



May 10, 2022

Ms. Kirsten Pedersen  
Executive Director  
BC Farm Industry Review Board

Dear Ms. Pedersen:

**Re: BC BROILER HATCHING EGG COMMISSION (COMMISSION) AND BC CHICKEN MARKETING BOARD (CHICKEN BOARD) FINAL LONG-TERM PRICING RECOMMENDATIONS: FINAL SUBMISSIONS AND MEETING INVITATION**

The Primary Poultry Processors Association of BC (PPPABC) is writing to respond to the BC Farm Industry Review Board (BCFIRB) Chicken Pricing Supervisory Review Panel’s April 28, 2022, invitation for written submissions on the following question:

“What, if any, outstanding sound marketing policy considerations should the Panel take into account before accepting the Commission’s recommendations - prior to the Chicken Board completing its long-term pricing formula? Please provide a SAFETI-based rationale.”

BCFIRB invited written submissions by May 10, 2022, before it makes a decision about moving forward with the BC Broiler Hatching Egg Commission’s (Commission) final long-term pricing recommendations.

At the outset, it is worth reminding BCFIRB that it undertook the Chicken Pricing Supervisory Review after the PPPABC appealed the Commission’s decision to exit the linkage. BCFIRB decided that a supervisory review of pricing across the entire chicken value chain was required to develop a long-term pricing formula that ensured reasonable returns to growers and that BC processors were competitive nationally. The PPPABC, as the aggrieved party, has participated and been actively engaged in the process despite significant issues that have further eroded our competitive position nationally from what it was when the supervisory review started while grower returns<sup>1</sup> have increased dramatically.

Further, there has been no discussions, analysis, or consultations on moving the long-term pricing formula forward with a staggered, staged, or multi-pronged implementation process which is inconsistent with sound marketing policy.

***A “Piece-Meal” Approach to Industry Pricing is Not Sound Marketing Policy***

The PPPABC believes that, after two and a half years, implementing a “partial long-term formula” fails to meet the mandate of the supervisory review, and as such is not sound marketing policy. Further to this,

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<sup>1</sup> Grower returns measured after feed chick and catching

the Chicken Board's interim formula has not been adequately defined and no analysis has been provided showing the impact that changes in chick pricing would have on the interim formula.

With the Chicken Board [feed adjustments and pending interim formula] and Commission [COP with ongoing adjustments] introducing amendments to the BC live pricing formula independently of each other, the regulators are not meeting their commitment to deliver an integrated pricing solution for the industry. This is the case with feed costs where the Chicken Board's incomplete approach and analysis has resulted in a pricing amendment that is now providing growers with record returns. Layering the Commission's cost-based pricing formula on top of an inaccurate and inflated interim pricing formula from the Chicken Board cannot be seen as sound marketing policy.

Also, the Chicken Board is now proposing that they will have their cost-based model completed in one year. The PPPABC has no confidence in this timeframe given the Chicken Board's track record in the supervisory review and taking Chicken Board continuity into consideration. The Board's preliminary pricing recommendation stated that two years was required to develop their cost-based pricing model with no rationale provided for the current change, nor have any potential timelines from vendors been shared. It is not sound marketing policy to implement one aspect of an industry pricing structure while the other aspect is still so ill-defined.

It is not sound marketing policy for BCFIRB to approve and move forward with a "piece-meal" long term pricing strategy that will further disadvantage BC processors, who were the original aggrieved party. Approving one pricing component now and another one at some point in the future is akin to trying to build an airplane while trying to fly it at the same time.

### ***Implementing "Untested Pricing Models" is Not Sound Marketing Policy***

The Commission and the Chicken Board are planning to implement "cost-based pricing models" which will fundamentally change how the industry functions. There is substantial risk to the industry by embarking on untested models with unknown numbers in a competitive industry and the impact on stakeholders needs to be thoroughly assessed. It is not appropriate or sound marketing policy to allow the Commission to introduce their pricing formula, which is a fundamental shift in pricing, while at the same time the Chicken Board is using an interim formula while working on their own version of a cost-based formula.

To our knowledge the Commission has not analyzed the impact of their COP formula on the Chicken Board's interim formula and changes in chick pricing will affect guardrails, grower returns and processor competitiveness. We do know, however, that the Commission and the Chicken Board are unable to analyze the overall impact of their overall proposed pricing formula on grower returns and processor competitiveness until such time as the Chicken board's model is completed.

It is not acceptable or sound marketing policy to introduce elements of an overall pricing strategy while others are being developed and without understanding the overall impact on stakeholders.

### ***Processors are Operating in an Uncertain Environment***

Processors are currently facing several issues with feed pricing, avian influenza, chick shortages, inflation and the Russia / Ukraine war. Feed prices are continuing to increase live prices and our differential with Ontario, the avian influenza outbreak is creating chick shortages, affecting placements, and hampering

exports, and inflation is impacting consumer demand. This is all happening at a time when BC processors are their least competitive in history and growers are making record returns.

It is not sound marketing policy to be making a fundamental change to a portion of the overall pricing structure during these turbulent times. These events are impacting pricing and will make it difficult to understand the impact the pricing change is having on the industry. Sound marketing policy would be to introduce a “complete pricing structure and formula” at a time of relative stability so the impact of the pricing changes can be properly monitored and evaluated.

***The Commission and the Chicken Board Need to be Held Accountable***

BCFIRB needs to hold the Commission and the Chicken Board accountable for “their pricing review process” and “their commitment” to deliver an integrated long-term pricing structure for the industry. It is not acceptable for the Commission and the Chicken Board to approach long-term pricing as a disjointed series of amendments and implementations that only provide partial solutions to select parties as opposed to the industry. It is not clear what issue the Commission is trying to solve by implementing their recommendation in A-178 or what harm will be realized by waiting until the Chicken Board’s pricing recommendation is finalized.

Making pricing decisions that are piece-meal, not adequately assessed, and in times of uncertainty, can in no way be seen as sound marketing policy. To ensure an orderly implementation of pricing changes and sound marketing, the Commission’s recommendation needs to move forward at the same time as the Chicken Board’s recommendation.

We have provided the SAFETI analysis to our submission below.

Sincerely,



Blair Shier  
President  
Primary Poultry Processors Association of BC

**SAFETI Analysis**

**Strategic** – (Opportunities / Risks / Challenges) – Introducing a new pricing formula for one aspect of the industry without proper analysis in times of uncertainty creates competitiveness risks for processors. The Commission’s recommendation combined with the Chicken Board’s interim formula further compromises the competitive position for processors by further escalating the live price differential with Ontario. The Chicken Board’s interim formula is still undefined and potentially includes undefined amendments as a result of current industry issues (AI, feed prices, geo-political) which create risks and challenges for determining the impact of the Commission’s pricing formula change.

**Accountable** – (Manages Stakeholder Interests and Expectations) – The Commission and the Chicken Board agreed to present and implement an integrated pricing formula which was the PPPABC expectation. While the interests of the HE producer and the hatcheries appear to be managed, it is not clear what the impact of the Commission’s recommendation will have on live pricing, processor competitiveness and grower returns when combined with the Chicken Board’s interim formula.

**Fair** (Procedural Fairness) – We have been at this for two years and our information has been ignored and discounted by the Chicken Board who are requesting another 1 – 2 years to develop a pricing formula. Processors continue to pay for delays and watch their competitiveness decline while the Chicken Board and Commission appear to be taking a divide and conquer strategy. The processors were the aggrieved party who brought forward the appeal that led to the supervisory review and not only have their original issues not been addressed, the competitive position has been further aggravated while growers realize record returns. The Commission is now proposing to bring forward a partial pricing structure for what is supposed to be an industry pricing strategy. This cannot be seen as fair or as sound marketing policy.

**Effective** (Doing the Right Thing) – It is not effective to bring forward a piece-meal pricing structure for the industry particularly considering the issues currently facing the processing industry. The original terms of reference were designed to have the Board and the Commission bring forward an integrated industry pricing structure. The Commission and the Chicken Board have not done this, and the Chicken Board’s recommendation is to start the fact seeking process over again without defining the relative measures of the parties (returns and competitiveness) or determining how to effectively balance these measures between the parties.

**Transparent** (Open and Accessible Processes) – The determinations made by the Chicken Board, based on the information they have received, has not been transparent. The processes that brought us here have changed and were difficult to follow and didn’t necessarily include all stakeholders. For a while, even the BCFIRB Liaison was excluded from meetings. There was no discussion on how to implement a piece-meal or two-part pricing model at any time through the process.

**Inclusive** (Ensures Stakeholder Involvement) – Stakeholder involvement has been superficial and there have been no discussions on the implementation and impact of a staged or a multi-pronged pricing approach. The Commission and the Chicken Board have been using the supervisory review process in ways that support a predetermined outcome.