



September 6, 2024 - A-191 Update to BC FIRB on BC Chicken COP phase in

BC Chicken Live Price Formula

On [October 30, 2023](#), the BC Chicken 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

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



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-191, 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	0.4696				
Day-old Chick Cost	0.4545	0.4506	0.4532				
Vaccine Cost	0.0163	0.0163	0.0163				
Feed	1.1510	1.1105	1.1047				
Utilities	0.0788	0.0835	0.0779				
Vehicle & Equipment Operation (Fuel & Oil)	0.0092	0.0092	0.0093				
Repairs & Maintenance	0.0476	0.0484	0.0489				
Bedding	0.0225	0.0226	0.0229				
Administrative & Office Costs	0.0127	0.0128	0.0129				
Insurance	0.0179	0.0180	0.0182				
Other Custom Costs	0.0061	0.0062	0.0062				
Custom Catching	0.0485	0.0485	0.0485				
Cleaning/Washing	0.0095	0.0096	0.0097				
Board Levy	0.0206	0.0206	0.0206				
MD Lease Costs	0.0016	0.0016	0.0016				
Operating Costs (With Levies & With MD Lease Costs)	1.8969	1.8584	1.8510				
B) Labour							
General Labour	0.0835	0.0839	0.0845				
Management	0.0495	0.0498	0.0514				
Labour Costs	0.1329	0.1337	0.1359				
C) Capital Costs							
Depreciation & Amortization	0.1068	0.1084	0.1096				
Depreciation - Barns & Associated Equipment	0.0823	0.0835	0.0844				
Depreciation - Other	0.0245	0.0249	0.0252				
Investment Cost	0.2035	0.2066	0.2113				
Investment Cost - Land	0.0051	0.0051	0.0051				
Investment Cost - Barns & Associated Equipment	0.1682	0.1707	0.1755				
Investment Cost - Other	0.0302	0.0307	0.0307				
Operating Interest	0.0265	0.0251	0.0241				
Taxes	0.0061	0.0061	0.0062				
Capital Costs	0.3429	0.3461	0.3512				
Total Cost of Production	2.3727	2.3382	2.3380				



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	\$2.3380				
Previous Interim Formula - includes catching (par)	\$2.1704	\$2.1678	\$2.1805				
Net Change to Formula Price	\$0.2023	\$0.1704	\$0.1575				
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	\$0.0525				
Final Posted Live Price (includes catching)	\$2.1704	\$2.1962	\$2.2330				
CHANGE FROM PREVIOUS PERIOD	-\$0.0369	\$0.0258	\$0.0368				

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-191 minimum live price using the old interim pricing methodology:

Ontario price (2.15 - 2.45 category)	\$2.0110	
M inus CFO modular loading recovery	\$0.0020	
M inus CFO AI Insurance recovery	\$0.0015	
M inus OBHECC chick levy	\$0.0006	
Net Ontario Price (2.15 - 2.45 category)	\$2.00689	= A
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P lus BC catching price	\$0.0485	
P lus 75% feed and chick differential	\$0.2309	
Total differential over Ontario	\$0.2794	
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BCCMB Pricing Formula - Upper Guardrail value of	\$0.1369	
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Total differential over Ontario	\$0.2794	
Total differential over Ontario G REATER THAN Upper Guardrail - use Upper Guardrail	\$0.1369	= B
Differential over upper guardrail = (Total differential over Ontario - Upper Guardrail)	\$0.1425	
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A - 191 Floating Guardrail Mechanism Triggered (Yes or No)	Yes	
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Ontario Producer Margin Period A-180	\$0.6384	
Ontario Producer Margin Period A-191	\$0.7074	
Change to Ontario's Producer Margin (If Positive used in Formula)	\$0.0690	
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BCFIRB December 13, 2022 Prior Approval A-180 Interim Pricing Formula: = (Differential over upper guardrail minus change in Ont producer Margin)	\$0.07345	
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P lus 50% of Differential over Upper Guardrail =	\$0.03673	= C

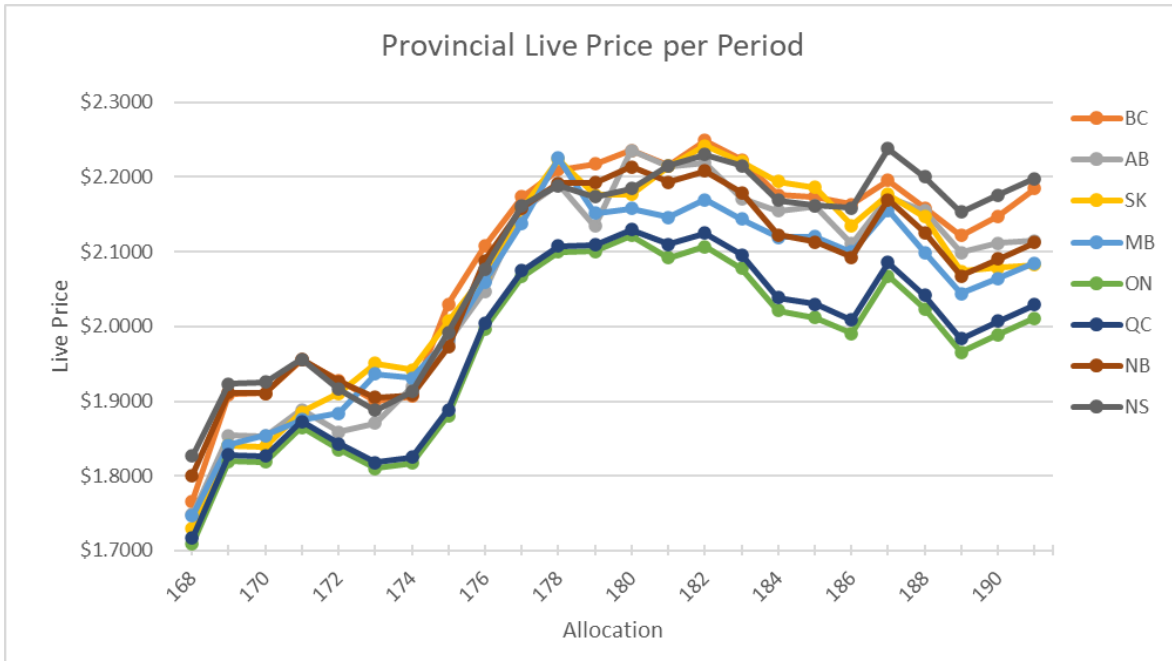
$$\text{A-191 BC Posted Price} = \$2.00689 + \$0.1369 + \$0.03673 = \$2.1805$$

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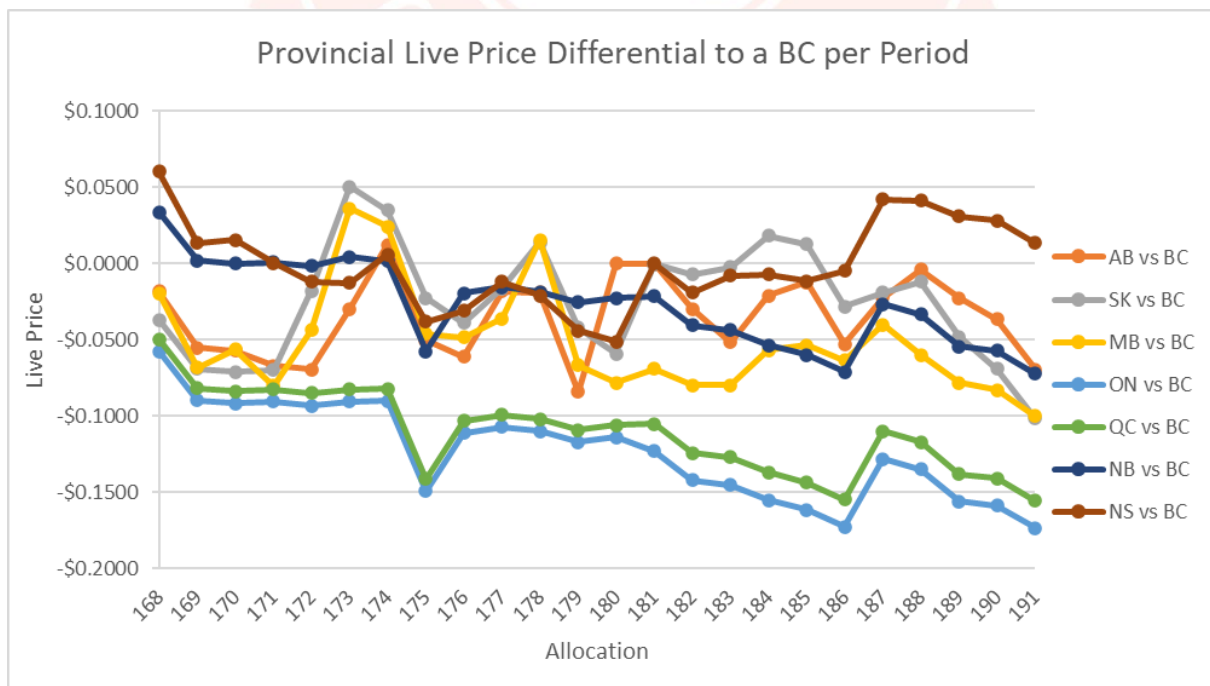


Provincial farmgate Chicken live price comparison across Canada

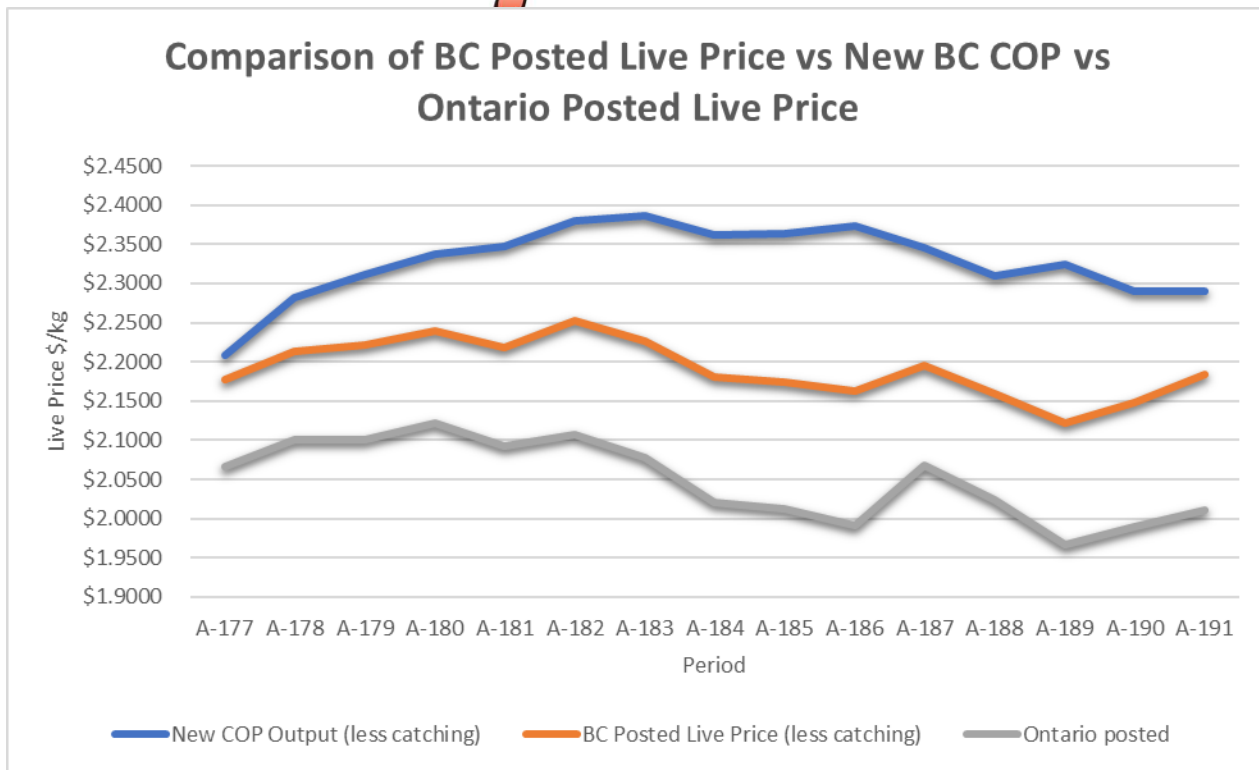
The below graphs will compare the posted live prices across Canada as they compare to BC. However, at the time of this graph we may not yet have all other provincial prices up to A-191.



The above graph shows the provincial live prices across Canada (less catching) from the last 23 periods (A-168 to A-191).

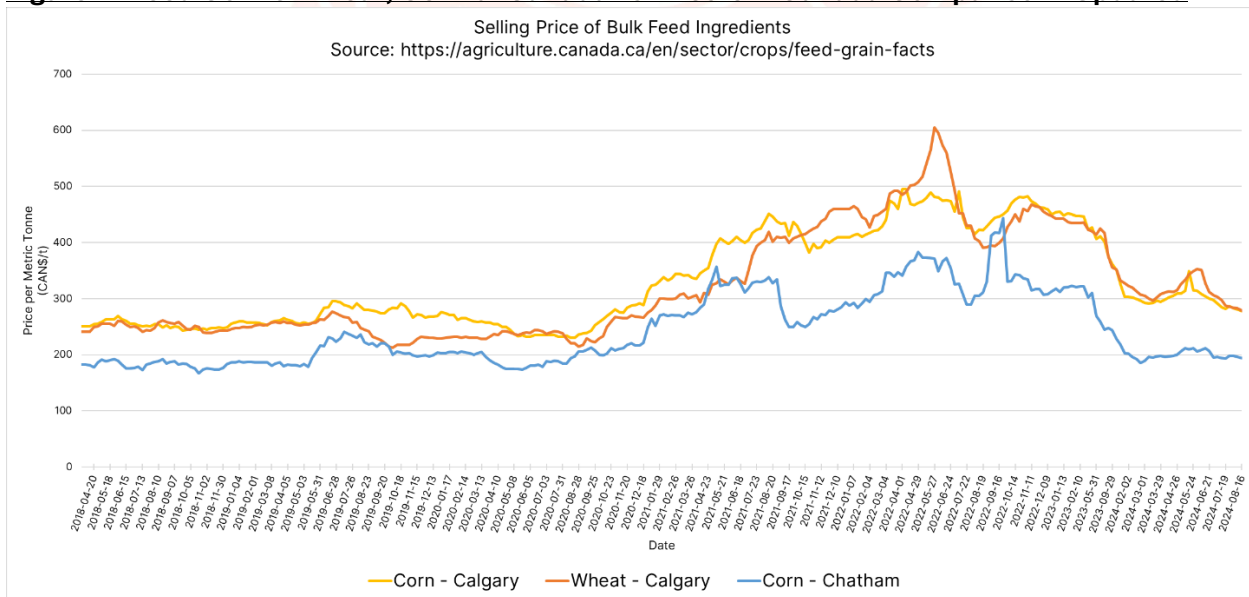


The above graph shows the differential in live price (less catching) with each province versus BC where \$0.00 would be an equal live price to BC.



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



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.



Other progress & Updates

Status of JWG & Ongoing Consultation

As noted in the A-190 update, the Board believes continuing direct engagement with key stakeholders through the Joint Working Group (JWG) is important as part of the implementation process and in dealing with other issues related to pricing. The JWG is the forum to allow open discussion and opportunities to allow stakeholders to share transparent and verifiable data to show how the COP is affecting their businesses and to send recommendations back to the Board if any changes are needed in the implementation process. This review is critical as it allows the Board to make informed decisions that help balance the industry.

The Board scheduled a JWG meeting on September 5, 2024, from 9-11am. The JWG meeting agenda encompassed a range of topics, including discussions on implementation progress, market impacts, brainstorming solutions for BC feed pricing, updating FCR, and other continuous improvement initiatives. The JWG was attended by representatives from the BC Chicken Growers Association (BCCGA), the BC Broiler Hatching Egg Commission (BCBHEC), as well as the full Chicken Board as observers. Unfortunately, there was no attendance by processors or the hatchery association.

While no formal recommendations were made at this JWG meeting, the JWG did agree that once FCR is collected there could be potential to implement the FCR earlier than originally proposed.

Annual Updates & Continuous Improvements

The Board is targeting to update feed conversion rate (FCR), volume, and mortality figures in the first quarter of 2025. However, data collection will begin as early as September and if the verified data is available earlier, the Board could potentially update these sooner after review by the JWG.

The Board also committed to refining how ‘time for task’ labour data was collected in future COP data collection phases. We now understand that Serecon has developed an electronic application for those selected in the sample to track ‘time for task’ labour activities. The BCBHEC is using this currently, and the Chicken Board looks forward to adopting the technology during our data collection in 2025.

The Chicken Board has begun to collect capital and build cost data direct from farms who have built barns from 2021 to the present date. While the Board believes that the Douglas Cost Guide (DCG) is the best proxy for build costs, through our data collection we should be able to further verify or correct if the DCG is under or over estimating build costs. We expect to make substantial progress on this file through the Fall.

Other continuous improvement initiatives will continue to be discussed through the JWG; however, most would not be in effect until the next survey collection.

Market Development:

As previously reported, CFC has observed a decline in Market Development (MD) requests for BC starting in A-190, with most processors discontinuing MD in A-191. The reasons behind this trend remain uncertain; it could be related to the new pricing structure, preparations for the Fall HPAI when exports are restricted, shifting consumer preferences from white meat to dark meat, or a combination of these and other factors. It is worth noting, however, that the reduction in MD



requirements has been a nationwide trend over the past several years due to evolving market dynamics, with the West experiencing a particularly notable decrease in MD. MD production is a voluntary program and is paid by the grower at a current rate of \$0.25/kg. It should be noted that the reduction in MD from approximately 1,500,000kg to 200,000kg had the effect of changing the live price (under category 'MD lease costs') from A-190 to A-191 by approximately +\$0.00004078 (rounded to 4 decimal places, making no material difference).

Grower 'loyalty bonuses':

As previously reported, the Board has been informed by grower members that the three largest processors have eliminated the 'loyalty bonus' starting in A-190. The Board is not involved in and does not regulate any payments to growers beyond 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 continues to support the establishment of a Hatchery COP as part of pricing in the BC supply chain. It has been more than 2 years since the BC FIRB direction, and we encourage all parties to pursue its development. The Board believes 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. The Chicken Board and Commission met on September 5, 2024, to discuss the request in accordance with their MOU and understand we will discuss further before the Commission makes a decision. If 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, it must be supported by transparent and verifiable third-party data that matches the rigor applied to the other two COP's. The Board notes that 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

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 allocation for A-190 was 1% *above* base, the allocation for A-191 was 1% *above* base, and the allocation for A-192 was 1% *above* base. There is a small number of kilograms from the "Discrete Supply to Ontario Agreement", as well as the "Atlantic Canada Safeguard Agreement" that are carried over into A-193. However, these agreements are finished with the conclusion of A-193.

The Board was notified on August 6, 2024, that the PPPABC would no longer engage with the Chicken Board in consultation for allocation effective for A-193. The Chicken Board will continue to offer the opportunity to provide input prior to the BC recommendation on National allocation, through offers of virtual or in person meetings, written communication, or sharing of data. Of note, it is our understanding that processors are no longer engaging in allocation discussions with Alberta and Saskatchewan as well. The Board remains willing to exchange agreed upon data with the PPPABC in support of informed decision-making.



The Board acknowledges that our BC processors chose not to meet with the BC Board. However, the PPPABC submitted a letter recommending 7% below the adjusted base allocation (-7%) for BC in A-193, while the West CPEP letter recommended a 4% reduction below the base (-4%). BC requires transparent and verifiable data to justify these requests for extra ordinary reductions in allocation, none has been provided so far. The PPPABC letter only references an estimated live price for A-193 without consideration for other relevant factors. We urge the PPPABC to supply the BC Board with data to support their position for regional allocation and National allocation reduction in order to perform a proper evaluation. We reinforce that the setting of National allocation at the CFC table is not the appropriate forum for discussions and debates regarding the BC live price. A response to the PPPABC letter will come in due course.

Catching Price

On July 23, 2024, the Board received a request from PPPABC to raise the catching price in the BC posted live price for chicken. Before making any decisions regarding this change, the Board will consult with the PPAC, with a meeting scheduled for September 24, 2024. Additionally, as highlighted in the October 30, 2023 submission and communicated to processors in letters dated November 14, 2022, and January 31, 2024, there is an initiative among Western provinces to align with the rest of Canada by removing the cost of catching from the live price, effective February 9, 2025 (A-194). This proposal will be discussed at the PPAC meeting, and the Board will also provide an opportunity for industry feedback before reaching a final decision and request to BC FIRB.

Interim Pricing based on CFO Price

Of note, the CFO price was not available to the Board until the afternoon of August 21, 2024, which prevents the BC Board from issuing pricing any earlier. Once the transition phase is complete and there is no reliance on CFO pricing, it is possible that the BC Chicken Board could set price earlier to give industry more time to adjust to a new pricing period.

In closing, the Board notes that A-191 is the second 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.