



January 18, 2022

VIA EMAIL

Mr. Harvey Sasaki
Chair, BC Chicken Marketing Board

Dear Harvey:

Re: Request for Immediate Input – Changes to BC Live Price Formula

The Primary Poultry Processors Association of BC (PPPABC) writes in response to your letter dated January 14, 2022 requesting feedback and positions (acceptance or rejection) on the BC Chicken Marketing Board's (BCCMB) proposal to change the live price formula for regular broilers. The BCCMB's current formula calculates the live price for A-174 as \$1.951 per kilogram, as outlined in Pricing Order #165, and the BCCMB pricing proposal would increase this price by 6.16 cents to \$2.013 per kilogram in response to increased feed pricing.

The PPPABC rejects the proposed BC live price formula change put forward by the BCCMB and, in addition to the feedback already provided on this matter in correspondence to the BCCMB dated December 14, 2021, December 24, 2021, and January 11, 2022 (all attached, for reference), provides the feedback outlined below. The PPPABC has reviewed, analyzed, and discussed the BCCMB proposal and is still of a mind that the situation does not warrant a modification to the current pricing formula.

1. Proposal Does Not Consider Grower Returns and Processor Competitiveness

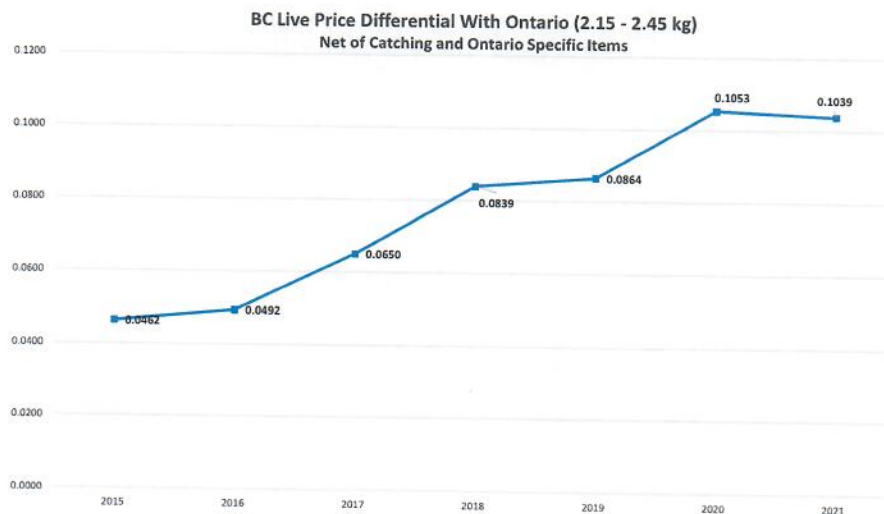
- The fundamental issues of reasonable returns for growers and processor competitiveness are not considered in this pricing proposal. Further to this, there is no analysis, comment, or consideration as to whether:
 - i. in the absence of this pricing proposal, growers would receive a fair rate of return;
 - ii. this pricing proposal would further compromise BC processors' competitive position.
- There is no analysis to suggest the pricing proposal is needed to provide industry stability, promote orderly marketing, and keep the BC industry competitive. Further, processor competitiveness appears to have been disregarded.
- With the BCCMB's proposal to change the live price formula and increase the BC Live price to \$2.013 per kilogram in A-174, they have once again rejected the opportunity to provide a solution that meets requirements of balancing reasonable grower returns with processor competitiveness.

2. Proposal Focuses Solely on Feed Costs and Ignores Other Factors Such as Previous and Current Margin Increases Generated Through the Ontario COPF

- The BCCMB proposal focuses solely on changes in feed costs and does not consider any other material factors. As an example, the BCCMB proposal ignores the margin increase of approximately 5 cents per kilogram that was received by BC growers because of the changes to the ONCOPF in A-169. Nor does the BCCMB pricing proposal account for, or even consider, the increases in ONCOPF producer margin that will add an additional 5.46 cents to grower returns in A-174 and A-175.
- The BCCMB, by focusing solely on one pricing component (feed) and basing their proposal on this one component, fails to consider the fact that, even when faced with the substantive feed price increases, grower returns are currently in the same range as they were at the start of the supervisory review.
- Due to the live price increases received by way of ONCOPF adjustments, if feed price differentials were at normal levels, BC growers would be experiencing record profits, while at the same time BC Processors would be experiencing record pricing and competitiveness disadvantages.

3. Processor Competitiveness: The Current Differentials are not Competitive with Ontario and the BCCMB Proposal Would Make This Position Substantively Worse

- The BCCMB's pricing proposal would increase the BC live price to \$2.013 and result in a net live price differential with Ontario of \$0.17 per kilogram which would be the greatest differential that has ever been experienced in BC.
- As shown on the graph below the live price differential with Ontario in 2021 has more than doubled since 2015 and for A-172 and A-173 is running close to \$0.11 per kilogram excluding catching. The BCCMB pricing proposal would increase this differential to 17 cents per kilogram in A-174.

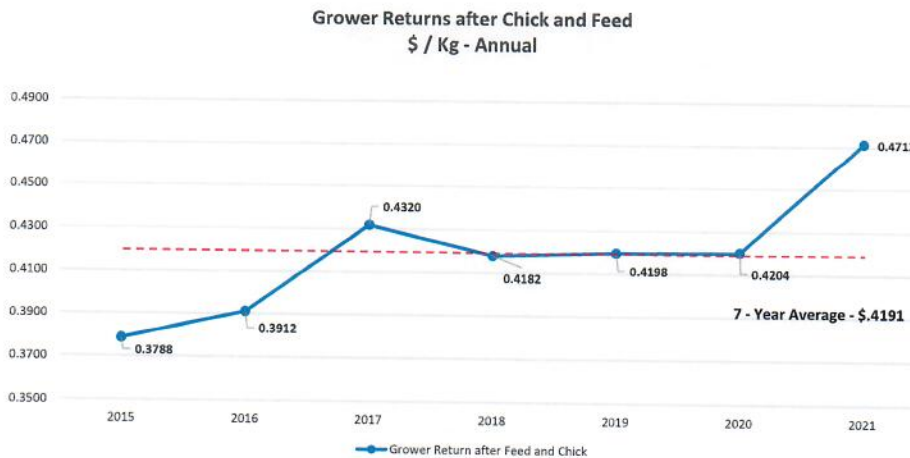


- BC Processors, through the BCFIRB pricing review process, clearly demonstrated the competitive nature of our industry and showed the cost disadvantages we currently face

that include but are not limited to just live bird. This decision would make this situation substantially worse.

4. Grower Returns: Returns are Very Strong due to ONCOPF Margin Increases. On That Basis, the Impact of the Feed Cost Differential is Largely Mitigated and/or Eliminated

- Even though the BC Pricing formula has been “frozen” since A-164, BC growers have, and are continuing to realize, significant improvements in their financial returns because of changes to the Ontario Cost of Production Formula (ONCOPF).
 - In A-169, the ONCOPF eliminated the “annual adjustments” and provided an increase in margin of approximately 5 cents per kilogram to the BC industry.
 - BC processors expected to recapture a portion of these annual adjustments given that they were used to increase the BC live price however the live price formula “lock down” prevented this from happening
 - In A-174, the producer margin in the ONCOPF increased by a further 2 cents and this benefit is flowing directly to BC growers
 - The producer margin in the ONCOPF is increasing again by another 3.46 cents in A-175 and these benefits will again flow directly to BC growers through the current live price formula.
- Since A-169, the ONCOPF will provide over 10 cents of price improvement to the BC industry with virtually all of it flowing directly to growers which is increasing returns to help offset current feed pricing but has not done anything for processor competitiveness.
- In addition, the chart below shows how changes to the ONCOPF have impacted grower returns in 2021 increasing them to record levels under the current formula. This has helped to offset the increases in feed pricing. In fact, grower returns in 2021 have increased by 12% over 2019 / 2020 even with the shift in commodity prices.



5. Balanced Analysis: The BCCMB Pricing Proposal Does Not Balance Reasonable Returns and Processor Competitiveness

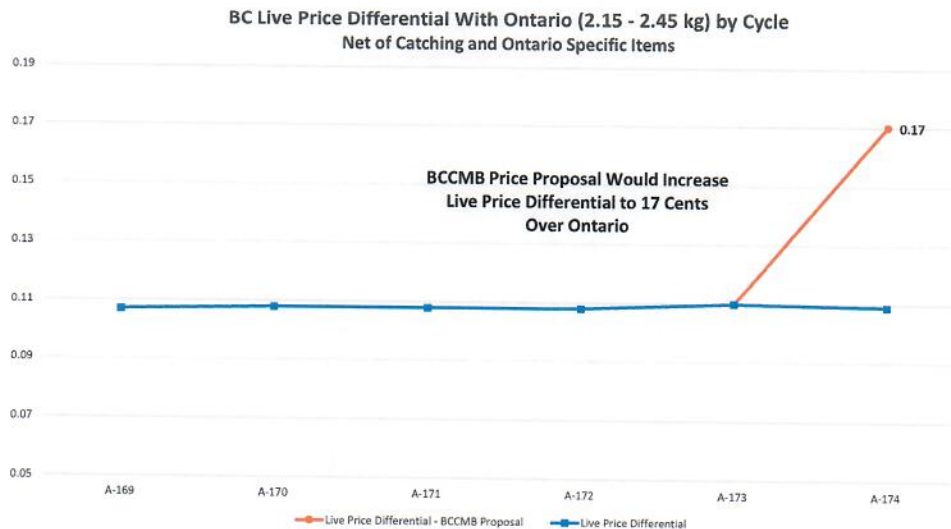
- If the BCCMB had properly analyzed the impact of their pricing proposal they would see, as shown in the tables below, that their proposal would:

- a) Increase BC grower returns to extremely high levels;
- b) place BC processors, who are already compromised by the existing price formula, into a competitive position that was previously thought to be unfathomable.
- The tables below analyze grower returns (as defined by return after feed and chick and catching) as well as processor competitiveness and show that despite the shift in feed commodities (corn and wheat price inversion) that:
 - the current pricing formula, in A-173 and A-174, will deliver returns consistent with what growers were realizing in 2019 / 2020 at the beginning of the supervisory review with returns expected to increase to almost 45 cents in A-175.
 - show that the BCCMB live price proposal would increase grower returns to a near record level of 47 cents per kilogram in A-174 well over the 2019 / 2020 average and holding feed, chick and catching costs constant, returns would be beyond 50 cents in A-175.
 - on the other hand, processor competitiveness over the same periods would deteriorate with the live price differential (net of catching and Ontario specific items) increasing from almost 11 cents to over 17 cents which would be a record differential.

Grower Returns After Feed and Chick (Net of Catching)	Average 2019 - 2020	A-173	A-174 Current	A-174 Proposed	A-175 Expected	A-175 Proposed
BC Live Price – 2.021 – 2.170 kg	1.6807	1.941	1.951	2.013	1.986	2.0476
Catching Costs	0.0365	0.0365	0.0400	0.0400	0.0400	0.0400
Feed and Chick Costs*	1.2241	1.4847	1.4982	1.4982	1.4982	1.4982
Return After Feed and Chick	0.4201	0.4198	0.4128	0.4748	0.4478	0.5094

Processor Competitiveness Live Price Differential with Ontario	Average 2019 - 2020	A-173	A-174 - Current	A-174 Proposed	A-175 Expected	A-175 Proposed
Net BC Live Price	1.6442	1.9045	1.9110	1.973	1.946	2.0076
Net Ontario Live Price	1.5484	1.795	1.802	1.802	1.837	1.837
Live Price Differential	0.0959	0.1095	0.1090	0.1710	0.1090	0.1710

- The graph below shows the impact of the BCCMB proposed pricing formula on the live price differential with Ontario compared to the existing formula for A-174/



6. Proposal Biases the Supervisory Review

- The BCCMB proposal to increase the live price by an additional 6.16 cents in A-174 would effectively increase grower returns to \$0.4748 and to \$0.5094 in A-175 after feed and chick with no consideration for processor competitiveness.
- If the proposed pricing formula is implemented, the BCCMB is essentially establishing a new benchmark for what constitutes a “reasonable return for growers” and what defines “processor competitiveness” with no data or rationale to support these benchmarks.
- In fact, the BCCMB has provided no rationale in their proposal as to why this level of grower return is required nor have they provided any support as to why the live price should increase by 50% of the amount that exceeds the upper guardrail.
- By not providing any clear rationale for their pricing proposal, the BCCMB is inviting this level of grower return and live price differential to enter the supervisory review discussions. This will bias and undermine the objectivity of the BCCMB in the Live Price Supervisory Pricing Review Process and be detrimental to future discussions.
- The PPPABC believes the Supervisory Review process has already been compromised through the BCCMB’s A-174 Price Bulletin where the cover email from Shawn Mallon dated January 17, 2022 (attached) states, “In accordance with the Board’s decision on the A-173 request for Exceptional Circumstance in which the Board served notice “to BCFIRB of its intention to propose amendments to the existing formula for the FIRB Review Panel’s prior approval for quota period A-174”, the Board will be proposing to amend the current formula to include provision to cover 50% of the current formula cost exceeding the upper guardrail (now set at \$0.1284/kg) to address the continued escalation of feed ingredient costs facing BC growers after further consultation with stakeholders. If approved for quota period A-174 this would amount to an additional \$0.0616/kg.” In providing this direction to BC Broiler Growers the BCCMB is recommending that a return after feed and chick of \$0.47 cents is a reasonable return for BC Broiler Growers.
- The BCCMB’s price bulletin is setting expectations with growers that, if unfulfilled, will have ramifications for processors who do not support the BCCMB pricing proposal. The BCCMB has provided no rationale for their proposal and risks influencing the supervisory review process by unfairly set grower return expectations.

It also needs to be recognized that the feed anomaly we are experiencing is not a ‘once in a lifetime’ event. Differing input costs happen from time to time in the industry, albeit generally not to the current magnitude. There have been numerous instances in the past where this type of feed difference has taken place, both to the detriment, and to the benefit of, both processors and growers. For example, in A-167 and A-168 when feed prices between Ontario and BC were very close, this had a significant benefit to BC growers. However, in this instance, there was no contemplation of reducing the live price to assist processors and enhance their competitiveness. This is the first time in history that the BCCMB is proposing a price formula adjustment of this magnitude to the benefit of growers.

The PPPABC recognizes the changing dynamics in feed commodities that is occurring in Western Canada, but we do not accept the pricing actions being taken by the other Western Boards. Marketing Boards across the west are ignoring the benefits that are accruing to growers through increased prices coming from the ONCOPF and have focused exclusively on

feed differentials to achieve their outcome of maintaining and increasing their returns, while at the same time severely compromising the competitiveness of their local processors.

The PPPABC also offers further comments with respect to potential harm the implementation of BCCMB pricing proposal recommendation would cause to the BC chicken industry.

1. Inconsistent with Market Stability and Sound Marketing

- As was previously stated, the implementation of the BCCMB recommendation is establishing a “47 – 50 cents after feed and chick” benchmark as the low end of a reasonable return for growers and similarly establishing a 17- 21 cent live price differential as an acceptable level for processor competitiveness without providing any rationale or support for those metrics.
- The implementation of the BCCMB pricing proposal will undermine the objectivity of the current pricing review by setting up unrealistic expectations for BC growers.

2. Reduce Allocations and Industry Growth

- With the live price being recommended by the BCCMB is combined with the live pricing that is surfacing in the Prairies, PPPABC members will be looking for reduced production allocations. Consumer demand will soften as prices increase and poultry’s competitive advantage with other proteins will be reduced.
- Processors will experience increased losses on export volumes as these prices are set internationally and our costs will increase. This will also result in reduced market development allocations in the province.

3. Redistribution and Re-Tooling of Supply Chains

- Processors will be vulnerable to losing business to processors in Central Canada. The longer an increased pricing differential is in place, the greater the likelihood that customers will redirect supply chains to cheaper jurisdictions.
- BC processors and further processors will be faced with a variety of decisions as it relates to the proposed increase brought forward by the BCCMB.
 - In cases where they have fixed price contracts, they will be forced to absorb the increase.
 - In cases where they have live priced contracts, there may be opportunities to pass on the increases but in doing so there will be significant risk in losing business.

4. Potential Risks to Industry Sustainability in the Future

- The BCCMB in their “BC Chicken Marketing Board Pricing Review Decision, January 7, 2022”, included a “BC Chicken Grower Sustainability Report” delivered by Hugh Scolah, an independent consultant who makes several important observations including but not limited to:
 - “the current approach to pricing hovers around delivering reasonable returns (4.5% excl depreciation) for the median grower excluding land and quota costs”

- "...any price increase over current levels would likely be counter productive as an improvement in cash flow will be capitalized into quota values..."
- "...in many cost categories the A-161 COP model has higher costs than the observed data [actual costs] with the exception of Vancouver Island..."
- Given the magnitude of the live price increase being proposed, it is not clear how many of these observations have been considered by the BCCMB

In summary, the BCCMB pricing proposal if implemented, will increase the competitive disadvantage facing BC processors to levels never experienced before. As a result, we will be forced to request less production due to our inability to compete nationally at these pricing levels. This will happen while Growers are receiving additional margin increases that will take returns to record levels based on changes to the Ontario COPF and the BCCMB proposed formula.

The PPPABC believes that altering the BC Live Price Formula based solely on feed pricing is completely inappropriate. If a fundamental change is to be made to the current pricing formula, it must consider the two main aspects (fair return for growers and processor competitiveness) that are foundational to the supervisory review process. The PPPABC has clearly shown that increases in feed price differentials have not impacted grower returns beyond what they were prior to the start of the supervisory review. The changes to the ONCOPF have increased BC live prices and helped offset the increases in feed costs and maintain returns at their historical level. The BCCMB proposal will increase grower returns to near record levels and create unrealistic expectations that will bias the foundation of the supervisory process by setting new expectations on what are reasonable grower returns and processor competitiveness.

The PPPABC therefore rejects the BCCMB's pricing proposal and supports maintaining the current pricing formula while encouraging the BCCMB to focus on bringing the chicken live pricing supervisory review to a successful conclusion.

Sincerely,



Blair Shier
President
Primary Poultry Processors Association of BC

c. Wendy Holm – BCFIRB Liaison

Attachments:

1. PPPABC Correspondence – Re: Potential Modifications to A-174 BC Live Pricing Formula –
2. PPPABC Correspondence – Re: A-174 Exceptional Circumstances – Addendum – December 24, 2021
3. PPPABC Correspondence – Re: Potential Modifications to A-174 BC Live Price and Changes to ONCOPF – January 11, 2022
4. BCCMB – A-174 – Mainstream Pricing – Email from Shawn Mallon



December 14, 2021

Mr. Harvey Sasaki
Chair
BC Chicken Marketing Board

Dear Harvey:

Re: Potential Modifications to A-174 BC Live Pricing Formula

The BC Chicken Marketing Board (BCCMB) has requested that the Primary Poultry Processors Association of BC (PPPABC) provide its perspective and input on potential changes to the BC Live Price Formula (pricing formula) for A-174 given the escalation of feed prices. The PPPABC has reviewed, analyzed, and discussed the situation and does not support a modification to the pricing formula and provides the following rationale to support this position:

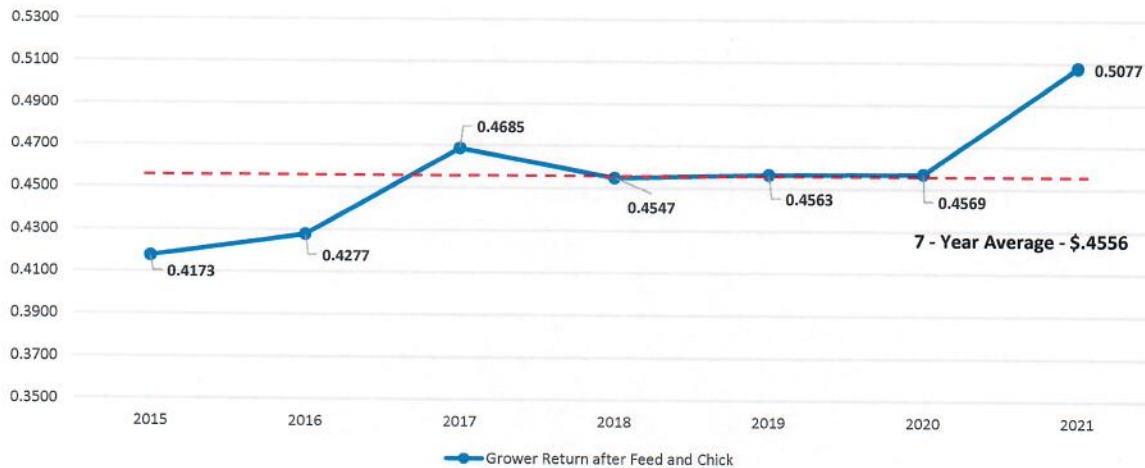
- The BC Farm Industry Review Board (BCFIRB) has stated that no changes to the pricing formula should be implemented, without their prior approval, until the chicken live pricing supervisory review has been completed. BCFIRB reinforced that position when significant changes were made to the Ontario Cost of Production Formula (ONCOPF) which resulted in a significant increase in grower returns despite an appeal from the processors. It is our expectation that growers should be held to the same standard as the processors.
- Despite the shift in feed commodities (corn and wheat price inversion), which is generally viewed as being temporary, grower returns in A-173 (as defined by return after feed and chick) are consistent with the returns growers were experiencing at the beginning of the supervisory review. As mentioned above, this is due in large part to the increase in grower returns that has been derived from the ONCOPF changes.

	Average 2019 – 2020	A-173
BC Live Price – 2.021 – 2.170 kg	1.6807	1.9410
Catching Costs	\$0.0365	\$0.0365
Feed and Chick Costs*	1.2241	1.4847
Return After Feed and Chick	.4201	.4198

*Detailed data can be found in Appendix 1

- While the PPPABC recognizes that commodity pricing has shifted in recent cycles and increased feed prices, the increase in the BC live price in 2021 has more than offset this shift. In fact, as shown in the chart below, grower returns in 2021 have increased by 11% over 2019/2020 even with the recent shift in commodity prices.

Grower Returns after Chick and Feed \$/ Kg - Annual



Any change being considered by the Board at the request of the growers will increase the live price differential for BC processors to a record level. We are at a loss to understand the rationale for a change given growers are earning returns that are consistent with what they were achieving when BCFIRB put the standstill on price formula changes in place.

The PPPABC recognizes the current trends in commodity and feed pricing being experienced by growers across Canada and we also recognize the very significant challenges being experienced by the BC industry due to recent flooding activities in the Sumas Prairie.

The impact of the floods on the farms and farmland in the impacted areas has been devastating and we realize the challenge we have going forward as an industry in those areas. However, it must also be recognized that these conditions are also presenting processors with significant challenges in running their operations. The flooding has had massive impact on processing operations in BC and across our national network of suppliers who provide us with product, packaging materials, ingredients, and supplies. Processors are absorbing significant incremental costs related to transportation premiums, with transportation delays also causing significant interruptions in production scheduling resulting in excessive operating downtime and overtime.

While many of these incremental costs spiked immediately as the floods arrived, it is now clear that many of these increased costs will continue to be incurred until transportation systems and supply chains return to normal. The ability of processors to pass these costs on to customers is extremely challenging and presents a significant business risk due to the nature of customer contracts and the competitive marketplace, especially given that processors outside of the lower mainland are not facing these same cost issues.

With respect to the rationale provided by the BCCMB in their November 25th notice to the BCFIRB and the Pricing and Production Advisory Committee (PPAC), we offer the following comments:

The BCCMB November 25th notice provided rationale as to why they believe there is a need to review the pricing formula. The BCCMB states, "Over the last three quota periods ingredient and other costs have escalated."

- By confining their analysis to the last three cycles, the BCCMB is ignoring the fact that live prices escalated significantly in A-169 because of the ONCOPF changes, which drastically increased grower returns.
- The live price increases that were derived from the changes to the ONCOPF in A-169 have offset the increase in feed costs currently being experienced in BC.
- The board has not adequately assessed the combined impact of the ONCOPF and feed cost increases on grower returns in their analysis.
- In addition, in A-167 and A-168 there was a significant commodity price shift in the other direction. Corn prices increased substantially compared to wheat which favored BC growers and increased their returns. The BCCMB did not consider adjusting the live price formula in place to lower the live price at that time.
- The BCCMB November 25th notice also references increases in "other costs" which have not been identified, substantiated, or quantified.

The November 25th notice also refers to pricing trends in the other western provinces and states that, "BC's live price relative to other Western Provinces is now lower, when historically BC has had the highest live price in the West." This statement is not accurate as the BC Live price in A 173 is \$1.941 which is higher than Alberta's live price of \$1.9155 for the same period.

Furthermore, given that we are in midst of a pricing supervisory review, the PPPABC does not accept the idea that BC should be adjusting the pricing formula and temporarily moving prices based on what is happening in other western provinces. This is particularly concerning because it appears that all the western province marketing boards are taking advantage of this situation and locking in extremely high grower returns while at the same time dramatically lowering the competitive position of their processors. It would be an inappropriate marketing board decision to make a decision based on the rationale that "others are doing it", when the outcome of those other decisions are providing substantive returns to one party, while severely compromising the other.

The BCCMB continues to view the industry from the Growers perspective only and ignores the fact that BC Processors are no longer competitive at the current live price differential level. If the Board was looking after the interests of the industry, then our expectation would be that they propose a temporary reduction to the live price given that BC Processors are facing transportation, production and scheduling challenges that will last for many months and cause millions of dollars in extra costs to them. Instead, we see only a proposal to take further millions of dollars from us to ensure Growers continue to receive great returns.

In summary, the PPPABC believes that the increases in commodity and feed costs, that have been agreed to be temporary in nature, have not impacted grower returns beyond what they were prior to the commencement of the supervisory review. In fact, the changes to the ONCOPF and the resulting

benefits to growers have offset the feed increases and provided fair returns to growers even with these high feed prices. As noted, on a year-to-date basis grower returns remain well ahead of last year and therefore do not justify opening the pricing formula at this time. More importantly for BC Processors, we have already been placed in an uncompetitive position with the current live price formula and we are faced with millions of dollars of extra costs due to the recent flooding events.

It is the PPPABC position that the current pricing formula should remain in place and the BCCMB should focus on bringing the supervisory review on chicken live pricing to conclusion in an expedient manner.

Sincerely,



Blair Shier
 President
 Primary Poultry Processors Association of BC

Appendix 1 – Grower Return Calculations

Historical Grower Returns - Actual	A-173	2019	2020	2021	2019 / 2020 Average
Net BC Live Price - Actual (2.201 - 2.170 kg)	1.9045	1.6302	1.6582	1.8738	1.6442
less: Feed Costs	1.0573	0.8264	0.8324	0.9698	0.8294
less: Chick Costs	0.4274	0.3840	0.4054	0.4328	0.3947
Grower Returns - Actual	0.4198	0.4198	0.4204	0.4712	0.4201



December 24, 2021

Mr. Harvey Sasaki
Chair
BC Chicken Marketing Board

Dear Harvey:

Re: A-174 Exceptional Circumstances - Addendum

The Primary Poultry Processors Association of BC (PPPABC) wants to follow-up on its correspondence to you dated December 14th, 2021, with respect to the BC Chicken Marketing Board (BCCMB) potentially modifying the A-174 BC Live Pricing Formula to reflect the increased feed differential with Ontario caused by the temporary corn / wheat price inversion.

The PPPABC has been made aware that the Ontario Cost of Production Formula (ONCOPF) review process has made annual adjustments that will be applied to the Ontario live price in A-174. The PPPABC understands that these annual adjustments will be in excess of 2 cents per kilogram effectively increasing the Ontario live price. These annual adjustments will be formally communicated to industry in the Chicken Farmers of Ontario (CFO) A-174 price bulletin in January.

This increase in Ontario live price will provide a further increase in returns to growers who have already realized record returns this year. Any potential changes to the BC Live Price Formula contemplated by the BCCMB for A-174 needs to consider the changes the ONCOPF and the Ontario live price. The BCCMB cannot accept the changes to the ONCOPF in A-174 while at the same time adjusting the BC Live Pricing Formula. By doing this, the BCCMB would further erode processor competitiveness and further increase growers returns which, for the current period (A-173), have been shown to be consistent with levels prior to the supervisory review.

To reiterate the PPPABC position on this matter contained in our December 14th correspondence:

- The BC Farm Industry Review Board (BCFIRB) has stated that no changes to the pricing formula should be implemented, without their prior approval, until the chicken live pricing supervisory review has been completed.
- Despite the shift in feed commodities (corn and wheat price inversion), which is generally viewed as being temporary, grower returns in A-173 (as defined by return after feed and chick) are consistent with the returns growers were experiencing at the beginning of the supervisory review.

- While the PPPABC recognizes that commodity pricing has shifted in recent cycles and increased feed prices, the increase in the BC live price in 2021 has more than offset this shift and grower returns in 2021 have increased by 11% over 2019/2020.
- The anticipated changes in the ONCOPF to be implemented in the Ontario A-174 Live Price will increase grower returns in BC by more than 2 cents per kilogram.

The application of the annual adjustments in the new ONCOPF process were expected by the industry and the Board needs to recognize that in A-174, these benefits will flow to BC growers. In addition, the BCCMB as part of the live pricing supervisory review will need to take into account the new ONCOPF annual adjustment process as it relates to their proposed interim and long-term pricing formulae recommendation and discussions with the industry.

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



January 11, 2022

Mr. Harvey Sasaki
Chair
BC Chicken Marketing Board

Dear Harvey:

Re: Potential Modifications to A-174 BC Live Price and Changes to ONCOPF

The Primary Poultry Processors Association of BC (PPPABC), further to its December 14, 2021, correspondence on the above matter wants to ensure that the BC Chicken Marketing Board (BCCMB) understands the impact of further changes to the Ontario Cost of Production Formula (ONCOPF).

The changes to the ONCOPF have been released (Appendix 1) with the producer margin now including a phased-in capital component of 3.46 cents to be phased in over 2022. The inclusion of this capital component along with other changes have increased the producer margin in A-174 by 2.1 cents. The producer margin in Ontario is also expected to increase by an additional 3.0 – 3.5 cents for A-175 and A-176 with a levelling out in A-177 – A-180. Under the current BC pricing formula any improvements resulting from these producer margin increases will flow directly to growers and increase their returns beyond current levels.

As mentioned in our December 14, 2021, correspondence, grower returns are consistent with levels realized prior to the start of the supervisory review. The recent changes to the ONCOPF further reinforce the PPPABC position that there is no justification to support approaching the BC Farm Industry Review Board (BCFIRB) requesting changes to the current pricing formula.

Sincerely,

Blair Shier
President
Primary Poultry Processors Association of BC

Appendix 1 – CFO Letter to Producers

Dear CFO Farmers:

This is an important message regarding COPF updates and the Farm-Gate Minimum Live Price - effective A-174.

Chicken Farmers of Ontario (CFO) Board of Directors and staff have worked diligently throughout 2021 to assess the cost items related to producer margin, and to develop an enhanced methodology for calculating these components of the farm-gate minimum live price.

Data provided by farmers has been crucial to supporting these efforts, as the CFO Board of Directors remains committed to ensuring the accuracy and successful implementation of the Cost of Production Formula (COPF).

THE PROCESS:

Regulation 402 provides for the annual negotiation of adjustments by the Negotiating Agency appointed by Chicken Farmers of Ontario (CFO) and the Association of Ontario Chicken Processors (AOCP).

The negotiation was specific to the cost items relating to the producer margin of the farm-gate minimum live price.

The negotiation has now been completed.

WHAT'S CHANGED?

The Negotiating Agency has settled, by agreement, adjustments to the farm-gate minimum live price and CFO and AOCP reached agreement on the methodology to calculate the value of the producer margin component of the farm-gate minimum live price for quota periods A-174 - up to and including A-180.

- **The Ontario Farm Products Marketing Commission (OFPMC) has now approved the adjusted farm-gate minimum live price and brought into force a price of \$1.817/kg for the weight category of 2.15 kg to 2.45 kg, effective for quota period A-174.**
- **The adjusted farm-gate minimum live price includes an increase of 3.46 cents per kg to the capital cost elements of the producer margin.**
- **In accordance with previous practice, the remaining elements of the COPF will be updated as per the Statistics Canada indices.**

The adjustments to the producer margin have been informed by the New Barn Cost Survey recently completed by farmers who built new barns in 2019, 2020, and 2021. As a result of the

information provided by these farmers, the Negotiating Agency was able to reach agreement on these adjustments to better reflect the estimated costs of the capital cost items in the producer margin component of the farm-gate minimum live price. *

The increase is intended to be phased in, and the producer margin for each quota period of 2022 is estimated to be as follows:

- A-174 is \$0.5983 per kg;
- A-175 is \$0.6329 per kg;
- A-176 is \$0.6329 per kg; and
- A-177 to A-180 is \$0.6213 per kg.

***IMPORTANT:** *The phased-in increase, as stated above, may be subject to change based on the outcome of the third-party audit of the New Barn Cost Survey data that was collected. We will continue to provide farmers with more information - as relevant, and as it becomes available.*

THANKING FARMERS!

The CFO Board of Directors would like to thank all farmers who participated in various data collection initiatives in 2021. This work was of critical importance to informing the recent developments to the COPF. Your time and effort are greatly appreciated!

The Board would like to remind all farmers of the importance of accurate and timely reporting through CFO Connects. Your continued attention and compliance in submitting accurate feed data and new barn build cost surveys remain invaluable in informing the COPF.

QUESTIONS?

[CLICK HERE](#) to access the updated Farm-Gate Minimum Live Price section of ontariochicken.ca for more information.

Should you have any further questions, please email communications@ontariochicken.ca.

Sincerely,

Chicken Farmers of Ontario

craig.w.evans@gmail.com

From: Shawn Mallon <shawnmallon@BCChicken.ca>
Sent: January 17, 2022 8:14 AM
Subject: BCCMB - A-174 Mainstream Pricing
Attachments: A-174 Mainstream Pricing Order.pdf; A-174 Organic Pricing Order.pdf; A-174 TC Pricing Order.pdf; A-174 Silkie Pricing Order.pdf

Good Morning,

Please find attached the pricing orders for A-174. The mainstream price was set in accordance with the current formula with a modification to the catching cost; increasing from \$0.0365/kg to \$0.040/kg effective this period. As per the Board's pricing order "the guardrails will be adjusted to reflect any changes in catching costs". As such the guardrails have been increased by \$0.0035/kg effective this period.

In accordance with the Board's decision on the A-173 request for Exceptional Circumstance in which the Board served notice "to BCFIRB of its intension to propose amendments to the existing formula for the FIRB Review Panel's prior approval for quota period A-174", the Board will be proposing to amend the current formula to include provision to cover 50% of the current formula cost exceeding the upper guardrail (now set at \$0.1284/kg) to address the continued escalation of feed ingredient costs facing BC growers after further consultation with stakeholders. If approved for quota period A-174 this would amount to an additional \$0.0616/kg.

Thank you

Shawn Mallon, MSc
Manager of Administration



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