



BC Farm Industry Review Board

January 14, 2022

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DELIVERED BY EMAIL

Jim Collins, Chair
BC Broiler Hatching Egg Commission

Harvey Sasaki, Chair
BC Chicken Marketing Board

Dear Chairs:

LONG-TERM CHICKEN PRICING SUPERVISORY REVIEW – DRAFT RECOMMENDATIONS

I am writing about the following recent submissions of the BC Chicken Marketing Board (the Chicken Board) and the BC Broiler Hatching Egg Commission (the Commission):

- January 7, 2022 Hatching Egg Sector Proposed Cost of Production Based Pricing Package Final Draft; and
- January 7, 2022 BC Chicken Marketing Board Pricing Review Decision.

The BC Farm Industry Review Board's (BCFIRB) Chicken Pricing Review Supervisory Panel (the Panel) knows that both submissions were provided to the following parties for their review and feedback: the BC Chicken Growers Association, the Primary Poultry Processors Association of British Columbia, the BC Hatching Egg Producers Association and the BC Egg Hatchery Association, along with non-aligned processors and industry stakeholders in general.

The Panel understands that the BCFIRB Liaison, Wendy Holm, has scheduled a Roundtable Meeting with the Chicken Board, Commission, parties to the review and all interested stakeholders to facilitate a discussion on these submissions on Friday, January 28, 2022 (9 am – 1 pm). BCFIRB staff, Kirsten Pedersen and Wanda Gorsuch will also attend this meeting.

The Panel would like to defer our scheduled January 17th meeting with you until after this Roundtable Meeting takes place.

In addition, the Panel has reviewed the submissions and wishes to provide preliminary comments to the Chicken Board and Commission for your serious consideration.

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At the outset, the Panel notes that the draft Chicken Marketing Board Pricing Review Decision fails to fulfill the goals and outcomes in the October 2020 Review Terms of Reference developed and agreed to by both boards.

Specifically, those Terms of Reference set out that a long-term pricing approach would be developed for mainstream chicken and broiler hatching eggs, including a decision on the appropriateness of a price linkage agreement between the two sectors. The pricing approach was to address the policy objectives of:

- Verified Cost of Production/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.

The Panel further notes that the draft Chicken Marketing Board Pricing Review Decision proposes using the current interim pricing formula, based on a lower weight class, for another two years, and does not contain a long-term pricing approach for broiler chicken, beyond an aspirational concept and potential work plan. The document states:

“The pricing formula for mainstream chicken in British Columbia in the future will be set using a grower cost-based approach with appropriate guardrails to account for BC processor competitiveness in the Canadian market.

The grower cost-based approach is similar to the Chicken Farmers of Ontario Farm Gate Minimum Live Price Formula with the exception of:

- *The process by which the formula is established;*
- *The inclusion of processor competitiveness factors;*
- *Full transparency and discovery of grower costs and processor competitiveness factors.”*

Beyond these statements, the draft decision document does not provide details of what a grower cost-based formula would consist of for broiler chicken, how this would impact processor competitiveness, and how this would link to the cost of production model developed and set out by the Commission.

The Panel expects that the Chicken Board will provide a SAFETI-based rationale and explanation for why it did not fulfill the 2020 Review Terms of Reference, and a SAFETI-based analysis on the potential impacts of another two plus years without a long-term mainstream chicken pricing formula on the stability of the value chain. Details on how those impacts will be managed are also to be included in the Chicken Board’s final submission to BCFIRB.

The Panel wishes to comment on the issue of prior approval proposed in the Chicken Board’s draft decision document. Specifically, the Chicken Board states that:

“Upon receipt of the BC Farm Industry Review Board (the “BCFIRB”) Pricing Review Supervisory Panel (the “Review Panel”) prior approval of the long-term pricing formula, the BC Chicken Marketing Board (the “Chicken Board”) will initiate the following process to finalize the details of the long-term formula. The process would involve the following critical elements....”

At this time, given that the Chicken Board’s draft decision document does not contain a long-term pricing formula for broiler chicken, the panel was perplexed to see a request for prior approval of a formula that has yet to be constructed. The Panel sees instead a concept, called a “grower-cost based approach”, and a proposed plan to develop that over the next two years. This was the work that the Panel expected the Chicken Board to have completed given the Supervisory Review has been ongoing since April 2020.

The sector has been without a permanent long-term broiler chicken pricing formula since the appeals that resulted in BCFIRB’s May 2019 pricing appeal decision and direction. That direction included the issuance of a long-term pricing formula by the Chicken Board by January 2020, a timeframe which has now been extended various times.

The panel expects the Chicken Board to critically evaluate its long-term pricing formula development process to date and clearly reflect in its final submission how any process deficiencies will be remedied to enable it to reach a long-term pricing formula.

The Panel strongly encourages the Chicken Board, Commission, parties to the Review and all interested stakeholders to use the final Roundtable Meeting constructively to generate ideas and discussions that will benefit the entire value chain. A great deal of time, resources and effort has been put into this Supervisory Review since April 2020, and the Panel sincerely hopes that all parties will work together and find solutions that will be acceptable to the entire value chain.

Sincerely,



Peter Donkers
Chair, BC Farm Industry Review Board

copies:

Jennifer Curtis, Manager, BC Chicken Growers' Association

Craig Evans, Executive Director and Pricing Liaison, Primary Poultry Processors' Association of BC

Angela Groothof, President, BC Broiler Hatching Egg Producers' Association

John Franck, President, BC Egg Hatchery Association

Stephanie Nelson, Executive Director, BC Broiler Hatching Egg Commission

Woody Siemens, Executive Director, BC Chicken Marketing Board

Wendy Holm, BCFIRB Pricing Liaison

BCFIRB web site