



BC Chicken Growers'
ASSOCIATION

March 29, 2021

BY EMAIL

Wendy Holm, BC Farm Industry Review Board Liaison

RE: KEVIN GRIER SOURCES AND METHODS

Dear Wendy,

Please find the attached additional document, as you requested, from Kevin Grier.

Kevin Grier and Al Mussel are respected and connected livestock, meat, and grocery market analyst. They have a solid understanding of the economic and industry issues from farm to retail. The key point of difference is high level contacts throughout the industry and an exhaustive data base. Kevin Grier Market Analysis and Consulting is in the business of working with companies, producer groups, investors, and government leaders to make informed decisions that impact their bottom line.

Mr. Grier and Mr. Mussel consult for the BC Chicken Growers' Association (BCCGA) as experts in their fields. Both have numerous contacts and connections that allow them discreet insight into areas of our industry that are unattainable to most consultants. Their decades of knowledge are very specific to our industry and relied upon by many in the retail, processing, and primary agricultural industry.

In the 2018 Appeal, which took place with the BC Farm Industry Review Board, Kevin Grier was qualified as an expert in agricultural economics to provide opinion evidence on the Canadian chicken industry including grower and processor economics in British Columbia.

Mr. Grier is a noted expert in Commodity Analysis & Forecasting, Procurement and Marketing Strategies, Pricing Analysis, Risk Management, Competitive Intelligence, Policy Development & Economic Impact Analysis.

Mr. Grier's expertise and updated market information, Canada wide, provides him with the unique skillset to offer subscriptions such as: the Canadian Cattle Market Report, the Canadian Pork Market Report, the Canadian Boxed Beef Report, the Grocery Trade Report, and the Canadian Chicken Market Report. The data in these reports analyzes the demand for these products in the US and Canada and the expected changes to the markets. Regarding chicken, these reports analyze trends in gross margin, per capita consumption, and chicken wholesale prices against beef and pork. Furthermore, the reports note the changes in Canadian imports, TRQ, and forecast pricing.

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Kevin Grier has been endorsed by several of his clients certifying his conduct and qualifications. A few examples include:

*Kevin has a deep knowledge of the protein industry gained by his vast experience. He provides unbiased information that provides great insights that can assist companies with their understanding of the industry and make solid informed decisions. - **Dave Brandow, Director, International Sales at Piller's Fine Foods, a division of PBOLP***

*Kevin Grier has deep expertise in food manufacturing and retail policy and is a reliable go-to when we need additional insights or analysis at FCPC. The work is high caliber and well-presented. Kevin has always made himself accessible to us and works hard to develop quality product that is tailored to our needs. The work done by Kevin has been central to supporting FCPC policy development and our advocacy work... We appreciate the professional nature of the work and excellent customer service and great value for money. - **Derek Nighbor, Senior Vice President, Food & Consumer Products of Canada***

*We use the reports to help us manage and forecast our business as well as to analyze markets. Kevin's experience and understanding of the poultry market and its drivers allows him to present material in a clear concise manner that allows us to make better decisions. - **Craig Evans, Chief Executive Officer, Granny's Poultry Co-operative Ltd., Winnipeg***

The BC Chicken Growers' Association petitions that the same level of scrutiny that is being applied to our submissions is also applied to the processors' submissions. We press that standards of veracity and validity for statements of industry issues and practices be the same for both sides. We ask that the processors substantiate their statements and data just as the BCCGA and our consultants are being asked to do.

Sincerely,



Dale Krahn
President
BC Chicken Growers' Association

Cc: Peter Donkers, Chair - BC Farm Industry Review Board
Harvey Sasaki, Chair - BC Chicken Marketing Board
Jim Collins, Chair - BC Broiler Hatching Egg Commission
Kirsten Pedersen, Executive Director - BC Farm Industry Review Board (BCFIRB)
Bill Vanderspek, BCCMB Executive Director - BC Chicken Marketing Board

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March 26, 2021

My work and arguments in the Mussell Grier report are based on 25 years as a livestock and meat market analyst. My experience in market analysis, as well as my data base and network of contacts is part of constant, ongoing professional work. This is the basis of the work and pricing results submitted to the BC Chicken Growers Association.

There was no survey work done on Ontario-BC price differentials for that paper. The efficacy of that path is dubious for several reasons. Given the wide array of pricing methods and marketing channels by processors, it is not likely that any single price series between the two provinces could ever generate something that is representative of any given processor's business in either province. Furthermore, to be clear, a data base of actual prices in the two provinces does not exist.

Nevertheless, given the importance of the relative margins across the chain to these negotiations and discussions, it is necessary to find a way to make knowledgeable arguments about the overall level of wholesale/processor prices across the country. In other words, there must be a way to make informed opinions about the general comparative wholesale price level. This is especially the case given the contrast with the clarity and transparency of producer prices across Canada.

The explanation of how wholesale prices are generated for these purposes was outlined on pages 27-28 of the Mussell Grier Report. There were three pricing methods discussed in the report:

- formula,
- spot market
- out front negotiation

These three methods are well known and widely practiced. As stated on pages 29-30 of the report, the analysis of the wholesale price differential between Ontario and B.C. was made based on retail price differentials as well as based on live price differentials.

The primary or most widely used pricing method, formula pricing, is usually based on live prices. That is, formulas are typically based on some aspect of live prices. As such, one argument for the live price differential between Ontario and BC was the live price differential as discussed on page 29.

Beyond that, however, a key indicator of wholesale differential is the retail differential. It is commonly known and widely stated by both retailers and processors across Canada that retail prices reflect wholesale. That is, retail prices are generally wholesales plus a markup. The report used documentation of Nielsen data which showed a material retail price spread between BC and Ontario. Based on that retail data, the BC wholesale differential could be argued to range from 9-15% higher than Ontario.

The paper goes on to say that some of the retail differential may be because Ontario is a more competitive retail market. Taken to its conclusion the argument here is that the price differential could be closer to 7-8% between Ontario and B.C. Incidentally, that estimate of a 7-8% differential between Ontario and B.C. processors is consistent with industry anecdotal estimates, which I have observed over the past ten years. With that said, the retail differential between Ontario and BC 7-8% should be considered a minimum.

Given the importance of finding a way to discuss processor price differentials, this is the clear and rational process we are using. If other parties do not agree with the 7-8% differential (or arguably much more), then they need to either generate a verifiable price series or find another more logical and clear process that could be understood and rationalized by all parties. Until that happens, this differential is the one that should be used.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin Grier', with a stylized flourish at the end.

Kevin Grier