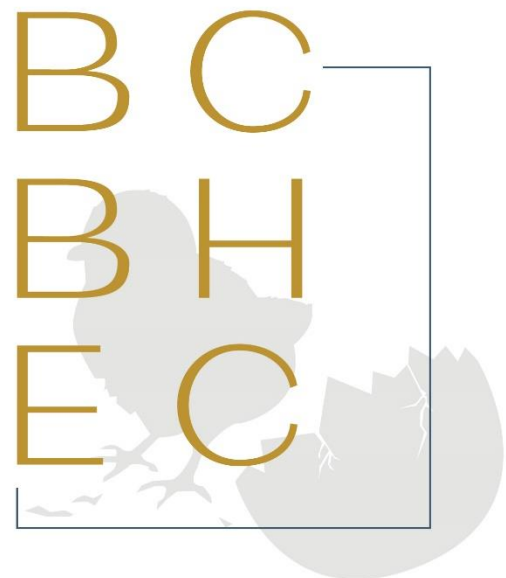


**HATCHING EGG SECTOR
COP-BASED PRICING PACKAGE**

POST-APPROVAL IMPLEMENTATION PLAN

CHICKEN SECTOR PRICING SUPERVISORY REVIEW

JUNE 23, 2022



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British Columbia Farm Industry Review Board Decision

On June 3, 2022, the British Columbia Farm Industry Review Board (BCFIRB) issued its decision on the BC Broiler Hatching Egg Commission’s Proposed Pricing Package¹.

Approval was granted to implement the long-term pricing recommendations on the following conditions (paras. 1-4; 59-62):

The Commission give one production period implementation notice to the BC Chicken Marketing Board (Chicken Board), stakeholders, and BCFIRB; and

The Commission follow the graduated process established in its March 4, 2022 submission.

Further,

The Commission will provide an implementation progress report to BCFIRB by December 16, 2022.

On an on-going basis, the Commission will monitor implementation impacts on hatching egg producers and hatcheries; and, through the Chicken Board, implementation impacts on chicken growers and processors.

The Commission and Chicken Board are to collaborate as necessary to ensure any significant implementation impacts are duly considered and mitigated as appropriate.

To ensure all the conditions of the approval are met with continued stakeholder engagement, this implementation plan has been prepared. It is considered a living document and will be updated as work progresses through the implementation and into the post-implementation period.

Implementation Plan Schedule

Included in the schedule below are action items that either occur one-time (e.g., issuing the one-period implementation notice) or are recurring.

Details on the specific data points to be updated, including formulae finalization, follow this timeline.

Pricing Period	Dates	Action Item	Description	Date(s)
A174	2022-01-16 to 2022-03-12	Submission – Pricing Proposal	Submission of the Pricing Proposal	2022-03-04
A175	2022-03-13 to 2022-05-07	Submission – Follow Up	Prepare answers to questions, including a draft of the post-submission implementation analysis	2022-03-30
		Submission – Follow Up	Meeting with BCFIRB regarding the Pricing Proposal submission	2022-04-12
A176	2022-05-08 to 2022-07-02	Submission – Follow Up	Respond to written submissions by stakeholders as requested by BCFIRB	2022-05-13
		Decision	BCFIRB issues its decision, approving the Pricing Proposal	2022-06-03

¹ BC Farm Industry Review Board. (June 3, 2022). [In the Matter of the Natural Products Marketing \(BC\) Act and BC Broiler Hatching Egg Commission Final Pricing Recommendations](#).

		Pre-Implementation Work	Drafting updates to the Implementation Plan Schedule following decision	2022-06-05 to 2022-06-17
			PPAC Meeting – including Implementation Plan considerations discussion (i.e., A178 versus A179 implementation start)	2022-06-16
			Stakeholder engagement – notice to other stakeholders for input on Implementation Plan	2022-06-17
			COP input updates work	Ongoing
			COP formulae finalizations work with stakeholder engagement	Ongoing
		Decision	Board considers any advice from PPAC, BCCMB and/or other stakeholders; formal approval of Implementation Plan	2022-06-23[†]
		Stakeholder Engagement	Next period pricing documents and considerations sent to PPAC to solicit advice per current practice under Linkage	2022-06-28 [†]
		Decision	Board considers any advice from PPAC, BCCMB and/or other stakeholders; sets price for next pricing period per current practice under Linkage	2022-06-29 [†]
		Price Announcement	Issue pricing for A177 per Linkage	2022-06-30
A177	2022-07-03 to 2022-08-27	Pre-Implementation Work	COP input updates complete	2022-07-29
			COP formulae finalizations complete	2022-07-29
			Serecon Inc. completes input and formulae updates	2022-08-10
		Stakeholder Engagement	Next period pricing documents and considerations sent to PPAC to solicit advice per current practice under Linkage	2022-08-23 [†]
		Decision	Board considers any advice from PPAC, BCCMB and/or other stakeholders; sets price for next pricing period per current practice under Linkage	2022-08-24 [†]
		Price Announcement	Issue pricing for A178 per Linkage	2022-08-26
		Notice	Issue one-period implementation notice	2022-08-26
A178	2022-08-28 to 2022-10-22	Phase-in step	One-period wait following implementation notice	2022-08-28
		COP Updates	Updates to current pricing inputs determined for next pricing period Guide PPAC through first draft of Pricing Package – PPAC meeting date to be confirmed* (14 days prior to price announcement)	2022-10-03*[†] (2022-10-07)

		Stakeholder Engagement	Next period pricing documents and considerations sent to PPAC to solicit advice Guide PPAC through first draft of Pricing Package – PPAC meeting date to be confirmed* (10 days prior to price announcement)	2022-10-03**† (2022-10-11)
		Stakeholder Engagement	PPAC advice due (7 days prior to price announcement)	2022-10-14†
		Stakeholder Engagement	Board forwards next period draft Day-Old Chick price to BCCMB following Decision (7 days prior to price announcement)	2022-10-14†
		Decision	Board considers any advice from PPAC, BCCMB and/or other stakeholders; sets price for next pricing period (4 days prior to price announcement)	2022-10-17†
		Stakeholder Engagement	Board forwards next period Day-Old Chick price to BCCMB following Decision (4 days prior to price announcement)	2022-10-17†
		Price Announcement	Board distributes pricing of Hatching Eggs (per dozen/saleable chick) and Day-Old Chicks for the next period	2022-10-21
A179	2022-10-23 to 2022-12-17	Phase-in step	Phase-in step is at 95.0%*	2022-10-23
		COP Updates	Updates to current pricing inputs determined for next pricing period (14 days prior to price announcement)	2022-12-02
		Stakeholder Engagement	Next period pricing documents and considerations sent to PPAC to solicit advice (10 days prior to price announcement)	2022-12-06
		Stakeholder Engagement	PPAC advice due (7 days prior to price announcement)	2022-12-09†
		Stakeholder Engagement	Board forwards next period draft Day-Old Chick price to BCCMB following Decision (7 days prior to price announcement)	2022-12-09†
		Decision	Board considers any advice; sets price for next pricing period (4 days prior to price announcement)	2022-12-12†
		Stakeholder Engagement	Board forwards next period Day-Old Chick price to BCCMB following Decision (4 days prior to price announcement)	2022-12-12†
		Price Announcement	Board distributes pricing of Hatching Eggs (per dozen/saleable chick) and Day-Old Chicks for the next period	2022-12-16
		Submission - Implementation Progress Report	Deadline for the Board to submit its implementation progress report to BCFIRB	2022-12-16
A180	2022-12-18 to 2023-02-11	Phase-in step	Phase-in step is at 95.5%*	2022-12-18
	

A181	2023-02-12 to 2023-04-08	Phase-in step	Phase-in step is at 96.0%*	2023-02-12
	
A182	2023-04-09 to 2023-06-03	Phase-in step	Phase-in step is at 96.5%*	2023-04-09
	
A183	2023-06-04 to 2023-07-29	Phase-in step	Phase-in step is at 97.0%*	2023-06-04
	
A184	2023-07-30 to 2023-09-23	Phase-in step	Phase-in step is at 97.5%*	2023-07-30
	
A185	2023-09-24 to 2023-11-18	Phase-in step	Phase-in step is at 98.0%*	2023-09-24
	
A186	2023-11-19 to 2024-01-13	Phase-in step	Phase-in step is at 98.5%*	2023-11-19
	
A187	2024-01-14 to 2024-03-09	Phase-in step	Phase-in step is at 99.0%*	2024-01-14
	
A188	2024-03-10 to 2024-05-04	Phase-in step	Fully phased-in pricing at the level of an efficient producer*	2024-03-10
	

* Capped to the lower of the step or the return for an efficient producer of the New (2020) COP w/ Mechanisms & Efficiencies. Full phase-in may occur prior to period A188.

† Date subject to any additional work to be performed by Serecon Inc. resulting from consultations.

“...” Refers to steps that are repeated per the A179 schedule; condensed to highlight the phase-in step percentage.

Pre-Implementation Finalization Work

It should be noted that as part of the pre-implementation work, coordination between the Commission and Serecon Inc. will be required as all surveys are housed by Serecon Inc. to maintain producer confidentiality.

Formulae finalizations and the work on a hatchery margin (COP) indexing will require contributions from the BC Egg Hatchery Association (BCEHA) and stakeholders noted in the Vaccine Pricing work action plan.

COP Input Updates (including Mechanisms and Efficiencies)

Input	Required for implementation	Required for each pricing period thereafter
Feed	Update surveyed feed prices. No change from current practice.	Update surveyed feed prices. No change from current practice.
Processing Dates	Update lay cycle length based on simple average of the prior period actual processing dates (A178) plus forecasted next period processing dates (A179). This is a change to incorporate planned processing dates.	Update lay cycle length based on simple average of the prior period actual processing dates (A1XX) plus forecasted next period processing dates (A1XX+1). This is a change to incorporate planned dates.
Breeder Chick Pricing	Cost for the period permitted to be charged by Hatcheries will be set by way of established formulae (see Formula Finalizations). The price included will be an average of four pricing periods that align the current egg production (saleable chicks) to the cost of the breeder chick (e.g., for A179 pricing, average the set cost for periods A176, A175, A174 and A173). This is a change from Hatcheries setting the price to the Commission setting the price using agreed upon formulae with cost verification.	Cost for the period permitted to be charged by Hatcheries will be set by way of established formulae (see Formula Finalizations). The price included will be an average of four pricing periods that align the current egg production (saleable chicks) to the cost of the breeder chick (e.g., for A1XX pricing, average the set cost for periods A1XX-3, A1XX-4, A1XX-5 and A1XX-6). This is a change from Hatcheries setting the price to the Commission setting the price using agreed upon formulae with cost verification.
Vaccine Pricing	Update, by way of indexing, the surveyed vaccine costs following finalization of the Vaccine schedule (and cost sleeve) to determine if a change, higher or lower, is necessary. This is a change to recognize changes in standard vaccines.	Update, by way of indexing, the surveyed vaccine costs to the revised cost sleeve when the vaccine update mechanism is employed.
Utilization	No update required.	No update required.
Industry Benefit Index (IBI)	Calculation of the historical levy portion put toward the management of the Official Flock Schedule, and industry initiatives such as SE sampling, blood work programs, and audit verification processes	Re-run the IBI calculation as necessary (when the underlying figures change).

	that benefit the entire chicken industry is required.	
Hatch Average	No update required.	No update required.
Fowl and Breaker Quality Eggs Revenues	<p>For A179, salvage egg revenue will be indexed as the amount per dozen received by Producers is now \$0.75 per dozen (increase from \$0.70 per dozen).</p> <p>Consult on fowl price which was lowered in 2020 due to COVID-related pressures. Re-index fowl price at the current rate received by Producers.</p>	Update the ancillary revenue (return of costs) line as inputs change.
New Costs	No update required.	<p>Should a new cost be experienced before it can be reasonably surveyed as part of the next COP iteration, depending on the manner of the cost (i.e., voluntary vs. involuntary), all relevant information will be forwarded to the Commission PPAC and, if necessary, the BCCMB PPAC.</p> <p>If required, a new COP-line item, or update to an existing COP-line item, will be completed as determinable in the future.</p>
Other Costs Not Specifically Mentioned	Updates to indices as per current practice.	Updates to indices as per current practice.
Saleable Chick Payment	No update required.	No update required.
70% Hatch	No update required.	No update required.
Production Trimming	<p>Finalization of life-of-flock data, receivable from Hatcheries, is required on a 12-month rolling average.</p> <p>The Commission will compile the data and complete the analysis. For A179, flocks with processing dates ending up to the end of A177 will be included, and for 12 months preceding (i.e., August 27, 2022 back to August 28, 2021).</p> <p>To ensure completeness of data (due to hatches being 21 days after the final set), flocks from the current (incomplete) period are not included.</p>	<p>Continuation of the process required for implementation.</p> <p>Life-of-flock data for flock A1XX will include flocks from A1XX-2 going back 12 months, inclusive.</p>

Formula Finalizations

Formula	Update required for implementation	Update(s) required for each pricing period thereafter
Breeder Chick Pricing	<p>Cost for the period permitted to be charged by Hatcheries will be set by way of established formulae.</p> <p>These formulae are with the BCEHA for consultation. All line items require verifiable amounts and a methodology for how and when to update the amount.</p> <ul style="list-style-type: none"> • Breeder company costs (USD) <ul style="list-style-type: none"> ○ How to account for breed mix as selected by the Hatcheries. • Breeder company services and/or vaccines (USD) • Foreign exchange • Other costs (local to the hatcheries such as brokerage, blood work, lab testing or any other noted amounts) • Removal of breeder chick margin (translated instead into saleable chick hatchery margin increase) <p>This may require information to be forwarded directly from breeder companies to complete the verification process.</p>	<p>Re-running the formulae using the agreed upon inputs with costs that are verifiable to set the price permitted to be charged by Hatcheries to Producers.</p> <p>This then flows into the Breeder Chick Pricing noted above (see <i>COP Input Updates (including Mechanisms and Efficiencies)</i>)</p>
Vaccine Pricing	<p>No update required until the vaccine schedule and cost sleeve are determined, per the work action plan.</p>	<p>Update the components of the cost sleeve as required from time-to-time, based on the process established in the work action plan.</p> <p>This then flows into the Vaccine Pricing noted above (see <i>COP Input Updates (including Mechanisms and Efficiencies)</i>)</p>

Hatchery COP

Input	Update required for implementation	Update(s) required for each pricing period thereafter
Hatchery Margin – Annual Changes	<p>Begin establishing a benchmark of major costs (e.g., hydro and labour) to permit future indexing of the Hatchery Margin.</p>	<p>Re-running the benchmarked costs, verified by a third-party, and applying the updated hatchery margin, if any, on a schedule following consultation with PPAC.</p>

In addition to the above, the Commission preliminary identifies these inputs as areas of ongoing work that will be of use in the next iteration of the Hatching Egg COP:

Next Iteration of the Hatching Egg COP

Input	Update required for implementation	Update(s) required for each pricing period thereafter
Labour costs	No update required.	Begin providing timesheets for Producers to record hours. This is a recommendation coming forward from the third-party COP review for the next iteration of the COP.
Other costs	No update required.	Review key elements of the COP and any advice received from PPAC or other stakeholders which may indicate further survey data is needed and/or a change in the methodology employed (e.g., labour costing, per above).

Reports

Beyond the implementation progress report required by BCFIRB, the Commission aims to establish a report with price setting data and analysis to PPAC – an evolution of the current practice under Linkage. Through this report the Commission will monitor implementation impacts on hatching egg producers and hatcheries, as well as, through the Chicken Board, on chicken growers and processors.

This report is also anticipated to indicate the percentage at which an efficient producer receives their full costs back – the effect of the Production Trimming efficiency.

It is expected this report will change over time based upon the advice of the users of the report.

Stakeholder Engagement

Continuing the consultation and engagement that embodied the Roundtables of the Supervisory Review is of importance to the Commission. Key elements (updates, finalizations, reporting) will require various stakeholders' advice and the Commission anticipates continuing to receive such advice which is incumbent upon all participants in a regulated industry.

Post-Submission Analyses

This section is for continued analyses of the new (2020) COP in comparison to the Linkage-based COP.

Certain data may have been previously presented in the March 30, 2022 post-submission report submitted to BCFIRB and made available on the BCBHEC-BCCMB Pricing website.

New (2020) COP versus Linkage-based COP Pricing

A173	Base New (2020) COP	Current Lay Cycle*	Target Lay Cycle*
Lay cycle (weeks)	56.1	58	58
Equivalent (\$/doz)	\$6.8217	\$6.5988	\$6.5988
Equivalent (per chick)	\$0.7106	\$0.6874	\$0.6874
Hatchery margin (fixed)	\$0.1894	\$0.1894	\$0.1894
Day-old (per chick)	\$0.9000	\$0.8768	\$0.8768
Recovery	100%	100%	100%
v. A173 Linkage price (\$0.6681)	-	97.2%	-

* No other variables changed

A174	Base New (2020) COP	Current Lay Cycle*	Target Lay Cycle*
Lay cycle (weeks)	56.1	58	58
Equivalent (\$/doz)	\$6.9859	\$6.7567	\$6.7567
Equivalent (per chick)	\$0.7277	\$0.7038	\$0.7038
Hatchery margin (fixed)	\$0.1894	\$0.1894	\$0.1894
Day-old (per chick)	\$0.9171	\$0.8932	\$0.8932
Recovery	100%	100%	100%
v. A174 Linkage price (\$0.6782)	-	96.4%	-

* No other variables changed

A175	Base New (2020) COP	Current Lay Cycle*	Target Lay Cycle*
Lay cycle (weeks)	56.1	60	58
Equivalent (\$/doz)	\$7.2035	\$6.7603	\$6.9674
Equivalent (per chick)	\$0.7504	\$0.7042	\$0.7258
Hatchery margin (fixed)	\$0.1894	\$0.1894	\$0.1894
Day-old (per chick)	\$0.9398	\$0.8936	\$0.9152
Recovery	100%	100%	100%
v. A175 Linkage price (\$0.7023)†	-	99.7%	-

* No other variables changed † BCFIRB preapproval of BC Chicken live price formula change granted (upper guardrail increase)

Price	A173	A174	A175
New (2020) COP, Per S.C.	\$0.6874	\$0.7038	\$0.7042
Linkage-COP, per S.C.	\$0.6681	\$0.6782	\$0.7023†
Difference	(\$0.0193) (1.93¢)	(\$0.0256) (2.56¢)	(\$0.0019) (0.19¢)
% Recovery vs. Linkage-COP-derived price	97.2%	96.4%	99.7%

† BCFIRB preapproval of BC Chicken live price formula change granted (upper guardrail increased)

The comparison, possible by using the same lay cycle length for each period, and holding other variables constant, shows that the New (2020) COP-derived price exceeds the Linkage-COP-derived price in Periods A167 and A172 at 100% recovery. For Periods A168 to A171, the New (2020) COP-derived price is less than the Linkage-COP-derived price at 100% recovery.

The percentage recovery comparison ranges from 97.3% to 102.1%, or a band of 4.8% (1.86¢ deficient to 0.97¢ excessive, or a band of 2.83¢).

For periods A173 and A174, increasing feed prices and an upper guardrail limit caused returns as compared to the Linkage-derived price to decrease below a full return, at 97.2% and 96.4%, respectively. For Period A175, the preapproval by BCFIRB to change the BC Chicken live price formula (to increase the upper guardrail) in response to escalating feed costs resulted in an increase to the Linkage-derived price and a return of 99.7% when compared.

Mechanisms Added

To further the analysis, the following table is presented to view the layering in of the mechanisms:

Price per Saleable Chick	A173	A174	A175
New (2020) COP, Per S.C.	\$0.6874	\$0.7038	\$0.7042
Mechanisms			
+/- Feed ¹	-	-	-
+/- Processing dates ²	-	-	-
+/- Breeder chick ³	-	-	-
+/- Vaccine adjustment ⁴	-	-	-
+/- Utilization ⁵	-	-	-
+/- Industry Benefit Index ⁶	\$0.0010	\$0.0010	\$0.0010
+/- Hatch average ⁷	-	-	-
+/- Ancillary revenues ⁸	(\$0.0085)	(\$0.0085)	(\$0.0085)
+/- New costs ⁹	-	-	-
New (2020) COP with Mechanisms	\$0.6799	\$0.6963	\$0.6967

¹ No change to process; no change to price currently.

² Processing date (lay cycle) at 58 weeks in A172. Prices set at the then lay cycle length. No change to price.

³ Potential cost formula change, moving profit margin by hatcheries out of cost and into hatchery margin. No net change to day-old chick price to Growers.

⁴ No final formula or additional cost; no change to price currently.

⁵ Recommended approach as previous; no change to utilization outside of survey period. No change to price currently.

⁶ At the example rate of \$100,000 annually.

⁷ Adjustable once tracking of domestic hatch rates on a per-period basis is available. No change to price currently.

⁸ Estimated at lay cycle at 56.1 weeks.

⁹ Prospective mechanism; no change to price currently.

The New (2020) COP with Mechanisms Price would then have the Production Trimming efficiency applied. It should be noted that with having the efficiencies of Saleable Chick Payment and 70% Hatch in the Consolidated Order, the results of the surveys would have these efficiencies embedded already.

Efficiencies Added

Price per Saleable Chick	A173	A174	A175
New (2020) COP with Mechanisms	\$0.6799	\$0.6963	\$0.6967
Expressed as Recovery of Cost	100.0%	100.0%	100.0%
Efficiencies			
+/- Saleable Chick Payment	-	-	-
+/- 70% Hatch	-	-	-
+/- Production trimming²	(\$0.0049)	(\$0.0050)	(\$0.0048)
New (2020) COP w/ Mechanisms & Efficiencies – for Pricing	\$0.6750	\$0.6913	\$0.6919
Expressed as Recovery of Cost	99.3%	99.3%	99.3%

² Periods A173-174 were at a 58-week lay cycle; A175 at a 60-week lay cycle.

Comparison – Efficient COP vs. Linkage

Comparing the New (2020) COP Price set at 99.2% to 99.3% recovery:

Price per Saleable Chick	A173	A174	A175
New (2020) COP w/ Mechanisms & Efficiencies – for Pricing	\$0.6750	\$0.6913	\$0.6919
Expressed as Recovery of Cost	99.3%	99.3%	99.3%
Linkage-COP, per S.C.	\$0.6681	\$0.6782	\$0.7023 [†]
Difference	(\$0.0069) (0.69¢)	(\$0.0131) (1.31¢)	\$0.0104 1.04¢
% Recovery of efficient New (2020) COP-derived price* [Linkage vs. New (2020) COP with Mechanisms]	98.3%	97.4%	100.8%
Spread not covered at Expressed Recovery of Cost	1.0%	1.9%	-

*This is not to be confused with recovery parity (e.g., $\$0.6633 / \$0.6744 = 98.4\%$).

[†] BCFIRB preapproval of BC Chicken live price formula change granted (upper guardrail increased)

In one (now three) of these pricing periods, it is shown that the current Linkage-COP-derived price is less than the efficient New (2020) COP-derived price. Therefore, we would anticipate a phased-in approach for a transition period.