

BC Chicken Marketing Board/BC Broiler Hatching Egg Commission Long Term Chicken Sector Pricing Review Process Terms of Reference - October 28, 2020

Introduction:

The British Columbia Chicken Marketing Board (the “Chicken Board”) and the British Columbia Broiler Hatching Egg Commission (the “Commission”) are reviewing their regulated pricing structures with the goal of making changes.

The Chicken Board and Commission are developing a joint project Terms of Reference for the conduct of this review. At the conclusion, the SAFETI reviewed, evidence-based decisions of the Chicken Board and Commission regarding the regulatory pricing structures for the BC chicken and hatching egg sectors will be recommended to the British Columbia Farm Industry Review Board (“BCFIRB”) for approval in its supervisory capacity.

The Commission and Chicken Board have prepared the following draft Chicken Sector Pricing and Linkage Review (the “Review”) Terms of Reference in consultation with the BCFIRB Review third-party liaison (the “Review Liaison”) as per the August 28th 2020 BCFIRB letter to all parties. The Terms of Reference will be provided to all industry stakeholders for review and comment prior to filing with the BCFIRB Supervisory Review Panel (the “Review Panel”) for approval.

Scope:

The scope of the Review includes:

- A review of factors affecting the pricing of regulated products by the Chicken Board and Commission, including defining:
 - “reasonable returns to chicken growers and hatching egg producers” through verified costs of production or other mechanisms
 - “processor competitiveness in the Canadian market for chicken”
 - “reasonable margin” for hatcheries.
- The principal cost of production factors include but are not limited to:
 - Feed and feed ingredients in BC relative to other provinces and its impact on grower/producer returns.
 - Chick cost in BC relative to other provinces.
 - Catching costs.
- Processor competitiveness factors include:
 - Clarity on Ontario pricing.
 - Live price differential over Ontario.
 - Catching costs.
 - Understanding the evolving markets (supply and demand) for BC regulated products and the flow of regulated products into and out of the province.
 - Defining quantitative measures of processor competitiveness.

- Assurance of supply in the chicken sector as it relates to industry stability, industry innovation, processor competitiveness as well as consideration of how this has been approached in other provinces and other supply managed commodities – e.g., hatching eggs and milk.
- Other factors include:
 - Non-transparency of Ontario pricing.
 - Point of transfer of ownership policies and need for amendment to improve clarity.
 - Assessment of the viability of a revised linkage mechanism including with respect to transparency and the treatment of premiums and other revenue streams.
 - Western-based chicken and hatching egg sector policies, including pricing.
 - Other pricing related issues identified by industry stakeholders.

Goals/Outcomes:

- 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.

Workplan

- The Chicken Board and Commission will establish and manage – in coordination with the BCFIRB Liaison - SAFETI-based operational work plans identifying the key activities and timelines for engaging stakeholders, resulting in evidence- based decisions on pricing and linkage by February 2021 in order to file the decisions to the Review Panel.

Roles and Responsibilities

- The Chicken Board and Commission will be conducting this review jointly but as first instance regulators must reserve their respective independent decision-making on matters falling within their authorities granted under their respective Schemes within the scope of the Review.
- The Chicken Board and Commission will make those separate decisions under their respective authorities after consulting with stakeholders, considering the feedback received and consultation between the two regulatory boards.
- The Pricing and Production Advisory Committees (the “PPAC”) of the Chicken Board and Commission established by regulation are responsible to review and advise the Chicken Board and Commission on pricing, production and linkage matters referred to them within timelines specified by the Chicken Board and Commission or to raise at the PPACs’ discretion matters for consideration by the Chicken Board and Commission.

- Under the Schemes, the Chicken Board and Commission must consult with their respective PPAC and consider the PPAC's advice before making any decision relating to pricing or production.
- Referrals to the PPAC on matters pertaining to the Review by the Chicken Board and/or Commission will include members of both PPACs to ensure full transparency and disclosure.
- The BC Broiler Hatching Egg Producers' Association, the BC Chicken Growers' Association, the BC Egg Hatchery Association and the Primary Poultry Processors Association of BC are the primary contacts that the Chicken Board and Commission will depend on for input to and feedback on the long-term pricing and linkage issues.
 - The associations will be responsible for the timely submission of information to the Chicken Board and Commission for consideration and the review of materials and information provided by the Chicken Board and Commission to stakeholders for comment.
 - A joint pricing process website will be developed with a link posted on the websites of both the Chicken Board and the Commission. Additionally, all stakeholder correspondence issued by the boards, i.e. monthly newsletters, will include a link to the pricing process website.
- The Review Liaison will be responsible for:

Reporting to BCFIRB:

- Review Liaison bi-weekly status reports submitted to BCFIRB on the Review activities and progress will be shared with all parties to ensure full and complete transparency of the process (see Reporting).

Working with CMB, BHEC and the parties:

- Observing, participating in and reporting to BCFIRB on meetings. Meetings include individual and joint Chicken Board and Commission board meetings and stakeholder meetings directly related to the pricing and linkage review process.
 - The designated liaison within each association and regulatory board will be responsible for ensuring the Review Liaison is notified of, briefed on and included in all Review-related meetings.
- Organizing and supporting meetings of the parties as appropriate to facilitate the process.
- Supporting and facilitating the identification and development, by the boards and parties, of components necessary to informing chicken sector pricing policies. From whom the information is needed; and the timing of the need to address pricing options, including but not limited to a linkage and the Commission's exit notice and general concerns about pricing sustainability.
- Monitoring the Review, including the engagement of parties and the provision

- o of necessary information and data consistent with the task list and timelines identified by the parties at the outset.
- o Ensuring that all stakeholders receive such sensitive information in a form that informs the regulatory decision-making of the Commission and Chicken Board
- The roles and responsibilities of the Review Panel include:
 - o Approve the terms of reference for the Review.
 - o Working with BCFIRB staff, establish a process for collecting, managing, and exchanging potentially confidential or sensitive information to support the development of options and regulatory decision making.
 - o Final decision on pricing and the appropriateness of a linkage.

Reporting

- The Chicken Board, Commission and Review Liaison will provide bi-weekly status updates on the work plan to the Review Panel and stakeholders.
- A final report of the Review Liaison will be filed independently with the Review Panel at the same time the Chicken Board and Commission file their recommendation decisions to the Review Panel. The Review Liaison report and the Chicken Board and Commission recommendation decisions will be made available to all stakeholders.

Stakeholder Engagement Strategy

To provide for a transparent and inclusive process for the Review, the Chicken Board and Commission with the assistance of the Review Liaison will implement the Stakeholder Engagement Strategy. NOTE: In the below – and particularly in light of health considerations during the COVID-19 pandemic - the term “meeting” applies equally to virtual and in-person engagement.

Purpose

To enable meaningful dialogue, opportunity for input and response to all matters relating to the Review

Intended Audience

Primary

- British Columbia Broiler Hatching Egg Producers’ Association
- British Columbia Chicken Growers’ Association
- British Columbia Egg Hatchery Association
- Primary Poultry Processors Association of British Columbia

Secondary

- Individual mainstream chicken growers, hatcheries, hatching egg producers, processors and allied trades.
- Others that may be impacted as identified.

Form of Engagement

- Web-posting of data, information, analysis and recommendations for review and comment on a designated joint pricing process website hosted by the Chicken Board and Commission.
- Written invitations to submit data, information, analysis or recommendations to the Chicken Board and Commission in support of their regulatory decision-making.
- Formal meetings, individually or jointly to discuss data and information requirements, analysis and/or recommendations.
- Direct email notices advising of web-postings for meetings.

Phase 1 – Process Launch and Data Gathering (September – October)

- Invite and solicit data and information on draft terms of reference.
- Invite stakeholder submissions on all matters within the scope of the Review, with reference to the primary policy objectives of “reasonable return to growers/producers”, “processor competitiveness in the Canadian market” and a “reasonable hatchery margin”.
- Review Panel approval of the Terms of Reference.

Phase 2 – Options (November- December)

- All participants present a range of options for consideration, including analysis of the advantages and disadvantages; contribution to the achievement of the policy objectives; and long-term sustainability of the BC chicken industry.
- The Chicken Board and Commission Invite comment and identify further options or additional analysis required.

Phase 3 – Chicken Board and Commission Decisions (January-February)

- Based on consideration of input received and achievement of sound marketing policy objectives for the BC chicken industry, post the Board and Commission draft decisions, including draft SAFETI analysis for stakeholder review and comment.
- Based on input and feedback received on posted decisions, finalize the SAFETI analysis and affirm or modify decisions as deemed appropriate by the Chicken Board and/or Commission for recommendation for prior approval by the Review Panel.

Risks and Mitigation Measures

- COVID-19 impacts and restrictions re: second wave.
- Missing, incomplete or unverifiable information and data from stakeholders on items within the scope of the Review.
- Lack of engagement by stakeholders in the provision of data or feedback.
- Lack of timely response to requests for data, information or feedback that will result in delays in the process.

- Transparency requirements for future pricing, linkage, i.e. premiums, non-verifiable Ontario pricing.

To mitigate the risks:

- Review Liaison vigilance over the Review process and working with stakeholders in securing and providing the requisite data, information, analysis, or feedback.