



## MEMORANDUM

**To:** Mike Dungate  
**From:** Robin Horel  
**Date:** February 17, 2015  
**Subject:** Amendments to the CFC operating agreement

We received the recent amendments to the CFC Operating Agreement on February 3. Through our e-mail communication of the same day we note that, although we are not signatories to the FPA, to the extent that CPEPC has comments and wants to filter them through to CFC when you consider approving the amendments on February 20, 2015...we are welcome.

We believe that these comments need to be considered carefully by CFC Directors before approving the Operating Agreement Amendments. At our recent Chicken Sector meeting, our members discussed the CFC MOU, the proposed amendments to the Operating Agreement and the allocation system for chicken.

CPEPC supports the Supply Management system for chicken, but notes the need for modernization. Our members are supportive of a component of regional differential growth, within the proposed new allocation system for chicken (that includes the other elements of the MOU). This would entail:

- a) Ensuring checks and balances are put in place
- b) Working with other parties at CFC to flesh out the mechanics of how a Regional Differential Growth component would work
- c) The allowance for regional Differential Growth would be in addition to the other elements of the MOU

What is important to note from our discussion and from the position noted above is that CPEPC is in favor of a system that allows for flexibility to ensure that processors can fill market requirements, while ensuring that checks and balances are put in place. We do not advocate discarding the MOU, but rather layering the ability to apply a regional differential growth factor over, or in addition to, the factors agreed to in the MOU. It seems to us that could be accomplished by not eliminating the provision for the Market Responsive Pool from the amended Operating Agreement, or by another means if agreed to by the CFC Directors.

In addition to our belief that allowing for such a provision would enhance the system being considered, we also believe that failure to allow for an additional component of regional differential growth will result in the Operating Agreement Amendments not being accepted by all signatories.

In keeping with our position that the allocation system for chicken needs to be modernized, we also believe that the Operating Agreement amendments should include the following provisions, as expressed to you in previous correspondence:

1. CFC allocation decisions should be determined by a triple majority;
2. The medium term growth rate (MTGR) should take on greater significance

We noted that, Farm Products Council of Canada, as part of their communication of the Decision on the Period A-127 Complaint, noted that *"It is Council's view that the downstream stakeholders incur almost all of the risk if an allocation is set too high, and yet have little influence on setting the allocation"*. We believe the changes suggested above would satisfy this concern and would improve the allocation setting methodology.

In our previous communication to you (December 5, 2014) on suggested amendments to the Operating Agreement, we have offered our suggestion for how to incorporate these changes into the system and into the Operating Agreement.

We ask that you share our comments with all Directors prior to their conference call meeting of February 20, 2015.

Regards,



K. Robin Horel  
President and C.E.O.

cc: Laurent Pellerin, FPCC  
Mike Terpstra, CPEPC  
CPEPC Chicken Sector Members