



A-190 Update to BC FIRB on BC Chicken COP phase in

BC Chicken Live Price Formula

On [October 30, 2023](#), the BC Chicken Marketing Board submitted a proposal for a new formula for determining the live price of chicken. This proposal was subsequently approved by the BC Farm Industry Review Board on [May 22, 2024](#). The newly adopted pricing formula is based on a cost of production (COP) model designed for the efficient grower. To ensure a smooth transition, the implementation of this new COP pricing model will be phased in over six production periods (48 weeks). This phased approach will gradually close the gap between the previous interim formula and the new COP model. The below information intends to show the components of the COP, the interim formula, and the 6-period transition until 100% of COP is reached in A-195.

Timeline

The current timeline of implementation is outlined below. As we progress, further industry consultation, meetings, or milestones will be added to the below table.

Period	Period Start Date	Phase in Status	Industry Communication
A-190	30-Jun-24	Phase in 1 at 16.67% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price June 27, 2024; Pricing order sent to PPAC & Industry June 28, 2024
A-191	25-Aug-24	Phase in 2 at 33.33% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price August 22, 2024; Pricing order sent to PPAC & Industry August 23, 2024
A-192	20-Oct-24	Phase in 3 at 50% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price October 17, 2024; Pricing order sent to PPAC & Industry October 18, 2024
A-193	15-Dec-24	Phase in 4 at 66.67% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price December 12, 2024; Pricing order sent to PPAC & Industry December 13, 2024
A-194	09-Feb-25	Phase in 5 at 83.33% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price February 6, 2025; Pricing order sent to PPAC & Industry February 7, 2025
A-195	06-Apr-25	Phase in 6 at 100% of New BC COP formula	Board reviews and sets price date TBD; Pricing order sent to PPAC & Industry by April 4, 2025

As always, a variation for Exceptional Circumstances can be triggered no later than the first Monday after the start of the quota period in question. See Schedule 2 of the BCCMB General Orders for full details.



1. The new Formula for the COP is as follows:

$$(A) \text{ Operating Costs} + (B) \text{ Labour} + (C) \text{ Capital Costs} = \text{COP}$$

The COP below has been used to establish the minimum live price for period A-190, prior to the phase in process.

“NEW” BC COP Formula

BC Broiler COP - \$ per Kg	A189	A190	A191	A192	A193	A194	A195
A) Operating Costs							
Chicks	0.4709	0.4670					
Day-old Chick Cost	0.4545	0.4506					
Vaccine Cost	0.0163	0.0163					
Feed	1.1510	1.1105					
Utilities	0.0788	0.0835					
Vehicle & Equipment Operation (Fuel & Oil)	0.0092	0.0092					
Repairs & Maintenance	0.0476	0.0484					
Bedding	0.0225	0.0226					
Administrative & Office Costs	0.0127	0.0128					
Insurance	0.0179	0.0180					
Other Custom Costs	0.0061	0.0062					
Custom Catching	0.0485	0.0485					
Cleaning/Washing	0.0095	0.0096					
Board Levy	0.0206	0.0206					
MD Lease Costs	0.0016	0.0016					
Operating Costs (With Levies & With MD Lease Costs)	1.8969	1.8584					
B) Labour							
General Labour	0.0835	0.0839					
Management	0.0495	0.0498					
Labour Costs	0.1329	0.1337					
C) Capital Costs							
Depreciation & Amortization	0.1068	0.1084					
Depreciation - Barns & Associated Equipment	0.0823	0.0835					
Depreciation - Other	0.0245	0.0249					
Investment Cost	0.2035	0.2066					
Investment Cost - Land	0.0051	0.0051					
Investment Cost - Barns & Associated Equipment	0.1682	0.1707					
Investment Cost - Other	0.0302	0.0307					
Operating Interest	0.0265	0.0251					
Taxes	0.0061	0.0061					
Capital Costs	0.3429	0.3461					
Total Cost of Production	2.3727	2.3382					



2. The table below will illustrate the phased-in process identified in the May 22, 2024, BCFIRB decision.

Phase in Periods	Reference	1	2	3	4	5	6
Period	A-189	A-190	A-191	A-192	A-193	A-194	A-195
COP based live price formula - includes catching	\$2.3727	\$2.3382					
Previous Interim Formula - includes catching (par)	\$2.1704	\$2.1678					
Net Change to Formula Price	\$0.2023	\$0.1704					
Phase in % of difference	0.00%	16.67%	33.33%	50.00%	66.67%	83.33%	100.00%
\$/kg phased in	\$0.0000	\$0.0284					
Final Posted Live Price (includes catching)	\$2.1704	\$2.1962					
CHANGE FROM PREVIOUS PERIOD	-\$0.0369	\$0.0258					

3. Previous “Interim” Pricing formula:

Below is the “old” 75% formula (including all FIRB ordered amendments) which will be used for the BCFIRB ordered graduated implementation for periods A-190 to A-195 inclusive:

- The Ontario live price at their 2.15 – 2.45 kilogram weight category, **Plus**,
- The current BC catching cost of \$0.0485 per kilogram, **Plus**,
- 75% of the difference in the cost of feed and chicks per kilogram, **Plus**
- The addition of a trigger mechanism to determine when 50% of the current formula costs exceeding the upper guardrail is appropriate to include in the interim pricing formula to account for the wheat-corn gap. The trigger will be a cost gap of \$115.23 between Ontario and BC feed costs per tonne. If the trigger threshold is not met, no adjustment will be made to the live price. If the trigger threshold is met, provisions to cover 50% of the formula costs exceeding the upper guardrail will be made.
- If the above trigger mechanism is met, a provision to cover 50% of the current formula costs exceeding the upper guardrail after adjustment for the cumulative increase or decrease in Ontario grower margins arising from changes to the Ontario Cost of Production formula (COPF) starting in A-181. If the resulting number is negative, no adjustment will be made to the live weight price. (The upper guardrail is currently set at 13.69 cents/kg and the lower guardrail at 10.90 cents/kg due to the increase in the catching costs).



The numbers indicated by the formula to calculate the A-190 minimum live price using the old interim pricing methodology:

Ontario price (2.15 - 2.45 category)	\$1.9890	
Minus CFO modular loading recovery	\$0.0020	
Minus CFO AI Insurance recovery	\$0.0015	
Minus OBHECC chick levy	\$0.0006	
Net Ontario Price (2.15 - 2.45 category)	\$1.98489	= A
Plus BC catching price	\$0.0485	
Plus 75% feed and chick differential	\$0.2495	
Total differential over Ontario	\$0.2980	
BCCMB Pricing Formula - Upper Guardrail value of	\$0.1369	
Total differential over Ontario	\$0.2980	
Total differential over Ontario GREATER THAN Upper Guardrail - use Upper Guardrail	\$0.1369	= B
Differential over upper guardrail = (Total differential over Ontario - Upper Guardrail)	\$0.1611	
A-189 Floating Guardrail Mechanism Triggered (Yes or No)	Yes	
Ontario Producer Margin Period A-180	\$0.6384	
Ontario Producer Margin Period A-190	\$0.7074	
Change to Ontario's Producer Margin (If Positive used in Formula)	\$0.0690	
BCFIRB December 13, 2022 Prior Approval A-180 Interim Pricing Formula: = (Differential over upper guardrail minus change in Ont producer Margin)	\$0.09205	
Plus 50% of Differential over Upper Guardrail =	\$0.04603	= C

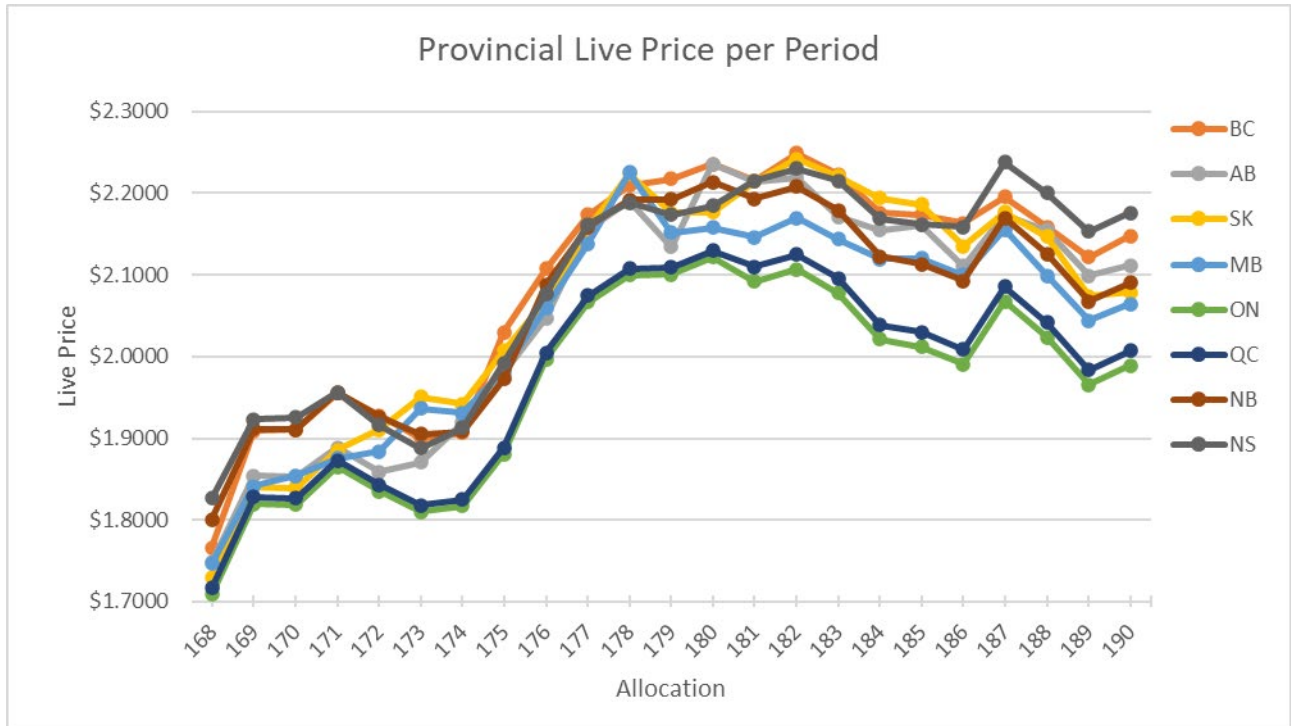
$$\text{A-190 BC Posted Price} = \$1.98489 + \$0.1369 + \$0.04603 = \$2.1678$$

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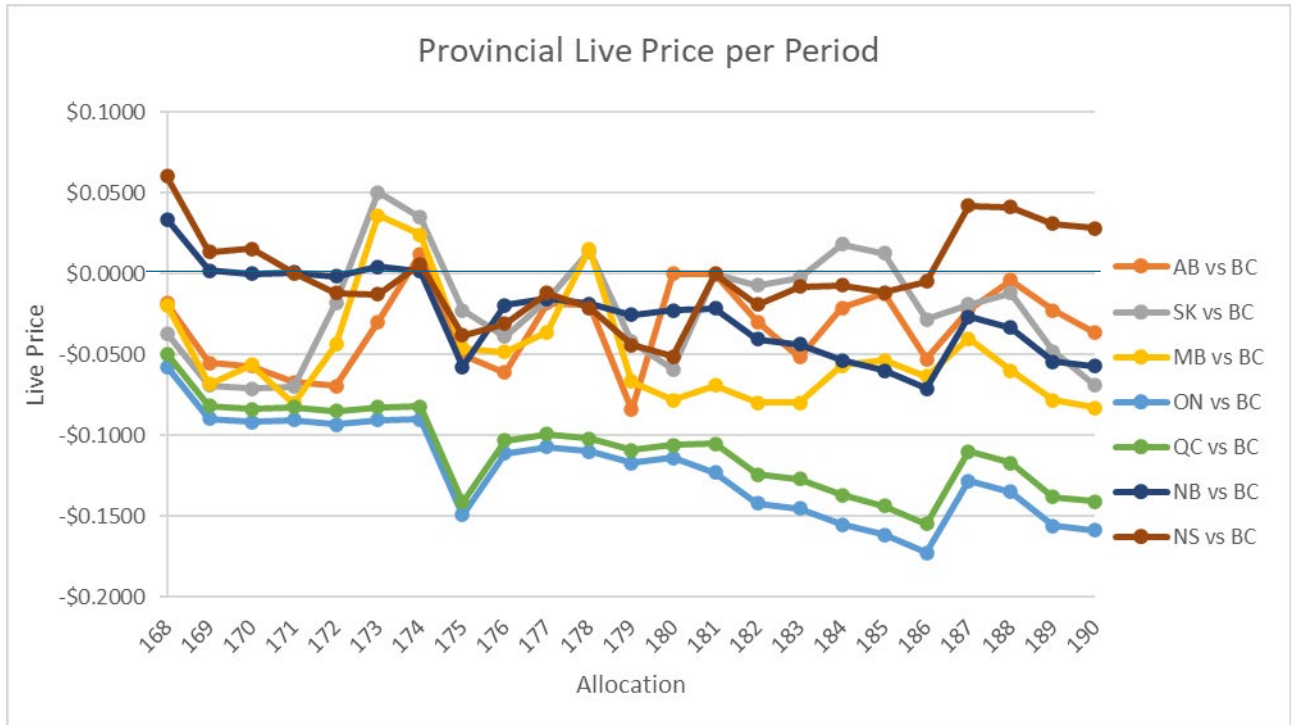
Provincial farmgate Chicken live price comparison across Canada

The below graphs will compare the posted live prices across Canada as they compare to BC. However, at the time of this graph we may not yet have all other provincial prices up to A-190.

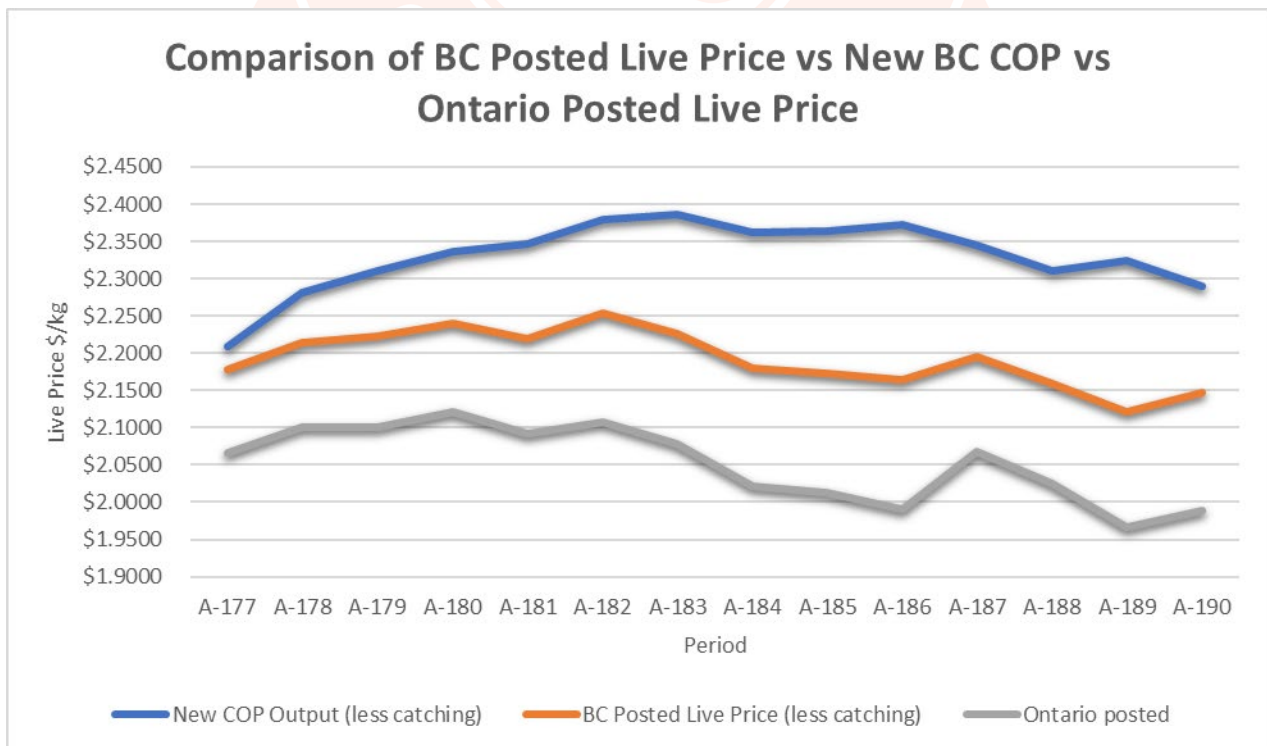


The above graph shows the provincial live prices across Canada (less catching) from the last 22 periods (A-168 to A-190).





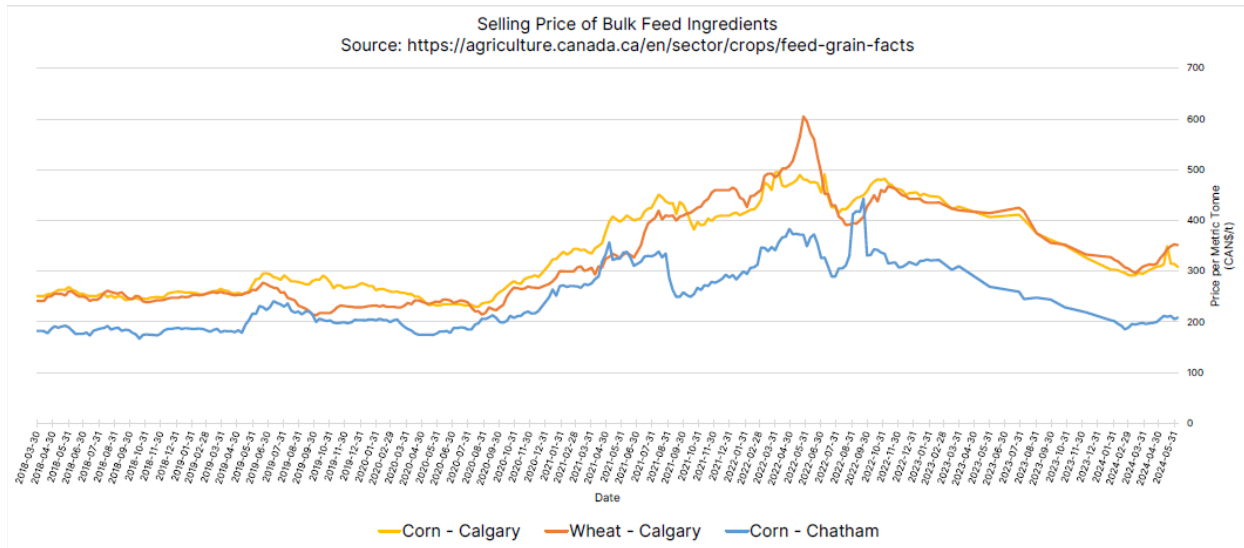
The above graph shows the differential in live price (less catching) with each province versus BC, where the \$0.00 line is an equal live price to BC.





The above graph shows the comparison between the new COP live price (effective A-195), the actual posted price in BC (COP phase in begins in A-190), and the posted price in Ontario. Of note, in A-187 Chicken Farmers of Ontario updated their COP through a negotiated agreement.

Figure I – Feed Corn & Wheat, Central Canada vs. Western Canada Comparison - Updated as of July 2, 2024



The above graph shows the changes in feed corn and wheat, comparing Calgary, Alberta to Chatham, Ontario. While not a direct correlation to the landed feed cost on BC farms, it does help us see the change in historical trends to a wider gap between the landed feed costs, as well as the more recent trend of decreasing feed costs.

Status of JWG & Ongoing Consultation

The Board seeks to continue with the Joint Working Group (JWG). Of note, the JWG was never dismantled but has not met since October 16, 2023. The JWG will continue to serve as a direct communication with stakeholders and the Board on the progress of the COP, continuous improvement, and industry impacts. It will also provide an opportunity for review of elements that will be updated, including the updated full survey next year. If exceptional circumstances arise, it must go through the PPAC as per the General Orders. The Board will target a JWG meeting between mid-August to mid-September, depending on availability and attendance. A Doodle poll has been circulated to find a suitable meeting date.

Annual Updates & Continuous Improvements

The Board is targeting to update feed conversion rate (FCR), volume, and mortality figures in the first quarter of 2025. Precise period of implementation is not yet confirmed but will be provided in future updates. Other continuous improvement goals are in development and future updates will provide more information.



Market Development:

CFC has seen a decrease in Market Development (MD) requests for BC beginning in A-190. Some processors have eliminated MD starting in A-191 but has not been observed by all processors. It is unclear if this trend due to the new pricing paradigm, preparation for Fall HPAI where exports are limited, the change in consumer demand for dark meat over white meat, or a combination of these factors and others. We will note, however, reduction in MD requirements has been observed across the country over the last several years as market dynamics continue to change. The West has seen significant reduction in MD.

Grower ‘loyalty bonuses’:

The Board has been notified through grower members of the elimination of the ‘loyalty bonus’ from at least three processors effective A-190. We are unclear if this will or has occurred at other processors. The Board has not been involved, nor regulated, payment to growers outside of the posted minimum live price.

Status of Hatchery COP

As part of BC FIRB’s decision in June 2022 for the Hatching Egg COP, there was also direction to continue to pursue a Hatchery COP. The Chicken Board has not yet seen data on a Hatchery COP but understands the BCBHEC continues to work with hatcheries. It has been 2 years since the BC FIRB direction, and we encourage all parties to pursue its development. To date, we have not been informed of a timeline to review any proposal or asked to provide input. Further, we do not yet know the impacts this could have on the live price of BC chicken. However, we do believe that a hatchery COP must stand up to the same level of transparency that the Chicken and Hatching Egg COP’s have, and that they consider both processor competitiveness and efficiency factors within their COP. We stand by the ready to review any data put forward.

It should be noted that we are aware that the BCEHA has requested a second interim increase to the hatchery margin, and that the BCBHEC may consider this as an option. If it is determined that a second interim increase in the hatchery margin is warranted prior to the finalization of a hatchery COP, as directed by BC FIRB in June 2022, this increase must be supported by transparent and verifiable third-party data that matches the rigor applied to the other two COP’s. It is the understanding of the Board that a Serecon study has been conducted and completed covering only 4 cost categories. Any increase in the hatchery margin will have a direct impact on the live price, as well as not be fully recoverable for growers until A-195.

Allocation & Supply

In our October 30, 2023, submission, the Chicken Board noted that it “...understands the importance of product flow, we are also acutely aware of the national allocation system where BC grows approximately 14% of the national allocation of chicken. Product moving across provincial borders may alter the competitive landscape but processors in any province are free to move their portion of allocation where best fits their business needs.” The Board will continue to be an active participant in the national allocation system to ensure the correct supply of chicken is available nationally. Of note, the allocations for A-189 was 1.5% below base, the allocation for A-190 was 1% above base, and the allocation for A-191 was 1% above base. At the end of A-192 the “discrete supply to Ontario” comes to an end, resulting in less of the growth being allocated in Ontario, or in other words, relative supply could tighten in Ontario.



In closing, the Board notes that A-190 is the first period in the transition to the new BC COP based live price. The full impacts of the new pricing paradigm are not yet known. However, the Board remains open and engaged with stakeholders to continue dialogue and seek long term solutions for the sustainability of the BC chicken industry.



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