



December 13, 2022

Primary Poultry Processors of British Columbia  
Mr. Craig Evans  
Executive Director

**Re: Letter of November 16, 2022 “Re-Invitation to Participate in the Cost Recovery Model Committee Process”**

Dear Sir:

Thank you for your letter of November 16, 2022, which was discussed by the Board at a special meeting held November 29, 2022 as well as reviewed at the Board’s regularly scheduled meeting on December 8, 2022. The contents of the Board’s decision was verbally shared via telephone conversation on December 2, 2022 by the BCCMB Executive Director in hopes PPPABC could attend the Cost Recovery Model Committee (“CRMC”) meeting of December 7, 2022 prior to receiving the written response. We now hope PPPABC will be joining the meetings scheduled in January and February 2023 at yet determined dates.

The Board is pleased that PPPABC participated as an observer at the November 17, 2022 and December 7, 2022 CRMC meeting and looks forward to full participation based on the Board response below to the five conditions. For ease of reference the five conditions will be written out, with the response below. It should be added that the conditions you have outlined are items that the Board envisions could be discussed at the CRMC table.

- 1. Commitment from the Chicken Board that acknowledges BC as a high-cost production province, and that this cost burden must be shared by all industry parties meaning that every stakeholder within the BC value chain must share in this cost burden.*

The Board has and continues to recognize BC as a higher cost of production province based on its reliance on the import of feed ingredients and the significant portion of the cost to produce a kilogram of chicken that feed represents. As well, the Chicken Board recognizes that other factors of production (through the value chain) may be equal to, higher or lower than other provinces, some of which have been identified through the long-term pricing review.

The Board does not have the power or authority under the Scheme to regulate the “value chain” nor the authority to speak for allied trades who are not under the supply management umbrella of the BCCMB. The Board through consultants will have full transparency on farm costs, but no such transparency on cost from the rest of the value chain is readily available. However, the Chicken Board has been working with the BCBHEC throughout the pricing review process to develop a more integrated approach to



pricing that takes into consideration hatching egg producers, hatcheries, broiler growers, and processor interests and balance those interests consistent with the broad policy objectives set by BCFIRB.

*2. Acknowledgement that BC processors, as we have presented, face significant cost disadvantages when compared to their eastern counterparts and that the Live Price paid by the processors is in fact their largest cost item and the biggest cost disadvantage with eastern processors.*

As agreed above, BC is a high-cost province for producing chicken. It seems reasonable that live price is the most significant cost item, and we know BC chicken costs more to produce compared to much of the rest of the country. While the Board does recognize that BC processors face cost disadvantages in many categories, the Board is unable to reconcile the entire cost structure of BC processors with transparent and verifiable data, nor has the Board been able to verify cost recovery and margins achieved from the marketplace.

The Board would welcome the PPPABC to bring forward to the CRMC the listing of cost advantages and disadvantages reported by the processors during the pricing review roundtable process. As well, the Board recognizes there may be other factors that provide protection to BC processors such as provincial allocations, the closeness of BC farms to BC Processing plants, and transportation costs for raw products. Verifiable, transparent, and repeatable data would be of value to aid discussions.

*3. Confirmation that there will be third party oversight of the process or at a minimum that the BCFIRB Liaison will play a much more active "oversight role" and that there is a clear process to remove bias from committee making decisions.*

There is no bias in the CRMC process. CRMC's function is to make recommendations to the Board (and PPAC, as necessary), but not make decisions. The BCCMB is the first instance regulator and makes decisions on behalf of the Supply Management system for the regulated product (chicken).

The Project Manager's role, appointed by the Board, is to facilitate the CRMC into providing recommendations to the Board; the Project Manager will NOT be making recommendations to the Board. The minutes from the CRMC are distributed in draft form to the committee to ensure that the meeting minutes and notes are reflective of the discussions and in particular, positions of the members.

The BC FIRB Liaison's purpose is not to lead the group or supply information to the group; if the committee wants analysis done, the committee as a whole should agree then request it from the Board, who will direct the work be undertaken.

The Board has committed to additional 3<sup>rd</sup> party review for additional support in oversight and validation of the data, which will be performed by MNP.

Lastly, any final decision from the BCCMB on this file requires prior approval from FIRB in order to proceed; that is the oversight required.

*4. Chicken Board will clearly define and lay out the steps, and criteria they plan to use to assess the "proposed live price formula" recommendation. The Chicken Board will objectively review an alternate Live Pricing Formula submitted by the processors against the criteria.*



The Board is bound by the BCFIRB decision of November 1, 2022. Paragraph 34 under Formula Development Process states:

“The Panel is not prepared to direct the Chicken Board to re-examine its pricing approach. As the PPPABC is aware, the Chicken Board consulted with stakeholders on five pricing options, starting in 2020 including through a BCFIRB Pricing Liaison led Roundtable session. Re-development and examination of pricing options is not effective, strategic nor accountable. Both PPPABC and BCCGA clearly expressed that a resolution on the long-term pricing formula is needed sooner rather than later. The Panel remains satisfied the Chicken Board’s proposed pricing model reflects, in principle, the Terms of Reference goals...”

The Board does not intend to review alternate live pricing formulas as this work has already been done. PPPABC has an opportunity to contribute to the Grower Cost Recovery Model development that is reflective of the need for balance of reasonable returns to grower and processor competitiveness.

The Board will review the CRMC recommendations and Grower Cost Recovery Model through the SAFETI principal lens; Strategic, Accountable, Fair, Effective, Transparent, and Inclusive.

*5. Finally, that the Chicken Board will implement a complete moratorium on grower movement effective immediately and that it remains in place, at a minimum for the remainder of the pricing supervisory review.*

The Board proposed a 13-period moratorium of grower movement in its interim pricing decision of May 5, 2021. At that time, the proposal was rejected by both growers and processors, and without stakeholder support the Board did not proceed. In fact, the Board received much feedback verbally and through letters against the proposal. The PPPABC has not provided the Board with any rationale why this is required now, nor demonstrated irreparable harm if not implemented. The Board requires rationale and a SAFETI analysis in order to make sound and defensible decisions. As this requirement is not currently met, an ad hoc decision would likely lead to an appeal by one party or another, and the Board does not plan to pursue a movement moratorium.

The Board does value the input of processors and hope you can see your way to participate fully on the CRMC. Again, the committee’s purpose is to provide input to the Board, as well as the PPAC, and has been developed to provide a forum for these discussions. Lastly, the development of the Grower Cost Recovery Model is time sensitive as the process continues to develop and on farm data collection nears completion. Future meetings are planned, and the absence of PPPABC at these meetings are missed opportunities to share your input.

The Board will consider all input and positions and make its decision as the regulator of the BC chicken industry.

Thank you for your attention to this matter.



BRITISH COLUMBIA CHICKEN MARKETING BOARD

W. Siemens  
Executive Director  
cc: Wendy Holm

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