

May 14, 2021

File No.: 580206-2

Sent Via E-mailBritish Columbia Farm Industry Review Board
PO Box 9129 Stn Prov Govt
Victoria BC V8W 9B5**Attention: Kirsten Pedersen**

Dear Sirs/Mesdames:

Re: Long Term Chicken Sector Pricing Review – Preliminary Pricing Decisions

We write on behalf of the Primary Poultry Processors Association of British Columbia (the “**PPPABC**”) in relation to the preliminary pricing decisions released by the British Columbia Broiler Hatching Egg Commission (the “**Commission**”) and the British Columbia Chicken Marketing Board (the “**Board**”).

The PPPABC is extremely disappointed by the Commission and Board’s preliminary pricing decisions and discouraged with the producer-centric approach taken by the Board and the Commission throughout this process. The first instance regulators are required to have an industry perspective that balances the needs of all stakeholders. The PPPABC will be providing further comments on the decisions in due course. However, this letter will outline the PPPABC’s initial concerns.

Unsurprisingly, the Commission’s recommendation is a standalone Hatching Egg COP, based on the theoretical and flawed Serecon model that inflates costs. For the past three years, the Commission has had a closed mind to any and all other options. The Commission’s recommendation treats hatcheries as an afterthought and ignores the impacts that increased pricing will have on downstream stakeholders.

More importantly, the Board’s preliminary pricing decision is particularly unsound and damaging to the industry. Since its June 27, 2018 interim pricing decision, the Board has had nearly three years to develop a long term pricing formula. The Board has now issued an unsupportable preliminary pricing decision in the form of a PowerPoint presentation, without any meaningful data on impacts to grower returns and processor competitiveness. There has been no attempt to reconcile stakeholder submissions. The Board’s presentation appears to be based on unverifiable suppositions. The presentation disregards many facts put forward by the PPPABC and ignores important policy objectives. Unfortunately, the presentation confirms many of the concerns set out by the PPPABC’s letter dated April 23, 2021 (enclosed for reference).

In its presentation, the Board states that it will implement a “BC stand alone COP”, despite recognizing multiple times that this option does not satisfy processor competitiveness requirements. Like the Commission, the Board’s proposed pricing approach is based on the theoretical and flawed Serecon model.

In the interim, the Board has proposed a pricing formula that is absurd and completely detached from reality. The formula will result in a dramatic increase in grower (and hatching egg producer) returns at the direct expense of British Columbia processor competitiveness. The PPPABC has presented actual data showing that British Columbia processors are at a cost disadvantage to their counterparts in Central Canada, while British Columbia growers are enjoying record returns under the current interim pricing formula. The interim and long term pricing formulas are unsoundly skewed in favour of growers, with no regard for processor competitiveness.

The Board's presentation provides no substantive data or financial analysis on how the proposed interim formula will affect grower returns or processor competitiveness. The Board has recommended a COP based on an unrealistic Serecon linkage model that was not designed for live pricing, relies extensively on theoretical modelling, and has been ruled as an inappropriate pricing model in many previous arbitrations and review hearings. Neither the Commission nor the Board has carefully considered the impacts of their proposed pricing formulas on processor competitiveness. The boards' proposals now seem to rest on the unrealistic hope of a future national pricing structure, which to date has never been discussed at the national level.

The Commission and the Board have proven themselves unable to fairly and effectively manage the Long Term Chicken Sector Pricing Review. The PPPABC wishes to participate in the Long Term Chicken Sector Pricing Review in a meaningful way. However, in the current circumstances, the PPPABC is at a loss to see how participating in any further discussions led by the boards can be productive or fair.

Given the above, the PPPABC has made the difficult decision to not attend any further Stakeholder Round Tables. The PPPABC will be providing detailed feedback on the boards' preliminary pricing proposals directly to the BCFIRB.

Pursuant to the powers under s. 7.1 of the *Natural Products Marketing (BC) Act*, R.S.B.C. 1996, c. 330, and the Supervisory Rules, the BCFIRB is able to adopt procedures that it deems best suit the circumstances. The BCFIRB should exercise its powers to maintain the fairness and integrity of the Long Term Chicken Sector Pricing Review. The BCFIRB must act where the boards fail to do so.

The PPPABC requests that any further discussion of long term pricing issues be addressed directly to the supervisory panel. The PPPABC would look forward to engaging in fact-based conversations with the supervisory panel and other stakeholders. The supervisory panel should now take the lead of those conversations. Further, before the supervisory panel makes any decisions on a final long term pricing solution, the PPPABC maintains the right to seek an oral hearing in front of the supervisory panel, along with the right to make submissions, adduce evidence, and cross-examine witnesses.

Yours truly,
Dentons Canada



Morgan L. Camley
Partner

cc. Wendy Holm (Review Liaison) (via email)
cc. Robert Hrabinsky (counsel for the British Columbia Broiler Hatching Egg Commission) (via email)
cc. Claire Hunter, QC (counsel for the British Columbia Chicken Marketing Board) (via email)
cc. Paul McLean (counsel for the British Columbia Chicken Growers' Association) (via email)
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