



February 21, 2023

To: Industry Stakeholders

UPDATE ON CHICKEN SECTOR PRICING

The British Columbia Chicken Marketing Board (BCCMB) continues to be governed by the joint BCCMB/British Columbia Broiler Hatching Egg Commission (BCBHEC) Long Term Chicken Sector Pricing Review Process Terms of Reference (Joint TOR) issued on October 28, 2020, with the approval of the BC Farm Industry Review Board (BCFIRB).

The Joint TOR require the BCCMB and the BCBHEC to fulfill the following Goals/Outcomes:

- *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.*

BCFIRB through its June 3, 2022, decision and a February 15, 2023, update, has confirmed that the BCBHEC “has developed and implemented a cost of production-based long-term pricing formula and other pricing-related recommendations for the broiler hatching egg sector.” In its June 3, 2022, decision, BCFIRB also accepted in principle that using processor competitiveness indicators to adjust chicken and hatching egg sector pricing “could be a more effective solution than the current price linkage agreement.” The BCCMB and the BCBHEC have agreed through a Memorandum of Understanding (dated April 21, 2022) to continue collaborating on pricing. Any future hatching egg sector response to evidence-based pricing adjustments required to maintain processor competitiveness awaits the finalization of long-term pricing in the chicken sector.

On August 25, 2022, the BCCMB issued the Cost Recovery Model Committee (CRMC) Terms of Reference in support of developing long-term pricing in the chicken sector. Recently, the BCCMB reviewed the progress of the CRMC and concluded that certain clarifications and steps were needed to ensure that the overarching Goals/Outcomes of the Joint TOR could be met on a timely and appropriate basis.



Firstly, while the BCCMB will continue to address interim pricing as required, the number one pricing priority is ensuring that its resources are focused on resolving long-term pricing for the BC chicken sector.

Secondly, the CRMC is a committee of the BCCMB with the important responsibility for collecting and analyzing 'technical' data in support of any recommendations it will make to the BCCMB. This does not limit the BCCMB from engaging with stakeholders to ensure it has a fulsome understanding of those stakeholder positions on the development of long-term pricing in the BC chicken sector. Nor is the BCCMB limited to deciding the outcome based solely on the recommendation(s) of the CRMC. As the first instance regulator, it is the BCCMB's responsibility to make a SAFETI-based decision in accord with sound marketing policy. As well, before making its decision, the BCCMB must consult with its Pricing and Production Advisory Committee concerning any matter relating to pricing or production decisions the BCCMB has made or may make.

Thirdly, it is important to clarify the BCCMB's objective about grower pricing. While the BCCMB has been referencing a "grower cost model", it has come to realize this has caused unnecessary confusion amongst stakeholders. In a practical sense, the 'Grower Cost Model' can be considered interchangeable with a 'Cost of Production Formula (COPF)'. A COPF identifies both grower costs and a reasonable return as contemplated in the Joint TOR. Here, a grower COPF, with efficiencies, similar to that already developed and approved for hatching egg producers should be taken into consideration by the CRMC. Maintaining a level of consistency between producer and grower COPFs will facilitate future improvements to those COPFs and along with a hatcheries COPF, will enhance the ability of the BC supply chain to respond to evidence-based processor competitiveness indicators.

Fourthly, the development of evidence-based indicators to gauge processor competitiveness remains a critical factor in finalizing long-term pricing for the BC chicken and hatching egg sectors. In addition to the work of the CRMC, the BCCMB is engaging directly with the Primary Poultry Processors Association of BC to examine potential options.

Finally, and further to the BCFIRB update of February 15, 2023, BCFIRB and the BCCMB have reassigned responsibilities. Wanda Gorsuch, BCFIRB staff, will now act as the point of contact for pricing issues, with Wendy Holm transitioning from the Liaison role to serving as a technical advisor to (but not a member of) the BCFIRB pricing panel. As well, BCCMB Chair Kevin Klippenstein will now serve as the CRMC Chair.

This clarification of expectations and proactive approach to engaging stakeholders is in support of meeting the Joint TOR requirements for growers and processors as part of the larger Goals/Outcomes for pricing in the overall BC chicken industry. The BCCMB looks forward to working with all stakeholders in finalizing this important initiative.



Yours truly,

Kevin Klippenstein
Chair
BC Chicken Marketing Board

