



October 31, 2018

To BC Hatching Egg Producers and Other Hatching Egg Sector Stakeholders,

PRICING AND RELATED MATTERS UPDATE

The purpose of this letter is to acknowledge that hatching egg producers will be concerned about another pricing decrease for Period A153. I would like to assure you that the Commission is not taking the current situation lightly and continues to examine options. The following reiterates information outlined in previous correspondence.

General

In my September 5, 2018 notice regarding strategic planning, I stated that “pricing remains a difficult issue”. I cannot stress that enough. It is difficult for the industry at large and it is difficult and challenging for the Commission – and its members – as the regulatory decision-makers responsible for pricing in the hatching egg sector.

In a July 13, 2018 letter to the BC Chicken Marketing Board, the Commission’s position was that a “stable and transparent pricing system that is fair for all BC stakeholders is important in and of itself but also as part of an overall BC chicken sector strategy aimed at promoting and supporting a sustainable BC industry in the longer term”. The Commission also continues to remain “committed to engaging with other stakeholders in finding solutions that support our industry and allow it to move forward”.

The Chicken Board's interim pricing decision is under appeal by the Primary Poultry Processors Association of BC and the BC Chicken Growers' Association. It does not seem that right now BC has a “stable” pricing system that is seen as “fair” by all BC stakeholders. Nor do we seem close to an “overall BC chicken sector strategy aimed at promoting and supporting a sustainable BC industry in the longer term”.

The interim period is intended to allow for the completion of the Ontario COPF review as well as the updating of the BC chicken/hatching egg COPFs and the pricing linkage between chicken growers and hatching egg producers. All of this to be done in consultation with all stakeholders to assess these and other relevant factors (e.g., processor competitiveness) as necessary through transparent, verifiable and defensible processes so that there can be an overall pricing structure for BC that is “stable” and “fair” for all stakeholders.

Given current BC policy that pricing off Ontario is a factor, the outcome of the COPF review in that province is important. The annual (efficiency) adjustment mechanism in the current Ontario formula has driven down grower returns there and by extension across the country. Whether that is sustainable is a question in the Ontario review and of concern in other provinces. This instability raises the question of whether the overall approach to pricing in the Canadian chicken industry may be broken and undermining orderly marketing.

BC Broiler Hatching Egg Commission



This larger picture notwithstanding, BC must find its own solutions in the meantime and the Commission's statutory responsibility is, as highlighted in the July 13 letter to the Chicken Board, ensuring that "hatching egg producers are receiving a sustainable return that will also enable the industry to expand and address issues such as spiking barns". The Commission is committed to working within the current pricing formula through period A-154 but without some demonstrable progress by that time, it will have to determine what pricing option(s) is best for the hatching egg sector commencing in A-155. Hatching egg producers cannot withstand current pricing pressures indefinitely.

Specifics

The pricing appeal was heard October 1-5 and will resume November 1-3. Closing arguments will be by written submission and should be completed before Christmas. The BCFIRB decision should be forthcoming sometime early in the new year.

The Commission continues to be of the view that premiums paid to BC chicken growers by BC processors represent the "actual price" of live chicken in BC and should be a factor in the linkage.

The COPF/linkage review is in progress and is scheduled for completion in Period A-154. The Commission has committed to having its COPF verified by a 3rd party (identified in consultation with stakeholders). COPFs are fundamental to supply management but it is critical that they be transparent and defensible if they are to be considered in the development of a new pricing formula or mechanism in BC.

The Commission and BC Egg Hatchery Association are in discussions about an appropriate cost adjustment for the hatcheries, with the expectation they will conclude in November (after which they must go to the Pricing and Production Advisory Committee and be included in the linkage discussions with the Chicken Board). These discussions include finalizing breeder chick and vaccine costs, working toward the implementation of the new reporting system and the establishment of a verifiable process or formula through which future adjustments can be considered.

It is a complex and difficult pricing environment in BC, but the Commission's objective continues to be fair and sustainable pricing in the BC hatching egg sector.

Yours truly

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

Jim Collins, Chair
BC Broiler Hatching Egg Commission

cc: Commission Website: <https://bcbhec.com/>

BC Broiler Hatching Egg Commission



**AMENDING ORDER 17
TO THE
CONSOLIDATED ORDER OF MAY 1, 2016**

**MADE BY
THE BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION
ON OCTOBER 26, 2018**

The British Columbia Broiler Hatching Egg Commission orders as follows:

1. *Subsections 1(1) and 1(2) of Schedule 2 to the Consolidated Order of May 1, 2016 are replaced by the following:*
 1. (1) For Period A153 the base price to be paid by Hatcheries to Producers for Broiler Hatching Eggs is **\$0.5584** per Saleable Chick.
 - (2) The listed price for Broiler Hatching Eggs is **\$5.3611** per dozen.
2. *Subsection 2(1) of Schedule 2 to the Consolidated Order of May 1, 2016 is replaced by the following:*
 2. (1) For Period A153 the base price to be paid by Growers to Hatcheries for day-old Saleable Chicks hatched from Broiler Hatching Eggs (exclusive of any charges that may be imposed by the Hatchery for vaccination or sexing services requested by the Grower) is **\$0.7478** per day-old Saleable Chick.
3. *Subsection 1(2) of this amending order comes into effect on October 28, 2018.*
4. *Subsections 1(1) and 2(1) of this amending order come into effect on November 18, 2018.*

DATED at Abbotsford, British Columbia on October 26, 2018

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION


Jim Collins, Chair