



February 14, 2024

Peter Donkers
Chair
BC Farm Industry Review Board

RE: BCCMB RESPONSE TO CONFIDENTIAL PROCESSOR SUBMISSIONS

Introduction

On October 30, 2023, the BC Chicken Marketing Board (Chicken Board) recommended its Long-Term Pricing Decision to the BC Farm Industry Review Board (BCFIRB). That decision reached after a many months' long consultation process with BC chicken industry stakeholders included a new transparent and verifiable cost of production formula (COPF) to sustain BC chicken growers and the Chicken Board's steps to address processor competitiveness.

The Chicken Board also considered "it important there be a transition period" in which to implement the new pricing framework. Among other things, this phased-in approach would provide the Chicken Board opportunity "to respond if any *new evidence* is brought forward with respect to processor competitiveness" [emphasis added]. The importance of this opportunity was highlighted when the Primary Poultry Processors Association of BC (PPPABC), after effectively contributing to the development of the grower COPF, withdrew from the consultation process without engaging on the length of and factors critical to a transition period.

On December 15, 2023, the PPPABC applied for a non-disclosure order to protect confidential information it wished to submit to BCFIRB in response to the Chicken Board's pricing decision. After receiving reply submissions, BCFIRB agreed with the Chicken Board on two threshold matters:

First, that information that was available prior to the Recommendation should not be considered in this supervisory process. Second, that information arising since the Recommendation should be first provided to the Chicken Board as the first instance regulator, in order for it to consider whether that information would have any impact on its Recommendation.

Subsequently, a process was established through which individual PPPABC members could provide confidential information separately to the Chicken Board. Three PPPABC members (Sunrise Poultry Processors Ltd., Hallmark Poultry Processors Ltd., and Sofina Foods Inc.) submitted information and met separately with the Chicken Board on February 7, 2024. The fourth PPPABC member (K&R Poultry Ltd. d.b.a. Farm Fed Poultry) declined to participate. None of the other non-PPPABC processors opted to submit confidential information.



Processor Competitiveness – New COPF

As acknowledged in its October 30, 2023, decision, the Chicken Board continues to recognize “that BC pricing does and will impact on the processors’ position in the marketplace.” The confidential submissions and February 7, 2024, discussions with the three PPPABC members illustrated why the Chicken Board proposed a six-period (approximately one year) transition period for processors to adjust to developments arising from the adoption of the new pricing framework.

The issue continues to be whether there is sufficient evidence to substantiate processor non-competitiveness that would cause the Chicken Board, as a regulator, to offset a new, transparent COPF that focuses on sustaining efficient chicken production in BC.

It is clear from the PPPABC submissions that the three national processing companies are in a complex, difficult and changing Canadian chicken marketplace. The Chicken Board appreciates the insights into some of the challenges facing BC processors. It is also clear from the submissions that changes in the marketplace were and are already affecting the status of long-standing contracts and spurring decisions to expand to and invest in other provinces even though the new COPF is not in place. In the same vein, the current farm-gate price paid to chicken producers – fully transparent and verifiable – remains but a small portion of the price paid by consumers once non-transparent pricing multipliers are applied by processors, wholesalers, and retailers. Although the Chicken Board accepts, subject to developments in the transition period, that the new pricing framework may add additional pressure, including in the management of BC production, there is no evidence that existing pressures from ongoing changes in the BC and Canadian chicken marketplace are solely attributable to BC pricing. The Chicken Board has considered the additional confidential information provided by the processors and decided that it did not provide a basis for any change to the new COPF or the plan for its implementation.

Processor Competitiveness – Other Issues

The PPPABC members raised other issues that impact on processor competitiveness and the BC industry more generally. These include the management of the national allocation system, the timely monitoring of feed pricing and feed conversion and the hatcheries margin. The Chicken Board agrees with the PPPABC that all these issues warrant further consideration by it and BC industry stakeholders.

It is critical for the Chicken Board to work with BC processors in ensuring that BC interests at Chicken Farmers of Canada are effectively represented and support national allocations that balance supply and demand. As noted in its October 30, 2023, decision, feed pricing and feed conversion require increased scrutiny and timely monitoring by the Chicken Board. The Chicken Board is already taking steps to more closely track feed pricing trends and intends on developing data collection at a farm gate level for future iterations of the new COPF review



process. The Chicken Board has already committed to a revised survey update to reflect the feed impact more accurately in the first quarter of 2025. The Chicken Board notes that BCFIRB has already approved a move to a hatcheries COPF and is committed to working with the BC Broiler Hatching Egg Commission and other industry stakeholders on that initiative.

Conclusion

In the absence of any new, verifiable, and substantiated evidence as to the overall competitiveness of the three PPPABC members – who are national in scope – the Chicken Board cannot justify a change to its recommendation that the new BC COPF for growers be implemented, utilizing an appropriate transition period. Although the Chicken Board again recognizes that BC pricing does and will impact processors, the PPPABC submissions and discussions did not provide a basis for the Chicken Board as a regulator to amend and subsequently defend those amendments to its October 30, 2023, decision.

Yours truly,

Kevin Klippenstein
Chair
BC Chicken Marketing Board