

# BC Chicken Marketing Board Joint Working Group (JWG) Terms of Reference

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2023-03-31

The British Columbia Chicken Marketing Board (the “Chicken Board”) has prepared the following Joint Working Group (JWG) Terms of Reference (TOR). These TOR supersede the Cost Recovery Model Committee (CRMC) TOR issued on August 25, 2022. Data and information already completed by the CRMC will be brought forward into the process to be considered along with new data and information in support of the JWG’s final recommendations to the Chicken Board. An initial draft of these new TOR was provided to the JWG members and the BC Farm Industry Review Board (“BCFIRB”) and this finalized TOR reflects their feedback.

These TOR are in support of the Chicken Board’s February 21, 2023, pricing update letter, in which it outlined its objectives in meeting “the larger Goals/Outcomes for pricing in the overall BC chicken industry.” The Chicken Board will engage with both the JWG and industry stakeholders throughout the process and provide its feedback, assistance, and direction as appropriate and required. The Chicken Board, at its discretion, may engage additional third parties to verify information and advise the Chicken Board as to any recommendations arising.

The Chicken Board has made the decision as part of the long-term pricing process to establish a Grower Cost of Production (COP) to understand and define a reasonable return to efficient growers. This examination will be done in conjunction with the development of benchmarks that define processor competitiveness in the Canadian marketplace. The overall pricing review, of which the JWG is part, continues to operate under the October 28, 2020 Supervisory Review TOR, which require the Chicken Board and the BC Broiler Hatching Egg Commission (the “Commission”) to fulfill the following Goals/Objectives:

- *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.*

## **Scope:**

The scope of the JWG includes:

- Confirming a common set of facts and assumptions that provide the foundational framework for chicken sector pricing in British Columbia.
- Bringing forward the work of the CRMC.
- Analyzing detailed grower COP information and providing input, feedback, and recommendations to the Chicken Board on reasonable returns to efficient growers.
- Providing input, feedback, and recommendations to the Chicken Board on potential grower COP efficiencies such as (but not limited to) feed conversion rates and production trimming.
- Providing input, feedback, and recommendations to the Chicken Board on benchmarks that define and measure processor competitiveness in the Canadian marketplace.
- Providing input, feedback, and recommendations to the Chicken Board on price linkage with the broiler hatching egg sector formulae.
- Providing input to the Chicken Board on other issues that the JWG, at its discretion, may identify as impacting sector costs.
- Providing input to the Chicken Board on the respective positions of its members if no agreement on a recommendation is possible (although ideally the JWG will reach consensus).

## *JWG Members*

- Chicken Board Chair
- 2-3 Processor Representatives
- 2-3 Grower Representatives
- 1 Hatching Egg Representative (appointed by the Commission)
- 1 Hatchery Representative
- Chicken Board Executive Director
- Chicken Board Member(s) (to observe)

## *Goals/Outcomes:*

- The Goal of the JWG is to acquire a fulsome understanding of underlying pricing considerations for the BC chicken industry and the BC industry's position relative to the national marketplace. The JWG is to develop and recommend criteria to enable the Chicken Board to monitor, assess, and evaluate factors affecting pricing in the BC industry on an ongoing basis.
- The JWG will examine the grower costs that could be used in pricing mainstream chicken in BC using verifiable, transparent, and repeatable data that ensures efficient BC growers receive reasonable returns to operate viable and sustainable businesses based on mainstream chicken pricing.
- The JWG will review the methodologies and data collected by the CRMC and confirm to the Chicken Board the following:
  - valuations and modeling of contentious COP components including labour, land, and capital; and,

- criteria and efficiencies for determining reasonable returns to growers.
- The JWG will examine the development of criteria and benchmarks for measuring BC processor competitiveness that could be used in pricing mainstream chicken in BC to maintain their position in the national marketplace.
- The Chicken Board will remain engaged with the JWG and individual stakeholders throughout this process. As first instance regulator, the Chicken Board will make its final decisions after receiving recommendations of the JWG and PPAC, as well as input from other stakeholders. The Board will also consult with the Commission regarding the inter-relationship of pricing in the BC chicken and hatching egg sectors.

## *Workplan*

- In support of its proceedings, an immediate priority for the JWG is to review and update the CRMC workplan as needed. The workplan will identify and address the foundational issues required to achieve the above Goals/Outcomes so that the JWG may submit its final recommendations not later than June 15, 2023. Meetings will be scheduled as needed and representatives or their alternates are expected to attend in person (preferred) or virtually.

## *Reporting*

- The Chicken Board will provide ongoing updates of the JWG to the Commission, industry stakeholders and the BCFIRB on a timely basis.
- Minutes of the meeting will be circulated to the JWG to confirm accuracy and a record of the meeting. Minutes and JWG Updates will be shared with the Chicken Board, the Commission, industry stakeholders and BCFIRB.

## *Dissolution of the JWG*

- The JWG's primary purpose is to provide recommendations and input on the development of the COP, with efficiencies, and processor competitiveness metrics as critical elements of new long-term pricing for the BC chicken sector. Once the requirements of the Joint Chicken Board-Commission October 28, 2020, TOR have been met and approved by BCFIRB, the JWG will be dissolved, and all pricing consultation responsibilities – including ongoing assessment of the Joint TOR Goals/Objectives – responsibilities will be folded back into the PPAC. Revised TOR for the PPAC are forthcoming.
- To enable measurement of the impact on the supply chain, and as required for the Commission, the Chicken Board will monitor, compare, and assess outcomes from the current pricing formula for two periods against the 'new' pricing approach once the latter is implemented.