



BC Chicken Sector Pricing Supervisory Review

Preliminary Live Pricing Formula Decision Feedback

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Primary Poultry Processors Association of BC

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Executive Summary

The Ontario industry has now established a new COPF which has effectively eliminated the annual adjustments and increased producer margins by 5 cents per kilogram. This resolved the very issue that created the pricing discord and led to ineffective pricing methodologies. The elimination of the annual adjustments in the Ontario Cost of Production Formula (ONCOPF) could have benefitted all stakeholders in the BC chicken industry. The BC Chicken Marketing Board (BCCMB) had an opportunity to introduce a pricing formula that:

- Recognized the elimination of the annual adjustments and the margin increase in the Ontario Live Price;
- Provided financial benefits to all stakeholders in the BC chicken industry; and
- Met the BCFIRB policy objectives as set out in the terms of reference for the Chicken Sector Pricing Review.

Rather than introduce a balanced solution that would share the benefits across all stakeholders the BCCMB Preliminary Pricing Formula Decision (Preliminary Decision) that will result in unsound marketing policy .

- The Preliminary Decision will increase BC grower returns by approximately \$24.1M (23%) ANNUALLY, an increase \$0.101/kg over the returns that growers experienced in 2019/2020.
- The Preliminary Decision will see BC processor costs increase by \$24M and the live price gap (after removing catching from BC Live Price) relative to Ontario increase by \$9.0M (42%) annually or \$0.04 per kg.
- Under the previous formula, the BC processors live bird cost disadvantage relative to processors in Central Canada was \$23.3M annually. This will increase to \$33M under the Pricing Decision.
- The Preliminary Decision will increase returns to Hatching Egg producers by an amount that has not been quantified by the BC Broiler Hatching Egg Commission (BCBHEC) (which will further erode processor competitiveness)

The BCCMB has acted recklessly by recommending a formula that results in this level of financial distortion between the parties without having performed the requisite analysis to understand the financial impact on the respective parties.

- The process of consultation has been inadequate and ineffective with processor submissions continually being discounted, manipulated, or completely ignored.
- The Preliminary Decision has now set expectations for growers at levels that are not sustainable in the BC Industry.
- The changes are being introduced at a time when broiler growers are currently achieving record levels of returns.

The PPPABC is recommending a return to a pricing formula that is based on fixed differential over Ontario and have shown in this document how a fixed differential formula can result in:

- Improved returns for BC broiler growers,

- Improvements in the competitive position of BC processors,
- Improved returns for BC hatching egg producers,
- Improved returns for BC hatcheries, and
- Meets all the BCFIRB's SAFETI requirements

1. Background and Context

1.1 Issues from Ontario Annual Adjustments

It is critical for the Primary Poultry Processors Association of BC (PPPABC) to comment on the issues that have led to the BCCMB Preliminary Decision Preliminary Decision in addition to their actual Pricing Formula recommendation.

The current live pricing issues in BC began with the introduction in 2015 of annual adjustments to the ONCOPF and the manner in which these adjustments were applied to pricing in BC. The BCCMB changed long standing fixed differential pricing methodologies that were effective and accepted by the industry and introduced new pricing formulas that offset the annual adjustments in a manner that protected growers and increased the live price differential between BC and Ontario.

The introduction of new pricing formulas was a tactic used by the BCCMB to shield BC growers from the efficiencies that were included in the ONCOPF and provide BC growers with increased returns. This came at the direct expense of BC processors and their competitive position relative to processors in Central Canada. As a result, BC processors have seen their competitive position continue to erode and have launched numerous appeals attempting to reduce the financial burden that has been downloaded on the BC processors. In the 2018 appeal to the BCFIRB, the PPPABC provided evidence of its eroding competitive position, and in the present supervisory review the PPPABC has submitted even further data to demonstrate the market realities.

Over the last few years, the industry has had many discussions regarding the impact that the ON efficiency adjustments were having on the BC industry. It was generally recognized that when the long anticipated reductions in the ON efficiency factors were implemented there would be an opportunity to “correct” the financial burden that was being experienced across the entire industry.

The Ontario industry has now established a new ONCOPF which has effectively eliminated the annual adjustments and increased producer margins by 5 cents per kilogram. This resolved the very issue that created the pricing discord and led to ineffective pricing methodologies. The elimination of the annual adjustments in the ONCOPF could have benefitted all stakeholders in the BC chicken industry. The BCCMB had an opportunity to introduce a pricing formula that:

- recognized the elimination of the annual adjustments and the margin increase in the Ontario Live Price;
- provided financial benefits to all stakeholders in the BC chicken industry; and
- met the BCFIRB policy objectives as set out in the terms of reference for the Chicken Sector Pricing Review.

With the elimination of the annual adjustments, the BCBHEC and BCCMB could have taken the opportunity to propose formulas that properly re-balanced the interests of hatching egg producers, broiler growers, hatcheries, and processors. Instead, and unbelievably, the formulas introduced by the BCBHEC and BCCMB allow the margin increase from the revised ONCOPF to flow 100% to hatching egg

producers and broiler growers. Further, both regulators have introduced formulas that will further increase returns for broiler growers and hatching egg producers at the direct expense of the competitive position of processors in BC. The BCBHEC and BCCMB ignored the opportunity created by the changes to the ONCOPF and decided to increase returns for growers and hatching egg producers at the expense of processors in BC.

1.2 The Impact of the Preliminary Decision Has Not Been Assessed and the Analysis does not Meet SAFETI Principles

On May 16, 2019, in its appeal decision concerning the BCCMB's interim pricing formula commencing on period A-151, the BCFIRB directed that the BCCMB issue its decision regarding a long pricing formula not later than period A-161. On January 21, 2020, the BCFIRB granted the request by the Chicken Board to extend the deadline for a long-term pricing formula to the start of period A-163. Upon a second deadline extension request from the Chicken Board, on April 29, 2020, the time for the adoption of a new chicken pricing formula was transferred to the BCFIRB's supervisory authority as a related matter to the price linkage question.

Over two years after the BCFIRB's May 16, 2019, direction, we have now received two preliminary decisions from the BCBHEC and BCCMB. Both preliminary decisions lack strategic consideration for the industry as a whole, let alone any appropriate analysis on the impacts on all stakeholders. Both the BCCMB and BCBHEC have recommended pricing methodologies that do not balance fair returns for producers and a competitive position for processors. They have recommended pricing formulas that will deliver extraordinary returns for producers and create a live price that cannot in any way be construed as competitive for BC processors.

The BCCMB circulated the Preliminary Decision on a recommended Live Price Formula on May 6, 2021. The Preliminary Decision represents a failure by the BCCMB in its basic functions as a first instance regulator. In the Preliminary Decision, the BCCMB failed to analyze or assess how its proposed formula will impact the financial returns of BC broiler growers or the competitive position of BC processors. Without doing some type of financial analysis, the BCCMB has not resolved the fundamental issues of what is a fair return for growers and what live pricing is required in BC to ensure processors are competitive in the national marketplace. Without this analysis, prior to circulating its recommendation, the Board has no idea how the Preliminary Decision will affect grower returns or processors competitiveness. Industry stakeholders cannot provide useful and meaningful feedback on the proposed formula without a clear and common understanding of how it will impact their financial positions.

At the June 2, 2021, roundtable, when speaking about the Preliminary Decision, the BCCMB seemed content to simply "let things play out and see where they land" with its proposed pricing formula. This attitude to live price reflects a fundamental failure by the BCCMB in its statutory duty as first instance regulator to manage the best interests of the industry. Simply put, without doing the requisite analysis, the BCCMB cannot in good conscience suggest that it has met the requirements in the terms of reference for the Chicken Sector Pricing Review or could put forward a justifiable SAFETI analysis. Without any analytical rigour to its decision making, the BCCMB's Preliminary Decision is irresponsible and reckless.

After multiple requests at the insistence from the PPPABC at the June 2, 2021, roundtable, the BCCMB has now reluctantly provided its analysis of the proposed live price formula. It is critical to recognize that the BCCMB analysis was done reluctantly after it circulated its Preliminary Decision. The PPPABC has reviewed the BCCMB's analysis and is of the view that the BCCMB's analysis is inaccurate and completely misrepresents the impact that the Preliminary Decision will have on the industry.

Based on the PPPABC's interpretation of the BCCMB's proposed formula, the BCCMB either does not fully comprehend the impact that the changes in the ONCOPF will have on the BC Live Price or has chosen to ignore it. Without incorporating the changes in the ONCOPF into its analysis, the BCCMB does not account for how these changes will affect the returns to BC broiler growers and the competitiveness of BC processors. In fact, the PPPABC believes that the formula that has been recommended by the BCCMB was developed prior to the BCCMB being aware of the detailed changes in the ONCOPF, and the BCCMB did not bother to consider the impact of these changes or chose to ignore them. Notably, if the BCCMB truly has not recognized the impact of the changes in the ONCOPF, then that means they did not adequately assess and adjudicate the processors' application for exceptional circumstances in period A-169.

The changes to the ONCOPF introduced in period A-169 dramatically impact the financial effects of the Preliminary Decision on grower returns and processor competitiveness. The PPPABC's analysis of the Preliminary Decision shows that it will significantly increase grower returns in BC and it will negatively impact the current live price gap between ON and BC further reducing the competitive position of BC processors.

The Preliminary Decision has completely altered the historical financial balance between grower returns and processor competitiveness, which was already distorted in favour of the growers to compensate for the annual adjustments. While the BCCMB has positioned the Preliminary Decision as a "recommendation", the BCCMB has once again set a new "base of expectations" for growers to claim as their starting point for live price discussions. The PPPABC is now left to negotiate from a completely one-sided pricing formula, rather than discuss options that could have seen benefits for processors, broiler growers, hatching egg producers, and hatcheries.

2. Issues with the Chicken Sector Pricing Review Process - The Process is Fragmented, Biased, and Convolutd

The PPPABC has actively participated in the current supervisory review, despite its frustration with process and procedural concerns, a lack of engagement, and the dismissive way its data and information have been treated, all of which has been documented with the BCCMB and BCFIRB.

In the May 16, 2019 BCFIRB appeal decision, there are observations on the ways pricing can be established with the favored approach by BCFIRB being, “through the application of an agreed-to formula based on contemporary data...”, which appears to be the approach taken in this review. This approach assumes there is a willingness amongst the parties and BCCMB to operate for the greater good of the industry using a clear and well-defined process.

In the October 28, 2020 terms of reference, the BCFIRB proposed a “transparent and inclusive process” for the Chicken Sector Pricing Review, with the BCCMB and BCBHEC leading the review as first-instance regulators. The BCFIRB supervisory panel has stated that it has been “consistent in its desire for a process that is transparent and collaborative and supports sound marketing policy”.

The BCFIRB panel had good intentions by introducing this process. However, the BCCMB and BCBHEC have proven incapable of following this directive. They have narrowly focused on predetermined goals to increase returns of chicken growers and hatching egg producers. Neither first instance regulator has devoted adequate thought to the impacts of its proposed pricing formula on processors and the broader industry. Although the BCFIRB appointed a liaison, the liaison did not have the BCFIRB’s statutory supervisory powers over the BCCMB and BCBHEC. Instead, the BCFIRB supervisory panel should have led the Chicken Sector Pricing Review and provided greater oversight as an independent body throughout the process.

As the BCCMB process unfolded and evolved, we have witnessed the grower groups using anecdotal information, bringing forward unsubstantiated or untenable positions, taking unreasonable positions, and throwing away previously agreed upon pricing work, so as not to lose a potential opportunity to further increase their returns. The PPPABC, on the other hand, has attempted to bring forward empirical data and its detailed knowledge of the Canadian market for chicken, only to have the BCCMB misconstrue the PPPABC’s submissions.

Also in the May 16, 2019, BCFIRB pricing appeal decision, the processors were criticized several times for not providing adequate or complete information to support their position. Those comments were taken very seriously by the PPPABC who, in this review, have provided additional, factual, and defensible analysis and information based on actual market, grower, and processor data. The PPPABC’s concerns in this regard will be discussed in detail below.

The PPPABC has attempted to engage in dialogue with the BCCMB on the material the PPPABC submitted and on numerous occasions asked the BCCMB for specific feedback with respect to the PPPABC’s submissions. This dialogue was important to the PPPABC in to frame its position and fill information gaps

before the BCCMB concluded on the data. The PPPABC wanted to understand where the BCCMB agreed with the PPPABC's submissions and to better understand where it might have questions or not form a conclusion with respect to what the PPPABC had concluded. A summary of the correspondence initiated by PPPABC on this issue is provided below:

- The PPPABC requested feedback from the BCCMB at a pricing meeting held on March 25, 2021, however there was no commitment from the BCCMB to provide the PPPABC with feedback. It was also at this meeting that the BCCMB re-visited the net importer, net exporter issue, which was resolved on January 5, 2021, with the growers. In the PPPABC's opinion, this continual re-visiting of information and failure to conclude on data that been previously been concluded on between the parties in the process, made the PPPABC unable to understand the standards and expectations it had to meet. As such, the BCCMB's failure to provide feedback to the PPPABC violated the Fair principle of the SAFETI analysis and the intent of the Chicken Sector Pricing Review Process. The PPPABC remains unclear on what other information the BCCMB has taken a similar position on.
- The PPPABC followed up this meeting and its request for feedback in a letter dated March 29, 2021, stating, "We continue to bring forward what we see as rigorous, definitive, and defensible information to support the assumptions and conclusions required to effectively frame the pricing recommendations. However, the BCCMB is not willing to accept our conclusions and assumptions but also has not clearly indicated why they are not valid." The Board did not adequately reply to this request, nor did it provide the requested feedback.
- The PPPABC sent a detailed letter to the BCFIRB on April 23, 2021, outlining its concerns and the shortcomings with the process, the lack of engagement by the BCCMB, and the PPPABC's loss of confidence in the boards' abilities to manage the Chicken Sector Pricing Review process.
- The PPPABC sent another letter to the BCFIRB through legal counsel on May 14, 2021, reiterating the PPPABC's concerns and complete disappointment with the Preliminary Decision released by the BCCMB. In this letter, the PPPABC indicated that it would not participate in the June 2, 2021, round table and would provide its feedback directly to the BCFIRB. However, out of good faith, the PPPABC agreed to participate in the June 2, 2021, roundtable after the BCFIRB agreed to attend the roundtable.

The BCFIRB in this review has embarked on a new process and is looking to the BCCMB and the BCBHEC to bring the parties together in order to create understanding and reduce conflict and as such has given them considerable power. Contrary to the expectations created by the terms of reference for the Chicken Sector Pricing Review, the boards have failed to engage in adequate dialogue with stakeholder, particularly the PPPABC, during this review. The PPPABC has expressed explicit concerns about the process to the boards and to BCFIRB, but nothing has changed, except that the requirement for processor competitiveness gets further and further buried as a priority within the review.

3. PPPABC Submissions and BCCMB Conclusions – Processor Input Continues to be Discounted, Manipulated, or Simply Ignored

As mentioned, the PPPABC has been criticized in past for not providing sufficient information during pricing related discussions. It is understood that it is extremely difficult for processors to provide comparative processing data in a competitive marketplace. The issue is further complicated when similar data is not available from Central Canadian processors or providing it has legal implications. Over the course of this pricing review, the PPPABC has been creative and gone to great lengths to provide in its submissions extensive actual verifiable market, grower, and processor data. The PPPABC is once again genuinely concerned about how the BCCMB is interpreting and, in many cases, completely ignoring the data the PPPABC has provided. In some cases, the BCCMB has favoured unsubstantiated or anecdotal data from growers, while holding processors to unrealistic and ever-changing standards of proof.

In previous pricing decisions, the PPPABC has been concerned and frustrated with how the BCCMB has received and interpreted and/or ignored the facts provided by PPPABC. Over the course of this review, the PPPABC submitted extensive material to the BCCMB including a review of the national marketplace for chicken, a third-party study that compared the competitiveness of BC processors relative to those in Central Canada, and a third-party multi-year cash flow model on grower profitability.

As we review the Preliminary Decision, we now find that the BCCMB has once again ignored the data we have provided, or they have manipulated the data to undermine our submission and support increasing grower returns. The PPPABC has not received the opportunity to clarify its position or engage in meaningful dialogue and debate on areas where the BCCMB might have a different point of view. Again, this is inconsistent with SAFETI principles of Fairness, Transparency, and Inclusion.

Specific areas of concern related to our submissions include:

- In the presentation on Processor Competitiveness, the PPPABC provided data that compared processing costs of the three major processors in BC against the costs of processors in Central Canada. The data was compiled by a qualified independent third-party consultant who is well established in the North American processing industry. While there are some differences in industry structure between BC and Central Canada, the data confirmed conclusively that processing costs in central Canada are lower than BC due to lower labour costs, lower overhead costs, and the benefits of scale from the larger plants in Central Canada. Despite conclusive evidence of the BC processors being disadvantaged, there is no acknowledgement of these findings in the BCCMB pricing decision.
- The BCCMB has embedded the two major cost differentials BC growers face (feed, chick) into the live price formula in an attempt to further compensate BC growers. However, when presented with conclusive evidence that BC processors are faced with significant cost differentials on the main two cost items faced by processors (live price, labour), the BCCMB ignores or discounts the information and comes up with anecdotal and unverified statements in an attempt to subvert the

PPPABC's verifiable data. The BCCMB has simply ignored the reality that processors are operating in a national market and need to be competitive.

- BC processors have maintained for many years that they also are at a disadvantage when it comes to the use of fowl imports and TRQ allocation. The disadvantage in the use of fowl is simply a geographical issue that creates increased costs relative to processors in Central Canada and significant logistical challenges in processing fresh fowl products (shipping distances). Processors once again shared industry data that shows that TRQ is held disproportionately by processors in Central Canada, giving them a cost advantage over BC processors when TRQ is averaged with domestic costs. It is challenging to quantify the exact financial benefits of these issues, but there is no question there is an advantage for processors in Central Canada on these two issues. The BCCMB chose not to acknowledge these issues in the Preliminary Decision.
- In the BCCMB recommendation document in the section **“Processor Competitiveness – Key Considerations”** (p. 62) the BCCMB does not acknowledge or make any reference to the fact that BC processors are at a cost disadvantage relative to their counterparts in Central Canada. In fact, the comments in this section are examples of the BCCMB cherry picking anecdotal data and manipulating data and comments out of context to suggest that the need for processors to be competitive is being overstated. The PPPABC provided actual data that benchmarked detailed costs between processors in BC and Central Canada, yet the BCCMB entirely ignored this data.
- PPPABC provided a highly detailed cash flow overview of grower returns that was prepared by a third-party accounting firm. The model was developed to demonstrate cash flow available for an average BC grower and put into a format that a grower would take to a bank if or when they were financing capital expenditures such as equipment or a barn. The model was based on the actual data that was introduced in the 2018 Pricing Decision by the BCCMB and takes required investments, production growth, barn densities and other factors into account. The cash flow model shows clearly that there are significant financial returns being achieved by broiler growers under the current pricing formula. A critical aspect of the cash flow model is that it shows the cash flow projections including the volume growth that is characteristic of the industry. In presenting the cash flow model we provided an actual estimate of grower returns instead of the theoretical single cycle snapshot modelling put forward by Serecon.
- The BCCMB's conclusion on the grower returns states that the **“Outlook for long-term sustainability of growers is in question”** (p. 44). This statement is not supported by data but sounds very similar to the mantra that growers espouse in industry pricing discussions. Grower returns have been very consistent over many years, but we have not seen growers leaving the industry, but rather many have been investing in order to utilize the Quota being made available to them. The cash flow projection model provided by the PPPABC provides strong evidence to the contrary and provides reason for the BCCMB to further assess traditional approaches used to measure grower returns. The BCCMB's task is to determine whether growers are actually receiving a reasonable return. In order to do that, the BCCMB must rely on actual, relevant financial data, and not theoretical modelling or anecdotal information. The PPPABC presented

cash flow information on grower returns in a -format in which a financial institution would receive and assess the financial situation of the farm. This information is similar to how financial statements would be submitted by growers to the Canadian Revenue Agency (CRA) in order to file their annual taxes. Neither the CRA nor financial institutions would accept Serecon numbers as valid, so it is not clear why this would be acceptable to the BCCMB. It is apparent that the PPPABC's approach to grower returns was unreasonably ignored, as there was no follow up on the PPPABC's submission. The BCCMB reverted entirely to relying on the Serecon Linkage Model in the Preliminary Decision.

The above are examples of an ongoing pattern throughout the Chicken Sector Pricing Review. The PPPABC provided extensive relevant and actual data to support the pricing review process, but, for reasons unknown, the BCCMB closed its mind to the PPPABC's data and did not properly incorporate it into the Preliminary Decision.

There are other examples in the Preliminary Decision of the BCCMB taking the PPPABC's data out of context, misinterpreting information, or cherry-picking elements of the PPPABC's material to arrive at inappropriate and inaccurate conclusions. Some of these issues and examples where processor submissions have been used incorrectly are outlined below:

- **“Agri-Stats data provided infers higher premiums paid in Central Canada” (p. 59)** - the PPPABC's presentation data from Agri-Stats compared landed bird costs at plants in Central Canada to plants in BC. In the calculations of those costs, it was explained and recognized that these costs would include different bird sizes, different varieties of birds (conventional, Organic, RWA), transportation and catching costs as well as premiums paid to growers. There was no specific Agri-Stats data that isolated loyalty premiums, but the BCCMB has concluded that the loyalty premiums in Central Canada are higher than in BC.
- **“It is not clear that Processors are losing market share” (p. 62)** - In the discussion on the definition of processor competitiveness, the PPPABC agreed to the definition, “The ability to profitably and sustainably maintain or enhance market share”, in order to move discussion forward. In accepting this definition, the PPPABC stated specifically that the reference to market share in the definition would be problematic given the nature of the Supply Management allocation system. Despite this caveat, the BCCMB has used this definition against the PPPABC with the BCCMB comparing allocation to population. The BCCMB then completely ignored the PPPABC's review of the national market and supply share.
- **“There are transportation cost advantages in shipping product west to east over east to west p. 62”** The PPPABC submission dated February 17, 2021 (p. 25), presented an overview of transportation costs related to shipping product across the country. The conclusion of that slide showed that in the case of National Listing a processor in Central Canada has a transportation cost advantage due to the amount of volume a Western Processor would have to send to Eastern Canada. This is a good example of how the BCCMB has taken the processors' data and manipulated it into a very misleading conclusion.

The BCCMB's conduct throughout the Chicken Sector Pricing Review suggests that it had a closed mind to all options except for a BC COP linked formula that increase grower returns. The PPPABC contends that the BCCMB did provide feedback or draw conclusions on the data and information presented by the PPPABC, so that the BCCMB could avoid inconvenient facts that would detract from its preferred pricing option. When considered along with the BCCMB's inability or unwillingness to properly assess the financial impact of its pricing recommendation, one must conclude that the BCCMB has been pursuing the predetermined outcome of increasing grower returns through a BC COP linked formula.

4. Analysis and Comment on the BCCMB Preliminary Pricing Formula Decision

4.1 – BCCMB Impact Analysis – Does not Account for the Changes in the ONCOPF Which Create Excessive Returns for Growers and Significantly Understates the Financial Impact on Processor Competitiveness.

Only after persistent requests by PPPABC, the BCCMB provided its analysis of the new formula, but this analysis was completed after it had released the Preliminary Decision. The analysis from the BCCMB is both inaccurate and incomplete (Appendix 1). It misrepresents the impact on processor competitiveness and completely ignores the impact on processor returns. The analysis provided by the BCCMB is not an accurate depiction of how the formula would have affected the BC Live Price had the formula been in place over the past two years.

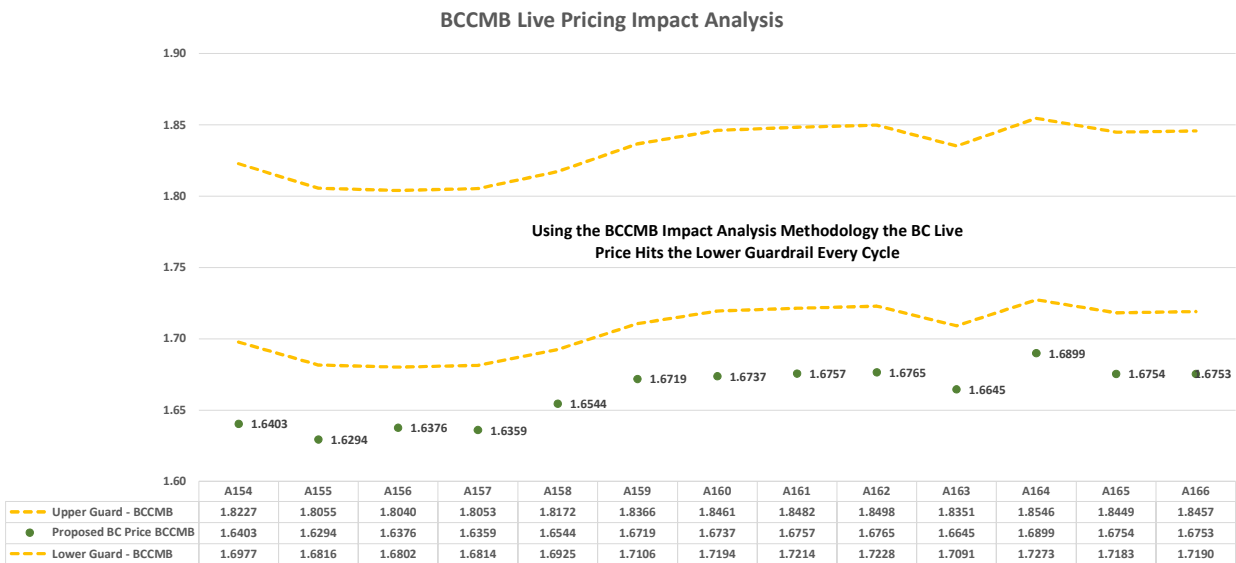
- The analysis provided by the BCCMB does not accurately calculate the impacts that the change in feed conversions introduced in A-169 in the ONCOPF and the impact on the BC Live Price. In the analysis that has been done by the BCCMB it is now clear that it has not accounted for, or does not fully understand, the impact that the changes to the ONCOPF will have on the Ontario Live Price and elements within their live price [feed costs] that will flow through to the BC Live Price through their proposed new formula.
- The BCCMB's analysis tries to show how the formula will have a minimal impact on the live price differential, but it does not attempt in any way to show how the changes will impact grower returns. This analysis can and should be done, and it is simply unacceptable to not provide this data.
- The BCCMB also included cycles A-169 and A-170 in its analysis. These cycles should be excluded as they include the new feed conversion being used in Ontario and distort the current BCCMB Live Price formula. As evidence of this, we point to the calculations done for A-170 which resulted in a live price differential of 18.3 cents over the Ontario Live Price using the existing BC Live Price Formula.
- The BCCMB's analysis reduced the Serecon COP by 2 cents to account the reduction in the live weight category and the rationale and basis for doing this is not entirely clear.

To further illustrate the lack of analysis that was done in the Preliminary Decision, we refer to the guardrails being proposed by the BCCMB. The guardrails in the current BC Live Price Formula have a range of 2.7 cents / kg. The guardrails in the Preliminary Decision use the Serecon COP and have a range of 13-14 cents / kg, which is a significant increase with no rationale or supporting information provided as to why this approach is being recommended. Despite the significant increase in the range of the guardrails, the analysis provided by the BCCMB shows that the Preliminary Decision would have hit the lower guardrail on all the cycles (A-162 to A-168) with the exception of those cycles that are skewed (A-169 and A-170).

A reasonable expectation of any guardrails to be used in a Live Price Formula would be that the guardrails protect stakeholders from extreme fluctuations in grower returns or live price differentials. The Board’s analysis in the Preliminary Decision indicates that the guardrails do not operate for that purpose but rather the guardrails are being used to enhance grower returns as they increase the live price in every cycle. This again reinforces that the BCCMB has not taken the time to adequately analyze its decision, suggesting that it failed to follow SAFETI principles.

Chart 1 below applies the BCCMB’s methodology to calculate the impact of their live pricing proposal using the A-154 – A-166 production cycles. Using the BCCMB’s analysis, the chart clearly shows that the live price would hit the lower guardrail every cycle with their calculated price in most instances below the current posted price.

Chart 1



4.2 – PPPABC Analysis - the Preliminary Decision Would be Devastating to Processors and Provide Excessive Returns to Growers

The PPPABC has taken the Preliminary Decision and modelled the formula as if it were in place for the two years consisting of production cycles A-154 through to A-166 (2019 and 2020) and extended the analysis for cycles up to and including A-170. In doing this analysis, the PPPABC recalculated the Ontario feed cost using the new feed conversion, removed the efficiency factors consistent with what was done in the ONCOPF in A-169 and re-calculated what the Ontario Live Price for the 2.15 – 2.45 weight category using those calculations. The details of the PPPABC’s approach are provided in Appendix 2.

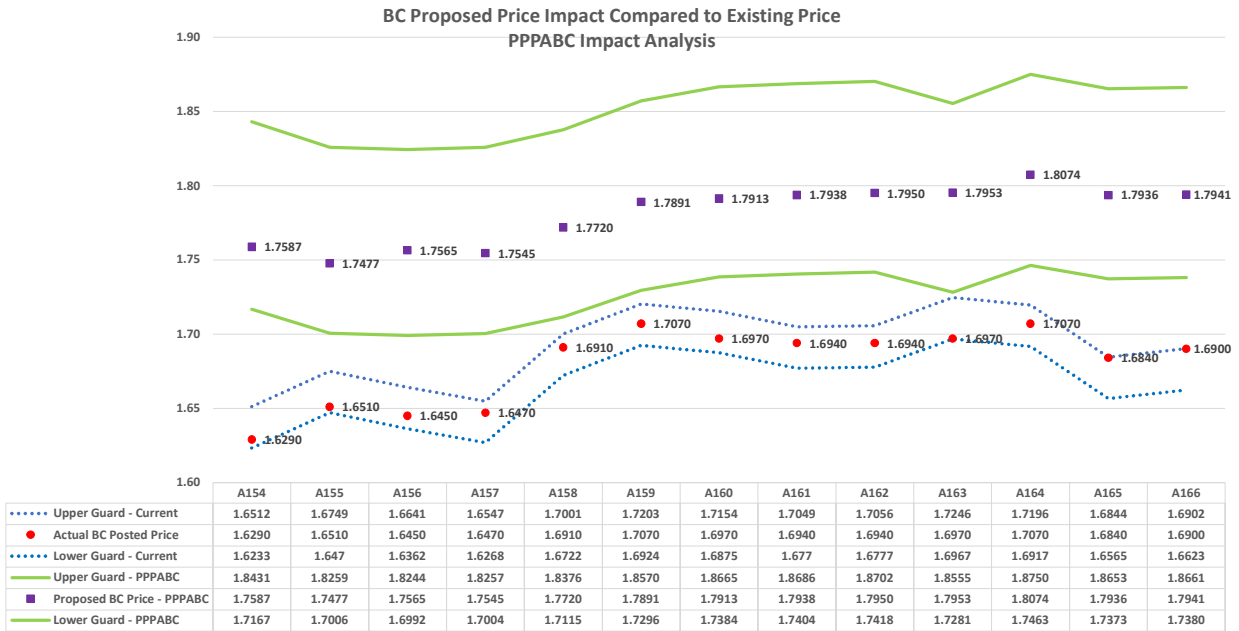
The PPPABC firmly believes that the presentation of an accurate financial impact analysis on grower returns, and processor competitiveness is a required step to objectively and transparently assess the impact of the formula against the policy objectives.

The PPPABC’s analysis shows a significantly different economic impact to the parties than what is articulated in the analysis that has been provided by the BCCMB. The PPPABC analysis shows that:

- BC grower returns (after feed, chick and catching) will increase by approximately \$24.1M (23%) **ANNUALLY** based on the implementation of the Preliminary Decision or an increase \$0.101/kg over the returns that growers experienced in 2019/2020.
- Processors will see the live price gap (after removing catching from BC Live Price) relative to Ontario increase by \$9.0M (42%) annually or \$0.04 per kg.
 - Under the previous formula, the BC Processors live bird cost disadvantage relative to processors in Central Canada was \$23.3M annually. This will increase to \$33M under the Preliminary Decision.
 - This live price gap will further increase if the BCBHEC implements a new pricing mechanism that increases hatching egg prices.

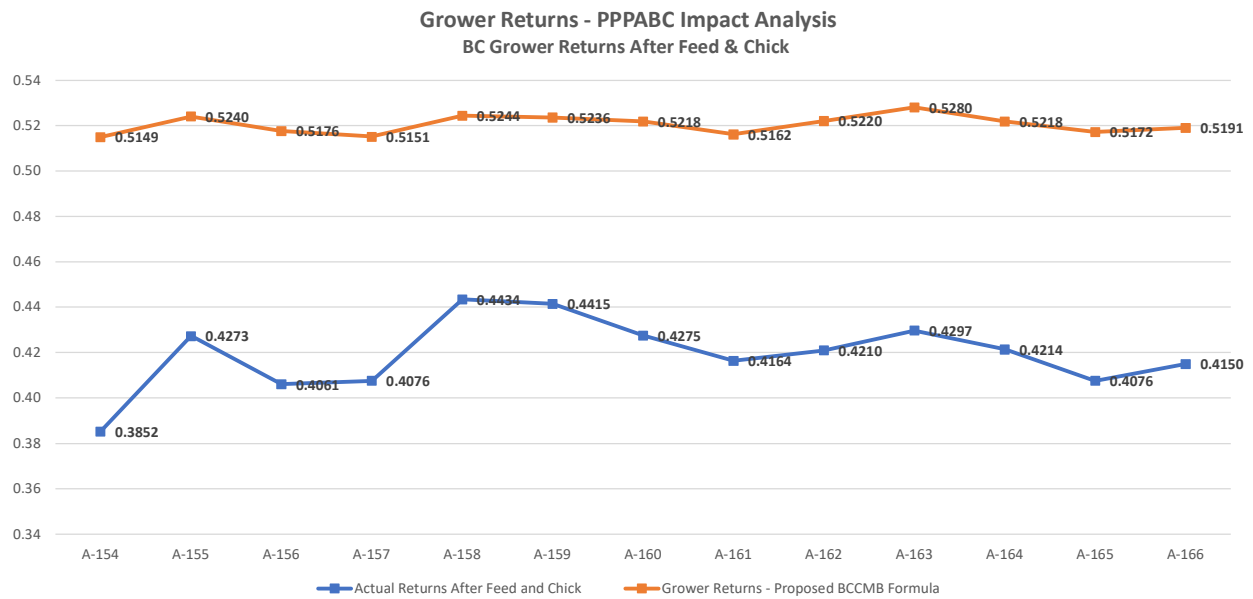
A graph comparing the BC Live Price under the existing formula and under the Preliminary Decision is provided in Chart 2 below. The background detail on how this data was developed is provided in Appendix 3. The BC Live Price under the Preliminary Decision tracks well above the upper guardrail of the current formula.

Chart 2



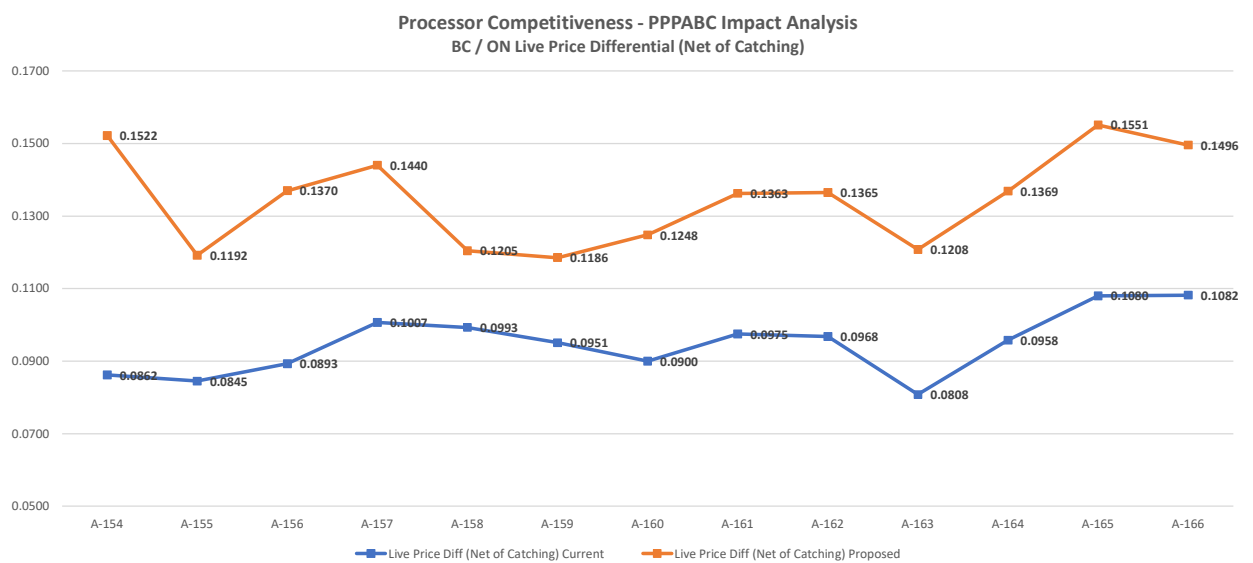
A similar comparison of grower returns under the old formula and Preliminary Decision is provided in Chart 3 below with the detailed calculations included in Appendix 4. Grower returns would have increased by 23% under the Preliminary Decision.

Chart 3



Conversely, Chart 4 below shows how under the Preliminary Decision the live price gap between BC processors and their competitors in Central Canada will increase by \$0.04/kg which is an increase of 42% relative to the current formula. (Detailed calculations are included in Appendix 4)

Chart 4



The magnitude of the changes in financial position that result from the application of the Preliminary Decision is unprecedented and without justification. Prior to the BCCMB putting forward a recommendation on live pricing in BC, it must provide an accurate and robust analysis of how its proposal will impact grower returns and the competitiveness BC processors. Anything else would be irresponsible and inconsistent with SAFETI principles.

The Pricing Decision put forward by the BCCMB does not balance the interests of the stakeholders in the industry. It does attempt to define or measure what is a competitive position for BC processors nor does it measure or define what is a fair return for growers. The Preliminary Decision provides exceptional returns for growers and creates a live price that significantly reduces the competitive position for BC processors.

4.3 – Additional Concerns and Feedback

- **Strategic Context** – It is of particular concern to PPPABC that in the background comments in the Preliminary Pricing Proposal, the BCCMB makes no mention of how pricing has evolved in BC since the efficiency factors were introduced in the ON-COPF. The data is clear: returns to BC growers have remained very stable on a kg basis (without accounting for volume increases) and have recently approached record levels while the live price gap has increased to the maximum allowable under the current guardrails. Over the last 5-6 years, the BCCMB has introduced two pricing formulas that have been designed to offset a portion of the impact of the Ontario efficiency adjustments on BC growers. In doing so, the BCCMB consciously increased the live price gap paid by BC processors relative to their competitors in Central Canada. The Preliminary Decision does not acknowledge that some of changes made in ON-COPF in A-169 have reduced the burden to the BC industry.
- **Elimination of the Linkage Model and the new Hatching Egg Pricing Mechanism** – In the Preliminary Decision, the BCCMB accepted the BCBHEC’s desire to exit the linkage agreement and has seemingly accepted the BCBHEC’s plan to move to a price mechanism that provides hatching egg producers with returns equal to 100% of the Serecon Costing Model. The PPPABC understands that the BCCMB initially resisted the BCBHEC’s actions to exit the Linkage agreement, but it is not clear whether the BCBHEC and BCCMB have attempted to re-visit linkage related issues under any of the pricing options that were considered.

When the linkage model was established, it was designed to ensure boiler growers and hatching egg producers achieved equivalent “returns”. It was also designed to reduce the number of appeals that were taking place in the industry. Those issues remain worthwhile objectives. The

elimination of the linkage agreement will result in increased pricing-related disputes amongst hatcheries, processors, and the BCBHEC. The PPABC is of the opinion that Linkage issues should continue to be discussed for some of the reasons mentioned above. The Serecon Costing Model that was presented by the BCBHEC at the roundtable on June 2, 2021, is excessively complex, reliant on modelling, and not clearly understood by stakeholders. Within the model, there remain a number of undefined variables. The model has not been assessed in terms of financial impacts to the parties and will very likely increase the financial burden faced by processors. The PPPABC submitted an extensive cash flow model that showed grower significant broiler grower returns were being achieved under the current Live Price formula, contrary to the conclusions being derived from the Serecon Model. The PPPABC approach was based on actual costs being incurred by growers rather than the cost modeling which is used in Serecon which tends to inflate costs. While the PPPABC has not done a cash flow model for the hatching egg producers, one would expect similar flaws in the model showing significant undercounting of producer returns.

In accepting the BCBHEC's pricing mechanism the BCCMB has inappropriately signaled to the industry that the Serecon approach is the accepted methodology and that broiler growers should expect similar treatment. This would constitute unsound marketing. In doing so, the boards are unduly prioritizing producer returns, without sufficient regard for processor competitiveness. This is in clear violation of the directive from BCFIRB that any pricing formula must balance both returns to growers and processor competitiveness.

In the Preliminary Decision, the BCCMB identifies the problem as **"BC as a feed deficient province is and will continue to be at a cost disadvantage in the production and processing of chicken. Stakeholders need to recognize and accept this as an industry reality"** (pg. 42). The industry has discussed this issue at length and stakeholders in the industry have recognized that all parties will need to share the financial burden of production and processing in a high-cost jurisdiction. By accepting the BCBHEC pricing proposal, the BCCMB will cause increased financial burden on both BC broiler growers and processors. The BCBHEC's pricing proposal will leave little room for stakeholders to maneuver in developing pricing formulas that allow BC processors to be competitive in the Canadian market for chicken.

- **Movement Controls and Grower Premiums** – In the BCCMB's pricing live pricing proposal, it advocates that processors should move to eliminate non-value-added premiums and the board is recommending a moratorium on grower movement as a means to improve processor competitiveness with Ontario. While conceptually this approach might have some merit, the BCCMB does not seem to recognize the realities of premiums and grower movement in the BC Industry. The reality of the situation is that the smaller processors in BC pay premiums to attract growers and those smaller processors are the beneficiaries of volume movement between processors. Our data indicates that over the last 3-4 years alone, the smaller processors have picked up in the range of 4.9M kgs annually (750,000 per cycle) from the larger processors in BC.

This element of the Preliminary Decision was not supported by the smaller processors in BC for the reasons outlined above. PPPABC believes that the intent of this aspect of the Preliminary Decision was to reduce processors costs, but in doing so they are ignoring the volume losses that have been occurring over the last few years.

- **Validating the Serecon Model** – PPPABC is fundamentally against the extensive use of the Serecon Model in the Preliminary Decision. The Serecon Model was not developed as a methodology for pricing, but it is increasingly being relied upon to set and or rationalize pricing levels in BC. The Serecon model has, in previous years, been ruled out as a true indicator of growers' costs in arbitrations, pricing reviews and even the Board itself. The BCCMB also acknowledges in its presentation that there are shortcomings in the Serecon Model, but then uses the Serecon Model as the target for grower returns. The use of the Serecon Model as the basis for pricing guardrails has now set unrealistic expectations for grower returns.

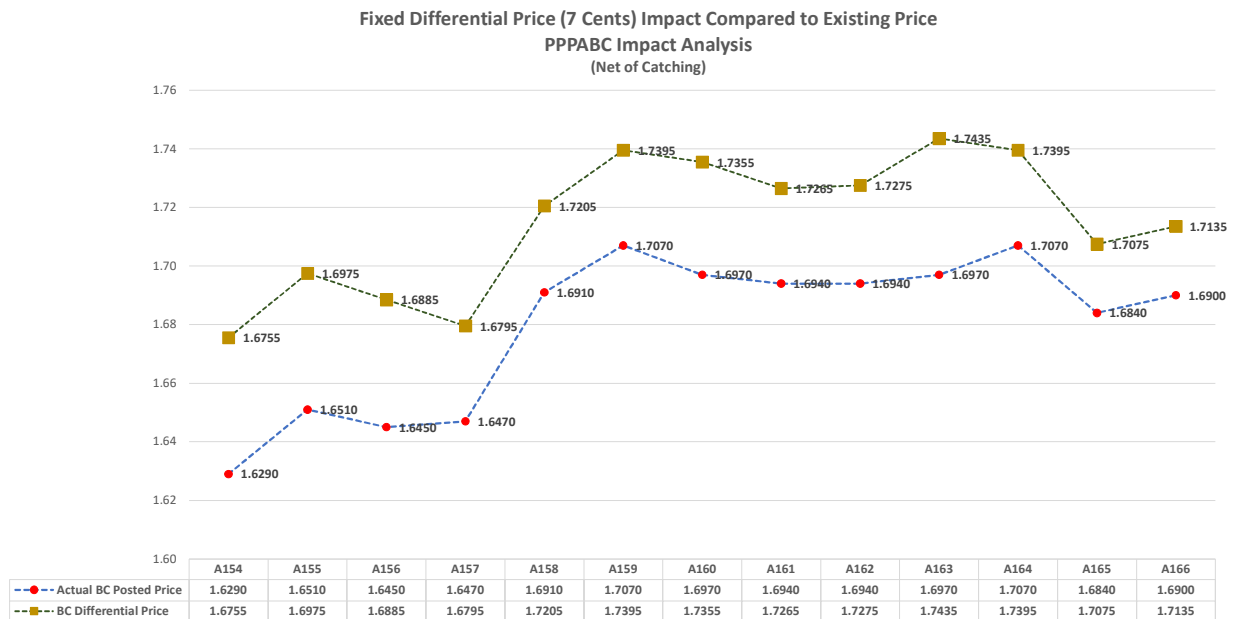
5. The Case for a Fixed Differential – A Fair and More Balanced Approach to Pricing

The PPPABC proposed to the BCCMB a fixed live price differential with Ontario which was used effectively prior to the introduction of the annual adjustments in Ontario. The PPPABC contends that the BCCMB did not take this proposal seriously, and again inconsistent with SAFETI principles, did not perform any financial analysis on the PPPABC proposal. It is increasingly obvious that both the current pricing formula and the formula proposed in the Preliminary Decision are excessively complex, and subject to misinterpretation. With the new ONCOPF, an “Ontario plus fixed differential” formula can be developed that provides fair financial improvements for broiler growers, processors, hatching egg producers and hatcheries.

The PPPABC recommends that the BC Live Price be set at the ON Live Price (2.15-2.45) plus a 7.0 cent differential plus BC Catching costs. The PPPABC revised its live price differential from 4.9 cents to 7.0 cents to reflect the change in the reference weight category in the BC Preliminary Decision. The detailed analysis of the proposed fixed price differential compared to the current formula for the same two-year period are provided in Appendix xx with the results summarized in the charts below.

The proposed Fixed Price Differential would have increased the BC Live Price by an average 3.85 cents in 2019 and 3.29 cents in 2020. Chart 5 below shows the live price increases resulting the proposed fixed price differential.

Chart 5



The fixed price differential formula is a balanced approach that can benefit all stakeholders in the Value Chain. Under this proposed formula, grower returns are expected to improve by an average 3.9 cents / kg or \$9.4M in 2019 and 3.3 cents / kg or \$8.1 million in 2020. Processors will also benefit under this approach as they will see their live price differential relative to Central Canada be reduced by 2.3 cents /

kg or \$5.7M in 2019 and 2.8 cents / kg or \$6.8 million in 2020. Comparisons of the grower returns, and live price differentials are provided below, and the details can be found in Appendix 6

Chart 6

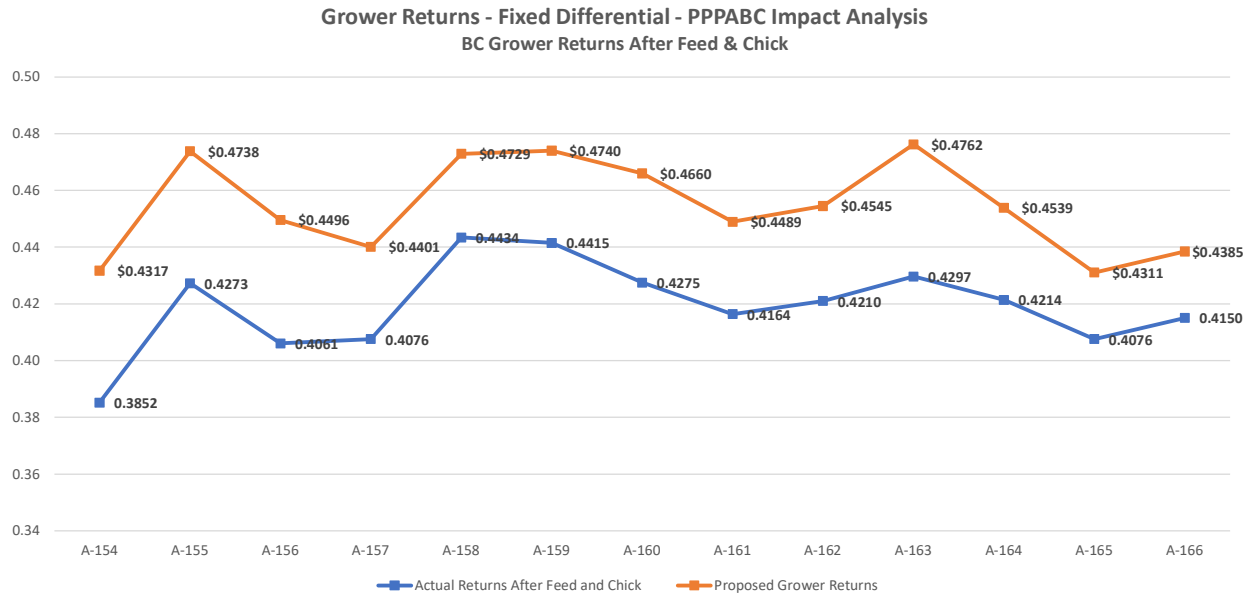
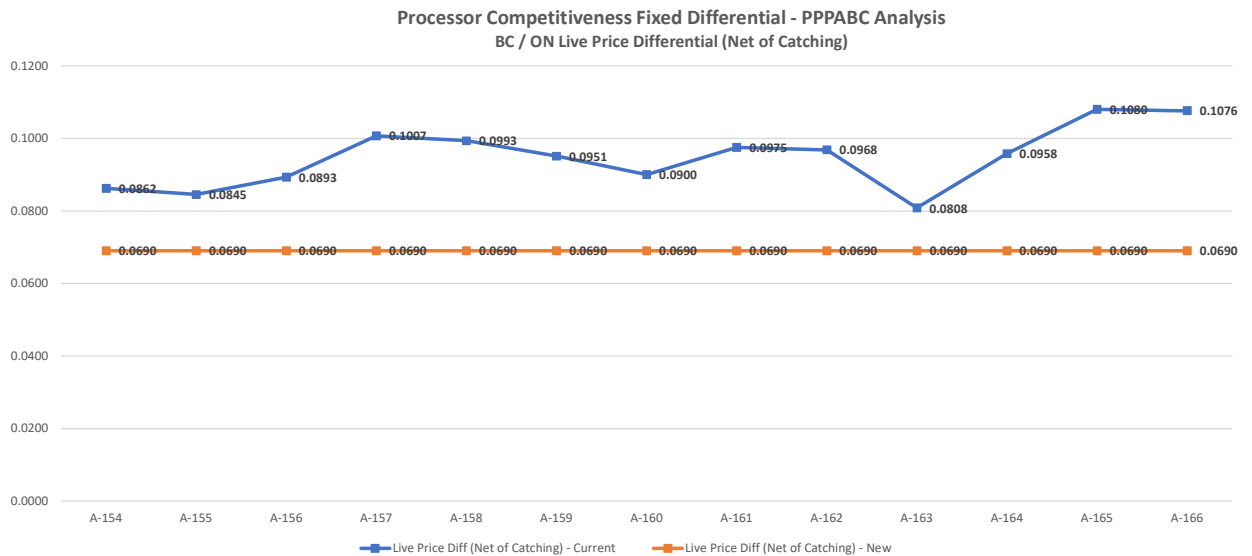


Chart 7



The fixed differential approach was effective and brought stability to the industry prior to the introduction of the annual adjustments in Ontario.

The BCCMB's failure to give serious consideration to the PPPABC's proposal is inconsistent with SAFETI principles. This is particularly concerning when part of the BCCMB's recommendation is to pursue a BC COP, which, by its own analysis and admission, is detrimental to processor competitiveness. This further supports the assertion that the BCCMB is acting recklessly and focused solely on improving grower returns to the detriment of processor competitiveness.

6. Summary

It is stated very clearly in the BCCMB's Annual Report that one of their goals as a regulator is to:

“Implement programs that provide the opportunity for fair returns to producers and allow processors to be competitive in the domestic market.”

The Preliminary Decision does not meet this objective. The Preliminary Decision provides excessive returns to growers at the expense of the competitiveness of processors in BC. The BCCMB has been irresponsible and reckless in bringing the Preliminary Decision forward. The BCCMB's proposal will be damaging to the industry and will fail to meet BCFIRB's SAFETI requirements.

The BCCMB must step back and recognize the shortfalls of their Preliminary Decision. The BCCMB must bring forward a solution that balances the interests of all industry stakeholders.

It has been stated and agreed to by both industry regulators and industry stakeholders that the Ontario efficiency adjustments were at the heart of pricing issues in BC. It was agreed to in the Pricing Working Group by both BC processors and broiler growers that there was an opportunity for all stakeholders to improve their financial position as efficiency adjustments in Ontario were reduced. On numerous occasions during the industry roundtables over the past many months, there were discussions that the new pricing proposals need to consider the needs of broiler growers, hatching egg producers, hatcheries, and processors. The Preliminary Decision and the proposed BCBHEC COP do not balance the needs of the four stakeholders. In fact, in the Preliminary Decision, the BCCMB recognizes on six different occasions that the proposed pricing formula carries with it risk to processor competitiveness. The BCCMB failed in its responsibility to quantify financial impacts of not only their recommendation but also the alternatives options that were considered. By doing so, the BCCMB has circulated a Preliminary Decision to the industry that provides massive increases to grower returns while further eroding the competitive position of BC Processors.

The PPPABC has been recommending for years that when the Ontario efficiency factors are reduced, there would be a very real opportunity to move back to a much more stable and consistent pricing environment in BC. The PPPABC is recommending a return to a pricing formula that is based on fixed differential over Ontario and have shown that a fixed differential formula can result in:

- improved returns for BC broiler growers,
- improvements in the competitive position of BC processors,
- improved returns for BC hatching egg producers,
- improved returns for BC hatcheries, and
- meet all of the BCFIRB's SAFETI requirements

Thus, the PPPABC requests the following:

1. The BCCMB implement the fixed differential live price formula as proposed by the PPPABC.
2. In the alternative, in advance of any changes to the current live price formula being implemented, the BCFIRB must allow interested parties to attend an oral hearing in front of the supervisory panel regarding the issues set out in the terms of reference to the Chicken Sector Pricing Review, with the right to make submissions, adduce evidence, and cross-examine witnesses.

The BCCMB and BCBHEC have had two years to produce rational pricing models that can benefit the whole BC chicken industry. They have failed in this task. Ultimately, under s. 7.1(a) of the *Natural Products Marketing (BC) Act*, the BCFIRB has general supervision over all marketing boards and commissions established under the Act. If the BCCMB and BCBHEC cannot reach sound pricing decisions, the BCFIRB must take control of the Chicken Sector Pricing Review process and implement a sound live price formula for the whole industry.

Appendix 1 – BCCMB Analysis Does Not Incorporate New Ontario Feed Conversions

The analysis provided by the BCCMB (below) attempts to measure the impact of the live price changes by comparing the actual historical BC live price to the Preliminary Decision formula and the PPPABC fixed differential proposal.

Hypothetical Analysis using Proposed Formula in Past Periods

Period	ONT Feed	BC Feed	Feed Difference @75%	ONT Chick	BC Chick	Chick Difference @ 100%	Total of Differences for Feed and Chick	Posted Ont live price less exclusions [^] Ontario WT Cat (2.15-2.45 kg)	BC catching cost	Hypothetical BC Live Price @ CFO 2.15-2.45	% COP Hypothetical Live Price	Serecon COP @ 100%	Serecon COP @ 95% Lower Guardrail	Serecon COP @ 102% Upper Guardrail	Did We Hit a Guard Rail	Adjusted Hypothetical BC Live Price -using COP Guardrails @ CFO WT Cat (2.15-2.45)	BC Posted Minimum Live Price BC WT Cat (2.021-2.170 kg)
			Formula = (C-B)*0.75			Formula = (F-E)*1.0	Formula = D+G			Formula = H+I			Formula = M*.95	Formula = M*1.02		if not between N and O choose guardrail	Actual price paid to BC growers
A-162	\$ 0.7401	\$ 0.8312	\$ 0.0683	\$ 0.3943	\$ 0.4058	\$ 0.0115	\$ 0.0798	\$ 1.5610	\$ 0.0365	\$ 1.6773	92%	\$ 1.8135	\$ 1.7228	\$ 1.8498	lower	\$ 1.7228	1.6940
A-163	\$ 0.7637	\$ 0.8240	\$ 0.0452	\$ 0.3897	\$ 0.4068	\$ 0.0171	\$ 0.0623	\$ 1.5800	\$ 0.0365	\$ 1.6788	93%	\$ 1.7971	\$ 1.7072	\$ 1.8330	lower	\$ 1.7072	1.6970
A-164	\$ 0.7549	\$ 0.8410	\$ 0.0646	\$ 0.3935	\$ 0.4081	\$ 0.0146	\$ 0.0792	\$ 1.5750	\$ 0.0365	\$ 1.6907	93%	\$ 1.8180	\$ 1.7271	\$ 1.8544	lower	\$ 1.7271	1.7070
A-165	\$ 0.7226	\$ 0.8295	\$ 0.0802	\$ 0.3906	\$ 0.4103	\$ 0.0197	\$ 0.0999	\$ 1.5390	\$ 0.0365	\$ 1.6754	93%	\$ 1.8085	\$ 1.7181	\$ 1.8447	lower	\$ 1.7181	1.6840
A-166	\$ 0.7263	\$ 0.8294	\$ 0.0773	\$ 0.3927	\$ 0.4094	\$ 0.0167	\$ 0.0940	\$ 1.5450	\$ 0.0365	\$ 1.6755	93%	\$ 1.8093	\$ 1.7188	\$ 1.8455	lower	\$ 1.7188	1.6900
A-167	\$ 0.8138	\$ 0.8344	\$ 0.0155	\$ 0.3998	\$ 0.4142	\$ 0.0144	\$ 0.0299	\$ 1.6400	\$ 0.0365	\$ 1.7064	94%	\$ 1.8187	\$ 1.7278	\$ 1.8551	lower	\$ 1.7278	1.7570
A-168	\$ 0.8649	\$ 0.8721	\$ 0.0054	\$ 0.4039	\$ 0.4238	\$ 0.0199	\$ 0.0253	\$ 1.6950	\$ 0.0365	\$ 1.7568	94%	\$ 1.8680	\$ 1.7746	\$ 1.9054	lower	\$ 1.7746	1.8120
A-169	\$ 0.8310	\$ 0.9567	\$ 0.0943	\$ 0.4111	\$ 0.4339	\$ 0.0228	\$ 0.1171	\$ 1.8050	\$ 0.0365	\$ 1.9586	100%	\$ 1.9680	\$ 1.8696	\$ 2.0074	no	\$ 1.9586	1.9500
A-170	\$ 0.8277	\$ 0.9886	\$ 0.1207	\$ 0.4132	\$ 0.4474	\$ 0.0342	\$ 0.1549	\$ 1.8060	\$ 0.0365	\$ 1.9974	99%	\$ 2.0141	\$ 1.9134	\$ 2.0544	no	\$ 1.9974	1.9510

Reduced by 2 cents to account for weight reduction

[^] Ontario Live Price Exclusions include:
Modular Loading
AI Insurance

Period	BC Posted Minimum Live Price BC WT Cat (2.021-2.170 kg)	Posted Ont live price less exclusions (2.15-2.45 kg)	Adjusted Hypothetical BC Live Price -using COP Guardrails @ CFO WT Cat (2.15-2.45)	PPPABC Proposed Pricing @ CFO WT Cat (2.15-2.45 kg)
A-162 *	1.6940	1.5610	1.7228	1.6465
A-163 *	1.6970	1.5800	1.7072	1.6655
A-164 *	1.7070	1.5750	1.7271	1.6605
A-165 *	1.6840	1.5390	1.7181	1.6245
A-166 *	1.6900	1.5450	1.7188	1.6305
A-167 *	1.7570	1.6400	1.7278	1.7255
A-168 *	1.8120	1.6950	1.7746	1.7805
A-169	1.9500	1.8050	1.9586	1.8905
A-170	1.9510	1.8060	1.9974	1.8915

* = hit lower guardrail so used that number

Difference (BC Actual vs Hypothetical)	Difference (BC Actual vs PPPABC)	Difference (Hypothetical BC Price vs PPPABC Price)
Formula = Column B-D	Formula = Column B-E	Formula = Column D-E
-0.0288	0.0475	0.0763
-0.0102	0.0315	0.0417
-0.0201	0.0465	0.0666
-0.0341	0.0595	0.0936
-0.0288	0.0595	0.0883
0.0292	0.0315	0.0023
0.0374	0.0315	-0.0059
-0.0086	0.0595	0.0681
-0.0464	0.0595	0.1059

There are several errors in the BCCMB calculations that result in an incorrect assessment of the impact of the Preliminary Decision including:

- The Ontario Live Prices identified from A-162-A-168 in Column C are incorrect. The BCCMB, in their analysis, has used the actual Ontario Live Prices that have were posted for A-162 – A-168. These prices need to be recalculated and adjusted to account for the removal of the efficiency adjustments, changes to producer margin, and the change in the Ontario feed conversion.
- Similarly in Column D, the Hypothetical BC Price has been calculated incorrectly for A-162 – A-168 as it is based on an incorrect Ontario Live Price which includes the old feed conversion. This price needs to be re-calculated by using the correct Ontario Live price and it also needs to incorporate the use of the new Ontario feed cost which significantly increases the BC feed differential. These changes result in a significantly higher BC Live Price than what is being reported by the Board.
- As a result of these changes the formula differences reported in Columns F, G, and H also need to be adjusted.

The prices calculated by the Board for A-169 and A-170 are correct because the calculations have incorporated the changes in the ONCOPF and the feed conversion ratios in the Ontario Live Price and the BC feed differential. The significant increase in the differential for these two cycles which appears in Column D confirms that the calculations for periods A-162 – A 168 are not comparable.

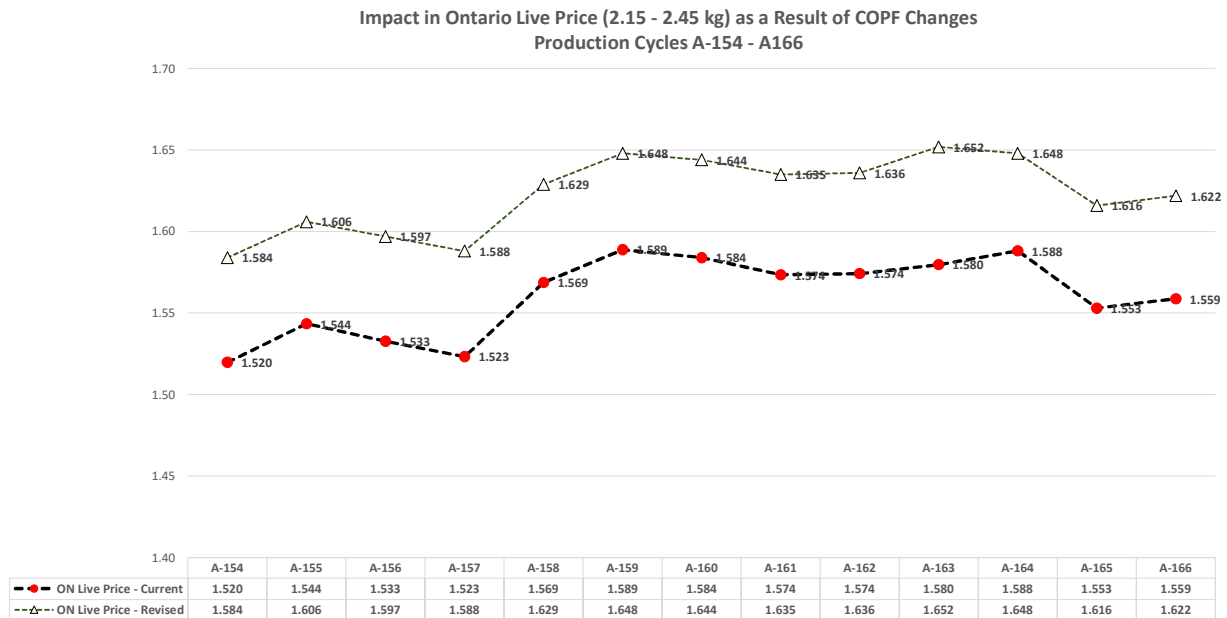
Furthermore, the analysis is incomplete as the BCCMB has made no attempt to assess the impact that their Preliminary Decision will have on returns to broiler growers in BC.

Appendix 2 – Recalculation of the Ontario Live Price

In order to calculate the historical BC Live Price under the Preliminary Decision the ON Live Price must be recalculated incorporating the changes of the new Ontario COPF. The chart below does these calculations, and the graph compares the new ON live price it to the live price under the old calculation.

The new feed conversion ratio was used to recalculate the Ontario feed cost and the new producer margin replaced the old margin calculation and the annual adjustments. Incorporating these changes, into the Ontario Live Price Formula would have increased the Ontario Live Price (2.15 – 2.45 kg) by 6.2 cents in 2019 and 6.3 cents in 2020.

Ontario Live - Current Formula	A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
ON Feed Price / Tonne	390.70	401.90	394.40	388.60	413.40	419.10	415.70	407.70	408.20	421.20	416.40	398.60	400.60
ON Feed Price / kg	0.3907	0.4019	0.3944	0.3886	0.4134	0.4191	0.4157	0.4077	0.4082	0.4212	0.4164	0.3986	0.4006
ON Feed Conversion Ratio	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298	1.81298
ON Feed Cost / Live Kg	0.7084	0.7287	0.7150	0.7046	0.7494	0.7598	0.7536	0.7392	0.7401	0.7637	0.7549	0.7226	0.7263
ON Chick Cost / Live Kg	0.3715	0.3749	0.3778	0.3788	0.3794	0.3892	0.3905	0.3945	0.3943	0.3897	0.3935	0.3906	0.3927
Operational and Capital Costs	0.5474	0.5474	0.5474	0.5474	0.5474	0.5474	0.5474	0.5586	0.5586	0.5586	0.5586	0.5586	0.5586
Total Annual Adjustments	-0.1210	-0.1210	-0.1210	-0.1210	-0.1210	-0.1210	-0.1210	-0.1323	-0.1323	-0.1323	-0.1323	-0.1323	-0.1323
Modular Loading Recovery	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120
AI Insurance	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015	0.0015
ON Minimum Live Price Posted (2.15 - 2.45)	1.520	1.544	1.533	1.523	1.569	1.589	1.584	1.574	1.574	1.580	1.588	1.553	1.559
Ontario Live - New Formula	A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
ON Feed Price / Tonne	390.70	401.90	394.40	388.60	413.40	419.10	415.70	407.70	408.20	421.20	416.40	398.60	400.60
ON Feed Price / kg	0.3907	0.4019	0.3944	0.3886	0.4134	0.4191	0.4157	0.4077	0.4082	0.4212	0.4164	0.3986	0.4006
ON Feed Conversion Ratio	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248	1.6248
ON Feed Cost / Live Kg	0.6348	0.6530	0.6408	0.6314	0.6717	0.681	0.6754	0.6624	0.6632	0.6844	0.6766	0.6476	0.6509
ON Chick Cost / Live Kg	0.3715	0.3749	0.3778	0.3788	0.3794	0.3892	0.3905	0.3945	0.3943	0.3897	0.3935	0.3906	0.3927
Operational and Capital	0.541	0.541	0.541	0.541	0.541	0.541	0.541	0.541	0.541	0.541	0.541	0.541	0.541
Levies & Licences Before Recovery	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022	0.022
CFC Levy Accrual Recovery	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
AI Insurance	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
Modular Loading	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012
ON Live Price - New COPF (2.15 - 2.45)	1.584	1.606	1.597	1.588	1.629	1.648	1.644	1.635	1.636	1.652	1.648	1.616	1.622
Ontario Live Price Increase	0.064	0.062	0.064	0.065	0.060	0.059	0.060	0.062	0.062	0.072	0.060	0.063	0.063

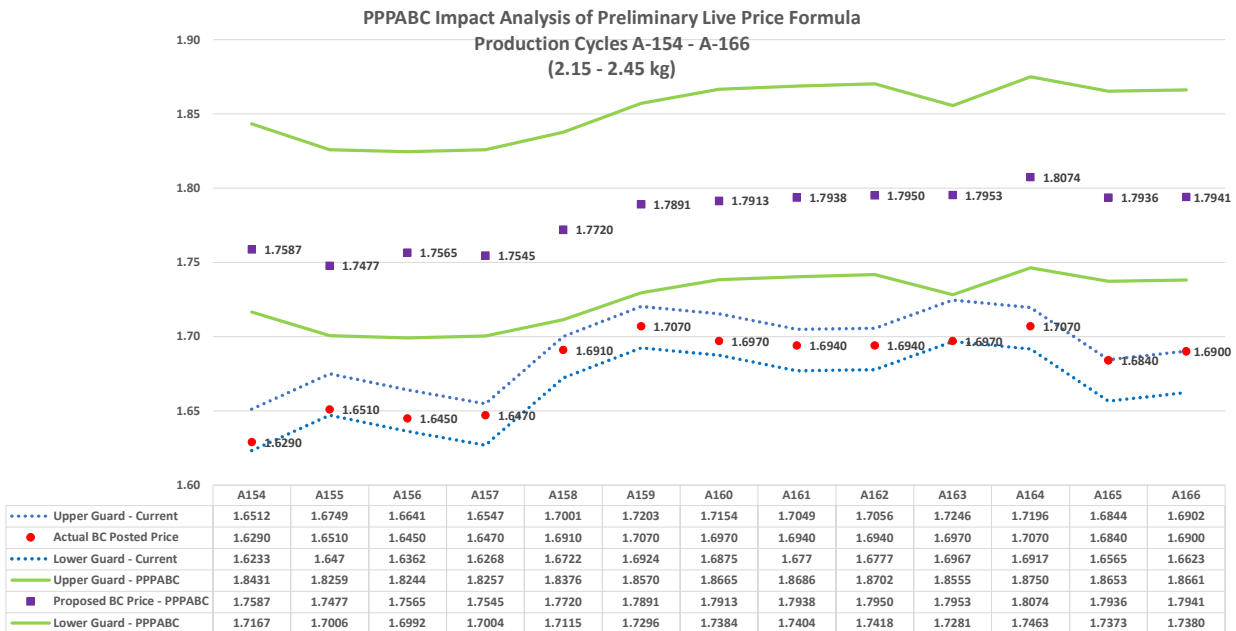


Sources: CFO Website, Serecon Ontario Chicken Pricing Sleeve Calculations

Appendix 3 – Incorporating the Revised Ontario Live Price into the BCCMB Preliminary Live Price Formula – PPPABC Analysis

With the new ON Live price now calculated, and the new ON feed cost identified, these variables can now be applied to the formula brought forward by the BCCMB (the Preliminary Decision). These calculations are provided in the table below. This spreadsheet details the calculation of the impact of the BCCMB’s Preliminary Live Price Proposal incorporating the feed conversation and producer margin changes in the new ONCOPF. The calculation is consistent with Appendix 1 using the Ontario Posted Price, less Ontario specific adjustments, and adding catching costs and 100% of the chick differential and 75% of the feed differential. Once again, the live price calculated under the preliminary formula is compared to the current BC posted live price. The results show an average increase in the BC Live Price of \$0.101 / kg per cycle over the A-154 – A-166 reference period.

BC Live Pricing Impact - PPPABC Analysis		A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
Ontario Live Price (2.15 - 2.45 Kg) - Revised		1.5840	1.6060	1.5970	1.5880	1.6290	1.6480	1.6440	1.6350	1.6360	1.6520	1.6480	1.6160	1.6220
less: Modular Loading		0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120
less: AI Insurance		0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
less: OBHECC Chick Adj		0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Net ON Price (2.15 - 2.45 Kg)		1.5690	1.5910	1.5820	1.5730	1.6140	1.6330	1.6290	1.6200	1.6210	1.6370	1.6330	1.6010	1.6070
Catching Costs		0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365
Chick Differential		0.0093	0.0041	0.0006	0.0028	0.0043	0.0024	0.0023	0.0102	0.0115	0.0171	0.0146	0.0197	0.0167
Capture	100%	0.0093	0.0041	0.0006	0.0028	0.0043	0.0024	0.0023	0.0102	0.0115	0.0171	0.0146	0.0197	0.0167
BC Feed Price per Tonne		501.03	489.58	499.39	497.76	501.76	507.39	509.15	504.12	503.76	499.39	509.71	502.73	502.67
BC Feed Cost / Live Kg		0.8267	0.8078	0.8240	0.8213	0.8279	0.8372	0.8401	0.8318	0.8312	0.8240	0.8410	0.8295	0.8294
Feed Differential		0.192	0.155	0.183	0.190	0.156	0.156	0.165	0.169	0.168	0.140	0.164	0.182	0.179
Capture	75%	0.1439	0.1161	0.1374	0.1424	0.1172	0.1172	0.1235	0.1271	0.1260	0.1047	0.1233	0.1364	0.1339
BC Live Price Proposed Formula		1.7587	1.7477	1.7565	1.7545	1.7720	1.7891	1.7913	1.7938	1.7938	1.7950	1.7953	1.8074	1.7936
Actual BC Posted Live Price (2.021 - 2.170 kg)		1.6290	1.6510	1.6450	1.6470	1.6910	1.7070	1.6970	1.6940	1.6940	1.6970	1.7070	1.6840	1.6900
BC Live Price Increase - Proposed Formula		0.1297	0.0967	0.1115	0.1075	0.0810	0.0820	0.0943	0.0998	0.1010	0.0983	0.1004	0.1096	0.1041
Serecon COP		1.807	1.7901	1.7886	1.7899	1.8016	1.8206	1.8299	1.832	1.8335	1.8191	1.8382	1.8287	1.8295
Lower Guardrail @95%		1.7167	1.7006	1.6992	1.7004	1.7115	1.7296	1.7384	1.7404	1.7418	1.7281	1.7463	1.7373	1.7380
Upper Guardrail @ 102%		1.8431	1.8259	1.8244	1.8257	1.8376	1.8570	1.8665	1.8686	1.8702	1.8555	1.8750	1.8653	1.8661



Sources: CFO Website, Serecon Ontario Chicken Pricing Sleeve Calculations, BCCMB Pricing Bulletins

Appendix 4 – Impact on Grower Returns and Processor Competitiveness – PPPABC Analysis

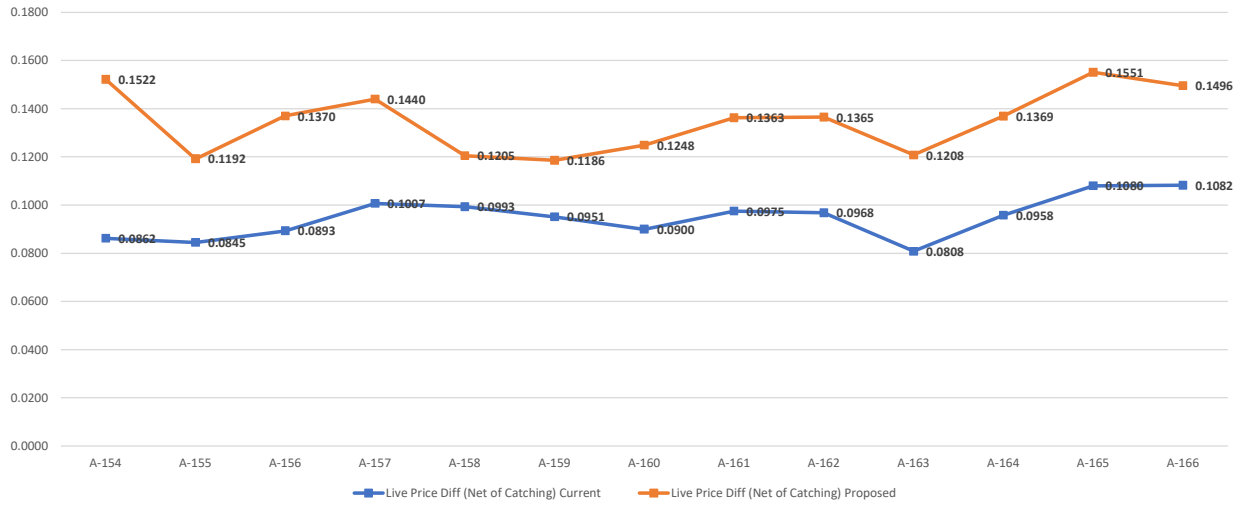
Using the revised Ontario Live Price and incorporating it into the Preliminary Live Pricing Formula, the PPPABC has also calculated the impact on grower returns and processor competitiveness. The table below shows the calculations and the expected impact on grower returns and the live price differential with Ontario if the BCCMB’s Preliminary Live Price Proposal is implemented for the A-154 – A-166 reference period.

The PPPABC’s analysis shows that under the proposed live price formula the live price differential with Ontario would increase by \$0.04 /kg on average.

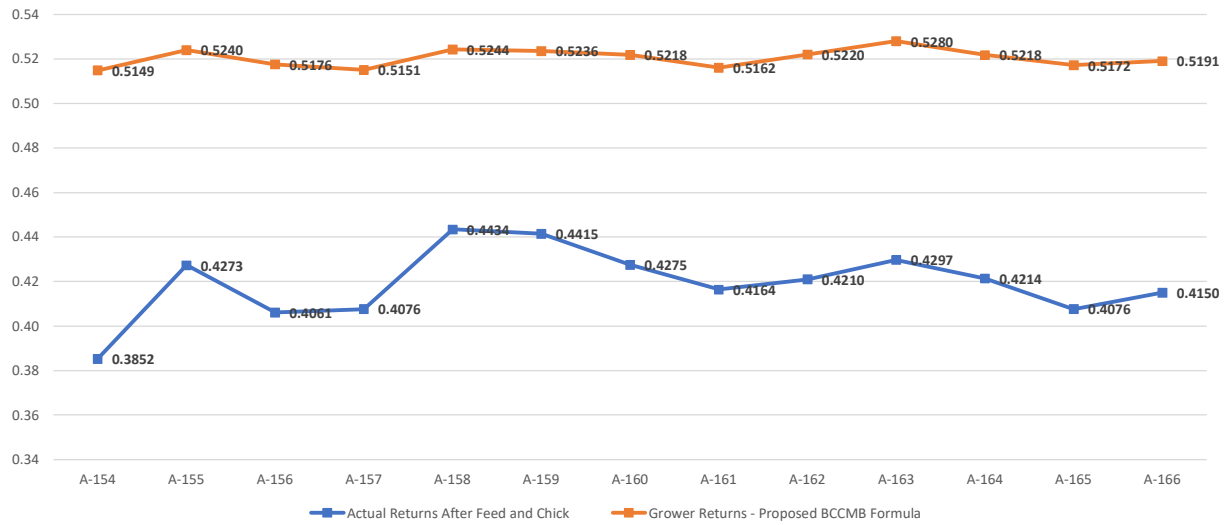
- Under the previous formula, the BC Processors live bird cost disadvantage relative to processors in Central Canada was \$23.3M annually. This will increase by 42% to \$33M under the Preliminary Decision.
- BC Grower returns (after feed, chick and catching) will increase by approximately \$24.1M (23%) **ANNUALLY** based on the implementation of the Preliminary Decision or an increase \$0.101/kg over the returns that growers experienced in 2019/2020.

Processor Competitiveness Impact - PPPABC	A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
Volume	35,085,475	36,712,284	38,061,737	38,862,060	38,737,906	38,731,055	37,042,325	38,554,898	38,645,590	37,833,024	37,314,467	37,572,466	37,572,466
Live Price Diff (Net of Catching) Current	0.0862	0.0845	0.0893	0.1007	0.0993	0.0951	0.0900	0.0975	0.0968	0.0808	0.0958	0.1080	0.1082
Live Price Diff (Net of Catching) Proposed	0.1522	0.1192	0.1370	0.1440	0.1205	0.1186	0.1248	0.1363	0.1365	0.1208	0.1369	0.1551	0.1496
Increase in Live Price Differential (Proposed)	0.0660	0.0347	0.0477	0.0433	0.0212	0.0235	0.0348	0.0388	0.0397	0.0400	0.0411	0.0471	0.0414
Reduction in Processor Competitiveness	2,316,518	1,273,916	1,815,545	1,683,699	819,307	908,243	1,289,999	1,494,002	1,534,230	1,513,321	1,533,625	1,770,602	1,554,561
Grower Return Impact - PPPABC	A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
Actual Returns After Feed and Chick	0.3852	0.4273	0.4061	0.4076	0.4434	0.4415	0.4275	0.4164	0.4210	0.4297	0.4214	0.4076	0.4150
Grower Returns - Proposed BCCMB Formula	0.5149	0.5240	0.5176	0.5151	0.5244	0.5236	0.5218	0.5162	0.5220	0.5280	0.5218	0.5172	0.5191
Increase in Grower Returns (Proposed)	0.1297	0.0967	0.1115	0.1075	0.0810	0.0820	0.0943	0.0998	0.1010	0.0983	0.1004	0.1096	0.1041
Gain in Grower Returns / Cost to Processors	4,551,463	3,550,078	4,243,884	4,178,643	3,135,833	3,177,883	3,494,017	3,845,851	3,903,205	3,718,986	3,746,372	4,118,882	3,910,354

Processor Competitiveness - PPPABC Impact Analysis
BC / ON Live Price Differential (Net of Catching)



Grower Returns - PPPABC Impact Analysis
BC Grower Returns After Feed & Chick



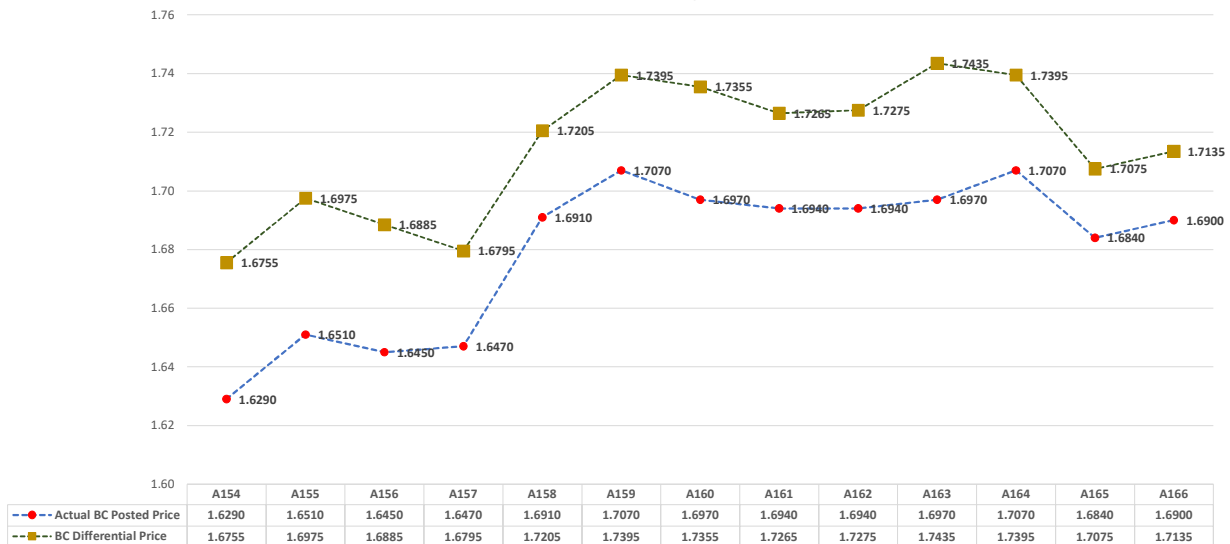
Appendix 5 – The Case for Fixed Differential Pricing – PPPABC Analysis

The PPPABC has been advocating for a fixed differential pricing that worked effectively in the past prior to the introduction of the annual adjustments in Ontario. The spreadsheet below shows what the BC Live Price would be using a 7-cent differential over the Ontario Live Price adjusted for the COPF changes. This differential equates to the historical 4.9 cent differential but accounts for the change in weight category with the Ontario Live Price. This simple straightforward formula uses the Net Ontario Live Price (2.15 – 2.45 kg) and adds a 7 cent pricing differential. The spreadsheet shows the impact compared to the current BC pricing formula.

The fixed differential formula results in an average \$0.046 increase in the BC Live Price when compared to the existing formula.

BC Pricing - Fixed Differential	A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
Ontario Live Price (New COPF) (2.15 - 2.45)	1.5840	1.6060	1.5970	1.5880	1.6290	1.6480	1.6440	1.6350	1.6360	1.6520	1.6480	1.6160	1.6220
less: Modular Loading	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120	0.0120
less: AI Insurance	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020	0.0020
less: OBHECC Chick Adj	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010
Net ON Price	1.5690	1.5910	1.5820	1.5730	1.6140	1.6330	1.6290	1.6200	1.6210	1.6370	1.6330	1.6010	1.6070
Catching Costs	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365	0.0365
BC Base Price (2.15 - 2.45 Kg)	1.6055	1.6275	1.6185	1.6095	1.6505	1.6695	1.6655	1.6565	1.6575	1.6735	1.6695	1.6375	1.6435
Fixed Differential	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
BC Differential Calculated Price	1.6755	1.6975	1.6885	1.6795	1.7205	1.7395	1.7355	1.7265	1.7275	1.7435	1.7395	1.7075	1.7135
Actual BC Posted Live Price	1.6290	1.6510	1.6450	1.6470	1.6910	1.7070	1.6970	1.6940	1.6940	1.6970	1.7070	1.6840	1.6900
BC Live Price Change	0.0465	0.0465	0.0435	0.0325	0.0295	0.0325	0.0385	0.0325	0.0335	0.0465	0.0325	0.0235	0.0235

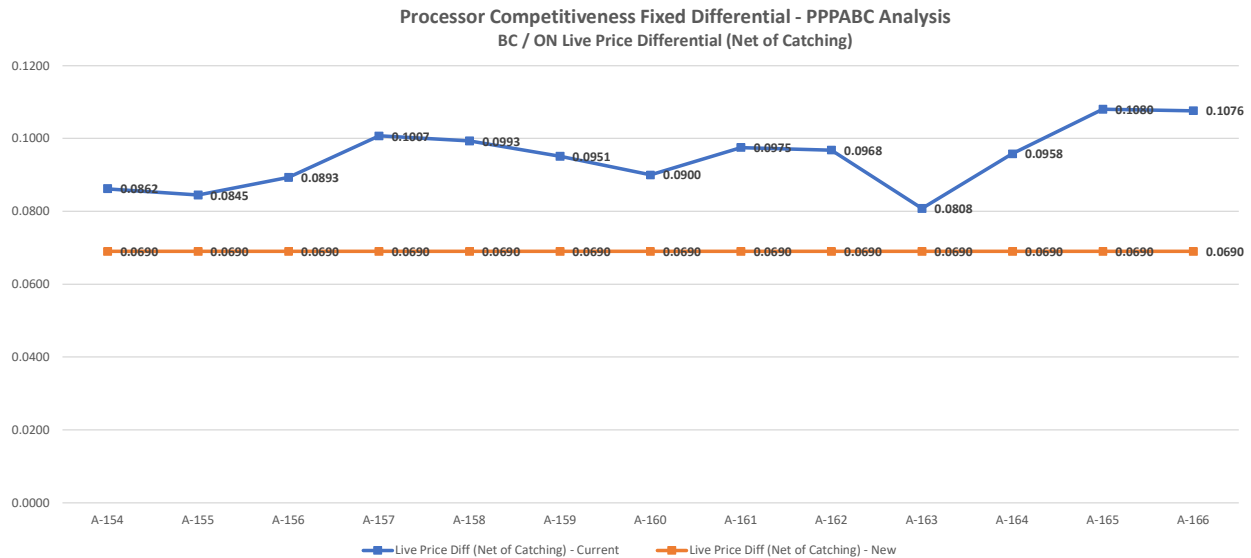
Fixed Differential Price (7 Cents) Impact Compared to Existing Price
PPPABC Impact Analysis
(Net of Catching)



Appendix 6 – The Case for Fixed Differential Pricing – Impact on Processor Competitiveness and Grower Returns – PPPABC Analysis

The table and charts below show the impact of a 7-cent fixed differential over the posted Ontario Live Price on the live price differential and grower returns comparing it the existing formula. This pricing formula would have delivered in 2019 an average \$0.023/kg improvement or \$5.7 million in the live price differential and an improvement of \$0.028/kg or \$6.8 million in 2020. Grower returns in 2019 would also improve by \$0.039/kg or \$9.4 million and \$0.033/kg or \$8.1 million in 2020.

Processor Competitiveness Impact		A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
Volume		35,085,475	36,712,284	38,061,737	38,862,060	38,737,906	38,731,055	37,042,325	38,554,898	38,645,590	37,833,024	37,314,467	37,572,466	37,572,466
Live Price Diff (Net of Catching) - Current		0.0862	0.0845	0.0893	0.1007	0.0993	0.0951	0.0900	0.0975	0.0968	0.0808	0.0958	0.1080	0.1076
Live Price Diff (Net of Catching) - New		0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690	0.0690
Change in Differential		-0.0172	-0.0155	-0.0203	-0.0317	-0.0303	-0.0261	-0.0210	-0.0285	-0.0278	-0.0118	-0.0268	-0.0390	-0.0386
Improvement in Processor Competitiveness		603,470	569,040	772,653	1,231,927	1,173,759	1,010,881	777,889	1,098,815	1,074,347	446,430	1,000,028	1,465,326	1,450,297
Grower Return Impact		A-154	A-155	A-156	A-157	A-158	A-159	A-160	A-161	A-162	A-163	A-164	A-165	A-166
Actual Returns After Feed and Chick		\$ 0.3852	\$ 0.4273	\$ 0.4061	\$ 0.4076	\$ 0.4434	\$ 0.4415	\$ 0.4275	\$ 0.4164	\$ 0.4210	\$ 0.4297	\$ 0.4214	\$ 0.4076	\$ 0.4150
Proposed Grower Returns		\$ 0.4317	\$ 0.4738	\$ 0.4496	\$ 0.4401	\$ 0.4729	\$ 0.4740	\$ 0.4660	\$ 0.4489	\$ 0.4545	\$ 0.4762	\$ 0.4539	\$ 0.4311	\$ 0.4385
Change in Grower Returns		\$ 0.0465	\$ 0.0465	\$ 0.0435	\$ 0.0325	\$ 0.0295	\$ 0.0325	\$ 0.0385	\$ 0.0325	\$ 0.0335	\$ 0.0465	\$ 0.0325	\$ 0.0235	\$ 0.0235
Improvement in Grower Returns		1,631,475	1,707,121	1,655,686	1,263,017	1,142,768	1,258,759	1,426,130	1,253,034	1,294,627	1,759,236	1,212,720	882,953	882,953



Grower Returns - Fixed Differential - PPPABC Impact Analysis
BC Grower Returns After Feed & Chick

