



May 21, 2021

**VIA EMAIL**

British Columbia Farm Industry Review Board  
PO Box 9129 Stn Prov Govt  
Victoria BC V8W 9B5  
Attention: Kirsten Pedersen

**Re: Long Term Chicken Sector Pricing Review – Further Concerns**

Thank you for your letter of May 19, 2021 on behalf of the British Columbia Farm Industry Review Board (BCFIRB) and your attention to this matter.

The Primary Poultry Processors Association of British Columbia (PPPABC) wishes to participate in a fair and transparent Chicken Sector Pricing Review process and appreciates the offer for the BCFIRB Executive Director and the Manager of Issues and Planning to attend, in addition to the BCFIRB Review Liaison facilitating the upcoming June 2, 2021 Roundtable.

However, the PPPABC believes the preliminary pricing proposals have demonstrated that the British Columbia Broiler Hatching Egg Commission (Commission) and British Columbia Chicken Marketing Board (Chicken Board) have failed to meaningfully consider, assess, and analyze the data and submissions from PPPABC and other stakeholders. The analysis of the pricing formulas is incomplete, as the boards have failed to address the impact of the draft formulas against the fundamental objectives of fair returns for growers and the competitive position of BC Processors. Without the Chicken Board and Commission providing a specific analysis that outlines the full financial impact of the formula on grower returns and processor competitiveness, further discussions will be unproductive, and potentially polarizing to the parties.

The pricing issues in the British Columbia chicken sector stem from the introduction in 2015 of the Ontario COP annual adjustments. These annual adjustments created pressure on both grower returns and the competitive position of BC Processors. The Chicken Farmers of Ontario (CFO) recently eliminated these annual adjustments resulting in a 5 cents/kg increase in grower margin. These COP adjustments could and should have been shared in some manner between British Columbia industry stakeholders which would have resulted in improvements for everyone in the BC Industry. Rather than share these benefits amongst all stakeholders, the Chicken Board and Commission chose to direct these benefits in their entirety to the chicken growers and hatching egg producers in BC, despite the fact that BC Processors have been paying a large portion of these annual adjustments in the live price over the last number of years.

The new Ontario COP also adjusted the feed conversion ratio (FCR) which effectively increased the feed differential used in the BC formula. This change in approach in the ON COPF has resulted in additional increases to grower margins that are estimated to be in the range of 7 cents/kg. The boards have let these windfall benefits flow entirely to growers at the direct expense of the competitiveness of BC Processors.

The Commission has also proposed that hatching egg producers will get 100% of a Serecon COP formula that has been shown to overinflate costs. Compounding this, the Chicken Board has also proposed an approach to pricing based on the theoretical and flawed Serecon model. As a result, hatching egg producers and chicken growers can expect to achieve record returns, costing BC Processors tens of millions of dollars each year in increased live prices while further eroding their competitive position.

As mentioned, absent from the boards' proposals is any financial analysis that would be fundamental to having an informed and productive discussion at the June 2, 2021 Roundtable on the impact of the pricing models on grower returns and processor competitiveness. In fact, on slides 13 and 16 of the Chicken Board's April 19, 2021 PowerPoint (provided to us on May 5, 2021), the Chicken Board simply states that a stand-alone BC COP "**may**" result in increased live prices and negative impacts to processor competitiveness. If the Chicken Board had done any basic financial analysis of their proposed formula, they would realize clearly that their pricing proposal **will** result in significant increases to live prices and **will** have significant negative impacts to processor competitiveness. This shift in the financial fortunes between the parties is of a magnitude never before seen in the industry and are at a level that was completely unfathomable to BC Processors prior to the start of the pricing review.

The Chicken Board has failed to effectively assess, analyze, and reconcile the information and data provided by the parties to establish a pricing formula that meets its two main objectives:

- 1) Reasonable returns for producers: The Chicken Board did not establish a proper benchmark to measure grower returns. The Chicken Board's preliminary pricing decision creates windfall gains and record returns to producers.
- 2) Competitive position for processors: The Chicken Board failed to grapple with the data and metrics provided by the processors to measure competitiveness. The Chicken Board's preliminary pricing decision acknowledges frequently in their analysis that their proposed formula does not meet the objective of competitiveness for BC Processors.

The PPPABC is concerned about attending the June 2, 2021 Roundtable when the Chicken Board has failed to provide any financial analysis to justify its preliminary pricing proposal or analyze the impacts on grower returns and processor competitiveness. In the absence of this analysis, the PPPABC fails to see how this meeting with the Chicken Board as it stands will be productive.

The PPPABC, however, is prepared to attend the June 2, 2021 Roundtable on the condition that the Chicken Board provides to the parties, in advance of the meeting, data and analysis that shows the quantitative impacts of its proposed formula on grower returns and processor competitiveness. With this information, we expect the Chicken Board will also provide transparent rationale on how the proposed pricing formulas have balanced the need for fair returns for growers and processor competitiveness. Having this information in advance is required to allow the parties time to prepare and have productive and focused discussions at the Roundtable.

Since the 2018 pricing appeal, the Chicken Board has had over two years to determine how to properly measure reasonable returns for growers and processor competitiveness and we believe it is incumbent on BCFIRB to provide this direction to the Chicken Board. If the Chicken Board does not provide this information by the June 2, 2021 Roundtable, the BCFIRB must then step in to ensure that the Chicken Sector Pricing Review proceeds in a logical and fair manner.

Sincerely,



Blair Shier  
President  
Primary Poultry Processors Association of BC

- c. Harvey Sasaki  
Chair  
BC Chicken Marketing Board
- Jim Collins  
Chair  
BC Broiler Hatching Egg Commission
- Bill Vanderspek  
Executive Director and Pricing Liaison  
BC Chicken Marketing Board
- Stephanie Nelson  
Executive Director and Pricing Liaison  
BC Broiler Hatching Egg Commission
- Jennifer Curtis  
Manager and Pricing Liaison  
BC Chicken Growers' Association
- Art Deruiter  
Executive Director and Pricing Liaison  
BC Broiler Hatching Egg Producers' Association
- Ernie Silveri  
President and Pricing Liaison  
BC Egg Hatchery Association
- Wendy Holm  
BCFIRB Pricing Liaison