



March 18, 2016

Mr. Jim Collins, Executive Director
British Columbia Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria, BC V8W 9B5

Dear Mr. Collins:

RE: Supervisory Review of Proposed Amendments to the Federal Provincial Agreement for Chicken – Schedule “B” Operating Agreement

Alberta Chicken Producers (ACP) appreciates this opportunity to participate as an industry stakeholder in the British Columbia Farm Industry Review Board’s (BCFIRB) review of the aforementioned proposed Operating Agreement amendments. This process is important to Alberta, as all signatures to the Operating Agreement, as amended, are required for Alberta to re-enter the Federal-Provincial Agreement for Chicken (FPA).

ACP believes the proposed Operating Agreement amendments have and will continue to strengthen the national system. The allocation agreement is built from guiding principles, agreed to by all provinces and does not provide pre-determined outcomes for any province. The agreement is contributing to having the right amount of chicken produced where it is needed, and allocation growth has been significant for all provinces since the implementation of this agreement.

At this time, the Operating Agreement has not been amended to incorporate the new allocation agreement, despite the agreement of the provincial chicken marketing boards and Farm Products Council of Canada’s approval of the allocations set under this formula for the past twelve production periods. Incorporating this new allocation formula into the Operating Agreement requires the signatures of all provincial chicken marketing boards and all provincial supervisory boards in the nine signatory provinces, as well as the Chair of CFC. Once this is achieved, Alberta can then initiate its re-entry into the FPA. Having all ten provinces under one FPA is a stable, long-term solution for Alberta, the Canadian chicken industry, and the supply management system.

ACP has reviewed the submissions made by the Primary Poultry Processors Association of BC (PPABC) and British Columbia Chicken Marketing Board (BCCMB), as well as the questions raised by BCFIRB; and, ACP provides the following submission to the BCFIRB for consideration in this review process.

In assessing whether the proposed Operating Agreement amendments are Strategic, Accountable, Fair, Effective, Transparent and Inclusive, ACP submits the following analysis:

Strategic

The proposed Operating Agreement amendments are Strategic for the following reasons:

- Alberta's allocation has been a priority of the Alberta chicken industry for over nine years. ACP brought forward the issue of differential growth to CFC in July 2007, based on the growing demand for fresh chicken in the Alberta. AC Nielsen data has clearly demonstrated the growing demand at retail for fresh chicken in Alberta, and has highlighted the growing gap between Alberta's demand and supply under the allocation methodology pre-A-127.
- ACP has worked with Alberta processors (Sunrise Farms, Sofina Foods Inc. and Maple Leaf Foods), through our annual strategic planning sessions and through one on one meetings over this timeframe to achieve differential growth. Differential growth is now being realized under the new allocation agreement, as evidenced in Tables 1, 2 and 3.
- Ratification of the proposed Operating Agreement amendments by all parties will enable Alberta to re-enter the Federal Province Agreement for Chicken (FPA). It is in the best interests of the entire Canadian chicken industry to have all provinces as full members and signatories to the CFC Operating Agreement and the FPA.
- Under the new allocation agreement, the Western region as a whole continues to grow and has been a net benefactor of growth versus pro-rata since the inception of the new allocation agreement in A-127, receiving 906,983 eviscerated kilograms of growth over pro-rata (refer to Table 1 below).

Accountable:

The proposed Operating Agreement amendments are Accountable for the following reasons:

- ACP is accountable to its producers, government and industry stakeholders, which include its three major processors: Sunrise Farms, Sofina Foods Inc. and Maple Leaf Foods.
- The CFC Board of Directors has given direction to CFC to sign the Operating Agreement.
- The implementation of the allocation agreement has enabled ACP to operate under an Interim Service Agreement with CFC, which holds Alberta accountable to the allocations set forth under the new allocation methodology. The Interim Service Agreement was signed with CFC following the agreement of the ten provinces to utilize the allocation agreement effective A-127.
- A ratified amended Operating Agreement, as presented, will enable Alberta's re-entry into the FPA, ensuring ongoing accountability to the orderly marketing of chicken in the national system.

Fair:

The proposed Operating Agreement amendments are Fair for the following reasons:

- The new allocation agreement has been developed from guiding principles agreed to by all provinces.
- Every effort was made by all parties to ensure that the comparative advantage factors cannot be manipulated by any province and are built from credible, objective sources of data.
- All provinces have a fair opportunity to access the comparative advantage factors in the formula.
- The proposed agreement does not result in any province reducing the amount of chicken it produces, but reallocates a small percentage of future growth.

Effective

The proposed Operating Agreement amendments are Effective for the following reasons:

- A ratified amended Operating Agreement, as presented, will enable Alberta's re-entry into the FPA, ensuring ongoing accountability to the orderly marketing of chicken in the national system.
- The allocation agreement will provide the industry with stability for at least a decade; and it has already translated into efficiencies in the allocation setting process, creating more time at CFC meetings to address other matters of importance to the industry.
- The provincial bottom up system of determining the market demand is strengthened because of the responsiveness of the formula.
- This agreement has also reduced the provincial posturing and politics, which allow CFC directors to focus on the key job of supplying the Canadian market with the right amount of chicken.

Transparent:

The proposed Operating Agreement amendments are Transparent for the following reasons:

- The Alberta Chicken Producers Board has communicated its progress throughout the process to industry stakeholders including Alberta's chicken producers, processors (Sunrise Farms, Sofina Foods Inc., and Maple Leaf Foods), Alberta Agricultural Products Marketing Council, the Alberta Minister of Agriculture and Forestry and Minister of International and Intergovernmental Affairs, and Alberta Hatching Egg Producers (*refer to Appendix A for an in-depth timeline of consultations within Alberta*)
- The Western chicken boards met with processors on multiple occasions throughout the negotiation process and worked with processors in developing the Differentiated Regional Allocation (DRA) proposal to bring to the CFC table. (*Refer to Appendix B for an in-depth timeline of consultations undertaken by the Western provinces*).
- The Western chicken boards brought forward the DRA proposal to Ontario, Quebec and the Atlantic Provinces; and, made every reasonable effort to garner support for the proposal. The proposal was formally presented at the September CFC meeting by the Executive Director of the BC Chicken Marketing Board. Western processors did not speak to the proposal at this meeting. The Western chicken boards were disappointed by the processors' abdication from presenting at the September CFC meeting and lack of ownership in this process.

Inclusive:

The proposed Operating Agreement amendments are Inclusive for the following reasons:

- All industry stakeholders including Alberta’s chicken producers, processors (Sunrise Farms, Sofina Foods Inc., and Maple Leaf Foods), Alberta Agricultural Products Marketing Council, the Alberta Minister of Agriculture and Forestry and Minister of International and Intergovernmental Affairs, and Alberta Hatching Egg Producers were consulted and informed throughout the process of negotiating the new allocation agreement. Their input was valuable to this process and is reflected in the outcomes that have been achieved.

With respect to the submission by the PPABC, ACP wishes to respectfully clarify the following:

It stated on Page 2 of the PPABC submission that “the MOU, and the proposed operating agreement, have not corrected the supply imbalance in the West...the new operating agreement makes the imbalance even worse.” As illustrated in Tables 1 and 2 below, since the inception of the allocation agreement in A-127, 26.5Mkg of growth have been allocated to Western Canada, representing 4.45% to the West, compared to 4.36% to Canada. During this same timeframe, the Western region has realized net growth versus pro rata of 906,983 kg. Further to that, 5.84% of the further processing factor was transferred from Central Canada to the West.

Table 1:

	Cumulative Growth Over (Under)		Total Cumulative Net Growth	
	Pro-Rata		A-127 to A-138	
	A-127 to A-138	A-127 to A-138	A-127 to A-138	A-127 to A-138
	Evis Kg's	Live Kg's	Evis Kg's	Live Kg's
West	906,983	1,233,319	26,468,388	35,991,825

Table 2:

Growth Since A-127

	Net Growth	% Over Base	Growth Above Pro-Rata
West	26,468,388	4.45%	906,983
Central	51,153,869	4.48%	1,735,923
East	4,882,908	3.16%	-2,642,904
Total Canada	82,505,165	4.36%	0

With respect to the discrete supply to Ontario, this is a temporary measure that, once completed, will further increase growth to the Western region.

It is also stated on page 4 that “Western provinces...receive an allocation proportionately less than their share of population.” Alberta and Ontario, and Prince Edward Island and Newfoundland and Labrador to a lesser degree, are the only provinces that have a domestic allocation that is below their share of the national population. As shown in Table 3 on the following page, British Columbia, Saskatchewan and Manitoba’s shares of the national allocation continue to exceed their respective shares of the national population under the new allocation agreement.

Table 3:

Allocation and Population Shares By Region

	Allocation*	Allocation Share	Population Share**	Allocation vs. Population
BC	23,874,018	13.97%	13.11%	6.6%
AB	16,388,465	9.59%	11.74%	-18.4%
SK	6,127,639	3.58%	3.17%	13.0%
MB	7,133,709	4.17%	3.62%	15.3%
West	53,523,831	31.31%	31.64%	-1.0%
ON	57,570,967	33.68%	38.60%	-12.7%
QC	46,076,330	26.95%	23.13%	16.6%
Central	103647297	60.63%	61.72%	-1.8%
East	13769234	8.05%	6.64%	21.4%

*A-138 Total Domestic Allocation

**Source: [Statistics Canada, CANSIM, table 051-0001.](#) Last modified: 2015-09-29

In regard to the assertions on page 2, “failure of CFC to implement the market responsive procedures set out in the operating agreement...has given rise to the supply imbalance which ultimately caused Alberta to withdraw from the national system,” and on page 9, the “issue, which the proposed agreement is attempting to resolve, namely the exit of Alberta, arose through problems with CFC’s own governance and its failure to implement the current operating agreement in its intended manner”, Alberta wishes to clarify that its exit from the FPA had no relation to CFC governance, but to the growing disparity between Alberta’s allocation and its growing demand.

Moreover, in regard to the statement on Page 4: “[t]he proposed changes will be inconsistent with the Western Allocation Settlement Agreement,” ACP also wishes to clarify that the Western Allocation Settlement Agreement was simply a tool to bring the western provinces into compliance with the regional range when submitting numbers to the CFC.

ACP believes that CFC has done its due diligence in addressing the issue of differential growth, as outlined in Appendix A. CFC attempted for many years to utilize the regional range and market responsive pools in the Operating Agreement. Differences between

processors' requirements in the West, Central and Eastern regions, however, have made it challenging to effectively utilize the regional range and market responsive pool.

In response to the questions posed by BCFIRB, ACP commends CFC and all provincial boards for their leadership in effectively addressing the issue. The new allocation agreement has been agreed to by the ten provincial boards, and has been approved by Farm Products Council of Canada as the method for setting allocation for the past twelve production periods. The agreement has also enabled CFC to achieve efficiencies in its allocation setting process. Setting allocation two periods at a time and the implementation of the new allocation agreement have streamlined the allocation setting process, thereby improving the efficiency and effectiveness of meetings.

ACP also wishes to clarify that Alberta negotiated in good faith and agreed to accept the calculated outcomes of the comparative advantage factors and that this agreement did not include any guaranteed or additional shares of growth for Alberta. Alberta's growth was contingent on the Canadian market growing and on Alberta performing strongly on the comparative advantage factors.

With respect to the question posed by BCFIRB regarding the Trans-Pacific Partnership Agreement (TPP), the TPP has not been ratified thus the impact of the allocation agreement relative to TPP cannot be assessed at this time. The allocation agreement is specifically related to the allocation of domestic production. Tariff Rate Quota (TRQ) is not within the jurisdiction of provinces nor CFC and is administered under the Department of Foreign Affairs, Trade and Development; thus ACP does not see these issues related to the CFC allocation agreement.

In closing, ACP values its full participation in the national system and appreciates BCFIRB's consideration of this submission within the context of maintaining a strong national system. ACP looks forward to becoming a full member of the national agency and to continuing to work with all provinces and CFC in leading a sustainable industry that is responsible to our consumers.

Please do not hesitate to contact us at your convenience should you have any questions or require further information.

Sincerely,



Karen Kirkwood, Executive Director,
Alberta Chicken Producers

cc: John Les, Chair, BC Farm Industry Review Board
Alberta Chicken Producers Board of Directors
David Janzen, Chair, Chicken Farmers of Canada
Mike Dungate, Executive Director, Chicken Farmers of Canada
Freda Molenkamp-Oudman, Alberta Agricultural Products Marketing Council