



January 18, 2021

Mr. Jim Collins
Chair
BC Broiler Hatching Egg Commission
#210 – 1848 McCallum Road
Abbotsford, BC
V2S 0H9

Dear Jim:

Re: Cost of Production Pricing and Stakeholder Feedback Information Process

We are in receipt of the correspondence from Stephanie Nelson of the BC Broiler Hatching Egg Commission (the Commission) dated December 23, 2020 requesting initial comments and feedback on the Serecon Cost of Production (COP) model for hatching egg producers. We appreciate the opportunity to provide our perspective on what the Commission is proposing. This letter sets out our initial comments, and we reserve the right to provide further comments following the COP Roundtable, particularly relating to the Serecon COP model and impacts on processor competitiveness.

As we have stated in previous correspondence, the Primary Poultry Processors of BC (PPPABC) remain concerned that the Commission is unilaterally pursuing a COP for hatching egg producers as a pre-determined outcome, without regard to the rest of the industry. The COP developed by Serecon is a theoretical model based on a number of assumptions (labour and capital) and only considers hatching egg producer interests. As well, there has been no data presented on returns currently being realized by hatching egg producers or information provided showing that these returns are inadequate. The PPPABC maintains the Commission's motivation for a COP is related to its November 2019 decision to exit the linkage in order to receive a portion of the premiums being paid to broiler growers.

We support the position that hatching egg producers are entitled to a fair return, however this needs to be considered in the context of the broader industry. This position is supported in the BC Farm Industry Review Board (BCFIRB) Supervisory Review of BC Chicken Marketing Board Pricing-Related Recommendations in 2010. At paragraph 23 in the analysis the BCFIRB stated, *“All parties in this supervisory review agree that a workable pricing model must be consistent, predictable, transparent, and result in a live price that gives producers a fair return and allows processors to be competitive in the Canadian market.”* This statement was primarily directed at the British Columbia Chicken Marketing Board when the linkage was in place. However, if the Commission seeks to exit the linkage, it will need to adhere to the directive set out by the

BCFIRB. As a regulator, the Commission must take a balanced approach that considers downstream consequences of its actions.

If the Commission is permitted to set the price for hatching egg producers with no regard for downstream industry, then presumably other stakeholders will want to do the same. And this is exactly what we are seeing now with the BC Chicken Growers Association (BCCGA) presenting their own COP. As we pointed out earlier in the pricing review, the two proposed COP's would produce a live price of approximately Ontario plus 28 cents. This is completely unacceptable. The independent approach to live pricing taken by the grower groups is not economically feasible, does not recognize the competitive nature of the industry, and would be devastating to the industry. If the processors were to take the same approach as the grower groups, then our position would simply be the Ontario live price with no differential. For the processors, this position provides assurance that processors would be competitive in the Canadian market, however, provides no consideration for producer returns.

Clearly, both positions would be deemed unacceptable by the other party and they are inconsistent with the BCFIRB supervisory review analysis outlined above. BCFIRB has provided a clear precedent for the parties to consider both fair returns to producers and processor competitiveness in Canada, which cannot be ignored.

It is our position that the breeder and broiler producers are bringing forward unrealistic and polarizing positions that are creating unrealistic expectations for producers, and that are neither efficient nor constructive to the pricing review discussions. Our view is that it is more important for the industry to discuss how we can work together to balance the needs of hatching egg growers, hatcheries, broiler growers and processors.

Yours truly,

A handwritten signature in black ink, appearing to read 'B. Shier', written in a cursive style.

Blair Shier
President
Primary Poultry Processors Association of BC