



April 24, 2018

To All BC Hatching Egg Producers and Other Stakeholders

### **Update on BC Live Pricing Formula Review**

The BC Chicken Marketing Board has established a process for reviewing the current live pricing formula as follows:

- April 20, 2018:** Initial meeting/positions of stakeholders;
- Early May** (if required, to be determined by Chicken Board): PPAC Meeting;
- May 26, 2018:** stakeholders to provide further input to Chicken Board (in response to initial meeting submissions);
- June 11, 2018:** Chicken Board to advise if it believes adjustments to formula are required;
- June 22, 2018:** stakeholders respond to Chicken Board;
- June 29, 2018:** Chicken Board circulates its final decision; and,
- July 8, 2018:** Period A-151 commences with any amendments incorporated.

As co-regulator of the BC chicken and hatching egg sector, the BC Broiler Hatching Egg Commission will be a full participant in this process. Commission representatives attended the April 20 meeting and tabled the attached April 18, 2018 document outlining our initial positions and comments on pricing issues.

Both the BC Chicken Growers' Association and the Primary Poultry Processors Association tabled their initial positions and substantiating information. Currently there is a significant gap between these two parties, with their positions summarized as follows:

#### **Growers':**

- Adding the Ontario 1.2 cent/kg modular loading recovery premium into the base Ontario live price used in the BC Formula.
- Applying 100% of the difference (currently at 50%) in the cost of growing chicken (feed and chick costs) between BC and Ontario using a six-period rolling average.
- The adoption of meaningful guard rails through the use of either:
  - The soon to be updated grower COP; or
  - Canadian Poultry and Egg Processors Council processor gross margins.
- Any increases in catching costs must be approved by the Chicken Board with any requests for increase to be substantiated with data that demonstrates the need.



Processors':

- BC must maintain a hard link to Ontario pricing.
- BC needs to reduce the price gap vs Ontario to the level that was in place between 2010-2015 which was a time when the industry flourished in BC. BC live price (2.171 – 2.250 kg) should be Ontario live price (2.15 – 2.45 kg) + 4.5 cents + BC catching costs (3.5 cents).
- The new BC formula allows feed companies to maintain and/or increase margins while processors and growers fight over a decreasing piece of the financial pie available for the industry. The feed component must be eliminated from the BC formula going forward (which would be achieved in the formula described above).

While there was recognition that not all pricing issues were attributable to pricing off Ontario, there was agreement by growers, processors, the Chicken Board and the Commission that pricing off Ontario in the current situation is problematic for all BC stakeholders (and for those in other provinces). Ontario's current low COP pricing and amount of its allocation are providing it with a significant competitive advantage impacting on both grower and processor margins. It is disruptive to orderly marketing nationally and undermining the long-term sustainability of the BC chicken industry.

It was further agreed that a four-person committee (Chicken Board rep, Commission rep, grower rep, processor rep) should be established to develop a strategy to raise BC's collective concerns about orderly marketing and encourage stakeholders in other provinces to also highlight their own concerns to national agencies and supervisory bodies. This committee's mandate will be restricted to only this issue and kept separate from the live price formula review.

There are some obvious issues and differences with respect to BC live pricing and there will be some intense days ahead as the Chicken Board conducts its review. The Commission will continue to be part of that review and will be consulting with hatching egg producers and its own PPAC as it develops its final decision(s) with respect to the impact of the live pricing formula on the hatching egg sector.

Regards,

A handwritten signature in black ink that reads "Jim Collins". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Jim Collins, Chair  
BC Broiler Hatching Egg Commission

**BC Broiler Hatching Egg Commission**

**BC Live Pricing Formula Review**  
**BC Broiler Hatching Egg Commission Initial Positions and Comments**  
**April 18, 2018**

These are pricing-related issues discussed by the Commission and are provided in support of transparency. This does not restrict any potential decisions by the Commission in future.

1. Given the Commission's regulatory authority and responsibility over pricing and the direct connection and impact of the pricing linkage on the BC hatching egg sector, it is appropriate for the Commission to be an active participant in reviewing the live price formula.
2. The Commission is aware of the history and purpose of the pricing linkage and continues to support providing it results in fair, sustainable pricing for producers and growers.
3. Given substantive evidence of premiums, the Commission has determined that the true live price for BC chicken is – at a minimum – 3 cents above the posted price. Any premium, bonus or other similar advantage should be accounted for in the linkage.
4. The Commission is committed to working with the BC Chicken Marketing Board on a new, transparent and defensible COP in support of pricing and the linkage. The Commission is also committed to constructive engagement with stakeholders throughout this process.
5. Likewise, transparent, defensible COP and linkage mechanisms providing growers and producers with a fair return must be matched by appropriate transparency and substantiation by other stakeholders in making requests related to pricing.
6. The Commission believes that including hatcheries into the linkage (as in Ontario) should be examined to see if it offers increased pricing certainty and stability for stakeholders.
7. Pricing off Ontario is placing increasingly significant pressure on all stakeholders in BC and other provinces and – directly and indirectly through other pricing and allocation decisions by provinces – undermining orderly marketing.
8. The Commission thinks that a “Team BC” approach to BC chicken and hatching egg sector issues should be considered in support of strategic approaches to the sustainability of a BC industry within the national supply management systems.
9. The Commission also thinks that consideration should be given to a “Western” approach to pricing and other matters important to Western Canada stakeholders as it may provide for additional leverage at the national tables.
10. Should the concept of national COPs for chicken and hatching eggs be explored?