



June 30, 2021

Mr. Jim Collins
Chair
BC Broiler Hatching Egg Commission

VIA EMAIL

Dear Jim:

Feedback on BCBHEPA Submission on Preliminary Pricing Formula Decision

The Primary Poultry Processors Association of BC (PPPABC) has had an opportunity to review the feedback submission by the BC Broiler Hatching Egg Producers Association (BCBHEPA) on the BC Broiler Hatching Egg Commission's (BCBHEC) Hatching Egg Sector Proposed COP-Based Pricing Package (Proposed COP Pricing) and the Preliminary Pricing Formula Decision (Preliminary Decision) put forward by the BC Chicken Marketing Board (BCCMB) and feels compelled to provide the following comments.

The PPPABC is not surprised that the BCBHEPA support the proposal brought forward by their Commission as the implementation of the formula will result will be increased returns for their members. The BCBHEC has not provided any comments on how the new formula will impact downstream stakeholder and as such their comments need to be considered in that context, they may be good for the sector, but they have not considered the balance of the industry. This approach is unfortunate given they have participated in industry discussions over the past few years where stakeholders have agreed that the reduction in ON efficiency factors would present an opportunity for all industry stakeholders to benefit.

It is the PPPABC's contention that the BCBHEPA's supports the use of the Serecon COP because its inherent modelling inflates production costs. The BCBHEPA submission states, "This process was then audited by MNP to confirm that the COP is fully transparent and defensible." This is misleading based on the MNP project scope outlined on page 46 of the Proposed COP Pricing and MNP observations in the report. MNP simply provided statements of reasonableness regarding the determination of costs and the methodology to make some calculations (i.e., weighted averages); MNP did not audit or provide an opinion on of the actual producer data or costs used in the Proposed COP Pricing.

MNP has provided feedback on certain aspects of the Serecon Model and in some cases they expressed specific concerns and in other areas they simply accepted Serecon's response that the methodologies were accepted by the BCBHEC or were being used in other jurisdictions. MNP provided very little background on why or how they conclude that the BCBHEC can use the COP methodology to set price. We assume MNP looked at the pricing proposal exclusively

from a Hatching Egg perspective without any regard for the impact on other stakeholders in the industry.

There can be no denying the fact that the BCBHEC Proposed COP Pricing (which includes the Serecon COP and the BCBHEC pricing mechanisms) is extremely complex and complicated and would be extremely difficult to administer. During the industry round tables it was clear that all stakeholders were struggling with the complexity of the formula. The PPPABC asserts that the Proposed COP Pricing model is more of an academic exercise than a viable pricing option.

The limitations to MNP's analysis give rise to significant evidentiary issues on the appropriateness of the Proposed COP Pricing. If this matter proceeds to a full hearing in front of the supervisory panel, the PPPABC reserves the right to cross-examine the appropriate representative from MNP on its analysis of the Proposed COP Pricing.

The BCBHEC Proposed COP Based Pricing process is neither transparent nor defensible. The Proposed COP Package is extremely complex and in no way can be considered transparent. We would challenge the BCBHEPA, or for that matter the BCBHEC, to try and thoroughly explain the components of the proposed formula, how they work, along with the calculations, how they are updated and how they compare to actual costs experienced by Producers.

The PPPABC will not comment on the issues that pertain to the hatcheries other than to say that consideration needs to be given to what impact the Proposed COP Pricing will have on other stakeholders. In this respect, the PPPABC takes great exception with the BCBHEPA's comments in their submission that they are, "frustrated by the processors, asking if the Commission and the BCCMB are aware of the impact of the proposed changes in the COPF." This can only be seen as a complete lack of recognition for downstream stakeholders in the industry. It is incumbent on the BCBHEC and the BCCMB to advise the BCFIRB of the impact of their pricing decisions on all industry stakeholders and the policy objectives. The failure of the BCBHEC and BCCMB to adequately articulate the impact of their pricing decisions on all industry stakeholders will result in unsound marketing policy. One can only assume, based on the BCBHEPA comments, that they have no interest in this regard.

There is a clear pattern emerging in this supervisory review that the BCBHEPA and the BCCGA have aligned themselves to support Serecon COP based pricing methodologies that have been previously shown to inflate costs, with absolutely no regard for the rest of the industry. These models do not accord with the reality. Actual cost-based analyses demonstrate that producers and growers already enjoy fair and reasonable returns.

The narrow view of the industry and self-serving approach taken by the BCBHEPA, along with the lack of understanding around how other stakeholders will be impacted by the Proposed COP Pricing, is inconsistent with the objectives of the supervisory review and makes their feedback irrelevant.

The BCBHEPA, as well as the BCCGA, are solely focused on their own agendas at the expense of others in the industry.

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 of BC

- c. PPPABC Members
 - Craig Evans – PPPABC
 - Jim Collins – BCBHEC
 - Wendy Holm – BCFIRB Liaison