

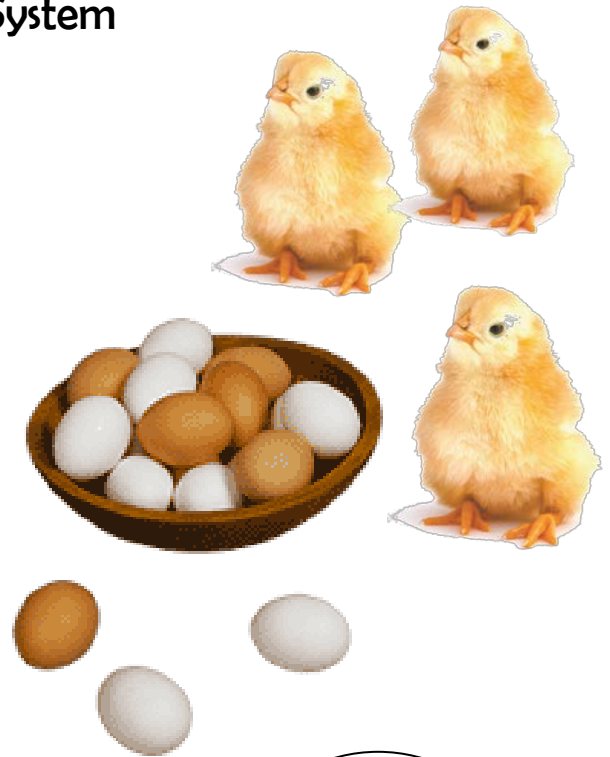
# Egg & Pullet Quota Transfer System

A look at how Egg Farmers of Ontario's new Quota Transfer System will work to serve the needs of Ontario's egg and pullet farmers

**Making Ontario egg & pullet quota transfers accessible, transparent & efficient**

**W**ith goals of accessibility & transparency of Ontario's egg and pullet quota transactions, Egg Farmers of Ontario [EFO] launched its made-in-Ontario Quota Transfer System [QTS] January 1, 2014.

The purpose of this information brochure is to provide background and examples of how the QTS will operate.



see inside for QTS: ~

- ✓ What, When, How
- ✓ Example #1 QTS
- ✓ Example #2 QTS
- ✓ Schedule
- ✓ Published Results & Reference

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## WHAT, WHEN & HOW

### WHAT IS THE EGG FARMERS OF ONTARIO [EFO] QUOTA TRANSFER SYSTEM [QTS]?

EFO's QTS is the process by which transfers of egg and pullet quotas in Ontario are conducted.

### HOW DO I TRANSFER [SELL] QUOTA?

Individuals who want to transfer [sell] quota, submit the following to EFO:

#### WHAT:

- the **# of units [amount]** of quota to **sell**;
- the **date** the quota will be available; and,
- the asking **price per unit of quota**.

#### WHEN & HOW:

- within the Quota Transfer [QT] time frames *[as per the 2014 EFO QTS Schedule Sheet]*
- complete form EFO QTS #1-14 [application to sell quota]
- provide \$100 fee + HST
- if there is a Letter of Direction on file, a Consent of Encumbrancer will be required from financial institution
- legal opinion
- quota release form

### HOW DO I ACQUIRE [BUY] QUOTA?

Individuals who want to acquire [buy] quota, submit the following to EFO:

#### WHAT:

- the **# of units [amount]** of quota to **buy**;
- the **date** the quota will be placed; and,
- the price willing to **pay** per unit of quota.

#### WHEN & HOW:

- within the time frame for the QT *[as per the 2014 EFO QTS Schedule Sheet]*
- complete form EFO QTS #2-14 [application to buy quota]
- provide 10% deposit of the value of the volume [bid, payable via cheque - refundable if the transaction is not completed]
- legal opinion

### HOW DOES EFO'S QTS WORK?

EFO:

- receives directly from the farmers documents required to transfer quota;
- staff verifies the documents received are from eligible farmers 'in good standing'<sup>[see page 9]</sup>;
- determines if there will be a QT on the set date for that time period;
- an independent third party agent determines the Equilibrium Price [EP] at which quota will be transferred.

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## HOW IS THE QT EP DETERMINED?

It is a combination of:

- the volume of quota [# of units] offered to be transferred [sold];
- the requested transfer price[s] per unit of quota being offered;
- the volume of quota [# of units] being acquired [bought];
- the price buyers are prepared to pay to acquire the quota;
- the EP is set by a formula that is determined by an independent third party agent when and where the above align.

## WHAT HAPPENS ONCE THE QT'S EP IS SET?

Quota transfers take place.

## HOW DO THE QUOTA TRANSFERS TAKE PLACE? SEE EXAMPLES 1 & 2

FIRST:

Farmers who wanted to acquire [buy] quota, with a bid price closest to the EP determined, without being **under/below** the EP determined, have their request filled [subject to availability].

Farmers who offered quota [sell] on the QTS, with an offer price lowest to the EP determined, without being **over** the EP determined, have their request filled [subject to qualifying bids].

THEN:

If quota is still available, buyers who submitted a bid price next closest, without being **under/below** the EP determined, have their requests filled [subject to availability]. And so on until either all quota requested has been filled or all volume available has been allocated.

## WHAT HAPPENS IF THERE ARE MORE SELLERS [# OF UNITS/BIRDS FOR SALE] THAN BUYERS? SEE EXAMPLE #1

Each QTS is a stand alone transfer process. Any unsold quota is returned to the quota holder.

## WHAT HAPPENS IF THERE ARE MORE BUYERS [# OF UNITS/BIRDS FOR SALE] THAN SELLERS? SEE EXAMPLE #2

If there is less quota offered than is requested [at the EP], then those who want to acquire quota can participate in future quota transfers.

## WHAT HAPPENS IF ONLY PART OF THE QUOTA REQUESTED IS FILLED? SEE EXAMPLES 1 & 2

TRANSFER [SELL]

- If the quota holder wanting to transfer quota submits an offer price higher than the EP, "that" quota is not transferred.
- The quota is returned to the quota holder
- The quota holder has the option to have the quota placed in the next QTS without an additional \$100 fee. [if the quota is removed from the next QTS and re-submitted in a subsequent QTS, then the \$100 fee is applicable]

ACQUIRE [BUY]

- If the farmer wanting to acquire quota submits a bid price lower than the EP, then they are unsuccessful and have the opportunity to participate in another QT.
- The farmer will receive their 10% deposit back.

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## EFO QTS ~ TRANSFER EXAMPLE

### EXAMPLE #1

MORE SELLERS [# OF UNITS/BIRDS FOR SALE] THAN BUYERS:			
<b>UNITS/BIRDS TO BUY</b>	<b>'BUY' PRICE PER UNIT/BIRD</b>	<b>UNITS/BIRDS TO SELL</b>	<b>'SELL' PRICE PER UNIT/BIRD</b>
3,000	\$297.75	4,870	\$299.50
1,200	\$289.75	48,404	\$302.20
500	\$310.00	4,400	\$287.00
4,500	\$288.75	11,376	\$295.00
976	\$286.00	400	\$300.50
5,000	\$295.75		

COLOUR CODE:	
<b>UNITS/BIRDS ... SOLD</b>	
<b>UNITS/BIRDS ... BOUGHT</b>	
<b>UNITS/BIRDS ... NOT SOLD; price adjustment needed</b>	
<b>UNITS/BIRDS ... NOT BOUGHT; can participate in the next QTS</b>	

**The Equilibrium Price [EP] [the price at which quota would transfer] was determined via a formula and established at \$295.38**

- buyers who bid lower than \$295.38 were eliminated
- sellers who submitted an offer price higher than \$295.38 were eliminated

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## BUYING:

Amount of units/birds available to transfer would be

- **8,500 [5,000 + 3,000 + 500]**

## SUCCESSFUL BUYERS:

- The buyer wanting to purchase 5,000 units/birds at \$295.75 would get the **5,000 units/birds for \$295.38 per unit/bird.**
- The buyer wanting to purchase 3,000 units/birds at \$297.75 would get the **3,000 units/birds for \$295.38 per unit/bird.**
- The buyer wanting to purchase 500 units/birds at \$310.00 would get the **500 units/birds for \$295.38 per unit/bird.**

## UNSUCCESSFUL BUYERS:

- Unsuccessful bidders may choose to participate in a future QT.

## SELLING:

Amount of units/birds available to transfer, as a **result of the QT**, would be

- **15,776 [11,376 + 4,400]**
- **With the units/birds available to transfer set at 8,500, the balance of 7,276 [15,776 – 8,500] units/birds are returned to the quota holder.**
- **The quota holder has the option to have the quota placed in the next QT\$ without an additional \$100 fee. [If the quota is removed from the next QT\$ and re-submitted in a subsequent QT\$, then the \$100 fee is applicable.] The quota holder has the opportunity to change their offer price for the next QT\$.**

## SUCCESSFUL SELLERS:

- One seller transfers the whole amount offered; **4,400 units/birds;**
- One seller transfers only **4,100 units/birds** of the 11,376 units he wanted to transfer.

## UNSUCCESSFUL SELLERS:

- The quota is returned to the quota holder.
- The quota holder has the option to have the quota placed in the next QT\$ without an additional \$100 fee. [If the quota is removed from the next QT\$ and re-submitted in a subsequent QT\$, then the \$100 fee is applicable.]

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## EFO QT\$ ~ TRANSFER EXAMPLE

### EXAMPLE #2

#### MORE BUYERS [# OF UNITS/BIRDS FOR SALE] THAN SELLERS:

UNITS/BIRDS TO BUY	'BUY' PRICE PER UNIT/BIRD	UNITS/BIRDS TO SELL	'SELL' PRICE PER UNIT/BIRD
3,000	\$297.75	4,870	\$299.50
1,200	\$289.75	4,840	\$302.20
500	\$310.00	4,400	\$287.00
4,500	\$288.75	1,137	\$295.00
976	\$286.00	400	\$300.50
5,000	\$295.75		
5,537			

#### COLOUR CODE:

UNITS/BIRDS ... SOLD

UNITS/BIRDS ... ELIGIBLE to buy

UNITS/BIRDS ... BOUGHT

UNITS/BIRDS ... NOT SOLD; price adjustment needed

UNITS/BIRDS ... NOT BOUGHT; can participate in the next QT\$

**The Equilibrium Price [EP] [the price at which quota would transfer] was determined via a formula and established at \$295.38**

- buyers who bid lower than \$295.38 were eliminated
- sellers who submitted an offer price higher than \$295.38 were eliminated

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## **BUYING:**

Amount of units/birds available to transfer would be

- **5,537 [4,400 + 1,137]**

## **SUCCESSFUL BUYERS:**

- The buyer wanting to purchase 5,000 units/birds at \$295.75 would get the **5,000 units/birds for \$295.38** per unit/bird.
- The buyer wanting to purchase 3,000 units/birds at \$297.75 would get **537 units/birds for \$295.38** per unit/bird.

## **UNSUCCESSFUL BUYERS:**

- Unsuccessful bidders may choose to participate in a future QT.

## **SELLING:**

Amount of units/birds available to transfer, as a **result of the QT**, would be

- **5,537 [4,400 + 1,137]**

## **SUCCESSFUL SELLERS:**

- One seller transfers the whole amount offered; 4,400 units/birds;
- One seller transfers the whole amount offered; 1,137 units/birds.

## **UNSUCCESSFUL SELLERS:**

- The quota is returned to the quota holder.
- The quota holder has the option to have the quota placed in the next QTS without an additional \$100 fee. [If the quota is removed from the next QTS and re-submitted in a subsequent QTS, then the \$100 fee is applicable.]

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## Quota Transfer System Schedule

2014	Sales Deadline	#Units Available for Sale	Red/Green Date	Purchase Deadline	Red/Green Y/N	QT Date	Summary of QT
QT I	January 23	TBD	January 30	February 27	TBD	March 12	March 19
QT II	April 17	TBD	April 24	May 22	TBD	June 11	June 18
QT III	July 24	TBD	July 31	August 28	TBD	September 10	September 17
QT IV	October 23	TBD	October 30	November 27	TBD	December 10	December 17

**SALES DEADLINE:** FINAL date for a farmer to submit units for sale in the QT

**# UNITS AVAILABLE FOR SALE:** At least one eligible quota holder submits units of quota to transfer [sell]

**RED /GREEN DATE:** 'GO' or 'NO GO' for a QT to be held; EFO will announce the number of units in the QTS submitted to be transferred

**PURCHASE DEADLINE:** FINAL date a farmer can submit purchase bids and the documents required to participate in the QT

**RED/GREEN YES/NO:** QT to proceed: if there is a minimum one [1] Seller; two [2] Buyers a QT will move forward

**QT DATE:** Based on the above, the date determined that the QT will take place

**TBD:** To Be Determined

**SUMMARY OF QT:** Successful/unsuccessful buyers and sellers will be notified



# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

**EGG FARMERS OF ONTARIO  
QUOTA TRANSFER SYSTEM [QT'S]  
DATE OF EFO'S QT: \_\_\_\_\_ PUBLISHED RESULTS**

**SAMPLE #1 'MORE SELLERS [# OF UNITS/BIRDS FOR SALE]  
THAN BUYERS' SUMMARY**

NUMBER OF BUYERS	6
NUMBER OF SELLERS	5
NUMBER OF BIRDS WANTING TO BE BOUGHT	15,176
NUMBER OF UNITS/BIRDS OFFERED FOR SALE	69,450
EQUILIBRIUM/TRANSFER PRICE	\$295.38
NUMBER OF BIRDS ELIGIBLE TO BE TRANSFERRED	15,776
NUMBER UNITS/ BIRDS ACTUALLY TRANSFERRED AT EQUILIBRIUM/TRANSFER PRICE	8,500
NUMBER OF UNITS/BIRDS CARRIED OVER TO NEXT QT	NO CARRY OVERS

**SAMPLE #2 'MORE BUYERS [# OF UNITS/BIRDS FOR SALE]  
THAN SELLERS' SUMMARY**

NUMBER OF BUYERS	6
NUMBER OF SELLERS	5
NUMBER OF BIRDS WANTING TO BE BOUGHT	15,176
NUMBER OF UNITS/BIRDS OFFERED FOR SALE	15,647
EQUILIBRIUM/TRANSFER PRICE	\$295.38
NUMBER OF BIRDS ELIGIBLE TO BE TRANSFERRED	5,537
NUMBER UNITS/ BIRDS ACTUALLY TRANSFERRED AT EQUILIBRIUM/TRANSFER PRICE	5,537
NUMBER OF UNITS/BIRDS CARRIED OVER TO NEXT QT	NO CARRY OVERS

# EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

## REFERENCE & TERMS

### EGG FARMERS OF ONTARIO

Quota transfer documents are available:

Online: <http://eforms.getcracking.ca>

And are to be submitted to:

Attention: Judy Kean, Director of Policies & Quota Affairs  
Via Email: [efogts@getcracking.ca](mailto:efogts@getcracking.ca)  
Or Registered Mail: Egg Farmers of Ontario  
7195 Millcreek Drive, Mississauga, Ontario L5N 4H1

### IN GOOD STANDING

[\*\*] to participate in EFO's QTS, farmers must be ELIGIBLE [at the time of placement]:  
**In Good Standing:** To be in good standing a producer must be in conformity with all EFO Regulations, Policies, Orders, and Directions, including housing density. Producers must have all the paperwork filed at the EFO office as outlined in the EFO General Regulations; and be up-to-date with all licence fees, levies and any other amounts owing to EFO.

### CO-CREATOR OF THE QUOTA TRANSFER SYSTEM, PROFESSOR MAURICE DOYON:

Following various extensive studies which commenced in 2005, Professor Maurice Doyon, Fellow Cirano, adjunct Professor at the University of Maine and Professor in Agricultural Economics and Egg Farmers of Canada's Egg Industry Economic Research Chair at Université Laval, Department of Agricultural Economics and Consumer Science, along with his colleague Daniel Rondeau, Associate Fellow at Cirano and Professor at the University of Victoria, developed the quota transfer system from the design to the implementation of the system.

### QUESTIONS?

Contact Judy Kean, Director of Policies & Quota Affairs  
Phone: 905-858-9790 or 1-800-387-8360 extension 232  
Email: [jkean@getcracking.ca](mailto:jkean@getcracking.ca)  
Fax: 905 858-1589

## EGG FARMERS OF ONTARIO'S QUOTA TRANSFER SYSTEM

### FREQUENTLY ASKED QUESTIONS

<b>QUESTION</b>	<b>ANSWER</b>
When 'new' farmers submit a bid to purchase quota, are they required to submit a deed identifying where the quota will be located at the same time of bidding?	Before the birds can be placed a 'registered deed' must be submitted by a new farmer in order to qualify for the QTS.
When can farmers submit an offer of quota for sale into the auction?	Farmers may submit an offer up to 12 months prior to the effective date of the transfer.
When I am successful in selling my quota in EFO's QT, when do I receive my money?	EFO will send funds, subject to any levy adjustments in the case of whole quota sales, to the seller no later than ten [10] business days following the effective date of the transfer and confirmation the birds have been removed from the barn.
When my bid is successful [to buy quota] in EFO's QT when do I send my money to EFO?	EFO will notify the successful buyer when funds need to be sent to the EFO QTS [payable via bank draft/wire transfer].
What happens when farmers are not ready to place birds on the effective date of the transfer?	If the buyer and seller effective date does not align then the buyer will receive a per bird levy stand down. The buyer has the option of applying for a per bird credit or place birds into the layer leasing pool.
Can a new or existing quota holder purchase quota and place those birds in the layer leasing pool until enough quota has been accumulated to build a barn?	Yes: subject to the name(s) on the quota are the same name(s) on the deeded property upon placement where the barn will be built. The buyer has the option to place birds into the layer leasing pool for a maximum of 5 years.
Can I buy and sell in the same QT?	No