



THE HOLM TEAM *Agriculture Economics Journalism Trade Cooperation*

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November 12, 2020

BI-WEEKLY PROGRESS REPORT TO BCFIRB + STAKEHOLDERS (Producers, Hatcheries, Growers and Processors) LONG TERM CHICKEN SECTOR PRICING STRATEGY

To keep you informed of progress as we move through this review process, I will be posting regular updates via this website. I encourage any of you who have questions to contact me directly by email (wendy@wendyholm.com) or by phone at 604-947-2893.

As you know, the Terms of Reference for this pricing review were approved by FIRB on October 28th.

On Thursday November 5th a Round Table of the six Chairs and six Review Liaisons (BC Broiler Hatching Egg Commission, BC Chicken Marketing Board, BC Broiler Hatching Egg Producers Association, BC Chicken Growers Association, BC Egg Hatchery Association and Primary Poultry Processors Association of BC) met by Zoom.

At that meeting, the finalized Terms of Reference and an overview of stakeholder feedback was tabled. A Components and Engagement Table – created to provide a bird's eye view of the process and, as it will be a living document, track progress – was also presented.

A summary of our discussions, a pdf of my presentation to the Round Table and a copy of the Components and Engagement Table are attached.

Although it was not the subject of discussion in our first Round Table, also circulated to participants and hence attached for your interest is a summary table of some pricing options which the CMB has circulated for discussion in this review.

ENGAGEMENT WITH ALL STAKEHOLDERS – individual producers, growers, hatcheries and processors - is a very important component of this review process. If we are to successfully build a long term, sustainable and resilient pricing strategy for the BC chicken sector, it is important not only to arrive at workable pricing formulas, but also to build an atmosphere of understanding, cooperation and support for the positions and concerns of all stakeholders. To facilitate this, we will be holding open Round Tables to which all of you are invited to share your thoughts and contribute to solutions that will hopefully enhance our common path as we go forward.

Wendy Holm, P.Ag.(Ret'd), M.M.C.C.U.
BCFIRB Liaison - Long Term Chicken Sector Pricing Review
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APPENDED

1. Summary Minutes of First Round Table Nov 5
2. Components and Engagement Table
3. W. Holm Presentation to Round Table
 - a. Introduction
 - b. Summary feedback received Terms of Reference
 - c. Draft Components and Engagement Table
4. Some Options for a BC Live Price Formula

ROUNDTABLE #1 – INTRODUCTION
Long Term Chicken Sector Pricing Review
3:00 p.m. Thursday November 5, 2020
VIA ZOOM:

Meeting Notes:

PRESENT ON ZOOM: J. Collins, H. Sasaki, B. Brandsma, Art Deruiter, D. Krahn, J. Curtis; E. Silveri, B. Shier, C. Evans, S. Nelson, B. Vanderspek, C. Rickson and W. Holm.

ABSENT: R. Whitmore.

1. Housekeeping:

- The ZOOM address will remain constant for all future roundtables at <https://zoom.us/j/92488012725>
- Meeting notes will be posted on website after review by W. Holm and all documents will be posted at <https://bcchickensectorpricingreview.com>

2. Introductory Comments:

W. Holm, as ZOOM host, welcomed the participants and provided introductory comments.

3. Welcome comments from Chairs:

- H. Sasaki (BCCMB) and J. Collins (BCBHEC) provide welcome comments to the roundtable participants.
- Process to reiterate that Board and Commission as first instance regulators embark on this process leading to forming recommendations to panel. Can only succeed if we can secure information and data to analyze and verify to assist in formulating decisions. Separate decision-making process for the Board and Commission but they will work closely together.

4. Overview of Process and Engagement:

- The Terms of Reference (ToR) and the stakeholder feedback on the ToR did not result in a revision to the text because the panel, BCBHEC & BCCMB believed the existing language already addressed or captured the identified issues.
- ToR is a living document – guide and roadmap – may be amended as required.

a) Components and Engagement (C&E) Table:

The C&E table was discussed, and the tentative deadlines highlighted as.

2020-11-05 – Roundtable #1 – Introductory Zoom: Process and next steps (terms of reference debrief)

2020-11-09 – Roundtable #2 -- Measures of Reasonable Returns to Growers and Producers

2020-11-13 – Roundtable #3 – Processor Competitiveness

2020-11-16 – Roundtable #4 – Unpacking the Ontario Live Weight Price

2020-11-17 – Roundtable #5 – Live Weight Pricing Models for BC

2020-11-30 – Roundtable #6 – BCBHEC draft COP Pricing Model

2020-12-09 – Roundtable #7 – Hatchery Margins &/or 3-way pricing

2021-01-11 – Roundtable #8 – Final Live Weight Chicken Pricing Model

2021-01-27 – Roundtable #9 – Draft SAFETI, BCBHEC pricing options + Linkage considerations

- Roundtables to provide information and proposals, ask/answer questions, and to seek clarity on matters before parties provide written submissions to Boards (formal process required) prior to the Boards decision making process. Roundtables not intended to be a negotiation; intended to be an information sharing session.
- After discussion, consensus was that Roundtable #2 and #3 may be combined and moved to early December
- Roundtable #5 will be moved to December after the BCCMB's submission deadline of November 24th to allow opportunity for discussion and clarification on submissions. Also, growers and processors who participated in the Pricing Working Group (PWG) will review their confidentiality agreement and the document prepared by the facilitator (Paul Godin) with a view to sharing all or part of the document at the Round Tables so the group does not have to start from scratch.
- Roundtable #4 does not require the presence of Bob Burden to discuss the Ontario live price model. In the final approval of the minutes it was decided to also move this to early December.
- W. Holm to be informed of the progress of discussion between the BCCGA and PPPABC respecting the PWG documentation and amend the meeting dates as required.

b) Participation in the November Round Tables?

- Growers and Processors both stressed the need to understand and have articulated focus of objective of each roundtable prior to choosing participants to attend round tables. Expectations currently are not clear on who is leading, what will be discussed and how roundtables will operate.

c) Interest in broader engagement sessions(s) in December?

- The group discussed opening the engagement process to interested hatching egg producers, chicken growers, BC hatcheries and BC processors. Consensus was processors are interested in broader engagement; grower associations felt that broader engagement through a general information session would be more useful than offering sessions on specific issues.

6. Discussion and Next Steps:

Next steps are:

- B. Shier and D. Krahn to discuss release of PWG document or creation of summary document & date for workshop. Wendy Holm to be informed of decision and amend the Roundtable meeting dates as required.
- Meeting summary notes to be posted on website after review of W. Holm.

7. New Items:

None.

The meeting adjourned at 4:15 p.m.

COMPONENTS AND ENGAGEMENT TABLE¹
PHASE ONE – IDENTIFICATION AND DEVELOPMENT OF COMPONENT FACTORS AFFECTING THE PRICING OF THE REGULATED PRODUCTS BY THE CHICKEN BOARD AND HATCHING EGG COMMISSION

Responsibility as First Instance Regulator	COMPONENT	TO INCLUDE (BUT NOT LIMITED TO)	OCTOBER-NOVEMBER	DECEMBER	JANUARY	FEBRUARY
CMB						
Addressing the overarching policy objectives that guide the pricing of live chicken in British Columbia ²	Reasonable returns to chicken growers	Definition and quantifiable measures of reasonable return. Feed + feed ingredients, chick cost, catching costs, point of transfer of ownership policies	Oct 30-Nov 24 Invite feedback from all stakeholders on definitions of and quantifiable measures of reasonable returns to chicken growers and broiler hatching egg producers ROUND TABLE TO DISCUSS MEASURES OF FARM-GATE RETURNS & PROCESSOR COMPETITIVENESS TBA in early December	Evaluation of feedback; additional consultation as required (CMB lead, with BHEC)	Early January: Invite stakeholder discussion on the draft final liveweight Chicken Pricing Model ROUND TABLE TO DISCUSS FINAL CHICKEN PRICING MODEL (Tentative Date) Mon Jan 11 th : 10 am – Noon Final liveweight Chicken Pricing Model + SAFETI Analysis	
	Reasonable returns to hatching egg producers	Examination of BC costs relative to other provinces and impact on grower/producer returns Connection if any to Western pricing strategy Non-transparency on Ontario pricing (clarity on same) Breeder chick and spent fowl pricing, breeder vaccination program price Transparency, treatment of premiums and other revenue streams				
	Processor competitiveness in the Canadian market for chicken	Definition and quantitative measures of processor competitiveness Understanding evolving markets for BC regulated products and flow of regulated products in/out of province Clarity on Ontario Pricing How current approach impacts industry stability, innovation, processor competitiveness, premiums? Best practices of chicken boards in other provinces with respect to (e.g.) catching costs, point of transfer of ownership. Best practices of other Canadian SM commodities with respect to assurance of supply (plant supply quota) and the payment of premiums.	Oct 30-Nov 24 Invite feedback from all stakeholders on definitions of and quantifiable measures of processor competitiveness ROUND TABLE TO DISCUSS MEASURES OF FARM-GATE RETURNS & PROCESSOR COMPETITIVENESS TBA in early December	Evaluation of feedback; additional consultation as required (CMB lead)	See Above	

¹ This table is a living document intended to provide all stakeholders with a “birds-eye-view” of the Review process. Dates are subject to change. Updates to this table will be posted to the Review website. This version of the Table reflects updates from the first ROUND TABLE Session November 5, 2020.

² Premise: lack of agreed upon definition and measures of the policy objectives is a key challenge to establishing long term live price formula for mainstream chicken in BC

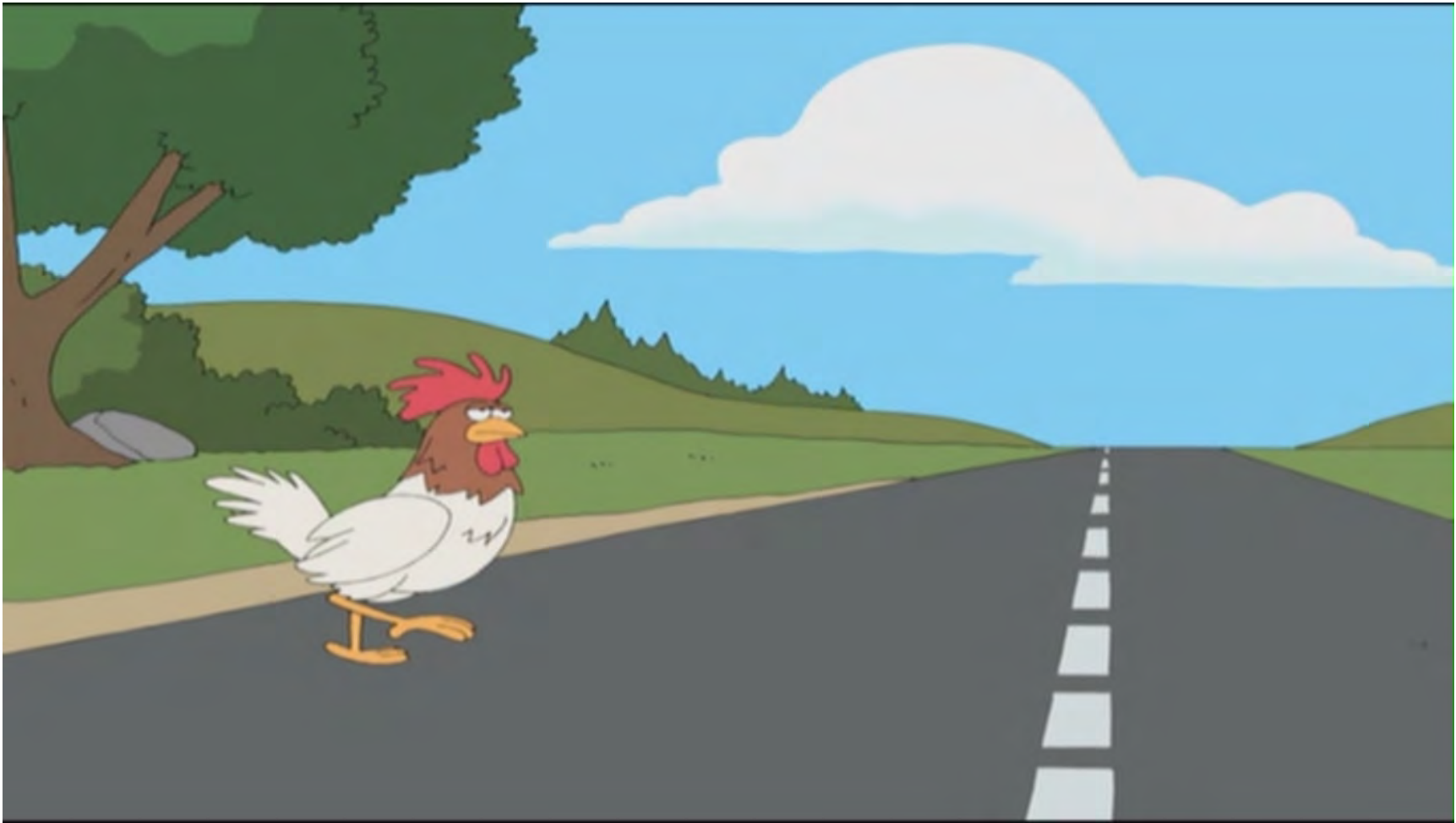
Responsibility as First Instance Regulator	COMPONENT	TO INCLUDE (BUT NOT LIMITED TO)	OCTOBER-NOVEMBER	DECEMBER	JANUARY	FEBRUARY
CMB						
What LW Pricing Options should be Considered?	Live Weight Price Formula	<p>Consideration of the pros and cons of 5 different liveweight price formulas (either currently in use, used in the past and/or used by other provinces). The 5 options are provided to stimulate discussion and dialogue.</p> <p>Receipt of additional options with pros and cons for consideration.</p>	<p>Oct 30-Nov 24 Invite feedback from all stakeholders on different approaches to LW pricing models</p> <p>ROUND TABLE ON ONTARIO PRICE Unpacking the Black Box - Ontario LW Price in the Canadian market for chicken TBA in early December</p> <p>ROUND TABLE TO DISCUSS DIFFERENT LIVE CHICKEN PRICING OPTIONS: TBA Early December</p>	Evaluation of feedback; additional consultation as required (CMB lead)	See Above	
HE Commission						
	<p>Reasonable returns to hatching egg producers through verified costs of production or other mechanisms</p> <p>Reasonable margin for hatcheries</p>	<p>Current CoP work - Serecon (align with Alberta model, make connection if any with Western Pricing Strategy)</p> <p>Breeder Chick Pricing Formula, Spent Fowl Pricing formula, Breeder vaccination prog price, Saleable Chick Price</p> <p>Transparency, treatment of premiums and other revenue streams</p> <p>Informed by results of LW Pricing discussions</p> <p>Update Oct 2019 product emerging from joint HEC and BCHA committee discussions during 2019 (starting point), be informed by results of LW pricing discussions re potential 3 – way COP</p>	<p>Third week in November: Invite feedback from all stakeholders on draft COP pricing options (2-week window)</p> <p>ROUND TABLE TO DISCUSS HATCHING EGG PRICING: TBA Early December Discussion of BHEC draft COP pricing model.</p> <p>ROUND TABLE TO DISCUSS HATCHERY MARGINS: (Tentative Date) Wed Dec 9th 10 – Noon: Discussion of Hatchery margins.</p>	<p>Mid December: Stakeholder feedback complete.,</p> <p>Board to Board meetings to consider stakeholder feedback.</p> <p>HEC and CMB review and respond to input, engage Third party review verification</p>	<p>Mid-January: Third party verification complete,</p> <p>Draft SAFETI analysis</p> <p>Fourth week January Invite feedback from all stakeholders on draft SAFETI analysis, pricing option and linkage considerations (2-week window)</p> <p>ROUND TABLE TO DISCUSS PRICING OPTIONS FOR HE PRODUCERS (Tentative Date) Wed Jan 27th 10 am – Noon. Discussion of Draft SAFETI Analysis, HE Pricing Option and Linkage Considerations</p>	

COMPONENTS AND ENGAGEMENT TABLE³
PHASE TWO – BUILDING THE LONG-TERM PRICING STRATEGY FOR REGULATED PRODUCTS IN THE MAINSTREAM CHICKEN AND BROILER HATCHING EGG SECTORS IN BC

FINAL PRODUCT	POLICY OBJECTIVES	FEBRUARY HEC	FEBRUARY CMB	MARCH
<p>Assembly of Phase One components into a long-term pricing approach for regulated products in the mainstream chicken and broiler hatching egg sectors in BC, including a decision on the appropriateness of a price linkage agreement between the two sectors that address the policy objectives of:</p>	<ol style="list-style-type: none"> 1. Verified COP/reasonable returns-based pricing mechanisms for BC hatching egg producers and chicken growers. 2. BC chicken processors being competitive in the Canadian market for chicken. 3. BC hatcheries receiving a “reasonable” margin for hatching services. 4. The confirmation of a breeder chick pricing formula. 5. The confirmation of a breeder vaccination program pricing formula for hatcheries 	<p>Mid-February: HEC Review stakeholder feedback and, revise, modify finalize COP and SAFETI as needed,</p> <p>HEC + CMB review all final pricing decisions and linkage considerations.</p> <p>SEE NEXT COLUMN →</p> <p>February end – Final package transmitted to FIRB.</p> <p>On FIRB approval HEC makes final decisions on HE COP pricing, SAFETI analysis, hatchery margin (or COP), breeder chick and vaccine pricing, saleable and placeable chick price and linkage</p>	<p>CMB+ HEC review all final pricing decisions and linkage considerations.</p> <p>ROUND TABLE TO COMBINE THE COMPONENTS AND BUILD THE MODEL Mon Feb 22nd 10 am – Noon Presentation to all stakeholders of fully integrated model, discussion.</p> <p>February end – Final package transmitted to FIRB.</p> <p>On FIRB approval CMB makes final decisions on LW pricing and linkage</p>	

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Long Term Chicken Sector Pricing Review ROUND TABLE #1 – PROCESS & ENGAGEMENT



AGENDA

ROUNDTABLE #1 – INTRODUCTION Long Term Chicken Sector Pricing Review

1. Housekeeping
2. Introductory Comments Wendy Holm
3. Welcome Comments Harvey Sasaki and Jim Collins
4. TOR finalization Process
5. Overview of Process and Engagement
 - a. Components and Engagement Table
 - b. Participation in the November Round Tables?
 - c. Interest in broader engagement session(s) in December?
(e.g. open to interested hatching egg producers, broiler chicken growers, BC hatcheries and BC processors?)
 - d. Interest in pan-stakeholder board-members-only session?
6. Discussion and Next Steps
7. New Items

- This session is not being recorded...
- A high-level summary will be posted on the Review website



THIS IS *YOUR* PROCESS

I am here to:

- Support
- Encourage
- Suggest/Provoke
- Lend Direction
- Facilitate
- Track Progress
- Engagement





Eugene Whelan as seen from the opposition camp in 1974...

BIG GREEN HAT...

IT IS A MEASURE of the man that all you have to say to a Canadian farmer is "the guy in the big green hat" and they immediately know who you mean. Eugene Whelan, 'Gene' to his friends, was in this agrologist's mind Canada's finest agricultural minister. Elected as a rookie Member of Parliament in 1962, he was appointed Canada's Agriculture Minister in 1972.

I first met Whelan in 1974. At 26, I'd just landed a job in Ottawa, keen to take on supply management and defend the public interest in farm policy based on "competition and free trade". Seated at the right hand of the indomitable Mrs. Plumtre, my job as her "chicken and egg gal" was to load up the ammo as she and Eugene Whelan battled it out on the public stage.

And what a stage it was. I'd seen that same look and thundering determination only once before: glimpsed quickly over my shoulder as I took an unfortunate but very fast shortcut thru a dairy pasture.

This time, Beryl and Gene both had it. It was a

clash of titans... and the media loved it. Close up and personal, I watched as an embattled Whelan defended farmers' rights to supply management to the media and in the House. I was on the Hill in '76 when he was pelted with milk by Quebec dairy farmers. Ever at Beryl's back, I cheered her on as she rode into battle, time and again, my reports and briefings her armour.

But what did I know? Straight out of an honours masters in agricultural economics from UBC, I'd been fed four years of the very same simplistic, neo-classical dreck so in vogue with right-wing pundits and Liberal leadership wanna-be's today.

It took only a few years of paying attention to the real world (much longer to write about it; see Confessions of an Economist, July 2008, WDF) to understand that I was totally wrong and Gene was totally right: supply management gives farmers needed power in the marketplace to extract fair prices from concentrated agri-food players, maintain a healthy, independent family-farm sector, contribute to a sustainable community and ensure the Canadian consumer is provided with a stable supply of local, safe, affordable and trace-

The writer is an award-winning columnist living on Bowen Island. She encourages feedback at wendy@theholmteam.ca

BACK IN THE DAY...

Gene Whelan put Supply Management in place to:

- Protect the independence and farm income of milk, egg and poultry producers in the face of market chain concentration and volatile international prices.
- Ensure the viability of the family farm
- Deliver to consumers the benefits of a stable supply of fresh, locally produced, high-quality and safe products at a fair price

MARKETS HAVE CHANGED IN 40+ YEARS

Concentration at the processing and retail sector has changed the way supply chains operate.

- **What were once provincial markets are now national**
- **What were once smaller, provincially-based processors and retailers are now national**

CHALLENGE:

To continue to deliver the benefits of SM to farmers, industry partners and the public...

While at the same time recognizing today's market structure requires nimble repositioning to ensure a vibrant, competitive and sustainable BC chicken sector

GOALS OF THIS REVIEW:

- **Verified COP/reasonable returns-based pricing mechanisms for BC hatching egg producers and chicken growers.**
- **BC chicken processors being competitive in the Canadian market for chicken.**
- **BC hatcheries receiving a “reasonable” margin for hatching services.**
- **The confirmation of a breeder chick pricing formula.**
- **The confirmation of a breeder vaccination program pricing formula for hatcheries**

KEY ELEMENT: COOPERATION



KEY ELEMENT: TRUST



KEY ELEMENT: ENGAGEMENT



WE CAN DO
THIS...

604-947-2893



LONG TERM CHICKEN SECTOR PRICING REVIEW STAKEHOLDER FEEDBACK TO DRAFT TERMS OF REFERENCE - OCT 28, 2020		
SUBMITTED BY	CONTENT	
BC Broiler Hatching Egg Producers Association	1	<i>"...in BC the hatcheries are owned by the processors. When the Commission and BCCMB review of factors include "reasonable margin" for hatcheries this cannot be done without looking at current processor market share, margins and competitiveness as a whole..."</i>
Primary Poultry Processors Association	2	<i>Would like to have included in TOR intro: "...changes to BC live price differential with Ontario have resulted in BC processors disproportionately absorbing the annual adjustments and has reduced processor competitiveness in the market. The continued increase in the live price differential has led to several price appeals and when coupled with further price actions taken by the BCBHEC, have now culminated in a supervisory review of live pricing in BC..."</i>
	3	<i>"...important to keep discussion relevant by containing and focusing discussions..."</i>
	4	<i>"...Producer cost of production factors must be expanded beyond "feed and chick" and include operating costs to provide transparency on operating income. Operating income is a better measure of return and cash flow and is what lenders would use to evaluate equipment and farm purchases..."</i>
	5	<i>"...'Understanding the markets (supply and demand) for BC regulated products and the flow of regulated product into and out of the province', should be replaced with, 'Understanding current market dynamics the effects of customer concentration and how markets have evolved'. This is more relevant and consistent with, "... defining: processor competitiveness in the Canadian market for chicken..."</i>
	6	<i>"...We believe that the issue of "transfer of ownership" must be outside the scope of the project..."</i>
	7	<i>"...We would suggest including a point on the need for a meaningful dialogue on the benefits and risks associated with the "structure" of any formula as it relates to current and past formulas..."</i>
	8	<i>"...This review will require that all stakeholders work cooperatively with assurances that requests for information and data are focused on relevant needs and issues only. In the draft Terms of Reference, there is some discussion about managing confidential or sensitive information, but to date it remains unclear what information that the boards seek. This makes it difficult to engage in meaningful discussion on this topic at this point..."</i>
	9	<i>"...There is a significant communications component in the Terms of Reference that needs to be managed through multiple avenues. There should be assurances that communications will be done jointly between all stakeholders..."</i>
Elite Services	10	<i>"...needs to be a mechanism in the system where the catching contractors have the ability to present the case for rate increases to the board..."</i>

SUBMITTED BY	CONTENT
BC Chicken Growers Association	11 "...Currently BC chicken growers and breeder farmers are evaluated on their efficiencies on costs, but processors on their competitiveness. The BCCGA recommends that all supply chain members: chicken growers, hatching egg producers, hatcheries and processors be assessed on their efficiencies..."
	12 "...requests clarification on the reference to Assurance of Supply on Page 2, paragraph 1. Specifically, the BCCGA is concerned with how this information will be used to determine the long term chicken sector pricing. In accordance with the Canadian supply management system, Chicken Farmers of Canada determines the national and provincial chicken production allocations based on consumer demand. The BC processors, as a whole, receive an assured supply of chicken through this regulated system..."
	13 "...recommends that a policy objective regarding the quality of product from the hatching egg producers and hatcheries be included in this review. Chick quality - health and weight - should be addressed in the pricing structure..."
BC Hatchery Association	14 "...some mention in the Introduction that the BC hatcheries have not had a margin increase to offset cost increases in 8 years, and margins have fallen significantly behind those of hatcheries in other Provinces..."
	15 "... Scope section needs to outline that Ontario hatchery margin increases currently are included in the BC live price and flow directly to the broiler and hatching egg producers and to be fair should be removed from the BC price linkage formula..."
	16 "...In the Goals/Outcomes section, it makes note of, '... the appropriateness of a price linkage agreement between the two sectors that address the policy objectives of: ...BC hatcheries receiving a "reasonable" margin for hatching services.' It is not clear which policy objectives are being referred to here..."
	17 "In the Goals/Outcome section as well, the last two bullets should be amended as follows, "The confirmation of a breeder chick pricing formula by the hatcheries" and "The confirmation of a breeder vaccination program pricing formula by the hatcheries." The hatcheries will retain control over breeder chick and vaccination program selection; however, agree overall pricing formulas are required for these programs..."
Primary Poultry Processors Association (addendum)	18 "...one key component that is missing is a thorough review of chicken and breeder feed pricing and margins, against commodity prices. Feed is a key component and determinant of the live price and the only factor in the formula that is not under scrutiny. Given the importance of the feed in determining live price it is our position that the Chicken Sector Pricing Review Process would be remiss by not including this in the terms of reference..."

COMPONENTS AND ENGAGEMENT TABLE¹
PHASE ONE – IDENTIFICATION AND DEVELOPMENT OF COMPONENT FACTORS AFFECTING THE PRICING OF THE REGULATED PRODUCTS BY THE CHICKEN BOARD AND HATCHING EGG COMMISSION

Responsibility as First Instance Regulator	COMPONENT	TO INCLUDE (BUT NOT LIMITED TO)	OCTOBER-NOVEMBER	DECEMBER	JANUARY	FEBRUARY
CMB						
Addressing the overarching policy objectives that guide the pricing of live chicken in British Columbia ²	Reasonable returns to chicken growers	<p>Definition and quantifiable measures of reasonable return.</p> <p>Feed + feed ingredients, chick cost, catching costs, point of transfer of ownership policies</p>	<p>Oct 30-Nov 21 Invite feedback from all stakeholders on definitions of and quantifiable measures of reasonable returns to chicken growers and broiler hatching egg producers</p> <p>ROUND TABLE #2: Mon, Nov 9th: 10 am - Noon Reasonable Return to Growers and Producers</p>	<p>Evaluation of feedback; additional consultation as required (CMB lead, with BHEC)</p>	<p>Early January: Invite stakeholder discussion on the draft final liveweight Chicken Pricing Model</p> <p>ROUND TABLE #3: Mon Jan 11th: 10 am – Noon Final liveweight Chicken Pricing Model + SAFE II Analysis</p>	
	Reasonable returns to hatching egg producers	<p>Examination of BC costs relative to other provinces and impact on grower/producer returns</p> <p>Connection if any to Western pricing strategy</p> <p>Non-transparency on Ontario pricing (clarity on same)</p> <p>Breeder chick and spent fowl pricing, breeder vaccination program price</p> <p>Transparency, treatment of premiums and other revenue streams</p>				
	Processor competitiveness in the Canadian market for chicken	<p>Definition and quantitative measures of processor competitiveness</p> <p>Understanding evolving markets for BC regulated products and flow of regulated products in/out of province</p> <p>Clarity on Ontario Pricing</p> <p>How current approach impacts industry stability, innovation, processor competitiveness, premiums?</p> <p>Best practices of chicken boards in other provinces with respect to (e.g.) catching costs, point of transfer of ownership.</p> <p>Best practices of other Canadian SM commodities with respect to assurance of supply (plant supply)</p>	<p>Oct 30-Nov 21 Invite feedback from all stakeholders on definitions of and quantifiable measures of processor competitiveness</p> <p>ROUND TABLE #3: Fri Nov 13th: 10 am – Noon Processor competitiveness in the Canadian market for chicken</p>	<p>Evaluation of feedback; additional consultation as required (CMB lead)</p>	<p>See Above</p>	

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² Premise: Lack of agreed upon definition and measures of the policy objectives is a key challenge to establishing long term live price formula for mainstream chicken in BC

Responsibility as First Instance Regulator	COMPONENT	TO INCLUDE (BUT NOT LIMITED TO)	OCTOBER-NOVEMBER	DECEMBER	JANUARY	FEBRUARY
CMB						
What LW Pricing Options should be Considered?	Live Weight Price Formula	<p>Consideration of the pros and cons of 5 different liveweight price formulas (either currently in use, used in the past and/or used by other provinces). The 5 options are provided to stimulate discussion and dialogue.</p> <p>Receipt of additional options with pros and cons for consideration.</p>	<p>Oct 30-Nov 24 Invite feedback from all stakeholders on different approaches to LW pricing models</p> <p>ROUND TABLE #1: Mon Nov 16th 10 am – Noon Unpacking the Black Box - Ontario LW Pricing in the Canadian market for chicken</p> <p>ROUND TABLE #5: Tues Nov 17th 9 am – Noon Live weight pricing models for BC Chicken</p>	Evaluation of feedback; additional consultation as required (CMB lead)	See Above	
HE Commission						
	<p>Reasonable returns to hatching egg producers through verified costs of production or other mechanisms</p> <p>Reasonable margin for hatcheries</p>	<p>Current COI² work - Serecon (align with Alberta model, make connection if any with Western Pricing Strategy)</p> <p>Breeder Chick Pricing Formula, Spent Fowl Pricing formula, Breeder vaccination prog price, Saleable Chick Price</p> <p>Transparency, treatment of premiums and other revenue streams</p> <p>Informed by results of LW Pricing discussions</p> <p>Update Oct 2019 product emerging from joint HEC and BCHA committee discussions during 2019 (starting point), be informed by results of LW pricing discussions re potential 3 – way COI²</p>	<p>Third week in November: Invite feedback from all stakeholders on draft COI² pricing options (2-week window)</p> <p>ROUND TABLE #6: Mon Nov 30th 10 – Noon: Discussion of BHEC draft COI² pricing model; confirm if stakeholders wish to engage 3rd party review verification</p> <p>ROUND TABLE #7: Wed Dec 9th 10 – Noon: Discussion of Hatchery margins.</p>	<p>Mid December: Stakeholder feedback complete.,</p> <p>Board to Board meetings to consider stakeholder feedback.</p> <p>HEC and CMB review and respond to input, engage Third party review verification</p>	<p>Mid-January: Third party verification complete, Draft SAFE II analysis</p> <p>Fourth week January Invite feedback from all stakeholders on draft SAFE II analysis, pricing option and linkage considerations (2-week window)</p> <p>ROUND TABLE #9: Wed Jan 27th 10 am – Noon, Discussion of Draft SAFE II Analysis, HE Pricing Option and Linkage Considerations</p>	

COMPONENTS AND ENGAGEMENT TABLE³
PHASE TWO – BUILDING THE LONG-TERM PRICING STRATEGY FOR REGULATED PRODUCTS IN THE MAINSTREAM CHICKEN AND BROILER HATCHING EGG SECTORS IN BC

FINAL PRODUCT	POLICY OBJECTIVES	FEBRUARY HEC	FEBRUARY CMB	MARCH
<p>Assembly of Phase One components into a long-term pricing approach for regulated products in the mainstream chicken and broiler hatching egg sectors in BC, including a decision on the appropriateness of a price linkage agreement between the two sectors that address the policy objectives of:</p>	<ol style="list-style-type: none"> 1. Verified COI³/reasonable returns-based pricing mechanisms for BC hatching egg producers and chicken growers. 2. BC chicken processors being competitive in the Canadian market for chicken. 3. BC hatcheries receiving a “reasonable” margin for hatching services. 4. The confirmation of a breeder chick pricing formula. 5. The confirmation of a breeder vaccination program pricing formula for hatcheries 	<p>Mid-February: HEC Review stakeholder feedback and, revise, modify finalize COI³ and SAFE II as needed,</p> <p>HEC + CMB review all final pricing decisions and linkage considerations.</p> <p>SEE NEXT COLUMN →</p> <p>February end – Final package transmitted to FIRB.</p> <p>On FIRB approval HEC makes final decisions on HE COI³ pricing, SAFE II analysis, hatchery margin (or COI³), breeder chick and vaccine pricing, saleable and placeable chick price and linkage</p>	<p>CMB+ HEC review all final pricing decisions and linkage considerations.</p> <p>ROUND TABLE #10 Mon Feb 22nd 10 am – Noon Presentation to all stakeholders of fully integrated model, discussion.</p> <p>February end – Final package transmitted to FIRB.</p> <p>On FIRB approval CMB makes final decisions on LW pricing and linkage</p>	

³ This table is a living document intended to provide all stakeholders with a “birds-eye-view” of the Review process. Dates beyond November are subject to change. Updates to this table will be posted to the Review website.

LONG TERM CHICKEN SECTOR PRICING REVIEW – SOME OPTIONS FOR A BC LIVE PRICE FORMULA¹

OPTION	CHARACTERISTICS	PROS	CONS
<p>1. Ontario posted price at a set weight category plus a fixed differential</p>	<ul style="list-style-type: none"> This option is used by a number of chicken boards in Canada, primarily the Atlantic Provinces. This approach was used in BC for a number of years prior to 2010. During this time the differentials ranged from \$0.0435 to \$0.0585. During the period that this formula was in use, there was a BCFIRB ordered final offer arbitration process enshrined in the Scheme and BCCMB General Orders. It was left to the Joint Committee of the BCCMB Price and Production Advisory Committee (PPAC) to either agree to a live price each period or to proceed to final offer arbitration. The final offer arbitration process was set aside in 2010 in favour of the BCFIRB ordered pricing formula that is described in Option #2 later in this document. The pros and cons of a set differential over the Ontario live price: 	<ul style="list-style-type: none"> Transparent Very simple to manage and update each eight-week period Predictable. A fixed differential allows for stability in live prices between Central Canada and BC Maintains the principle of processor competitiveness to Central Canada 	<ul style="list-style-type: none"> In past iterations of this model, the differential was negotiated and was not based on facts or actual cost differentials between BC and Ontario. Made no reference to the cost of catching which lowered the actual differential to Ontario to approximately \$0.01 per kilogram. (In BC growers pay for the catching through a deduction in their payments from processors. In Ontario, processors pay for the cost of catching directly to the catching contractor. Does not account for swings in feed prices between BC and Central Canada (wheat versus corn) Does not take in consideration any of the extra costs of production in BC. Examples would be increased catching costs or adjustments to the pricing linkage such as moving from a 58 to 56-week breeder kill age. The Ontario COPF is not transparent and since March 2015 (A-129) resulted in a reduction of 12 cents per kilogram in gross margin to chicken farmers across the country. Continued reliance on the CFO COPF leaves BC growers at risk for further “efficiency and volume” reductions in margin. Concern over what constitutes the “true” CFO live price, for example the level of premiums in addition to the posted live price that are available to Ontario chicken farmers.

¹ This three-page table created by BCFIRB Liaison Wendy Holm directly from the BC Chicken Marketing Board’s October 30th document: *Pricing and Linkage Supervisory Review. The Options for a BC Live Price Formula* (the “Options”) is meant to stimulate discussion and dialogue to assist the Chicken Board in making a decision on a long-term pricing formula for BC chicken. **The five options presented in this table are not intended to be the definitive list of options for consideration.** Rather, they are meant to provide a high-level range of options currently under consideration which can be expanded based on industry stakeholder input and feedback. It is recognized that a further range of sub-options exist. The options presented are in no particular order or intended to suggested priority or preference. The options include formulas used in the past as well as formulas used in other provinces.

LONG TERM CHICKEN SECTOR PRICING REVIEW – SOME OPTIONS FOR A BC LIVE PRICE FORMULA²

OPTION	CHARACTERISTICS	PROS	CONS
<p>2. Weighted average of Alberta, Saskatchewan, Manitoba and Ontario posted prices plus a fixed differential.</p>	<ul style="list-style-type: none"> This formula was in effect in BC from 2010 to 2016 and was mandated by BCFIRB following the 2009 Supervisory Review. During this time the \$0.0435 per kilogram differential was amended from time to time by mutual agreement of the chicken growers and processors. 	<ul style="list-style-type: none"> Transparent Provides a benefit to BC growers if any of the Prairie Provinces increase their differentials to Ontario. Can temper the influence of exclusively relying on the Ontario price as the base. Was in effect from 2010 to 2016 as ordered by BCFIRB and was generally accepted by both growers and processors. Maintains a balance across the west in the interest of regional processor competitiveness. Does not rely solely on the Ontario COPF. 	<ul style="list-style-type: none"> Still relies on the Ontario COPF for 70% of the differential which is a concern for all of the reasons enunciated in Option 1. The Ontario COPF is not fully transparent and has resulted in a loss of margin of 12 cents per kilogram since 2015 for BC chicken growers.
<p>3. Ontario posted price plus.</p>	<ul style="list-style-type: none"> Cost of catching per kilogram charged to BC growers X percentage of difference in cost per kilogram of chicks and feed between Ontario and BC. This is the formula currently in use and uses a factor of 75% to adjust for the difference per kilogram for the cost of feed and chicks between BC and Ontario. 	<ul style="list-style-type: none"> Allows for a measure of recovery of variations in the cost of feed and chick costs between BC and Central Canada (wheat versus corn) Is transparent Prevents manipulation of the catching price by processors. 	<ul style="list-style-type: none"> Can result in excessive differentials between BC and Central Canada unless there are rigorous and defensible guard rails in place for minimum and maximum differentials. Could result in manipulation of the feed and chick prices by companies that understand that 75% of increases are automatically passed on to processors through the pricing formula.

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LONG TERM CHICKEN SECTOR PRICING REVIEW – SOME OPTIONS FOR A BC LIVE PRICE FORMULA³

OPTION	CHARACTERISTICS	PROS	CONS
<p>4. Using the Serecon COP with a fixed or variable percentage of recovery.</p>	<ul style="list-style-type: none"> This option would serve to de-couple the BC chicken industry from Ontario pricing and the CFO Cost of Production Formula (COPF) 	<ul style="list-style-type: none"> Would provide growers with a predictable margin based on their costs If set at 100%, would put mainstream chicken growers on an equal rate of recovery of their costs as certified organic and Taiwanese chicken growers. Would reflect the true cost of production in BC based on the linkage formula that has been used as the basis for equalizing cost recovery between chicken and hatching egg producers in BC for the past 25 years. Would take the Ontario COPF out of the equation and set the BC chicken industry on an independent path. May be a viable option to the BCBHEC as an alternative to exiting the linkage. 	<ul style="list-style-type: none"> Some industry stakeholders have never accepted the Serecon COP as a true cost of production formula due to the calculations included for land value, labor and return on capital, etc. Presumably, using 100% cost recovery could increase the differential to the Ontario beyond a level that could be sustained by downstream stakeholders. Unless Alberta, Saskatchewan and Manitoba adopted a similar approach, using the Serecon COP as the sole basis for setting the BC live price could cause BC's live price to be out of sync with the rest of the west. Could provide the opportunity for upstream suppliers such as feed companies and hatcheries to increase prices with the knowledge that increased costs would be passed directly through the live price
<p>5. A tripartite COP/Linkage with hatching eggs, hatcheries and chicken.</p>	<ul style="list-style-type: none"> This option would require hatcheries to be included in the current linkage between chicken and hatching eggs. The live price each period would determine the level of recovery of each respective COP. 	<ul style="list-style-type: none"> Would provide hatcheries, hatching egg producers and chicken growers an opportunity to recover an equal percentage of their costs through a three-way linkage. 	<ul style="list-style-type: none"> Would need to be combined with a formula that would establish the live price as a starting point for the linkage calculations.

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