BRITISH COLUMBIA FARM INDUSTRY REVIEW BOARD

Supervisory Review re
2016 Amendments to Schedule "B" Operating Agreement for Chicken

AFFIDAVIT OF JEFF MCDOWELL

I, JEFF MCDOWELL, of 3340 Orlando Drive, Mississauga, Ontario, businessperson, SWEAR THAT:

1. I am the Vice President of Poultry Value Chain and Sofina Foods Inc. and as such I have personal knowledge of the facts deposed to herein, except where stated to be based upon information and where so stated I verily believe those facts to be true.

2. I have read the Affidavit of Scott Cummings sworn in these proceedings and agree with and adopt the content of paragraphs 4 and 6 of that Affidavit. I have read the Affidavit of Ken Huttema sworn in these proceedings and agree with and adopt the content of paragraphs 5 – 8 of that Affidavit.

3. On May 15, 2014 the processors met with the British Columbia Chicken Marketing Board ("**BCCMB**") and raised several concerns, as outlined in the April 4, 2016 submissions of the PPABC (at paras. 35-36). Those concerns, however, have not been addressed in the proposal currently before FIRB.

4. I am not satisfied that the BCCMB engaged in adequate consultation with the B.C. processors before signing the MOU and endorsing the current proposed amendments to the Operating Agreement. The MOU and proposed amendments to the Operating Agreement do not address the fundamental concerns of the processors, namely that the West is experiencing a significant supply imbalance which is affecting the processors' ability to maintain and grow their existing markets. The MOU and proposed changes to the Operating Agreement do nothing to ensure that the domestic allocation is being distributed across the country in a manner responsive to the actual market needs of the processors.

5. At no point did the BCCMB meet with the B.C. processors to discuss how the supply imbalance could be corrected in a new agreement. And at no point did the BCCMB respond to the concerns raised by the processors.

6. I was not shown a copy of the draft MOU before it was signed.

7. Sofina was never asked to meet individually with the BCCMB to discuss the proposed amendments to the Operating Agreement, either before or after the MOU was signed.

8. In early 2015 the processors developed a proposed amendment to the MOU/amended Operating Agreement. The method to allow for differential growth was called Differentiated Regional Allocation. This was developed as an alternative proposal to provide for market responsive differential growth.

9. On September 2, 2015, the CFC held an industry meeting in Ottawa. I was planning to attend the meeting, but was not given notice that the BC processors were expected to

attend the meeting or that the BC processors were expected to present the Differentiated Regional Allocation proposal to the CFC.

10. I received the agenda for the CFC meeting. Item 4 on the agenda indicated that the Operating Agreement amendments would be discussed. The agenda did not indicate that the Differentiated Regional Allocation proposal would be presented.

11. Attached and marked as **"Exhibit A"** is a true copy of the September 2, 2015 CFC meeting agenda.

12. At the time of the September meeting I was an alternate representative for CPEPC, and was not able to attend the CFC's September 2, 2015 meeting due to air travel issues beyond my control which prevented me from travelling to Ottawa in time for the meeting. If I had known before the night prior that the Differentiated Regional Allocation proposal was going to be discussed at that meeting, I would have taken steps to have someone else attend in my place, or ensure Ron Kilmury was present to address the proposal.

13. The minutes from the meeting indicate that a representative of the BCCMB presented the Differentiated Regional Allocation proposal. The minutes also indicate that the Western board managers would follow up on the proposal. To my knowledge, this did not occur, nor did anyone solicit any meaningful feedback from me regarding the proposal after it was presented to the CFC. Attached and marked as **Exhibit "B"** to this affidavit is a true copy of the meeting minutes from the September 2, 2015 CFC meeting.

14. Attached and marked as **Exhibit "C"** to this affidavit is a true copy of the CFC Canadian Wholesale report for April 12, 2016, showing market composite is down 13.03% from last year, and down 13% against three years ago.

15. Attached and marked as **Exhibit "D"** to this affidavit is a true copy of the CFC Canadian Chicken Storage Stocks for April 14, 2016 showing that storage stocks are now well above healthy ranges and have increased from 34,400,000 kilograms in April 2014 to 46,700,000 kilograms in April 2016.

16. Attached and marked as **Exhibit "E"** to this Affidavit is a true copy an allocation chart that I created comparing requested with actual allocations for the periods A121 to A138.

17. On Exhibit "E" the CPEPC requests reflect the requests of Central Canada. Central Canadian processors regularly request less than the West to meet their market needs, but are then allocated a percentage increase equal to or higher than the requests from the West. This provides Central Canada with an allocation in excess of their market needs.

SWORN before me)
at Mississauga..., Ontario, on)
28th/April/2016.)

SAFIDA MEHDI)

A Commissioner for taking affidavits)
for Ontario)

Jeff McDowell

17941913.2

This is Exhibit "A" referred to in the affidavit of J. McDowell sworn before me at Mississauga, Ontario this 28th day of April 2016

A Commissioner for taking Affidavits for ~~British Columbia~~ Ontario

Industry meeting
Richelieu-Frontenac Room
Delta Ottawa City Centre Hotel
Ottawa, ON

September 2, 2015

AGENDA

September 2, 2015: 1:00 pm – 4:00 pm

1:00 – 1:15	1. Approval of agenda 2. Approval of previous minutes 3. Business arising from minutes
1:15 - 2:45	4. Operating Agreement amendments • Signatures • Further processing component
2:45 – 3:00	BREAK
3:00 – 3:30	5. Election strategy
3:30 – 3:45	6. CPRC Research Projects • CFC Directors will be asked to consider approval of CPRC research projects.
3:45 – 4:00	7. Other business

Chicken Farmers of Canada
Les Producteurs de poulet du Canada

Chicken Farmers of Canada

Minutes of the Industry meeting
Richelieu-Frontenac Room, Delta Ottawa City Centre Hotel
Ottawa, ON
September 2, 2015

1. APPROVAL OF AGENDA

Directors considered the agenda for the September 2, 2015 Industry meeting. The agenda was approved, with the addition of a presentation of the Government Relations Strategy under Item 5 – Election Strategy.

Motion: that the agenda for the September 2, 2015 Industry meeting be approved, as discussed.

Moved by I. Heseketh \ seconded by R. Cliche **carried**

2. APPROVAL OF PREVIOUS MINUTES

Directors reviewed the minutes of the July 7-8, 2015 Industry Meeting.

Motion: that the minutes of the July 7-8, 2015 Industry meeting be approved as presented.

Moved by B. Uyterlinde \ seconded by B. Fontaine **carried**

3. BUSINESS ARISING FROM PREVIOUS MINUTES

The further processing component will be discussed at today's meeting.

4. OPERATING AGREEMENT AMENDMENTS

Signatures so far in support of the Operating Agreement amendments, which include provincial and supervisory boards: NL, NB, PEI, ON, MB.

Western proposal on differentiated regional allocation (DRA)
A Western proposal on differentiated regional allocation, initiated by Western-based processors, was briefly summarized; without certain amendments to the MOU, some provinces feel that the amendments will not obtain all signatures required. Feedback on the Western proposal was requested by September 18, to be sent to Western provincial board managers.

The SK government will not sign the MOU as is. They had a very favourable response to the Western proposal.

BC's processors need to be convinced of the viability of the current MOU.

CPEPC: would support some kind of regional growth; a conference call is scheduled on September 11 to examine the Western proposal; no official position at this time; their first response will be addressed to the Western processors involved in the proposal.

MB's approval of the OA amendments is contingent on nine other provinces signing on.

ON and NB were encouraged to provide feedback to Western provinces on the proposed DRA.

Further processing component
Directors reviewed an updated proposal to address a further processing component in the MOU.

AB: open to the idea and feel it will provide stability in the future. NS: Atlantic Canada was not consulted on the development of this proposal; NB: why was 1% taken from Atlantic Canada?; ON and QC are giving up some volume as a compromise; FPPAC: questioning freezing numbers for three years; CPEPC: will have to be discussed with their membership; QC: will be very reassuring if the further processing component is resolved; it would encourage them to support the OA amendments; MB: not prepared to vote on this today.

A decision on the further processing component was deferred.

5. ELECTION STRATEGY

Election strategy
The board was updated on election strategy related activities. Highlights included: a Hill Times sponsored panel on supply management on August 26; *Canadians want Canadian chicken* brochure was distributed at this event; an election toolkit is available on the CFC website – producers are encouraged to use these tools during the election campaign.

GR Strategy
A first draft of the Government Relations Strategy was presented to Directors. The Government Relations working group is looking for feedback and direction from Board members. The value of the overall Canadian chicken industry is the guiding principle. An industry approach to government relations will be used when practical.

Supply management is seen as underpinning the Canadian chicken industry, as a necessary and vital component but lobbying should be done in the optic of the industry as a whole.

The process and frequency of a formal review of the strategy has not been determined yet. The importance of influencing government on policy and not only on specific issues was highlighted. We also need to do more on measuring performance of the strategy.

Feedback on the proposed strategy can be sent to L. Kennedy by September 9. Formal endorsement of the Government Relations Strategy will be sought at the Board's strategic planning meeting on September 22-23.

6. CPRC RESEARCH PROJECTS

CFC Directors were asked to approve funding for research projects from CPRC's 2015 call for proposals. As discussed at the March 2015 Directors meeting, CFC is putting forward $140,000 towards CPRC's general call for proposals.

In April 2015, CPRC issued a call for proposals for seven research categories: 1) genetics 2) food safety 3) animal health products 4) poultry health 5) poultry welfare 6) environment and 7) functional and innovative products. These categories were chosen to align with the National Research Strategy for Canada's Poultry Sector priorities. CFC's research topics were included in this call.

Considerations – CPRC Call for Proposals
The CPRC Board of Directors met on August 13 to review the 16 letters of intent that were sent to the Scientific Advisory Committee for review (30 LOIs were received in total).

Upon review, CPRC approved requesting full proposals from seven applicants. CPRC's funding for all eight projects totals $300,000. CFC's contribution ($140,000) represents ~47% of funding for these projects. Of the 7 projects, 6 directly or indirectly benefit CFC.

Considerations – CFC's Request for Proposals
CFC's request for proposals for on-farm trials investigating effective methods of applying organic acids in water and feed was released at the same time as CPRC's call for proposal.

Four proposals were received in response to CFC's request for proposal; two of which were sent for evaluation by CPRC's Scientific Advisory Committee (SAC). Based on the SAC reviews, one RFP (principal investigator. Dr Martine Boulianne, University of Montreal) is recommended for consideration for funding.

The proposed project is to verify the effect of water and feed organic acids on the intestinal pathogen microflora and zootechnical performances of commercial broiler chickens. This project meets:

- CFC's request for on-farm field trials investigating application of organic acids in feed and water.
- the priority of the FPT government and the chicken sector with regard to pathogen reduction.

This project is part of a larger study which is already financially supported by the AAFC AgriInnovation project. Other collaborators include the Chair in Poultry Research (U Montreal), Hatchery association (ACQ) and feed mill association (AQINAC) from the province of Quebec. Part of the funding will be dedicated to an on-farm research trial. CFC funding would allow for the further study of bacterial pathogen reduction and control in commercial broiler chickens with the use of organic acid in the feed or the water.

The project's Letter of Intent has been reviewed by CPRC Scientific Advisory Committee and it received positive reviews in terms of scientific merit and industry application.

Motion: That CFC Directors approve the seven 2015 CPRC research projects and that CFC contributes up to a maximum of $140,000 over 3 years for the projects.

Moved by T. Keet / seconded by R. Cliche **carried**

Motion: That CFC Directors approve funding of $60,000 over 3 years to Dr. Boulianne et al., for their research project titled "Effects of organic acids on reducing intestinal pathogens in broiler chickens during an on-farm trial".

Moved by T. Keet / seconded by B. Uyterlinde **carried**

7. OTHER BUSINESS

No other business was brought forward.

Motion: to adjourn the meeting

Moved by E. Benjamins \ seconded by G. Gauthier **carried**

The meeting adjourned at 3:57 pm on September 2, 2015.

David Janzen
Chairman

October 15, 2015
Date approved

/st

DIRECTORS
David Janzen (Chair)
Luc Gagnon
Reg Cliche
Ian Hesketh
Peter Vale
Derek Janzen
Rudy Martinka
Vernon Froese
Murray Booy
Benoit Fontaine
Yvon Cyr
Matthew Harvie
Barry Uyterlinde
Keith Deering
David Hyink

ALTERNATES
Greg Gauthier
Tim Keet
Leonard Klassen
Ed Benjamins
Pierre-Luc Leblanc
Marc Cormier
Nicholas DeGraaf
Kevin Thompson
Lucy McKee

STAFF
Mike Dungate
Michael Laliberté
Jan Rus
Yves Ruel
Tara Molloy
Stéphanie Turple (recording secretary)

OTHER PARTICIPANTS
Ruth Noseworthy
Shelley Acker
Jake Wiebe
James Corpuz
Rick Hall
Wayne Hiltz
Clinton Monchuk
Diane Pastoor
Elmer Buchanan
Karen Kirkwood
Bill Vanderspek
Davis Noel
Ron Walsh
Henry Zantingh
Aseema Singh
Chris Horbasz
Mathieu Boucher
Mike Terpstra
Gaetan Busque
Martine Labonté
Pierre Fréchette
Yvan Brodeur
Reg Milne
Robert de Valk
Stéphane Veilleux
Louis Martin
Janet Murphy
Alistair Johnston
Jean Guy Leclerc

This is Exhibit "C" referred to in
the affidavit of J. McDowell
sworn before me at Mississauga, Ontario
this 28th day of April 20 16

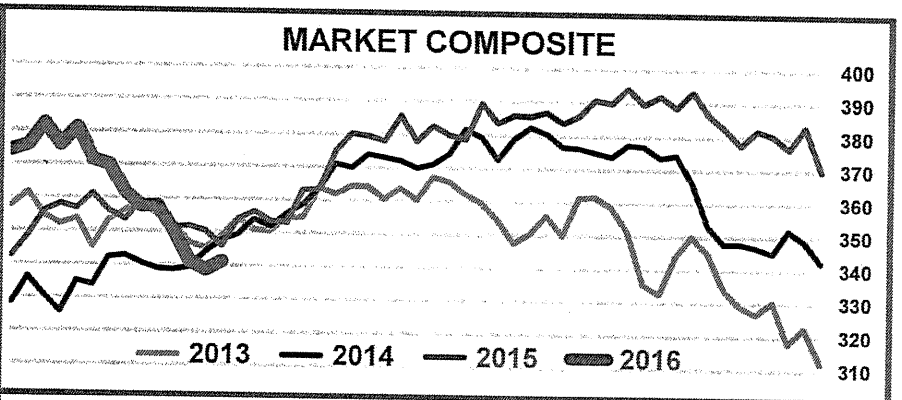
A Commissioner for taking Affidavits
for ~~British Columbia~~
Ontario

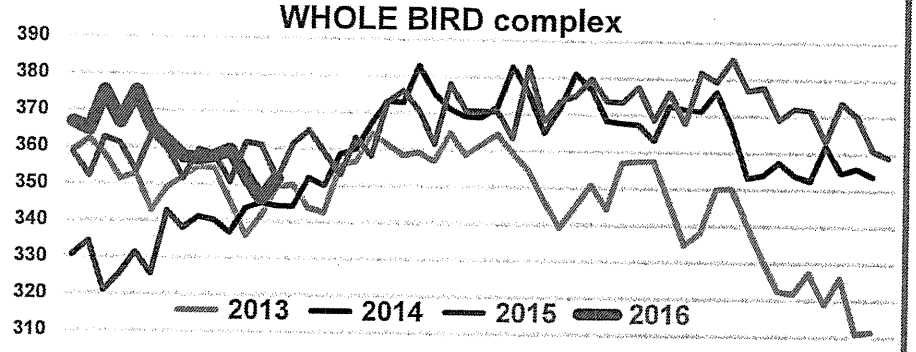
Chicken Farmers of Canada
Les Producteurs de poulet du Canada

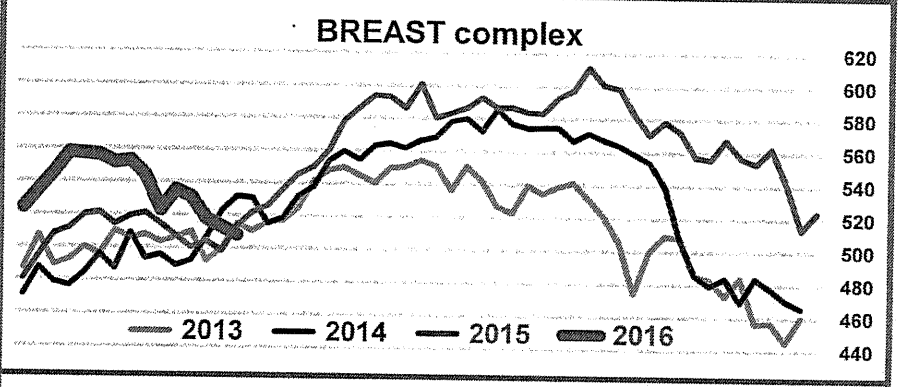
Canadian wholesale prices (Source: EMI Express Markets Inc.)

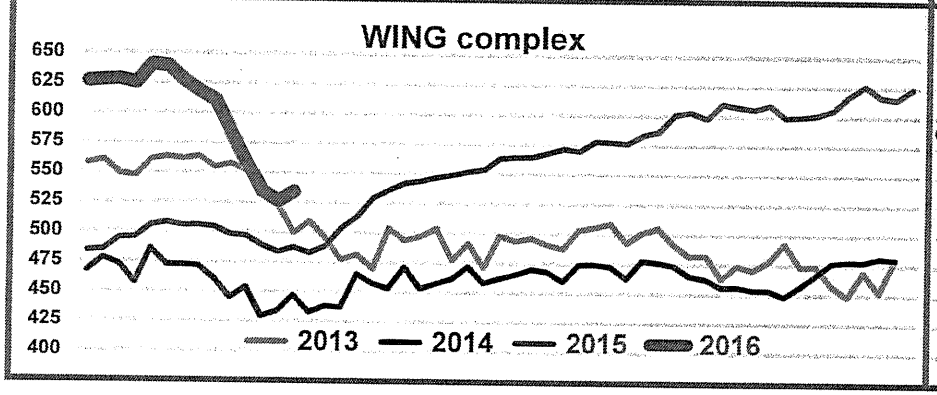
April 12, 2016

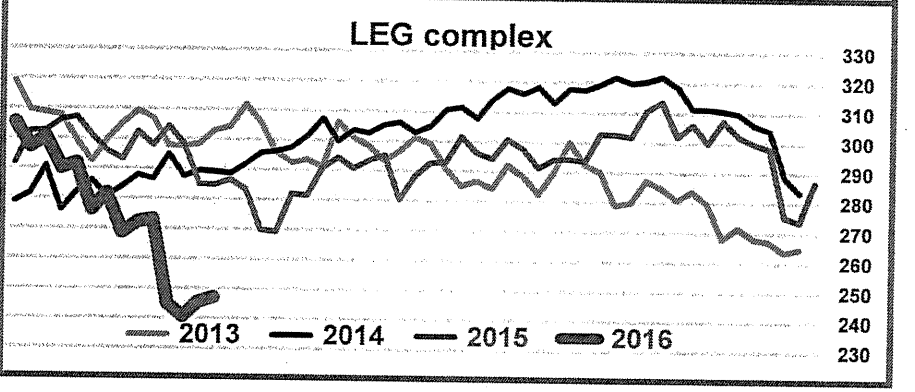
week ending April 10, 2016	MARKET COMP.	COMPLEXES Whole Bird	Breast	Wing	Leg
current week	**341.02**	**351.75**	**508.06**	**533.75**	**247.01**
previous week	**338.46**	**346.13**	**512.81**	**525.75**	**245.34**
difference	↑ 2.56	↑ 5.62	↓ -4.75	↑ 8.00	↑ 1.67
last year (2015)	**354.05**	**361.25**	**513.35**	**482.50**	**286.32**
difference	↓ -13.03	↓ -9.50	↓ -5.29	↑ 51.25	↓ -39.31
2 years ago (2014)	**349.34**	**344.00**	**531.34**	**432.38**	**288.40**
difference	↓ -8.32	↑ 7.75	↓ -23.28	↑ 101.37	↓ -41.39
3 years ago (2013)	**354.02**	**350.00**	**514.82**	**508.88**	**304.23**
difference	↓ -13.00	↑ 1.75	↓ -6.76	↑ 24.87	↓ -57.22











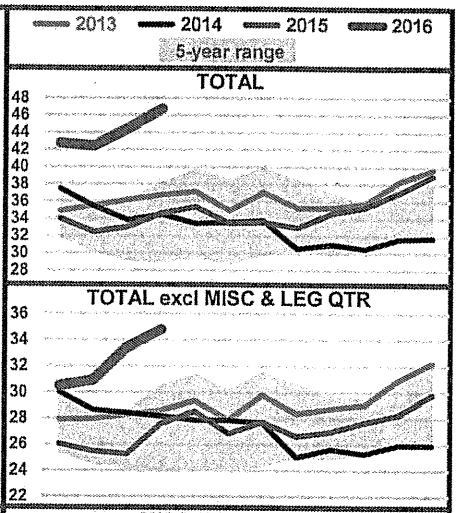
This is Exhibit "D" referred to in
the affidavit of J. McDowell
sworn before me at Mississauga, Ontario
this 28th day of April 20 16

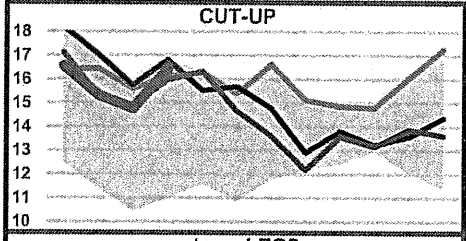
A Commissioner for taking Affidavits
for ~~British Columbia~~
Ontario

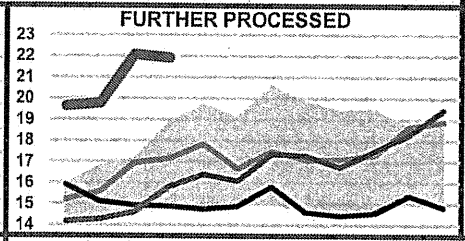
Canadian Chicken Storage Stocks (Source: AAFC)

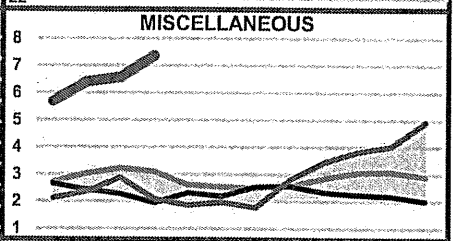
April 14, 2016

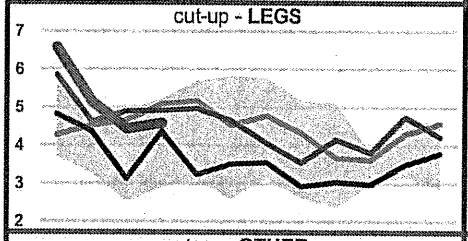
Mkg	Apr-16	previous month Mar-16	change %	change Mkg	previous year Apr-15	change %	change Mkg	2 years ago Apr-14
TOTAL	46.7	44.4	5.2%	2.3	34.6	35.2%	12.2	34.4
TOTAL excl MISC & LEG QTR	34.8	33.4	4.1%	1.4	27.6	26.2%	7.2	28.1
WHOLE	1.0	1.0	0.0%	0.0	0.7	45.9%	0.3	0.8
CUT-UP	16.4	14.8	11.2%	1.7	16.0	2.8%	0.5	16.8
Legs	4.6	4.4	3.4%	0.2	4.9	-6.7%	-0.3	4.4
Breasts	6.3	5.6	11.9%	0.7	4.5	38.0%	1.7	5.3
Boneless breasts	4.9	4.3	13.0%	0.6	3.4	42.0%	1.4	3.4
Other breasts	1.4	1.3	8.3%	0.1	1.1	25.4%	0.3	1.9
Wings	3.9	3.2	21.7%	0.7	2.9	33.3%	1.0	4.5
Other	1.7	1.5	9.3%	0.1	3.6	-53.2%	-1.9	2.7
FURTHER PROCESSED	21.9	22.1	-0.6%	-0.1	15.8	38.7%	6.1	14.9
Boneless breasts	2.6	2.4	10.4%	0.2	2.1	26.9%	0.6	1.9
Other	19.3	19.7	-2.0%	-0.4	13.7	40.4%	5.6	13.0
MISCELLANEOUS	7.4	6.6	12.0%	0.8	2.1	251.9%	5.3	1.9

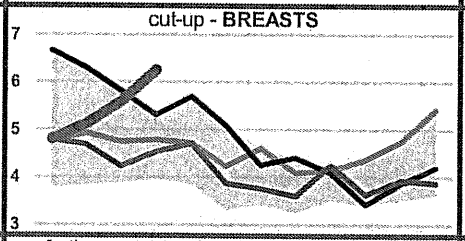


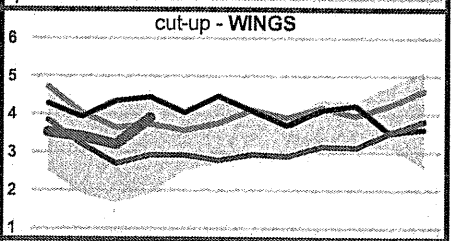


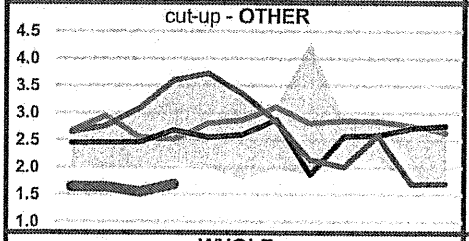


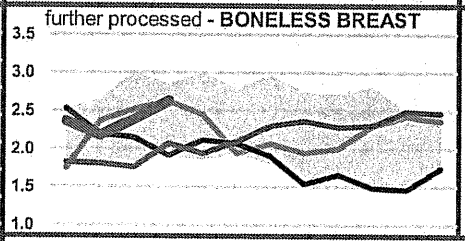


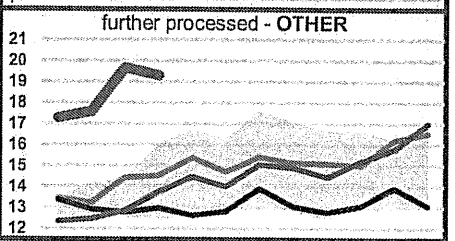


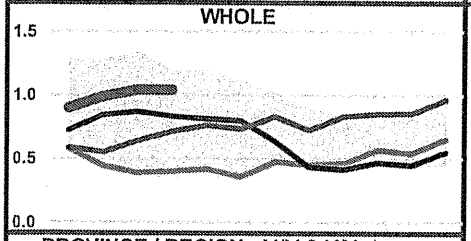


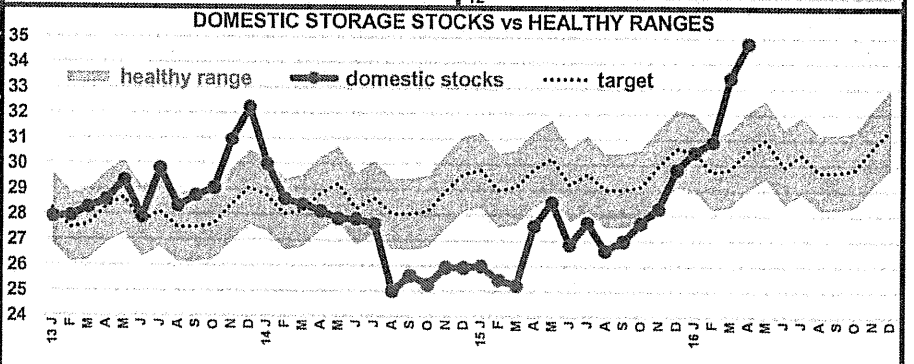


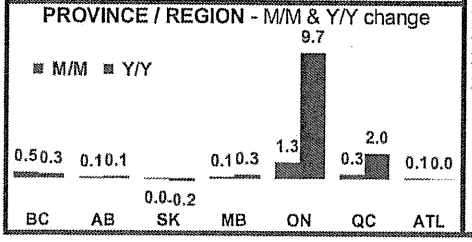












* Annual target values for domestic stocks are calculated using the ratio between annual domestic production and average yearly domestic stocks, using the most recent seven years of data. Monthly stock seasonality factors, also calculated using the most recent seven years (2009-2015) of data, are then applied to the annual target to calculate the monthly targets. Healthy Ranges are set 5% above and below the monthly target.

	Allocation Recommendation			Actual	
	West Proc	CPEPC	Difference	CFC	
A121	Base +2%	Base -2%	4%	Base +2%	
A122	Base +2%	Base +1%	1%	Base +2.5%	
A123	Base +2%	Base	2%	Base +1.5%	
A124	Base	Base -2%	2%	Base	
A125	Base -.5%	Base -.5%	0	Base +1%	
A126	Base +2%	Base +1%	1%	Base +2.5%	
A127	Base +3%	Base +1.75%	1.25%	Base +4.25%	
A128	Base +3%	Base +3%	0	Base +3.5%	
A129	Base +3%	Base +1.5%	1.50%	Base +3.5%	
A130	Base +3%	Base +2.5%	0.50%	Base +4%	
A131	Base +3%	Base +2.5%	0.50%	Base +3.5%	exceptional circumstance for Ontario for PanAm games not included
A132	Base +3%	Base +2.5%	0.50%	Base +3.5%	
A133	Base +4%	Base +3%	1%	Base +5%	
A134	Base +4%	Base +3%	1%	Base +5%	
A135	Base +4%	Base +4%	0	Base +5%	
A136	Base +4%	Base +4%	0	Base +5%	
A137	Base +4%	Base +4%	0	Base +5%	
A138	Base +4%	Base +4%	0	Base +5%	

This is Exhibit " E " referred to in the
Affidavit of J. McDowell
Sworn before me at Mississauga, Ontario
this 28th day of April, 2016

A Commissioner for taking Affidavits
for ~~Better Columbia~~
Ontario