

May 13, 2022

VIA EMAIL

Kirsten Pedersen, Executive Director  
BC Farm Industry Review Board  
PO Box 9129 Stn Prov Govt  
Victoria, BC V8W 9B5

Dear Ms. Pedersen:

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

On April 28, 2022, the Chicken Pricing Supervisory Review Panel of the BC Farm Industry Review Board (Panel or BCFIRB) invited chicken industry stakeholders to make 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 formula? Please provide a SAFETI-based rationale.

The sole stakeholder response was from the Primary Poultry Processors Association of BC (PPPABC) by way of a May 10, 2022, letter. This is the Commission's reply to the PPPABC's submission which in large part also dealt with concerns about the chicken rather than the hatching egg sector.

The expectation of the Supervisory Review Terms of Reference (TOR) was for the Commission and the Chicken Board to "identify and build the components needed to proceed with developing the new pricing strategy" and to "develop a long-term pricing strategy that takes into consideration the interests of all stakeholders, is adaptive, resilient, and sustainable into the future, and builds on a united vision for the BC chicken industry," The TOR recognized that the Commission and the Chicken Board had the "goal of making changes" and further recognized that both "as first instance regulators must reserve their respective independent decision-making on matters falling within their authorities under their respective Schemes."

It is the Commission's position that it and the Chicken Board, as laid out in their March 4, 2022, submissions, have identified the components necessary to develop a new, sustainable long-term pricing strategy that represents sound marketing policy for the BC chicken industry. This is the ultimate objective of the Supervisory Review. In the Commission's view, the components developed for the BC hatching egg sector lay a foundation that provides certainty and stability not only for that sector, but also upon which the Chicken Board can finalize its "build" of the pricing components for the chicken sector.

Specifically, the Commission has fulfilled its legal and sound marketing policy responsibilities to BC hatching egg stakeholders within the Review and as the first instance regulator under the British Columbia Broiler Hatching Egg Scheme. Those stakeholders have worked with the Commission in developing an evidence-based, efficiency-driven, and sustainable cost-based approach to pricing that will serve the larger industry going forward. The hatcheries, which have never been included in any linkage, and hatching egg producers will be pricing off transparent, cost-based mechanisms that will be separate and distinct from the current live price formula that has the PPPABC concerned about “(chicken) growers making record returns.”

As all stakeholders know, the Commission’s new cost of production formula (COPF) was subject to third-party verification (twice) and provided to all stakeholders for feedback. As laid out in its April 12, 2022, ‘Post-Submission Implementation Analysis’, the Commission has to date compared the current linkage and proposed cost of production formula for nine pricing periods, including against the new interim Chicken Board formula, showing that the difference between the two is minimal. Furthermore, by proposing a phased-in approach that asked hatching egg producers to sacrifice by accepting a floor starting at 95 percent of the new COPF, the Commission left room to incorporate hatchery pricing while minimizing the impact on the broiler chick price. Again, see the April 12, 2022, Analysis provided to all stakeholders.

Other provinces such as Alberta, Saskatchewan and Ontario also have hatching egg sectors using a COPF approach to pricing. Manitoba has a distinct formula for its hatching egg pricing. As well, Ontario incorporates its hatcheries into a COPF framework similar to the Commission’s objective for BC hatcheries. A cost-based approach may be new to BC but exists and has been tried and tested in other provinces (in which BC processors also operate).

Safeguards are in place as a matter of sound marketing policy. The Commission will continue comparing linkage and COPF pricing for two periods post-implementation. The phased-in approach on a period-by-period basis provides opportunity for the Commission to review the pricing increments timeline should evidence be presented that warrants such an action. The Pricing and Production Advisory Committee(s) can bring forward pricing issues at their own initiative. The Memorandum of Understanding (MOU) entered by the Commission and the Chicken Board places elevated expectations on both to engage regularly and constructively on pricing and other issues of concern to both regulators and the BC chicken industry at large. This strategic, higher-level approach reflects an enhanced level of sound marketing policy over the current and limited in scope linkage.

In April 2018, the Commission first tabled its sound marketing policy vision for a new pricing strategy in BC. This included a cost and evidence-based approach, the incorporation of hatcheries into the pricing framework, and an acknowledgement that processor competitiveness was – and would continue to be – a factor. Today, that Commission proposal has been transformed into concrete form for the hatching egg sector and laid the foundation for the Chicken Board to finalize its own process. These are uncertain times for all stakeholders, and it is sound marketing policy for regulators to provide for certainty and stability where they can. Here, the Commission’s recommendations address these objectives for pricing now and for the long-term.

The Commission has been accountable to all stakeholders throughout the Supervisory Review and the Commission-Chicken Board MOU, and its reporting requirements will continue to require accountability on chicken industry pricing issues. This includes during the upcoming Chicken Board process in which the Commission will participate. Stakeholder feedback during the Review was considered by and responded to by the Commission. The incorporation of efficiencies into the cost-based approach and transparent mechanisms for administering pricing will provide for a more effective pricing regime. The Commission’s processes in developing its cost-based pricing approaches, including efficiencies, have been fully transparent to all stakeholders. As will be its future management of pricing.

In summary, the Commission believes it has fulfilled the requirements of the TOR and sound marketing policy by addressing the concerns of its hatching egg stakeholders and by proposing and supporting a sustainable long-term option for pricing for the BC industry. Neither the Commission nor its stakeholders should be held back because of any failure on the part of the PPPABC and other chicken sector stakeholders to accomplish the same in the three years since BCFIRB, in its May 16, 2019, appeal decision, directed that a new live price formula be established. It is time to start moving forward in resolving pricing so that other issues of strategic concern to the BC chicken industry can be addressed as a matter of sound marketing policy.

Yours truly,



Jim Collins, Chair  
BC Broiler Hatching Egg Commission

cc: Blair Shier, President  
Primary Poultry Processors Association of BC

Angela Groothof, President  
BC Broiler Hatching Egg Producers' Association

John Franck, President  
BC Egg Hatchery Association

Harvey Sasaki, Chair  
BC Chicken Marketing Board

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