

Supervisory Review of Proposed CFC Operating Agreement (Federal Provincial Agreement for Chicken)

SUBMISSIONS OF THE PRIMARY POULTRY PROCESSORS ASSOCIATION OF BC

I represent the Primary Poultry Processors Association of BC. These submissions are made in accordance with the direction from FIRB dated February 9, 2016.

The overall concern of the PPPABC is that the Western provincial boards, as indicated in their acceptance of the proposed revised operating agreement, are not mindful of the seriousness of the current and emerging competitive markets for Western processors. The proposed operating agreement is not market responsive and does not respect the interests of consumers, processors and further processors operating in today's national market place. BC processors, most of which also operate in the other Western provinces, are facing unprecedented new live prices and continuing inequitable allocations of chicken. These factors compromise the ability of processors and further processors to compete in the long term.

Given the shortness of time, the PPPABC cannot provide the detailed evidence which is necessary to fully address the issues. **The PPPABC requests that FIRB hold an oral hearing to fully engage on these important issues, and to provide the parties with a full opportunity to present the information and evidence necessary for FIRB to properly review the issues raised.** If an oral hearing is not ordered, the PPPABC requests an opportunity provide further submissions and evidence to more fully address the relevant issues.

FIRB has asked for the PPPABC response to the correspondence from the Chicken Board dated January 15, 2016, the SAFETI analysis of the CMB, and the email from the CMB dated February 17, 2016.

The PPPABC has no submissions in relation to the correspondence from the CMB dated January 15 and February 17, 2016. The submissions of the PPPABC will focus on the SAFETI analysis, and the concerns of the PPPABC which are not addressed in the CMB's SAFETI analysis.

The PPPABC will also address the three questions raised by FIRB.

Background

In 2001 the Chicken Board sought the approval of the BC Marketing Board to re-enter the national system. BC withdrew from the national system because the old agreement did not allow for the BC industry to be responsive to market growth experienced in the province. While out of the system, the BC processors aggressively grew their markets and built competitive, large scale further processing plants. Continued market responsiveness was a key issue for the BC industry on re-entry. Representations were made by David Fuller, the Chairman of CFC, to Ross Husdon, then Chair of the BC Marketing Board in a letter dated December 8, 2000. The system was represented to be a bottom up allocation system, which would reflect the needs of the processors in each province. It was described by Mr. Fuller as follows:

...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.

On the basis of CFC representations that the allocation procedure was not simply a locked in market share between provinces, and did allow for market responsive growth, BC re-entered the national system in 2002.

For the first year and a half allocations appeared to follow the quota allocation method set out in the operating agreement, consistent with the representations made by CFC in 2000. However, over time CFC stopped making allocations which reflected market growth in the West.

The Western provinces consistently requested increases in their allocations to reflect market growth in the West. CFC by double majority vote stopped accepting the allocation increases for the West and instead began issuing pro rata allocation increases for all provinces whether or not there was market growth in each province to justify such an increase.

Over this time frame Central Canada has been able to further increase its supply share by way of imports (both TRQ and spent fowl).

Essentially, CFC created a locked in domestic production market share across the country through its allocation process, while at the same time Central Canadian processors were exploiting access to additional supply sources. The failure of CFC to implement the market responsive procedures set out in the operating agreement, which was the basis upon which BC agreed to re-enter the national system, has given rise to the supply imbalance which ultimately caused Alberta to withdraw from the national system.

The failure of CFC to implement market responsive allocations, as provided for in the operating agreement, continued until 2014 and beyond. Rather than implementing the provincial and regional range provisions that existed in the current operating agreement to allow for market responsive allocations, CFC became engaged in a lengthy process of negotiating a memorandum of understanding between the provincial boards (the "MOU"). This MOU has been used to set allocations since A127, notwithstanding the fact that it is not compliant with the operating agreement which is still in force today, and supervisory boards and provincial Ministers have not approved such a change. The MOU forms the basis of the proposed operating agreement which is before FIRB on this review.

It is the submission of the PPPABC that the MOU, and the proposed new operating agreement, have not corrected the supply imbalance in the West which arose over the last ten years. Rather, the new operating agreement makes the imbalance even worse.

1. Are the proposed changes, including additional shares to Ontario and Alta, in compliance with governing legislation, regulations and agreements?

The *Farm Products Agencies Act*, ss. 21, 23, and 41 establish critical requirements for CFC in the exercise of its powers.

s. 21 The objects of an agency are

- (a) to promote a strong, efficient and competitive production and marketing industry for the regulated product or products in relation to which it may exercise its powers; and
- (b) to have due regard to the interests of producers and consumers of the regulated product or products.

s. 23(2) In allocating additional quota for anticipated growth of market demand, an agency shall consider the principle of comparative advantage of production.

s. 41 The object of an agency is to promote a strong, efficient and competitive industry for the regulated products in relation to which it may exercise its powers by promoting the marketing and production of the products and by conducting and promoting research activities relating thereto, having due regard to the interests of producers and consumers and, where applicable, importers of the regulated products.

As discussed in more detail below, the proposed changes do not meet the requirements of promoting a strong, efficient and competitive production and marketing industry for chicken in BC, nor do the proposed changes have due regard to the interests of consumers.

The proposed changes introduce considerations which are not relevant to the principle of comparative advantage of production, namely considerations of the consumer price index and the GDP.

As such, the proposed changes are not compliant with the object of the agency and the restrictions on quota allocation considerations as set out in the *Farm Products Agencies Act*.

Similarly, the *BC Chicken Marketing Scheme, 1961*, s. 2.01 states that the purpose and intent of the scheme is to provide for the effective promotion, control and regulation of the regulated product (chicken). The effective promotion, control and regulation of chicken in the Province requires the implementation of the principles of orderly marketing and market responsiveness. As discussed below, the proposed agreement does not promote orderly marketing, and does not represent sound policy for BC.

The Federal Provincial Agreement for Chicken 2001 ("FPA") and the operating agreement attached as Schedule "B" do allow for effective regulation of chicken in the Province, as the operating agreement provides a mechanism for market growth by way of regional and provincial ranges, and the market responsiveness pool. The ability of BC to determine its allocation based on the market requirements set by the processors was the most important feature of the new FPA in 2001, pursuant to which BC agreed to re-enter the national scheme. Nothing has changed in terms of the need for BC to set its allocation based on the needs of its processors.

The proposed changes to the operating agreement will disrupt these effective mechanisms, transfer an unwarranted volume of production to Ontario from BC, and prejudice the ability of processors in BC to obtain the product they require to meet their needs. This change is contrary to the spirit and intent of the FPA under which BC agreed to re-enter the national system.

The PPPABC also have serious concerns that since Period A-127 all quota allocations by CFC have been made pursuant to the MOU, contrary to section 7 of the Chicken Farmers of Canada Proclamation, SOR/79-158 (the current operating agreement), and to s. 2.04 of the FPA which provides for the delegation of powers to CFC only in accordance with the authority and functions delegated in the FPA, including the operating agreement (Schedule "B"). The effective mechanisms of regional and provincial ranges, and the market responsiveness pool have been abandoned in favour of the MOU, which has not been approved by FIRB. In participating in allocations made contrary to the operating agreement, and by complying with the MOU, the Chicken Board has acted in a manner contrary to s. 4.02(3) of the Chicken Scheme which prohibits the Chicken Board from entering into or amending an agreement with the federal board without the prior approval of FIRB.

In May 2003 all the Western provinces entered into a “Western Allocation Settlement Agreement” which provided for cooperation in setting the regional range and the market responsiveness pool. This agreement has not been amended or terminated. The proposed changes will be inconsistent with the Western Allocation Settlement Agreement.

2. Do the proposed changes address issues related to allocation decision making?

There are several aspects to the proposed changes to the operating agreement which the PPPABC submit are inconsistent with orderly marketing, and will have a significant negative impact on the strength, efficiency and competitiveness of BC on the national stage. The primary objections of the PPPABC are the failure of the proposed operating agreement to address the supply imbalance between the West and Central Canada, the exacerbation of the supply imbalance through the increased allocation to Ontario at the cost of BC, the removal of a method to allow for regional market responsiveness, and reliance on the GDP and CPI in determining differential growth.

Increase in production to Ontario at the expense of BC

Section 3.14, and 3.30-3.35 of the proposed agreement all authorize the transfer of 14,184,786 kg to Ontario from the other provinces in Canada. BC must transfer 4,645,018 kg to Ontario under these provisions. A transfer of production from BC to Ontario is extremely detrimental to BC.

Before taking into account its new 14,184,786 kg allocation, Ontario was fully supplied and benefited from TRQ and fowl imports. Central Canada has a supply share greater than 65% to a population share of 62%. The Western provinces, on the other hand, receive an allocation proportionately less than their share of the population. The Western supply share is 28% against a population share of 31%. The new allocation to Ontario will exacerbate the already skewed allocation in favour of Central Canada.

Further, the volume BC is required to transfer to Ontario is punitive. BC must transfer the same allocation to Ontario as does Quebec. Quebec has almost twice the base allocation as BC and twice the population. This means, in effect, that BC is being asked to contribute twice as much as Quebec on a proportionate basis. No rationale for this punitive impact on BC has been provided.

The national allocation to BC is critically important to BC processors. BC processors receive virtually all their chicken through domestic production. In Central Canada processors have disproportionate access to additional production, such as TRQ and spent fowl. Under TPP additional chicken will enter Canada through higher import access levels. This additional production is expected to enter Canada disproportionately in the East. This will have a further negative impact on the competitiveness of BC processors. The necessity for BC to have a mechanism to ensure regional market responsiveness is increased with these anticipated impacts from the TPP.

The 2001 FPA included terms which allowed for market responsiveness through regional and provincial ranges. These components were key factors in FIRB approving BC's re-entry into the national system. The proposed changes do not allow for the same adjustments for market responsiveness.

The further processing industry in BC is severely impacted by diminished allocations to BC. BC has enjoyed a robust further processing industry, beginning in around 2000. However, with the failure of CFC to make allocations in accordance with the current operating agreement, there is

less production available in BC and investment is moving to Ontario – where the chicken is. A healthy further processing industry benefits the whole supply chain in BC. Increased demand for live chicken to supply further processors means more chicken is grown by BC growers, and more inputs to the growers are being delivered by BC suppliers. Negative growth in the further processing industry creates a negative ripple effect through the whole of the BC industry and has the potential to undermine the long term viability of the BC further processing industry.

Increase in allocations since A127 is not indicative of true trend

In 2014 and 2015, a number of unique circumstances drove an increase in allocations, which circumstances are aberrations and not indicative of sustainable growth. These include temporary reductions in availability of other proteins such as pork and cattle, AI being found in flocks in the US and Mexico, and short term allocations to address and compensate for the recent border enforcement against illegal imports of chicken labelled as spent fowl. None of these factors are anticipated to continue, and allocations will not continue to grow at the levels seen in recent periods. For example, pork and beef production in the US is increasing, and beef prices have declined 23.6% in 2015.

The recent allocation increases were made pro rata in all regions. Given the fact Ontario has a much larger base allocation than BC, when the same percentage increase is applied to all regions, this does nothing to address the fact that BC is undersupplied on a percentage basis as against Ontario and Central Canada.

It is anticipated that the growth in recent periods will return to trends more reflective of the 10 year period 2005-2014, which averaged 1.01%. Erosions to chicken market share are also expected in upcoming periods. It is anticipated by processors that growth will reduce to levels approaching 1-2% in the second half of 2016.

The negative impact on the competitive position of BC from pro rata increases in allocations to Central Canada since A127, coupled with the significant extra volume of product available to processors in Central Canada from TRQ and spent fowl, is exacerbated by the transfer of allocation to Ontario from BC as required under the current proposal.

BC processors disadvantaged against Ontario

Ontario demanded an increase in allocation as a condition of its acceptance of the new operating agreement. However, there are no market demands in Ontario which justify such an increase. Prior to the MOU being implemented, Ontario processors were among the processors that consistently requested the lowest growth through CPEPC. Western processors have consistently sought increased allocations to support the strong demand for fresh and further processed chicken in the West. Western provinces, including BC, have experienced more rapid population increases and increased market demands to support the population. This, and other factors point to increased allocations. Instead, the current proposal transfers needed allocation from the West, and from BC in particular, to Ontario, where it will be processed and sold back into the Western region to take the customer markets that would otherwise have been supplied economically by Western processors, had they had access to this production. This cannot be justified as an efficient model. It is not a model which increases or even maintains the competitiveness of BC processors as against processors in Ontario.

In addition to the disproportionate allocation to Ontario from BC, BC processors suffer from disadvantages as against Ontario processors, including higher live prices, lack of access to TRQ, and lack of access to spent fowl. Pricing and production are the critical components for the processors' competitiveness. Given that Western processors already pay the highest live

prices, any impediments to the BC processors' ability to obtain the product they need to meet their market needs will have a severe impact on their ability to maintain their competitive positions.

The fact that Central Canada has access to disproportionately more product than the West, means that processors in Central Canada are able to gain disproportionate market share for the sale of their products in the West. The supply share of Central Canada is approximately 62%, and the supply share of the Western region is approximately 28%. While at the retail level, BC processors would expect to see some product from Central Canada in the freezers of Western supermarkets, the actual volume of product originated in Central Canada far exceeds expectations. When Western processors conducted a retail survey of 7 of the largest retailers in the West, they found that 75% of frozen chicken products originated in Central Canada. Only 15% of frozen chicken products originated in Western provinces. A similar survey Western processors conducted of Ontario retailers showed 92% of frozen product originated in Ontario and virtually nothing originated from the Western provinces.

These surveys demonstrate that Central Canadian processors have disproportionate access to product, both domestic and imported, which is giving them a competitive advantage over Western processors, and this disproportionate supply is already being sold into the Western market. The Western provinces have been denied the allocation increases they need to meet the market growth in their provinces. BC processors have to decide whether to supply the fresh market or the frozen/further processed markets, and do not have sufficient supply to serve all of those markets in their home province. However, Central Canadian processors have enough supply to not only serve their local fresh market, and their frozen/further processed markets, but also dominate the frozen/further processed markets in the West. Central Canada is meeting the market needs in the West through its own increased allocations and access to imported product. Western processors run a significant risk that they will be permanently displaced from their own provincial markets, as the trend to more product in the West from Central Canada is accelerating. In addition, with new packaging coming on line to extend shelf life, the West can expect pressure from Central Canada in the fresh market in the future. The proposed agreement will ensure this situation further worsens for BC and Western processors.

The cost of the imbalance between the West and Central Canada is passed on to the consumer. The retail cost to the consumer of product shipped from Central Canada includes significant transportation costs. The interests of the consumers are not served by a continued supply imbalance between the West and Central Canada, yet the proposed operating agreement exacerbates the imbalance by transferring allocation from BC, Saskatchewan and Manitoba to Ontario.

Differential growth factors are inappropriate

The proposed new operating agreement sets out a number of factors to be considered when distributing quota to address differential growth. These are set out in ss. 3.15 – 3.24.

The factors include:

- a) provincial share of the national base,
- b) population growth,
- c) Gross Domestic Product (GDP) growth,
- d) Consumer Price Index (CPI),

- e) Farm Input Price Index,
- f) quota utilization,
- g) further processing (based on the provincial share of the total number of federally registered establishments designated as further poultry processing), and
- h) supply share (province's share of national base divided by province's share of national population).

The PPPABC takes issue with the inclusion of GDP and CPI in assessing differential growth.

The concept of differential growth is tied to an assessment of comparative advantage. Pursuant to s. 23(2) of the *Farm Products Agencies Act*, CFC must consider comparative advantage of production when allocating quota to address anticipated growth of market demand.

Comparative advantage of production addresses the actual costs of both production at the farm level and at the processing level. In other words, CFC must assess the factors which drive up or down the actual production costs. At the processing level, this could be viewed through the lens of "if I were to build a new processing plant, where would I build it and what factors would I assess in making this decision" as well as assessing the current operating capacity of the industry. Such factors include:

- a) cost, availability and quality of live supply,
- b) cost and availability of labour,
- c) yield and efficiency
- d) plant capability
- e) cost of distribution to market

These critical costs and efficiency criteria are not referenced in 3.15 – 3.24 of the proposed operating agreement. Instead, the proposed agreement brings in two factors which have nothing to do with comparative advantage of production. Whether a province's overall GDP has gone up or down is likely to have nothing to do with the cost of producing or processing chicken. Yet, under section 3.18(b), provinces with an increase in GDP will share in growth. Similarly, the CPI has little to do with the cost of producing or processing chicken, yet that factor is calculated into a multiplier for allocation growth. A province's GDP or CPI are certainly not factors which would go into a decision to build a new processing plant or expand a farm.

Because the differential growth formula in the proposed agreement includes the GDP and CPI, this has the effect of skewing the data in favour of provinces that may not need more chicken and in favour of ones that could not economically process it compared to other provinces .

Market responsiveness and consumer interests are not addressed

The operation of the proposed new agreement, as demonstrated through the allocations made since 2014 under the MOU have demonstrated that consumer interests are not adequately addressed.

The allocation method in place since A127 has seen increased production in high cost jurisdictions which do not have the markets to support such increases. Newfoundland is an

example of a province receiving allocations far in excess of its needs, which product is processed at the highest cost levels in Canada and then shipped back out of the province to consumers in other parts of the country. BC further processors are forced to import product into BC because there is insufficient production in the province, which increases costs for the further processors and ultimately consumers. The high costs associated with producing excess chicken in Newfoundland, and BC further processors being forced to import product, are examples of unnecessary costs ultimately borne by consumers as a result of allocation decisions, which is contrary to the interests of the consumer as articulated in the *Farm Products Agencies Act*.

3. If NO to the above, why and what changes are needed to remedy?

The PPPABC supports the process for setting regional and provincial ranges as set out in the current operating agreement. The PPPABC does not support the transfer of allocation from BC to Ontario, particularly not in the absence of adequate protection for BC to respond to market increases at the provincial level. The PPPABC requires BC to have the ability to make allocation modifications, within a limited volume window, to address regional requirements, i.e. market responsiveness, without being subject to CFC director discretion.

The current operating agreement, if it was implemented as it was intended, provides an effective method for addressing differential growth and market responsiveness. If there is a concern that the percentages and ranges do not reflect current market dynamics, the PPPABC does not oppose CFC revisiting those percentages and ranges. However, the method in the current operating agreement for setting market responsive allocations is sound and should be maintained as it was originally intended.

The Western processors attempted to put forward a solution for market responsiveness, which was titled “Differentiated Regional Allocation”. This set out a workable proposal allowing for a region to allocate up to a maximum of 3% to address market responsive needs. However, because the processors had been excluded from negotiations on the proposed agreement, they were not able to advance this proposal before positions became entrenched. Once the MOU was signed in July 2014 it became virtually impossible to implement the kind of changes the Western processors needed for the agreement to be workable.

SAFETI analysis, including specific response to submission from Chicken Board

Strategic

The current proposal is not a strategic solution for BC. It creates disadvantages for BC over the current operating agreement.

The Chicken Board states that it is in the best interests of the Canadian industry to have all provinces included in the national plan, and the current agreement will satisfy Alberta such that it will re-enter the FPA.

The PPPABC agrees that it is in the best interests of the country to have Alberta in the FPA, and take no issue with the base allocation increase made for Alberta.

However, it is not strategic to bring in Alberta at the cost proposed by Ontario. The demand by Ontario for increased allocation as the price of acceptance of a new operating agreement which recognizes a legitimate increase for Alberta, is simply not acceptable. It is not compliant with the objects of CFC, or the spirit and intent of orderly marketing.

The proposed agreement is not compliant with the *Farm Products Agencies Act* – it does not promote strong, efficient and competitive production. Instead, it weakens the BC processing and further processing industries, rewards inefficiencies by increasing allocations to high cost provinces with no market need for additional production, and gives a competitive advantage to Central Canada processors who are now substantially serving the markets in Western Canada for frozen and further processed chicken.

While the negotiations with respect to this agreement have gone on for a number of years, that fact alone does not make it strategic to accept an agreement which disadvantages BC.

The differential growth components of the agreement are not well thought out and will create continued competitive disadvantage for BC.

The issue which the proposed agreement is attempting to resolve, namely the exit of Alberta, arose through problems with CFC's own governance and its failure to implement the current operating agreement in its intended manner. Not only will this proposed operating agreement entrench the marketplace reality that created the friction, it will make this situation worse by stripping out even more production from the West and giving it to Central Canada.

Accountable

The Chicken Board must be accountable to downstream stakeholders and consumers when it exercises its powers.

The Chicken Board has not demonstrated that accountability to date. The effect of the proposed agreement will be to increase costs to consumers, limit product for further processors in the province, and decrease production for growers and primary processors.

Since A127 the Chicken Board members at CFC have agreed to allocation decisions which do not comply with the current operating agreement, have effectively amended the operating agreement without the approval of FIRB, and have done so over the protests of the processing sector. In doing so, the Chicken Board members have disregarded the very basis upon which BC agreed to re-enter the national agreement in 2001.

Further, the Chicken Board has failed to implement the Western Provinces Allocation Settlement Agreement.

CFC also must be accountable to all of its members and to operate within its authorizing legislation and the federal provincial agreements through which it obtains its authority. CFC failed to that in the implementation of the current operating agreement. This failure by CFC resulted in the supply imbalance that caused Alberta to exit the national scheme. The proposed operating agreement will worsen the supply imbalance, and introduces factors which are not compliant with the *Farm Products Agencies Act*.

Accountability requires the Chicken Board and CFC to comply with agreements to which they are parties. Agreements are important and foundational to the exercise of good governance. If CFC and the Chicken Board act as though compliance with agreements is optional, or merely a discretionary obligation, the accountability of the system is undermined.

The Chicken Board has not maintained the fundamental positions of BC when it re-entered the national system in 2002, namely that BC would not suffer through the imposition of locked in market share, and BC would have the ability to respond to its own market growth in a market responsive manner. The Chicken Board did not ensure that CFC followed the FPA and the

operating agreement, and has taken a position in accepting the proposed operating agreement which is in direct opposition to the terms of BC's re-entry into the national system.

Further, the Chicken Board and CFC have not demonstrated accountability to downstream stakeholders and consumers throughout the negotiation of the proposed operating agreement. Western processors were shut out of participation in any meaningful discussions and negotiations prior to the completion of the MOU in July 2014, by which time the parties were entrenched and the Western processors could make no headway in advancing a proposal which would allow for market responsiveness.

Fair

Contrary to the statement made by the Chicken Board in its submission, for the reasons stated above BC will produce less chicken under this proposal.

While a long term agreement is in the best interests of the industry, the FPA 2001 and the operating agreement scheduled to the FPA is already in place, with a workable model to address regional market demands. It is preferable to have an agreement to bring Alberta back into the national scheme, but such a goal cannot take precedence over other fairness concerns, including fairness to BC in the face of unjustified preferential demands by Ontario.

The effect of the agreement will be to create and exacerbate an unfair, inefficient system with embedded competitive advantages favouring Central Canada over the West.

Effective

The proposed agreement is not an effective solution to the goal of bringing Alberta back into the national system. For the reasons stated above, the cost to BC is too high.

Transparent

The process of negotiating the new agreement was not transparent at all. The processors were rarely consulted, and were not entitled to participate in the discussion at critical points.

In December 2013 there was one meeting of the Western boards with the Western processors. On the table were discussions around comparative advantage and addressing Alberta's need for additional allocation. At this meeting the Western processors presented conclusive information demonstrating the supply imbalance that favored the Central Canadian processors. Western processors strongly advocated for additional production to correct this imbalance, and allow Western processors the available product to reclaim Western consumer markets that were being supplied with Central Canadian product.

CPEPC sought a more direct involvement in the negotiations of the operating agreement, and sought an opportunity to provide advice from the perspective of the processors on markets, processing, customers, etc. CPEPC sought, at a minimum, an opportunity to sit as observers throughout the process. CFC declined to give CPEPC the opportunity to be involved directly in the negotiations, or to sit as observers in the process.

Following the one meeting in December with the processors, CFC and the provincial boards continued their discussions and in July 2014 announced they had reached MOU. The MOU was not presented to the processors in advance for comment or input.

The Chicken Board then set out to lobby the processors to accept the MOU. These efforts were not successful. The processors remained concerned with the concessions made by the Chicken Board, and ultimately launched an appeal.

No rational explanation has been provided to justify why Ontario should receive a significant increase in its allocation. It was general industry knowledge that Ontario processors were among the least aggressive in terms of requesting production through CPEPC. Western processors continually requested volumes in excess of those from the East. No rational explanation has been provided to explain why BC is required to suffer an impact twice as great as Quebec. The overriding argument advanced by the Chicken Board seems to be that the negotiations took a long time, and BC had to make concessions to Ontario and Quebec or those provinces wouldn't sign the agreement. The PPPABC is not satisfied that unreasonable pressure asserted by Central Canada is a justifiable reason to enter into a long term agreement which disadvantages BC.

Inclusive

In arguing the agreement is inclusive, the Chicken Board states that all processors and growers in BC will be affected equally, and all stakeholders were consulted.

All stakeholders were not adequately consulted, as stated above.

In stating that all BC processors and growers are treated equally, the Chicken Board displays a woeful lack of understanding of the Canadian market. The processors, which are supposed to drive the bottom up allocation system, operate in a national competitive market. To say the BC processors are all treated the same is completely meaningless. The point which is fundamental to the competitive position of the processors, is that the BC processors must be competitive with the processors in the other provinces. If all the BC processors are at an equal competitive disadvantage against the Ontario processors, that has a significant negative impact on the BC industry. That is the fundamental objection of the BC processors, and why the BC processors are united in their opposition to the competitive disadvantage which the proposed agreement creates for all of them in the national market.


Relief Sought by PPPABC

The PPPABC submit that FIRB should not approve the operating agreement proposed by the Chicken Board in its current form.

The PPPABC submits that before the proposed operating agreement can be approved, changes must be made to address regional and provincial market responsiveness concerns. Two options would be satisfactory:

- 1) return to the allocation methodology as set out in the current operation agreement, with a mechanism to ensure that CFC does comply and provides for differential growth to markets that need it, or
- 2) include the Differentiated Regional Allocation, as proposed by the Western processors.

Dated: February 26, 2016



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