



BC Chicken Growers'
ASSOCIATION

June 25, 2021

BY EMAIL:

Bill Vanderspek, Executive Director, BC Chicken Marketing Board
Stephanie Nelson, Executive Director, BC Broiler Hatching Eggs Commission
Wendy Holm, BC Farm Industry Review Board, Liaison

RE: BC Chicken Growers' Association's Written Feedback on the BCCMB / BCBHEC Pricing Models

Dear Bill, Stephanie, and Wendy,

Below is the BC Chicken Growers' Association (BCCGA) written submission with feedback to the BC Chicken Marketing Board (BCCMB) and BC Broiler Hatching Egg Commission (BCBHEC) preliminary decisions, presented April 19, 2021.

As for the BCCMB preliminary decision, the BCCGA has the following comments:

Two-year Time Frame

The BC broiler Cost of Production (COP) should be completed within 12 months from the date of the BC Farm Industry Review Board's final decision. The timeline of two years is too long. The broiler COP is already in use, the necessary steps are in place, and MNP completed the BCBHEC COP third party verification this year. Details, including the activities and timelines required to complete this work, needs clarification. We understand the BCCMB would like to increase the data collection. The BCCGA supports this initiative and would emphasize its' importance to our growers. All stakeholders have already experienced too many delays in setting this long-term price. Any further and unnecessary delays need to be avoided.

Levies Included in the Broiler COP

Levies are a real cost to growers required for legal production and must be included in a BC broiler COP formula. The COP should refer to the total sum of money needed to produce a Kg of chicken. The Ontario COP formula includes levies in the broiler growers' margins. Therefore, any province that prices off the Ontario COP formula (including BC for the past number of decades) have had the Ontario levy amount included in their price.

As the interim price would include the Ontario COP formula, which includes the Ontario levy, our concern is that the guardrails, based on the current Serecon BC COP, do not include a levy. This could cause the live price to hit the upper guardrail before the growers' true costs are covered.

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Guardrails

The 95% guardrail is too low for broiler growers to maintain sustainability and needs to be increased to 98%. The Hypothetical Analysis using Proposed Formula in Past Periods showed that seven of the past nine periods (A-162 to A-170) would have hit the lower guardrail and would have been below 95% COP cost recovery. This analysis was in line with the BCCGA's preliminary presumption that the live price will remain close to the lower guardrail.

The upper rail is currently capped at 102% and the lower rail at 95% of the current Serecon COP. These need to be equally the same +/- from 100% of a Serecon COP that includes BC levies and set at 98% for the lower and 102% for the upper guardrails. By not including the levy in the guardrail determination, it lowers the guardrails by a further 2.2 cents/kg.

100% Chick and 75% Feed Cost

The interim formula should include both the 100% chick and 100% feed recovery. The BC broiler growers need to recover all their costs as soon as possible. The proposed interim formula covers 100% of chick cost but only 75% of feed costs and currently, this would only increase the live price by 0.3 to 0.5 cents/kg. If the BC chick price increases due to the proposed BCBHEC's COP pricing and/or an increase in hatchery margin, the interim formula would capture this as well. As the intent is to implement a BC broiler COP for the long-term pricing, the interim formula should include both 100% of the chick and 100% of the feed differential between BC and Ontario.

Ontario Live Price Weight Categories

The interim BC live price would be based off the Ontario posted Farm-Gate Minimum Live Price weight categories (2.15 kg – 2.45 kg) with the exclusions. This would reduce the BC live price by 2 cents/kg and further erode the BC grower returns until the BC live price is supported by a full COP. We request that the interim BC live price formula be based off the Ontario weight category that is currently being used.

13-Period Moratorium on Grower Movement

It is not clear why the 13-period moratorium on grower movement (temporary Assurance of Supply - AOS) is necessary, considering past low records of grower movement and the unlikelihood that large shifts would occur, during or even after, the interim pricing period. The roundtable participants heard from local processors regarding their current expansion projects. Local processor expansion suggests a healthy competitive environment for processors. In their letters, they made compelling arguments against the moratorium.

In the past, the use of AOS had affected the quality and level of service by processors and hatcheries. Processors must be able to honour their contracts to supply their markets, however this alone is not a sufficient reason to reinstate the AOS. After the removal of AOS in 2010, the loyalty bonuses were negotiated between the BCCGA and the Primary Poultry Processors Association of BC (PPPABC). There were multiple factors considered during this negotiation, including the PPPABC withdrawal of their Judicial Review request.

The BCCGA has the additional questions regarding the 13-period moratorium on grower movement: Why is a moratorium on grower movement between processors necessary?

- Can this SAFETI analysis be provided?
- What conditions would be required for a grower to have their request of movement approved?
- Why would the moratorium be considered before the COP pricing formula comes into effect?
- What data will the BCCMB gather in the 13 periods to decide if this is good for the industry?
- What will happen after the 13-period timeline?

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Preliminary Submissions

The BCCGA is aware that the PPPABC submitted a document that contained their analysis of BC chicken growers' costs. We are very concerned that this document was kept confidential. The BCCGA would like the opportunity to analyze this document and make comments on it as part of our final submission. Without knowledge of the content in this document, we feel that the information it contains may not be accurate as it has not been reviewed, analyzed, or verified by the very party that it pertains to.

As for the BCBHEC preliminary decision, the BCCGA has the following comments:

The BCCGA requests detailed information regarding how margin amendment decisions would be made and how these decisions could impact the broiler live price. Until such time as the BC broiler COP is implemented and knowing what this COP would entail, we are unable to assess the impacts. However, any amendments resulting in increased chick costs, such as the automatic cost of living increase (COLA) for hatcheries would be borne by the downstream stakeholders. Without the acceptable checks and balances in place, this could pose a significant risk to the stability of the long-term broiler live price. Alternatively, any increases in margin should be negotiated by all stakeholders affected by the outcome. An automatic cost of living increase for just one party will cause unnecessary imbalance to the industry.

This is an example of issues that can arise when one regulatory body has the authority to set both the hatching egg price and the day-old chick price. Ontario is the only other province with this regulatory structure; however, their method of pricing is different than BC's.

The BCCGA requires detailed information regarding the processing age (kill age) changes. Your presentation noted a change in planned kill age may be required in certain instances, which are not directly controllable by the Commission. However, it is unclear how the Commission will manage the components that are either partially or fully controllable. Hypothetically, a kill date change could result from breed changes or breeder hens becoming more efficient (increased rate of lay) while the same number of breeders are being placed. Lowering the kill age could result in fewer eggs going to the breaker and increased efficiencies for the hatching egg producers while increasing costs for downstream stakeholders. It appears that any mistakes or mismanagement of controllable components will result in downstream stakeholders bearing the cost.

The BCCGA recommends calculations be done to assess the impacts of having too many breeders, changes to the rate of lay, changes to hatchability, and other possible areas of change.

The BCBHEC document discussed the first week mortalities would have a maximum average of 1% and there would be an agreed upon standard hatchery vaccination program. We would like detailed information, including, but not limited to, the vaccination standards, base and add-on costs, and if SE protocol and monitoring for breeder flocks including removal of SE positive chicks will be implemented.

In closing, the interim pricing formula indicates the only live price increase would result from the 100% chick recovery and amount to approximately 0.3 to 0.5 cents/kg. As the intent is to implement a BC broiler COP for the long-term pricing, the interim formula should include both 100% of the chick and 100% of the feed differential between BC and Ontario.

There are several live price reductions including: the 2 cents/kg reduction resulting from the live price based off the Ontario posted Farm-Gate Minimum Live Price weight categories, the 2 cents/kg reduction resulting from the 13-period moratorium on grower movement and removal of the loyalty bonus. Additionally, by not including the BC Levy in the guardrail determination, the BCCMB proposed guardrails are artificially low. These reductions to the BC live price and grower income streams will further erode BC grower returns and will do so until the BC live price is supported by a full COP that includes all grower production costs, including levies.

We would like to acknowledge and thank you for your hard work on this long-term pricing review. As always, we appreciate your attention to this written submission.

Sincerely,



Dale Krahn
President
BC Chicken Growers' Association

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