



March 18, 2016

File: 44200-20/CKN IND PRICING

DELIVERED BY EMAIL

Robin Smith
Chair
BC Chicken Marketing Board
101 – 32450 Simon Ave
Abbotsford BC V2T 4J2

Dear Mr. Smith:

CHICKEN INDUSTRY PRICING – EPISODE III

The BC Farm Industry Review Board (BCFIRB) is aware of potential sound marketing policy issues arising – provincially and nationally – in regards to chicken industry pricing.

The purpose of this letter is to provide a brief historical background on pricing in BC and to reiterate BCFIRB's expectations in regards to this matter.

History

In the mid-1990's, on-going disputes with production imbalances, pricing mechanism concerns (including in the hatching egg sector) and deteriorating industry relationships led to the BC chicken processors requesting government to remove the pricing authority of the BC Chicken Marketing Board (Chicken Board) from the British Columbia Chicken Marketing Scheme, 1961. Instead, the BC Marketing Board (BCFIRB) suggested and conducted extensive industry consultations, ending in a number of supervisory decisions and recommendations^{1,2}. In summary, these directions and recommendations resulted in:

¹ 1995 February 15. BCFIRB. [The British Columbia Chicken Industry Pricing, Production and Related Issues – Decisions and Recommendations of the British Columbia Marketing Board.](#)

² 1995 July 8. BCFIRB. [The British Columbia Chicken Industry Pricing, Production and Related Issues – Final Report of the British Columbia Marketing Board.](#)

**British Columbia
Farm Industry Review Board**

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- pricing authority for saleable chicks moving from the Chicken Board to the BC Broiler Hatching Egg Commission (Hatching Egg Commission) via changes to the Chicken Scheme and the British Columbia Broiler Hatching Egg Scheme;
- establishment of the pricing linkage between the Chicken Board and the Hatching Egg Commission;
- creation of Pricing and Production Advisory Committees (PPACs) in both schemes; and,
- establishment of a price discovery process which required chicken growers and processors to negotiate a proposed price (which would automatically link to the broiler hatching egg price) -- with the Chicken Board and Hatching Egg Commission retaining final authority to set price.

This price discovery mechanism remained in place for over a decade. However in 2009, in response to various issues (including a series of pricing appeals) and the Chicken Board's assessment that the pricing process was now "non-functional", BCFIRB initiated another comprehensive supervisory review of chicken pricing. This resulted in its June 9, 2010³ decision which changed the approach to chicken pricing from a price discovery mechanism to a formula pricing mechanism. The formula was based on the Ontario live price, with consideration given to the other western provincial prices and a differential. This shift in how prices were set had the general support of major industry stakeholders at the time.

Recently the updated Ontario cost of production (and how it is managed) and pricing decisions by other provinces are now reported to be affecting BC industry stakeholders given the current BC pricing formula.

If anything, pricing may now be even more complicated than it was in the past. Stakeholders are dealing with rapidly changing national markets (consumer preference and increasing consolidation of the wholesale/retail sector), increasing imports (including potential increases in tariff rate quota levels as a result of the Trans-Pacific Partnership trade agreement), and pricing being increasingly fragmented between provinces. In addition, given that pricing and allocation are inextricably linked, recent national allocation decisions and potential Operating Agreement amendments are also impacting BC stakeholders in a variety of ways.

How to effectively reconcile provincial pricing models (which can differ between provinces) and allocations with an increasingly national marketplace and industry infrastructure is an ongoing sound marketing policy question.

BCFIRB Expectations

The fundamental premise behind how best to determine the price a grower receives for their chicken from a processor remains the same as it was in 1995 and in 2010. In summary, and as recorded in paragraph 23 of the June 9, 2010 BCFIRB decision:

[a]ll parties in this supervisory review agree that a workable pricing model must be consistent, predictable, transparent, and result in a live price that gives growers a reasonable return and allows processors to be competitive in the Canadian market.

³ 2010 June 9. BCFIRB. [In the Matter of the *Natural Products Marketing \(BC\) Act* and a Supervisory Review of BC Chicken Marketing Board Pricing-Related Recommendations.](#)

These same considerations apply to the BC broiler hatching egg sector.

In its June 2010 decision BCFIRB gave the Chicken Board flexibility for making changes to the current formula-based pricing model (paragraph 30):

[a]ny long term changes to the pricing model will also require the Chicken Board to consult with PPAC.

BCFIRB wishes to make it clear that if the Chicken Board decides as the first instance regulator that it should undertake any initiative regarding the pricing model, the requirement to consult with PPAC remains.

Finally, as per BCFIRB's general supervisory expectations, the Chicken Board must demonstrate a thorough and substantiated use of principles-based regulation and SAFETI⁴ in arriving at any changes to the pricing model that clearly reflect "sound marketing policy". This would necessitate consultation with a broad range of stakeholders and consideration of inter-provincial and national implications.

Please contact BCFIRB if you have any questions at this time.

Yours truly,

A handwritten signature in black ink, appearing to read "John Les". The signature is fluid and cursive, with a large loop at the end.

John Les
Chair

cc: Casey Langbroek, Chair
BC Broiler Hatching Egg Commission

Ravi Bathe, President
BC Chicken Growers' Association

Scott Cummings, President
Primary Poultry Processors Association of BC

BCFIRB website

⁴ Strategic, Accountable, Fair, Effective, Transparent, Inclusive