

**APRIL 18, 2017 BACKGROUND INFORMATION AND DOCUMENTATION UPDATE
REVIEW OF ASIAN BREEDER REGULATION BY THE BC BROILER HATCHING EGG COMMISSION**

As outlined in the Work Action Plan issued March 9, 2017, the BC Broiler Hatching Egg Commission (“the Commission”) is to provide an update on its review of Asian Breeder Regulation by April 18, 2017. That update follows.

1. The Commission received three responses to the request for submissions outlined in the Work Plan:
 - a. March 16, 2017 from the BC Chicken Marketing Board;
 - b. March 22, 2017 from counsel for Skye Hi Farms Inc., Casey Van Ginkel (“V3 Farms”) and Bill Friesen and Lillian Fehr; and,
 - c. March 23, 2017 from counsel for Unger’s Chick Sales (1974) Ltd. (“Coastline”) and Robert & Patricia Donaldson (“Bradner”).

Copies of these submissions have been posted to the Commission website.

2. The Commission has reviewed the “interaction with the Asian Breeder Sector” by broiler hatching egg regulators in other provinces. Other than in BC, only Ontario has such interaction. A brief outline of the Ontario approach is attached to this report (also posted on the Commission website).
3. The Commission discussed the submissions at its March 30, 2017 board meeting and at a special meeting on April 6, 2017 using a SAFETI lens. The Commission concluded that further engagement with all affected stakeholders was essential to making an informed determination and recommendation to the BC Farm Industry Review Board (“BCFIRB”) in respect to sound marketing policy for the regulation of the BC Asian Breeder Sector. The Commission also concluded that this engagement should be deferred to later in the process outlined in the March 9, 2017 Work Action Plan.

This matter has a long and convoluted history and it became clear in the Commission’s discussions that questions remain outstanding, including regarding the long-term implications for the Asian Breeder Sector and the hatching egg sector more generally. These concerns include the potential impact on all individual stakeholders that may be affected now or in the future by a Commission recommendation to BCFIRB.

The Commission decided – subsequently supported by BCFIRB – that the most appropriate and effective time to obtain focused answers to those questions from impacted stakeholders would be after it developed the draft options, comparison reports and analyses required by May 19, 2017. Rather than recommending a single potential outcome at that time, the Commission will instead meet with stakeholders early in the week of May 29, 2017 to discuss the draft options to further explore the pros,

cons and implications of each option. Following those meetings stakeholders can make their final written submissions to the Commission by June 5, 2017 (short extension to accommodate post-meeting responses). This will still allow the Commission to provide its final report, recommendation(s) and supporting rationale to BCFIRB by the current June 12, 2017 deadline.

The Commission appreciates the submissions to date and if further information is required, please contact the Commission office.

BC Questions to Ontario Regarding Regulation of the Asian Breeder Sector

December 1, 2016

1. To what extent does the Ontario Broiler Hatching Egg and Chick Commission (OBHECC) regulate the Asian Breeder Sector?

The producers of these products have primary breeders (recouped from the breeder flocks), breeders, hatcheries and in most cases broiler flocks. OBHECC expects the same level of reporting and compliance to our programs as we expect from the mainstream production system.

They must maintain compliance with Ontario biosecurity, CHEQ and the Ontario Animal Care programs.

They are required report to production and hatch data to OBHECC in the same manner as the mainstream production system.

The hatchery collects the Ontario license fees on behalf of themselves and the hatching egg producer. They pay equal shares.

2. Does OBHECC regulate via a quota system or by permit?

Specialty breeder production, growing and hatching egg, does not require quota. The licensed chicken growers purchasing the specialty chicks have a separate allocation at the national level and therefore this production doesn't infringe on the CHEP allocation or on the regular quota holders.

If specialty chicks are sold to backyard operations, these sales require quota. The producers / hatcheries have Non-White Rock quota for these sales. This quota was granted approximately 10 years ago based on historical sales.

3. Does OBHECC set the chick price for the Asian Breeder Sector?

OBHECC sets a minimum chick price based on the COP for the mainstream production system. Specialty chicks are sold at a much higher price point and are therefore in compliance with the regulations. We do not establish a specific price for this business.



March 16, 2017

British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, BC V2T 1W5
By email: stephanie@bcbhec.com

RE: Request for submissions – Review of Asian Breeder Regulation by the BCBHEC.

Dear Ms. Nelson,

Thank you for the opportunity to comment and provide feedback on the above noted correspondence. In your report you pose a number of questions dated March 9, 2017. I will attempt to respond to the questions that are relevant to our specialty chicken sector from the BCCMB perspective.

Industry context:

1. *What are the current demands in the Asian Breeder Hatching Egg Industry?*

Approximately 3% of BC's chicken production or 900,000 kilograms live per eight week quota period is grown as specialty chicken. Specialty chicken is grown under quota which is separate from mainstream chicken quota and is defined under our General Orders as Asian chicken (Taiwanese and Silkies). Although a relatively small sector in comparison to mainstream it is dynamic and represents the businesses and livelihood of 42 of our growers, at least three hatcheries and four processing plants.

2. *What kinds of demands are being forecasted?*

Demand has been fairly stable for specialty chicken over the past number of years but has peak production periods prior to Asian holidays such as Chinese New Year and others.

3. *Where and how is this information sourced?*

There are regular meetings of the BCCMB's Specialty Markets Advisory Committee which includes representation from both specialty growers and processors. The SMAC meets to discuss and advise the board on matters related to specialty pricing and production. Essentially, the specialty market is processor driven. Each processor requests a certain level of specialty production for each period expressed in kilograms of live weight of each category. These numbers are submitted to CFC by BCCMB staff and approved by the CFC directors at their allocation meetings. BCCMB staff then provides specialty production allotments to growers in each processor's grower group. The SMAC also provides advice to the BCCMB on the pricing of specialty chicken categories on a live weight basis.

4. *How far into the future does your organization plan?*

CFC allocations are done sixteen weeks in advance of the period in which the specialty chicken is marketed.

5. *How does your organization handle market demands?*

As stated in a previous point, production in the specialty chicken sector is processor driven. Our specialty processors are very active in the market place and understand the needs and desires of their clientele. Our specialty quota system is designed to provide the flexibility that enable our growers to meet the requirements of our processors. An example of this would be annualization of quota for specialty chicken growers. Mainstream chicken quota is allocated on a period by period basis every eight weeks and growers are required to remain within specified over and under production sleeves in each eight week period. We refer to this a "period by period compliance". Specialty quota on the other hand is allocated on an annual basis with only one correction period per year. This provides the flexibility that is essential in meeting the seasonal demands of the specialty sector.

6. *What are the current industry instabilities in your opinion?*

In 2014 the BCCMB began the process of removing certified organic chicken from the specialty category. As a result of a mediated agreement with our organic growers a portion of our specialty quota will be used to grow organic chicken under a declining balance until 2020. This does not affect the quantity of specialty chicken being grown and therefore should not affect the total supply of Asian hatching eggs that are required. The landscape in the specialty chicken sector, particularly with TC's is constantly changing and evolving. It is critical that the Asian hatching egg sector is able to react to these changes in a timely manner in order to keep pace with demands of the specialty market.

7. *What are the industry risk factors?*

The BC Asian chicken sector grew and evolved over the past two decades with virtually no competition. Our processors were able to supply markets for their products across Canada and were able to maintain their margins. This changed with the advent of the CFC Specialty Chicken Policy in 2014. This policy change provided opportunities for other provinces to participate in Asian chicken production and to provide fresh products to their local markets that had been previously supplied with frozen products from BC. Alberta had one grower enter the specialty chicken sector but has since abandoned his enterprise. Ontario entered the industry with a very aggressive program sponsored by the Chicken Farmers of Ontario board which has grown over the past three years to a level of production that parallels that of our province. To date Ontario does not have a federally registered processor for their specialty chicken and therefore must market all of their production within the borders of their province.

This could change if CFO is successful in attracting a Federal processor and BC could face increased competition, decreased production and pressure on both processor and grower margins in the specialty chicken sector. The BCCMB has approved funding for a marketing campaign targeting consumers of BC grown TC and Silkie chicken beginning this year which is designed to increase demand and for our specialty products.

Potential Regulation:

You pose a number of questions with regard to potential regulation within the Asian hatching egg sector. Without answering each question specifically, I would reiterate that it is critical that this relatively new and evolving sector maintain the ability to react to changes in the market place that can be drastic and occur with little notice. Until this point, the Asian hatching egg producers have been willing to take risks and have worked closely with processors to develop and supply a market that is constantly evolving. The BCCMB would not want to see regulations that would unduly hamper the ability of the Asian chicken sector to respond to changes in the marketplace that could result in lower allocations to our growers and processors or provide opportunities for our competitors in other provinces.

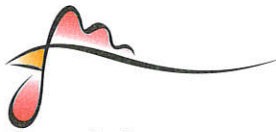
I would be pleased to discuss this with you further at your convenience.

Thank you for your attention to this matter.



B. Vanderspek
Executive Director
BRITISH COLUMBIA CHICKEN MARKETING BOARD

c.c. K. Pedersen, W. Gorsuch, BCFIRB



British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, BC V2T 1W5
By email: stephanie@bcbhec.com

July 22, 2016

RE: Commission recommendation report on Asian Breeder producers June 24, 2016

Dear Ms. Nelson,

Thank you for the opportunity to comment and provide feedback on the above noted report. The directors of the BC Chicken Marketing Board reviewed and discussed the report at its regularly scheduled meeting on July 18, 2016 and has a number of observations and comments.

You have quoted Section 134 of the BCFIRB decision in the Skye Hi/V3 decision which relates to the pricing of specialty chicks. At present, the role played by the BCCMB in this process is restricted to the collection of chick pricing data from individual hatcheries by Serecon for the purpose of updating the periodic cost of production for TC and silkie chickens. The BCCMB regulates the number of these birds that are produced under the CFC Specialty Chicken Program under specialty quota in the amount requested and committed to by processors on a period by period basis. The question posed by BCFIRB “should the Commission directly regulate the amount of production of Asian breeders, eggs or chicks and their price or should the Chicken Board indirectly regulate these components through its regulation of specialty chicken” is unclear. The BCCMB has not had chick pricing authority in its Scheme since the late 1980’s and the term “indirectly regulate” would require an explanation and understanding between our two organizations.

In section 7 of your document you refer to the BCCMB Specialty Markets Advisory Committee (SMAC) as a possible venue for discussions by the specialty breeder sector. This could be the case in general terms, but the BCCMB is not prepared to ask the SMAC to address the current issues in the specialty breeder/hatchery/chick sector without a clear understanding of the rules of engagement and expected outcomes.

I would be happy to discuss these issues further at your convenience.

Thank you for your attention to this matter.


B. Vanderspek
Executive Director
BRITISH COLUMBIA CHICKEN MARKETING BOARD

c.c. W. Gorsuch, BCFIRB

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March 22, 2017

File No: 2141.001

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180-32160 South Fraser Way
Abbotsford, BC V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulation by the BCBHEC – Commission Questions to Asian Breeder Stakeholders

We write on behalf of Skye Hi Farms Inc. (“Skye Hi”), Casey van Ginkel dba V3 Farms (“V3”), and Bill Friesen and Lillian Fehr dba W Friesen Enterprise (“Friesen”, collectively the “Small Producers”) in response to the Commission’s Questions to Asian Breeder Stakeholders, delivered March 9, 2017.

In brief, these Small Producers take the position that Asian hatching egg breeders have much to gain from a regulated market tailored to the unique characteristics of their industry. The proposals set forth in the agreement dated April 6, 2016 (attached at **Tab 1**) of five of the six Asian hatching egg producers in British Columbia attempted to distill for the Commission the essential ingredients of a regulatory framework for the industry. Skye Hi, V3 and Friesen continue to support that agreement. Their rationale for doing so is described in greater detail below responding to the Commission’s questions.

The Small Producers would welcome the opportunity to respond to any further questions the Commission might have arising from this submission.

INDUSTRY CONTEXT

1. What are the current market demands in the Asian Breeder Hatching Egg Industry?

Friesen expects to sell approximately 500,000 in 2017. Skye Hi and V3’s joint venture, T&C Chick Sales (“T&C”), projects it will sell approximately 750,000 chicks in 2017.

The Small Producers are not in possession of any data on the current market demands for the Asian Breeder Hatching Egg Industry. The BCCMB or its SMAC would likely be able to furnish information about the industry as a whole, including current and future market trends. We draw your attention to the report the BCCMB publishes from time to time on its website, BC Chicken Facts, which sets out industry statistics from the most recent production period. The most recent report indicates in respect of “BC Quota Transactions 2017” that 55,727 kilograms of specialty product were transferred in the period A-141 to A-146. This report also indicates in respect of “Quota Holders 2017” that there are presently 42 growers of specialty chicken, representing 924,678 kilograms of chicken per 8 week cycle.¹

2. What kinds of demands are being forecasted?

In 2016, T&C sold 673,781 chicks and Friesen sold 448,513 chicks in 2016. The Small Producers’ 2017 production forecast predicts an increase in production as a result of increased processor-adjusted allotments for their existing customers, and not from newly acquired customers.

The Small Producers do not have data on forecasted industry demands. As noted above, this information may be in the possession of BCCMB or its SMAC.

3. Where and how is this information sourced?

T&C tracks its production annually, and relies on an annual estimated production spreadsheet (“EPSS”) prepared by the processor. The EPSS gives an estimate of chick placement dates and quantities for T&C’s customers. The EPSS data is fairly accurate, with some adjustments made to the data throughout the year of production.

¹ BCCMB, “2017 BC Chicken Facts Winter”, available online: <<http://bcchicken.ca/wp-content/uploads/2016/07/2017-BC-Chicken-Facts-Winter.pdf>>.

4. How far into the future does your organization plan?

The Small Producers plan their hatching egg production approximately six months prior to the beginning of the upcoming year as there are many stages in chick production, as outlined below:

- 1) Skye Hi, V3 and Friesen select genetically correct eggs based on size and shape from the grandparent flocks to grow breeder stock. The selected eggs are then hatched in an incubator, vaccinated, sorted, graded and the chicks delivered back to the pullet barn. This process takes about 5 weeks.
- 2) The chicks are raised as breeders and are placed on special pullet feed and a lighting program for approximately 16 weeks.
- 3) From that group, breeders are hand selected based on a variety of factors, including weight gain, feather condition and other factors.
- 4) Skye Hi, V3 and Friesen then hire a custom catching company that vaccinates and moves the pullets to the breeder barn. The birds stay on pullet ration and the lighting program for 18 – 20 weeks and are then put on a breeder ration. They start laying marketable hatching eggs around 26 weeks and provide a steady supply starting at 30 weeks.
- 5) Skye Hi, V3 and Friesen then collect the eggs and in approximately three weeks they are hatched, sorted and vaccinated. Only then can the chicks be placed with registered chicken growers.

T&C relies on the EPSS to plan its production because the processor is the “orchestrator” of the production of chicken. A chicken grower expresses to the processor which chick supplier it prefers. The processor then facilitates the supply of those chicks to the chicken grower. Once the processor confirms that a chicken grower wants to do business with a chick supplier, such as T&C, the processor directs the scheduling of chick purchases, the shipping dates and the size of product.

5. How does your organization handle market demands?

The market for Asian hatching eggs and chicks has developed in a free market which has permitted the development of a variety of strains of chicks to meet market demands. The Small Producers have generally produced a unique Taiwanese hatching egg, which is larger than their competitors' and has some different qualities in terms of growth rate, and overall development. The market has evolved such that chicken growers seek out chicks from particular suppliers such that a disruption in the ability of chicken growers to source chicks from their current suppliers could lead to disruption in the specialty chicken industry.

With the hatching egg industry, currently, Asian hatching egg producers in British Columbia are shouldering all of the risk in respect of market supply and demand. This risk is being managed through over-production of hatching eggs and through cooperation with existing hatching egg producers to address surpluses and shortages. What is more, even with the present state of cooperation, the Small Producers have still faced challenges with shortages and have on occasion imported hatching eggs from out of province at a significant loss when they could not source hatching eggs locally.

The present state of cooperation is also tenuous, because it exists by virtue of the ongoing supervisory review. Those producers who entered into the April 6, 2016 agreement have elected to cooperate with one another during this review period to ensure stability in the market. If the outcome of the supervisory review is the continuation of an "unregulated" market, it is unclear whether that stability will persist. Any lack of cooperation will potentially result in hatching egg producers not being able to meet their customers' orders in the event of a shortage, shifting the risk to the chicken growers who will not be able to source their chicks in a reliable manner.

6. What are the current industry instabilities in your opinion? Please provide examples.

In addition to the instability in market supply highlighted above in response to question #5, the Asian hatching egg market is facing instability from two other main sources: (1) new entrants who seek to create vertically integrated productions operations and (2) the absence of any controls on pricing.

The Small Producers are aware that both Fraser Valley Duck and Goose and Rosstown are interested in developing vertically integrated operations for the production of specialty

chicken, which would include production of speciality hatching eggs. This would allow these processors to refuse chicks from other growers resulting in existing profitable enterprises, including Skye Hi, V3 and Friesen being unable to continue operating at current levels of production and losing the investment they have already made in their existing businesses and potentially having to destroy existing breeder stock and hatching eggs due to oversupply.

Supply management protects all industry participants from the inefficiencies of over or undersupply. Without it, all industry participants – but particularly smaller and non-vertically integrated operations – are at risk.

The risks resulting from the absence of pricing controls was put into stark relief during the evidence of Rob Donaldson of Bradner Farms, the largest specialty hatching egg producer, in the appeal hearing of *Skye Hi Farms Inc. et al. v. BCBHEC*. Mr. Donaldson pointed out that he had the ability to aggressively gain market share by quickly and drastically reducing his operation's chick price, and suggested in the absence of regulation he might do so. Leaving aside whether that type of practice is lawful – in our submission it would not be – the risk that a larger producer might take such action (even if ultimately by judicial order or otherwise the practice was halted) obviously creates instability in the market, and places smaller producers such as Skye Hi, V3 and Friesen, at risk. The pricing controls aspect of supply management prevents this type of market maneuvering and contributes to market stability.

There may be market instability stemming from extra-provincial production and trade. As extra-provincial import and export of specialty hatching eggs is presently uncontrolled, it is difficult to say with any certainty what degree of instability may be resulting from these external markets.

Another area of instability of particular concern to Friesen is the inability in the present climate to sell specialty hatching egg operations because of the uncertainty around the continued right to produce and market-share.

7. What are the industry risk factors? Please provide examples.

There are four key risk factors in relation to the Asian hatching egg producer industry in British Columbia:

- 1) the industry is small in size: the industry presently comprises of six producers. Within these six producers, there are different breeds of Asian hatching eggs being produced. Consequently, Asian hatching egg production remains a commercial niche market and is more susceptible to disruption and instability resulting from shortages and surplus in supply, as well as competition and customer choice. The risk that also arises from a small market is the inability of a market to recover from incidents of disease.
- 2) extra-provincial markets: other provinces have entered into the Chicken Farmers of Canada Specialty Chicken Program and extra-provincial production of specialty hatching eggs is increasing.² In the absence of production control regulation in British Columbia, other markets pose a threat to provincial production.
- 3) no price control: the absence of any price control for specialty hatching eggs in British Columbia creates the risk of unfair competition between producers. It also creates the risk of unequal bargaining power between producer of specialty hatching eggs and growers of specialty chicken.
- 4) no guaranteed supply: while specialty chicken is regulated, specialty hatching egg production is not. This creates risks for ensuring specialty chicken quota holders meet their production entitlements.

POTENTIAL REGULATION

1. What is your expectation on how the Commission should move forward?

The Small Producers submit that the Commission should create a specialty class of hatching egg quota, allocated separately from the mainstream allocation. Each sector should be governed under the same “umbrella” of rules and regulations, but each sector should be able to grow or retract according to their respective market requirements.

The Small Producers support a chick quota system in which each producer would be allotted chick quota based on their annual production data. The allocation of chick quota would relieve the Commission of creating and maintaining a specialty hatching egg flock schedule.

² Chicken Farmers of Ontario, “Specialty Breeds Chicken Program”, online: <http://www.specialtybreeds.ca/Home.aspx>.

The general framework for a regulatory scheme was set out in the general agreement arrived at by the five producers attached at Tab 1. Given the five producers make up the vast majority of the market, their agreement on the principles that should govern the market going forward should be afforded significant weight. The principles set out in the agreement are reasonable and specific to the needs of the Asian hatching egg market. The agreed terms for specialty hatching egg production going forward, as set out in the agreement, can be summarized as follows:

- 1) Specialty hatching egg production in 2015, as determined by the BCCMB Chick Broker or Hatchery Reports, will serve as the basis for initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts. (This figure should now be updated for production levels in 2016).
- 2) Export production of specialty hatching eggs will be accommodated by permit.
- 3) The Commission will undertake a third party cost production analysis for specialty hatching eggs. The results of that analysis will be used to determine a minimum chick price.
- 4) Industry growth will be shared on a pro rata basis.³
- 5) The Commission shall recognize the right for specialty hatching egg producers to operate as virtual hatcheries, in accordance with its earlier decision dated May 26, 2014.
- 6) The year 2009 will be the earliest start date used for 10/10/10 calculations.
- 7) The Commission shall form a Specialty Marketing Advisory Committee comprised of the six producers presently producing specialty hatching eggs. This SMAC will be tasked with making recommendations to the Commission regarding pricing and production.

³ In the original agreement, provision was made for the Small Producers to attain minimum farm size. Given industry growth since the development of that agreement, this is not presently an issue.

2. How would further regulation help the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be effective and helpful, and why.

Supply management will benefit the specialty hatching egg industry in a number of ways. Regulated production and pricing controls will stabilize supply and demand, and will also lend predictability to production levels for producers to meet. This will avoid the issue of excesses and shortages in production. It will also allow for proper forecasting and reporting procedures so that the Commission (and producers) can better plan for and meet market demands.

A stabilized market will also culminate in cooperation between producers, removing the risk of unfair competition, and will allow for producers to work together to determine better efficiencies in production and cost. This collaboration will allow British Columbia product to compete nationally and internationally, and will draw new consumers of British Columbia product.

Hand in hand with regularized production levels, farmers will also receive a consistent revenue stream with regulated pricing controls and will enjoy a fair return based on their actual costs. Producers will then be incentivized to invest in their infrastructure and in the genetics of their breeding stock genetics to create better products for customers, and ultimately the consumer.

Regulation will bring greater transparency to the value chain and provide the BCCMB with a stable chick price to determine specialty live prices (which are reviewed and adjusted every 16 weeks). A COP-based specialty chick price could be tied to the specialty broiler price in a similar pricing linkage model as the mainstream sectors, thus allowing for greater efficiencies in calculating the specialty chicken live price.

Regulation will provide the certainty required for those producers like Ms. Fehr and Mr. Friesen who are seeking to sell their operations in order to retire.

Lastly, regulation can be used to incentivize diversification in breeds creating synergy and efficiencies in the value chain thus creating a stronger poultry sector for British Columbia.

The Small Producers note that following BCFIRB's 2005 Specialty Review, the four other boards fully adopted the principles of specialty regulations. Each of those industries in the intervening period have developed specialty sectors that have flourished and have experienced significant growth since that time.

On the other hand, an “exemption” option, as mentioned in the 2005 Specialty Review, is simply not applicable to this industry. It is apparent that the 2005 Specialty Review recommendations in respect of exemptions conceived of exemptions for small lot agriculture,⁴ and not the scale of production which is currently ongoing in the Asian hatching egg industry. All Asian hatching egg producers are presently producing well above the “new entrant quota incentive level” of 2,500 breeder hens per year. In addition, all Asian hatching egg producers are selling their product to price and production-regulated commercial chicken growers.


3. How would further regulation hinder the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be ineffective and a hindrance, and why.

Regulation will not hinder the Asian hatching egg industry, so long as the regulation is tailored to the specific characteristics of the industry. The recommendations for regulation set out above seek to regulate mainstream and specialty separately to ensure they are able to meet their respective market demands. For instance, as noted above, there is no need to keep a specialty hatching egg flock schedule if the Commission orders chick quota. Another example of a differentiation between mainstream and specialty would be the recognition of specialty hatching egg producers as virtual hatcheries to facilitate their production. Creating a SMAC for the industry will also ensure that any regulation implemented by the Commission serves the broader purposes of supply management and supports the continued growth of the Asian hatching egg industry.

4. Currently, all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. How would further regulation by the Commission be effective in complementing existing regulation by the BC Chicken Marketing Board?

The Small Producers disagree that all Asian Breeder Hatching Egg Producers in British Columbia at this time are also specialty chicken growers regulated by BCCMB. Only three of the hatching egg producers also produce specialty chicken: Farm Fed, Skye Hi and V3.

⁴ BCFIRB, *Specialty Market and New Entrant Submissions Policy, Analysis, Principles and Directions* (September 1, 2005) at pp. 35-36.



Moreover, most specialty chicken growers are not specialty hatching egg producers, with the result that the regulation of the specialty chicken industry is not directed at operations that include both hatching egg and chicken production. It is, as is appropriate, directed at the regulation of specialty chicken.

That said, it is important that regulation of specialty hatching eggs be responsive to specialty chicken regulation. The main connectors are pricing and production levels.

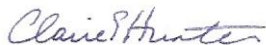
If the Commission regulates chick price, growers will have a predictable cost for production, and the BCCMB will be able to determine with greater accuracy the live price for each production period. Presently, there is no mechanism to address increases or declines in chick price. The Small Producers encourage dialogue between the two regulators on suitable prices from the perspective of both producers of hatching eggs and growers of specialty chicken.

Similarly, with production, the Commission could allocate chick quota based on chicken production levels, as determined in the BC S-101 contracts. This introduces stability into the supply. Again, consultation between the regulatory bodies on the direction of market trends will be helpful in determining appropriate production levels.

Yours truly,

Hunter Litigation Chambers

Per:



Claire E. Hunter

cc: Robert Hrabinsky, counsel to Commission
clients

Tab 1

British Columbia Hatching Egg Commission
#108 – 32160 South Fraser Way
Abbotsford, BC V2T 1Ws

April 6, 2016

RE: TC and Silkie Production

Attn: British Columbia Hatching Egg Commission,

We the under signed have come to a general agreement in regards to British Columbia Specialty Hatching Egg and Chick production.

We are in agreement that 2015 production as determined by the British Columbia Chicken Marketing Board Chick Broker or Hatchery Reports will be the basis for the initial base quota allocation. This information will be verified with corresponding BCCMB BC101-S contracts as the initial quota allotment (export production will be accommodated by permit).

We ask the BCBHEC to complete a third party cost of production analysis for TC/Silkie hatching eggs/chicks. This information will be used to determine a minimum Board ordered chick price, and subsequently used to determine a “minimum economically viable farm size”. Any quota allotment at or below the “economically viable farm size” will be utilized at 100% allocation. Any industry growth would then be allocated to the uneconomical farms first until they reach the determined size, then pro rata to the entire industry forthwith.

We ask the BCBHEC to recognize the right for specialty hatching egg producers to operate as “virtual hatcheries” as already determined acceptable in a previous decision.

2009 will be used as the earliest “start date” for 10/10/10 calculations. Production documents have already been submitted and recognized by the BCBHEC for this time period.

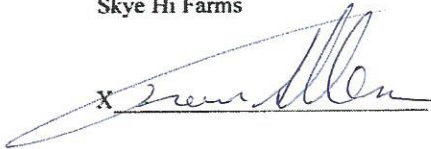
British Columbia Hatching Egg Commission
April 6, 2016
Page 2

We ask the BCBHEC to form a Specialty Marketing Advisory Committee comprised of the six producers recognized as currently producing specialty hatching eggs. This committee would be tasked with making recommendations to the BCBHEC regarding Pricing and Production.

The participants in this letter feel that these agreed upon principles will provide a strong and stable foundation for this specialty niche sector to build on, thus benefiting all participants in the value chain.

Respectively submitted.

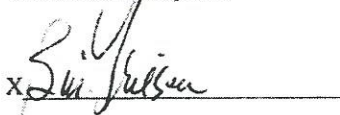
Trevor Allen
Skye Hi Farms

X 

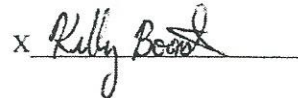
Casey Van Ginkel
V3 Farms

X 

William Friesen
W. Friesen Enterprises

X 

Kelly Boonstra
Coastline Hatchery

X 

Rob Donaldson
Bradner Farms

X 

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MACKENZIE FUJISAWA LLP
BARRISTERS & SOLICITORS

*Law Corporation

OUR FILE NO. C5084-000

March 23, 2017

BY EMAIL

British Columbia Broiler Hatching Egg Commission
180 – 32160 South Fraser Way
Abbotsford, B.C. V2T 1W5

Attention: Jim Collins, BCBHEC Chair

Dear Sir:

Re: Review of Asian Breeder Regulations by the BCBHEC – Commission Questions to Asian Breeder Stakeholders

We write on behalf of Unger's Chicks Sales (1974) Ltd. dba Coastline Chicks ("Coastline") and Robert & Patricia Donaldson dba Bradner Farms ("Bradner") in response to the Commission's Questions to Asian Breeder Stakeholders, delivered March 9, 2017.

A. Introduction

Coastline and Bradner Farms are long established producers of Asian breeder hatching eggs. Each has significant investment which is affected by the current uncertainty and instability in the industry.

Neither Coastline nor Bradner Farms engages in Asian chicken production or Asian chicken processing.

Coastline and Bradner Farms have read the response to Commission Questions submitted by Skye Hi Farms Inc., V3 Farms and W. Friesen Enterprise and generally agree with its contents. Accordingly, Coastline and Bradner wish to adopt that response and to add only the following additional comments:

B. Response to Questions

Industry Context

1. What are the current market demands in the Asian Breeder Hatching Egg Industry?

So far as Coastline and Bradner are aware, the current production figure of 924,678 kgs of Asian chicken per 8-week cycle is correct.

Coastline's Asian chick sales in 2016 (approx. 6.5 cycles) was 778,046 chicks; Bradner's was 2,050,000 chicks. This was a slight increase over the previous year but was not due to the acquisition of any new customers.

2. What kinds of demands are being forecasted?

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It is expected that future sales will be at the same level, but there is no way of knowing this.

3. Where and how is this information sourced?

Coastline and Bradner work from the processor schedules for the previous year and make their best guess as to the future.

4. How far into the future does your organization plan?

Both Coastline and Bradner are required to give a minimum of six months' notice to their breeder chick suppliers. Normal practice is to give about one year's notice to ensure supply.

Once the breeder chick is received it is raised for 26 weeks before reaching the point of hatching egg maturity. Then it will produce hatching eggs for 42 weeks before being destroyed as spent.

Accordingly, Coastline and Bradner are required to plan about two years in advance. In the current situation this prediction is inherently unreliable, leading to unnecessary wastage and potential instability.

5. How does your organization handle market demands?

Coastline and Bradner are required to over-predict future production to ensure an adequate supply to meet unknowable market demands.

Since Asian hatching egg production is, by definition, a specialized niche industry with a variety of birds with different traits, it is not possible to make up for unexpected shortfalls by placing last-minute orders. Hence, in the absence of any supply management system the industry must necessarily err on the side of excess and suffer the consequences of destroying excess production.

6. What are the current industry instabilities in your opinion? Please provide examples.

Other provinces used to be an important market segment, but they have now developed their own industries and there is no reliable method of assessing what their production will be.

7. What are the industry risk factors? Please provide examples.

- Avian influenza (bird flu') may return at any time.
- Instability: absent any regulatory oversight, the current supply chain is at risk of predatory practices from within or without the industry.
- Absent a quota system, there is an inherent risk of over- or under-production.

Potential Regulation

1. What is your expectation on how the Commission should move forward?

The expectation of the majority of current industry participants has been set out in the document “Joint request to BC Hatching Egg Commission by Asian Hatching Egg and Chick producers”. This document is attached as Tab 1 to the response of Skye Hi, V3 and Friesen.

2. How would further regulation help the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be effective and helpful, and why.

A quota-based system would provide stability of a safe, steady and adequate supply of an essential food commodity to consumers at a fair minimum return to producers. By eliminating predatory practices and wastage and by promoting industry dialogue and cooperation, stability and investment would return to this industry to the benefit of all consumers.

3. How would further regulation hinder the Asian Breeder Hatching Egg Industry? Please provide examples of regulations that you would consider to be ineffective and a hindrance, and why.

Coastline and Bradner have nothing to add to that already submitted by Skye Hi, V3 and Friesen.

4. Currently, all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. How would further regulation by the Commission be effective in complementing existing regulation by the BC Chicken Marketing Board?

It is incorrect to assume that all Asian Breeder Hatching Egg producers are also specialty (Asian) chicken growers regulated by the BC Chicken Marketing Board. In fact, the majority of hatching eggs are supplied by entities unconnected with the meat producing sector.

Yours truly,

MACKENZIE FUJISAWA LLP

Per: 

CHRISTOPHER HARVEY, Q.C.

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