

October 23, 2020

VIA EMAIL

All BC Broiler Hatching Egg Producers and Hatcheries

RE: PROCESSING DATE CHANGE RATIONALE

On October 14, 2020, the BC Egg Hatchery Association (Egg Hatchery Association) recommended to the BC Broiler Hatching Egg Commission (Commission) that the processing age for breeder flocks be immediately reduced from 56 to 55 weeks. The reason for the recommendation was that the hatcheries wish to increase their imports of TRQ to 90 percent for 2020, catching up on reductions in imports earlier in the year. Temporary cutbacks in imports were required to assist the Commission in managing the transition to reduced domestic production due to market downturns because of COVID-19.

On October 14, 2020, as required by section 9 of the British Columbia Broiler Hatching Egg Scheme, the Commission referred the Egg Hatchery Association's recommendation to the Pricing and Production Advisory Committee (PPAC) for advice. On October 16, the Commission provided confirmation to PPAC that Global Affairs Canada (GAC) had waived TRQ penalties for 2020.

The PPAC members exchanged email positions and then met the morning of October 20, 2020 to further review the matter. By way of a memo of the same date, the PPAC Chair provided the committee's advice, noting a lack of consensus:

Grower Members support maintaining a 56-week life cycle.

Hatchery Members support reducing the kill age to reduce over-supply as they continue to fill some reduced amount of their TRQ.

Although discussed by PPAC, no recommendation was made with respect to the potential impact on the linkage.

The Commission met the afternoon of October 20, 2020 to consider the recommendation and the PPAC's advice. The Commission determined that the processing age should be reduced to 55 weeks, effective immediately and on October 21 issued notice of its decision with reasons to follow:

The BC Broiler Hatching Commission (the Commission), in consultation with the Egg Hatchery Association and the PPAC, have reduced the current processing age from 56 weeks to 55 weeks. Should circumstances change the Commission will reconsider the processing age as soon as possible.

This change in processing age will be reflected in the linkage effective for period A-166.

These are those reasons.

The Commission acknowledges the right of the hatcheries to import TRQ production, regardless of GAC penalties being waived. The Commission is aware that hatcheries in most other Canadian jurisdictions have also made the same decision to move toward 90 percent imports. Other provinces, such as Alberta at 53 weeks (with a corresponding automatic adjustment to its hatching egg COP), have already enacted greater reductions to their processing age. The Commission notes that the decision here by the Egg Hatchery Association is one that is discretionary.

As part of their recommendation, the Egg Hatchery Association pointed to excess production in early 2020 due to the Commission's 106 percent allocation commencing July 2018 and its impact on imports. The Commission has addressed this issue in its report to stakeholders released on May 29, 2020.

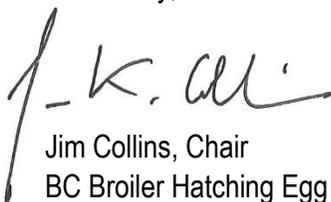
The issue for the Commission was the impact of the hatcheries' decision on the status of domestic production. This also involved calculating the estimated production from Asian Breeders as well as the number of offline. If the processing age was kept at 56 weeks, it was estimated that domestic BC hatching production would result in a surplus of one million eggs over BC's annual allocation. Reducing the age to 55 weeks would eliminate that potential surplus.

In addition, COVID-19 continues to impact on the Canadian chicken and hatching egg sectors. Chicken Farmers of Canada is still allocating production at a decreased level and still faces uncertainty in the marketplace. Canadian Hatching Egg Producers will be meeting in November to review its own allocation. Here in BC, production will be impacted by a reduction in sets due to the impact of Christmas on chicken marketing. More generally, no one can be certain that COVID-19 related issues will not further impact hatching egg production. This means that the Commission must be cognizant of the potential for it to incur additional extraordinary costs in removing domestic production by breaking eggs or rendering flocks if there are further market disruptions.

In view of the foregoing the Commission determined that an immediate reduction in the processing age to 55 weeks was required. It is estimated that this reduction will be in place until approximately mid-February; however, should circumstances change, and in consultation with stakeholders, the Commission will reconsider as required.

As the duration of this reduction is currently estimated at two periods, this change in processing age will be reflected in the linkage for Period A-166 and Period A-167. The Commission assessed that this input into the existing linkage remains within the current "pricing structure" and in compliance with the July 3, 2020 direction of the BC Farm Industry Board. The Commission could not identify any exceptional circumstances that would justify a departure from this adjustment; particularly in view of the already extraordinary costs the Commission and hatching egg producers have incurred to date because of COVID-19.

Yours truly,



Jim Collins, Chair
BC Broiler Hatching Egg Commission