February 11, 2015   File: 0146-0151

DELIVERED BY EMAIL

Robin Smith, Chair   Scott Cummings, President
BC Chicken Marketing Board   Primary Poultry Processors Association
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Dear Sirs:

MEMORANDUM OF UNDERSTANDING (MOU), RE-ENTRY OF ALBERTA INTO THE FEDERAL-PROVINCIAL AGREEMENT FOR CHICKEN (FPAC) AND PROPOSED AMENDMENTS TO SCHEDULE "B" OPERATING AGREEMENT

The purpose of this letter is to follow up on the December 23, 2014 and February 6, 2015 letters from the BC Farm Industry Review Board (BCFIRB) concerning the subject matters.

BCFIRB's statutory responsibilities were laid out in the December 23, 2014 letter to Chicken Farmers of Canada (CFC). In summary, BCFIRB has appellate, supervisory and signatory responsibilities. BCFIRB must determine whether changes to the Operating Agreement proposed by the MOU "are in compliance with governing legislation, regulations and agreements" and in particular that those changes "are in accord with "sound marketing policy". By regulation under the *Natural Products Marketing (BC) Act*, BCFIRB is also required to prior approve the BC Chicken Marketing Board's decision to sign into a new Operating Agreement.

The February 6, 2015 letter advises that, as per some initial discussion with the parties, BCFIRB is prepared to address these through its supervisory capacity instead of by way of the appeal filed by the Primary Poultry Processors Association of BC. A panel of BCFIRB members has been placed in reserve should the appeal be required to proceed at a later date.

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Farm Industry Review Board

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In BCFIRB's view, as outlined in the February 6, 2015 correspondence, a supervisory process would lend itself better to ensuring critical issues for the BC chicken value chain are identified and addressed. A supervisory process would: provide for consultation with all BC stakeholders; identify areas of common ground; and, assess the potential for finding resolution, perhaps in cooperation with our western counterparts. BCFIRB awaits confirmation that both parties are in agreement with the suggested process.

BCFIRB has commented previously on issues it believes are critical to the future of the supply managed chicken industry in Canada at the National Association of Agri-Food Supervisory Agencies table and in an April 11, 2013 letter. We reiterate below BCFIRB's views on some of those issues.

1. **Recapturing domestic production**. In principle, BCFIRB supports the stability that a new allocation agreement and the re-entry of Alberta could bring to the industry. Both would enable CFC to focus on increasingly critical systemic issues. One of those issues is the displacement of domestic production with imports. The volume of that displacement far exceeds the total volume of the adjustments contemplated in the MOU. Recapturing domestic production and meeting domestic market demands should be a priority for CFC and its directors in making allocation decisions in a legislated, supply managed sector.

2. **Comparative advantage.** Without commenting on the merits of the formula proposed in the MOU, BCFIRB supports the use and ongoing development of comparative advantage tools in determining future shares of growth allocations. Not only is such consideration a legal requirement under s. 23(2) of the *Farm Products Agencies Act* (Canada), it is critical to the future sustainability of the domestic Canadian chicken industry – that again is a first instance CFC responsibility.

3. **Cost of Production (CoP).** While there are implications for all provinces, including BC, BCFIRB remains on record as supporting the Ontario Farm Products Marketing Commission in ensuring that the Ontario CoP formula for chicken was updated and made defensible, transparent and subject to ongoing oversight and updating. To rely on an obsolete, indefensible pricing mechanism was, among other things, at the expense of industry efficiency. This is contrary to the principle of supply management that requires a "fair return for efficient production". It has been detrimental to the long term sustainability of the Canadian industry. It should be no surprise that this new pricing framework could impact on future allocation decisions given the economic link between price and production.

4. **Governance.** BCFIRB has placed increased emphasis on board governance in BC. Using SAFETI[1] as a tool to support principles/outcomes-based regulation, BC boards are expected to demonstrate higher levels of governance, accountability, decision making and performance. Similar expectations should be placed on CFC and its directors.

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[1] Strategic, accountable, fair, effective, transparent, inclusive.

5. **Exit and re-entry of Provinces into FPAC.** BCFIRB supports the re-entry of Alberta into the FPAC. However, as a matter of policy and practice BCFIRB questions whether it is advisable and in the best interest of a collaborative, federal-provincial agreement to allow any province to re-enter an agreement without the approval of all signatories. A province's entry, exit and re-entry into the FPAC are significant decisions for that province and can impact on other provinces involved in the agreement. This should be clarified for the future.

BCIFRB looks forward to hearing from you in response to the February 6, 2015 letter and trusts that we can find a way to move our discussions forward on a timely and strategic basis.

Yours truly,

John Les
Chair

cc: BC Minister of Agriculture   National Association of Agri-Food
        Chair, BC Broiler Hatching Egg Commission   Supervisory Agencies
        Chair, Farm Products Council of Canada   BCFIRB web site
        Chair, Chicken Farmers of Canada