



BC Farm Industry Review Board

October 30, 2020

File: 44200-60\BHEC CMB

DELIVERED BY EMAIL

Jim Collins
Chair
BC Broiler Hatching Egg Commission

Dear Mr. Collins:

BC BROILER HATCHING EGG COMMISSION BREEDER PROCESSING DATE CHANGE

On October 22, 2020, the BC Farm Industry Review Board (**BCFIRB**) received a letter from the Primary Poultry Processors Association of BC (**PPPABC**) reporting that the BC Broiler Hatching Egg Commission (the **Commission**) decided to reduce the breeding processing age from 56 weeks to 55 weeks effective for period A-166. The Commission did not provide its October 21, 2020 decision (the **Decision**) to the Chicken Sector Pricing Review supervisory panel (the **Panel**) for its consideration before implementing the Decision. The Commission based the Decision on the BC Egg Hatchery Association's (the **Hatchery Association**) recommendation on October 14, 2020 that the processing age be reduced.

The Panel and other stakeholders received the Decision from the Commission following BCFIRB's request on October 23, 2020 (the **Rationale**). It is clear from reading the Rationale that not all parties agreed with the reduction in processing age.

The question before the Panel is whether the Decision required prior approval under the Panel's July 3, 2020 interim pricing order (the **July Order**).

The July Order

The July Order discussed why the Panel was created, which included: 1. two appeals of the BC Chicken Growers Association (**BCCGA**) and the PPPABC of the Commission's decision to remove spent fowl and salvage egg revenue from the price linkage formula and its decision to reduce the processing (kill) age from 58 to 56 weeks; 2. the Commission's notice that it intended to exit the price linkage agreement with the Chicken Marketing Board (**CMB**); and 3. the CMB's inability to establish a new long term chicken pricing formula despite two deadline extensions.

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The intent of the July Order was:

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.

This included determining whether any changes were needed to the current pricing structures.

"Pricing structures" was defined as:

8. For the purposes of this decision, "pricing structures" include the mainstream chicken live price formula, the price linkage formula used to set saleable chick price ("price linkage formula") and the hatchery margin used to set the placeable chick price.

At the time of the July Order, the Panel found at paragraph 42 that it "*received insufficient evidence demonstrating that the current pricing structures are resulting in industry instability.*" The Panel relied on the positions of the Commission and CMB, as first instant regulators, that no interim directions to the current pricing structures were necessary.

The Panel did, however, agree with the BCCGA and the PPPABC at paragraph 43 that "***an interim moratorium is needed on any further pricing formula changes by the Commission and/or the Chicken Board to support industry stability and orderly marketing while longer-term pricing solution discussions are underway. This is particularly important given the uncertainty around the length of time it will take to achieve resolution on these longer-term pricing matters.***" [Emphasis is added.]

The Panel decided as follows in the July Order:

44. The Chicken Board and the Commission are directed not to change any aspect of the current pricing structures as defined in this decision, unless by the way of BCFIRB prior approval or until such time as BCFIRB determines otherwise.

Party Positions

In its Rationale, the Commission assessed that the breeder processing age input into the existing price linkage remains within the current "pricing structure" and complies with the July Order. The PPPABC and the BCCGA disagreed with the Commission in their letters of October 22 and 27, 2020, respectively and submitted that the Commission required the Panel's prior approval in accordance with the July Order. The CMB sought the Panel's direction in its October 24, 2020 letter on whether the Commission's reduction to the processing age contravened the July Order.

The PPPABC stated that reducing the processing age from 56 to 55 weeks is included in the price linkage formula and would lead to a \$0.005/kg¹ increase in the chicken live price. The BCCGA stated that the processing (or kill) age was "*front and center in the Panel's deliberations and the Commission's unilateral decision constitutes a clear contravention of the Panel's decision*" but did not provide any reasons. The CMB indicated that "*processing*

¹ The PPPABC initially reported an increase of \$0.05/kg in its October 22, 2020 letter but this was an administrative error. The Commission confirmed that it would result in a \$0.005/kg increase.

age is a production issue, by virtue of the linkage formula,” and “has a direct impact on the live price of mainstream chicken.”

Panel Considerations and Decision

As reflected above, the intent of the July Order was to ensure industry pricing stability while all industry members work together on a long-term pricing solution for the BC chicken supply chain.

The Panel finds, and as also reflected by the PPPABC and the CMB in their respective letters, that the Commission’s reduction in processing age results in a change to the chicken live price formula input (chick price) and therefore, results in a change to the chicken live price formula output. The Commission’s unilateral action to reduce the processing age contravenes the July Order and required the Panel’s prior approval.

The Panel wishes to remind the parties that the success of the supervisory review requires cooperation and transparency from all parties. The Commission had knowledge of the Hatchery Association’s recommendation to reduce the processing age on October 14, 2020. The Commission should have provided its Decision and sought the Panel’s approval before implementing the Decision.

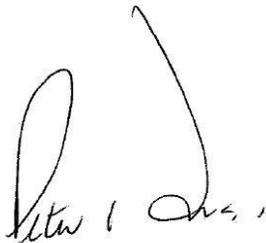
Panel Direction

The Panel assures the Commission that it will consider the Commission’s request to reduce the processing age and determine whether the Decision ensures orderly marketing and sound marketing policy. In the interim, the Commission is directed to:

- Put its Decision in abeyance until it submits a prior approval application, including its rationale. The Commission’s rationale will include a statement of economic impact to each of the supply chain members.

This prior approval application is due by end of day November 5, 2020.

Regards,

A handwritten signature in black ink, appearing to read 'Peter Donkers', with a large, sweeping flourish extending upwards and to the right.

Peter Donkers
Chair

cc: Stephanie Nelson
Executive Director and Pricing Liaison
BC Broiler Hatching Egg Commission

cc's Con't

Harvey Sasaki
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BC Broiler Hatching Egg Commission

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