to be as responsive as they can. They think they are... others think that they're not." "Our board has told them more than once that you have to engage in these issues so you can help," he says. "If you have a social movement like this, whether you agree with it or not, the best thing to do is you need to engage that social movement and talk to people and manage the transition." "The worse thing they can do is ignore it," Collins says. "They believe that they're starting to be responsive. We'll see what the final outcome of that is."

### **Producers Not 'Locked In' – BCEMB**

When asked about the gap in specialty egg supply, BCEMB chair Al Sakalaskus points out that this egg shortage is not limited to the specialty market. This year, all egg producers fell short of meeting demand, not just specialty. He pointed to the new producer program as evidence of how the board is responding to demand for specialty eggs. Sakalaskus also noted that farmers can have 99 or fewer hens without permission from the BCEMB. And the board regulates producers who have between 99 and 399 laying hens, but does not require quota. "We're looking at the specialty industry and trying to gauge where the market is going to be sometime in the future," Sakalaskus says. "We know what we sell, and we know what the marketplace absorbs, but the art in this whole industry is trying to gauge consumer behaviour some two-and-a-half years in the future, where we have to make a decision today as to what type of product that will be in demand."

Sakalaskus also points out that producers are not locked into one category. "If Jimmy Pattison says I want more free range eggs and he tells a grading station I want more free range eggs, it goes down the system and regular produces will be incentivized by the grading industry to switch over if there is a hole in the marketplace." So what's driving demand for specialty eggs today? "I don't really have to explain it," says Sakalaskus. "But God bless 'em for buying."

Rob Marten is one farmer who's successfully made the transition to the specialty egg market. After a career in the conventional battery-cage sector, he bought a farm in Chilliwack where he now raises 4,000 free-range hens. Marten also grew up on a farm with a facility that raised hens in battery cages. His decision to switch to free range practices was strictly business. "I can get more per bird," he says. "I sincerely became a chicken farmer because I love working with chickens. Yes, I was working before with caged hens and I felt exactly on the same level." "Sometimes I get upset when I hear people say, 'You can't get into that business, it's all protected.' I found a market niche for free-range birds," Marten says. "I didn't have the quota so I made a deal with another producer where I lease the quota. That's my way I'm working within the system, and anybody can do it."

But Hann wonders why producers like him should be required to work in the system -- which includes paying a 40 cent per dozen levy to the BCEMB, if it's not working for them. "You have to understand that the marketing board is actually not doing any marketing at all. Especially the niche markets or anything new is a horror for these people. For me the market has grown basically by word of mouth and in most cases I had to decline new clients. I just do not have the capacity and in this environment of limbo, one cannot plan ahead or invest."