



March 4, 2021

Mr. Harvey Sasaki  
Chair  
BC Chicken Marketing Board

Via Email

**Re: A169 Live Bird Pricing in BC**

As a follow up to our discussion during our meeting on February 18<sup>th</sup> with respect to A-169 Live Bird Pricing in BC, we wanted to follow-up with our perspective for your consideration. We understand that it is highly unlikely that the BC Chicken Marketing Board (“BCCMB”) and BC Broiler Hatching Egg Commission (“BCBHEC”) will have a new pricing formula ready to be implemented for A-169. We also recognize the need to further understand the details of the new Ontario Cost of Production Formula (“ON COPF”) that is scheduled for implementation that same cycle.

Taking account of the current situation, we recommend that the BCCMB / BCBHEC implement a temporary pricing formula for the A-169 production cycle to allow stakeholders time to assess the changes in ON COPF and potential impact to the BC industry. We believe a temporary pricing formula is required because without a change to the current BC Live Price Formula any reductions in efficiency adjustments in the new ON COPF will flow entirely to BC Broiler growers. This would not be fair or acceptable to BC Processors and our expectation is that any reductions in these adjustments would flow directly back to the processors. Our analysis and rationale are outlined below:

1. Live Price Differential – The BC live bird cost differential has doubled since A-129, when the efficiency factors were introduced.
2. Grower Returns – The increasing live bird price differential has maintained grower returns per kg while increased volume has resulted in increased operating profits for broiler growers.
3. Efficiency Factors – Volume and producer efficiency factors increased by \$.07362 since A-129 we expect they will be reduced by 4 – 5 cents pending confirmation.

It is critical that we remind ourselves what has brought us to the current situation. Industry stakeholders have agreed from the outset that the current pricing pressures that exist within the BC Industry have been driven by the efficiency adjustments that were introduced in the 2015 ON COPF and implemented in A-129. The ON COPF efficiency adjustments have resulted in the BCCMB introducing several pricing formulas that have allowed growers to sustain their returns (per kg) and required processors to absorb an increased live price differential relative to their counterparts in Central Canada.

As the ON COPF is revised, and the efficiency factors are reduced, it is imperative that the BCCMB take steps to address the competitive position of the BC Processors who have been funding the ON COPF efficiency factors for the BC Broiler growers.

Sincerely,

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

Blair Shier  
President  
Primary Poultry Processors Association of BC

c. Bill Vanderspek – BCCMB  
Wendy Holm – BCFIRB Liasion

**Analysis and Rationale:**

**Live Bird Costs**

The Live Bird cost differential between BC and ON has doubled (an increase of \$.0495/kg) between 2015 and 2020.

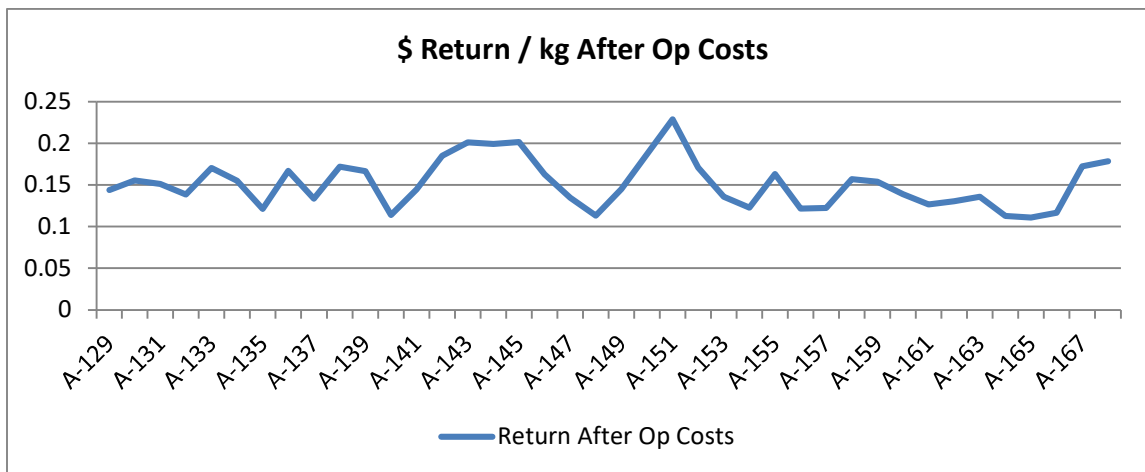
	2015*	2020*
ON Live Price – 2.15 – 2.45	1.5402	1.583
Less: Modular Loading and AI Ins		(.0135)
Net ON Live Price	1.5402	1.570
BC Live Price – 2.0xx – 2.0xx	1.6229	1.703
Less : Catching	(.035)	(.0365)
Net BC Live Price	1.5879	1.667
<b>DIFFERENTIAL</b>	<b>.048</b>	<b>.097</b>

\*average of A-129 to A134

\*\*average of A-161 to A-167

**Grower Returns**

The changes in Live Pricing Formulas in BC have resulted in increased Live Bird Price differentials relative to ON which has resulted in BC Growers achieving operating returns\* on a per kg basis that are consistent with the returns growers received 5 years ago.



\*Operating returns have been calculated using Serecon COP data. (Live price less operating costs)

It is also important to recognize that BC Growers have seen a 16.7% production volume increase (33.7 M kgs) over this 5-year period. The combination of consistent returns per kg and increased volume have resulted in improved operating returns for BC Broiler Growers despite the introduction of efficiency adjustments in the ON COPF.

**BC CHICKEN PRODUCTION – DOMESTIC VOLUME**  
Live kgs

Year	Actual Domestic Production – Live Kgs
2015	201,791,938
2016	211,514,986
2017	216,702,594
2018	236,248,848
2019	235,635,813
2020	235,541,129

Source: CFC Tables - Production - total-md-specialty-domestic

**Volume and Producer Efficiency Factors\***

The volume and producer ON efficiency factors have increased by approximately 7.4 cents since 2015.

	2015	A-168	Difference
Volume	\$.0085 / kg	.06142 / kg	\$.05292 / kg
Producer Efficiency	\$.0070 / kg	.02770 / kg	\$.0207 / kg
Total	\$.0155	\$.08912	\$.07362

It is our understanding that these factors are to be revised downwards in the new ON COPF. Initial indications suggest that the efficiency factors have been overstated by 4-5 cents / kg. This means that processors have paid more than the actual efficiency gain and growers have realized a \$0.021 / kg benefit.

Efficiency Gain in Current Formula	\$.07362 / kg
Expected Overstatement	\$.045 / kg
Actual Efficiency gain	\$.02862 / kg
Processor paid – increase in live differential	\$.0495 / kg
Grower benefit	\$.021 / kg

\* Feed Efficiency Factors have not been considered in our analysis as they are based on actual feed costs and conversions applied to the ON COPF captured from the surveys and these improvements are assumed to be occurring.