



BC Chicken Growers'
ASSOCIATION

July 5, 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 (BCCGA) Comments on the June 25, 2021, Primary Poultry Processors Association of BC (PPPABC) submission titled: BC Chicken Sector Pricing Supervisory Review Preliminary Live Pricing Formula Decision Feedback

The BCCGA has the following comments:

Throughout the PPPABC's submission, the proposed BC Chicken Marketing Board (BCCMB) interim pricing formula and the adjustments made to the new Ontario COPF, commencing A-169, have been intertwined. This, along with multiple other claims in their submission, have made the processors' submission confusing, inaccurate and misrepresentative.

In the PPPABC's submission, almost all the live price increases stated to be resulting from the proposed interim pricing formula are a result of the Ontario COPF change, not the proposed BCCMB interim pricing formula. The BCCGA analysis of the BCCMB interim pricing formula, indicated the only live price increase would be from the 100% chick recovery and amount to approximately 0.3 to 0.5 cents/kg. However, there would be live price reductions including the 2 cents/kg from the Ontario weight category change, potential 2.2 cents/kg resulting from the levy not being included in the COP for guardrails and the 2 cents/kg loss of loyalty premiums from the moratorium of grower movements. These two matters, the BCCMB proposed interim formula and the new Ontario COPF affect the industry in different ways.

The new Ontario COPF has corrected the old, flawed Ontario COPF. Ontario recognized that their efficiency adjustments were harming chicken growers for years and fixed that problem. The processors now say that the Ontario efficiency adjustment mistake should be the standard, making the lowest baseline for growers the standard, and anything more is a windfall gain. The new Ontario COPF does not affect the processors competitive position, relative to other provinces, as all live prices in Canada have gone up correspondingly.

The PPPABC have spent a lot of time focusing on their version of grower returns and processor competitiveness but once again it appears that they have not addressed the key issue of processor revenues and margins. The BCCGA has provided documentation on processor profitability, including the returns from a newly built plant, and showing that the retail price is much higher in BC compared to Ontario. These types of evaluations of processors' margin differential are of key importance when deciding on the long-term pricing of chicken in BC.

The BCCGA has, throughout this process, expressed our concerns about the management of sensitive and confidential Information. It has not been clear what process and criteria was used with respect to the designation of material as confidential and subjected to restricted disclosure. Our concerns flow from our ability to make meaningful consideration and respond to the Processors' materials. The Processors have abused this lack of process by withholding documents and restricting access to our expert analysts.

An example of this is the PPPABC's document that contained their analysis of BC chicken growers' costs. We are concerned that this document was kept confidential, and that it is not an accurate reflection of actual grower costs. The brief summarized matrix, initiated by the FIRB liaison, lacked the details required for the BCCGA to complete a full analysis. However, at a very high level, we noted several inconsistencies in their data. Without knowledge of the full content in this document, the information it contains is not defensible, as it has not been reviewed, analyzed, and verified.

The BCCGA frankly questions many of the PPPABC's numbers and calculations in their submission. The PPPABC charts 5, 6, and 7 are an example of this. Here it was claimed that a lower fixed differential will lead to increased grower returns and better processor margins. In a vacuum, these two things are close to being mutually exclusive.

Furthermore, the BCCGA had recommended a change to catching charges that has been discussed throughout the Western provinces, where BC processors pay for catching instead of BC chicken growers paying first and then adding that amount to the live price. This charge back artificially inflates the live price. If this were changed, it would also follow the Ontario model where processors pay for catching costs.

The BCCGA believes a COP based price model is the best long-term solution. This does not require the processor verified data to support their competitiveness, specifically the processors revenues and margins, to be provided on a regular basis. This again has proven to be impossible to obtain.

For years now, the BC processors have claimed that they are unable to pay a full COP, yet they have offered the highest price for quota, purchased chicken farms, and expanded their processing businesses in other provinces, at a phenomenal rate. BC processors now control approximately 25% of BC chicken quota, providing them with a competitive advantage on the highest input costs, namely feed and chicks. The processors' expansion has occurred while an increasing number of BC chicken growers have exited the industry, due to low and unacceptable returns.

The BC processors receive high retail prices compared to Ontario (corresponding to their higher wholesale prices) that has contributed to their ability to make these huge investments. Low grower returns, and excessive processor profits have effectively enabled the trend of processors purchasing the majority of farms and quota sales. A long-term price that yields cost recovery for BC chicken growers will stem the long-term instability and support the family farms and upcoming generations. Addressing the imbalance in the industry by providing growers with their full COP would improve the viability and support a healthy and sustainable BC Chicken Industry.

Sincerely,



Dale Krahn, President,
BC Chicken Growers' Association