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## BC Farm Industry Review Board

April 28, 2022

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### Delivered by email

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BC Chicken Marketing Board

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Angela Groothof  
President  
BC Broiler Hatching Egg Producers' Association

John Franck  
President  
BC Egg Hatchery Association

Dear all:

### **BC BROILER HATCHING EGG COMMISSION (COMMISSION) AND BC CHICKEN MARKETING BOARD (CHICKEN BOARD) FINAL LONG-TERM PRICING RECOMMENDATIONS: FINAL SUBMISSIONS AND MEETING INVITATION**

On April 12, 2022, the BC Farm Industry Review Board (BCFIRB) Chicken Sector Pricing Review Panel (Panel) met separately with the Commission and the Chicken Board. The purpose of these meetings was to discuss the final long term-pricing recommendations submitted to the Panel on March 4, 2022.

The goals and objectives of the Chicken Sector Pricing Review were set out in the Commission and Chicken Board's "Long Term Chicken Sector Pricing Review Process Terms of Reference" (Terms of Reference) approved by BCFIRB in October 2020:

A long-term pricing approach for regulated products in the mainstream chicken and broiler hatching egg sectors in BC, including a decision on the appropriateness of a price linkage agreement between the two sectors that address the policy objectives of:

- Verified COP/reasonable returns-based pricing mechanisms for BC hatching egg producers and chicken growers.
- BC chicken processors being competitive in the Canadian market for chicken.
- BC hatcheries receiving a "reasonable" margin for hatching services.
  - The confirmation of a breeder chick pricing formula.
  - The confirmation of a breeder vaccination program pricing formula for hatcheries.

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At the April 12, 2022 meeting, the Commission reported it is prepared to implement its long-term Cost of Production Formula starting period A-178<sup>1</sup>.

The Chicken Board indicated it plans to have a verified grower cost and reasonable returns-based pricing mechanism developed in approximately one year. The Chicken Board further advised that the pricing mechanism will include grower efficiency and processor competitiveness factors.

In accord with the October 2020 Terms of Reference, the Panel verbally indicated its support in principle to the Chicken Board on its proposed concept of a cost-based approach to pricing, that takes into account processor competitiveness and reasonable returns to efficient growers.

### ***Final Written Submissions on Implementation of the Commission's Recommendations***

Although the Chicken Board has yet to start its development of a cost-based approach to pricing, the Panel is prepared to consider moving forward with the Commission's recommendations summarized as follows:

- Use a rising floor to the efficient New (2020) Cost of Production (COP)-derived recovery, over X periods. The proposal recommends starting at 95.0% and increasing 0.5% per pricing period to reach an efficient producer.<sup>2</sup> The linkage calculation will be used to ensure that the Commission's price is not significantly impacting (negatively) the supply chain for external reasons such as a dramatic increase to broiler feed that may have otherwise hit a pricing guardrail.
- That the hatchery margin be increased by 1.75 cents within the context of the COP-Based Pricing Model being implemented.
- Crystallization of the breeder chick margin at a rate of 1.25 cents per saleable chick, approximately one-half of the implied 2.37 cent margin within the system currently. This would be an approximate crystallization of a 10.5% breeder chick margin. Combining this with hatchery margin request would equal a net hatchery margin increase of 3.0 cents (1.25 cent breeder chick margin cost translation + 1.75 cent hatchery margin increase). This reflects the agreement reached by the Commission Sub-Committee.
- The workplan for the vaccination input is already in progress. A final report will be circulated to stakeholders shortly for their final comments and then the vaccination program price will be finalized and input into the COP.

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<sup>1</sup> August 28, 2022 – October 22, 2022

<sup>2</sup> This means that the COP will be used for the purposes of pricing using the phase-in schedule suggested by the Commission on page 104 of its March 4, 2022 submission.

Before making a decision about the Commission's recommendations, the Panel invites further written submissions on the following question **by May 10, 2022**:

What, if any, outstanding sound marketing policy considerations should the Panel take into account before accepting the Commission's recommendations - prior to the Chicken Board completing its long-term pricing formula? Please provide a SAFETI-based<sup>3</sup> rationale.

The Commission is also invited to make a closing submission **by May 13, 2022**.

### ***Stakeholder Meeting Invitation on Chicken Board Pricing***

With respect to the Chicken Board's March 4 submission, the Panel anticipates meeting with all parties, ideally in June 2022, to discuss the Chicken Board workplan, stakeholder engagement process and interim pricing. The Panel wants to ensure that the Chicken Board's process over the next year is clearly articulated and benchmarked at the outset so that there is active stakeholder engagement, participants know what will be done, and when, to ensure the greatest likelihood of success. Stakeholder representatives are invited to schedule separate, or joint, meetings with the Panel on the following topics:

1. The Chicken Board's long-term grower cost-based formula engagement and development plan.
2. Interim chicken pricing during development of the Chicken Board's long-term cost-based pricing approach over the next year.

The panel is only available to meet with the parties during the week of June 13-17, 2022. If a suitable date cannot be found for a party during this week, alternative meeting dates in July will be explored. While the panel's preference is to have these meetings in person, we appreciate that scheduling issues may necessitate these meetings being held virtually.

Once these meetings are concluded, the Panel has indicated it will again meet with the Chicken Board and the Commission prior to making a final decision about the Chicken Board's March 4 submission. A timeframe for completion of this decision is not yet known and will in part be determined by the discussions at these meetings.

To schedule a meeting in June, please contact myself by May 6, 2022 at [Kirsten.Pedersen@gov.bc.ca](mailto:Kirsten.Pedersen@gov.bc.ca).

Regards,



Kirsten Pedersen  
Executive Director

cc's Con't:

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<sup>3</sup>Strategic Accountable Fair Effective Transparent Inclusive

April 28, 2022

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