

July 26, 2022

VIA EMAIL

To: Commission Pricing and Production Advisory Committee (PPAC)

RECAPPING THE NEW PRICING FRAMEWORK OBJECTIVES FOR THE BC HATCHING EGG SECTOR

The following outline of the Commission's expectations is provided in support of the June 27, 2022, meeting of the PPAC and the upcoming implementation of the new pricing framework for the BC hatching egg sector planned for Period A-179.

The Commission's overall pricing objectives are detailed and substantiated in its proposals that have been confirmed by the BC Farm Industry Review Board (BCFIRB) in its June 3, 2022, decision. It is now up to the Commission, supported by the PPAC and sector stakeholders, to implement those objectives within the parameters authorized by BCFIRB.

It may be useful to recap those objectives for the purposes of illustrating the upcoming commitment needed from the PPAC.

Long-term

BC hatching egg producers and hatcheries are supported by transparent, substantiated, and accountable costs of production formulae (COP) that incorporate efficiencies. The Commission has achieved that objective for producers and will now be working with the hatcheries to establish an equally accountable formula for the hatcheries (with due protection for business confidentiality).

It is the Commission's objective that in 2023 there will be an updated producer COP (as per its three-year cycle) and a completed hatchery COP that will substantiate and support pricing in the BC hatching egg sector on an ongoing and timely basis as part of the larger BC chicken industry.

Short-term Focus for Period A-179

Other than some final updating and reporting requirements, the producer COP is ready for implementation in Period A-179. This implementation will be a phased-in approach starting at 95% of the new COP. This will impact negatively on hatching egg producers in the short-term but allows for the incorporation of the hatchery margin and new breeder chick formulae outlined in the Commission's proposal into the new hatching egg sector pricing framework.

The Commission's Implementation Plan addresses these in detail but the key pricing-related issues to be resolved in support of Commission pricing decisions commencing in Period A-179 can be summarized as follows:

- a. producer COP input and formula finalizations (including reporting requirements);
- b. finalizing the vaccine schedule and pricing as an input into the producer COP;
- c. assessing and substantiating the appropriate pricing for salvage eggs and spent breeder fowl as offsetting inputs into the producer COP;
- d. margin increase – no action required as current increase agreed upon with future margin increases needing to be substantiated via the new hatchery COP;
- e. updating and substantiating the breeder chick pricing formula; and,
- f. identifying and substantiating the Industry Benefit Index calculations.

In addition, and as also per its submissions to BCFIRB, the Commission is committed to establishing a new definition for 'marketable egg' and addressing other reporting and accountability issues being discussed by the joint Commission-BC Egg Hatchery Association 'Hatchery Projects Work Committee'. Once finalized, proposed changes will be submitted to the PPAC for advice.

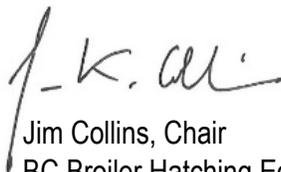
Resolving these matters will require the PPAC to assess submissions to ensure they meet the same transparency, substantiation and accountability standards used in developing the producer COP. Potential pricing impacts on other stakeholders in the supply chain must be explained and supported by the appropriate evidence.

More broadly, the Commission must meet BCFIRB's expectations that once realized, this new pricing framework will provide BC hatching egg producers and hatcheries with transparent, substantiated, and accountable pricing formulae which incorporate efficiencies. This certainty and stability will assist the larger BC chicken industry in responding to current and future pricing and other challenges.

Realizing the short-term objectives outlined above will help inform the Commission's pricing decisions for Period A-179. The Commission looks forward to working with the PPAC and its stakeholders in accomplishing this goal.

Please reach out to the Commission if you have any comments or questions.

Regards,



Jim Collins, Chair
BC Broiler Hatching Egg Commission

cc: BC Hatching Egg Producers, Hatcheries and Other Stakeholders
BC Farm Industry Review Board
Wendy Holm, BCFIRB Liaison
Commission website