



August 9, 2022

Mr. Peter Donkers  
Chair, BC Farm Industry Review Board  
[firb@gov.bc.ca](mailto:firb@gov.bc.ca)

Dear Peter:

**Re: Chicken Live Price – Supervisory Review Panel**

On behalf of the Primary Poultry Processors Association of BC (PPPABC), I wanted to follow up on our July 26, 2022 meeting, your subsequent phone call on August 3, 2022, our recent receipt of the BC Chicken Marketing Board (BCCMB) Terms of Reference dated August 5, 2022 for their Cost Recovery Model and your August 8, 2022 correspondence. We appreciated the opportunity to meet with the Supervisory Review Panel (the Panel) to share perspectives on the BCCMB's performance, their Final Live Price Decision (the Decision), and the process going forward. We are however extremely disappointed after all of this that BCFIRB, at this point, have decided not to act to deal with BCCMB's continued failure to meet their mandate.

As was discussed in our meeting:

- We share a significant frustration with the BCCMB and their inability to effectively manage the pricing process. BCCMB have not met any of their deadlines and they have failed to address the key deliverables. Both the BCFIRB and the PPPABC clearly identified that the BCCMB has not fulfilled the terms of reference for the pricing review. It is not clear to us what is giving BCFIRB the confidence that the process will change in the future or what is required for BCFIRB to act on the BCCMB's failures.
- The BCCMB has not provided adequate or meaningful analysis to support any of their pricing decisions. This was pointed out by the PPPABC in response to the BCCMB's May 5, 2021 Preliminary Pricing Decision, and now BCFIRB is asking the identical questions in reaction to the BCCMB's proposed interim formula for A-177. The lack of analysis and stakeholder impact continues to be a consistent theme throughout the supervisory review.
  - This issue was highlighted in our July 26<sup>th</sup> meeting where the BCFIRB stated that they were unaware of the current magnitude in grower returns. It is very concerning to learn that the BCCMB appears to be withholding this type of information from BCFIRB when requesting pricing adjustments as this information provides a clear understanding of how the adjustments are impacting grower returns and processor competitiveness and this would no doubt have a material impact on BCFIRB's pricing decision.

- The PPPABC has significant concerns around how processor interests are being represented and the lack of objectivity of the BCCMB in the pricing review process. We have provided extensive third-party data and material throughout the review that has been discounted, ignored and in some cases incorrectly interpreted in a manner that harms PPPABC.

To date, the BCCMB pricing review process has provided growers with record financial returns<sup>1</sup> while BC Processors when you consider our live price and cost disadvantages have now become the least competitive processors in the Country.<sup>2</sup> The result of all of these increases in grower returns is that BC growers are now receiving record financial returns such that they are now trading broiler quota in BC in excess of \$150 per bird which represents an increase of better than 25% since 2019 and the start of the supervisory review. All the while, BC processors have become the least competitive processors in the Country.

This did not need to happen. The Board had the opportunity in A-169 with the changes to the Ontario Cost of Production Formula (ONCOPF) that eliminated the volume and producer efficiency adjustments to materially improve and balance the financial position of all industry stakeholders. However, they chose not to do this and passed along all the ONCOPF improvements to the growers, while at the same time further compromising BC processors' competitiveness.

In our meeting, BCFIRB asked us, "What confidence should BCFIRB have in the BCCMB's ability to deliver on their proposed process?" Our response was very clear, based on what we have experienced to date through the pricing review, the PPPABC has no confidence in BCCMB's ability to lead this process as nothing has materially changed after many many months. BCFIRB expressed similar sentiments and concerns in our meeting.

The BCCMB's August 5, 2022 Terms of Reference document has now been circulated and it is basically an incomplete and watered-down version of the original October 20, 2020 Terms of Reference. However, the new Terms of Reference includes a pricing model decision that is to be used as the basis for determining processor competitiveness and grower returns. This is the exact reverse of the original terms of reference where processor competitiveness and grower returns were to be used as the basis for evaluating pricing formula options and establishing a pricing model which fairly balanced the interests of these parties. This clearly demonstrates the failure of the BCCMB to meet its mandate.

The BCCMB has now forgone the quantification of returns and competitiveness and established a pricing methodology that clearly benefits the growers with no consideration of what it may mean for processors. The approach to processor competitiveness continues to be merely "lip service" as demonstrated in the recent terms of reference, where on one hand it is stated that one of the main goals is that: "BC chicken processors remaining competitive in the Canadian market for chicken." Yet on the other hand, during the supervisory review, the BCCMB increased the BC live price to levels that have made BC processors the least competitive in the country – increases that have been made with little, if any, analysis. The BCCMB knows this, but the BCCMB has chosen

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<sup>1</sup> Grower returns as measured after feed, chick and catching

<sup>2</sup> Processor competitiveness as measured by the live price differential with Ontario net of catching

to ignore these concerns and the accompanying data which demonstrate the uncompetitive position of BC processors.

The live price is a transparent competitive measure, and BC processors also went to great lengths to provide additional third-party financial data to the BCCMB to allow them to properly assess the competitive position of BC processors against processors in central Canada. It is unfathomable and rings hollow that the BCCMB can make a statement on how they are supporting processor competitiveness after being in possession of so much data and information that actually shows the BCCMB doing the contrary.

It is also clear that the BCCMB came to their pricing proposal through a flawed process. It is additionally clear through the new terms of reference that the BCCMB has no interest in considering alternative pricing options despite the fact they have not been objectively assessed in the supervisory review against any defined criteria regarding processor competitiveness and grower returns. This is another failure on the part of the BCCMB.

We see the addition of the BCFIRB Liaison to the BCCMB Cost Recovery Model Committee as an attempt by BCFIRB to bring more independence to the process, however we believe the Liaison will be quickly marginalized in this process similar to what happened with the supervisory review.

It is the PPPABC position that BCFIRB needs to step in immediately and conclude the current supervisory review and declare that its objectives were not satisfactorily met by the BCCMB. BCFIRB can then introduce a new supervisory review with the same mandate but led by an independent third-party arbitrator or arbitration panel that would:

- Establish an interim pricing formula,
- Create return and competitiveness measures,
- Evaluate pricing alternatives,
- Develop and recommend a long-term pricing recommendation.

As we discussed, all the information to do this is already available and can be easily presented and updated if required.

As we also discussed, the PPPABC is prepared to participate in a process that uses independent third-party oversight to develop the long-term pricing formula and conclude the review in a reasonable time frame. To date, PPPABC has made an honest and demonstrated effort of participating in the current process despite significant and apparent concerns - such an effort would continue with an independent third party. This independent third party could be an arbitrator or arbitration panel that includes or reports directly to BCFIRB. Our involvement would also be dependent on a commitment that the process will include the establishment of clear criteria under which a number of pricing options will be reassessed and evaluated.

We have been active participants in the supervisory review process and have brought new, unique, and comprehensive data forward, at considerable time and expense, to address the chicken market, grower returns and processor competitiveness. This material has been dismissed, misunderstood, and marginalized by the BCCMB, and had virtually no impact on the

BCCMB's pricing decisions. It is clear to us that our participation in the BCCMB's current process would only provide the opportunity for them to check off the "consultation" box in the process. Any pushback on our part in the process would simply result in the BCCMB continuing to paint us as "uncooperative" in the process.

We have always participated in BCCMB's pricing process in good faith, but now conclude there is little value in continuing to participate in an ineffective process which appears to have the following foregone conclusion:

Based on the new Terms of Reference, the BCCMB has no intention of considering alternative pricing options against processor competitiveness and grower returns. We fully expect the BCCMB will just use their process to rationalize a COP model that mirrors the BCBHEC formula which has been the objective from the outset.

In April 2021, the PPPABC confirmed their lack of confidence in the BCCMB process to BCFIRB and were encouraged by BCFIRB at that time to stay in the process and keep working with the BCCMB with the assurance that BCFIRB would be more engaged in the process, and that processor competitiveness and grower returns would be addressed in the final pricing recommendations. Well over a year later, we see no evidence that BCFIRB has lived up to its assurance as nothing has changed and our concerns regarding the BCCMB and their process have been validated. The BCCMB process and their terms of reference have relegated processor competitiveness to a sideline issue in their live pricing plan.

As mentioned earlier, The PPPABC is extremely disappointed with the BCFIRB's August 8, 2022 decision to support the BCCMB's process, dismiss legitimate concerns and not step in at this point. It is also frustrating and discouraging that in its correspondence, BCFIRB is requesting that we rise above the tensions and challenges and make a genuine effort to make the BCCMB's process work which we would argue we have been doing all along despite the obstacles and challenges in our way. Once again, we are being asked to stay in a process that is flawed, one-sided, and provides us with no confidence that matters will be dealt with objectively.

The PPPABC has demonstrated to the BCCMB and BCFIRB on a number of occasions that with each cycle that the pricing formula remains unresolved, the cost to BC processors is in the millions of dollars and has made us the least competitive processors and industry in the Country. At some point BCFIRB needs to exercise its authority and intercede in order to ensure the sound marketing of chicken in the province.

All of this formed the basis to our request for BCFIRB to step in and conclude this supervisory review on the basis that the BCCMB was unable to fulfill the mandate for the better than two years they have been leading this process. Allowing the process to continue with the expectation that processors will continue to pay can be seen as irresponsible. As we discussed in our meeting, BCFIRB has the authority to re-establish the supervisory review process using of independent oversight under the original terms and ensure that alternate approaches to pricing be given fair and transparent assessment against the requirements of fair grower returns and processor competitiveness.

We understand the Panel will be issuing final expectations and directions regarding the BCCMB long term pricing plan in September. At this point, based on our experience and discussions to date, there is nothing further to be gained by re-entering the BCCMB's process which has already concluded to develop a grower cost recovery model and believe our time is better spent considering our options. You will appreciate we find ourselves in a very difficult position of legitimizing a failed process by participating and risking being told we are uncooperative if we refuse to participate. As such we are left with few options but to say that we will participate, with an observer only and under protest, because we are left with few options in the current circumstances.

We would like to continue to discuss this situation and creative solutions with BCFIRB and will avail ourselves to meet at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Shier', written in a cursive style.

Blair Shier  
President  
Primary Poultry Processors Association of BC

c. Harvey Sasaki – Chair BCCMB  
Jim Collins – Chair – BCBHEC  
Wendy Holm – BCFIRB Liaison