



BC Chicken Growers'  
ASSOCIATION

January 25, 2022

**DELIVERED VIA EMAIL**

[Kirsten.Pedersen@gov.bc.ca](mailto:Kirsten.Pedersen@gov.bc.ca)

Peter Donkers, Panel Chair, BC Farm Industry Review Board

**RE: BC Chicken Growers' Association Position Statement on the BC Chicken Marketing Board's Proposed Amendment to the Quota Period A174 Mainstream Pricing Formula**

Dear Peter,

The BC Chicken Growers' Association (BCCGA) is in support of the BC Farm Industry Review Board's (FIRB) approval of the BC chicken Marketing Board's (BCCMB) adjustment to the existing A-174 pricing formula. As stated by the BCCMB, the adjustment is "Based on the linkage agreement formula, the proposed amendment to the formula yields a \$0.072/kg increase to the current formula live price for Quota Period A-174; from \$1.951/kg to \$2.0129/kg with a resulting cost recovery of 95.33%."

The BCCGA on behalf of the Grower Committee in the Pricing and Production Advisory Committee ("PPAC"), requested exceptional circumstances to amend the pricing orders #164 for period A-173 and #165 for period A-174. These exceptional circumstances requests were primarily due to the significant increased feed costs, mainly due to the wheat/corn imbalance, amid other increased costs.

The BCCMB denied varying the A-173 live price, however, recognized and was concerned with the situation currently facing the BC chicken industry. The BCCMB noted that over the past three quota periods ingredient and other costs have escalated. During this time the existing mainstream live price formula's upper guardrail had been significantly exceeded. The Board also acknowledged that the BC live price relative to other Western provinces is now lower, when historically BC had the highest live price of the Western provinces.

The BCCGA had requested that the upper guardrail be removed during these exceptional circumstances. However, to help balance the interests of the processors and growers, the BCCGA accepts the proposed adjustment for A-174.

The feed prices across Canada and Western Canada have increased significantly. BC growers have been exceptionally hit hard by the wheat/corn imbalance, amid other increased costs. The upper guardrail for A-174, A-173, A-172, A-170 and A-169 have kept growers restricted to these upper guardrail levels. The current formula was not meant for such major differences in feed costs.

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Allocation Period	Cost to Growers (Kgs = Domestic allocation + MD)
A-174	38,754,535 kgs x \$0.1276 = \$4,945,079
A-173	37,111,184 kgs x \$0.1028 = \$3,815,030
A-172	39,498,995 kgs x \$0.0851 = \$3,361,364
A-171	38,923,570 kgs x \$0.0534 = \$2,078,518
A-170	40,093,087 kgs x \$0.0579 = \$2,321,390
A-169	37,880,944 kgs x \$0.023 = \$871,262

Allocation Period	Cost to Growers (Kgs = Domestic allocation + MD)
A-174	38,754,535 kgs x \$0.170 = \$6,588,271
A-173	37,111,184 kgs x \$0.156 = \$5,789,344
A-172	39,498,995 kgs x \$0.125 = \$4,937,369
A-171	38,923,570 kgs x \$0.082 = \$3,191,732
A-170	40,093,087 kgs x \$0.083 = \$3,327,726
A-169	37,880,944 kgs x \$0.038 = \$1,439,476

These tables show the losses growers have suffered due to the Upper Guardrail (Table #1) and pricing below COP (Table #2). These are monies that the growers will never get back, monies that they will never be able to reinvest into their businesses. BC growers have moved too far away from their actual costs. BC chicken growers need to recover all their costs.

Period	Feed (\$)	BC Live Price	COP	Below COP	Grower Margin
A-174	1.07	\$1.95	\$2.12	\$0.170	5.5 %
A-173	1.06	\$1.94	\$2.10	0.156	6.0 %
A-172	1.05	\$1.97	\$2.09	0.125	7.2 %
A-171	1.03	\$2.00	\$2.08	0.082	9.2 %
A-170	0.99	\$1.95	\$2.03	0.083	9.2 %
A-169	0.96	\$1.95	\$1.99	0.038	11.6 %
A-168	0.87	\$1.81	\$1.89	0.075	10.2 %

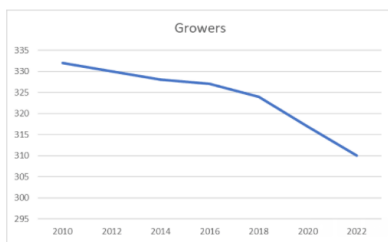
The BC live prices are significantly below our members' actual cost of production, in eight of the past ten allocation periods. The most recent three allocation periods (A-172 to A-174) show a devastating trend. At the current A-174 live price, BC growers would be \$0.170 below their cost of production with the lowest margin of 5.5% in the past ten allocation periods. These pricing structures are not sustainable for the BC chicken industry.

Before the new Ontario COPF, Ontario used a high FCR in their formula; higher than the BC FCR and higher than the actual Ontario FCR. This resulted in an overstated feed cost/kg in Ontario and allowed for a better return to Ontario growers (which was then offset in A-129 by the feed efficiency adjustment). This had an impact and affect on the BC live price because the current formula uses 75% of the difference between BC feed cost/kg and Ontario feed cost/kg. The overstatement of the Ontario feed cost resulted in a lower feed cost differential and had a negative effect on BC grower returns and benefited the BC processor. The higher Ontario FCR generating a lower BC feed cost differential masked the true feed cost differential and added a compounding effect on the BC live price due to the annual efficiency adjustments applied in Ontario prior to A-169.

Ontario Feed Conversion Analysis	A-168
Ont Feed Price (per kg)	\$ 0.4771
"Old" Ont feed conversion ratio	1.8130
"Old" Ont Feed cost per kg	\$ 0.8649
"New" Feed conversion ratio (A-169)	1.6248
"New" Ont Feed cost per kg	\$ 0.7751
Feed cost difference	\$ 0.0898
75% of the feed cost difference	\$ 0.0674
BC A-168 Allotment (domestic + MD)	37,684,430
Dollar amount that BC growers were shorted in A-168 due to the inflated Ontario FCR	<b>\$ 2,538,046.36</b>

In A-169, Ontario changed their FCR to an actual realistic number which resulted in a feed price/kg (lower than before) more reflective of actual feed conversions and cost to grow broilers. The change resulted in a more accurate statement of the feed cost differential between BC and Ontario. It contributes to the BC formula working the way it was intended to by addressing the higher feed costs in BC and BC growers experienced 1 period of returns that were closer to their COP. Then the wheat/corn price imbalance came along and now the BC live price has been limited by the upper guardrail for multiple cycles in a row and seems to be getting worse. There is no way for BC growers to make up this actual feed cost difference without changes to the upper guardrail as it prevents growers from realizing a price increase to cover their rising costs.

The harm to BC chicken growers is the loss of millions of dollars each cycle as shown above. The harm that can not be gauged is how many growers are going to exit the industry in the next cycle, in the next year, in the next 5 years if things stay the same.



Year – No. Of Growers
2010 - 332 growers
2018 - 324 growers
2021 - 317 growers
2022 - 310 growers
*Since 2007 the BCCMB has started 67 New Entrant Growers. 8 of them have since left the industry. The

Historically and well known, BC has the highest live price of the Western Provinces, in part due to the BC growers' distance to the supply of grains. It was unbelievable when the Prairie provinces, Saskatchewan and Manitoba, both reported higher live prices than BC in period A-173. And now in period A-174 Alberta, Saskatchewan and Manitoba have all posted higher live prices than BC. Never have 2 Prairie provinces prices higher than BC in the same cycle, let alone 3!

In A-173, there were no pricing appeals filed in Alberta, Saskatchewan or Manitoba. As of mid-last week, there were no pricing appeals filed in those provinces for period A-174 either. As the BCCMB stated in their submission: *"BC processors operate in the prairie provinces and if competitiveness in Canadian markets is of concern, the higher live prices paid in the prairies seems inconsistent with the competitiveness concerns expressed by BC processors over the current and past BC live prices."*

The significantly higher feed prices during periods A-173 and A-174 are well known to processors, the BCCMB and the BCFIRB. The Prairie provinces' authoritative bodies understood the issues and the numbers and understood that the only choice was to raise the price or risk losing the farmers. These period pricing inadequacies could have been avoided by proactively setting the live prices for BC Chicken, given the higher feed costs, as was done with the other Prairie provinces. We need our authoritative bodies to recognize these inadequacies and protect BC Chicken Growers. This imbalance is causing harm to BC growers as the costs for producers continue to be higher than sustainable.

Sincerely,

Dale Krahn, President  
BC Chicken Growers' Association

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