




**AMENDING ORDER 25
TO THE
CONSOLIDATED ORDER OF MAY 1, 2016**

The British Columbia Broiler Hatching Egg Commission orders as follows:

1. *Subsections 1(1) and 1(2) of Schedule 2 are replaced by the following:*
 1. (1) For Period A159 the base price to be paid by Hatcheries to Producers for Broiler Hatching Eggs is **\$0.5985** per Saleable Chick.
 - (2) The listed price for Broiler Hatching Eggs is **\$5.7459** per dozen.
2. *Subsection 2(1) of Schedule 2 is replaced by the following:*
 2. (1) For Period A159 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 **\$0.7877** per day-old Saleable Chick.
3. *Subsection 1(2) of this amending order comes into effect on September 29, 2019.*
4. *Subsections 1(1) and 2(1) of this amending order come into effect on October 20, 2019.*

DATED at Abbotsford, British Columbia on October 15, 2019.

BRITISH COLUMBIA BROILER HATCHING EGG COMMISSION


Jim Collins, Chair



October 15, 2019

TO ALL BC HATCHING EGG STAKEHOLDERS

RE: PRICING UPDATE

The purpose of this letter is to let you know of a recent development with respect to pricing.

Removing Revenue from the BC Broiler Hatching Egg Commission's COP to Correspond with BC Chicken Marketing Board's COP Non-inclusion of Premiums Revenue

Premiums being paid to chicken growers has been an issue for the BC Broiler Hatching Egg Commission ("Commission") since 2013. Throughout the 2018-19 COP/linkage discussions with the BC Chicken Marketing Board ("Chicken Board"), the Commission stressed that this needed to be resolved. The Chicken Board declined to include premiums in the linkage after receiving objections from chicken growers and processors. Consequently, the Commission proposed that this issue be addressed by removing spent fowl and salvage eggs revenue from the Broiler Hatching Egg COPF so that it was not included in the linkage calculations.

It was the Commission's intention to implement this adjustment starting in Period in A159; however, the BC Chicken Growers' Association has appealed this Commission decision. The following extract from the October 15, 2019 letter from the Commission's legal counsel to the BC Farm Industry Review Board ("BCFIRB") outlines the current situation:

"In its Notice of Appeal dated September 19, 2019, the BCCGA does not appear to directly challenge the substantive merit of the Commission's decision. On the contrary, the BCCGA's challenge to the Commission's decision appears to be largely grounded in alleged procedural deficiencies which are set out in paragraphs 21 and 22 of Schedule "A" to the Notice of Appeal, as follows:

21. The Revisions do not accord with sound marketing policy, including because:
 - a. the Revisions contravene the Order from BCFIRB;
 - b. the Commission cannot lawfully unilaterally amend the Price Linkage formula;
 - c. the Revisions are contrary to the Commission's stated position to stakeholders that no changes to the Price Linkage formula would be made without BCFIRB's approval;

- d. the Revisions amount to a unilateral repudiation of the Price Linkage by the Commission;
 - e. the Revisions were implemented without adequate consultation with industry stakeholders; and
 - f. the Revisions result in increased costs to members of the Association.
22. The process undertaken by the Commission in issuing the Revisions was procedurally unfair to the Appellant.

The Commission is well-aware of its commitment to engage in consultations with the BCCMB concerning pricing issues. Thus, it has consulted with the BCCMB and it continues to do so. Further, the Commission acknowledges that the BCFIRB has expressly asked that:

1. “the Commission and the Chicken Board [continue] to work together on a solution to hatching egg producer price issues, interim if necessary”;
2. “the Commission remain engaged with the price linkage agreement following any future exit submission to BCFIRB until such time as BCFIRB assesses the submission and provides its response”; and
3. “the Commission and Chicken Board agree to, and communicate, a process and timeline for reaching an interim or longer term solution on hatching egg pricing.””

The Commission’s decision to remove revenue from spent hens and salvage eggs from the COP is not a departure from the linkage, as alleged by the BCCGA. This concept was conceived as an interim measure that could be implemented within the existing linkage arrangement. The objective of this interim measure is to address (at least temporarily) the obvious inequity arising from the BCCMB’s failure or refusal to include premiums in the linkage calculation.

With respect to the Commission’s consultative efforts, representatives of the BCBHEC met with representatives of the BCCMB on April 8, 2019 and July 24, 2019. In the April 8, 2019 meeting, the Commission proposed that revenue from spent fowl and salvage eggs could be removed from the COP in order to address the inequity arising from the failure or refusal to include premiums in the linkage calculation. This interim adjustment was discussed again at the July 24, 2019 meeting.

The Commission clearly communicated its intentions to implement this adjustment by letter dated August 9, 2019 addressed to the PPAC. In that letter, the Commission asked that the PPAC advise the Commission by the close of business on Wednesday, August 14, 2019 of its comments with respect to this change and the relative impacts and/or exceptional circumstances involved in implementing this change in A158 versus A159.

By letter dated August 23, 2019, the Commission again expressed its tentative decision to implement the adjustment commencing with the start of Period A159, subject, of course, to the ongoing consultations with the PPAC and the BCCMB.

A second PPAC meeting was held on September 16, 2019. A representative of the BCCMB was present at that meeting. The Commission communicated that it would make its final decision to implement the adjustment for Period A159 on September 19, 2019, subject to any objections from the PPAC or the BCCMB.

At no time did the BCCMB ever express any objections to the revisions. Furthermore, it is to be noted that the BCCMB approved its most recent pricing based on these adjustments for Period A159.


Consequently, the Commission has been proceeding on the understanding that the COP revisions were supported by the BCCMB.

In light of the appeal filed by the BCCGA, the Commission thought it would be prudent to revisit the issue with the BCCMB in order to obtain confirmation as to whether the proposed interim adjustment to the COP had been made with the support of the BCCMB. On October 3, 2019, representatives of the Commission met again with representatives of the BCCMB. On that occasion, the BCCMB representatives informed the Commission that a formal position had not yet been taken by the Board.

Having learned that the BCCMB has not yet taken a formal position on the issue, the Commission has decided to reverse its decision. For the time being, pricing will continue without the proposed revisions to the COP. However, the Commission has asked that the BCCMB formally communicate its position on the proposed revisions no later than October 21, 2019. That way, if the BCCMB formally confirms its agreement to the proposed revisions, they may be implemented in time for Period A160. On the other hand, if the BCCMB chooses to oppose this interim adjustment, the Commission has asked that the BCCMB fully articulate the reasons for its opposition. In that event, the Commission would examine its options. ***The Commission wishes to be clear that it will continue to examine longer-term solutions to pricing issues regardless of the outcome of discussions concerning the removal of spent hens and salvage eggs from the COP.***

Given the input BCFIRB has recently provided the Chicken Board into the Commission's authority under the BC Broiler Hatching Egg Scheme with regard to hatching egg and chick pricing through the linkage, the Commission has advised the Chicken Board that it expects the same level of input into the live price formula. The Commission also awaits the Chicken Board's response on that issue. Further updates on pricing generally, the hatchery margin (including breeder chick and vaccine pricing), and a timetable for addressing these issues are forthcoming.

Yours truly,

A handwritten signature in black ink that reads "J. K. Collins".

Jim Collins, Chair
BC Broiler Hatching Egg Commission