



September 15, 2015

File: 0146-0151

DELIVERED BY EMAIL

Robin Smith
Chair
BC Chicken Marketing Board
101 – 32450 Simon Av
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Scott Cummings
President
Primary Poultry Processors Association
of British Columbia



Dear Sirs:

**PROPOSED AMENDMENTS TO SCHEDULE “B” OPERATING AGREEMENT –
CURRENT STATUS AND SUPERVISORY REVIEW UPDATE**

The BC Farm Industry Review Board (BCFIRB) has been briefed on the initial reception of the joint western chicken boards-processors differential regional allocation proposal at the September 2, 2015 meeting of the Chicken Farmers of Canada. BCFIRB has also been advised of the on-going challenges with the further processing component of the comparative advantage formula.

The proposed retention of a differential regional allocation mechanism in the Operating Agreement – with built in safeguards – remains in our view a potentially effective and strategic tool to support all regions in ensuring the domestic market for chicken is met. This is a fundamental responsibility of supply management but current figures suggest that domestic chicken production is being displaced by imports beyond TRQ. Delay in supporting the important, value added further processing sector is also indicative of decision making that is not responsive to market requirements.

Poultry supply management originated because of provinces competing directly with each other for market share. It was recognized that this internal battle between provinces, while facing increasing competition from imports, posed a risk to collective long term stability and prosperity. That risk remains today. The intent and purpose of the governing legislation and the Federal-Provincial Agreement for Chicken (FPAC) is to replace market competition with market sharing and federal-provincial collaboration for the benefit of all stakeholders – producers, processors and consumers.

Once base production levels were established it was expected – and required by the *Farm Products Agencies Act* (Canada) (FPAA) – that as demand grew a national marketing agency would consider the principle of comparative advantage of production in distributing additional production rights to provinces. You may find the attached January 4, 1979 terms of reference for the National Farm Products Council (now the Farm Products Council of Canada) interesting in this regard.

BCFIRB continues to hold the appeal by the Primary Poultry Processors Association of BC in abeyance. However, the outstanding question for BCFIRB as a signatory and as the BC supervisory agency is whether recent developments substantiate that there is a strategic risk to BC – and supply management for chicken – should systemic governance, decision-making and allocation issues continue to undermine the purpose and intent of governing legislation and the FPAC.

BCFIRB laid out principled expectations in support of chicken supply management in a February 11, 2015 letter¹. Other correspondence dating back to April 11, 2013 has also clearly outlined BCFIRB's concerns about the sustainability of the supply management system for chicken. Recent developments provide no confidence that the objectives of supply management are being realized in the current circumstances.

Given the uncertain status of the proposed amendments to the Operating Agreement, BCFIRB believes BC signatories should be prepared to examine our options. This will inform a BC position for future engagement with our national counterparts. One option for the short-term is a return to allocation decisions being made in compliance with the existing Operating Agreement. We note that if properly exercised, the “bottom up” and differentiated regional allocation components therein have the potential to meet the principle of comparative advantage as required by the *FPAA*. This would raise a question about allocations already made using the formula proposed in the MOU. We look forward to receiving your input on this and related matters as BCFIRB considers its position with respect to that question.

Another question – and one integral to the exploration of potential options – is the state of governance and decision-making in the supply managed system for chicken. BC (and every other province) signed into the FPAC on a clear understanding of the statutory and decision-making requirements of the *FPAA* and the FPAC. It is not evident that those responsibilities are being met. This too should be the subject of discussion between BC signatories and stakeholders.

Yours truly,



John Les
Chair

Attachment

cc:	BC Minister of Agriculture Chair, BC Broiler Hatching Egg Commission Chair, Farm Products Council of Canada Chair, Chicken Farmers of Canada	National Association of Agri-Food Supervisory Agencies BCFIRB web site
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¹ [Memorandum of Understanding \(MOU\), Re-Entry of Alberta into the Federal-Provincial Agreement for Chicken \(FPAC\) and Proposed Amendments to Schedule “B” Operating Agreement.](#) February 11, 2015.