



June 22, 2018

Robin Smith, Chair
BC Chicken Marketing Board
32450 Simon Avenue
Abbotsford, BC V2T 4J2

Dear Mr. Smith,

RE: LIVE PRICE FORMULA REVIEW

The BC Broiler Hatching Egg Commission is taking this further opportunity to update the BC Chicken Marketing Board and other industry stakeholders on its position following the release of the Chicken Board's June 11, 2018 proposed interim determination for periods A-151 to A-156.

The Commission again notes that given its "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".

The Commission continues to reserve its decision with respect to the live pricing formula (as it impacts the broiler hatching egg sector through the linkage) pending the outcome of the Chicken Board's review.

Current Positions

The Commission agrees with the Chicken Board that the outcomes of the Ontario cost of production formula review and the BC pricing linkage review will affect the development of a long-term pricing strategy for the BC chicken and hatching egg sectors. The Commission will continue to rely on its April 18, 2018 "Initial Positions and Comments" document in support of a longer-term approach.

The Commission recognizes that the Chicken Board has responded to stakeholder requests for certainty and the implementation of effective guardrails through its proposed fixed differential.

The Commission supports the concept of regulating pricing-related matters such as catching costs. Using the same principle, this should also apply to premiums.



Pricing Considerations

It needs to be again emphasized that returns for broiler hatching egg producers continue to be less than the linkage cost of production and earlier this year critically so. This is not sustainable in the longer term and is a significant consideration for the Commission.

As noted in our May 26, 2018 correspondence, the Commission continues to consider the May 25, 2018 submissions of the BC Broiler Hatching Egg Producers' Association and the BC Egg Hatchery Association (BCEHA) submissions. Following a June 13, 2018 meeting of the Commission's Pricing and Production Advisory Committee, it is expected that both will make further submissions in response to the Chicken Board's interim determination. The Commission will take those into consideration as well.

The Commission notes that there is an outstanding request from the BCEHA with respect to a hatchery margin increase. The Commission is also attempting to confirm a recent decision in Ontario as it affects hatching egg pricing and/or hatchery margins in that province. These are an issue for the Commission in the first instance but would also have a wider impact on other stakeholders through the pricing linkage.

The Commission has assessed the impact of the Chicken Board's revised formula in its interim determination. This assessment, which has been shared with our PPAC, is provided for information in the enclosures.

The Commission will also be taking into consideration the final responses from other stakeholders to the Chicken Board's interim determination.

Yours truly,

A handwritten signature in black ink, appearing to read "J. Collins".

Jim Collins, Chair

Enclosures

cc: BC Broiler Hatching Egg Producers' Association
BC Egg Hatchery Association
Primary Poultry Processors Association of BC
BC Chicken Growers' Association
BC Broiler Hatching Egg Commission website



Assessment of Revised Formula

Table 1 - Changes in Chicken Price Using New Formula

Period	Price for New Category	Margin Applied	Catching	Revised Price	Old Price	Difference
A150	1.5330	0.1024	0.0365	1.6719	1.6330	0.0389
A149	1.4790	0.1024	0.0365	1.6179	1.5780	0.0399
A148	1.4600	0.1024	0.0365	1.5989	1.5550	0.0439
A147	1.4900	0.1024	0.0365	1.6289	1.5800	0.0489
A146	1.5150	0.1024	0.0365	1.6539	1.6053	0.0486

Table 2 - A150 Changes

Category	Historical Linkage Results			Revised Linkage Results			Difference		
	A150	Chg	% Rcvy	A150	Chg	% Rcvy	A150	Chg	% Rcvy
Live Chicken	1.633	0.055	94.9%	1.672	0.054	96.9%	0.039	(0.001)	1.9%
Hatching Eggs	534.720	14.540	94.9%	545.630	14.100	96.9%	10.910	(0.440)	1.9%
Day-Old Broiler Chicks	74.630	1.510	94.9%	75.780	1.470	96.9%	1.150	(0.040)	1.9%

Table 3 - A149 Changes

Category	Historical Linkage Results			Revised Linkage Results			Difference		
	A149	Chg	% Rcvy	A149	Chg	% Rcvy	A149	Chg	% Rcvy
Live Chicken	1.578	2.280	92.9%	1.618	0.019	94.9%	0.040	(2.261)	2.0%
Hatching Eggs	520.180	9.410	92.9%	531.530	8.360	94.9%	11.350	(1.050)	2.0%
Day-Old Broiler Chicks	73.120	0.980	92.9%	74.310	0.870	94.9%	1.190	(0.110)	2.0%



Table 4 - A148 Changes

Category	Historical Linkage Results			Revised Linkage Results			Difference		
	A148	Chg	% Rcvy	A148	Chg	% Rcvy	A148	Chg	% Rcvy
Live Chicken	1.555	(2.500)	91.8%	1.599	(0.030)	94.0%	0.044	2.470	2.2%
Hatching Eggs	510.770	(7.210)	91.8%	523.170	(8.580)	94.0%	12.400	(1.370)	2.2%
Day-Old Broiler Chicks	72.140	(0.750)	91.8%	73.440	(0.890)	94.0%	1.300	(0.140)	2.2%

Table 5 - A147 Changes

Category	Historical Linkage Results			Revised Linkage Results			Difference		
	A147	Chg	% Rcvy	A147	Chg	% Rcvy	A147	Chg	% Rcvy
Live Chicken	1.580	(2.530)	93.2%	1.629	(0.025)	95.7%	0.049	2.505	2.5%
Hatching Eggs	517.980	(7.740)	93.2%	531.750	(7.600)	95.7%	13.770	0.140	2.5%
Day-Old Broiler Chicks	72.890	(0.810)	93.2%	74.330	(0.790)	95.7%	1.440	0.020	2.5%

Table 6 - A146 Changes

Category	Historical Linkage Results			Revised Linkage Results			Difference		
	A146	Chg	% Rcvy	A146	Chg	% Rcvy	A146	Chg	% Rcvy
Live Chicken	1.605	(0.170)	95.2%	1.654	0.047	97.7%	0.049	0.217	2.5%
Hatching Eggs	525.720	(7.020)	95.2%	539.350	6.610	97.7%	13.630	13.630	2.5%
Day-Old Broiler Chicks	73.700	(0.730)	95.2%	75.120	0.690	97.7%	1.420	1.420	2.5%