

BRITISH COLUMBIA FARM INDUSTRY REVIEW BOARD

IN THE MATTER OF THE *NATURAL PRODUCTS MARKETING (BC) ACT* AND  
BC Chicken Marketing Board Interim Pricing Formula Upper Guardrail Trigger

April 3, 2023

British Columbia Farm Industry Review Board  
Chicken Interim Pricing Formula Trigger  
April 3, 2023

### Decision Summary

1. The Chicken Board Interim Pricing Formula is amended to include the trigger model using \$115.23 as the trigger value for A-182 forward until the long-term pricing formula is approved or until the Panel directs otherwise, upon the condition that the Chicken Board provides its rationale for selecting Scenario 3 (\$115.23 trigger value) to the Panel and sector within fourteen calendar days of this decision.
2. The Chicken Board is not precluded from submitting further requests to BCFIRB for prior approval to amend the interim pricing formula for future production periods.

### Introduction

3. In March 2020, BCFIRB established a Chicken Sector Pricing Supervisory Review Panel (the Panel) to address the Broiler Hatching Egg Commission's (Commission) notice to exit the price linkage agreement and any related supervisory matters the Panel deemed necessary.
4. In April 2020, given the Chicken Board's failure to issue a decision on a long-term pricing formula after it was granted two deadline extensions and the inter-connected nature of broiler hatching egg and chicken pricing, the Panel decided to include the outstanding long-term chicken pricing formula<sup>1</sup> as a related supervisory matter.
5. A full chronology of events leading to the Chicken Sector Pricing Supervisory Review is detailed in the Panel's supervisory decision of July 3, 2020, entitled "Interim Pricing in the BC Chicken Sector" (Interim Decision). That chronology will not be repeated here.
6. In the Interim Decision, the Panel made the following interim order to support industry stability and orderly marketing while discussions for a long-term pricing formula continued (Interim Order):
  44. The Chicken Board and the Commission are directed not to change any aspect of the current pricing structures as defined in this decision, unless by the way of BCFIRB prior approval or until such time as BCFIRB determines otherwise.
  45. The Commission and the Chicken Board are directed not to exit the price linkage agreement without BCFIRB prior approval.
7. In the summer of 2021, the Panel reviewed the Interim Order and the state of industry stability at that time. After consultation with the Chicken Board, the Commission and stakeholders, the Panel decided on August 20, 2021, that it would not be amending or rescinding the Interim Order.

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<sup>1</sup> The June 2018 Chicken Board interim formula was appealed by the Primary Poultry Processors Association of BC (PPPABC) and the BC Chicken Growers Association (BCCGA), which proceeded to hearing in late 2018. In its May 16, 2019 decision, the BCFIRB appeal panel directed the Chicken Board to issue a decision on a long-term pricing formula no later than January 2020.

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8. Starting with period A-174 (January 16, 2022 to March 12, 2022) the Panel has received Chicken Board recommendations for each pricing period to temporarily amend the Interim Pricing Formula. The requested amendments were based on an extraordinary wheat-corn price differential, impacting producer costs. A full chronology of the Interim Pricing amendments is detailed in the Panel's February 7, 2023 supervisory decision "BC Chicken Marketing Board Interim Pricing Formula Amendment Prior Approval Period A-181".
9. In its February 7, 2023 decision, the Panel directed:
  1. For period A-181 the Chicken Board interim formula is amended to include the following floating upper guardrail:

A provision to cover 50% of the current formula costs exceeding the upper guardrail after adjustment for the cumulative increase in Ontario grower margins arising from changes to the Ontario Cost of Production Formula (COPF) starting in A-180. If the resulting number is negative, no adjustment will be made to live weight price.
  2. The Chicken Board is directed to work with the BCFIRB Pricing Liaison and in consultation with the Primary Poultry Processors of BC (PPPABC) and the BC Chicken Growers Association (BCCGA) to establish a wheat-corn price differential trigger for the provision set out above.
  3. If the Panel is satisfied with the trigger, it is prepared to approve amending the interim pricing formula to include the provision above for A-182 and for subsequent pricing periods until the long-term pricing formula is approved.
10. On March 23, 2023 the Chicken Board submitted its recommended floating upper guardrail trigger model to the Panel.

### Issue

11. Does the Chicken Board's recommended floating upper guardrail trigger mechanism accord with sound marketing policy?

### Legal Authorities

12. Under s. 7.1 of the *Natural Products Marketing (BC) Act (NPMA)*, BCFIRB is responsible for the general supervision of all marketing boards and commissions in the province, including the Chicken Board. Section 7.1(2) of the *NPMA* provides for this supervisory authority to be exercised "at any time, with or without a hearing, and in the manner [BCFIRB] considers appropriate to the circumstances".
13. Under s. 9 of the *NPMA*, BCFIRB "has exclusive jurisdiction to inquire into, hear and determine all those matters and questions of fact, law and discretion arising or required to be determined by [BCFIRB] under [the *NPMA*]".
14. The Chicken Board has the authority to regulate the price of regulated products under s. 4.01(g) of the BC Chicken Marketing Scheme (Scheme).

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**Process**

15. On February 18, 2023 the BCFIRB Pricing Liaison (Pricing Liaison) provided the Chicken Board with a suggested floating upper guardrail trigger model (trigger model). The model included three options or “scenarios” for determining when the following amendment would be made to the Interim Pricing Formula:

A provision to cover 50% of the current formula costs exceeding the upper guardrail after adjustment for the cumulative increase in Ontario grower margins arising from changes to the Ontario Cost of Production Formula (COPF) starting in A-180. If the resulting number is negative, no adjustment will be made to live weight price.

16. Prior to finalizing their suggested trigger model, the Pricing Liaison asked BC Chicken Grower Association (BCCGA) representatives and Primary Poultry Processors of BC (PPPABC) representatives for their input.
17. Concurrently, the Chicken Board collected Agriculture and Agri-Food Canada data on landed wheat and corn prices (Chatham, ON and Calgary, AB).
18. The Chicken Board subsequently held preliminary discussions with PPPABC (February 23, 2023) and BCCGA (March 1, 2023) on the proposed trigger model. Neither Association provided alternative suggestions. As required by the Scheme, the Chicken Board consulted with its Pricing and Production Advisory Committee (PPAC), which PPPABC and BCCGA representatives sit on (March 7, 2023).
19. The Chicken Board reports that while PPAC members expressed support in principle for the trigger model, PPAC members could not unanimously endorse it.
20. Following the PPAC meeting, the BCCGA and PPPABC provided unsolicited submissions to the Chicken Board. The Chicken Board chose not to consider the submissions as neither Association copied the other and nor had they been discussed at the PPAC meeting. In its submission to BCFIRB, the Chicken Board took the opportunity to clarify PPAC questions on the Feed Conversion Ratio and feed cost data methodology.

**Recommendation**

21. The Chicken Board recommends the Panel approve the trigger model provided by the BCFIRB Pricing Liaison. The trigger model is based on the difference in cost of feed per tonne between BC (wheat) and ON (corn) using data provided by Serecon to the Chicken Board every period. When the cost differential exceeds a pre-set trigger value, the Chicken Board would implement the floating upper guardrail provision in its Interim Pricing Formula.

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22. Each period, the Chicken Board would make the following calculation:

Using Serecon feed price per kilogram for ON and BC, calculate cost per tonne in each province:

- a. Divide cost/kg by 100 to convert from cents to dollars
- b. Divide by the respective provincial FCR for that period to determine feed cost per kg in each province
- c. Multiply by 1000 to determine feed cost per tonne

Calculate the difference in cost of feed per tonne between ON and BC

If the difference in feed cost exceeds a pre-set trigger value, the Chicken Board implements the floating upper guardrail.

23. The Chicken Board recommends the trigger value be set at \$115.23. The trigger value is based on the highest feed cost differential experienced over 12 periods (A-157 to A-168). The trigger model proposed two other scenarios. Scenario 1 used 34 periods (A-134 to A-168) for a trigger value of \$135.02 and Scenarios 2 used 24 periods (A-145 to A-168) for a trigger value of \$122.74 respectively. The periods were selected based on the assumption they represent the normal historical feed cost differences between Ontario (corn) and BC (wheat).

### Analysis

24. While no consensus was achieved, the Panel is satisfied the Chicken Board met the direction to "...work in consultation" and the Chicken Board's process was sufficiently inclusive given the tight timelines involved. The Panel considered whether it should extend the consultation through another pricing period in the expectation that BCCGA and PPPABC could reach an agreement on the trigger model. However, the purpose of establishing a transparent and accountable trigger model is to allow the Chicken Board and stakeholders to direct resources to finalizing a long-term pricing formula. The Chicken Board did not identify sound marketing policy concerns with the trigger model and PPAC did express support in principle.
25. In its submission, the Chicken Board notes that it will continue to track Agriculture and Agri-Food Canada's data. If the Agriculture and Agri-food Canada data shows a significant difference from BC feed cost data provided by Serecon, the Chicken Board may re-evaluate the floating guardrail trigger. Subsequently, the Chicken Board states that it prefers relying on the Serecon data as it is more relevant to actual feed costs. The Panel supports the latter approach.
26. Apart from recommending the Scenario 3 trigger value for the floating upper guardrail, the Chicken Board has not provided a clear rationale for why it is recommending the \$115.23 trigger value for the floating upper guardrail and how this trigger value supports sound marketing policy. The Panel recognizes the time sensitivity of its decision on the trigger model given the Chicken Board's pricing cycle. While the Panel is prepared to approve the Chicken Board recommendation to relieve the Chicken Board, sector and BCFIRB from

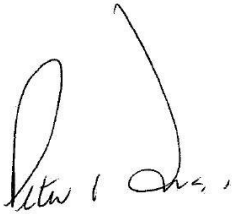
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repeated, time and resource intensive Interim Pricing Formula amendments, it does so conditionally. In the interest of transparency and accountability, the Panel and the sector require the Chicken Board to clearly articulate its rationale for its choice of this particular trigger value.

**Decision**

27. The Chicken Board Interim Pricing Formula is amended to include the trigger model using \$115.23 as the trigger value for A-182 forward until the long-term pricing formula is approved or until the Panel directs otherwise, upon the condition that the Chicken Board provides its rationale for selecting Scenario 3 (\$115.23 trigger value) to the Panel and sector within fourteen calendar days of this decision.
28. The Chicken Board is not precluded from submitting further requests to BCFIRB for prior approval to amend the interim pricing formula for future production periods.

Dated at Victoria, British Columbia, this 3<sup>rd</sup> day of April, 2023.



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Peter Donkers  
**Chair, Chicken Sector Pricing Review Panel**



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Al Sakalauskas  
**Member, Chicken Sector Pricing Review Panel**