

Industry Context for Asian Breeder Regulation

The following narrative answers the questions posed by the BCBHEC concerning potential regulation of the Asian breeder sector.

1.) What are the current market demands in the Asian Breeder Hatching Egg Industry?

The current demand, from our company perspective, is strong. The primary reason for this is the weak CDN dollar. A lot of the specialty production in BC gets exported out of the province as well as the country. We have strong sales to the US because we can be very competitive on price as a result of the weak Canadian dollar.

2.) What kinds of demands are being forecasted?

It is difficult to forecast too far in the future when you know there are factors totally out of your control ie: currency exchange rates. The lead times necessary to influence production upwards is long and slow and should the markets change downward quickly it can also be very costly. That being said, we try for continued sustainable growth and work with our customers on sudden market changes. The demand for product locally is rather stagnant whereas the export market has huge potential, whether that be the US or China.

3.) Where and how is this information sourced?

Through conversations with our customers and from regular industry contact and request for product we are able to determine how much we need to increase (or decrease) production.

4.) How far into the future does your organization plan?

Since there is such long lead times to increase production we need to plan at least two years in advance and be prepared to make corrections as necessary. It is essential that we over project and cut back as we get closer to the target.

5.) How does your organization handle market demands?

We keep a constant watch on market demands. If sales are slow we analyze the market and make a decision to either, a) keep product in storage and wait for demand to pick up, b) drop the price to try and increase sales or c) cut back on production and wait for the demand to increase. If sales are strong we make a decision to increase production after we believe that this trend will continue. It is a difficult decision to make considering that the lead times to raise a Silkie chicken, including hatching, can be up to 18 weeks and up to 8 months before the hatching egg production has increased to supply the needed chicks.

6.) What are the current industry instabilities in your opinion?

At present, the biggest instability, is the change in the way Chicken Farmers of Canada allocates specialty production. There is now a growing industry in Ontario which is

displacing BC production. That product needs to find another home or else cut back production to match decreased demand. With the incentive of free quota for growers in Ontario the motivation to enter the specialty market is high and so production will continue to grow in that province and consequently displace traditional supplies. The BC Chicken marketing board regulates the “meat” production so there will not be wild swings in the live production which helps the hatching egg industry in orderly production of their product.

7.) What are the industry risk factors?

The new allocation system poses a challenge. A sudden upward movement in the Canadian dollar will put a strain on the export sales. The other risk is the looming regulations that may be imposed on the specialty industry. The industry is very small by any standard. The surprising fact is that even though it is small, it is very diverse. There are a multitude of different breeds that produce varying sorts of bird confirmations, texture and flavor. Should restrictions on supply be put in place the diversity will be lost and the market will start to shrink as the consumer will be left to purchase whatever is available. The availability will be determined by what is the easiest to produce. The market will always be short simply because over production is too expensive. One only has to look at the mainstream industry to confirm this. Variety of breeds will diminish because a producer will not be able to supply an order if his quota allotment is reached. The producer or hatchery can't buy eggs from someone else because they need it for their own market. If they were long it would be the result of someone else trying to fill the demand and why would you help someone else supply your existing customer!

Potential Regulation

1.) What is your expectation on how the Commission should move forward?

The commission should implement bio security standards and premise identification requirements for the specialty industry. These two areas are of common concern for the whole poultry industry and as such the Commission has the mandate and duty to ensure proper compliance. The exposure to the potential outbreak of AI is well known in the industry and by enacting these two areas it will only help in the event of another outbreak.

2.) How would further regulation help the Asian Breeder Hatching Egg Industry?

Any further regulation would help the existing producers gain very valuable production quota and so increase their net worth and provide a financial windfall upon the sale of it.

- 3.) How would further regulation hinder the Asian Breeder Hatching Egg Industry?
As was stated in point 7 above the diversity and flexibility of the industry will be compromised. Over production which is part of the reality today will be avoided at all costs. Prices will rise as COP's are developed which will cause animosity between hatching egg producer and broiler grower. The contention that with further regulation hatcheries will not be able to undercut one another and so drive them out of business is a false statement. If there is that much protection for the existing producers then the industry should be very concerned that a small group can dictate where they have to buy their chicks from. In a similar way you hear, from time to time, mainstream growers complain that they have no options as to where they purchase their chicks.
- 4.) How would further regulation be effective in complementing the BCCMB?
The two areas that new regulations can be effective in complementing and supporting the BCCMB would be in premise identification and bio security protocols.