



February 25th, 2022

Peter Donkers
Chair
BC Farm Industry Review Board

Re: BC Chicken Marketing Board Request for Prior Approval to Amend the Quota Period A-175 Mainstream Pricing Formula

The BC Chicken Marketing Board (the “Chicken Board”) is seeking the BC Farm Industry Review Board Chicken Sector Pricing Review Panel (the “Panel”) prior approval of an amendment to the current live price formula for mainstream chicken for quota period A-175 which commences, March 13, 2022. Please find attached the Chicken Board’s Schedule 15 Board Decision for your review in considering the Chicken Board’s request for prior approval of the amendment. As first instance regulators to the BC Chicken industry, we have provided due consideration to all stakeholder concerns which balances cost recovery to growers while maintaining processor competitiveness.

The Board has engaged the Pricing and Production Advisory Committee (the “PPAC”) in consultation on January 19th prior to quota period A-174, as well as on February 16th, in advance of quota period A-175. The Board duly considered the quota period A-174 proposal submissions from the Primary Poultry Processors Association of British Columbia (the “PPPABC”), the British Columbia Chicken Growers Association (the “BCCGA”), as well as the decision from the Panel. While the Chicken Board attempted to seek a recommendation or options from the PPAC on quota period A-175, no recommendations have been received to date. The PPPABC committed to sending recommendations in writing, but this has not yet been received as of February 25th. The Chicken Board has received from the PPPABC two letters on February 24, 2022 and has given due consideration to the concerns expressed and will continue to give consideration to any written feedback received after filing this request. Due to the time constraints around pricing the Board needs to pursue the prior approval from the Panel at this time. This will not prevent concurring meaningful dialogue between processors, growers, and the Chicken Board if applicable.

The proposal put forth by the Chicken Board, is to add a provision to cover 50% of the current formula costs exceeding the upper guardrail. While the Board is seeking this prior-approval for quota period A-175, it is expected this provision will be ongoing until the corn-wheat imbalance is resolved. To balance interests of both growers and processors, the Chicken Board is not seeking a 100% cost recovery of the escalating feed costs. By using only 50% of the current formula costs exceeding the upper guardrail the impacts are split relatively evenly across processors and growers.

The Chicken Board will not know the final pricing impact until we are able to set price on March 10, 2022, but are seeking from BC FIRB the prior approval of adjustment to our pricing formula.



Sincerely,

Harvey Sasaki
Chair

- c.c. Jim Collins, BC Broiler Hatching Egg Commission
Blair Shier, President, Primary Poultry Processors of BC
Dale Krahn, President, BC Chicken Growers Association
Angela Groothof, President, BC Broiler Hatching Egg Producers Association
John Franck, President, BC Egg Hatchery Association
Kirsten Pedersen, Executive Director, BC Farm Industry Review Board
Stephanie Nelson, Executive Director, BC Broiler Hatching Egg Commission
Wendy Holm, BCFIRB Pricing Liaison



Schedule 15
(Part 55)
(Section 55.4)

Board Decision or Determination

Form B

attach applicable Forms A, if available

A-175 Mainstream Pricing Formula amendment to address extra-ordinary feed cost increase

1. Date(s) of this decision:

Meeting of the PPAC on February 16, 2022

BCCMB decision on February 16, 2022

2. Members of Board present for decision:

H. Sasaki, DA Janzen, R. Nickel, B. Vanderspek and C. Paulson

3. What sources of information did the Board consider in coming to its decision?

Form A - Application for Decision or Determination

Board Staff's Briefing Note

Applicant's oral submissions

Board's Orders (give reference numbers, if applicable):

Schedule 19 – Pricing Model

Schedule 2

[X] Other (explain):

- 2022-01-18 – letter from PPPABC re: Request for immediate input – changes to BC Live Price Formula
 - 2022-01-18 – letter from BCCGA re: Approval to include an adjustment of 50% of the amount exceeding the upper guardrail for A-174
 - 2022-01-19 – letter from BCCGA re: a note on the A-174 Exceptional Circumstance PPAC Meeting. BCCGA key points and numbers
 - 2021-11-25 – letter from BCCMB to PPAC re: A-173 Exceptional Circumstances
 - 2022-01-14 – letter from BCCMB to PPAC re: immediate input for A-174
 - 2021-12-14 letter from PPPABC re: potential modification to A-174 BC Live Pricing Formula.
 - 2021-12-24 letter from PPPABC re: A-174 Exceptional Circumstances – Addendum
 - 2022-01-11 letter from PPPABC re: potential modification to A-174 BC Live price and Changes to ONCOPF plus appendix 1 – CFO letter to Producers
 - 2021-12-20 – letter from BCCGA re: Proposed Live Price re: variation for Exceptional Circumstances.
 - Serecon – Ontario Chicken Pricing sleeve Calculations
 - A-174 with and without catching cost increase
 - A-173
 - Manitoba’s posted Live Price for A-173
 - Manitoba’s posted Live Price for a-174
 - Saskatchewan’s posted Live Price for A-173
 - Saskatchewan’s posted Live Price for A-174
 - Alberta’s posted Live Price for A-173
 - Alberta’s posted Live Price for A-174
 - B.C.’s Live Price for A-173
 - B.C.’s Live Price for A-174
 - Ontario’s posted Live Price for A-173
 - Ontario’s posted Live Price for A-174
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- 2022-01-14 – BCCMB current FCR
 - BCCMB graph – Prairie Provinces Posted Price Differential over BC from A-097 to a-174
 - BCCMB graph – BC Posted Price with and without guardrails and Western Provinces Posted Price Differentials over Ontario from A-169 to A-174
 - 2022-02-04 – BC FIRB A-174 Prior Approval Decision
 - 2022-01-25 – Letter from BCCGA – Position statement on BCCMB proposed amendment to quota period A-174 Mainstream Pricing Formula
 - 2022-01-25 – Letter from PPPABC – BCCMB Interim Chicken pricing Proposal (A-174 amendment)
 - 2022-02-24 – Letter from PPPABC – Process Concerns
 - 2022-02-04 – Letter from PPPABC – BCCMB Feed Costs A-175

4. What is the Board's decision?

The Board has made the decision to request prior approval from BCFIRB to amend the current BC Live Price formula commencing in quota period A-175 (shipments March 13, 2022) based on:

Ontario Price based on the weight category of 2.45 to 2.65 kilograms. It will **NOT** include the \$0.012 per kilogram CFO modular loading cost recovery of \$0.0120; CFO AI Insurance recovery of \$0.0015; or OBHEC chick levy of \$0.0006 if still applicable In quota period A-175.

Plus

75% of the difference in feed and chick costs per kilogram of live chicken between BC and Ontario. It will not be based on a 6-period rolling average.

Plus

\$0.04 per kilogram which is the current catching cost. Increases or decreases in the price of catching must be approved by the BCCMB in advance. If approved, these increases or decreases will be reflected in the live price as was the case for quota period A-174 when the processors and catching crews reached an agreement to increase the price by \$0.0035 (an increase from \$0.0365 cents to \$0.0400/kg).

Plus

Guardrails will be set at a maximum of \$0.1284 and a minimum of \$0.1005 (reflecting the new catching costs effective in quota period A-174).

Plus [the proposed amendment to the A-175 formula]

A provision to cover 50% of the current formula costs exceeding the upper guardrail to address the continued escalation of feed ingredient costs facing BC growers.

5. Why did the Board come to this decision?

The BCCMB decisions are in accordance with sound marketing policy and the application of principle-based regulation (PBR) and outcome-based decision making. This is achieved by applying SAFETI (Strategic Accountable, Fair, Effective, Transparent, Inclusive) principles as directed by FIRB. These initiatives support good governance in the regulated marketing sector.

Sound Marketing Policy Considerations

Sound marketing policy embodies the three pillars of supply management, production controls, pricing mechanisms and import controls. For the proposed amendment, the Board will focus on the pricing pillar.

The Board is responsible for establishing a minimum price for chicken produced in British Columbia. This minimum production price is based on production costs and market conditions. The policy intent is to provide efficient growers with a reasonable return that reflects production costs and provides Canadian consumers with a predictable, and consistent supply of chicken at reasonable prices. The Board also takes into consideration British Columbia processor competitiveness in the Canadian market.

Reasonable Return to an Efficient Grower

An efficient BC grower is not achieving cost recovery due primarily to the divergence in corn and wheat prices placing BC growers, particularly highly leveraged New Entrant Growers in a precarious financial situation. It is hampering the ability of growers to reinvest in their farms.

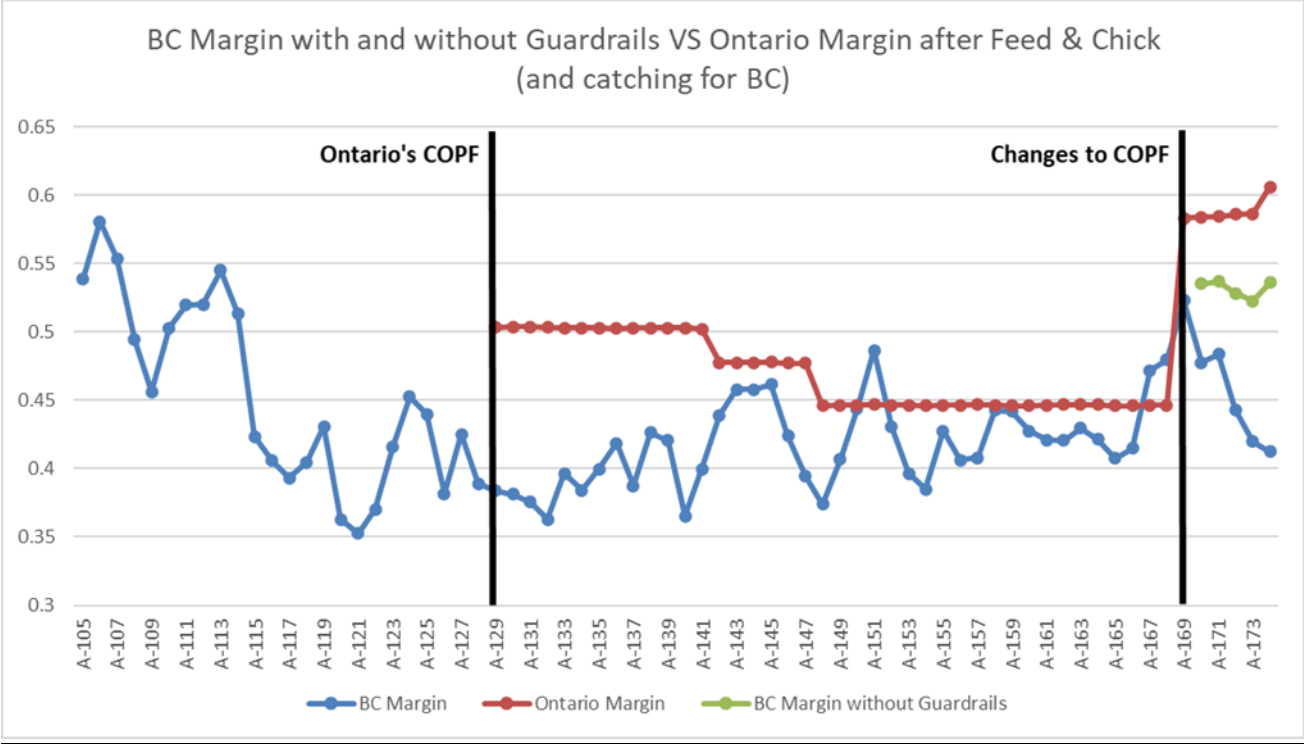
The continued escalation of feed ingredient costs to British Columbia broiler growers over the past 6 quota periods (48 weeks) is indicative of a trend that commenced in the summer of 2021 starting with quota period A-170, not an anomaly. The source of the impact on broiler growers is not attributable to a single factor, rather the combination of multiple factors.

- BC Grower Margin (BC Live Price – feed, chick and catching costs)
- Feed conversion ratio
- Corn versus wheat supplies and prices
- Changes in the Ontario Farm Gate Minimum Live Price formula

BC Grower Margin

While BC grower margin (grower margin defined as the BC live price minus (feed plus chick plus catching costs)) will show a slight increase as a result of the change in the Ontario Producer Margin in A-174 and in A-175, it is not equivalent to the increase realized by Ontario growers. What the previous Board request for quota period A-174 analysis did not show was the impact of the portion of the BC feed and chick cost not covered by the BC grower margin. In other words, what would be the resulting BC grower margin without the upper guard rail constraint.

The graph and table below show the impact of the upper guard rail on BC grower margin. As reported in the following Corn versus Wheat section, BC growers have incurred a shortfall in recovering the 75% of the BC feed and chick cost difference over Ontario for the past 48 weeks. Without the upper guard rail, the full 75% of the BC feed and chick cost would be included in the BC live price and BC grower margins would have maintained the level of increase experienced in quota period A-169 as trending downward. The proposed amendment would result in BC grower margin to fall between the green and blue lines on the graph owing to only 50% of the difference would be included in the amended formula.



	BC Margin with Guardrail	BC Margin without Guardrail	Difference
A-170	0.4775	0.535325	-0.057825
A-171	0.4836	0.536925	-0.053325
A-172	0.4432	0.52825	-0.08505
A-173	0.4198	0.522475	-0.102675
A-174	0.4126	0.536175	-0.123575

	BC Margin with Guardrail	*Ontario Margin	Difference
A-170	0.4775	0.5841	-0.1066
A-171	0.4836	0.5842	-0.1006
A-172	0.4432	0.5861	-0.1429
A-173	0.4198	0.5862	-0.1664
A-174	0.4126	0.6061	-0.1935

	BC Margin without Guardrail	*Ontario Margin	Difference
A-170	0.535325	0.5841	-0.048775
A-171	0.536925	0.5842	-0.047275
A-172	0.52825	0.5861	-0.05785
A-173	0.522475	0.5862	-0.063725
A-174	0.536175	0.6061	-0.069925

* Ontario margin uses the Ontario Price used in BC's Pricing Formula

The Primary Poultry Processors Association (the “PPPABC”) put forward the argument against the quota period A-174 amendment that grower margin increases realized through the Ontario Cost of Production Formula have not been adequately considered. The Board did not go into detail in its decision to request the formula amendment for quota period A-174 with respect to grower margins, however it did present the above graph which shows the effect of the Ontario Farm Gate Minimum Live Price changes on the Ontario grower margins and the performance of the BC grower margin. While Ontario producer margins after feed and chick have increased, BC grower margins have decreased owing to the higher feed and chick costs.

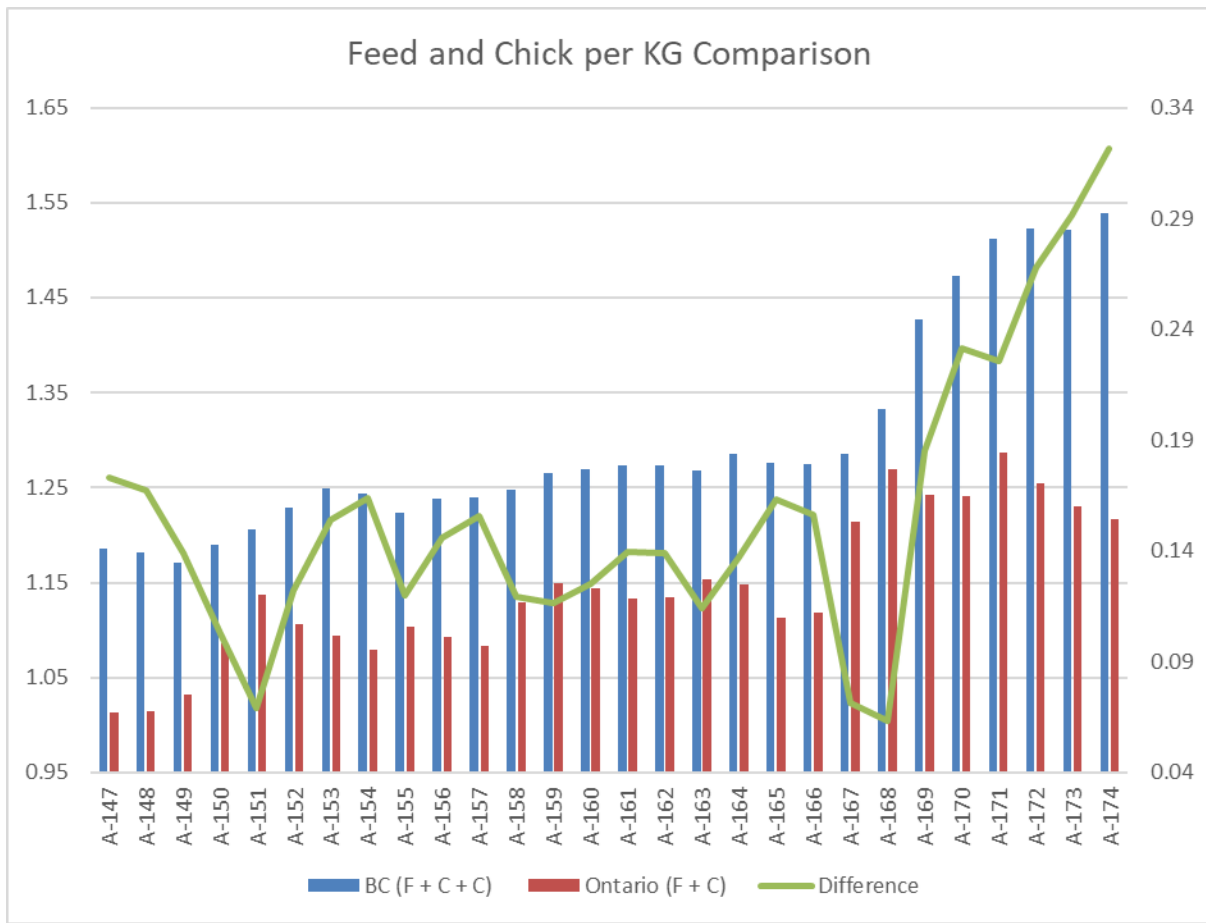
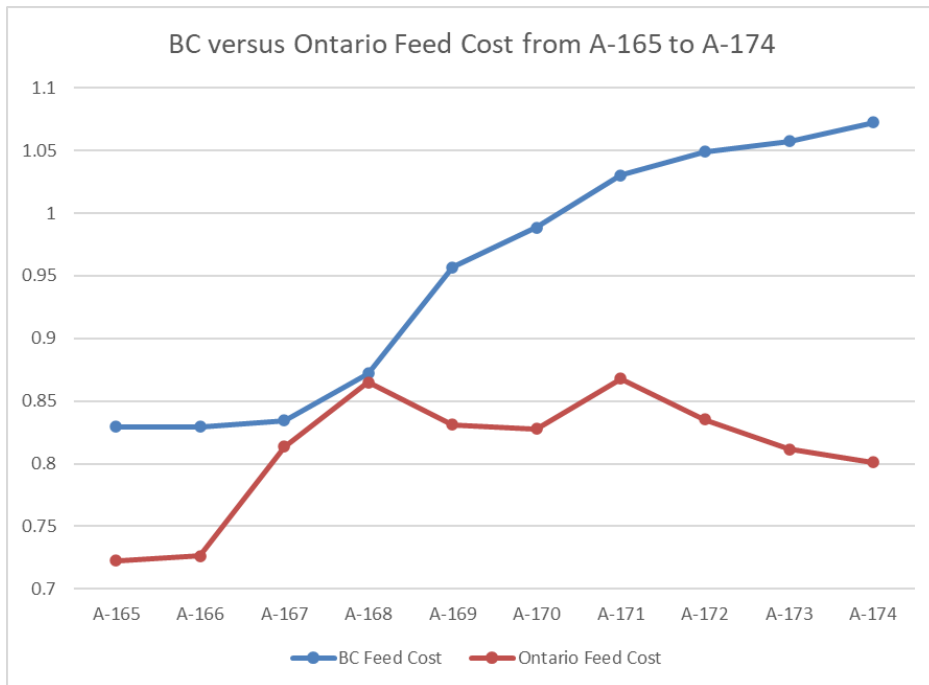
Feed Conversion Ratio

The PPPABC provided the Board with a February 23, 2022 letter, “Serecon Model is Inflating BC Feed Costs and Understating Grower Returns”. The PPPABC “believes that actual feed costs are not being reflected in the current BC Live Price Formula”.

It can and has been argued that the pre-A-169 Ontario FCR of 1.830 was too high, not reflective of industry practices, and overcompensating Ontario growers. The mitigating measure however was the annual feed efficiency adjustment in the pre-A-169 Ontario Farm Gate Minimum Live Price formula and resulted in a lower Ontario Live Price. As well, the higher Ontario feed cost served to offset a portion of the higher BC over Ontario feed cost difference as the BC feed cost is based on a 1.650 FCR. The pre-A-169 BC FCR advantage was partially negated by the Ontario annual adjustments.

Further, it can and has been argued by the PPPABC that the current BC FCR of 1.650 is based on the 2018 Serecon Linkage COP and is overstated. The PPPABC states in its February 23, 2022 letter “BC Processors are aware of industry data that suggests the FCR in BC is substantially less than the reported 1.65 currently being used in the pricing formula”. The PPPABC goes further and suggests “The Estimated BC average FCR for broilers on conventional feed – 1.55”. The PPPABC however has not provided any verifiable “industry” data to validate this current “estimated” average.

The current BC formula has already overcompensated for the “potentially” lower BC FCR by taking into consideration only 75% of the feed and chick cost difference in the Live Price formula. The effect of the quota period A-169 change in the Ontario FCR, irrespective of whether the BC FCR is lower or higher has increased the BC feed price differential over Ontario from the pre-A-169 quota periods. To illustrate, the adjustment of the Serecon COP FCR of 1.65 to the Ontario 1.60 represents a 3% reduction in feed cost. The adjustment of the Serecon COP FCR to the PPPABC unverified 1.55 represents a 6.1% reduction in feed cost. The 3 – 6.1% reduction in feed costs falls well within the 25% of the BC feed and chick cost difference not covered by the BC Live Price Formula.



Corn versus Wheat

Feed corn is grown extensively in Ontario and the United States mid-west states and provides the primary protein source in broiler rations in Central and Eastern Canada, whereas wheat is the primary protein source in broiler rations in Western Canada. Due to drought in the prairies during the 2021 growing season, wheat harvests were dramatically reduced, making short wheat supplies and increased prices. Corn crops were less impacted by the 2021 drought conditions than initially thought and after a brief period of increase, corn prices have declined.

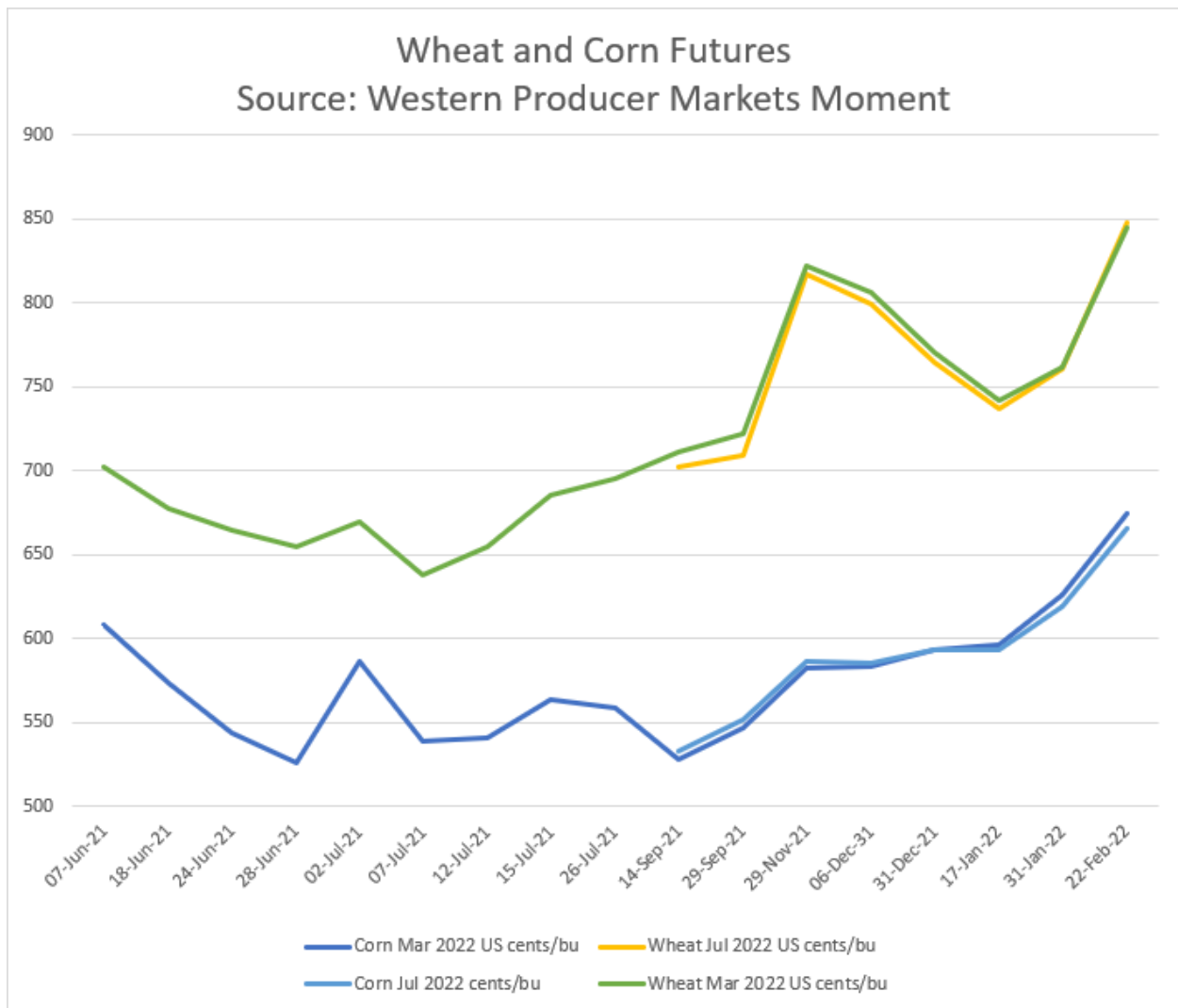
The difference in wheat versus corn prices is unprecedented and since quota period A-170 (July 2021) the gap has widened. Based on data from the USDA AMS Market News, since September 2021, the US wheat over corn differential jumped to 2.28 (US\$/bushel) up from 0.81 (US\$/bushel) in August 2021. The September differential continued to rise through to December 2021 at which point the differential was 3.11 (US\$/bushel). The last quarter of 2021 wheat over corn differential exceeded previous differentials over the previous 2 years which ranged from a low of 0.14 (US\$/bushel) in August 2021 to a high of \$1.72 (US\$/bushel) in February 2019. While there are indications that corn prices are on the rise, the impact over the past 3 to 6 quota periods remains. The Wheat and Corn Futures graph below show March 2022 and July 2022 futures market contracts for wheat and corn prices increasing as well as maintaining the high wheat over corn differential.

The rise in wheat prices has resulted in the BC live price formula upper guard rails being applied and limited the BC live price to the Ontario live price plus \$0.1249/kg for quota periods A-170 to A-173 and the Ontario live price plus \$0.1284/kg for quota period A-174.

The effect of the guard rail limits on the BC live price is a shortfall in grower recovery of the 75% feed and chick cost differential between BC and Ontario. The shortfall for quota period A-170 was \$0.0578/kg; A-171 was \$0.0533; A-172 was \$0.0851; A-173 was \$0.1027; and A-174 was \$0.1236 as shown in the table on page 5. Growers have no means of recovering the excess feed cost other than through the live price. In BC, processors have been shielded from significantly higher live prices that would have prevailed due to the higher feed ingredient costs with the upper guard rail in place. This is unlike the situations processors faced in the Prairie provinces where they have had to endure the full feed cost impact in those provinces in the provincial live price.

US Corn Prices (US\$/bu)				US Wheat Prices (US\$/bu)				Wheat – Corn (US\$/bu)			
Month	2019	2020	2021	Month	2019	2020	2021	Month	2019	2020	2021
January	3.56	3.79	4.24	January	5.28	4.87	5.48	January	1.72	1.08	1.24
February	3.60	3.78	4.75	February	5.33	4.88	5.83	February	1.73	1.10	1.08
March	3.61	3.68	4.89	March	5.19	4.86	5.85	March	1.58	1.18	0.96
April	3.52	3.29	5.31	April	4.93	4.84	6.04	April	1.41	1.55	0.73
May	3.63	3.20	5.91	May	4.78	4.76	6.46	May	1.15	1.56	0.55
June	3.98	3.16	6.00	June	4.81	4.56	6.24	June	0.83	1.40	0.24
July	4.16	3.21	6.12	July	4.52	4.54	6.26	July	0.36	1.33	0.14
August	3.93	3.12	6.32	August	4.35	4.55	7.13	August	0.42	1.43	0.81
September	3.80	3.40	5.47	September	4.26	4.73	7.75	September	0.46	1.33	2.28
October	3.84	3.64	5.02	October	4.45	4.98	7.90	October	0.61	1.34	2.88
November	3.68	3.79	5.27	November	4.39	5.24	8.51	November	0.71	1.45	3.24
December	3.71	3.97	5.47	December	4.64	5.43	8.58	December	0.93	1.46	3.11
Average	3.75	3.50	5.40	Average	4.74	4.85	6.84	Average	0.99	1.35	1.44

Source: Source: USDA AMS Dairy Markets News [CME Group Chicago: daily prices](https://teseo.clal.it/en/?section=cereali_usa)
(https://teseo.clal.it/en/?section=cereali_usa)



Futures price of corn and wheat for March 2022 and July 2022 contracts

Ontario Farm Gate Minimum Live Price Formula

On February 5, 2021, the Ontario Farm Products Marketing Commission (the “OFPMC”) prescribed by way of amendment to Regulation 402, Chickens – Marketing Ontario Farm Products Marketing Act (the “Regulation 402”):

- The elimination of the three annual price adjustments; feed, volume and producer efficiency.
- A revised list of Producer Margin costs applicable to quota period A-148 (2018).

As a result of the changes prescribed by Regulation 402, the Chicken Farmers of Ontario (the “CFO”) updated the elements of the Farm Gate Minimum Live Price for quota period A-169, which included:

- Updating the operational and capital costs to reflect 2021 costs based on the A-148 (2018) producer margin costs (non-feed and chick) established by Regulation 402.
- Changing the calculation of feed costs by reducing the feed conversion ratio from a fixed rate of 1.72 to a rate adjusted for every quota period based on grower results from the previous eight-week pricing period. In quota period A-174 the feed conversion ratio used was 1.6069.
- As part of its annual review for pricing in January 2022, the CFO further adjusted the producer margin costs, in particular focussing on adjustments to the capital items.

Annual Adjustments

Effective January 15, 2015 and commencing with quota period A-129, the Ontario Regulation 402 which includes the pricing formula made mandatory the application of three annual adjustments; feed efficiency, producer efficiency and volume. The three factors were adjusted annually and continued until February 4, 2021 (quota period A-168). In quota period A-168, the feed efficiency adjustment was \$0.044/kg; the producer efficiency adjustment was \$0.028/kg; and the volume adjustment was \$0.061/kg. The total of the three annual adjustments, \$0.133/kg was subtracted from the total of the Chick Price plus Feed Price plus Producer Margin to arrive at the Farm Gate Minimum Live Price.

In April 2021, commencing with quota period A-169, in accordance with the OFMPC mandated changes to Ontario Regulation 402, the CFO changed its Farm Gate Minimum Live Price formula to eliminate the previously mandatory and prescribed annual price adjustments.

Producer Margin Changes

The Board in its proposed amendment is not attempting to ensure that BC growers are on par with the margin after feed and chick in Ontario, rather it is attempting to mitigate some, not all, of the extraordinary feed costs being absorbed by BC growers. The Board acknowledges that BC is a higher cost of production province and that both growers and processors may not realize margins at the same level as other lower cost provinces.

It is important to note that the Ontario Farm Gate Minimum Live Price increase in “grower margin” is not an increase in “profit”. In this definition, grower margin is meant to enable an efficient grower the ability to recover the costs of farm inputs (capital costs, labour, sawdust, heat etc.) outside of feed and chick. These are cost increases also burdened by BC growers. The Board rejects the PPPABC notion that BC grower margins have substantially increased as the guardrail has capped and limited the ability to recoup the increased feed and chick costs which have far exceeded any increase in the grower margin calculation. The graph on page 5 clearly shows that the gap in BC grower margin relative to Ontario grower margin is widening, indicating that in BC an efficient grower is not recovering their non-feed and chick farm input costs.

For quota period A-169, the CFO updated the base producer margin contained in Regulation 402 to reflect 2021 costs. The increase from quota period A-148 to A-169 was \$0.0494/kg. This

increase in producer margin served to off-set only 55.5% of the impact of the previously mandatory and prescribed annual producer efficiency and volume adjustments (-\$0.089/kg).

Feed Conversion Ratio

A further compounding factor in the BC over Ontario difference in feed cost is the change commencing in quota period A-169 is the feed conversion ratio (the “FCR”) used in the Ontario Farm Gate Minimum Live Price formula. The FCR used in Ontario decreased from 1.8130 to 1.6069. This has been covered in a previous section.

Processor Competitiveness in the Canadian Market

The January 25, 2022 PPPABC response to the quota period A-174 proposed pricing formula amendment is critical of the Board for not assessing “whether Processors would still be competitive at the new differential”. The Board fully acknowledges and respects the need for BC processor competitiveness in conjunction with an efficient grower receiving a reasonable return. This has been a constant challenge for the Board to find the balance of these two incongruent objectives.

Throughout the Long-Term Chicken Pricing Supervisory Review, the Board has sought input from the processors to define and provide measures of processor competitiveness. As well, the BC FIRB Review Panel sought input with respect to indicators of market instability. To date, the PPPABC have not provided any specific indicators of processor competitiveness other than a “Private and Confidential” Processor Competitiveness Report that concludes “BC Processor costs are 30% higher than plants in Central Canada” with “Live Bird and Labour cost represent greater than 85% of BC processor cost” and “Live Bird and Labour represent 75% of the cost gap between BC processors and those in Central Canada.” The report goes on to suggest that “Live Bird is the largest cost item and the most transparent metric and is recommended by BC Processors as the best metric to be used to measure competitiveness with processors in Central Canada.”

The PPPABC further articulate in their February 24, 2022 letter “Process Concern – A-175 PPAC Meeting” makes reference to “the BCCBMB (sic) made it very clear, they do not accept that BC processors face a labour cost disadvantage relative to processors in Central Canada. This is in spite of the actual independent third-party evidence provided to the BCCMB that clearly shows the labour disadvantage.”

With respect to the labour cost difference, the study results are of no surprise that Central Canada has a lower per unit labour cost based on the higher volume of chicken produced in Central Canada. Central Canada produces approximately 60% of the chicken in Canada versus 14% in BC. When the denominator is significantly higher in one formula, it will most definitely result in a quotient that is lower; hence a lower per unit labour cost in Central Canada compared to BC.

What the Processor Competitiveness Report does not compare is similar size plants in BC versus Central Canada as was illustrated in the BC Chicken Growers Association “Costs and Returns in

BC Chicken Marketing” and “Comparative Costs and Returns in Chicken Processing – British Columbia versus Competing Regions in Canada” submissions. The Agri-Food Economic Systems October 2020 Report which suggests that based on the same size model processing plant (300,000 birds/week or 15 million birds/year (2017 Comparative Costs and Returns Report)), processor costs and margins in BC are roughly the same as in Ontario. It is acknowledged that the margins in 2020 are down from the previous report period of 2015 to 2018, however, margins are down in all other provinces compared in the study.

The Board acknowledges the work and effort taken by the PPPABC in preparing their comparative analysis, however, it focusses solely on the cost elements and provides no insight or measure of the ability of BC processors to recoup higher BC live prices from the marketplace. Processors have acknowledged three types of contracts; BC live-price-based contracts, Western based live-price contracts, and fixed price contracts. The Board has not received any data or information to indicate the percentage of these contracts which would provide an indication of the ability of BC processors to recover higher BC live prices. An additional factor is product that is sold without any type of contract. An unknown percentage of sales by each processor would be at prices set daily or weekly depending on market conditions which are currently above the prices in the past three years (see table on page 14).

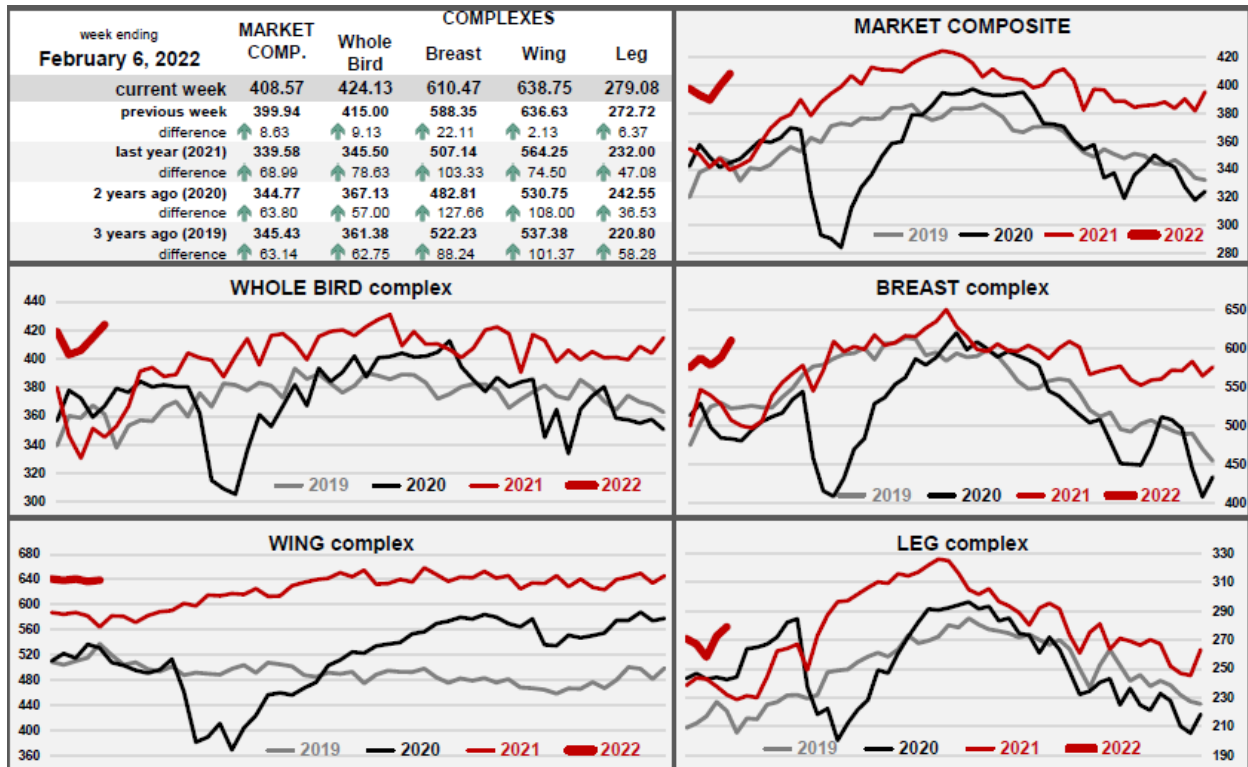
An increase in the BC live price which is supported by substantial feed increases would be appropriate for the marketplace. While the percentage makeup of contract type has not been provided by the PPPABC, both western and BC based pricing contracts are being kept artificially low by the BC live pricing guardrails. Fixed price contracts are always a mix of risk and reward established at the time of signing a contract, with increased profits or losses with any swing in prices. The Board does not guarantee a grower a profitable enterprise, much like the Board does not guarantee the success of processor contract decision like those undertaken in a fixed price contract, however, does provide due considerations to all stakeholders.

The BC processors also have not provided evidence to support the notion that BC and prairie province live prices include the cost of catching which ranges from \$0.040/kg to \$0.045/kg and the impact that has on their ability to remain competitive. The significance of the \$0.04/kg catching cost in BC is that BC processors charge BC growers this cost for catching. It is important to note that catching price in BC, Alberta, Saskatchewan, and Manitoba is included in the posted live-prices of each of these provinces but is deducted in the same amount from a grower’s final payment. This means that the final live price paid by the processors, in the case of BC, is \$0.04 less per kilogram than the posted price which is used to set the contract prices charged by processors to their customers. This is a direct benefit that contributes to BC processor margins in live price contracts. The lack of data or evidence from BC processors to address this issue makes it impossible for the Board to truly address the question of whether or not BC processors are competitive in Canadian markets.

The PPPABC have objected to the Board correlating higher western retail chicken prices as being indicative of BC processor ability to pass on higher live costs. In the absence of the PPPABC not providing the Board with any wholesale price data to consider the Board has had to

rely on the EMI data provided by the Canadian Poultry and Egg Processors Council on Canadian wholesale prices, along with Processor Gross Margins.

The PPPABC maintain that this data and information is not relevant to BC given that BC processors do not contribute to the data base while at the same time stating that they are in the business of competing on national contracts. The Board has reasonably assumed that EMI wholesale data provides the basis for national contract negotiations and as such a relevant data source. The recent EMI data show strong wholesale prices, particularly during a low market period. Clearly, there is some recognition and response by the retail and wholesale market to higher live prices.



The PPPABC have provided more analysis of grower margins and information on defining a reasonable return to growers than they have on BC processor competitiveness. They point to BC grower margins being at a similar level to their experience prior to the on-set of the Ontario Farm Gate Minimum Live Price formula annual adjustments. What the PPPABC has focussed on is processor cost and avoided the need to provide the Board any measure of BC processor margins. It would seem to be quid pro quo to measure processor competitiveness through a margin analysis if it is appropriate to use margins to measure reasonable return to growers.

The PPPABC have continually asserted that there was an agreement at the Pricing Working Group that any increase in the Ontario COPF would be shared between BC growers and processors. The PPPABC have not provided any verifiable evidence to support this claim. The

Board fails to see the rationale for BC Processors asserting the need to be entitled to share in the benefit of an Ontario Producer Margin increase as part of the BC live price formula.

The decision of the Chicken Board is consistent with sound marketing policy and balances processor competitiveness with the objective to provide efficient growers a reasonable return. The proposed amendment is to address 50% of the 75% of BC feed and chick cost difference exceeding the upper guard rail provides the balance.

RATIONALE FOR DECISION BASED ON OUTCOME BASED PRINCIPLES

SAFETI has been applied at all stages of the decision-making process: information gathering, analysis of risks and opportunities, options development and evaluation through to the final decision of the Board.

Strategic & Effective:

The Board has the authority to make orders it considers necessary or advisable to promote, control and regulate effectively the marketing of the regulated product, and to amend or revoke them, under 11(1)(q) of the Natural Products Marketing (BC) Act. The Act at 11(1)(k) gives the Board the authority to set the prices, maximum prices, minimum prices or both maximum and minimum price at which the regulated product or a grade or class of it may be bought or sold in British Columbia or that must be paid for a regulated product by a designated agency and to set different prices for different parts of British Columbia.

The BC Chicken Marketing Scheme (1961) grants the Board the power under 4.01(g) to fix the price or prices, maximum price or prices, minimum price or prices, or both maximum and minimum prices at which the live chickens over 2 days old that are regulated product, or any grade or class thereof, may be bought or sold in the Province, or that shall be paid for the regulated product by a designated agency, and may fix different prices for different parts of the Province. Further, 4.01(l) gives the Board the authority to make such orders, rules and regulations as are deemed by the Board necessary or advisable to promote, control and regulate effectively the production, transportation, packing storage or marketing of the regulated product and to amend or revoke the same.

The decision is consistent with sound marketing policy and balances processor competitiveness with the objective to provide efficient growers a reasonable return. The proposed amendment to address 50% of the 75% of BC feed and chick cost difference exceeding the upper guard rail provides the balance. Growers have absorbed \$0.3373/kg in higher feed cost difference for quota periods A-170 through A-174 not covered by the BC live price. Efficient growers have no ability other than through live price to cover their costs of production.

The PPPABC have not provided the Board with any verifiable data or information that their competitiveness will be impaired or evidence of impending market instability. The PPPABC have not provided any evidence that the increase in live price cannot be passed or recovered through contracts.

There was sufficient, verifiable information indicating harm to the BC industry to make a decision that leads to an effective outcome. It will have a clearly defined regulatory outcome – to provide the chicken industry with a fact based, pricing formula that is simple, transparent and capable of providing predictability and stability until such time as the long-term pricing strategy is developed and the extraordinary feed costs normalize.

Accountable

Under the Chicken Scheme section 3.20 Pricing and Production Advisory Committee (the “PPAC”), sub-section (3) states the Board must consult with the committee and consider the committee’s advice before the Board makes any decision relating to pricing or production.

Based on the FIRB decision with respect to quota period A-174 formula amendment request, the Board was intent on ensuring a timelier consultation process that provided advance notice and timelines for the process. The Board requested that a meeting of the PPAC be held on February 16, 2022.

PPAC members were advised of the Board’s intent to request BCFIRB prior approval of an amendment to the Live Price formula for mainstream chicken. The Board outlined its process to provide a request to FIRB and stakeholder review and comment the following week. The Board followed up the meeting with a letter outlining its intent and advising processors to advise their customers accordingly of the potential change in live price formula

As the Board will make its decision at the A-175 Pricing Meeting to be held on March 10, 2022, it will request a decision on prior-approval from FIRB prior to this date. The Board advised participants that the exact amount of the increase could not be established until Ontario published the Farm Gate Minimum Live Price for quota period A-175 the week of March 7, 2022.

The submissions of the Growers and Processors as well as the FIRB Panel decision regarding the proposed amendment for A-174 period are attached and have been taken into consideration by the Board in this decision. Based on the February 16, 2022 PPAC meeting, the Board is expecting further submissions from stakeholders regarding the proposed amendment for A-175. To date, the Board received two letters from PPPABC and have addressed the points raised for consideration in making this decision.

The Board is accountable for its decisions to the entire industry and must consider the impact of its decisions on other parties. The Board is taking into account the interests of both growers and processors. Those who determine they are aggrieved by this decision may appeal to BCFIRB. Both growers and processors are well aware of their rights to appeal and the methodology to do so.

The BCCMB maintains its legitimacy and integrity through understanding and discharging its responsibilities (as per the NPMA, Provincial Policy, BCFIRB direction) and is accountable by providing reasons explaining the course of action to stakeholders within this Schedule 15.

Fair

The decision making process has ensured procedural fairness. All sides were consulted and their opinions heard. The Board has with this document provided a rationale illustrating sound marketing policy is being achieved.

The amendment to the current pricing formula addresses the concerns brought forth of both the growers and processors in their submission.

Transparent

Pricing orders are transmitted to all mainstream growers and processors by email.

The decision making process is transparent. The processes, practices, procedures and reporting on the mandate are open and accessible to the people impacted by the decisions and operations of the Board.

This Schedule 15 containing the Board's decision and rationale will be posted on the website. Further, an explanation will be included in the BCCMB Monthly Board report and will also provide a reference to the Schedule 15 on the website.

Inclusive

In his "Chicken Industry Pricing – Episode III" letter dated March 18, 2016 BCFIRB Chair John Les stated:

The fundamental premise behind how best to determine the price a grower receives for their chicken from a processor remains the same as it was in 1995 and in 2010. In summary, and as recorded in paragraph 23 of the June 9, 2010 BCFIRB decision:

All parties in this supervisory review agree that a workable pricing model must be consistent, predictable, transparent, and result in a live price that gives growers a reasonable return and allows processors to be competitive in the Canadian market. These same considerations apply to the BC broiler hatching egg sector.

In its June 2010 decision BCFIRB gave the Chicken Board flexibility for making changes to the current formula-based pricing model (paragraph 30): any long term changes to the pricing model will also require the Chicken Board to consult with PPAC. BCFIRB wishes to make it clear that if the Chicken Board decides as the first instance regulator that it should undertake any initiative regarding the pricing model, the requirement to consult with PPAC remains.

Finally, as per BCFIRB's general supervisory expectations, the Chicken Board must demonstrate a thorough and substantiated use of principles-based regulation and SAFETI in arriving at any changes to the pricing model that clearly reflect "sound marketing policy". This would necessitate consultation with a broad range of stakeholders and consideration of inter-provincial and national implications

As per BCFIRB's March 18, 2016 instructions, appropriate interests were considered and consulted. The PPAC consists of representatives of chicken growers, processors and hatching egg producers.

The decision of the Board is in the public interest to provide continuity and stability respecting the live pricing of the regulated product.

Parties impacted by the decision were provided an opportunity to comment prior to the Board coming to its decision.