

British Columbia Egg Hatchery Association

March 18, 2024

Mr. Peter Donkers
Chair
BC Farm Industry Review Board

Dear Mr. Donkers:

Thank you for the opportunity to comment on the March 11, 2024 BC Chicken Marketing Board (Chicken Board) response to your request for further information on their October 30, 2023 Chicken Live Price Recommendation (Recommendation).

The BC Egg Hatchery Association (BCEHA) has several concerns with statements being made by the Chicken Board in their March 11, 2024 correspondence. We believe they have gone beyond the scope of BC Farm Industry Review Board (BCFIRB) specific information request with some of their comments and therefore we feel it is important to provide comment to ensure our positions are on the record for the Supervisory Review.

The BCEHA is of the view that the Chicken Board continues to ignore the impact of the pending hatchery margin increase that will come forward and materially impact the Live Price in British Columbia. While there may be some question as to what the hatchery in will be, there is no question that there needs to be an increase. BC hatchery margins in A-188 are 20.51 cents / chick while the margin in Ontario for the same cycle is 30.84 cents. A 10 – cent margin difference equates to approximately a 4 – 5 cent increase in cost to the live price formula and to completely ignore this does not support orderly marketing in the province.

The Ontario hatchery margin is developed based on a COP analysis and while there are some differences in the services provided in each province, it can be used as a “reasonable proxy” for the BC hatchery margin to assess the potential impact of the

recommendation on other stakeholders. It is our view that this element needs to be included when assessing BC's competitiveness in the national chicken price marketplace.

In the March 11, 2024 letter, the Chicken Board is critical of BC hatcheries for not bringing forward a hatchery margin increase request. The Chicken Board and BCFIRB should be aware that the hatcheries have not done so, due in large part to the impact that the margin increase will have on the BC live price. In conversation with the various ownership bodies, the decision was made to operate with a lower hatchery margin to avoid further increases to the record high live prices in BC.¹

The Board states that the hatchery margin should be developed on "stand-alone" basis which is consistent with the approach taken in Ontario. However, the Board goes on to say that "the analysis should include the impact of a new hatchery COP on the competitiveness of affiliated corporate processors". We are not clear on the thinking behind the last statement, but it is clearly contrary to the stand-alone approach. Processors who have made significant investments in hatcheries that also benefit growers should not be required to operate them at a "discount" to the benefit of growers and to maintain competitiveness.

It is very clear to the BCEHA members, as it should be to other industry stakeholders that the cost structure of the BC chicken industry is facing unprecedented challenges when compared to that of Central Canada. To expect the industry to thrive when processors will be forced to compete in national and regional markets with a 15% cost disadvantage on raw material is not reasonable or sustainable. The BC industry needs an industry wide solution where stakeholders across the value chain share the financial burden of the operating within the BC industry cost base. BC hatcheries have in essence been behaving in this manner over the course of the last few years, by not

¹ BC hatcheries are operating at 66% of cost of production if the Ontario hatchery margin is used as a proxy for BC's hatchery costs.

pursing increases to the hatchery margin, but this cannot continue if other stakeholders are not making the same sacrifices.

The “Recommendation” proposed by the Chicken Board combined with their March 11, 2024 response for information, along with the BC Broiler Hatching Egg Commission COP, appear to be built around a “last to the trough” mentality. Processors and downstream stakeholders it appears, are expected to bear the entire producer and grower cost burden and yet remain competitive. This cannot be viewed as a solution to the challenges in the BC chicken industry as it is not balanced or fair, and only benefits the upstream growers and producers. The BC chicken industry cannot remain viable if the expectation is that some parties are to be disadvantaged while others prosper.

Respectfully submitted on behalf of the BC Egg Hatchery Association,

Ryan Whitmore

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President

BC Egg Hatchery Association

c. BCEHA Members