



July 18, 2022

Mr. Peter Donkers, Chair  
Farm Industry Review Board  
PO BOX 9129 Stn Prov Govt  
Victoria, BC V8W 9B5  
BY EMAIL:

**RE: BCCMB Response: Weight class change proposal – further information and analysis requested**

Dear Mr. Donkers,

The Board has considered the review panel's questions with respect to the Chicken Boards proposed weight class adjustment for the interim pricing formula. As stated in the chicken Boards June 10<sup>th</sup> request, 'The Board fully acknowledged and respect 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 inconsistent objectives.

The Board reaffirms its recommendation that the change in weight class *in combination* with the extraordinary feed cost adjustment (50% of costs above the guardrail) provides the balance of processor and grower interests. Growers are provided with the assurance that as long as the feed price anomaly continues, the BC Live price formula has the ability to address and reduce the financial impact on growers. The processors in turn with the weight class adjustment will see the impact and effect of the extraordinary feed cost adjustment tempered by \$0.02/kg and serve as a measure to maintain processor competitiveness. In the Boards view the weight class adjustment is consistent with the review panels modification to the Boards proposed amendment for A-175 which only applied a percentage of the Ontario Producer Margin adjustment in order to balance interest of growers and processors. The weight class adjustment to 2.15-2.45kg aligns with the largest portion (~38.03% in A-175) of BC Chicken production (2.171 to 2.5000 kg BC weight class). It is a more transparent, accountable, and fair measure than adjusting the Ontario Live price or producer margin.

In the 'Next Steps – Questions and analysis' portion of the Panels letter to the Chicken Board, it states the "Chicken Board notes in its submission that it considered several options...". This does not align with the Chicken Boards June 10<sup>th</sup> submission as the Board does not state it was reviewing several options. The request to move the weight class was consistent with the March 4<sup>th</sup> long term submissions, draft submission, as well as previous year of conversations through the Supervisory review. The Board did however look at different impacts on the pricing formula, such as variations of; capturing the full Ontario producer margin vs FIRB's Ontario producer margin adjustment (A-175 & A-176), weight class changes vs no weight class changes, the status quo formula, requesting an extension of the previous prior approval formula for A-175 & A-176, and possible impacts of Feed Conversion Rate (FCR) changes. In previous discussions other options discussed included changing or reducing the guardrails, or a fixed differential over Ontario, both however, skewed benefits towards the processor over reasonable returns to growers. The Board felt the change in weight class was the only option that was



transparent, accountable, and a fair measure for adjustment of the interim formula while also balancing the dual policy objective of reasonable returns to growers and processor competitiveness in the Canadian markets.

#### Impact to growers

The impact to chicken growers is the \$0.02/kg reduction in live price (as compared to A-177 formula) but at the weight class that the largest portion of Chicken is produced in (appendix A). Without the addition of 50% cost recovery above the guardrail, the Board would agree this would be too great an additional burden on growers considering the wheat-corn disparity. However, with the Panels approval for the 50% above the guardrail costs, the BC Live price formula can relieve some of this financial impact on growers. As the current formula only compensates 50% of the costs above the guardrail, on 75% of feed and chick costs, growers are still experiencing the burden of high wheat-corn disparity costs. In the previous submission, the Board provided data and analysis on feed and chicks costs and BC Grower Margin.

#### Impact to processors

The impact to BC processors is the \$0.02/kg reduction in live price, at the weight class consistent with the largest portion of chicken production in BC (appendix A). While processor competitiveness should not solely be measured on the basis of live price, the \$0.02/kg lowers the BC price more in line with Ontario weight class categories. This can only serve to better position BC processors on a cost basis.

The Board recognizes the prior approval request in front of the panel is the interim formula and reiterates our intentions and need for a Grower Cost Recovery Model. Ensuring growers recover their costs based on transparent, accountable, and verifiable data will support a sustainable BC Chicken industry for the entire value chain.

Lastly, the Board found significant value in discussion with the FIRB Pricing Panel at our April 12<sup>th</sup> in-person meeting as opposed to communication solely through letters. We believe the conversation was illuminating for both parties. Following that meeting, the Chicken Board expressed enthusiasm for further meetings to seek clarity wherever the Panel needed. The Chicken Board is open and would encourage the Panel to meet with the Chicken Board for further engagement. While in-person seems to be the most beneficial, we are also open to a virtual meeting.

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Harvey Sasaki

Chair

Cc: BCCMB PPAC  
BCBHEC  
PPPABC  
BCCGA



Appendix A: Average Live Weight A-175

Average Live Weight	A-175			
	# Growers	% of Total Growers	# Kgs Produced	% Of Production
Primary Growers Receiving Allotment	<b>288</b>			
1.600 kg and below	2	0.69%	74,483	0.20%
1.601 – 1.700 kg	4	1.39%	513,835	1.35%
1.701 – 1.780 kg	9	3.13%	844,684	2.22%
1.781 – 1.850 kg	6	2.08%	835,123	2.19%
1.851 – 1.950 kg	17	5.90%	2,097,643	5.51%
1.951 – 2.020 kg	20	6.94%	2,236,170	5.88%
2.021 – 2.100 kg	32	11.11%	4,403,786	11.57%
2.101 – 2.170 kg	35	12.15%	4,860,655	12.77%
2.171 – 2.250 kg	24	8.33%	5,118,376	13.45%
2.251 – 2.500 kg	63	21.88%	9,353,186	24.58%
2.501 – 2.730 kg	31	10.76%	3,708,299	9.74%
2.731 – 3.180 kg	37	12.85%	3,326,733	8.74%
3.181 kg and above	8	2.78%	682,051	1.79%
Column Totals	288	100%	38,055,024	100%