



April 12, 2021

VIA EMAIL

Jim Byrne
Chair
Pricing and Production Advisory Committee

Christine Rickson
Secretary
Pricing and Production Advisory Committee

Re: A169 Live Bird Pricing in BC – Variation for Exceptional Circumstances

I write on behalf of the Processor Committee in the Pricing and Production Advisory Committee (“PPAC”).

Pursuant to section 7(c) of Schedule 2 of the BCCMB General Orders, each of the members of the Processor Committee in the PPAC requests that Pricing Order #160 for Period A-169 be varied, altered or amended for exceptional circumstances. The Processor Committee requests that a meeting of the PPAC be convened to discuss the matter with the BCCMB. This notice will outline the concerns of the Processor Committee.

The exceptional circumstances are the changes to the Ontario Cost of Production Formula (“ON COPF”) that have been implemented for the A-169 production cycle.

The Processor Committee adopts and reiterates the position as set out in the attached letters dated March 4 and April 9, 2021 from the Primary Poultry Processors Association of British Columbia (“PPPABC”). The March 4 and April 9, 2021 letters from the PPPABC outline concerns that will be raised by the Processor Committee as part of its request to vary, alter, or amend Pricing Order #160 for exceptional circumstances.

The changes to the ON COPF completely change the premises underpinning the current BC live pricing formula. The current live price formula in BC was implemented based on the ON COPF that was in place prior to A-169 and the economics that were associated with that formula and how they impacted stakeholders.

It was expected that the Ontario COPF would be adjusted in period A-169, and expectations from all parties was that the change would result in a higher price. The expectation of the Processors was that the majority of this increase would flow to processors given that we had paid for annual adjustments through the increased price differentials paid for in our live price. In the A-169 pricing order, none of these benefits have flowed to Processors. In fact, they will all flow to Growers.

What was **not** contemplated was a fundamental methodology change to the Ontario feed price which has created a much larger gap between Ontario and BC feed prices used in the formulas. This change has fundamentally changed the relationship between Ontario and BC live bird pricing that has been in place for the last few years. The changes that have been implemented in the new Ontario COPF and now passed through to BC will have the following consequences:

- BC growers will receive a windfall profit of \$0.0722/kg based on the feed conversion calculation change in the ON COPF, which is in addition to the \$0.05/kg benefit BC growers will receive due to the elimination of the annual adjustments.
- The changes in the ON COPF formula, as shown below, will result in a much higher price differential between BC and Ontario that is perpetually at the upper guardrail, which was never the intention of the June 27, 2018 interim pricing decision that implemented the current guardrails.
- BC grower margins are now in a range that would never have been contemplated when the June 27, 2018 interim pricing decision was implemented.

When the BCCMB introduced its pricing formula in 2018, it attempted to balance “Processor Competitiveness” and “Grower Returns” by implementing guardrails at levels that considered the relative positions of BC growers and processors under the assumptions at that time. The changes introduced in Ontario for A-169 have significantly distorted the balance between the positions of Grower Returns and Processor Competitiveness that was in place over the course of the current formula. This formula sets the precedent of locking in the Processors at an uncompetitive level and rewards Growers with potentially their highest returns ever.

As a result, the Processor Committee requests that BC remove the impact of the feed calculation adjustment in A-169. This will still result in BC growers getting significantly improved returns due to all the efficiency adjustments going to them, however the competitive burden of BC processors will be lessened.

The Processor Committee reserves the right to raise any further information that may be relevant at the meeting convened on Wednesday, April 14, 2021.

Sincerely,



Blair Shier
President
Primary Poultry Processors Association of BC
encl.

c. Bill Vanderspek – BCCMB
Harvey Sasaki – BCCMB Chair
PPPABC Members

ON COPF Feed Conversion Impact on BC Live Price and Grower Returns

Feed Conversion Analysis	A-163	A-164	A-165	A-166	A-167	A-168	A-169
Feed Price	\$ 0.4213	\$ 0.4164	\$ 0.3985	\$ 0.4006	\$ 0.4489	\$ 0.4771	\$ 0.5115
Old Feed Conversion Ratio	1.8129	1.8130	1.8131	1.8129	1.8130	1.8130	1.8130
Old Feed Cost	\$ 0.7637	\$ 0.7549	\$ 0.7226	\$ 0.7263	\$ 0.8138	\$ 0.8649	\$ 0.9272
"New" Feed Conversion Ratio	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248
"New" Feed Cost	\$ 0.6844	\$ 0.6765	\$ 0.6475	\$ 0.6509	\$ 0.7293	\$ 0.7751	\$ 0.8310
Feed Cost Difference	\$ 0.0793	\$ 0.0784	\$ 0.0751	\$ 0.0754	\$ 0.0845	\$ 0.0898	\$ 0.0962
Increase on BC Live Price (75%)	\$ 0.0594	\$ 0.0588	\$ 0.0563	\$ 0.0565	\$ 0.0633	\$ 0.0673	\$ 0.0722
Pricing Impact							
Ontario Price	\$ 1.6000	\$ 1.5950	\$ 1.5590	\$ 1.5650	\$ 1.6600	\$ 1.7150	\$ 1.8250
Catching	\$ 0.0365	\$ 0.0365	\$ 0.0365	\$ 0.0365	\$ 0.0365	\$ 0.0365	\$ 0.0365
Feed & Chick Differential	\$ 0.0581	\$ 0.0755	\$ 0.0950	\$ 0.0899	\$ 0.0262	\$ 0.0203	\$ 0.1114
BC Calculated Price	\$ 1.6946	\$ 1.7070	\$ 1.6905	\$ 1.6914	\$ 1.7227	\$ 1.7718	\$ 1.9729
Differential with Ontario	\$ 0.0946	\$ 0.1120	\$ 0.1315	\$ 0.1264	\$ 0.0627	\$ 0.0568	\$ 0.1479
Board Pricing Pricing (9.7 cents - 12.49 cents)	\$ 1.6970	\$ 1.7070	\$ 1.6839	\$ 1.6899	\$ 1.7570	\$ 1.8120	\$ 1.9499
New COP Feed adjustment	\$ 0.0594	\$ 0.0588	\$ 0.0563	\$ 0.0565	\$ 0.0633	\$ 0.0673	
BC Calculated Price Adjusted	\$ 1.7540	\$ 1.7658	\$ 1.7468	\$ 1.7479	\$ 1.7860	\$ 1.8391	\$ 1.9729
Adjusted Differential with Ontario	\$ 0.1540	\$ 0.1708	\$ 0.1878	\$ 0.1829	\$ 0.1260	\$ 0.1241	\$ 0.1479
Guardrail Differential	\$ 0.1249	\$ 0.1249	\$ 0.1249	\$ 0.1249	\$ 0.1249	\$ 0.1249	\$ 0.1249
BC price adjusted for guardrails	\$ 1.7249	\$ 1.7229	\$ 1.6839	\$ 1.6899	\$ 1.7849	\$ 1.8391	\$ 1.9778
Actual Live Price increase	\$ 0.0279	\$ 0.0159	\$ -	\$ -	\$ 0.0279	\$ 0.0271	\$ 0.0279
Excess Live Price not taken	\$ 0.0291	\$ 0.0459	\$ 0.0629	\$ 0.0580	\$ 0.0011	\$ -	\$ 0.0230
Grower Margin Increase							
Actual live Price Increase	\$ 0.0279	\$ 0.0159	\$ -	\$ -	\$ 0.0279	\$ 0.0271	\$ 0.0279
COP increase re: annual adjustment elimination	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500	\$ 0.0500
Total Grower Margin Increase	\$ 0.0779	\$ 0.0659	\$ 0.0500	\$ 0.0500	\$ 0.0779	\$ 0.0771	\$ 0.0779

This chart demonstrates how live pricing in BC would have been affected if the new feed conversion ratio had been applied from A-163 to A-169 and how we would have been pricing off the upper guardrail in six out of seven cycles.