



BC Chicken Growers'
ASSOCIATION

November 24, 2020

BY EMAIL

Harvey Sasaki, Chair, BC Chicken Marketing Board - info@bcchicken.ca

Dear Harvey,

Thank you for your letter dated October 30, 2020 regarding the pricing review and the included initial draft of possible pricing options. The BC Chicken Growers' Association (BCGGA) is responding to the BC Chicken Marketing Board's (BCCMB) request for comments.

The BCCGA's responses to the definitions and quantifiable measures for reasonable return to BC chicken growers and BC processor competitiveness are included in the following (and attached) three documents. These documents also provide value chain information as well as pricing option analysis. We believe these documents will provide the BCCMB with an abundance of information on the issues at hand.

- **Definitions for Reasonable Returns to Growers and Processor Competitiveness, Kevin Grier September 26, 2019**
- **Costs and Returns in BC Chicken Marketing, Agri-food Economic Systems November 2020**
- **Live Chicken Pricing in BC: An Evaluation, Agri-food Economic Systems November 2020**

The BCCGA does not support the first three options: #1 Ontario posted price at a set weight category plus fixed differential, #2 Weighted average of Alberta, Saskatchewan, Manitoba and Ontario posted prices plus fixed differential and #3 Ontario posted price plus. These three options have had a long history of problems resulting in arbitration, supervisory review, and inability to set the long-term price negotiated through a producer/processor pricing working group. The result has been long-term instability and the current supervisory review that we face today.

The current chicken live pricing structures are unsustainable for the chicken industry. The BCCGA's members require a healthy industry with BC chicken growers receiving a fair (reasonable) return while processors remain competitive. At the present time, BC live chicken prices are significantly below our members' actual Cost of Production. While the processors have historically discounted the value of the Serecon COP, we believe it is a fair representation of the actual costs our members incur to grow chicken. Presently, that model suggests that the A-166 BC live price is 13.92 cents/Kg below the COP. The reality is that for several years depreciation has and continues to fund chicken farm operations and it is very difficult for BC chicken growers to re-invest in their farm business and the industry. The current live price formula is based on the Ontario live price formula that is neither transparent nor predictable. The 75% differentials in feed and chick prices are too low and have diminished the capital our members need for replenishment or refurbishment of their farm operations

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The BCCGA supports option #4: Using the Serecon COP with 100% cost recovery. This COP based pricing model for both the BC broiler hatching egg producers and BC chicken growers would support a simultaneous move to a COP based pricing model. This would provide a verifiable and long-term price that yields cost recovery for BC chicken growers and will stem the long-term instability. The information analyzed, in section 4.7 Processor Prices in B.C in the attached Costs and Returns in BC Chicken Marketing report - Agri-food Economic Systems November 2020, provides information that supports the processors ability to stay profitable, considering retail information and would support 100% COP. The information analyzed, in the attached Live Chicken Pricing in BC: An Evaluation - Agri-food Economic Systems November 2020, supports the COP pricing environment as being a "robust concept", stable "as many of the costs are fixed" and "can be used as a mechanism to encourage improved efficiencies and collaboration."

To address cons identified in option #4:

- An independent COP model could be compiled and used as a comparison for Industry stakeholders who do not accept the Serecon COP.
- Benchmarks could be developed and maintained to compare the BC COP inputs with comparable data from the other western provinces and potentially with the Ontario COP. This would ensure the BC COP provides a reasonable return and is in sync with the other western provinces.
- Benchmarks for feed prices and chick quality could be established to ensure that upstream suppliers, such as feed suppliers and hatcheries do not increase prices with the knowledge that increased costs would be passed directly through the live price.

The BCCGA would consider option #5: a tripartite COP/Linkage with hatching eggs, hatcheries, and chicken, if verifiable and comparable data were achieved and an amicable agreement could be made.

The British Columbia Chicken Marketing Board and the British Columbia Broiler Hatching Egg Commission are reviewing their regulated pricing structures with the goal of making changes that will support a long-term pricing approach. This must be done by implementing a thoughtful and novel approach.

Thank you for your attention to these matters.

Sincerely,



Dale Krahn
President
BC Chicken Growers' Association

Cc: Wendy Holm, BCFIRB Liaison

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