



July 28, 2020

Peter Donkers
Chair
BC Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria, BC V8W 9B5

Dear Mr. Donkers:

LONG TERM CHICKEN SECTOR PRICING – UPDATED COMMENTS ON REVIEW PROCESS

Further to our joint response of July 17, 2020, the BC Broiler Hatching Egg Commission and the BC Chicken Marketing Board (BCCMB) have now had opportunity for additional discussion about the July 13, 2020 Review Process letter of the BC Farm Industry Review Board (BCFIRB). BCFIRB has also provided the boards with the July 16, 2020 correspondence from the Primary Poultry Processors Association of BC (PPPABC) and the BC Egg Hatchery Association (BCEHA).

The Commission and the BCCMB re-affirm their support for an “in-depth, cross-sectoral” supervisory review of pricing in the BC chicken industry. Our position remains that, as reiterated in our July 17, 2020 letter, doing so “will provide for long-term stability and certainty” that will allow the BC chicken industry to “focus on repositioning for the future” as contemplated in the Chicken Industry Strategic Framework initiative.

The boards have assessed jointly the Review Process as outlined in BCFIRB’s July 13, 2020 letter and the considerations and objectives outlined in our June 26, 2020 joint submission with respect to long-term pricing “next steps”. Based on that assessment, the boards now offer the following comments with respect to supporting a successful Review Process.

It is important to stress that this is not just about finding a new live price formula based off the Ontario posted price, even though Ontario will remain an important consideration. Instead, it is a complete review of pricing in the BC chicken industry and, in addition, assessing BC pricing in the context of the chicken and hatching egg sectors in the other western provinces. The boards have already been working with their respective western counterparts on pricing and other issues to strengthen western Canada’s position at the national tables. This is not new, with the Commission’s April 18, 2018 ‘Positions and Comments’ document just one example of these issues being raised previously.



As noted in our July 17, 2020 response, western initiatives include the BCCMB working with its counterparts in exploring pricing options that could involve a united position on a western pricing agreement as well as a joint position on catching costs. The Commission is working with its Alberta and Saskatchewan counterparts on establishing a common hatching egg cost of production model based on the Alberta formula; which was recently upheld on appeal in that province.

As also noted in the July 17, 2020 and June 26, 2020 correspondence, specific underlying pricing issues here in BC include, but are not limited to: identifying sustainable margins for chicken growers and hatching egg producers; updating work to date on the hatchery margin, breeder chick and vaccine pricing; and, addressing the spent fowl price. Together, this information will be used in examining the potential for a new, three-way linkage formula that addresses current shortcomings and includes hatching egg producers, hatcheries, and chicken growers. Establishing this transparent, substantiated formula-based pricing framework will prepare the boards to engage processors in determining the appropriate impact of processor competitiveness on the BC live price.

There are policy implications related to pricing. While the boards both support new entrants as a policy objective, there is reason to question whether encouraging new entrants into the industry under the current pricing regime is defensible economically. At the same time, establishing a sustainable margin that would support new entrants conflicts with the need for BC production to be efficient as part of an industry that operates in a high cost environment such as BC's. Both boards will be assessing the future and form of their new entrant programs as part of their pricing analysis.

The PPPABC correctly states that the issues in this review are "complex"; however again it is not simply a matter of determining a new live price formula. The complexity extends beyond that inside and outside of BC and the boards are not yet ready to engage on the issue of a live price. For now, the boards need to continue focusing their resources on preparing for that discussion by addressing the component pieces outlined above. We fully support the inclusion of a BCFIRB liaison during this preliminary stage. However, the boards see no need for any other third-party role (other than those they engage themselves) at this time. Simply put, the boards are not yet ready to engage and the time and effort to seek a "project leader" is better committed to the boards' preparatory initiatives. We do not see the process as being workable otherwise.

In addition to the above, the reality of past experience is that a "negotiated" pricing agreement is highly unlikely. The boards therefore propose the following noting that both are chaired by

independent, Cabinet-appointed individuals with significant backgrounds in BC chicken sector pricing and other issues:

- a. defer the appointment of a project leader and re-examine the role of a third party at a later stage in the process;
- b. BCFIRB assign a staff or member liaison;
- c. the boards (and other stakeholders) continue with their own preparations to substantiate their positions with respect to the component issues, liaising (including requests for information and data from stakeholders) and reporting as necessary;
- d. the BCFIRB Panel convene a meeting by mid-September at which the boards and stakeholders provide a general update on the pricing-related issues they are addressing and the timelines for completion;
- e. the boards finalize their pricing positions by November 2, 2020 and distribute to stakeholders for response;
- f. at this time, BCFIRB could engage a third-party to facilitate the exchange of information and ensure protection of business confidentiality;
- g. the boards receive stakeholder responses (and supporting evidence) by December 1, 2020; and,
- h. the boards submit their joint recommendations to BCFIRB by December 20, 2020, the start of Period A-167.

The boards reiterate their fundamental concern with respect to the Review Process that it is critical that the role of the boards as the first instance regulators is clearly defined and not compromised in the process or for the future. As outlined in our July 17, 2020 letter:

Decisions of the boards will be supported by SAFETI principles in establishing what the boards believe is the sound marketing policy framework for pricing in the BC chicken industry. In some cases, work is already well advanced (e.g., hatchery margin, breeder chick and vaccine pricing) and in others the boards have engaged and or will be engaging their own experts and others in support of their respective and joint regulatory decision-making.

It is critical that stakeholders understand that full participation is required in these decision-making processes of the boards. This will support the boards in making informed decisions as to their recommendations to BCFIRB by this December's deadline. BCFIRB faces the prospect of having to make more substantive first instance decisions of its own if stakeholders fail to fully engage with and inform the boards initially.



The chairs are also using the opportunity presented by pricing issues and the Chicken Industry Strategic Framework initiative to work with the boards in examining the future regulation of the BC chicken industry. This extends past a new, improved linkage to the possible future “integration” of the boards, which underscores the boards’ commitment to focusing on their own repositioning for the future. The boards expect that measures to increase regulatory coordination will be included in support of their joint pricing recommendations to BCFIRB.

Yours truly,

A handwritten signature in black ink, appearing to read "Harvey Sasaki".

Harvey Sasaki
Chair
BC Chicken Marketing Board

A handwritten signature in black ink, appearing to read "Jim Collins".

Jim Collins
Chair
BC Broiler Hatching Egg Commission

cc: Dale Krahn, President
Paul D. McLean, Mathews, Dinsdale & Clark LLP
BC Chicken Growers’ Association

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Commission/Chicken Board Websites