



BC Farm Industry Review Board

July 13, 2020

File: 4200-60/BHEC CMB

DELIVERED BY EMAIL

Jim Collins, Chair
BC Broiler Hatching Egg Commission

Harvey Sasaki, Chair
BC Chicken Marketing Board

Dear Chairs:

LONG TERM CHICKEN SECTOR PRICING – REVIEW PROCESS

Thank you for your joint and individual submissions to the BC Farm Industry Review Board (BCFIRB) on June 26, 2020 regarding interim pricing and your proposed approach to the resolution of long-term pricing matters.

In your June 26 joint submission, you propose that the BC Broiler Hatching Egg Commission (the Commission) and the BC Chicken Marketing Board (Chicken Board) carry out a joint, evidence based, SAFETI¹ process with a commitment to reach a long-term chicken sector pricing resolution by December 20, 2020. Your submission states that this work will include examination of hatching egg producer costs and margin, the hatchery margin (including breeder chick and vaccine pricing) and chicken grower costs and margin.

The panel generally agrees with the collaborative proposal, and supports the Chicken Board and Commission jointly carrying out and being responsible for, as first instance regulators, a Cross-Sectoral Review (Review) of chicken sector pricing that considers, and balances, all perspectives and interests for the overall well-being of industry.

The panel believes a Cross-Sectoral Review will have the greatest likelihood of achieving effective and long-term pricing mechanisms. Balancing interests will require concessions from all parties and that focused, meaningful data and information are made available to enable constructive discussions to take place.

The panel notes that the Chicken Board and Commission have had several years and multiple opportunities to work collaboratively with each other and with stakeholders on

¹ Strategic Accountable Far Effective Transparent Inclusive

Web:

Email: firb@gov.bc.ca

Website: www.gov.bc.ca/BCFarmIndustryReviewBoard

Phone:

Info: 250 356-8945

Fax: 250 356-5131

Mail:

PO Box 9129 Stn Prov Govt
Victoria BC V8W 9B5

Office:

2975 Jutland Rd
Victoria, BC V8T 5J9

pricing, with limited success. If the December 20, 2020 date is to be met, the panel believes the Review will require strong, objective cross-sectoral project leadership.

Cross-Sector Review – Areas of Focus

The panel supports your proposal to include hatching egg producer costs and margin, the hatchery margin and chicken grower costs and margin in the Review.

As stated in the July 3, 2020 panel decision on Interim Pricing in the BC Chicken Sector, the Commission and the Chicken Board are directed:

- 1) Not to change any aspect of the current pricing structures as defined in that decision, unless by way of BCFIRB prior approval or until such time as BCFIRB determines otherwise
- 2) Not to exit the price linkage agreement without BCFIRB prior approval.

As the Commission gave notice in January 2020 that it intends to exit the price linkage agreement with the Chicken Board that has been in place since 1995, the Review needs to address this exit notice and all related matters.

The Chicken Board did not meet BCFIRB's May 2019 appeal directions that it establish a long-term pricing formula for January 2020, nor did it meet the extended deadline of May 2020. On April 29, 2020, the BCFIRB appeal panel rescinded its order imposing a deadline for the adoption of a new chicken pricing formula. This matter is now under BCFIRB's supervisory authority. Given the inter-connected nature of broiler hatching egg and chicken pricing, the outstanding chicken pricing formula must be included in this Review.

Lastly, poultry processor competitiveness and interests need to be included in this Review.

Cross-Sector Review – Process

The panel is setting out the following Review process outline.

Phase I – Establish Review Process and Initial Data (1-2 months)

1. Confirmation of a Cross-Sector Project Leader by the Chicken Board, the Commission and BCFIRB

The Commission and Chicken Board are to work together to identify three qualified individuals and provide recommendations to the BCFIRB panel. These individuals will need to be acceptable to all stakeholders. The panel will then interview the candidates and consult with the two boards in making a final decision on the Review's Project Leader.

BCFIRB is prepared to share costs of retaining a Cross-Sectoral Project Leader with the Commission and Chicken Board. Further discussions can take place on costs and cost sharing, should this be needed, and once details are known.

2. Draft Joint Terms of Reference

The Commission and Chicken Board are to establish, in consultation with the Cross-Sector Project Leader, a joint Terms of Reference for stakeholder review and input, including goals, workplan, timelines and outcomes. The panel will then review and approve the joint Terms of Reference, making any directions it deems appropriate.

3. Confirm Representatives

The Commission and Chicken Board are to select Representatives from all key stakeholder groups, including the BC Chicken Growers' Association, the Primary Poultry Processors Association, the BC Hatching Egg Producers' Association and the BC Egg Hatchery Association who have the necessary authority and support to negotiate on behalf of their interest group.

4. Data and Information

In consultation with the Cross-Sector Project Leader and Representatives, the Commission and Chicken Board are to identify what data and meaningful information is necessary from all parties to support informed discussions and potential agreements.

Phase II – Solution Development (4-5 months)

1. Discussion and Updates

The Cross-Sector Project Leader is to coordinate information and discussions involving the Commission, Chicken Board, Representatives and BCFIRB as needed to develop solution options and potential agreements on the areas of focus of this Review. Scheduled updates are to be provided to the BCFIRB panel by the Project Leader on a regular basis.

2. Recommendations

The Commission and the Chicken Board are to provide the final joint recommendations to the panel for review by December 20, 2020.

Sensitive and Confidential Information

Information identified by the parties as confidential or sensitive will be managed under BCFIRB's "Supervisory Rule on Protection of Privacy and Confidentiality in BCFIRB Supervisory Processes and Reviews". The Review's Project Leader will work with the boards, the parties and BCFIRB as necessary to ensure that sensitive information is protected, but that essential and appropriate information, critical to moving issues forward, is shared with parties.

BCFIRB Next Steps – Early 2021

Once the two Review phases are completed by the end of December 2020, the BCFIRB panel will assess the status of the discussions and recommendations in early January 2021.

The panel will determine if the parties are sufficiently in agreement, or close to reaching an agreement, on key long-term pricing mechanisms. If so, BCFIRB will make a supervisory decision reflecting the agreement(s). If not, BCFIRB will make a supervisory decision it believes appropriate and/or necessary at that time for the purposes of orderly marketing, and the overall interests of the broiler chicken industry and the public.

On June 8, 2020, the panel advised that it would be providing a draft supervisory review “Terms of Reference” for input by all industry stakeholders following resolution of the interim pricing question. This letter serves as this document.

Should any party have any comments about the Cross-Sector Review Process set out in this letter, they are asked to advise Kirsten Pedersen, Executive Director, **in writing, no later than 4:30 pm Thursday, July 16, 2020.**

Regards,



Peter Donkers
Chair
BCFIRB

cc: Morgan Camley, Dentons Canada LLP
Counsel for Primary Poultry Processors' Association of British Columbia

Paul D. McLean, Mathews, Dinsdale & Clark LLP
Counsel for BC Chicken Growers' Association

Bryan Brandsma, President
BC Hatching Egg Producers' Association

Ryan Whitmore, President
BC Egg Hatchery Association

BCFIRB web site