



BC Farm Industry Review Board

CHICKEN SECTOR PRICING SUPERVISORY REVIEW

MEETING ON CHICKEN PRICING – SUMMARY

Primary Poultry Processors Association of BC (PPPABC) and BCFIRB Supervisory Panel

Held: June 3, 2020

Attendees

PPPABC: Blair Shier, Scott Cummings, Kerry Towle, Ken Huttema, Processor Representatives; Craig Evans, Executive Director; Roark Lewis and Morgan Camley, PPPABC Legal Counsel

BCFIRB: Peter Donkers, Panel Chair; Al Sakalauskas, Member; Harveen Thauli, Member; Kirsten Pedersen, Executive Director; Wanda Gorsuch, Manager

Purpose

To discuss:

- What are the long-term pricing barriers and considerations?
- What changes or timelines the supervisory panel should consider to help ensure interim pricing stability?

Opening Panel Comments

The panel supports BCFIRB's March 2016 position that: pricing must be consistent, predictable, and transparent, and results in reasonable return for producers and allow processors to be competitive.

At a minimum, the panel will be assessing and making decisions as it determines appropriate on the following matters:

- The Broiler Hatching Egg Commission (Commission) price linkage exit notice;
- BC Chicken Marketing Board (Chicken Board) timeline for finalizing a long-term pricing formula;
- BCCGA and the Primary Poultry Processors of BC (PPPABC) issues with the Commission decision to change some of the price linkage inputs.
- Ensuring interim pricing stability while work continues on the longer-term pricing questions.



BC Farm Industry Review Board

Discussion of Key Questions/Topics

The following themes, opinions and positions arose out of an open conversation:

Long-term pricing

- BC continues to be a high cost production province relative to Central Canada.
- Fundamental changes over time have shifted the industry from a series of provincial markets to regional/national markets.
- Competitive pressures continue to increase from other processors, competing proteins and retail consolidation (technology, margin pressures etc.).
- COVID-related allocations highlight the market differences between east (frozen – national distribution) and west (fresh – regional distribution).
- A stable, long-term live pricing formula enables industry to focus together on strategic goals versus in-fighting.
- The linkage agreement exit notice from the Broiler Hatching Egg Commission is very problematic.
- There is processor willingness to provide relevant and meaningful data or metrics to the BCFIRB that illustrate the competitive position between BC processors and processors in other provinces.
- A clear connection is required between the questions to be answered and the data to be provided.
- Data alone will not provide all the solutions.
 - Approximately 70% of processor cost is raw product.
- Transparency is important for reaching a successful outcome. Growers and processors hold different views on transparency.
- Pricing Working Group agreement that “no one loses” was not an effective starting point.
- The current Chicken Board composition with independent Directors supports resolving pricing tensions
- BCFIRB’s involvement is required to enable a successful outcome.
- Resolution will require concessions by all parties.
- The PPPABC position at this time:
 - The CMB must be directly engaged in the process of reaching a pricing formula. Their current hands-off approach and lack of direct involvement to date has not helped facilitate a solution.
 - Success requires answers and definitions to what is “a fair return for growers” and “processor competitiveness”



BC Farm Industry Review Board

- A hard cap price differential from the ON live price must receive serious consideration.
- Hatchery price squeeze needs to be addressed and hatcheries need to have greater participation going forward.
- Assurance of Supply should be revisited.
- Support continuation of the linkage agreement.

Interim pricing

- The PPPABC position at this time:
 - Rescind the recent Broiler Hatching Egg Commission decision that removed spent fowl and salvage egg revenue from the linkage cost of production calculations.
 - Place a moratorium on grower movement.
 - Any changes in the ON live price formula that create financial relief for the BC Industry [in the form of increased live price] must not flow directly to Growers as it will under the current BC Live Price Formula. The benefits need to flow to BC Processors as it is the BC Processors who have funded the ON efficiency adjustments through the increasing live price differential.

Next Steps

The PPPABC will provide the panel with a written submission on its pricing consideration, its views on what role BCFIRB should take in resolving the chicken sector pricing questions, and any other matters it considers are relevant.

The panel will seek PPPABC input on the upcoming draft Review Terms of Reference.