



BC Farm Industry Review Board

November 13, 2020

File: 44200-60\BHEC CMB

DELIVERED BY EMAIL

Jim Collins
Chair
BC Broiler Hatching Egg Commission

Dear Mr. Collins:

BREEDER PROCESSING AGE CHANGE, INTERIM PRICING AND ENGAGEMENT

Thank you for the November 4, 2020 response to the BC Farm Industry Review Board (BCFIRB) Chicken Sector Pricing supervisory panel decision issued October 30, 2020.

Record correction request

The Broiler Hatching Egg Commission (Commission) requests the panel correct the following sentence in its October 30 decision for the record: "The Panel and other stakeholders received the Decision from the Commission following BCFIRB's request on October 23, 2020".

For the record, the panel requested and received the Commission's October 21, 2020 breeder processing age decision on October 23, 2020. The Commission's decision was brought to the panel's attention by the Primary Poultry Processors Association of BC (PPPABC) on October 23, 2020.

Interim pricing stability and Commission communications

The panel's intent, as established in its July Order, is unchanged:

17. ...to ensure orderly marketing and sound marketing policy until longer-term solutions on the Chicken Board's development of a mainstream live price chicken formula and the Commission's price linkage agreement exit notice are reached.

To "...ensure orderly marketing and sound marketing policy..." and maintain working relationships during the supervisory review, the panel's expectation is that the Commission will directly inform the panel in a timely manner when a proposed price change is within the control of the Commission, not that of a third party, and is material. This expectation applies equally to the Chicken Board. If there is a decision by one board that changes a price set by the other board, the panel expects the Commission

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and Chicken Board to collectively ensure the panel is informed in a timely, proactive and transparent manner.

Immediate notification will allow the panel to assess whether some form of supervisory intervention is needed to maintain industry stability while work continues on long-term pricing recommendations.

Change in breeder processing age and prior approval requirement

The panel reviewed the Commission's October 23, 2020 rationale for the breeder processing age change, the panel's October 30, 2020 decision, and the Commission's November 4, 2020 letter and Appendix (undated Serecon letter titled "RE: Kill Age as a Factor in the Linkage").

The Serecon letter confirms that breeder processing age is one of the factors in the linkage calculation and states that Serecon has requested breeder processing age from the Commission for each chicken production period since A-135 (January 2016).

Based on this new information, the panel has reconsidered its October 30, 2020 decision and is now satisfied that prior approval is not required under its July 2020 Order.

The panel wishes to emphasize that had it received proactive and timely advance notification of the change in breeder processing age from the Commission, along with appropriate rationale and context in the first instance, this reconsideration decision would have been unnecessary. In future, the panel expects the Commission, and the Chicken Board, to ensure the BCFIRB panel and stakeholders are informed of any decision that materially impacts pricing in either the hatching egg or chicken sectors. The panel will determine if prior approval is required.

Commission and long-term pricing

The November 4 letter also reiterates the Commission's position that the intent and purpose of the price linkage is not being met and speaks to it being in the best interest of the BC hatching egg sector to ensure its pricing concerns are "...separate and distinct from pricing issues between the Chicken Board, chicken growers and processors". The letter goes on to speak to the Commission's pursuit of cost of production-based pricing.

The panel is aware of the Commission's issues with the current linkage formula and the linkage exit notice. This is one of the reasons why the current Supervisory Review was initiated. Until such time as the Commission provides its final pricing recommendations to the panel, the panel takes no formal position on the Commission's cost of production-based approach to pricing plan.

Establishing a strategic and effective long-term pricing solution for BC's chicken supply chain necessarily involves collaboration and communication between all supply chain members. The panel has potential concerns with respect to the Commission's approach

to this Review, as described by the Commission in its November 4 letter, which appears to have shifted exclusively to the hatching egg sector. The panel wishes to again emphasize the need for all parties to be fully engaged with this Supervisory Review process and do the work necessary for the Commission and Chicken Board to develop pricing recommendations that consider the entire sector.

Decision

1. The panel's prior approval of the Commission's breeder processing age change is not required.

Regards,

A handwritten signature in black ink, appearing to read "Peter Donkers", written in a cursive style.

Peter Donkers,
Chair

cc:

Stephanie Nelson
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BC Broiler Hatching Egg Commission

Harvey Sasaki
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