



December 23, 2019

VIA EMAIL

Peter Donkers, Chair
BC Farm Industry Review Board
PO Box 9129, Stn Prov Govt
Victoria BC V8W 9B5

Dear Mr. Donkers:

RE: REGULATION OF SPECIALTY (ASIAN BREED) HATCHING EGG PRODUCTION

The following has been reviewed and discussed with the six Asian Breeder producers currently listed as “Temporarily Regularized Producers” in accordance with Amending Order 22 of the BC Broiler Hatching Egg Commission that came into effect May 1, 2019.

The purpose of this letter is to provide an update to the BC Farm Industry Review Board (“BCFIRB”) on the status of the subject production and request an extension to the requirements (at paragraphs 116 and 117 of BCFIRB’s July 17, 2018 decision) concerning a new entrant program for Asian Breeders and a “strategic direction” for the sector by December 2019. There are outstanding questions about new entrants and what the direction of the sector should be going forward.

Currently, all six Asian Breeder producers are complying with Amending Order 22 and with the applicable programs under Schedule 5 – Biosecurity, Food Safety and Code of Practice of the Commission’s Consolidated Order. One exception, for example, being the Canadian Hatching Egg Producers (CHEP) Animal Care Program, which needs to be adapted to the Asian Breeder sector (review in progress). All have been issued Temporarily Regularized Producer Chick Quota (establishing a framework for production controls) and are paying a modified levy to the Commission. Hatcheries are reporting regularly and will be included in the new hatchery-wide Hatching Egg Reporting System effective January 2020.

An Asian Breeder producer representative and an Asian Breeder hatchery representative are members of the Commission’s Pricing and Production Advisory Committee. No Specialty Marketing Advisory Committee has been established, as the Commission meets directly with all six producers and will be doing so on a monthly basis starting in November 2019 and throughout 2020 to address outstanding issues, including the “strategic direction” for the sector as part of the overall Chicken Industry Strategic Framework initiative, and the Commission’s strategic planning which is incorporated in that process. Although there are unique aspects to and needs for the Asian Breeder sector, given the number of fundamental issues, including

pricing, facing the BC chicken and hatching egg sectors more generally, it is considered important that the direction of the Asian Breeder sector be considered as part of a future frame work for the industry at large, instead of in isolation.

The Commission continues to work with CHEP on separating specialty allocation from BC's mainstream allocation, however, accurate production data (i.e., eggs per hen from the two main types of Asian Breeders) remains elusive. There are 11 classes of specialty chicken recognized under the Canadian Chicken Licensing Regulations, and whether certain Taiwanese Chicken types are comparable for breeder sector regulatory purposes also remains elusive. This type of information is necessary for CHEP to agree to a separate allocation. The Commission continues to work with BC Asian Breeder producers to obtain better and more accurate data.

With respect to a new entrant program, it is the Commission's preference to incorporate this into its upcoming review of its mainstream new entrant program, which may also have a regional component should the Commission determine it appropriate to re-establish hatching egg production in the Interior. Currently, Asian Breeder producers are of the view that no new entrants to their sector are required at this time.

Additionally, issues have arisen about the difference between current Asian Breeder producers (integrated or linked with hatcheries) and potential standalone new entrant producers. On what economic model should regulation be based? How do you balance the interests of integrated or linked producer/hatcheries versus the principle of "producer quota"? Normally, hatching egg production is directed to the hatchery requiring the production (i.e., specialty chicken growers under contract). How are genetic differences taken into account if Asian Breeder production should be transferred to another hatchery to meet market demand? What happens to that Asian Breeder production if a new hatchery is licensed, signs up specialty chicken growers and requires Asian Breeder hatching egg production from one of the six temporary quota holders? Are there – should there be – regulatory (control) measures other than production quota that should be considered for the sector?

The Commission has taken no position given that there are still questions and differing views about the appropriate regulation of Asian Breeder producers and hatcheries. The Commission and the Asian Breeder producers have agreed to review these at their planned monthly meetings. As contemplated in the Commission's 2018 submission to BCFIRB in the Supervisory Review, the regulatory interface of the Commission and the BC Chicken Marketing Board will also be examined as part of this assessment.

In order to accommodate this review, at its December 12, 2019 meeting the Commission authorized the extension of Temporarily Regularized Producer Chick Quota to December 31, 2020.

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It is requested that BCFIRB confirm it has no objection to the Commission continuing to engage with its Asian Breeder sector as detailed above. Should you have any questions or comments, please contact the Commission.

Yours truly,

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

Jim Collins, Chair
BC Broiler Hatching Egg Commission

cc: Asian Breeder Producers
BC Broiler Hatching Egg Producers' Association
BC Egg Hatchery Association
BC Chicken Marketing Board