

**Supervisory Review of Proposed Amendments to the CFC Operating Agreement  
(Federal Provincial Agreement for Chicken)**

**FURTHER SUBMISSIONS OF THE  
PRIMARY POULTRY PROCESSORS ASSOCIATION OF BC**


**June 27, 2016**

1. These submissions are in reply to the submissions of the BC Chicken Marketing Board and the submissions of CFC dated June 24, 2016.
2. The proposition which both the BC CMB and CFC advance in their submissions is that the BC processors have received what they asked for, so there is no harm to them under the allocation method used in the MOU/proposed amendments to the Operating Agreement. However, this proposition fundamentally misses the point of the processors' complaint.
3. The processors oppose the allocation method in the MOU/proposed amendments to the Operating Agreement because that method provides Central Canada with an allocation in excess of its needs, which results in a significant competitive disadvantage for Western processors. For many years allocations have been made pro rata across the country. This allowed Central Canada to receive product in excess of its regional needs, and direct that product to the retail shelves in the West. The current situation is extremely unfavorable to BC processors. Further processed and frozen product from Central Canada has now significantly displaced product from Western Canada. This is a direct result of years of over supply to Central Canada through pro rata allocations, which has continued under the allocation method in the MOU. As has been demonstrated, the complicated formula to address regional differences actually makes no effective change to the pro rata allocations of prior years.
4. Additionally, BC processors make their product requests both with the knowledge of what their customers require, and the knowledge of what their requests mean for the competitive landscape they operate within. If these were true bottoms up requests, as outlined in the current operating agreement, BC processors would ask for more product. BC processors currently must submit their requests with the knowledge that any additional product they request, will mean their competitor provinces will receive more product than them, and the BC processors will be faced with competing against that

product within the Western region and within BC itself. As such BC processors' requests do not represent their actual requirements for the BC market. They represent a mitigated request based on the knowledge that this product will end up back in BC irrespective of whether BC processors process it or not.

5. BC cannot be looked at in isolation. It must be looked at the context of the whole Canadian market. The new allocation methodology, as demonstrated in the allocations for A-139 and A-140, disproportionately favors Central Canada at the expense of the West. If there is no balance in allocations across the country, if one region receives what it needs, or less than it needs, while another region receives more than it needs, the national system cannot function fairly as it was intended. If Central Canada continues to receive allocations in excess of its needs, as against the West which receives no more than and often less than it needs, the impact on the further processing and processing industries in the West will be dramatic and may be irreversible. This is the harm which the BC processors say will continue if the proposed amendments to the Operating Agreement are approved.
6. CFC, with the active support of the BCCMB, has failed to recognize and acknowledge its obligations, as set out in the current Operating Agreement, to make regionally appropriate allocations which reflect current retail and consumer demands. There is no need for the complicated and ineffective allocation model which is currently proposed, which is demonstrably ineffective, and worsens the already tenuous operating circumstance of BC and western Canadian processors.
7. BC processors urge FIRB to recognize that there is a need for a supervisory body such as CFC to be more than a simple pro rata allocation administrator. It must modernize and make decisions reflective of modern and increasingly competitive environments.

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