

Breeder Chick Pricing

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1. Matter

The BC Egg Hatchery Association (BCEHA) brought an issue to the Commission's attention at their regularly scheduled monthly hatchery meeting. This issue pertains to the three elements that create the breeder chick pricing: the base breeder chick price, the foreign exchange, and the services. While the BCEHA had indicated in December a base cost increase was anticipated, the BCEHA could share no values with the Commission for their consideration for period A-180.

2. Background

On January 4, 2023, the BCEHA confirmed that the base price for breeder chicks supplied by Aviagen and Cobb had been increased. These changes were effective as of January 1, 2023. As the A-180 pricing period started on December 18, 2022, this was the first challenge to the new COP timelines.

To further compound the issue, the foreign exchange component of the formula appeared to need revision based on correspondence from the BCEHA on December 5, 2022. While both sides acknowledged that the formula would strike a balance over time with respect to fluctuations in the exchange rate, more needed to be done to ensure that the hatcheries would not have to report a loss within any period. Staff provided options for the BCEHA's review, but the BCEHA considered simplifying the issue by issuing producers US dollar invoices.

Since USD invoicing was the preferred methodology of the BCEHA and Commission staff, it was prepared for review by the Pricing and Production Advisory Committee (PPAC). An outstanding part of the formula needed to be addressed, the service fee, as it would be "orphaned" on the invoice. This fee is currently priced in Canadian dollars, thus potentially confusing invoice recipients as two prices, one in USD and one in CAD price would be present. Staff suggested incorporating the fee into the hatchery margin and streamlining the process; this incorporation would be done on the same basis as it was when the breeder chick margin was moved into the hatchery margin (saleable chick). All stakeholders agreed that this solution worked in principle at a follow-up meeting held on January 11, 2023.

On January 13, 2023, the PPAC met and discussed the options. The PPAC brought no issues or contrary opinions to that meeting. The Commission received individual representative correspondence for their consideration.

3. Considerations / Deliberations

2023-01-18 BC Broiler Hatching Egg Producers' Association letter

The BC Broiler Hatching Egg Producers' Association's (BCBHEPA) letter was in support of all the adjustments. They raised no contrary opinions or concerns for the Commission's consideration. The Commission appreciates the quick feedback.

2023-01-24 BC Chicken Marketing Board letter

The BC Chicken Marketing Board (BCCMB) letter pointed to a concern regarding retroactive pricing and detailed their pricing process; this concern appears to be on the assumption that a breeder chick price adjustment would immediately impact the saleable chick price, thus affecting the day-old price and live price in the same pricing period. This is not the case. The Commission would direct BCCMB representatives to the March 4, 2022, Hatching Egg Sector Proposed COP-Based Pricing Package (pp. 79-81) where the Commission explicitly explains that pricing of breeder chicks in any one period begins impacting the saleable chick price after three periods (over four periods) as that is when the resulting eggs are produced; sample tables were provided for additional clarity.

Further, the BCCMB is directed to the December 16, 2022, update of the Post-Approval Implementation Plan (p. 20) that highlights a set breeder chick price in period A179 does not impact saleable chick pricing until period A182.

It is also understood that the day-old chick price issued by the Commission is on a one-period delay for roll-in into the live price formula currently employed by the BCCMB, given three weeks to hatch eggs plus approximately five weeks on a broiler farm equalling eight, is one pricing period's length.

Similar to the process used while in Linkage, at no time has the Commission contemplated retroactive pricing and is very aware of and shares the constraints that the BCCMB has on this matter. As the issue raised by BCCMB was not applicable, the Commission did not need to consider it.

4. Decision

To approve the three changes: the breeder chick base price, USD invoicing, and the inclusion of the services within the hatchery margin effective January 1, 2023.

5. SAFETI Analysis

Explain how the decision was arrived at in consideration of the five SAFETI Principles:

STRATEGIC – Identifies the agility of the COP in that the framework is well established and has allowed issues to be managed quickly.

ACCOUNTABLE – The PPAC was consulted and offered adequate time to provide their advice to the Commission.

FAIR – The Commission accomplished procedural fairness through the PPAC and BCFIRB supervisory panel review touchpoints. The Commission considered all correspondence.

EFFECTIVE – The agility of the COP allows the stakeholders opportunity to make changes to essential components in the supply chain.

TRANSPARENT – All processes and reporting on this exercise of the mandate were open, accessible and fully informed.

INCLUSIVE – The Commission ensured that all stakeholder interests were considered.