

## Western Processors

**HALLMARK**  
Poultry Processors

**FarmFed**  
THE NATURAL CHOICE

**SANBRISE FARMS**

**SOFINA**

**PRAIRIE PRIDE**  
Natural Foods Ltd.  
Saskatoon, SK.

**Granny's**  
FARMER FARMERS FARMERS

**DunnRite**

**LILYDALE**

December 10, 2014

**Via: Email**

To:

Honourable Ron Kostyshyn, Manitoba Minister of Agriculture, Food and Rural Development <a href="mailto:minagr@leg.gov.mb.ca">minagr@leg.gov.mb.ca</a>	Honourable Lyle Stewart, Saskatchewan Minister of Agriculture <a href="mailto:lstewart@m1a.legassembly.sk.ca">lstewart@m1a.legassembly.sk.ca</a>	Honourable Norm Letnick, British Columbia Minister of Agriculture, <a href="mailto:AGR.Minister@gov.bc.ca">AGR.Minister@gov.bc.ca</a>
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Cc:

Mr. Ken Caldwell, Chair MB Farm Products Mktg Council <a href="mailto:calken@mymts.net">calken@mymts.net</a>	Dr. Robert Tyler, Chair c/o Mr. Corey Ruud, SK Agri-Food Council <a href="mailto:corey.ruud@gov.sk.ca">corey.ruud@gov.sk.ca</a>	Mr. John Les, Chair BC Farm Industry Review Board <a href="mailto:firb@gov.bc.ca">firb@gov.bc.ca</a>
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Dear Sirs:

**Re: Proposed Amendments to Schedule B of the 2001 Federal – Provincial Agreement for Chicken, by Chicken Farmers of Canada**

As you are aware and further to our discussions, Chicken Farmers of Canada (CFC) has proposed amendments to Schedule B of the Operating Agreement for Chicken to reflect a new formulaic allocation method for chicken. The approval process for these amendments requires that CFC obtain the signatures of each of the provincial chicken marketing boards and of each of the provincial supervisory agencies, which it intends to have completed by June, 2015.

We take this opportunity to follow up on individual meetings with each of you and/or the members of your department and affirm that Western primary poultry processors are adamantly opposed to the proposed amendments for the following reasons:

- 1) Over the last decade, Western Canada increasingly has seen its allocation requests go unrecognized, resulting over time in a significant under-supply of chicken in Western Canada. (Attachment 1). This has resulted in Western processors not being able to fully service their customers, and especially major chains such as Costco, Overwaitea and Loblaws, and, as a consequence, Western consumers generally. Our data clearly shows that this new proposed agreement will serve to further increase the under-supply of Western requirements for chicken

Page 2

Honourable Ron Kostyshyn; Honourable Lyle Stewart; Honourable Norm Letnick  
December 10, 2014

and does not respect the anticipated economic development and population growth of Western Canada over the next ten years.

- 2) The shift in allocation from Western Canada, where processors have consistently requested more product, to Ontario, where processors are adequately supplied, will ultimately result in more finished product being shipped to Western consumers from Ontario processors, further dampening Western industry growth and investment.
- 3) This transfer of production to Ontario has an overall negative economic impact on the Western provinces and presents a significant risk to the industry going forward by constraining farm production, and potentially reducing investment in primary and further processing (Attachment 2).

CFC and Provincial Boards in Western Canada have characterized these changes as “modest” and necessary to “preserve” supply management; however, these comments are made in the context of individual farms and their representatives in an attempt to preserve the structure of the existing CFC organization, as opposed to serving the broader industry, consumers, and the economy as set out in the underlying rationale for supply management.

Western processors recognize that having Alberta outside of the supply management system is problematic and that it is necessary either to place new production allocation into Alberta, or re-allocate existing allocation from other Western provinces to Alberta under a regional scenario where the West does not, on the whole, lose production. However, the new allocation model proposed transfers more growth to Eastern Canada, and further does not contemplate the growth potential of the Western Canada poultry industry should the region be adequately supplied.

Western processors are of the view that CFC has had all along the necessary tools, in the form of Regional Range regulations detailed in Schedule B of the Operating Agreement for Chicken to meet differential growth requests, and Alberta’s needs in particular. They failed to allow these regulations to function as intended and they are belatedly attempting to address the resulting problems by way of this proposed new allocation model. What is lacking is the will of the CFC and Provincial Boards to use this already existing regulatory and administrative tool. Regional Ranges have been successfully utilized in allocation decisions in the past and can be used going forward.

The new formulaic approach may be easy to administer, however it does not effectively take into account the regional differences and consumer demand in the marketplace and as set out as operating principles in the Farm Products Agency Act (FPAA)( article 21, a and b.). A “one size fits all” allocation does not address regional differences which are evident today and will become even greater over time. Different markets have different needs at different times. A pure formulaic model does not respond to the dynamics of diversified markets across Canada.

Given the current situation and the potential impacts outlined here, we feel that Provincial Governments and the Provincial Supervisory Boards need to ensure that proper due diligence and consultation takes place across the industry. As Western processors, we, therefore, recommend that your government:



Page 3

Honourable Ron Kostyshyn; Honourable Lyle Stewart; Honourable Norm Letnick  
December 10, 2014

Preferred Option:

Recommend that government support in Western Canada for this new allocation model is conditional upon the implementation of a regional range, as set out in the existing Operating Agreement, in a fashion that meets the needs of Western processors and Western Canadian consumers. In doing so, express clear concerns to the provincial supervisory agency and the provincial chicken marketing board that:

- The proposed agreement:
  - a) does not adequately reflect Western provincial economic development and population growth factors;
  - b) ) disadvantages Western processing industries (and growers)
  - c) does not meet efficiency or consumer requirements as set out in the FPAA; and
  - d) does not recognize the current production shortfall identified by Western based processors
- CFC failed to recognize and minimized economic impacts beyond the farm gate (i.e. feed, labour, equipment, etc.).
- The application and use of regional ranges was clearly spelled out in correspondence between CFC Chair David Fuller and the BC Chicken Marketing Board. CFC broadly described how regional ranges would work, across the country. When recommending BC sign the new Federal-Provincial Agreement, the Chair of the BC Chicken Marketing Board, W. Jeske, described this as 'the most important change from previous agreements'. (Attachment 3).

Alternate Option:

Withhold approval of the proposed new allocation model until such time that an agreement can be reached which addresses the concerns raised by Western processors.

Considerations:

The result of the application of regional ranges would have the effect of varying Western allocation, to some reasonable extent from those of other regions, in direct response to market needs. The exact method of how this could be accomplished can be negotiated and set out in a letter of agreement between Western processors and CFC and would require no changes to the operating agreement.

Western processors recommend the preferred option as they see no other option that, in and of itself, allows for transfer of kilos to Alberta and Ontario, in a fashion necessary to conclude this 6 year cycle of negotiation, and that then allows Alberta to be reinstated into the national system. Further, a Comparative Advantage model would be implemented; bringing CFC further into line with its obligations as defined by the FPAA and Farm Product Council of Canada expectations.

This decision, coupled with the requirement for a workable regional range model satisfactory to Western processors, will allow the industry to move forward and would allow Western Canada's poultry industry the opportunity to match production and processing to regional consumer demand, over time. We anticipate significant economic growth in the poultry value chain should the Western Canadian marketplace have the ability to increase allocation, to innovate and grow, versus the constraints that have stifled growth over the past number of years.

Page 4

Honourable Ron Kostyshyn; Honourable Lyle Stewart; Honourable Norm Letnick  
December 10, 2014

Western processors are hopeful that the positions outlined herein can form the basis of a united position on the part of Manitoba, Saskatchewan and British Columbia.

At this point we have not approached the Alberta Minister as the new MOU, in part, addresses Alberta's allocation needs. As such, we do not believe they are in a position to contest this new MOU. We support Alberta's request for additional allocation and strongly believe that a united Western region will benefit us all. It is our intention to correspond with the Alberta Minister shortly to apprise them of our actions and intentions to work with them going forward.

We appreciate the time you have afforded us on this important matter and will make ourselves available for further discussion at your convenience.

Yours truly,

Ron Kilmury  
Email: [rkilmury@shaw.ca](mailto:rkilmury@shaw.ca)

On behalf of Western Processors



**ATTACHMENT 1: CHICKEN SUPPLY RELATIVE TO POPULATION****Western Canada Share of National Population vs.  
Share of Chicken Supply**

<b>2013</b>	<b>Western Canada</b>	<b>Central Canada</b>
Population	10,980,400	21,693,300
<b>Share of National Population (%)</b>	<b>31.23%</b>	<b>61.70%</b>
Total Supply of Chicken* (kgs)	346,462,978	807,852,690
<b>Share of National Chicken Supply (%)</b>	<b>27.98%</b>	<b>65.24%</b>

\*Total chicken supply includes chicken production, fowl imports, retained market development, and TRQ.

**ATTACHMENT 2: ECONOMIC IMPACTS****Aggregate Loss in Chicken Production**

Region	Aggregate Loss in Chicken Production (live weight kgs)
British Columbia	-9,328,231
Saskatchewan	-1,435,001
Manitoba	-2,901,352
<b>Sub-total</b>	<b>-13,664,585</b>
Alberta	10,180,133
<b>Western Canada</b>	<b>-3,484,452</b>
Ontario	19,485,750
Quebec	-8,297,941

Estimates are based on our understanding of the proposed CFC model. Assumes a 1.5% year over year growth rate in the national base allocation. Aggregate Loss in Chicken Production = (Allocation in Year 10 Using New Formula) - (Allocation in Year 10 Using Previous Method).

**Estimated Economic Loss Resulting from Proposed Chicken Allocation Agreement**

10 Year Aggregate Loss	Direct	Indirect	Induced	Total
<b>Output Lost</b>				
British Columbia	\$68,902,048	\$69,063,699	\$7,579,252	\$145,544,998
Manitoba	\$19,460,821	\$19,506,478	\$2,140,698	\$41,107,997
Saskatchewan	\$6,113,376	\$6,127,719	\$672,474	\$12,913,569
<b>Total Loss in Economic Output</b>	<b>\$94,476,245</b>	<b>\$94,697,896</b>	<b>\$10,392,423</b>	<b>\$199,566,564</b>
<b>Jobs Lost</b>				
British Columbia	239	521	65	825
Manitoba	67	147	18	233
Saskatchewan	21	46	6	73
<b>Total Jobs Lost</b>	<b>327</b>	<b>714</b>	<b>90</b>	<b>1,132</b>

Output is based on processor prices of \$3.50/kg for BC and \$3.40/kg for SK and MB for primary and \$4.30/kg for further processing (assuming zero inflation) and includes processor revenue, broiler farm revenue, feed revenue, labour costs, hatchery revenue, and hatching egg revenue.

Estimates for direct jobs, and indirect and induced output and jobs were calculated using multipliers from: PWC. April 2013. *BC Dairy, Egg and Poultry Industries: Economic Impact of British Columbia's Dairy, Chicken, Turkey, Hatching Egg and Table Egg Industries – 2011 Update.*





ATTACHMENT 3

In correspondence to BC Chicken Board in a letter dated December 8, 2000, David Fuller, Chair of CFC wrote:

Begin quote:

"Regarding the setting of allocation in section 4.00 of the Operating Agreement, changes are neither difficult nor easy. **The bottom up system is based on provincial boards making allocation requests to CFC to meet market requirements. Effectively, provinces determine their own comparative advantage by requesting what they think their processors can market in a competitive environment. There are no locked in market shares.** The requests by provinces must conform to the regional range, market responsiveness pool, provincial range and exceptional circumstance provisions. **Growth up to 5% is fairly straight forward.** Beyond that level, the higher the growth requested by the province, the more rationale required to secure the approval. This is particularly the case if a province is making an exceptional circumstance request."

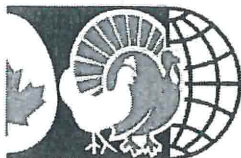
end quote

In subsequent correspondence, W. Jeske, Chair of the BC Chicken Board, wrote to the BC Minister of Agriculture, dated April 11, 2001, noting;

Begin quote:

"**The new FPA provides a framework for quota allocation process in which Marketing Boards determine their allocation based on market requirements established by processors.** This is the most important change from previous agreements and **ensures that all production activity is sensitive to the market place.**"

end quote



**Canadian Poultry and Egg Processors Council**  
**Conseil canadien des transformateurs d'oeufs et de volailles**

December 23, 2014

Chicken Farmers of Canada  
 350 Sparks Street, Suite 1007  
 Ottawa, Ontario  
 K1R 7S8

Attn: Mike Dungate

**CPEPC Recommendation A-130**

Overview

CPEPC's assessment of market conditions, as in the past, includes a range of supply, demand and market performance factors. Trends in wholesale price and processor gross margin are part of this analysis.

The chicken market has clearly moved from a position of strength and positive market factors across the board to a market that is producing mixed signals:

- Wholesale price declines are larger than normal seasonal trends and higher than producers, processors or independent analysts expected for A-127;
- TRQ pace has surged and will either add to already high volumes in the market or will go into inventory;
- Storage stocks continue to remain below the CFC healthy range;
- Lower beef and pork production have been supportive of the chicken market;
- Restrained US production has had a positive influence on Canadian chicken prices;
- Disappearance of chicken is up 2.8% in 2014 to the end of October when holding exports constant year over year;
- Live price will decline in A-128 by close to 5 cents, however current feed prices translate into a live price increase of more than 4 cents in A-129;
- Processor Gross Margin (PGM) fell dramatically in November and is now below the CPEPC target.

CPEPC members do have concerns about how well the market will perform under the allocations of Base + 3.5% to 4.25% for periods A-127 through A-129.

Processor concerns include:

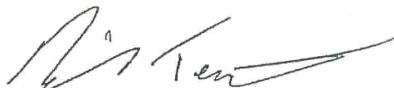
- The industry is trying to push too much product into the market in A-127 through A-129 which could have a greater impact on market performance than stakeholders are expecting;
- Inventory buildup due to a surge in TRQ and allocations set for A-127 through A-129;
- Pork is expected to become a more significant competitor to chicken in 2015;
- Higher production and lower selling prices year over year in the US market are not expected to be supportive to the Canadian market.

CPEPC's recommendation is Base + 2.5% for Canada, but it should be noted that some members were more comfortable with an allocation for Canada in the 1% to 2% over base range given the concerns identified above. The majority of CPEPC's western based processors supported an allocation of Base +3% for the western region.

CFC's medium term growth rate (MTGR) was set at 2.5% for the six period block A-127 to A-132 and should be an important reference point when setting periodic allocations. When allocating A-130 at Base +2.5% the average growth over base for the first four periods is 3.4%, almost one percentage point above the MTGR. An allocation of Base +2.5% is expected to result in a very healthy increase in disappearance of 3%. CPEPC's approach to A-130 is that consumer demand will not be negatively impacted as result of consumer perceptions of chicken arising out of the A.I. outbreak in the feather industry.

As you know, CPEPC has been frustrated with the allocation setting process for many years. We believe this process needs to be more fact based with agreement on a reasonable number of key market indicators and a common understanding of these factors. Therefore the CPEPC recommendation is not offered as a starting point for negotiation at the allocation meeting. Base +2.5% is considered by the majority of CPEPC members to be the right level to set allocation for period A-130 and we will be seeking the support of CFC directors to approve our recommendation.

Yours truly,



Mike Terpstra  
Manager, Chicken Sector

cc Jan Rus, Chicken Farmers of Canada  
Robin Horel, CPEPC  
CPEPC Chicken Sector Members



Market Information**Quota Utilization:**

Quota Period	%	kg evis (mkg)
A-124	99.9%	(0.2) mkg
A-125	98.2%	(2.9) mkg
A-126	100.1%	0.1 mkg
A-127*	105.3%	4.3 mkg

\*CFC estimate based on 4 weeks of production data

**Live Prices:**

Quota Period	\$/kg
A-126 (Sep 7 – Nov 1)	\$1.600
A-127 (Nov 2 – Dec 27)	\$1.626
A-128 (Dec 28 – Feb 21)	\$1.578

**CPEPC Live Price Projections:**

Quota Period	Directional Forecast
A-129 (Feb 22 – Apr 18)	\$1.58 - \$1.63
A-130 (Apr 19 – Jun 13)	\$1.52 - \$1.62

**Actual EMI Wholesale 2014:**

Month	\$/kg	Month	\$/kg
January	\$3.30	July	\$3.77
February	\$3.38	August	\$3.78
March	\$3.40	September	\$3.76
April	\$3.51	October	\$3.73
May	\$3.64	November	\$3.48
June	\$3.72	December	\$3.48*

\*To Dec 21/14

**CPEPC Projects the Following for EMI Wholesale:**

Quota Period	Directional Forecast
A-128 (Dec 28 – Feb 21)	\$3.41 to \$3.46
A-129 (Feb 22 – Apr 18)	\$3.40 to \$3.50
A-130 (Apr 19 – Jun 13)	\$3.46 to \$3.56

**Actual Processor Gross Margin 2014:**

Month	\$/kg	Month	\$/kg
January	\$1.05	July	\$1.43
February	\$1.16	August	\$1.44
March	\$1.17	September	\$1.47
April	\$1.25	October	\$1.46
May	\$1.35	November	\$1.19
June	\$1.39	December	\$1.17*

\*To Dec 21/14

Margins are calculated using historical annual yields, which are updated each January.

**CPEPC Projects Processor Gross Margin as follows:**

Quota Period	Directional Forecast (Target = 126.3, yield = .706)*
A-128 (Dec 28 – Feb 21)	\$1.17 to \$1.22
A-129 (Feb 22 – Apr 18)	\$1.12 to \$1.22
A-130 (Apr 19 – Jun 13)	\$1.24 to \$1.34

\*Target processor gross margin measured in 2013 dollars. Actual margins are measured using a 2013 yield.

**US Market (US\$/lb)**

US Weekly Average Price for Fresh Product (EMI)	EMI Est. for 2015 Q1	EMI Est. for 2015 Q2	Dec 12/14	4-Week Avg	13-Week Avg
B/S Breast (Med.)	\$1.41 to \$1.55	\$1.58 to \$1.72	\$1.36	\$1.39	\$1.57
Leg Quarters (Reg.)	\$0.44	\$0.44	\$0.43	\$0.43	\$0.43
Whole Wings (Reg.)	\$1.64 to \$1.47	\$1.40 to \$1.38	\$1.56	\$1.58	\$1.61

**TRQ (mkg, to Dec 13/14)**

Year to Date Imports	Pro rata Pace	Difference from Pro rata	CFC Target Range vs. Pro rata
74.1	73.5	+0.6	+0.4 to +1.5

**Storage Stocks (millions of kilograms)**

Month	Total Chicken excluding Legs & Miscellaneous	CFC Target Range	Difference from CFC Target
September	25.6	27.5 – 30.4	-3.4
October	25.3	27.6 – 30.5	-3.8
November	26.0	28.2 – 31.2	-3.7
December	25.9	28.9 – 32.0	-4.6

**US Beef, Pork and Chicken Production (USDA WASDE – Dec 10/14)**

	2013	2014		2015			
Month	Annual	Q4*	Annual*	Q1*	Q2*	Q3*	Annual*
Beef	-0.7%	-6.2%	-5.7%	-3.7%	0.0%	-4.3%	-2.4%
Pork	-0.3%	-3.1%	-1.7%	1.0%	3.3%	7.0%	3.6%
Broilers	2.1%	2.2%	1.7%	2.9%	3.7%	3.0%	3.0%

\*Forecast

**Summary**

Market indicators are no longer flashing a green light across the board for growth. Mixed signals are an indication that market performance is softening and more conservative allocations over base compared to the last three periods is needed. Wholesale price reductions that are larger than seasonal norms, greater competition from pork and expansion in the US market and associated reduction in selling prices are signaling that the chicken industry should take a more cautious approach in A-130. CPEPC's recommendation of Base + 2.5% is a measured reduction compared to the prior three periods, while at the same time providing a growth rate well above historical levels for both production and consumption.

**From:** Robin Horel <RobinHorel@cpepc.ca>

**Sent:** Tuesday, February 10, 2015 6:22 AM

**To:** Ian Pittman; Lyle Loewen; Yvan Brodeur; René Proulx; Joel Cormier; Luc Gagnon; Michael Burrows; Reg Cliche; Ben Brooks; Lucy McKee; Paul Bulman; Kevin Thompson; Hank Van Voorst; Ken Moffett; Craig Evans; Wayne Urbonas; Jeff McDowell; Ron Patterson; Ken Thorpe; Scott Cummings; Dion Wiebe

**Reply To:** Robin Horel

**Cc:** Ron Kilmury; Mike Terpstra

**Subject:** Fwd: CFC Acting within Delegated Authorities - PLEASE RESPOND

To: Primary Contacts at Chicken member companies

I received the response below to my query of Mike Dungate regarding whether **CFC is Acting within Delegated Authorities**.

**Robin**

Sent from my iPad

Begin forwarded message:

**From:** Mike Dungate <[mdungate@chicken.ca](mailto:mdungate@chicken.ca)>

**Date:** February 7, 2015 at 9:31:16 AM EST

**To:** Robin Horel <[robinhorel@cpepc.ca](mailto:robinhorel@cpepc.ca)>

**Cc:** Dave Janzen <[max2dave@telus.net](mailto:max2dave@telus.net)>

**Subject:** FW: CFC Acting within Delegated Authorities - PLEASE RESPOND

Hi Robin,

Sorry for the delay. Weekends are for doing what you couldn't get done during the week.

Regarding your letter, CFC does not have a legal opinion on the MOU. I received advice from our legal counsel and shared that advice with CFC Directors on January 22, 2015. There is not a legal liability concern for CFC Directors.



CFC is aware that the MOU is not a legally binding agreement. This is why CFC is seeking approval of amendments to the Operating Agreement. While the process is being pursued, CFC is setting allocations taking into account the MOU. CFC has discussed this issue in advance with FPCC. They are supportive of the direction that CFC is taking and have prior approved CFC allocations since A-121 on that basis.

Thanks,

Mike

Mike Dungate

Executive Director / Directeur exécutif

Chicken Farmers of Canada | Les Producteurs de poulet du Canada

1007- 350 rue Sparks Street | Ottawa, ON | K1R 7S8 | T: 613 566 5903 | C: 613 796 8010

[chickenfarmers.ca](http://chickenfarmers.ca) | [producteursdepoulet.ca](http://producteursdepoulet.ca)

[chicken.ca](http://chicken.ca) | [poulet.ca](http://poulet.ca)

**From:** Robin Horel [<mailto:RobinHorel@cpepc.ca>]

**Sent:** Tuesday, January 20, 2015 4:26 PM

**To:** Mike Dungate

**Subject:** CFC Acting within Delegated Authorities - PLEASE RESPOND

**Importance:** High

Good Afternoon Mike:

Please find attached a letter requesting legal confirmation that Chicken Farmers of Canada is "on-side" with using the new allocation process without the amendments to the Operating Agreement being signed. My immediate concern is to ensure that the CPEPC appointed Directors at Chicken Farmers of Canada face no liability.

Feel free to contact me if you need more information,

***Robin***

K. Robin Horel

President and CEO

Canadian Poultry and Egg Processors Council

400 - 1545 Carling Ave.

Ottawa, ON K1Z 8P9

Tel: 613 724-6605 Option 1

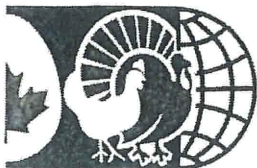
Cell: 613 762-4501

Fax: 613 724-4577

E-mail: [robinhorel@cpepc.ca](mailto:robinhorel@cpepc.ca)



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Canadian Poultry and Egg Processors Council  
Conseil canadien des transformateurs d'œufs et de volailles

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January 20, 2015

Chicken Farmers of Canada  
350 Sparks Street, Suite 1007  
Ottawa, Ontario  
K1R 7S8

Attn: Mike Dungate

**CFC Acting within Delegated Authorities**

Mike,

It has come to our attention that CFC's use of the new allocation formula as set out in the MOU, without the approval of all signatories, may be in contravention of the Operating Agreement.

We have access to two letters from different provincial Supervisory Boards that both question CFC's authority to use the new methodology without this approval. Both of these letters (from BC and SK) have been copied to yourself.

Mike, can you supply legal confirmation that Chicken Farmers of Canada is "on-side" with using the new allocation process without the amendments to the Operating Agreement being signed? My immediate concern is to ensure that the CPEPC appointed Directors at Chicken Farmers of Canada face no liability.

Yours sincerely,

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



## 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

April 21, 2015

To: K. Robin Horel, President and CEO, CPEPC

Email: [robinhorel@cpepc.ca](mailto:robinhorel@cpepc.ca)

CC: David Janzen, Chair, Chicken Farmers of Canada

Email: [C/o\\_mdungate@chicken.ca](mailto:C/o_mdungate@chicken.ca)

Jim Collins, Executive Director, BC Farm Industry review Board

Email: [Jim.Collins@gov.bc.ca](mailto:Jim.Collins@gov.bc.ca)

To: Robin Smith, Chair, BC Chicken Marketing Board

Email: [robinsmith@BCChicken.ca](mailto:robinsmith@BCChicken.ca)

**Re: Proposed CFC Further Processing Survey**

Western processors, with this letter, wish to advise CPEPC and CFC of concerns that they have with the proposed further processing survey to be administered by Kevin Grier and associates.

Until the concerns of western processors are adequately addressed the undersigned western processors advise that they will not participate in the proposed survey process.

The issue of most concern for western processors is the consultants' propose to collect data from the primary processors as opposed to further processors. Where the meat is sourced from is not relevant to where it is further processed. The objective is to know where the appropriately defined chicken product is further processed and into what products. In many cases, further processors also process chicken which would still be defined as primary processed product (i.e. marinated, tray packed, etc.). Primary processors have no way of identifying the volume of product the further processors utilized to produce the appropriately defined products. The method proposed in the proposal will result in a distorted picture of the further processing industry in Canada.

Western processors have other concerns as well.

- The consultants must define an acceptable to industry definition of further processing before collecting the data.  
Having a clear definition can then be utilized to substantially reduce the proposed category 6f companies to be interviewed, as many can be disqualified byway of the definitions for products eligible for consideration.
- Western processors do not understand what, in the way of utilizable information, can be sourced from 'public internet sets' that will add value. What sets are the consultants proposing to access?
- How does evaluating seasonality add any value to the study?

- What is the purpose of illustrating product flow through the supply chain from producer through to consumer in fresh, frozen or further processed form? Western processors see no inherent value in this proposal. The objective is to measure the further processing production by province.

#### Confidentiality

- Western processors have become aware that there is an emerging concern, originating in the east, with respect to the confidential treatment of collected data. Western processors will take these concerns under advisement.
- CFC is contemplating an audit system on FP data, stating this is 'for internal and external purposes'. Western processors are of the view that CFC lacks the necessary statutory authorities to conduct audits in this area and has concerns with how CFC may use this data.

#### Going Forward

Western processors recommend that CFC and its consultants to this process discuss directly with CPEPC prior to any (re) initiation of the data collecting process to have certainty as to the appropriateness of product definitions on which the information will be based, and the nature of the process. In the initial proposal, to the view of western processors, there were questions proposed which do not add value directly to the information required. One objective of the survey process should be to collect the right data, while minimizing the substantial work involved. The question of confidentiality must also be addressed to the satisfaction of CPEPC and its members generally. Finally, discussion must occur between CFC and the processing industry with regard to information collection and verification in subsequent years.

Sincerely,

**R Kilmury,**

With input from and on behalf of the following companies;

Granny's Poultry Cooperative Ltd.

The Hallmark Group of Companies

Sofina Foods Inc.

Sunrise Farms



July 29, 2015

Dr. Robert Tyler  
Chair, Agri-Food Council  
302 - 3085 Albert Street  
Regina, SK, S4S 0B1  
E-mail: [bob.tyler@usask.ca](mailto:bob.tyler@usask.ca)

**RE: Differentiated Regional Allocation**

Dr. Tyler,

In the past couple months the Western Canadian processors and Western Canadian chicken marketing boards have met to discuss solutions to the current impasse around differential growth. These meetings have resulted in what we feel is a workable solution to bring forward to the rest of the industry. The solution has been termed, Differentiated Regional Allocation (DRA).

The main concept of the DRA is to ensure regions have the ability to access extra production if requested by processors in a region. Through the past numerous allocations at the Chicken Farmers of Canada it has become evident that the Western Canadian region is requiring a higher amount of chicken versus our eastern counterparts. This new add-on to the existing MOU will give the opportunity of our Western Canadian processors to request higher amounts of domestic allocation. We have attached the presentation that will be given to others in an effort to gain acceptance nationally showing the benefits and process that will be involved.

The Chicken Farmers of Saskatchewan and both Saskatchewan processing companies, Prairie Pride Natural Foods and Sofina Foods, are supportive of the DRA concept, along with the other Western Canadian processors and chicken marketing boards.

The purpose of this letter is to seek support for the DRA from the Agri-Food Council. Given the timelines that are being taken to seek acceptance from other provinces it would be beneficial to have support from the Agri-Food Council as soon as possible.

If any questions exist feel free to contact Clinton Monchuk, who has been involved with this process.

Thank you,

Ms. Diane Pastoor  
Chair, Chicken Farmers of Saskatchewan





A handwritten signature in dark ink, appearing to read "J McDowell".

Mr. Jeff McDowell  
Vice President – Poultry Value Chain, Sofina Foods Inc.

A handwritten signature in dark ink, appearing to read "Ron Patterson".

Mr. Ron Patterson  
CEO – Prairie Pride Natural Foods Inc.

Attachment: Differential Regional Ranges (July 28, 2015)



September 15, 2015

File: 0146-0151

**DELIVERED BY EMAIL**

Robin Smith  
Chair  
BC Chicken Marketing Board  
101 – 32450 Simon Av  
Abbotsford BC V2T 4J2

Scott Cummings  
President  
Primary Poultry Processors Association  
of British Columbia

Dear Sirs:

**PROPOSED AMENDMENTS TO SCHEDULE “B” OPERATING AGREEMENT –  
CURRENT STATUS AND SUPERVISORY REVIEW UPDATE**

The BC Farm Industry Review Board (BCFIRB) has been briefed on the initial reception of the joint western chicken boards-processors differential regional allocation proposal at the September 2, 2015 meeting of the Chicken Farmers of Canada. BCFIRB has also been advised of the on-going challenges with the further processing component of the comparative advantage formula.

The proposed retention of a differential regional allocation mechanism in the Operating Agreement – with built in safeguards – remains in our view a potentially effective and strategic tool to support all regions in ensuring the domestic market for chicken is met. This is a fundamental responsibility of supply management but current figures suggest that domestic chicken production is being displaced by imports beyond TRQ. Delay in supporting the important, value added further processing sector is also indicative of decision making that is not responsive to market requirements.

Poultry supply management originated because of provinces competing directly with each other for market share. It was recognized that this internal battle between provinces, while facing increasing competition from imports, posed a risk to collective long term stability and prosperity. That risk remains today. The intent and purpose of the governing legislation and the Federal-Provincial Agreement for Chicken (FPAC) is to replace market competition with market sharing and federal-provincial collaboration for the benefit of all stakeholders – producers, processors and consumers.

Once base production levels were established it was expected – and required by the *Farm Products Agencies Act* (Canada) (FPAA) – that as demand grew a national marketing agency would consider the principle of comparative advantage of production in distributing additional production rights to provinces. You may find the attached January 4, 1979 terms of reference for the National Farm Products Council (now the Farm Products Council of Canada) interesting in this regard.

**British Columbia  
Farm Industry Review Board**

**Mailing Address:**  
PO Box 9129 Stn Prov Govt  
Victoria BC V8W 9B5  
Telephone: 250 356-8945  
Facsimile: 250 356-5131

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Email: [firb@gov.bc.ca](mailto:firb@gov.bc.ca)  
Website: [www.gov.bc.ca/BCFarmIndustryReviewBoard](http://www.gov.bc.ca/BCFarmIndustryReviewBoard)

Robin Smith  
 Scott Cummings  
 September 15, 2015  
 Page 2 of 2

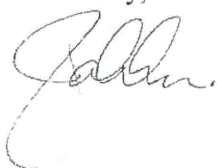
BCFIRB continues to hold the appeal by the Primary Poultry Processors Association of BC in abeyance. However, the outstanding question for BCFIRB as a signatory and as the BC supervisory agency is whether recent developments substantiate that there is a strategic risk to BC – and supply management for chicken – should systemic governance, decision-making and allocation issues continue to undermine the purpose and intent of governing legislation and the FPAC.

BCFIRB laid out principled expectations in support of chicken supply management in a February 11, 2015 letter<sup>1</sup>. Other correspondence dating back to April 11, 2013 has also clearly outlined BCFIRB's concerns about the sustainability of the supply management system for chicken. Recent developments provide no confidence that the objectives of supply management are being realized in the current circumstances.

Given the uncertain status of the proposed amendments to the Operating Agreement, BCFIRB believes BC signatories should be prepared to examine our options. This will inform a BC position for future engagement with our national counterparts. One option for the short-term is a return to allocation decisions being made in compliance with the existing Operating Agreement. We note that if properly exercised, the “bottom up” and differentiated regional allocation components therein have the potential to meet the principle of comparative advantage as required by the *FPAA*. This would raise a question about allocations already made using the formula proposed in the MOU. We look forward to receiving your input on this and related matters as BCFIRB considers its position with respect to that question.

Another question – and one integral to the exploration of potential options – is the state of governance and decision-making in the supply managed system for chicken. BC (and every other province) signed into the FPAC on a clear understanding of the statutory and decision-making requirements of the *FPAA* and the FPAC. It is not evident that those responsibilities are being met. This too should be the subject of discussion between BC signatories and stakeholders.

Yours truly,



John Les  
 Chair

Attachment

cc: BC Minister of Agriculture  
 Chair, BC Broiler Hatching Egg Commission  
 Chair, Farm Products Council of Canada  
 Chair, Chicken Farmers of Canada

National Association of Agri-Food  
 Supervisory Agencies  
 BCFIRB web site

<sup>1</sup> Memorandum of Understanding (MOU), Re-Entry of Alberta into the Federal-Provincial Agreement for Chicken (FPAC) and Proposed Amendments to Schedule "B" Operating Agreement, February 11, 2015.

## Poultry Supply to Top Restaurant Chains in Canada

Canadian Restaurant Sales	\$ Rev In Millions	Mkt Share
Tim Hortons/Burger King	\$6,844	13.6%
McDonalds	\$4,084	8.0%
Cara Operations	\$1,710	3.4%
Subway	\$1,656	3.3%
Starbucks	\$1,204	2.4%
Boston Pizza	\$1,031	2.0%
Yum Brands	\$987	2.0%
A&W Brand	\$986	2.0%
MTY Food Group	\$888	1.8%
Wendys Canada	\$716	1.4%
<i>Data Source – Globe &amp; Mail/Raymond James Oct 1, 2015</i>		40%

## Poultry Supply

90% + Ontario Supplied

100% Ontario Supplied

Mainly Fresh

100% Ontario Supplied

100% Non BC

100% Quebec Supplied

Mainly Fresh, Some BC FP Supply

BC Supplied

Non-BC Supplied

≈ 50% BC Supplied





October 16, 2015

Mr. Laurent Pellerin  
Chairperson  
Farm Products Council of Canada  
Central Experimental Farm  
960 Carling Avenue, Building 59  
Ottawa, Ontario  
K1A 0C6

**Re: Further processing component in allocation formula**

Dear Laurent,

On October 15, CFC Directors set the allocations for A-135 and A-136 using an updated further processing component distribution methodology. CFC believes that this is a positive step forward and hopes that once FPCC receives CFC's rationale letter that it too will see it positively.

On October 14, provincial boards met to discuss the development of a permanent calculation methodology of the further processing component that is part of the Operating Agreement amendments.

As you know, the methodology used since A-127 is an interim solution agreed until allocation period A-134 and provincial shares are based on a combination of frozen inventories of other further processed products in each province as reported by AAFC and the number of chicken further processing establishments identified as 6f by CFIA in each province.

This interim methodology was to be used until a permanent methodology was developed. CFC issued a "Request For Proposal" for the development of a permanent methodology to several independent consultants in late 2014. The selected consultant started working on this project in early 2015 but was not able to complete the project due to processors and further processors' concerns around the sharing of confidential company data.

Since then, CFC has investigated other options. On September 2, CFC Directors had a good discussion and reached consensus that using DFATD data on processors and further processors' value addition was the best available option to calculate the further processing component starting with period A-135. Based on all the discussions on developing a methodology to allocate the further processing component, the DFATD approach is recognized as credible and transparent. In addition, applicants for a share of the TRQ must have their data validated by an accountant and DFATD verifies a number of applications every year according to their verification policies.

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[www.poulet.ca](http://www.poulet.ca)

DFATD provided CFC a provincial/regional breakdown based on available data. These shares are based on the applications for the 2015 TRQ, which includes data from September 1st, 2013 to August 31, 2014. To ensure confidentiality, the data for the Prairies provinces and Atlantic Canada is aggregated. Following discussions between provinces, a percentage allocating the further processing component for each province was agreed to on October 14. The consensus is that the agreed to percentages better reflect current further processing activity across the country than the percentages calculated from the interim methodology. The agreed to provincial further processing shares and a comparison between the agreed to shares and the provincial shares resulting from the interim calculation methodology are presented in the following table:

<b>Further processing component - agreed to shares vs temporary methodology shares</b>										
	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
agreed to shares	14.0690%	4.9999%	1.0012%	1.0013%	47.7063%	28.6500%	1.0000%	1.0000%	0.1200%	0.4523%
interim methodology	6.2502%	7.3644%	0.8499%	0.9079%	50.4334%	31.9043%	1.1540%	0.6634%	0.1818%	0.2909%
difference	7.8188%	-2.3645%	0.1513%	0.0934%	-2.7271%	-3.2543%	-0.1540%	0.3366%	-0.0618%	0.1614%

On October 14, CFC Directors were not able to put in place a more permanent further processing component distribution methodology because of concerns expressed by Saskatchewan related to the overall Operating Agreement amendments. However, CFC Directors unanimously passed by special vote to use the distribution methodology for A-135 and A-136. It will revert back to the interim methodology for A-137 and beyond, unless CFC Directors decide otherwise by special vote.

Given that CPEPC is meeting in Calgary next week, CFC Directors agreed to ask CPEPC to provide CFC with a specific proposal to address the concerns expressed by some of its western processor members. It is important that there be a specific proposal for CFC and provincial boards to consider as there is consensus that the process to conclude the Operating Agreement amendments has been held up for too long.

CFC Directors agreed to hold a conference call on November 4 to consider a specific proposal from CPEPC, to determine if the updated further processing component distribution methodology should be approved for use in A-137 and beyond and to give the CFC Chair the authority to sign the Operating agreement amendments.

Thank you for your consideration and support as we continue to move forward.

Regards,



Dave Janzen

Chair

PER CAPITA CONSUMPTION of Various MEATS in Canada (kg)  
 CONSOMMATION PAR HABITANT des différentes VIANDES au Canada (kg)

	Chicken Poulet	Beef Bœuf	Veal Veau	Pork Porc	Lamb Agneau	Fowl Poule	Turkey Dindon	Fish Poisson	Total excl. fish/poisson	
1960	9.5	31.7	3.1	25.9	1.3	-	2.9	-	74.4	1960
1961	10.6	32.0	3.1	24.8	1.6	-	3.5	-	75.6	1961
1962	10.4	32.3	3.2	24.7	1.7	-	3.5	-	75.8	1962
1963	8.9	33.7	3.0	24.9	1.8	2.1	3.8	-	78.2	1963
1964	9.6	36.0	3.3	25.6	1.5	2.1	3.9	-	82.0	1964
1965	10.0	37.9	3.8	23.6	1.3	2.0	4.3	-	82.9	1965
1966	10.9	38.1	3.2	23.2	1.8	2.0	4.7	-	83.8	1966
1967	11.7	37.7	3.2	26.9	1.9	1.9	4.7	-	88.0	1967
1968	11.6	38.6	3.1	26.4	2.2	1.8	4.4	-	88.1	1968
1969	13.3	38.9	2.3	25.3	2.3	1.5	4.5	-	88.1	1969
1970	14.2	38.3	2.1	29.0	2.1	1.5	4.6	-	91.7	1970
1971	13.0	39.9	2.0	31.7	1.5	1.6	4.6	-	94.1	1971
1972	13.7	42.1	1.6	30.5	2.0	1.3	4.6	-	95.9	1972
1973	14.3	41.3	1.5	28.7	1.6	1.4	4.5	-	93.3	1973
1974	13.7	42.8	1.6	29.9	1.1	1.4	4.6	-	95.1	1974
1975	13.0	47.4	2.3	25.6	1.3	1.3	4.2	-	95.1	1975
1976	14.4	50.4	2.3	25.2	1.0	1.2	3.9	-	98.4	1976
1977	15.0	48.0	2.2	26.2	0.8	1.2	4.1	-	97.5	1977
1978	15.7	44.9	1.8	26.9	0.9	1.2	4.1	-	95.4	1978
1979	17.3	39.2	1.4	30.2	1.1	1.1	3.9	-	94.2	1979
1980	16.9	38.8	1.4	32.2	0.8	1.2	4.2	-	95.5	1980
1981	16.7	39.9	1.5	31.2	0.7	1.3	4.1	-	95.4	1981
1982	16.9	39.5	1.6	28.5	0.7	1.4	3.9	-	92.6	1982
1983	16.9	39.3	1.6	29.4	0.8	1.6	4.0	-	93.5	1983
1984	17.9	37.5	1.7	28.5	0.8	1.4	3.9	-	91.6	1984
1985	19.3	37.9	1.7	29.0	0.7	1.4	3.9	-	94.0	1985
1986	19.9	38.2	1.6	27.9	0.9	1.1	4.1	-	93.7	1986
1987	21.2	36.3	1.5	27.5	0.9	1.2	4.2	-	92.6	1987
1988	22.0	36.3	1.3	28.1	0.9	1.1	4.4	8.7	93.9	1988
1989	21.5	35.3	1.4	28.7	0.8	1.2	4.5	9.6	93.4	1989
1990	22.1	34.0	1.5	26.1	0.8	1.5	4.5	9.0	90.7	1990
1991	22.2	33.3	1.5	25.9	0.9	1.5	4.5	8.6	89.8	1991
1992	22.3	32.4	1.5	28.4	0.8	2.0	4.6	8.7	91.9	1992
1993	23.2	31.1	1.4	27.6	0.9	1.6	4.4	9.5	90.1	1993
1994	25.0	31.7	1.3	28.4	0.8	1.4	4.4	8.3	93.1	1994
1995	24.8	31.8	1.4	27.8	0.8	1.4	4.3	7.9	92.3	1995
1996	24.9	31.5	1.3	26.0	0.8	1.8	4.1	8.4	90.3	1996
1997	25.5	31.5	1.4	25.4	0.7	2.1	4.2	8.8	90.8	1997
1998	26.3	31.9	1.3	28.7	0.8	2.1	4.3	8.8	95.4	1998
1999	27.8	32.6	1.3	30.1	0.9	1.9	4.2	10.0	98.6	1999
2000	29.1	32.0	1.3	28.7	0.9	1.9	4.3	9.5	98.3	2000
2001	30.5	30.8	1.3	28.9	1.0	1.7	4.2	9.7	98.4	2001
2002	30.8	30.6	1.3	27.8	1.0	1.8	4.2	9.6	97.5	2002
2003	29.9	32.4	1.2	25.1	1.1	1.8	4.1	9.8	95.6	2003
2004	30.4	31.2	1.2	26.8	1.1	1.8	4.2	9.1	96.7	2004
2005	30.7	30.3	1.1	23.1	1.1	1.7	4.4	9.0	92.4	2005
2006	30.8	29.9	1.1	23.4	1.2	2.0	4.3	9.4	92.8	2006
2007	31.0	30.6	1.1	25.1	1.2	2.1	4.3	8.6	95.5	2007
2008	30.8	29.8	1.0	23.9	1.2	2.3	4.6	7.4	93.5	2008
2009	30.6	28.3	1.0	23.6	1.2	2.2	4.5	8.3	91.3	2009
2010	30.5	27.9	1.1	22.1	1.1	2.5	4.3	7.8	89.4	2010
2011	30.0	27.3	1.0	21.5	1.1	2.6	4.3	8.2	87.8	2011
2012	29.8	27.6	1.0	22.3	1.0	3.3	4.2	7.7	89.0	2012
2013	30.1	27.3	0.9	20.9	1.0	2.9	4.2	8.2	87.4	2013
2014	30.9	26.5	1.0	20.6	1.1	2.5	4.1	8.2	86.7	2014
2015	31.7	26.1	1.0	21.6	1.1	3.1	4.1	8.2	88.7	2015

Source: Statistics Canada, CANSIM Table 002-0011 • Statistique Canada, tableau CANSIM 002-0011  
 Poultry - eviscerated weight basis; Beef, veal, pork, lamb - carcass weight basis; Fish - edible weight •  
 Volaille - base poids éviscéré; Bœuf, veau, porc, agneau - base poids carcasse; Poisson - base poids comestible

Urner Berry Price Converted to CDN \$  
85% Lean Meat  
\$ / lb

