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March 29, 2021

Mr. Harvey Sasaki
Chairman
BC Chicken Marketing Board

VIA EMAIL

Dear Harvey:

Assurance of Supply

The BC Chicken Marketing Board (“BCCMB”) requested that the Primary Poultry Processors of BC (“PPPABC”) provide their perspective on the Assurance of Supply (“AOS”) marketing concept as part of the current Live Pricing Supervisory Review. The PPPABC supports a return to AOS which was in place prior to the 2010 BC Farm Industry Review Board (“BCFIRB”) June 9, 2010 Supervisory Review decision.¹

It is the PPPABC’s position that the elimination of AOS in 2010 and moving to an open contracting system has not met the desired objectives of; increasing processor efficiency; and in fact has introduced non-value add premiums, that as BCFIRB points out, “...undermines the principle of supply management.”² The non-value premiums that exist today are a direct result of the FIRB decision removing Assurance of Supply. Growers, in response, singularly and in groups, began leveraging their production between processors in attempts to negotiate premiums. Processors were forced to initiate their loyalty premium programs in an attempt to retain their Growers. Clearly the decision to eliminate AOS has not had the desired effect and it is the PPPABC’s position that the system functioned better when AOS was in place.

It is imperative for any business to have a secure supply of quality inputs in order to be successful. In the poultry processing business live chicken is approximately 65% of the input costs and obviously the ingredient that satisfies our customers requirements. It is well understood that processors need a steady supply of live chicken to survive, and any disruption will have a negative impact on the business. Having an exemption from the Competition Act is one of the significant benefits of supply management, however, there is also significant responsibility associated with the privilege to operate in a supply managed environment. Chicken growers are paid a fair price to supply chicken and the ability for a chicken grower to offer their chicken for sale to the highest bidder is a practice that threatens the industry. An AOS

¹ British Columbia Farm Industry Review Board, In the Matter of the Natural Products Marketing (BC) Act and a Supervisory Review of BC Chicken Marketing Board Pricing-Related Recommendations, Decision, June 9, 2010

² Ibid, paragraph 59, p.15

system balance the leverage between growers and processors and ensures growers receive a fair price and processors get a steady and reliable supply of their most critical input.

An AOS system assigns shares of provincial chicken allocation to BC's chicken processors. The system guarantees processors a specific amount of live chicken each growing period based on historical market share. The PPPABC continues to see significant benefits in returning to an AOS system including:

- Effective and reliable method to fairly distribute provincial allocations,
- Allows processors to focus resources on innovation and market competition,
- Provides more certainty in planning and encourages capital investment,
- Minimizes potential supply chain disruptions,
- Eliminates the need for non-value add premiums which threaten supply management.
- Allows processors to enter into contractual supply agreements with customers.

In closing the PPPABC believes the elimination of AOS in 2010 has not had the desired effect and in fact has resulted in further industry deterioration. The PPPABC would argue that the industry was more stable and functioned more effectively when AOS was in place. It is therefore our recommendation that AOS be included in the BCCMB's recommendation in the current Pricing Review.

Sincerely,



Blair Shier
President
Primary Poultry Processors of BC

c. PPPABC Members

Craig Evans – PPPABC
Bill Vanderspek – BCCMB
Wendy Holm – BCFIRB Liaison