



Specialists in the
business of agriculture.

COP Presentation Results

January 28th, 2021

Our Role

- 1. We remain an advocate of our own opinion.**
- 2. We do not have a stake in this other than to make sure that the process is:**
 - i. Fair*
 - ii. Consistent*
 - iii. Accurate*

Purpose For Today

- 1. Summarize Results of COP Update**
 - i. Key Assumptions made
 - ii. Findings
- 2. Determine Any Requirements For Additional analysis**



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Context & Background

January 28th, 2021

The Process

BCBHEC

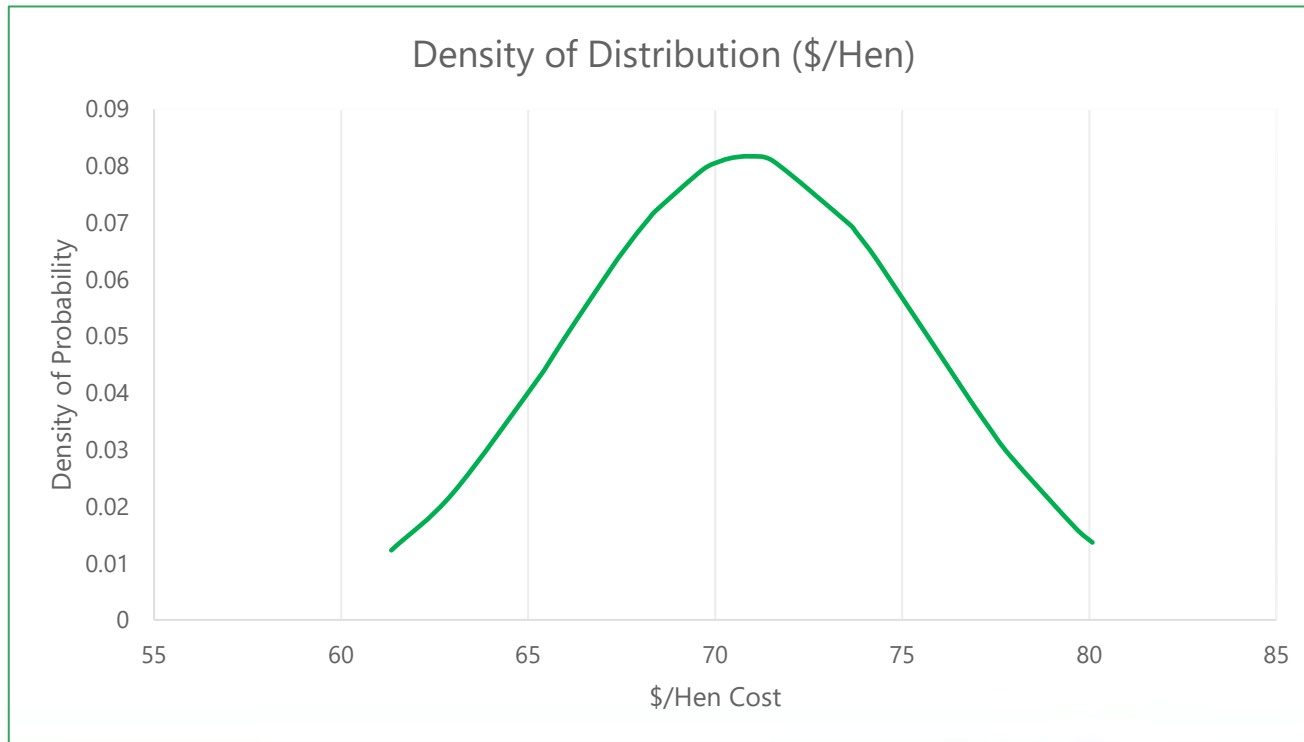
The tables below present a summary of the demographics of the survey sample based on quota size. It is our opinion that the individual production units selected for the survey are representative of the production units in the province.

Quota Holders			
Population	Sample	% of Producers	% of Production
54	27	50%	58%

	Average	Median	Minimum	Maximum
Population (54)	17,996	15,034	2,500	57,413
Original Sample (28)	18,466	15,172	6,000	57,413
Final Result (27)	18,809	15,310	6,003	57,413

Preliminary Results of COP (\$/hen)

	Average	Median	Minimum	Maximum
Actual Sample	\$70.44	\$70.33	\$61.34	\$80.08



Comparison of Breeder Demographics & Production

Key Production Elements	2020	A-166
Average Quota Females Placed	8,758	9,503
Production as a % of Quota	105.3%	96.1%
Age at Transfer to Layer Barn (Weeks)	18.5	18.6
Length of Production Cycle (Weeks)	56.1	59.4
Female Mortality (Life of Flock)	3.74%	2.14%
Saleable Eggs per Hen	133.5	142.7
% Hatchability	82.7%	80.6%
Saleable Chicks Per Hen	110.4	115.1
Pullet Barn Space/Quota Bird (Ft ² /bird)	1.65	1.60
Lay Barn Space/Quota Bird (Ft ² /bird)	1.95	1.80

When length of production cycle is equalized at 59.4 weeks, producers in 2020 would have produced 144.4 saleable eggs.

Capital Costs

- Using benchmark model approach
- Includes all costs including site prep, licences and installation
- 40/15/5 Depreciation (building/fixed equipment/controls)

	Barn Capacity Used for Calculations (sq. ft.)			
Pullet	5-10,000	10-20,000	20-40,000	40,000
Breeder	5-10,000	10-20,000	20-40,000	40,000

Source: Douglas Cost Guide 2020

Labour Costs

- Labour calculation a combination of fixed costs/flock and variable costs/flock for both “General Labour” and “Management Labour”
- **Fixed Costs:** These are the set costs per flock that are not dependent on the size of the barn capacity
- **Variable Costs:** These have been calculated on a per square foot basis, and they adjust based on the size of the farming operation.

Labour Calculation:

Labour Costs = Fixed Labour Costs + (\$/sq. ft. Labour Costs x Barn sq. ft.)

Breeder operation General Labour example:

Farm A = \$11,555.30 + (\$2.30 x 15,230 sq. ft.)

Farm A = \$46,584.30

Land Costs

General

- Current FCC value for small parcel ag land in lower mainland is \$86,000/acre
- 20 year value is up 210% - to be consistent with average age of model farm and 20 year depreciation of buildings
- 2000 value is \$27,700/acre

Pullets

- All operation: 5 acres

Breeders

- 12,000-15,000 Quota: 10 acres
- 15,000-30,000 Quota: 20 acres
- > 30,000 Quota: 30 acres

Return On Equity

Approach

- Only applied to the undepreciated portion of the asset (50% of initial cost which reflects the owners equity remaining)
- Using a Capital Asset Pricing Model “approach” (CAPM) with:

$$ra = rf + \beta(rm-rf)$$

ra = Return on the asset

rf = Risk free rate of return

β = Beta of security

rm = Expected market return

- ROI when adjusted for debt and equity elements of 6.09%
- **NOTE** – not applied to land since the rental rate implicitly provides the return.



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Results

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Cost of Production - \$ per Hen	2020	A-166	Diff (\$/Hen)	Diff (\$/Chick)
A) Operating Costs				
Pullets	\$28.44	\$26.31	\$2.13	\$0.019
Feed	\$15.82	\$16.08	(\$0.25)	(\$0.002)
Veterinary & Medicines	\$0.10	\$0.11	(\$0.01)	(\$0.000)
Utilities	\$1.15	\$1.33	(\$0.18)	(\$0.002)
Vehicle & Equipment Operation (Fuel & Oil)	\$0.26	\$0.31	(\$0.05)	(\$0.000)
Repairs & Maintenance	\$1.29	\$1.27	\$0.01	\$0.000
Bedding	\$0.13	\$0.12	\$0.01	\$0.000
Administrative & Office Costs	\$0.84	\$0.47	\$0.36	\$0.003
Insurance	\$0.62	\$0.66	(\$0.04)	(\$0.000)
Custom Charges	\$0.57	\$0.62	(\$0.05)	(\$0.000)
Operating Costs (\$/hen)	\$49.22	\$47.30	\$1.92	\$0.017
B) Labour				
Full-Time Hired Labour	\$6.92	\$4.43	\$2.48	\$0.022
Owner/Manager Labour	\$2.04	\$4.92	(\$2.88)	(\$0.026)
Labour Costs (\$/hen)	\$8.95	\$9.35	(\$0.40)	(\$0.004)
C) Capital Costs				
Depreciation & Amortization	\$6.90	\$7.04	(\$0.15)	(\$0.001)
ROE	\$4.90	\$6.44	(\$1.55)	(\$0.014)
Operating Interest	\$0.87	\$0.45	\$0.42	\$0.004
Taxes	\$0.50	\$0.23	\$0.27	\$0.002
Capital Costs (\$/hen)	\$13.17	\$14.17	(\$1.00)	(\$0.009)
Total Cost of Production (\$/hen)	\$71.34	\$70.82	\$0.52	\$0.005
Less:				
Salvage Egg Revenue	\$0.181	\$0.179	\$0.002	\$0.000
Spent Hen Revenue	\$0.720	\$1.202	(\$0.482)	(\$0.004)
Cost of Production (\$/hen)	\$70.44	\$69.44	\$1.00	\$0.009

Questions?