



March 3, 2020

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

Dear Mr. Donkers:

UPDATE ON APPROACH TO PRICING

On February 25, 2020, an appeal panel of the BC Farm Industry Review Board (BCFIRB) granted the request by the BC Broiler Hatching Egg Commission to defer appeals by the Primary Poultry Processors Association of BC and the BC Chicken Growers' Association concerning the pricing linkage. The request for deferral was to allow the Commission to submit to BCFIRB in its supervisory capacity an "evidence-based SAFETI rationale setting out why [an exit from the linkage] would be in the best interest of the hatching egg sector and the overall chicken supply chain."

The Commission has not made lightly the decision to exit a linkage that has been in place for 25 years. The Commission has supported the linkage throughout numerous changes in the BC pricing structure and the implementation of and rescinding of assurance of supply in the chicken sector. Since publishing its initial positions on pricing on April 18, 2018, the Commission has been fully transparent with respect to its pricing issues and concerns. In response to BCFIRB's July 31, 2019 direction, the Commission attempted to work with the BC Chicken Marketing Board to ensure the linkage operated as intended – parity of returns to hatching egg producers and chicken growers. The recent appeals opposing these efforts have served only to crystalize the Commission's belief that an exit from the linkage is necessary.

The Commission continues to be of the view, as outlined by BCFIRB in its February 25, 2020 letter, that "there is a demonstrated need to, from time to time, take an in-depth look at what constitutes a sound marketing policy approach to pricing in the chicken supply chain." The BC and Canadian chicken industries of 2020 are certainly very different than those of 1995; although the continued impact of Ontario allocation and pricing initiatives on BC and other provinces remains a major factor. As laid out in a joint Commission-Chicken Board July 11, 2019 letter to BCFIRB, pricing should be addressed "through a strategic lens in support of the long-term sustainability of the BC chicken and hatching egg sectors." While not foregoing its statutory decision-making discretion, the Commission remains committed to reviewing pricing for the hatching egg sector in the context of a larger Chicken industry strategic framework for BC. There are

systemic national, provincial and sector pricing, efficiency, cost reduction and disease management issues that should be a collective priority for all stakeholders. There needs to be a new approach to pricing in BC that provides certainty and stability over the longer-term that enables the BC industry to focus on these other priorities.

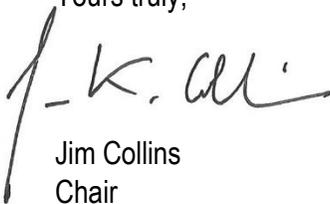
The Commission continues to work closely with the Chicken Board on the development of a larger Chicken industry strategic framework and both boards will shortly be entering into a joint engagement process with other industry stakeholders. The Chicken Board and Commission have also discussed the importance of increased cooperation and coordination between the two regulatory boards going forward.

Concurrently, the Commission is having an independent third-party review and verify its proposed formulae for BC hatching egg cost of production, hatchery margin and breeder chick/vaccine pricing. It is expected this review will be completed by the Commission's April 2, 2020 board meeting. As soon as possible thereafter (allowing for any adjustments to the proposed formulae as may be required), the Commission intends publishing a draft package – including an implementation schedule linked to potential cost reduction strategies – for review and comment by its Pricing and Production Advisory Committee and stakeholders.

The Commission is mindful of BCFIRB's direction regarding a live price formula for Period A163 (commencing May 10, 2020). While it expects that its draft package concerning hatching egg sector pricing will be issued to stakeholders for review during Period A162, the Commission is presently not able to set a date to finalize its decision(s) after receiving stakeholder comments prior to providing a comprehensive SAFETI-based submission to BCFIRB.

The Commission would be pleased to answer any questions from BCFIRB or other stakeholders.

Yours truly,

A handwritten signature in black ink that reads "J. Collins". The signature is written in a cursive style with a long, sweeping underline.

Jim Collins
Chair

cc: Harvey Sasaki, Chair
BC Chicken Marketing Board

Bryan Brandsma, President
BC Broiler Hatching Egg Producers' Association

Ryan Whitmore, President
BC Egg Hatchery Association

Dale Krahn, Chair
BC Chicken Growers' Association

RE: Update on Pricing Approaches
March 3, 2020



Blair Shier, President
Primary Poultry Processors Association of BC

Commission website