



BC Farm Industry Review Board

August 18, 2022

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DELIVERED BY EMAIL

Harvey Sasaki
Chair,
BC Chicken Marketing Board

Blair Shier
President
Primary Poultry Processors Association of BC

Dale Krahn
President
BC Chicken Growers Association

John Franck
President
BC Egg Hatchery Association

Angela Groothof
President,
BC Broiler Hatching Egg Producers'
Association

Jim Collins
Chair
BC Broiler Hatching Egg Commission

Dear All:

BC CHICKEN MARKETING BOARD LONG-TERM PRICING FORMULA PROCESS

Based on August 9, 2022 correspondence received from the Primary Poultry Processors Association of BC (PPPABC) and on August 17, 2022 from the BC Chicken Marketing Board (Chicken Board), it is apparent there are some on-going misunderstandings regarding the BC Farm Industry Review Board's (BCFIRB) Chicken Sector Pricing Supervisory Review directions and continued supervisory expectations, issued on August 8, 2022 (attached).

On behalf of the Chicken Sector Pricing Supervisory Panel (Panel), I trust the following clarifications will enable all parties to return to a focus on developing a long-term pricing formula for chicken growers that takes into consideration reasonable returns to efficient growers and processor competitiveness.

First, as stated in the Panel's August 8, 2022 decision, the October 28, 2020 Terms of Reference remain in place. The Chicken Board's March 4, 2022 submission states that the Chicken Board believes it had fulfilled those Terms of Reference. The Panel disagrees. The Chicken Board has decided to pursue a BC cost-based pricing model, but the details beyond a conceptual plan - including how reasonable returns to growers and processor competitiveness will be defined and measured - are yet to be developed.

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In the Panel's view, the following "Goals/Outcomes" in the Terms of Reference have not yet been met by the Chicken Board:

A long-term pricing approach for regulated products in the mainstream chicken and broiler hatching egg sectors in BC, including a decision on the appropriateness of a price linkage agreement between the two sectors that address the policy objectives of:

- Verified COP/reasonable returns-based pricing mechanisms for BC hatching egg producers and chicken growers.
- BC chicken processors being competitive in the Canadian market for chicken.

Second, the Panel does not consider its support in principle of a "reasonable returns-based pricing formula"¹ - as the Chicken Board referred to it in their March submission - any form of prior approval or final sign-off of the long-term pricing formula. This is further reinforced by the Panel's consistent communications that it will be issuing a decision no later than this September on the Chicken Board's formula development plan that was submitted to the Panel on March 4, 2022.

Third, as stated in the Panel's August 8, 2022 decision, Wendy Holm continues in her role as the Pricing Liaison. Ms. Holm's Liaison role is clearly established in the October 2020 Terms of Reference, and, in relation to the new Chicken Board Pricing Committee, the Panel's August 8, 2022 decision. Ms. Holm anticipates meeting with the next Project Manager to discuss her role and how she can best support the process going forward.

Fourth, as stated in its August 8, 2022 decision, the Panel is not at this time prepared to remove the formula development process from the Chicken Board in favour of an arbitration-style process:

At this time, the Panel is not prepared to replace the Chicken Board's process or establish a parallel process involving an independent third party. The Panel will determine if any further interventions by BCFIRB are required in future, taking into consideration the level of genuine effort from all parties to make the new process established by the Chicken Board work, and to develop a long-term pricing formula reflective of the Terms of Reference.

Stakeholder questions and information must be considered by the Chicken Board, in its role as first instance regulator. The Panel expects all parties to engage with the Chicken Board in their current process.

At the August 3, 2022 meeting with the Panel, the Chicken Board informed the Panel that they had contracted a third party Project Manager to focus and manage the process and work with all key stakeholders. The Panel understands that the Project Manager retained by the Chicken Board resigned in early August. The expectation of the Panel is that the Chicken Board will continue with its workplan, including the engagement of a Project Manager dedicated to the successful delivery of this important initiative. Given the amount of time and delay already observed over the past several years, the Panel

¹ April 12, 2022 meeting with the Chicken Board and June 3, 2022 decision: In the Matter of the *Natural Products Marketing (BC) Act* and the BC Broiler Hatching Egg Commission Final Pricing Recommendations.

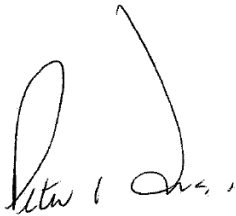
believes the Chicken Board continues to require a dedicated Project Manager who is able to focus exclusively on the management and delivery of this initiative.

Further, a process managed by a third party assists with stakeholder confidence. It must also be kept in mind that the Chicken Board, and then BCFIRB, will be making the final decision on a long-term pricing formula as per their respective authorities.

In closing, the Panel's position remains that as set out in its August 8 decision:

The Panel understands there have been many tensions, but asks all parties to rise above the challenges and come together in this process for the benefit of the overall sector. The Panel will be relying on Ms. Holm to substantively engage in the Committee's discussions and keep it updated on progress, as well as overall dynamics and process. The Chicken Board will demonstrate that it has fairly and transparently engaged with all parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Donkers". The signature is stylized and cursive.

Peter Donkers
Chair
BC Farm Industry Review Board

cc: Woody Siemens, Executive Director, BC Chicken Marketing Board
Stephanie Nelson, Executive Director, BC Broiler Hatching Egg Commission
Jennifer Curtis, Manager, BC Chicken Growers' Association
Craig Evans, Executive Director, Primary Poultry Processors' Association of BC
Ernie Silveri, Executive Director, BC Egg Hatchery Association
Wendy Holm, BCFIRB Pricing Liaison
BCFIRB website

Attachment: August 8, 2022, BCFIRB Initial Expectations and Directions – BC Chicken Marketing Board Long Term Formula Development Process.