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

December 19, 2013

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

Dear Dave:
We are writing to express our disappointment with CFC's decision to deny CPEPC's request to participate in the Differential Growth mediation, either with a seat at the table, or at the very least, in the room as observers, throughout the process.

I understand that, during conversations over the past few days between yourself, Mike Dungate and Robin Horel, Robin explained our position that even though we are not a signatory to the Operating Agreement, as a stakeholder in the supply chain we obviously have a lot at stake. CPEPC representatives sit as members of the CFC board and we have expertise and valuable advice on issues dealing with markets, processing, customers, etc. that would prove useful during the mediation. We do not believe that our participation would slow the process down or somehow make it more difficult.

This decision reinforces the belief, expressed in our Strategic Plan, that CPEPC does not currently hold the position as an equal, respected and valued supply chain partner. We continue to believe that establishing equality in decision making processes and balancing the system is vital to the future of supply management itself.

We assume that your commitment to provide transparency to all CFC Directors, will apply to CPEPC's Directors on your Board. Nevertheless, it is not as satisfactory as allowing CPEPC to participate fully in the process or to have observer status.

Sincerely,

Craig Evans
Chair

cc. Mike Dungate, Executive Director, CFC
Laurent Pellerin, Chair, FPCC
Robin Horel, President & CEO, CPEPC
CPEPC Chicken Sector Members

Primary Poultry Processors Association of British Columbia
13538 73rd Avenue,
Surrey, BC V3W 2R6

Via Email and/or Facsimile

April 16, 2014

TO:

CPEPC	Robin Horel, Chair	robinhorel@cpepc.ca
FPCC	Laurent Pellerin, Chair	Laurent.Pellerin@AGR.GC.ca
CFC:	David Janzen, Chair	Fax: (613) 241-5999
All Provincial Marketing Board:		
- Chicken Farmers of NF&L	Ruth Noseworthy, Chair	Fax: (709) 747-1493
- Chicken Farmers of PEI	Dean Good, Chair	Fax: (902) 838-4108
- Chicken Farmers of NS	Paul Cook, Chair	Fax: (902) 681-7401
- Chicken Farmers of NB	Marc Cormier, Chair	Fax: (506) 451-2121
- Les Éleveurs de volailles du QC	Pierre-Luc Leblanc, Chair	Fax: (450) 679-5379
- Chicken Farmers of ON	Henry Zantingh, Chair	Fax: (905) 637-3464
- Manitoba Chicken Producers	Jake Wiebe, Chair	Fax: (204) 488-1163
- Chicken Farmers of SK	Diane Pastoor, Chair	Fax: (306) 242-3286
- Alberta Chicken Producers	Erna Ference, Chair	Fax: (780) 488-3570
- BC Chicken Marketing Board	Robin Smith, Chair	robinsmith@bcchicken.ca
All Provincial Supervisory Agencies:		
- NF&L Farm Industry Review Board	Robyn Dillman, Manager	robyndillman@gov.nl.ca
- NS Natural Products Mkt Council	Elizabeth Crouse, Manager	crouseea@gov.ns.ca
- PEI Marketing Council	Ian McIsaac, Manager	ijmcisaac@gov.pe.ca
- NB Farm Products Mktg Comm.	Bob Shannon, Chair	bob.shannon@gnb.ca
- Régie des marchés agricoles et alimentaires du QC	Francoise Gauthier	francoise.gauthier@rmaaq.gouv.qc.ca
- ON Farm Products Mktg Comm.	Arva Machan, Director	arva.machan@ontario.ca
- MB Farm Products Mktg Council	Scott Stothers	scott.stothers@gov.mb.ca
- SK Agri-Food Council	Corey Ruud	corey.ruud@gov.sk.ca
- AB Agri Products Mktg Council	Bruce Beattie, Chair	marketingcouncil@gov.ab.ca
- BC Farm Industry Review Board	John Les, Chair	firb@gov.bc.ca
- NWT Agri Products Mktg Council	Lloyd Jones, Chair	Lloyd_jones@gov.nt.ca

Re: Time for a reality check

This letter will address the issues of differential growth, comparative advantage (CA) and the parallel request from Alberta and Ontario for an addition of kilos to their base allocation of chicken.

Alberta initiated discussions with respect to its view that it needed, due to growth and economic factors, an increase to its base allocation for chicken. Their analysis, which consisted of a population based to allocation ratio basis, supported Alberta's allocation request.

Chicken Farmers of Ontario (CFO), recognizing opportunity in Alberta's argument subsequently adopted a similar position, requesting an increase to their base chicken allocation.

These requests have been under formal discussion for about 4 years at the national level. Enormous expenditures of time and money have been committed resulting in no decision and a dead locked Chicken Farmers of Canada (CFC) board.

It is time to call a spade ... a spade.

Alberta's request for additional production has merit, based upon provincial and western population growth and strong economic performance, generally. Alberta and other Western processors have consistently requested increased allocation to meet their increased market demands.

Ontario's request has no merit.

Over the last number of years neither large processors from central Canada or CFO have demonstrated any requirement for more chicken volumes in the discussions each period when national allocations are established. In fact, more often than not, the national allocation number is lead downwards by these parties.

Certainly it can be understood that Ontario farmers, lead by CFO, would like to grow more chicken. What farmer organization would not?

The problem is large central Canadian processors are awash in product. They currently hold at approximately 65% of the total Canadian supply, made up of domestic allocation, TRQ and fowl meats. This volume does not include other product sources such as IREP and duty relief programs. More chicken, by way of new domestic allocation is the last thing they need. More chicken, for the large central Canadian processors, equals displacement of product from the west to central Canada, with corresponding competitive implications.

It seems the only acceptable solution for the large central Canadian processors in acquiring more domestic allocation is if it comes out of existing western allocation. This does not increase total Canadian supply and allows them to sell these new extra kilos back into the now further shorted western markets from which they originally came.

None of this should come as a surprise or news to anyone. It has been widely discussed.

The Farm Products Agency Act, states that:
21. The objects of an agency are

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

1970-71, c. 65,s 22.

This relocation of production kilos, which will weaken one region of the Supply Management organization, in favour of another, based on displacing western processors from the markets they currently supply, is not representative of Supply Management values nor is it consistent with the object of the Act, as noted above, and should not be rewarded on that basis.

Recently a proposal drafted by Quebec, referred to as the 9 province proposal, garnered significant attention. It proposed substantial additional kilos for Alberta and very few kilos of allocation to Ontario. Western processors, whilst loathe to lose kilos of chicken in their home provinces, are generally accepting that a transfer of some kilos to Alberta may be necessary as a consequence of this proposal.

Western based processor companies, comprised of Sunrise Farms, Hallmark, Sofina and Farm Fed, do not support any transfer of kilos from the western region to central Canada, in any scenario.

Further, these western processors could support the current 9 province proposal (or a modified version) and does support the subsequent implementation of a comparative advantage model, one that will recognize regional differences, and allow the western region some autonomy in allocating product to meet changing demands for its product on a going forward basis. This is seen as necessary to come in line with governing regulations, according to the Farm Products Agency Act.

Scott Cummings
Sunrise Poultry Processors Ltd.

Jeff McDowell
Sofina Foods Inc.

Ken Huttema
Farm Fed Processors

Ken Thorpe
Hallmark Poultry Processors Ltd.

NOTES FROM MEETING May 15, 2014 BETWEEN BOARD and PPPABC

Meeting with PPPABC @ 9:30 a.m.

Present from the BCCMB: R. Smith, G. Gauthier, DA Janzen, A. Johnston, K. Froese, C. Rickson and B. Vanderspek.
Absent:
Present from the PPPABC: S. Cummings, K. Thorpe, E. Silveri, and K. Huttema, R. Kilmury, k. Nash and Jeff McDowell.

AGENDA:

1. Differential growth update and discussion
2. BC base adjustment update (Specialty)
3. CFC Specialty Chicken Policy Update and Discussion
4. Changes to Organic definitions
5. Removal of AoS to remaining small processors
6. Amendments to NEG Program for growers
7. 2014 BCCMB/BCBHEC pricing linkage
8. Fact based allocation request to CFC
9. Live pricing
10. AI and FIRB letter, update of BCCMB position and next action points of BCCMB
11. Production movement limits
12. Other

The processors requested these draft notes be circulated to ensure they accurately reflect the meeting discussion.

1. Differential Growth:

The Chair updated the meeting with regards to differential growth discussions at the CFC table, outlining the draft agreements which have stalled. He reported on his meeting yesterday with Quebec and Ontario respecting the impasse. He commented on the letter sent to CFC requesting the separation of the 2 issues (historical catch-up and comparative advantage formula going forward). Without a settled agreement future allocations approval by FPCC is in jeopardy.

The processors position respecting the issue is as follows:

- They feel already disadvantaged and feel the situation is getting worse (significantly more product is moving into the west from outside of BC). It has a

significant impact on processors by negatively affecting price and ability to service customers.

- They do not want the Board to give up any product to Central Canada, effectively drawing the line at providing some product for redistribution in Western Canada only.
- Processors willing to make accommodations for Supply Management but limit it to giving up a limited amount of kilograms within the Western Region.
- BC processors are willing to do more to garner support in the other western provinces respecting the separation of issues, TRQ and fowl. (total supply)
- BC Processors support a regional allocation (preferably using the existing regional ranges in the CFC Operating Agreement).
- Processors are unhappy with the directions the DG discussions have progressed, giving credence to team Ontario's of claim of requiring more simply to increase Ontario's power position at the expense of the other provinces.

Request for Further Processing Data:
In regards to the request for data respecting further processing (with a view to inserting this category into the formula), they are willing to provide this information on the condition it is only used internally by the Board to assist in determining the value for possible inclusion to the comparative advantage formula.

Alberta Situation:
The Chair noted Alberta is out effective with the start of A-127 and that to date no service agreement has been signed with the CFC, with little or no appetite from the existing members to sign such an agreement. Without an agreement, Alberta is not able to participate in OFFSAP, ACP and MD programs.

It was further noted that Alberta is currently producing under 100% utilization. Processors noted that there are no plans in place to increase breeder flocks, and there is currently a hatching egg shortage in Canada.

2. BC Base adjustment update:
The Board has obtained a legal opinion on the issue and from it crafted a letter to CFC. There has been no further movement respecting the proposed adjustment to the BC base. The Board has sent a letter to CFC dated April 30/14, but no response has been received. The Board has notified CFC that it is willing to postpone the implementation to A-127. The Board awaits the CFC staff recommendation to the CFC Directors on this issue.

The Board stated it is willing to have the actual amount of specialty grown during that timeframe multiplied by the growth since that time removed from the base only. The Board asked for confidentiality on this issue until the outcome is determined.

3. CFC Specialty Chicken Policy update and discussion:

The GM provided a historical perspective on the changes to the CFC Specialty Policy. The documents are still in a draft form. The Specialty Program at CFC is only TC and Silkie chicken and does not include Organic. Specialty is separate now a separate allocation, and does not impact the base. It has the ability to grow at a different rate than the mainstream market.

4. Changes to Organic chicken definition:

The GM advised the PPPABC of the letter sent to industry dated April 11, 2014 and went over the timetable. Amended General Orders will be circulated to industry next week. An appeal has been filed, there may be some opportunity for intervenors.

Processors noted they all agree with the changed definition moving organic from the specialty class into the mainstream class.

5. Removal of Assurance of Supply to remaining small processors:

The GM advised the PPPABC of the letter sent to industry dated April 11, 2014 and went over the timetable. Amended General Orders will be circulated to industry next week. An appeal has been filed, there may be some opportunity for intervenors.

It was noted has been the intention of the Board since 2010 to have a sunset clause for AoS. Most of the processors under AoS have opted out since the program was established. With the new specialty policy at CFC it is no longer required for BC specialty processors as AoS limits their ability to grow.

The processors have no comment at this point.

6. Amendments to NEG Program for Growers:

The Board brought up the delay in implementing the increased entry level due to delays with the report from the exemptions committee (a subcommittee of the PPAC). This matter has been dealt with at the PPAC, it is the understanding of staff that the processors are to inform the PPAC Chair today on whether the document can move forward to the BCCMB for consideration, with the view of having the document go to FIRB.

Processors will allow the other items be delayed while moving the exemptions portion forward on the condition that the other items will be dealt with going forward. The processors will draft up a letter on the other issues.

7. BCCMB/BCBHEC pricing linkage update:

The GM noted the linkage update is upon us and the process is underway. The Chair verbally provided the BCBHEC "wish list" of items for inclusion in the linkage. The PPPABC were asked their opinion on the items on the list. It was noted the BCCGA were also asked to provide input.

The processors will provide a written response respecting the list. It was noted that they felt vaccine costs on both sides should be incorporated in the linkage.

8. Fact based allocation request to CFC:

The Board again requested the processors individually provide a fact based allocation request and a rationale, to assist in obtaining a proper allocation at CFC every quota period. C. Davie will be taking over this task. The GM asked the processors to assist her in gathering information to augment our rationale to CFC which accompanies the allocation request.

9. Live Pricing:

The Board noted it has not yet met to set the price for A-124.

The processors expressed concern with the growers request to increase the differential due to the rail issue. The processors position is that the issue is unusual but not exceptional. A written response will occur next week after the price has been set by the Board, if exceptional circumstances are triggered.

It was noted by processors that there are no COP elements in the BC live price. BC is a price follower, pricing off of Ontario. It was also noted that there is not a shortage of grain, just a transportation issue.

10. AI and FIRB letter, update of BCCMB position and next action points of BCCMB:

The Board has not yet met to discuss the most recent letter from FIRB respecting the captive insurance program. Processors felt the FIRB letter was a "non-decision". It was noted that H. Sasaki has scheduled a conference call May 21st for the feather boards' staff to comment on.

11. Production Movement limits:

Processors put a proposal forward 2-3 years ago to establish movement limits. They claim no response was ever provided and now want the Board to consider this again. Processors will provide a new document to the Board for its consideration. The noted that another province is now looking at setting limits.

The Board made no decision on this matter, but rather chose to monitor the numbers. It is not a current active point with the current Board. The GM reported on the amount of movement, which can be found in the quarterly BC Chicken Facts.

NOTE FROM STAFF after investigating the issue:

- *At a joint meeting between the processors and the Board on **November 19, 2012** the Processors provided a letter requesting a yearly cap of 300,000 kg.*
    - *At that time the Board noted:*
        - *Staff to complete scan of all provinces*

- *Industry consultation required*
- *Full Board discussion required*
- *If and when the Board is ready to move forward of formal consideration the topic must go to PPAC for advice*

- ***January 17, 2013*** *PPAC Minutes show:*
  - *No consensus on the issue. Suggested updated list of movement be developed. This was done and has been tracked and monitored – see quarterly BC Chicken Facts.*
- ***May 8, 2013*** *PPAC Minutes show:*
  - *Discussed again at PPAC with tracking data. PPAC had no further input or direction to share with the Board. The positions of the PPAC remained entrenched with the growers opposing the cap as a defacto AoS.*

12. Other:

The Chair updated the meeting on various first nations' requests for quota to grow the regulated product. If the situation develops, the Board will keep the processors in the loop.

The processors asked is there any decision coming from the Board concerning AMU initiatives? The GM reported that no consensus came forward from the PPAC, there was no cross commodity agreement to mitigate the potential impact. At this time the Board is ensuring that as per the PPAC request, weekly mortalities are being compiled and circulated to the PPAC and Hatcheries. If there is an issue arising later in May, the Board may look at changing the UM sleeve if there appears to be a negative impact on orderly marketing. No decision has been made at this time.

The notes are to be sent to R. Kilmury who will circulate them to the members of the PPPABC.

The meeting adjourned at 11:45 a.m.

July 11, 2014

Industry Communique

Allocation agreement

An agreement in principle to resolve the ongoing and divisive differential growth and comparative advantage issue was reached between all ten provinces at a meeting held in Toronto on July 8, 2014.

This meeting was the culmination of seven years of discussion at the CFC table and two years of intense negotiations between teams representing all ten provinces which earlier this year included an intensive mediation process.

The agreement will allow Alberta to rejoin Chicken Farmers of Canada as a full partner and also addresses the allocation share concern that has been enunciated by the province of Ontario over the past number of years.

All ten provinces showed the flexibility and willingness to compromise that was required to reach an agreement at the absolute eleventh hour. Failure to reach an agreement would have had far reaching implications that would have resulted in intervention by government that could have completely altered the composition and mandate of CFC and CFC's board of directors. The result of failure at this juncture could have had the immediate result of less representation and decision making authority by Canadian chicken famers at the CFC table. Moreover, considering the negative media concerning supply management, chicken farmers recognized that they had a responsibility to settle this dispute to protect supply management not just for chicken, but for all other commodities.

This agreement will provide stability and predictability for Canadian chicken farmers, processors and consumers for the next ten years and will allow CFC to continue to manage the Canadian chicken industry and to maintain the three pillars of supply management without undue outside interference.

Details will be communicated as they become available, but the essence of the agreement is a plan to share future growth in the industry by way of a comparative advantage formula that will allow some provinces to grow faster than others. All provinces will continue to grow with the industry in the future as 45% of future growth will still be allocated on a pro-rata basis. Present provincial bases will be protected at their current levels so that investments in farm and processing capacity and infrastructure are not compromised.

Eight provinces including BC have agreed to contribute a portion of future growth in order that an agreement could be reached in the interest of preservation of our system and supply management. Using the past as an indicator of future performance in the Canadian chicken industry the agreement will result in a total transfer of 22 million kilograms between provinces

over the next ten years. This is a large number, but must be compared to projected total chicken production over the same ten year period of 11 billion kilograms (0.2%)

BC's contribution to the solution is estimated at 150,000 kilograms per cycle of **future growth** which equates to roughly 210 birds per cycle per farm unit in the province. Future growth, projected at 1.5% per year will provide BC with 450,000 kilograms per cycle; we are therefore contributing approximately 1/3 of our growth over the next ten years to safeguard our system. The BCCMB expects that some of the factors in the comparative advantage formula such as quota utilization, further processing capacity, and population growth will be beneficial to our share of national growth over the coming years.

It is the intention of the Board to meet with growers and processors over the next several weeks to provide further information as it relates to the allocation agreement. Additional information will also be provided in the next Monthly Board Update and further communique as required.

CFC specialty program

As you are aware, CFC has approved and implemented the new Specialty Production Policy. The development of this program was spearheaded and led by BC and will provide immediate benefit to BC growers and processors.

- The BC specialty chicken sector will have the opportunity to grow beyond current levels without further impact to the mainstream growers and processors.
- An agreement reached with CFC to adjust BC's base allocation to accommodate the specialty program will result in an immediate return of approximately 2 million kilograms of allocation per year to mainstream growers and processors.
- BC will be making its first allocation request under this program for period A-127 with the full participation of specialty growers and processors.

Should you have questions or require clarification, please contact a member of the board or Bill Vanderspek at the board office.

Thank you for your attention to this matter.

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Mr. Robin Smith
Chair
c.c. Mr. Jim Collins, BCFIRB
B:\Administration\Correspondence\Board correspondence\DG agreement communique.docx

NOTES FROM MEETING July 23, 2014
BETWEEN BOARD and PPPABC

Meeting with PPPABC @ 10:30 a.m.

Present from the BCCMB: R. Smith, DA Janzen, A. Johnston, K. Froese, C. Rickson and B. Vanderspek.
Absent: G. Gauthier.

Present from the PPPABC: R. Kilmury, K. Nash, K. Thorpe, E. Silveri, and K. Huttema.

AGENDA:

1. Differential growth agreement

1. Differential Growth Agreement:

The Chair welcomed the processors. He led them through a brief history of the seven years leading to the agreement. He outlined the frustration of FPCC, and the issue of removing Alberta from the proclamation. FPCC had several options if the proclamation was opened, including to amend or dissolve the Chicken Agency leading to the loss of the import control pillar of the SM controls for chickens. Any impact on the Chicken Agency has the potential to spill over into other national agencies and could have led to the end of supply management in Canada.

A copy of the confidential 1 page document "Agreement approved in principle on July 8, 2014 by Provincial Chicken Boards" was circulated. The processors noted that they had already received a copy of the July 22, 2014 CFC Document entitled "Long Term Chicken Allocation Agreement (A-127 allocation setting)".

The ED led the group through the CFC agreement. The agreement describes and defines how the national chicken allocation will be distributed to the provinces that are signatories to the agreement. The agreement is effective from the setting of the allocation for quota period A-127.

The division of kilograms being given up is estimated to be as follows:

BC	→ 7.5 M kg
Quebec	→ 7.5 M kg
Prairies	→ 4.0 M kg
Atlantic Canada	→ 4.0 M kg
TOTAL:	23.0 M kg

The division of kilograms being received is estimated to be as follows:

Ontario	→ 16 M kg
Alberta	→ 7 M kg
TOTAL:	23 M kg.

- BC potentially giving up 7 M kilograms over the next 10 years based on future growth. Which is 700,000 kg out to 2.1 M kg growth per year. The estimate is based on a growth curve of 1.5%. This means giving up 1/3 of BC's growth over 10 years.

- CFC Specialty program removed 400,000 from the BC base for 6 periods. BC requests approximately 700,000 - 800,000 kg per cycle of specialty. The CFC Specialty Program returns to BC 300,000 kgs (returned to the mainstream allocation sector) every period which equates to 2M kg per year. AoS lease is decreased from 300,000 kg to 40,000 kg (only 1 processor left).

- BC mainstream processors and growers stand to gain 4 M kgs annually from the removal of AOS and the CFC Specialty Program will contribute up to 700,000 kg per year for the DG agreement.

The agreement results in a small shift of production from western Canada to Central Canada of approx. 50,000 kilos per cycle. (3 Mkg over 10 years) BC will still continue to grow at approximately 1.4 M kgs per year based on 1.5% allocation growth every cycle (projected growth of 2.1 M kg per year).

BC should gain by the inclusion of further processing in the formula when it is based on appropriate data. BC would prefer to work closely with BC further processors to ensure that the formula is based on truly further processed data and not cut up, marinated raw products being included. Ont, Que, AB and BC are the only provinces to gain from this factor in the formula. An independent company will undertake the survey of all companies. It will be given clear instructions on what qualifies.

BC agreed to give up the same amount as Quebec in the interests of achieving a National solution. Ontario agreed to come down and make adjustments in the formula to ensure AB received a larger share. To get enough kilograms on the table Quebec came up 2 M kgs on the condition BC provided 7 M kgs.

The processors asked more about further processing. They stated that as it is calculated in the proposed formula, it is working negatively against BC. The Board stated that the current inclusion in the formula is not the final product; once the survey is completed by a third party, it should work more in BC's favour, once the real numbers come out in the next 12 months. Realistically BC needs to increase to 14% to benefit from the category.

The processors commented that BC is always market disadvantaged, and cannot get enough materials to provide product to further processing plants. They state the gap is much larger with what Ontario is giving and what BC has. The processors expressed concern on what the definition of what a further processor is and types of products being included. This concern is shared by the Board and again it was emphasized that the input and expertise of the BC Further Processors would be appreciated. There are many 6F category plants in Ontario and Quebec that do not do actual further processing. These need to be weeded out as a component of the final formula.

The Chair commented he does not intent to sign any agreement that does not include appropriate further processing elements. He needs full cooperation and input from BC further processors. It is probable that an MOU could be signed at the CFC meeting in September 2014.

The Board asked how BC would be better protected against Ontario if elements of SM is unravelled. The processors response *"that they would find ways to do it, it depends on the amount of live animals available in the region as it is only limited by transportation of fresh product".*

Processors feel that Ontario got more allocation than they need, deserve and want. The Board stated there is a less certain future without SM, and SM is dependent on having Ontario in the system. Processors state "don't give away within the system".

Processors asked about the timeline. The Board responded as follows:

- CFC Specialty program – November 2013
- BC Specialty Base Adjustment – June 2014
- Formula to be used to set A-127. (Banff end of July 2014)
- Expectations are to sign the MOU on how the formula will work with 10 provinces mid Sept 2014 at CFC.

The Chair distributed a copy of a document labelled "Further Processing". He is asking for feedback on the document, to work out how to make this work out well for BC. How can this work best for BC. R. Kilmury stated that Scott, Jeff and himself will be in Banff at the CFC Summer Meetings and would respond to the document quickly.

The processors asked how this is being accepted in the rest of the country. The Chair responded that as far as we know MB was happy at the government level, SK growers are on side and they are happy to have an agreement. AB is raising a number of technical issues at this time. Atlantic Canada have not provided any comments other than technical issues. Quebec has not commented yet. Generally there is a feeling of relief that the agreement has been hammered out.

It was noted by staff that the expectation is that BC will still be producing chicken beyond its population share after the 10 years.

The processors noted other issues:

- Giving 1 kg to Ontario is a mistake. Was OK to redistribute kg in the West for AB needs, but not to give any to Ontario.
- Used to be 5 M kg (temporary agreement) now it is at 7 M kg. over 10 years.
- How many signatures required on the MOU? -- Ten provinces was the response from the Chair.
- Who signs MOU? -- Board Chairs or CFC Directors was the response from the Chair.

The Chair also noted if there are any changes required to the CFC Operating Agreement it will require 31 signatures. If this cannot be accomplished, we are back to FPCC dealing with the issue rather than the CFC, which means the provinces no longer have any input.

The Board brought up the issue of consumption of chicken and the efforts processors could assist in growing the market. It is essential to the provincial industry. How can we work with processors and retailers in BC to increase consumption? It was agreed this is a topic for a different day. Any national marketing initiative can be taken care of by CFC. A Western co-ordinated approach makes sense with input from Processors.

The group discussed how the allocation process works at CFC every 8 weeks, noting with the new formula it is hoped to reduce the number of allocation meetings at Ottawa.

The Board asked the processors about if there are any other issues in the formula. It was commented that due to holidays, the processors would be in a better position to discuss it at the meetings in Banff.

The ED noted that CFC has signed a service agreement with AB for one period, and the formula will be used (as is) for A-127.

The processors had no further questions, and thanked the Board for their time and explanations.

The meeting adjourned at 11:45 a.m.

C:\Users\wbaker\AppData\Local\Temp\NetRight\Print\16959680_1.docx

Via Email and/or Facsimile

August 5th, 2014

TO:

CPEPC:	Robin Horel, President and CEO	robinhorel@cpepc.ca
FPCC:	Laurent Pellerin, Chair	Laurent.Pellerin@AGR.GC.ca
CFC:	David Janzen, Chair	Fax: (613) 241-5999
Provincial Marketing Boards:		
- Manitoba Chicken Producers	Jake Wiebe, Chair	Fax: (204) 488-1163
- Chicken Farmers of SK	Diane Pastoor, Chair	Fax: (306) 242-3286
- Alberta Chicken Producers	Erna Ference, Chair	Fax: (780) 488-3570
- BC Chicken Marketing Board	Robin Smith, Chair	robinsmith@bcchicken.ca
Provincial Supervisory Agencies:		
- MB Farm Products Mktg Council	Ken Caldwell, Chair	calken@mymts.net
- SK Agri-Food Council	Corey Ruud, Chair	corey.ruud@gov.sk.ca
- AB Agri Products Mktg Council	Bruce Beattie, Chair	marketingcouncil@gov.ab.ca
- BC Farm Industry Review Board	John Les, Chair	firb@gov.bc.ca

Dear Sir/Madam:

Re: Agreement in Principle between Chicken Farmers of Canada (CFC) and Provincial Chicken Marketing Boards with respect to differential growth and comparative advantage, July 8th, 2014

Western Canada's primary chicken processors, with this letter, wish to advise you of our opposition to the above referenced agreement. Further to our letter of April 16th, 2014, it is our position that there is no acceptable argument to support transferring chicken production allocation from Western Canada to Ontario.

Western Canada' primary chicken processors have consistently recommended to their provincial chicken boards, and independently to the CFC board directly by way of written submission, the need for larger allocations versus other regions of the country. These requests are in response to strong regional demand for fresh chicken, growing Western economies outpacing the national average, and increasing population. Western Canada's provincial chicken boards have supported these requests in their own allocation submissions to Chicken Farmers of Canada.

In addition, when total chicken supply shares are examined on a regional basis, Central Canada (Ontario and Quebec) have a supply share of greater than 65% to a population share of 62%. In Western Canada, supply share is 28% to a population share of 31%, while the Atlantic region has supply share of 7% and a population share of 6%. The proposed agreement does not address these regional differences and in fact will further distort the supply and population shares by shifting more chicken production to Central Canada.

We also believe the proposed CFC agreement in principle is not consistent with, nor supportable, when considering the Farm Products Agency Act (FPAA), which states that:

21. The objects of an agency are:

- *a) to promote a **strong, efficient and competitive production and marketing industry** (emphasis added) for the regulated product or products in relation to which it may exercise its powers; and*
- *b) or have due regard to the interest of producers **and consumers** (emphasis added) of the regulated product or products 1970-71, c. 65,s 22.*

It is our position that this agreement in principle will create inefficiencies in the system counter to the Act, with Provincial Boards driving Provincial agendas for growth and increasing regional disparities which are not in the best interests of producers or consumers.

Western Canada's primary chicken processors should not be seen as trying to undermine efforts to reach a deal on differential growth. In fact, Western Processors strongly support supply management and would like to see a deal negotiated and finalized as soon as possible. Western processors have communicated with the Western Producer Boards that as a region some realignment of future Western production is required to address the larger shortfalls experienced in Alberta. There is also a realization that given the location of plant ownership in the West, there will be some Western processors that will receive less production than their Western competitors going forward. In other words, some Western Processors benefit from the differenetial growth formula, while others will lose Western Canada market share. The acceptance of this outcome by Western processors clearly demonstrates their commitment to work within the collective spirit of negotiating a deal on regional basis.

It is our desire to see an operating agreement that reflects FPAA principles and promotes a strong, efficient, and competitive marketing industry within the realities of the marketplace. As such, Western Processors request that CFC return to the practice of applying regional ranges in its allocation decisions together with any new allocation model ultimately put into practice. It is only by allowing some regional discretion, upwards or downwards, in national allocation decisions, that regional customer demands can reasonably be met. This is seen as a necessary and urgent step if CFC is to address the current, and future, shortfalls expected in the Western Canada allocation.

We will make ourselves available at your convenience to further discuss our issues and concerns with this agreement in principle and a regional allocation concept.

Scott Cummings
Chief Financial Officer
Sunrise Poultry Processors Ltd.

Jeff McDowell
Vice President, Poultry
Sofina Foods Inc.

Craig Evans
Chief Executive Officer
Grannys Poultry

Ron Patterson
Chief Executive Officer, Prairie Pride
Hallmark Poultry Processors Ltd.

Ken Huttema
President
Farm Fed

Concerns Relating to New Method of Allocation of Chicken Production,

Proposed by Chicken Farmers of Canada

Ministry of Agriculture and Land
Honourable Norm Letnick

December 3rd, 2014

Western Canada is already undersupplied relative to its proportion of the national population

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

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

FERENCE WEICKER & COMPANY

BC and Western Canada stand to lose a significant level of chicken production after 10 years under the proposed model

Region	Aggregate Loss in Chicken Production (live weight kgs)
British Columbia	-9,328,231
Saskatchewan	-1,435,001
Manitoba	-2,901,352
Sub-total	**-13,664,585**
Alberta	10,180,133
Western Canada	**-3,484,452**
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)

FERENCE WEICKER & COMPANY

BC is disproportionately penalized compared to other regions under the proposed model

- Western Canada (even with Alberta's gain) will lose over 3.4 million kgs in chicken production in the 10th year
- BC will lose more chicken production compared to Quebec in terms of level (-9.3 vs. -8.3 million kgs) and per capita (-1.8 vs. -0.9 kgs per person*)
- BC's share of the national base will decline by 4.4% over the period of this agreement.

*Based on Statistics Canada 2024 population projection estimates.

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

MEMORANDUM

To: Yves Ruel

From: Robin Horel

Date: December 5, 2014

Subject: Amendments to the CFC operating agreement

CPEPC appreciates the opportunity to provide input on changes to the CFC Operating Agreement. The position put forward in this memorandum reflects the majority position of CPEPC members, however, CFC should be aware that the majority of western based processors (BC, AB, SK and MB) do not support CFC's new allocation agreement, the MOU that defines the allocation agreement and therefore do not support modifications to the CFC Operating Agreement to implement the MOU. Please find attached a letter that CPEPC received from them.

CFC will already be aware from previous correspondence and submissions at CFC meetings that CPEPC has taken the following positions:

- CFC allocation decisions should be determined by a triple majority;
- We support the Policy Committee recommendation to set allocation for two periods at a time;
- The anticipated growth rate (AGR) should be eliminated; and
- The medium term growth rate (MTGR) should take on greater significance with the elimination of the AGR.

This letter identifies the reasons these changes are important and recommends wording to incorporate into the Operating Agreement.

Triple Majority

Currently allocations are determined at CFC by a double majority. A double majority allows the producer boards to determine the appropriate supply level each quota period without any support from downstream stakeholders. Producers are incented to be more aggressive when setting allocation, which is of concern because producers bear no risk in the market place. A triple majority more appropriately represents the stakeholders at the CFC table and is a positive step in the modernization of supply management.

Since the A-127 appeal to the Farm Products Council of Canada CFC producer directors have stated at the table that they would like to have the support of downstream stakeholders when approving allocation. Incorporating a triple majority into the operating agreement will ensure that downstream stakeholders support CFC allocation decisions.

CPEPC recommends that newly numbered clause 3.09 read as follows:

> *On a period by period basis, for each province, CFC will fix and determine the quota allocation by triple majority vote having regard to quota allocation request made by the Provincial Commodity Board in conformity with section 3.08 and the related differential growth provisions below.*

Setting Allocation for two periods at a time

CPEPC supports the CFC Policy Committee recommendation to set allocations for two periods at a time. Such an approach has the opportunity to create efficiencies for the industry and the potential for more consistent and appropriate allocation decisions. Our letter of November 21 set out the CPEPC position including the elimination of the AGR, greater reliance on the MTGR and the need for a triple majority to approve allocation amendments.

We identify later in this document changes to the Operating Agreement with respect to the AGR and MTGR. Based on our understanding setting allocations two periods at a time and the voting structure for reconsidering an allocation are not part of the Operating Agreement and we have therefore not provided any suggestions in this regard. Please advise if these items are to be part of the Agreement.

Anticipated growth rate

Recently CFC Directors have been unable to reach agreement on the AGR resulting in a default rate of 4%. The inability to reach agreement has eliminated the effectiveness of this tool. CPEPC recommends the AGR be removed from the allocation determination process and be replaced with more emphasis on the medium term growth rate.

CPEPC recommends that all relevant clauses and references to the AGR be removed from the Operating Agreement.

Medium term growth rate (MTGR)

With the elimination of the AGR the MTGR must take on a greater significance in guiding CFC allocation decisions. Setting a growth rate for a block of six periods provides meaningful guidance to CFC directors when making allocation decisions and is consistent with the way in which processors and other downstream stakeholders develop their annual business plans. A longer term view provides the opportunity for all stakeholders to better prepare and plan.

To provide more meaningful assistance to allocation decisions the MTGR should be determined in terms of a production increase, not the current increase over disappearance. The analysis may still include consideration of disappearance growth, but that information should be translated into a growth rate relative to production over the block of six periods. Determination of the MTGR should also include projecting key market indicators over the six periods which can provide guidance to periodic allocation decisions by comparing actual results to predicted values.

CPEPC recognizes that periodic allocations may vary from the MTGR as market conditions change. The allocation process should review changes in market conditions to validate an allocation that is higher or lower than the MTGR.

Consistent with the current threshold for determining an AGR and our recommendation that CFC allocation decisions should be determined by a triple majority, for the same reasons identified above, the MTGR must be determined by a triple majority vote.

CPEPC recommends the addition of a clause for the MTGR in section 3.00 General Quota Allocation Procedures and Related Differential Growth Provisions:

> *For six periods at a time CFC, based on market information, will determine by triple majority vote, on a national basis, the medium term growth rate relative to the base or adjusted base allocation. The medium term growth rate is to be used to guide periodic allocations over the same six periods and deviations from the agreed upon growth rate shall identify changes in market conditions from the time the medium term growth rate was determined to the time when determining each periodic allocation.*

CPEPC looks forward to finalizing changes to the Operating Agreement. Please contact the writer if you have any questions regarding our submission.

Regards,

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

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

APPENDIX A

Chicken Poultry & Egg Processors Council (CPEPC) December 2, 2014

1545 Carling Ave, Suite 400,
Ottawa, Ontario
CanadaK1Z 8P9

Attn: Robin Horel – President/CEO

Dear Robin:

RE: Modification of Operating Agreement

We write in response to the decision made on November 20, 2014, in which CFC approved a Memorandum of Understanding for a long term chicken allocation agreement.

The Western Processors are not in agreement with the decision of the directors and outline below our reasons for consideration:

1. Western Processors do not have excess kilos of chicken to transfer out of the region, as our current allocation is already short of current demand
2. National allocation decisions do not adequately consider the demand and economic environment in western Canada
3. National policies and supply sourcing with respect to TRQ (Tariff Rate Quota) and fowl meat is concentrated in Eastern Canada, as total supply figures are distorted and regionally, western processors do not receive allocations to fully service their market as a consequence.

Yours truly,

R. Kilmury

On behalf of the following Western Processors;

Granny's Poultry Cooperative Ltd.
The Hallmark Group of Companies
Sofina Foods Inc.
Sunrise Farms