



February 12, 2021

Blair Shier
Primary Poultry Processor Association of British Columbia

Dear Blair:

Re: Pricing Review Material

As a follow-up to the Chicken Board's letter of February 10 regarding your recent submissions, the Chicken Board has reviewed the information and material submitted to date, and has identified further questions that we would like your Association to address:

Processor Competitiveness

- The Chicken Board is awaiting your submission on measures of BC processor competitiveness in Canadian markets.
- When comparing the cost differences and based on your description of the different processor structures in Ontario and BC, the Chicken Board would like to ensure that any cost comparisons provided represent a consistent and comparable processor activity base. Elaboration is provided on the second page of this document in the "Processing Sector Structure" section, but in general refers to the costs from catching through to chilling the eviscerated carcass, including the cost of transporting the birds from the farm to the processing plant.
- In addition to considering the cost disadvantages that BC processors have, identify the cost advantages for BC processors and the impact and effect on BC processor competitiveness, i.e. transportation costs within the province and comparison of transportation costs to move product east versus west.

Reasonable Return to Growers:

- Provide what you feel would be appropriate measures of reasonable return to growers that the Chicken Board consider.
 - Provide any evidence or examples that demonstrate that the current pricing formula is or is not providing a reasonable return to growers.

Pricing Formula:

- If important to the pricing formula, suggest the methodology and metrics to establish guardrails that the Chicken Board should consider.
- If a differential over Ontario is to be considered in the BC live price formula, what factors would you recommend the Chicken Board consider and account for in the differential?
- What rationale can you provide for a fixed differential versus a floating differential (with an example of floating differential being the current formula)?
- Claims have been made that other components of the chicken value chain are taking advantage of the current pricing formula, in particular hatching eggs and the feed industry. Please provide evidence to support the claim for the Chicken Board's consideration.
- What adjustments would you recommend the Chicken Board consider, if any to the BC formula to account for the changes recently announced to the Ontario Farm Gate Minimum Live Price formula.



Markets

- One of your submissions has indicated that the Growers submission has incorrectly described the live price-based pricing model used by processors.
 - Provide a comprehensive explanation of the live price-based contract model as well how much of BC production is based on live price-based contracts.
 - The proportion of fresh versus further processed chicken products for BC and whether this is similar or differs from other provinces.

Processing Sector Structure:

- The Chicken Board understands that processor structure in Central Canada differs from BC and would like to ensure that any comparisons represent a consistent and comparable base for comparison of cost advantages and disadvantages.
 - An example of this is the secondary processing tier prevalent in Central Canada where much of the boning and traypack operations that prepare and sell fresh chicken products directly to retailers are done by companies not owned or operated by the primary processors.
 - The Chicken Board is of the view that a more accurate comparison of processing costs between BC and Central Canada would be comprised of the following segments of the operation of a poultry processing plant:
 - Catching, Loading and Live Haul
 - Kill
 - Evisceration
 - Chill (water or air)
 - These components would provide a consistent measure of costs in poultry processing plants in Canada. Individual plant operations will vary greatly at the point of transfer from chill to the next steps in the process depending on the product mix (SKU's) of a given processor.

Health of the Chicken Industry in BC

- Provide specific measures you would consider to reflect the health of the BC chicken industry.

The Chicken Board as a signatory to the Pricing Working Group (the "PWG") Agreement to Mediate is bound to the Confidentiality and non-disclosure provisions, unless all parties consent to release of the information. The Chicken Board has requested the consent of the British Columbia Chicken Growers Association to consider the prior work of the PWG, indicating that it would be of value to the Review Process. In our prior correspondence the Chicken Board sought your Association's consent to allow the work of the PWG to be considered in the Review process. Please confirm in writing your consent to allow or rationale to deny consideration of the work of the PWG in the review and decision making process.

The Chicken Board has notified you of our interest in scheduling a meeting with you and your team. This will confirm Thursday, February 18 as the date for that meeting. Please advise if you wish to make a presentation.



The Chicken Board intends to include Wendy Holm, Jim Collins and Stephanie Nelson as observers in the interest of maintaining an open and inclusive review process while providing protection to the sensitive data and information that will be presented.

We respect the short notice for the meeting however, the Chicken Board would appreciate receiving your response to the questions prior to the meeting. Board members may ask additional questions on the materials provided to date in order to be informed in arriving at its decision.

Your continued participation in and support for the review process is greatly appreciated.

Yours truly,

Harvey Sasaki
Chair

c.c. Jim Collins
Wendy Holm

