



BC Farm Industry Review Board

CHICKEN SECTOR PRICING SUPERVISORY REVIEW

MEETING ON CHICKEN PRICING – SUMMARY

BC Egg Hatchery Association (BCEHA) and

BCFIRB Supervisory Panel

Held: June 17, 2020

Attendees

BCEHA: Ryan Whitmore, Carleton Hatcheries DBA Fraser Valley Chick Sales; Ernie Silveri, Western Hatchery; Scott Thiessen, Rosstown Hatchery; John Frank, Sofina Hatchery.

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

- Prior to the price linkage agreement set in 1995, hatcheries were consistently appealing pricing orders.
- If BHEC exits the price linkage, it is likely that the cycle of appeals will start again.
- The challenge is all four groups (processors, chicken growers, hatcheries and hatching egg producers) want a bigger slice of the pie as all are facing increasing costs. However, the size of the pie is limited.
- Hatcheries are caught in the middle as input and output prices are set by regulation.
- Currently there is about a 7 cents difference in hatchery margins between Ontario and BC hatcheries. In the past the difference was about 1.5 cents.
- Under the current chicken pricing formula, chicken growers and hatching egg producers benefit from this increased hatchery margin differential, but the BC hatcheries do not. This is a serious concern to the hatcheries and needs to be addressed. Costs continue to rise and there has been no adjustment to the hatchery margin in BC in approximately 8 years, despite the increases seen in ON. In the interim, the ON hatchery margin should be removed from the chicken pricing formula as the hatcheries are not receiving any of the benefit associated with it.
- Most major ON hatcheries are owned by processors, as in BC.
- Chicken sector pricing needs to remain linked to Ontario to remain competitive in Canada.
- Board bureaucracy is getting in the way of effective meetings and decision-making.
- BHEC needs to be directed by BCFIRB to address the outstanding hatchery margin update for hatcheries as it is at least 6 years overdue. It should also include a mechanism where the margin is automatically adjusted when the ON hatchery margin changes. If done correctly this should not add additional costs to other stakeholders, rather direct the Ontario hatchery margin increases to the BC hatcheries and not to the Breeder and Broiler growers in BC.
- The BHEC did offer hatcheries a margin increase in 2018, and again in February 2019, however this was only done after they realized it would be passed along to other stakeholders through the boards amended pricing formula.
- It will be key for chicken growers and hatching egg producers to work together on pricing, but hatcheries also need to be included, including any accommodation for price increases.
- It would be better if industry and the boards make the final pricing decisions rather than BCFIRB.



BC Farm Industry Review Board

- BCFIRB should have a third party review the chicken and hatching egg Cost of Production (COP) formulas.
- While COP can act as a guide, pricing should not be based off of COP.
- Removal of Assurance of Supply in 2010 adds to industry disruption and is why some growers are being paid premiums.
- Hatcheries are making capital investments, resulting in efficiency improvements.
- BCCEA position at this time:
 - Need to have fixed differential with ON price, that includes changes to hatchery margin differences that are at least 6-7 years overdue;
 - Any hatchery margin differences with ON need to flow through to BC hatcheries;
 - Assurance of Supply should be reinstated to support industry stability;
 - Grower premiums should be removed;
 - BHEC should return spent fowl and salvage egg revenue to the linkage formula; and,
 - Cannot provide a view to BHEC re: exiting the linkage until BHEC makes it known what their alternative plan is.

Interim pricing

- While current pricing isn't perfect, it works.

Next Steps

BCFIRB staff will send the draft Meeting Summary for any BCEHA comments before it is posted to the supervisory review web page.

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