



August 23, 2019

**TO: BC CHICKEN MARKETING BOARD  
BC BROILER HATCHING EGG COMMISSION PRICING AND PRODUCTION ADVISORY COMMITTEE**

**RE: ADJUSTMENT TO PRICING LINKAGE**

**Background**

On August 9, 2019, the Commission provided initial notice to its Pricing and Production Advisory Committee of the Commission's intention to adjust its pricing linkage with the BC Chicken Marketing Board. In addition to this first notice, the Commission requested advice as to whether there were exceptional circumstances for initiating this adjustment in Period A158 and the implications thereof. Given that no specific exceptional circumstances were identified and, given the implications involved in changing A158 pricing after the period had commenced, the Commission decided to defer making the adjustment to Period A159.

The following is provided from the August 9, 2019 initial notice:

As you are aware from other correspondence and meetings, the Commission in consultation with the BC Chicken Marketing Board is working on a joint strategic planning initiative. Concurrently, the Commission is working on hatching egg pricing issues (including hatchery margin, breeder chick and vaccine pricing) and the Chicken Board on a new live pricing formula. At this point the Commission is targeting Period A160 for a resolution of hatching egg pricing issues so those decisions are available to the Chicken Board and other stakeholders in finalizing its own decision(s) with respect to a new live price formula commencing in A161.

As you are also aware, there are production oversupply issues affecting the hatching egg sector that will require a great deal of cooperation and joint effort to manage effectively in order to minimize the impact on producers and hatcheries. Although not directly a pricing issue, the inter-relationship of pricing and production (hence "PPAC") means that both are factors in Commission decision-making regarding pricing.

**Issue**

The Chicken Board has advised that both processors and growers oppose the inclusion of premiums in the linkage. Accordingly, the Commission has made its own determination to – as noted in BC Farm Industry Review Board correspondence – exercise "its price setting authority to amend the price hatching egg producers receive resulting from the price linkage formula". As an interim measure pending a full resolution of hatching egg pricing, the Commission is amending its input into the linkage by removing salvage eggs and spent hens from the current formula.

The original intent of the pricing linkage was to ensure that hatching egg producers and chicken growers received equal returns. The payment of premiums to chicken growers has long undermined that policy objective. It is the Commission's view that this adjustment to the linkage addresses this longstanding policy shortfall in a straightforward, transparent, equitable and accountable manner.

**BC Broiler Hatching Egg Commission**

### **Next Steps**

The August 9, 2019 notice advised that for Period A158, removing these inputs from the linkage calculation would “increase the chick price by 1.01 cents (.87 cents spent hens and .14 cents salvage eggs)”. The overall increase in chick price will vary period-by-period depending on all COP inputs and the Ontario live price that forms the basis for calculating the BC linkage formula.

The removal of these inputs will impact on Period A159 and each subsequent period. The revised COP will be factored into the normal linkage calculation process done by Serecon once the Ontario live price is published. Once that calculation is received, the Chicken Board and Commission will issue their respective pricing orders as per usual.

### **Other**

As per its August 9, 2019 notice and other correspondence, the Commission continues to review hatching egg pricing (including hatchery margin, vaccines and breeder chick pricing) more generally and intends making decisions with respect to those issues for Period A160. Given the nature of the sector, it is important for BC hatching egg stakeholders that there be stable and sustainable pricing and pricing formulae in place. The Commission also believes it is important that pricing in the hatching egg sector be clarified and confirmed so that the Chicken Board will have that information available in its own deliberations regarding a new live price formula.

Similarly, the Commission is committed to addressing production management issues to improve sector efficiency, balance domestic production, and ensure programs and measures are in place to address issues arising in a timely way. The Commission will be working closely with hatching egg stakeholders to improve production management both for the short and long term.

### **Chicken Sector Strategic Framework**

As laid out in its April 18, 2018 position outline and reiterated many times since, the Commission continues to believe that a ‘Team BC’ approach is critical to a sustainable future for the BC chicken sector. The Commission strongly supports working with all stakeholders in developing a strategic vision and framework for the BC industry. At the same time, however, the Commission must not forget its first instance regulatory responsibility to the stakeholders in the BC hatching egg sector and have options in place to meet those statutory obligations.

Please direct any questions, comments or concerns to the Commission.

Yours truly,

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

Jim Collins  
Chair

cc: BC Broiler Hatching Egg Producers' Association  
BC Egg Hatchery Association  
BCBHE Commission website