



BC Farm Industry Review Board

November 23, 2023

File: 44200-60\BHEC CMB

DELIVERED BY EMAIL

Kevin Klippenstein
Chair
BC Chicken Marketing Board

Blair Shier
President
Primary Poultry Processors Association of BC

Dale Krahn
President
BC Chicken Growers Association

John Franck
President
BC Egg Hatchery Association

Angela Groothof
President
BC Broiler Hatching Egg Producers
Association

Bill Vanderspek
Chair
BC Broiler Hatching Egg Commission

Dear All:

BC CHICKEN MARKETING BOARD LONG-TERM CHICKEN PRICING RECOMMENDATION

Introduction

On October 30, 2023, the British Columbia Farm Industry Review Board (BCFIRB) received the British Columbia Chicken Marketing Board's (Chicken Board) recommendation on a new long-term chicken pricing formula based on a cost or production model (the Recommendation). The Recommendation is the result of a Pricing Review conducted by the Chicken Board and supported by BCFIRB which commenced in 2020.

As set out in the Long-Term Chicken Sector Pricing Review Process Terms of Reference¹, developed by the Chicken Board and the BC Broiler Hatching Egg Commission (Commission), and approved by BCFIRB on October 28, 2020 (the Terms of Reference):

At the conclusion, the SAFETI reviewed, evidence-based decisions of the Chicken Board and Commission regarding the regulatory pricing structures for

¹ [2020 October 30. BC Chicken Marketing Board/BC Broiler Hatching Egg Commission Chicken Sector Pricing Review Process. Terms of Reference](#)

Web:

Email: firb@gov.bc.ca

Website: www.gov.bc.ca/BCFarmIndustryReviewBoard

Phone:

Info: 250 356-8945

Fax: 250 356-5131

Mail:

PO Box 9129 Stn Prov Govt
Victoria BC V8W 9B5

Office:

2975 Jutland Rd
Victoria, BC V8T 5J9

the BC chicken and hatching egg sectors will be recommended to the British Columbia Farm Industry Review Board (“BCFIRB”) for approval in its supervisory capacity.

The purpose of this letter is to set out the process BCFIRB intends to follow in exercising its supervisory authority pursuant to section 7.1 of the *Natural Products Marketing (BC) Act (NPMA)* to evaluate whether it should approve the Recommendation.

Procedural Background

In 2019, BCFIRB dismissed two appeals filed by the British Columbia Chicken Growers Association (BCCGA) and the Primary Poultry Processors Association of BC (PPPABC) in respect of an interim pricing formula enacted by the Chicken Board. BCFIRB accepted that the interim pricing formula struck an appropriate balance between processor competitiveness and fair returns to growers and directed the Chicken Board to implement a long-term pricing formula no later than Period A-161 (January 2020²) which was subsequently extended by the BCFIRB appeal panel to May, 2020.

On March 17, 2020, BCFIRB established the Pricing Review and struck a BCFIRB Review Panel under section 7.1 of the *NPMA* to address certain issues related to the Commission’s notice to exit the price linkage agreement with the Chicken Board and other related supervisory matters.

On April 14, 2020, the Chicken Board gave further notice that it would be unable to meet the deadline established in the appeal decision and requested an extension. On April 29, 2020, the BCFIRB appeal panel rescinded its order establishing the A-163 (May 2020) deadline and ended its involvement with the long-term pricing formula, after which all issues related to the adoption of a new chicken pricing formula fell under BCFIRB’s supervisory authority in the Pricing Review. On the same date, BCFIRB, acting under its supervisory authority, directed the Chicken Board to develop and adopt a new long-term chicken pricing formula.

The goals and objectives of the Pricing Review were set out in Terms of Reference:

A long-term pricing approach for regulated products in the mainstream chicken and broiler hatching egg sectors in BC, including a decision on the appropriateness of a price linkage agreement between the two sectors that address the policy objectives of:

- Verified COP/reasonable returns-based pricing mechanisms for BC hatching egg producers and chicken growers.
- BC chicken processors being competitive in the Canadian market for chicken.
- BC hatcheries receiving a “reasonable” margin for hatching services.
 - The confirmation of a breeder chick pricing formula.
 - The confirmation of a breeder vaccination program pricing formula for hatcheries.

² Insert link to appeal decision

On March 4, 2022, the Chicken Board and the Commission made their final submissions to the Review Panel. The Commission provided its final long-term pricing recommendations for the hatching egg and hatchery sectors which included a cost-based pricing formula. The Chicken Board had not completed its work and provided a plan to develop its long-term cost-based pricing formula over the following year.

On June 3, 2022, BCFIRB approved the Commission's long-term pricing recommendations on the conditions that the Commission give a one production period implementation notice to the Chicken Board, stakeholders, and BCFIRB and follow the graduated process for implementation established in its March 4, 2022 submission. Further, BCFIRB advised at paragraph 63:

The Panel will be closely monitoring the Chicken Board's development of a long-term pricing formula over the coming year. The importance of continued work and collaboration between all parties on an interim pricing formula cannot be overstated. Significant leadership, transparency and inclusion will be required from the Chicken Board to ensure stakeholder consultation is both ongoing and meaningful, providing sufficient opportunities for input.

In brief, in coming to its Recommendation, the Chicken Board engaged consultants to both develop a cost of production model and survey growers and to review the proposed model and the methodologies used. The process was supported by a BCFIRB appointed pricing liaison to engage and facilitate discussions between stakeholders, provide information to support decision making, and update the BCFIRB Review Panel on the development progress. The liaison role was later revised to only providing technical support to the Review Panel. The Chicken Board established a Cost Recovery Model Committee which was later replaced by a Joint Working Group. The Chicken Board held a virtual town hall for all industry stakeholders to learn about the proposed long-term pricing model and provide industry feedback. A further virtual follow-up meeting was held to provide an opportunity for industry stakeholders to ask questions prior to the feedback deadline. The Chicken Board also sought input from its Pricing and Production Advisory Committee on the Recommendation and the industry feedback received.

Following this engagement and development process, on October 30, 2023, the Review Panel received the Chicken Board's Recommendation.

Before turning to a discussion of the written submission process the Review Panel intends to follow to evaluate the Recommendation, BCFIRB acknowledges receiving unsolicited letters from some processors and certain organizations representing processors' customers, including restaurants and restaurant groups and the food and beverage sector. The BCCGA also wrote directly to BCFIRB. The Review Panel has not seen these letters but understands they expressed concern about the negative impact of the proposed long term pricing formula.

It is not clear to the Review Panel the extent to which the concerns raised in these letters were put before the Chicken Board in its engagement process. Nevertheless, the

Review Panel must determine how they should be addressed in this process. In the absence of a proper context, it will be difficult for the Review Panel to address individual letters which predict or express concern about potential negative outcomes should the long-term pricing recommendation be accepted. The Panel also notes that the PPPABC, BCCGA, the British Columbia Broiler Hatching Egg Producers' Association and the British Columbia Egg Hatchery Association will all have an opportunity to provide submissions which could incorporate the views of individual growers, members or customers.

Accordingly, the Review Panel directs that all comments or evidence regarding the impact of the recommended long-term pricing formula should be provided through the submissions of the respective associations, as listed below under "Participants", as they are in the best position to solicit, evaluate and present that information in a proper context so that the Review Panel can consider the the potential impact of the Chicken Board's Recommendation on the business and competitiveness of the industry as a whole. In the specific case of processor customers or organizations representing those customers, their views should be forwarded to the PPPABC to form part of their submission.

EVALUATION OF THE CHICKEN BOARD'S LONG TERM PRICING RECOMMENDATION

The Review Panel has established the written submission process to hear from eligible participants on the specific issues outlined below.

Process

Phase 1: Meet with the Chicken Board

The Review Panel will meet with the Chicken Board to discuss and clarify any questions it has on the Recommendation, and for the Chicken Board to further clarify possible industry impacts from the Recommendation. These questions may relate to the Chicken Board's process, BCFIRB's process and any substantive concerns related to the potential impacts of adopting the proposed long-term formula.

Phase 2: Written Submissions

Participants will be given an opportunity to provide written submissions on those questions set out in the Scope and Focus section outlined below.

Please be advised that all written submissions will be posted to the BCFIRB web site. Requests for submissions to be kept confidential will be accepted for consideration.

All written submissions shall be **no longer than 12 pages in length**, including appendices. Submissions must use 12-point Arial font, with 1.5 line spacing and "normal" margins as defined by Microsoft Word. Note if participants provided material to the Chicken Board that was included in the Chicken Board's recommendation, these

may be appended to written submissions and will not be counted towards the total page length if appended. Submissions that do not comply with these requirements may not be considered by the Review Panel.

Submissions must be submitted to firb@gov.bc.ca by **no later than 5pm PST on December 22, 2023.**

Phase 3: Chicken Board Reply to Submissions

The Chicken Board will have an opportunity to respond to the submissions received from participants **no later than 5pm PST on January 12, 2024.**

Phase 3: BCFIRB Decision

After reviewing the written submissions, BCFIRB will decide whether it can make a final decision on the Chicken Board's Recommendation or whether further process will be necessary to assist in its deliberations.

Phase 4: Outstanding Appeals

Following the release of BCFIRB's decision on the Chicken Board's recommendation, parties with outstanding appeals will be contacted by BCFIRB Case Management and given an opportunity to advise of any outstanding matters remaining on their appeals. The Chicken Board, as a party to the appeals, will have opportunity to respond to any outstanding appeal submissions and the presiding member of the BCFIRB appeal panel will determine what, if any, live issues remain to be addressed on appeal.

Scope and Focus

The Review Panel invites written submissions on the following questions from participants as underlined below and defined under "Participants" below:

All Participants

1. What, if any, concerns should BCFIRB be aware of with regards to the process followed by the Chicken Board in developing the long-term pricing recommendation?
2. Are there any outstanding sound marketing policy concerns with the Chicken Board's long-term pricing recommendation BCFIRB should be aware of? If yes, provide a rationale for those concerns.

Primary Poultry Processors Association of British Columbia

3. What are the anticipated impacts of the long-term pricing recommendation on processors' gross margins in British Columbia? Any submission needs to be supported with examples of impacts on customers and/or contracts with customers and other verifiable data.
4. What are the anticipated impacts of the long-term pricing recommendation on processor competitiveness in British Columbia over the next five years? Any

submission needs to be supported with examples of impacts on customers and/or contracts with customers and other verifiable data.

British Columbia Chicken Growers' Association

5. What are the anticipated impacts of the long-term pricing recommendation on producer's gross margins in British Columbia? Any submission needs to be supported with examples and/or verifiable data.
6. What are the anticipated impacts of the long-term pricing recommendation on reasonable returns to growers in British Columbia over the next five years? Any submission needs to be supported with examples and/or verifiable data.

Participants

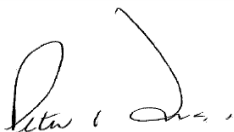
The following participants are eligible to submit written submissions to BCFIRB:

- British Columbia Broiler Hatching Egg Commission
- British Columbia Broiler Hatching Egg Producers' Association
- British Columbia Chicken Growers' Association
- British Columbia Egg Hatchery Association
- Primary Poultry Processors Association of British Columbia

As per the direction set out above, the views of individual mainstream growers, hatcheries, hatching egg producers, processors and processor customers should be directed to the respective industry associations set out above and be incorporated into those submissions.

If you have any questions or require further clarification with regards to the written submission process established above please contact Olivia Mattan, Senior Manager by email at olivia.mattan@gov.bc.ca.

Regards,



Peter Donkers
Chair
BC Farm Industry Review Board

cc: Woody Siemens, Executive Director, BC Chicken Marketing Board
Stephanie Nelson, Executive Director, BC Broiler Hatching Egg Commission
Jennifer Curtis, Manager, BC Chicken Growers' Association
Craig Evans, Executive Director, Primary Poultry Processors' Association of BC
Ernie Silveri, Executive Director, BC Egg Hatchery Association
BCFIRB website