Long-Term Chicken Sector Pricing Review

Roundtable – BC Hatching Eggs – Cost of Production

January 28, 2021

Attendees:

BCFIRB: Wendy Holm

BCBHEC: Jim Collins, Stephanie Nelson, Joshua Crossett, Joe Neels, Beata Kunze, Daniel Zylstra & Calvin Breukelman

BCBHEPA: Bryan Brandsma & Art deRuiter

BCCMB: Harvey Sasaki, Bill Vanderspek, Christine Rickson, Alistair Johnston & Ray Nickel,

BCCGA: Dale Krahn, Fred Redekop, Ravi Bathe, & Jennifer Curtis

BCEHA: Ernie Silveri & Ryan Whitmore

PPPABC: Blair Shier, Craig Evans & Kerry Towle

Guest: Bob Burden

Recording Secretary: Stephanie Nelson

Welcome: Wendy – Please, unless speaking, mute. Appreciated to put the camera on when speaking as it makes it more real for everyone. We will try and do a break at 10am and 11am depending on where we are. Want to thank Stephanie for taking notes today. I think what we will do is go through and maybe quickly introduce yourself. If you haven't introduced, jump in where there's a space. As I let people come in, I'll let people say hello.

Introduction: Jim – Just a short intro, primary purpose is the COP itself and some math. Today what we're dealing with – pricing of hatching eggs through cost of production – but this slide (on Regulatory Authorities) here shows scope of Commission responsibility: pricing of broiler chicks, spent fowl, breeder chicks, vaccines. Today, COP, next week hatchery margin formula. Both are important to the Commission, and all of these pieces of the larger puzzle we have to put together at some point. Another point about regulatory authorities, Commission is going to be firmly taking the position that our pricing, all our pricing will be fully transparent. Transparent now and into the future.

Jim – A little bit of the purpose of the linkage. This goes back to the 1995 report on why we established linkage in the first place. Following changes in the Schemes to protect hatching egg sector from intra-industry pricing pressures, facilitate a business relationship with hatcheries, including contracts, and better balance of regulatory authority between the boards.

Jim – A memorandum of understanding was signed in 1990's. Now advanced, co-located with Chicken board and meeting on a regular basis. In return to a COP model, the current linkage model is 25 years old and has challenges and needs updating regardless. The Linkage COP that serves that model has been regularly updated over time, but not a true COP. So the objective not met of getting the true production cost. We are very aware of the impact that Ontario has on the industry, that we're a part of the larger industry still.

Jim – Support western pricing strategy (*Returning to a COP Model* slide).

Jim – On the *COP Model & Verification* slide [read slide].

Jim – As said earlier, the Linkage COP was not a full COP. MNP had a look at it, and we forwarded to Serecon to incorporate into the new COP. Will send this to MNP and anything back from the stakeholders today and the next few weeks, for MNP's review and their report. Which hopefully comes out around mid-February. It will be posted for feedback. Then we can look at finalizing the COP.

The other thing doing before turning it over to Bob is after his presentation, we have a chart showing what the Linkage COP linkage looks for pricing and what the new COP looks like in terms of pricing. That's only provisional, and work to do yet with pieces to add together. Overall, pricing differential is not that great. I'll leave any questions for later, be glad to take. Will hand over to Bob.

Wendy – Will ask if we can go to full screen on PowerPoint so we can all see the information.

Bob – Can I share my screen?

Wendy – Should be able to.

Bob – [screen shared]. Hopefully, everyone can hear me okay, will look at both screens. I think Jim has given a bit of a background, will walk through the findings, results, and some of the background from my perspective as quickly as possible and be happy to take any questions. I think what makes most sense is if I walk through it, people can take notes, if clarifications needed, be happy to clarify it on an ambiguous slide, I circle around to it a few times.

Bob – Commented before, sick of calling it a Serecon model. We advocate for the direction we were given that you're seeing today.

Bob – Fairness, consistency, and accuracy. I think accuracy is pretty obvious. Fair – from our view is not equal, and we are not really challenged and charged with making things fair. Our job is to take the structures and go with how the Commission decides to go with things.

Bob – Consistency – pretty important to us, to producers when we sample, that we look at how one person does it here, does it there. We have made it consistent between growers and producers, not necessarily the case now as it is stand-alone.

Bob – Purpose for Today [slide]. The client is BCBHEC. We would take direction for any additional work from Jim and Stephanie.

Bob – Context and Background [slide] – one of the main questions that MNP had for us after the last survey, the last full survey where we did a statistically balanced sample. Then in 2017/18, we did another

update, but a selection of producers. So that was one of the things we addressed for this case. Looked at demographics for the population, different size categories, selected examples. We did it randomly. 3 different size categories. Assigned a producer a number. Had to select, I think 14, 12, 4 from the different size categories. And randomly selected producers and ended up getting results from 27. The other difference from last time around, last surveys, was I would go to each farm individually. Of course, with COVID, not possible this time around. We arranged to meet with producers in the office and so that was the way it was managed. Bring in the records, at the board office. If additional info required, we would call the producer or use Microsoft Teams to validate. From a population of 54 producers, we sampled 27, which is 50% of producers, 58% of the production. Mainly because we eliminated small producers. You can see that the population average, annual, is 18,000, max is 57,000. The result is slightly different from the original sample, one of them had significant health issues so we had 27 final (from 28 intended sample). That is quite different from 2018, more similar to what we did in 2015.

Preliminary results of COP ($/hen) [slide]

Bob – We were shooting for, when talked with Stephanie and Jim before, looking for +/- 3% margin of error, 95% level of confidence. We didn't need to replace the producer for a 28th survey as we were within the standard deviation we were looking for. The distribution of results, weighted average, of $70.44, $70.33 median, $61.34 minimum, $80.08 maximum. 2.6% margin of error.

Comparison of Breeder Demographics and Production [slide]

Bob – Tricky, the size of flocks, I don't put a lot of emphasis. You could have one producer taking one flock and splitting into three lay barns, but percentage of quota, last time 96%, this time 105% quota use. Saleable eggs at 133. Impact was 56.1 lay cycle. If normalized to 59.4-week cycle, that was 144.4 so productivity of the bird is up, based on our calculations and hatchability shows that it's 82.7% versus 80.6%. So when you see 110.4 saleable chicks per hen is because of 56.1 weeks versus 59.4.

Bob – Utilization has changed slightly. A little less densely populated in the lay barns, but really didn't make a big difference, the differential.

Bob – Capital costs, first places we looked on the efficiency side, benchmark model approach, similar to Ontario. Use the site costs. Used 40/15/5 depreciation for building/fixed equipment/controls. You know computing equipment doesn't last that long. You see that with how phones have changed. The Douglas Cost Guide, this is what appraisers use across the country.

Bob – Labour costs, they are obviously the most difficult to get at because there is a lot of non-arm's length labour. It is a model. Fixed costs and variable costs. Another efficiency measurement we used this time around, looking at size of the barns, in simplistic terms, the longer the barn the lower the cost. As scale increases, the efficiency of the fixed cost goes up. Labour cost basically was broken down by size categories and by the flocks. It was all allocated to capture it.

Bob – Land costs – always, always a point of interest for people. Want to reiterate again we used a rental rate on a 20-year-old parcel. The average cost of land effectively in the survey was $27,700/acre (year 2000 value). No return on investment, only rental cost.

Bob – Return on Equity – for depreciating equity, so 50% of the initial cost, and CAPM model, weighted average cost of capital to reflect the fact debt is cheaper than equity and that investments in capital assets that the return needs to be returned with the risk faced by the industry. So you don't need the same return on a breeder operation that you do in a stock, because you are in a regulated industry. Weighted average cost, ROI, is 6.09%. Again, that is not what we applied to land. Rental rate of a 20-year-old piece of land at 1%.

Results [slide]

Bob – That was all what was provided by the producers, looked at appraisals, talked to other groups. We used that, and the results, you can see here on screen, some of the ones that stand out for us, is increasing pullet costs. The majority of that is the day-old chick cost increase. I've said this to many of you before, a COP and indexing a COP, you aren't going to do a COP every 8 weeks. Indexing works fine as long as you have small changes to elements, if you have large changes, the structure is more precarious. The day-old chick price increased quite a bit dramatically. The new current chick pricing included that in the 2020 versus A166, that accounts for most of the difference.

Bob – Feed cost was a bit of a shock to me, and I've noticed that it's been shocking how much it's been increasing over the past while. I've seen it in AB, and ON, bird efficiency has increased. So the birds are using feed, or producers have found a way to use feed more efficiently which has dropped feed cost per bird. Checked it thoroughly, it went opposite to what we thought. Volumes suggested they weren't decreasing… so perhaps a good news story for terms of efficiency.

Bob – Labour – see more of the cost allocated to full-time hired labour, less to management, strictly a change in efficiency, seeing the impact on efficiency.

Bob – ROE/ROI – same thing, in that the model when we look at the efficiency of build, if you will, it costs less per square foot for operations, and as scale of ops has changed, the efficiency for capital costs, has dropped by about a buck.

Bob – Spent hen revenue – COVID impact, but major shift, so revenue on revenue side, they are worth half of what they were a couple of years back.

Bob – I think that's it Wendy. More than happy to take questions or add additional clarifications anyone may have.

Wendy – Thanks Bob, I just want to put name next to the phone line. Phone line 443 – Ryan Whitmore (and 555). Ravi, 529? Yes.

Wendy – Okay, will open for questions now please. As we have a double screen here, will ask you to identify yourself and jump in with your question, and I will try to watch for hands. Can jump in.

Bryan – Is it possible to keep those pages up?

Bob – You mean the results, Bryan?

Bryan – Yes.

[Bob displayed the results slide]

Joe Neels – I wonder if you want to explain the feed cost from the different farm prices that are paid as well as the different mills you get costs from.

Bob – Maybe I'll break that into two as there are two components to that question. First, we collect feed costs from the producer. Say the flock was in place for 52 weeks. Jan 1 to Dec 31. We would have metric tons delivered by different category. Certainly, pullet vs. lay. In many case different categories of feed within the lay flock as well. We get the price per unit at that time. So, let's say that's $400/metric ton. Would be nice if it were. Let's say $400. Because we solicit feed costs from the same entities during that period of time, every 8 weeks, we know what the reported feed is. Say $400 is true for that farm. We know that true figure reported for that period is $410/$420. There are going to be discounts at the farm level. Because that was last year, and now we see a 2020 price. How we get the 2020 price, we know in 2019 what the producer paid was $400. We know there was a 10% differential on what was reported and paid by the producer. So, we index that $400 up by the same amount. We don't use a current price of $450, we use the difference on what was being reported in 2019/20 and multiply that by the current price. The key to that argument is that the margins between what is reported and what is paid by the farm is maintained.

Bob – The feed receipts, in most cases, it's a lot less now, I'd usually have to calculated it to see the discount. But a lot of producers have receipts for how much tonnage at how much cost. Does that answer?

Joe – Yes, thank you.

Blair – I'll jump in, quick question Bob. Can you provide a bit more colour on the labour change you described there? You mentioned, maybe a bit of a background because there's a big movement between full time versus owner/manager – what prompted the change?

Bob – Really good question, that and capital. What I tried to do with labour, as it's always an issue, always reflective of what you'd expect to see. The weakness in using a non-indexed, or non-scaled approach is the fact you are going to get, not going to capture gains of scale. We change the labour, broke it down, 13 different categories, what we felt was management and what we called full-time hired labour. That's really non-management, many different categories. There is a fixed component, and then it didn't matter if you had 5,000 birds or 10,000 birds, the management component was the same. The variable changed, but management did not. Fixed cost. That is the way, in my thinking, we thought it would, so the difference was in gains of scale in variable. The fulltime hired labour, because we noticed this more, a few more people at the larger size, where they were doing their own cleaning. Custom charges are down. Part of it was due to the variable vs fixed. If I look at the 3-flock size, the labour cost was decreasing as the size went up, which to me makes sense.

Blair – Thank you.

Wendy – Remember to unmute yourself if you'd like to raise a question.

Wendy – I can't believe that's the end of the questions for Bob.

Ray – Bob, just on the ROE, I know that you've made some adjustments there, can you highlight that a bit.

Bob – Yes, the ROE impact, as mentioned before, when there are big changes in things, you are making an index change that doesn't work so well. We've had a pretty major drop, not on the interest rates which certainly is a thing, but on the differential in the risk-free rate and what you'd expect on the market. So the

market, that change was part of the differential. The other factor and you'll see depreciation as well, you'll see in the report, you'll also see we grouped the buildings. Rather than using the weighted-average cost of buildings and adding individually, we did it to each facility, as larger producers paid larger per square foot – back to Blair's question – you should see efficiency of scale in some of these categories. That's what some of the models do. Especially for site prep, to grade and level, that would have an efficiency of scale. Most expensive square foot is the first. ROE and depreciation and amortization are reflective of that.

Ray – What was it in the 2018 update?

Bob – What was the ROE? 6.44 in the table.

Ray – That was from 2018?

Bob – Yes and indexed. It's a bigger differential than the efficiency gains in the model, as Jim mentioned. To put into context, at the start, the Linkage model we were making it the same for broilers and breeders, because you are starting from a price in Ontario, we weren't as concerned with the ROE, in this case we are because it's a COP, what is the cost. So, pulling it away, look at the efficiencies, consider them, and that's what it costs. So, when you look at it, efficiencies of scale have a bigger impact because the cost to build actually has gone up quite a bit in the last two to three years, the Douglas Cost Guide, on the equipment side, I've talked about it before, but maybe $13/$14 per bird. Most of it is computing technology, but it's really gone up. A bit surprised it dropped, but if you looked at in the size category, small has gone up. Which is why it's split over 3 categories.

Blair – So for clarification, the column marked A166, you've referred to that as 2018.

Bob – It's A166, but it's based on 2018 structure, if you will, indexed up to A166. 2020 is A-166 expressed using the new COP structure.

Blair – So A166 2020, and A166 with 2018 base?

Bob – Better way of looking at it, yes.

Harvey – Feed costs that you've highlighted in terms of the decrease, is part of that attributable to the 3-week shorter cycle, or how is that factored in?

Bob – Definitely, for sure, but it's funny when we look at it, it's not all that, but yes has an impact for sure. We did the calc, looked at Alberta too. Could very well be, good point.

Harvey – To add to that then, if the commission had a change to the cycle, laying, the processing age, would that then definitely impact on feed and feed cost would go up resulting in a higher COP

Bob – Good question, what we did if we add weeks or take away weeks, if we were to do that, the things that changed are the fixed elements. Feed cost, if you increase cycle length, feed cost goes up, nothing else changes in labour, basically just feed costs and chick numbers go up as well. There's a corresponding increased cost in production, revenue foregone versus cost foregone really. Nothing much changes than feed. I think we have something in there for ROE as we get better utilization through having more chicks, but feed is the most significant one.

Harvey – If I heard right, if the cycle were to increase, increase in feed, but also because of the number of chicks produced, that higher number, divided by higher number, which would mute some of the difference.

Bob – You'd expect more chicks, and a portion of the gross revenue would be offset by the impact of the feed, it goes the other way around, when shorten the cycle, decrease the feed.

Jim – We have a comparison table after Bob is finished.

Bill – If we can go back a couple of slides to rate of lay and hatchability. Yes, so I find this one interesting, so it demonstrates that if all things being equal, back to normal kill age, 58 or 59 weeks, rate of lay at average hatchability has increased significantly, correct?

Bob – Correct.

Bill – If you can scroll a bit, yes, so an increase of probably two saleable chicks per hen, at 59 weeks.

Bob – Yes, 142.7 to 144.4.

Bill – That's good. Thank you.

Bob – Bill, quick clarification on that one as well. That's important to consider because again we are still talking 2019/early 2020 flocks as well. Any feed efficiencies, inefficiencies, same thing with you guys Bill, any changes after the time of the survey can't be captured because we don't know what it is.

Bill – I understand that, I find it interesting that both hatchability and rate of lay have increased since the last time. Good sign for what breeder companies are up to and producers.

Jim – And hatcheries.

Dale – As the lay cycle goes down, the rate goes up?

Bob – Yes, agreed. Not substantively equal right now. Even if you do that, there's an efficiency gain from 2018 survey to current one, but the extent of that is part of it, has to be adjusted by the reality as you get closer to end of lay, rate of lay drops. And you'll see, this is why I always get a bit frustrated, when you do not consider the impact on another thing. Density: Broilers know all about this. As you change density, you decrease costs, but may affect performance, so to do one and not consider the other. I struggle with that going beyond this data, as you change the parameters Bob will push back a bit. You can't adjust one without considering adjustments in another component.

Bill – Bob, to clarify the example you used. Increasing density can decrease cost, but not the same productivity.

Bob – Yes, feed conversion, condemnations, less weight.

Bryan – Can you explain the mortality. The longer you have the birds the more mortality you get.

Bob – The only thing I can say on the female mortality, it's a tricky one, because we are getting 26-week birds, and we are getting maybe 24 weeks, etc. Variability around the 26 weeks, how many do you have at that age, so we were trying to get both 19 and 26 [weeks] and some only gave 26. I think 3.74% to 2.14% is a little misleading, and it shows up in saleable egg per hen. If that was the case, why are they doing so much better. You just have to be careful on those mortality numbers.

Bryan – If understanding correctly, some of that attributed to more fly-ins coming in, for mortality. The 3.74% is more recent data number that could be the case, the reason for that.

Bob – I personally wouldn't want to say that our results would pin it on that happening, causation vs. correlation. The data wasn't as precise around the 19-week move. We haven't looked, maybe not something that was reflected in that 3.74%.

Wendy – Suggest a break, come back at 10:10. See you at 10:10am.

Wendy – Will ask if there are more questions on Bob's presentation.

Blair – Bob, big picture, could you summarize what's different?

Bob – The two or three things. One thing is sampling and issue around level of confidence. Statistical confidence. I think you see, doesn't matter how you cut it, numbers are what they are, but the statistical sample, it was randomly drawn and a random number generator. #2 – the efficiency adjustments, that was different, and it resulted in some of the things that made me double look. The results I think were demonstrated a bit that it makes sense to use some of the efficiencies. The third is the approach of not seeing the facility, not seeing the barns. In the past it hasn't made much difference as most keep up with barns, most keep up to within a year of the median, but not seeing the barns, I've seen a lot of these facilities so I could associate but couldn't say if changed. Just by looking at the facility, you get a sense if the data matches. Again, I've been on most of these facilities. Starting from scratch, I would much rather be on the facilities. Those are the main three.

Blair – Is there more or less actual data versus model data in this approach?

Bob – Good question. I'm thinking it's about the same, maybe the modelling on the capital size, maybe a bit more because we had to use 100% modelling, versus the aged approach and their actuals. So slightly, probably more modelling, I would say, but marginal.

Blair – And where it's modeled, around the capital pieces?

Bob – Yes. That would be my response, I haven't looked at it that way.

Craig – There's a 10% difference in placement levels 95%-105%, is there anything else that would fluctuate that you noticed?

Bob – We didn't see anything. You would see potentially some of that in efficiency in the use of the capital, because you are putting more birds in the same space. Part of reason for capital cost change. Nothing huge. Nothing I noticed.

Ryan – Bob, on that, just curious is the 106% or so, would not that have a massive effect on the kill age. Not the fact that producers have to purchase 6% more birds.

Bob – I can't comment on kill age, were they needed or not needed. It would affect capital and fixed labour potentially. But does it affect the marketability of the birds? Not sure. Correlation, causal or not, can't say.

Ryan – So some quick voodoo math, when I look at this, it shows 5% reduction in kill age and 6% reduction in eggs which coincides to a 6% increase in unneeded birds placed.

Bob – Again, Ryan, I cannot comment on that. I don't know. Math is what it is, in terms of what causes what. #1 can't get into that number, and #2, really don't want to get into that.

Wendy – Anyone else with any comments? Comments or questions?

Wendy – Can circle back to Bob if questions but will circle to Jim.

Jim – Right, thank you Wendy. Stephanie and Josh will be loading the next presentation. A big thing noted in the presentation is efficiency. Are all producers entitled to their COP? No, the terminology is efficient producers. We've created this comparison table.

Pricing Effect [slide]

Joshua – Taken the information that Bob has shown in the presentation and compared the 2018 and 2020, overall, $1 per hen change. First column description; Second column description. Compare that with the new COP only change one factor, the lay cycle. Always target 58 weeks (third column). Increased efficiency – cannot predict longevity of efficiency.

Impacts on efficiencies.

Questions:

Blair – What is driving that to the lower price?

Joshua – Feed price and a lot more chicks to spread that cost over.

Blair – In the prior environment you were not at 100% of the COP?

Joshua – Correct.

Blair – If the COP is at the same level why is it different?

Joshua – Revenue side is factored in and the efficient producer is factored in. Everything is in the COP.

Blair – The efficient producer concept is built into this somehow?

Joshua – Do look at producers and each of the different sizes of the producers to ensure the appropriate throughput is captured. Small producers do not have economy of scale.

Bob – Production efficiencies and scale efficiencies factored into the 2020 model.

Jim – More pieces of the puzzle, explain what is left.

Joshua – Revenue is being added in (fowl and BQEP) and expressed. Regards to the hatchery margin, roundtable next week, cost going into the breeder chick. Want to be able to nail down some of those costs to ensure stability in the industry. Margin hatchery receives (in breeder chick price) whether or not that can be expressed within the hatchery margin as well.

Ravi – Is this showing in A166 98.5% of the Cop in A166

Joshua – What it would mean if you took the COP and contrast it against the linkage …

Ravi – Is that because of COP number has come down in this new COP?

Joshua – It hasn't come down but there was a large increase through the price for linkage. What it relates to…

Blair – I was trying to get to that as well, that gap. Maybe we can take this and digest it?

Harvey – The bottom line on this table, what does this line representing?

Joshua – That is the price per saleable chick. Just a snapshot of comparing one period.

Harvey – And that number is not comparable to the A166 base new COP or the target of 58 weeks?

Joshua – If, at today, it was at 58 weeks.

Harvey – The middle column reflects what the current cycle length?

Fred – Your cost recovery is off; the growers only recover 92.5% These numbers are with your new information and new data.

Joshua – The recovery is currently about 97%.

Jim – This is theoretical we are using the 2018 linkage COP currently

Fred – Okay thank you. Can you tell me the difference between the real chick cost and the theoretical chick cost?

Joshua – Not sure what the effect is within the Linkage calculation?

Joe – Can you clarify the A166 or A167?

Joshua – A167

Blair – Is there a way to look at this historically? What the difference over the last dozen cycles?

Joshua – Working on this with Bob, I don't know how close we could get and have valid data. Agree, it would be nice to look at a few snapshots.

Bob – Anything can be done but what you would have to do is use the starting point with the new COP and index backwards using the indexes using the 2020 COP and ignore the Linkage.

Joshua – Yes, I think that's right. We would need to do some further work on it.

Wendy – How would be able to bring that information back to the table. Is it available before next Wednesday? How can it come back to the table?

Jim – Bob and Joshua would need to look at that.

Wendy – I will leave it with you. Circulate the snapshots.

Bryan – We've got a lot of talk about SE Insurance coming in. How do we plug that in?

Joshua – SE insurance wasn't an experienced cost; I do not have the answer on how to incorporate future costs into the model.

Bryan – The problem is the testing program is being hyped up, how do we move to real time with some this?

Jim – How does it work in Alberta for example?

Bob – You can include it but there is the potential to improve the flocks. In Ontario it is included. Easy to include but including something without considering impacts to the other factors should be considered.

Bryan – Tack on a lot of costs, none of which will be captured, another thing that we do for the industry that doesn't get captured.

Jim – One of the outstanding pieces that needs to be further developed.

Wendy – Thanks for the presentation.

Jim – Thanks Bob and Joshua.

Jim – As mentioned, we have already engaged MNP to do a third-party verification of the new COP model. We are going to take the feedback we've received today, and stakeholders, to communicate that to MNP. If people have follow up questions, not setting a deadline, if you have comments or observations, please submit those as quickly as possible so we can include them in the package to MNP. The current goal to get verification back is mid-February after which we will post for further comments before Bob and the Commission finalize. Other than that, I can take any other questions.

Blair – Jim, what is the objective of the third-party verification?

Jim – Basically to challenge the COP as much as possible before we get to a finalization stage, if there is gaps, weaknesses, make sure a third party looks at the info. MNP has access to most of the information that Bob has, they aren't' just look at the surface, can look into the data as necessary.

Blair – Will they assess the data source as well as the formula structure?

Jim – Bob, maybe you can answer that question more specifically?

Bob – I guess I'm not sure, I mean again I consider myself a third party as well. We agreed, Blair to answer your question, that the data could be identified to a third party. They won't see of course the original feed receipt, if that's what you're after, the farmer is not going to bring that back in I don't think. They'll look at the summarized data.

Blair – They'll ask where the data is sourced, by reporting, how sourced, they'll challenge the source, and make sure they are comfortable with that. And then, will they then look at how you developed their formula, the modelling?

Bob – Yes.

Blair – The piece for me in what I would like to hear from MNP is specifically where we have chosen to model data versus using actual, and Bob I completely respect and understand your history with what you've developed, and a ton of experience. That would be the piece from me, is that when we've chosen models, is that the best most practical approach, is there areas that should have used actualized.

Bob – I've been asked to do that by the Commission. I respect MNP, I know they'll challenge me and the model and does it make sense under what condition. I've tried to express strengths and weaknesses. I'm assuming access for that. That's the point.

Jim – It's a foundation, how we go from there is another thing. But need the foundation solid and tested.

Wendy – And you expect that to be completed by mid-February?

Jim – Yes but reserve the right to change based on how they're (MNP) doing.

Wendy – Any further questions on any of it. The timelines?

Wendy – Some follow up, the main one, looking at those snapshots if we can, as Blair asked, and follow up verification. Is there any other follow up that I've missed? I don't have any other notes, but I'm sure Stephanie's notes will capture it. Looks like we might end early.

Blair – Question not related to what has been presented, in the material, but Jim you made comments up front that were really good in terms of pressure on, well, a triangle, but I'll call it a square, Hatching Egg Producers, Growers, hatcheries and processors. How we manage what is going down the pipe. Back in '95, when we talk about the industries, have to sustain these industries. The worry is when we hear COPs, and from growers and 100% recovery, you've seen what the math does to the historical to live price, and I think the degree that we can start having discussion on how we manage the challenge across the industries, engage and start moving things ahead. As we've said, we'd like to be 100% competitive against the east, and like equity on live price. But that's not real. I think that we need to get going, the sooner the better.

Jim – Thanks, I think it's important each part of the square to have its facts and figures for the round tables.

Wendy – Square/triangle not just a prospective of grower/producer/hatchery/processor, but it's like a community, have to be aware of issues and concerns of others. That's really where we are trying to go, for pricing review. That will make us stronger for sure.

Wendy – I'm wondering, if Jim, whether those can be made available to the participants. I guess easiest to put onto the review website.

Bob – Okay.

Jim – Okay.

Fred – Blair and Jim were talking about how we have to look at others' perspectives. But having said that, we all have to be transparent, and if we don't have transparent information from all perspectives. I know transparency is voiced, and obviously something to do. For all sectors. Done in some sort of confidence. If we want to move forward with a stable industry, everyone has to be open.

Wendy – Yes we are expecting some metrics from processors on competitiveness and by growers. If you look at the components of engagement table, a linkage round table to basically, not to look at Linkage options, and talk about what each sector is wanting to get from the idea and concept of Linkage. So we'll have a round table on that and we will also depending on some discussions with participants, either combine the grower ROI/returns with linkage discussion or if complex move it to be separate. Any concluding comments, Harvey?

Harvey – No. To Blair's point, have to look at it from all perspectives. It's been pointed out that there's some additional information coming to the table. As we get this, there will be additional things that will be, in the way of additional information or data that will help us make an informed decision, an additional exchange or dialogue, that will be part of the process as well. I think you've stated at prior round tables, not the only forum or be all and end all around reaching the decision on pricing.

Wendy – And I would add to that, it's a real opportunity, and one that you may not have in the future, real opportunity to have these pieces put together. Not everyone will get 100% and recognize the interests in working together on this. A unique opportunity to accomplish that now. Something lacking the last few years, cooperation.

Bryan – I'll comment as well, regarding all four aspects. One thing that needs to be recognized and appreciated is hatching eggs is the start, the base, so the fact that we've been pricing off Ontario on the other side of the country in another system than we have here and receiving table scraps from Ontario doesn't make a whole lot of sense. What was presented today, a very clear, transparent and fair concept of what it costs to get the ball rolling to get the chick onto the broiler farm. To start there, I don't think it should be diminished, taken very seriously. Because we are the start of it and if we aren't getting our COP continually, you'll see it affect the rest of the chain, with quality and everything else.

Wendy – Any other concluding remarks? Jim will get last remarks.

Wendy – Again, thank you very much to Bob and Joshua for some very clear presentations. It was super to have your expertise and contributions to this. Jim, over to you.

Jim – Short and simple. We haven't always done this, but to have all four corners of the square together, plus boards, truly, truly important and long overdue in some respects. Thank you for the roundtable concept.

Wendy – Well we won't all sing kumbaya and see you next Wednesday at 10am for the discussion on hatchery margin and breeder indexing and pricing formulas.