



THE HOLM TEAM *Agriculture Economics Journalism Trade Cooperation*

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REPORT TO STAKEHOLDERS¹ (Producers, Hatcheries, Growers and Processors)

A quick update as we move into the final stages of this Review.

The process for Stakeholders to provide feedback on the draft long term pricing models has now drawn to a close. The BCBHEC and BCCMB now have before them for consideration:

- a) initial stakeholder feedback submissions to the June 2 Roundtable on Draft Pricing Option
- b) additional stakeholder submissions providing “feedback on the feedback of others;
- c) stakeholder responses to questions posed by both regulators in clarification meetings with individual stakeholders July 27 and August 6; and
- d) final written follow-up to the clarification meetings from stakeholders.

A summary matrix of Stakeholder feedback is appended to this report. BCBHEC and BCCMB may follow up with specific stakeholders as needed to finalize their long-term pricing recommendations for BCFIRB.

The BCBHEC and BCCMB are now in the process of reviewing this feedback and formulating final recommendations for long term pricing of BC chicken.

A secure, password-protected webpage has been created on Review website to enable the sharing of information amongst stakeholders that is considered of a confidential nature.

Over the past several months, PPPABC filed three Appeals relating to BCCMB pricing orders #160, #161 and #162 for production periods A-169, A-170 and A-171, respectively. In the first two cases, after hearing from the parties, the BCFIRB appeal panel deferred the appeals pending completion of the Long-Term Chicken Pricing Review under s. 8(8) of the Natural Products Marketing (BC) Act, R.S.B.C. 1996, c. 330. The third, just filed, is still before the BCFIRB appeal panel.

In July, BCFIRB decided to review its 2020 Interim Orders on chicken/hatching egg pricing given the passage of time, the change in Ontario pricing and the delay in reaching final pricing outcome. The goal of the Interim Orders was to ensure industry stability and orderly marketing while longer-term pricing solution discussions were underway. BCFIRB asked for submissions from Stakeholders and the regulatory boards as to whether they believed one or more of the pricing structures are resulting in industry instability. As a part of its submission, PPPABC asked to provide confidential business information directly to the BCFIRB panel. The Panel did not grant this request. In a decision of August 20th, BCFIRB reported that they had not received, through this process, “any measurable or substantiated objective evidence or data of industry instability” and urged BCCMB and PPPABC to work constructively together to find a way to allow PPPABC to share what they consider confidential information directly with the first instance regulators. BCFIRB concluded no changes were needed to its Interim Orders directing the BCCMB and BCBHEC to seek BCFIRB prior approval for any changes to the current pricing structures.

Kind regards and keep safe and well...

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BCFIRB Liaison - Long Term Chicken Sector Pricing Review

¹ This is the twelfth in a series of reports to Stakeholders to keep you informed/engaged as we move through the Review process.

B.C. BROILER HATCHING EGG PRODUCERS' ASSOCIATION: FEEDBACK TO REGULATORS

HE COP	HATCHERY Margin Ck Vac	LW PRICE	AOS
PROCESS	PROCESS	PROCESS	PROCESS
Mechanism needed to mitigate scenarios where producers cannot be fully efficient i.e., directed by hatcheries to raise higher cost breeds such as Cobb with lower rate of lay.		none	none
System needed to identify reasons for any broiler barns with > 1% mortality.			
Serecon interviews and audits provide a clear picture to stakeholders on real costs.			
MNP 3 rd party audit confirmed COP transparent & defensible.			
Frustrated with processors asking for competitiveness analysis given meetings were in-camera. Apparently, info from in-camera meetings was not enough. Difficult to access the competitive impact of price increase in isolation of all pertinent information.			
OUTCOME	OUTCOME	OUTCOME	OUTCOME
	COLA v set margin gives stability to hatcheries & producers	none	none
	Welcomes vaccination program pricing formula as consistent equitable and fair.		

- No feedback was provided by BCBHEPA on LW pricing nor on AOS.

B.C. EGG HATCHERY ASSOCIATION: FEEDBACK TO REGULATORS

HE COP	HATCHERY Margin Ck Vac	LWP	AOS
PROCESS	PROCESS		
Fails to model impact of COP on industry stakeholders.	Failure to consider widening gap with Ontario hatchery margins.	none	none
No financial analysis of impact of Alberta/Ontario HE COP.			
BHEC focus on COP; options e.g., linkage not considered.			
Producer-centric approach.			
Western-based pricing as part of BHEC strategy not discussed.			
OUTCOME	OUTCOME		
COP model complex, ill-defined and non-transparent.	Failure to quantify how much of ON margin flows to producers and growers.	none	none
Serecon-based model inflates costs (esp. labour & capital).	Cap on further margin increases will not allow recovery of future cost increases.		
Unfair for margin increases to be contingent on growers and processors receiving 100% COP.	BCEHA requires substantial increase in margins above proposed 1.75¢.		
	Unclear how decisions will be made on vaccine programs.		
	Unclear responsibility and liability for chick quality.		
	No provision for future hatchery margin increases.		
	No provision for how further ON hatchery margin increases will be managed.		

- No feedback was provided by BCEHA on LW pricing nor on AOS.

B.C. CHICKEN GROWERS' ASSOCIATION: FEEDBACK TO REGULATORS

HE COP	HATCHERY Margin Ck Vac	LW PRICE	AOS
PROCESS	PROCESS	PROCESS	PROCESS
NONE	NONE	Request to review PPPABC grower cost analysis provided to CMB in confidence.	Lack of analysis (SAFETI etc.) to justify moratorium.
OUTCOME	OUTCOME	OUTCOME	OUTCOME
Requests detailed information on how BHEC will determine kill age & evaluate downstream impacts.	Requests information on vaccine standards.	COP should be completed in one year, not two.	What will happen after 13 cycles?
Recommends impact calculations on too many breeders, changes to rate of lay, changes to hatchability, other possible areas of change	Will SE protocol for monitoring and chick removal be implemented?	COP should include Grower levies as in Ontario. (And until BCCOP, upper guard rail should be adjusted upwards to reflect fact that current Serecon formula used now does not include levy).	
	Requests detailed information presented regarding how margin amendment decisions would be made and how they could impact broiler price and impact on downstream stakeholders.	Lower guardrail should be set at 98% not 95% of Serecon COP	
	Recommends margin negotiation v formula	Include levies in Serecon COP guardrail determination	
		Cost recovery on feed differential over Ontario should be 100%.	
		Formula should continue to use higher Ontario weight category (<2.45).	

PRIMARY POULTRY PROCESSORS' ASSOCIATION OF BC: FEEDBACK TO REGULATORS

HE COP PROCESS	HATCHERY PROCESS	LW PRICE PROCESS	AOS PROCESS
Failed to consider pricing options.	None	Failed to consider pricing option that would benefit all stakeholders equally.	Fails to recognize the realities of premiums and grower movement between processors.
Merit of linkage principles ignored.		Process has been fragmented, biased and convoluted.	Over past 3-4 yes, smaller processors have picked up 4.9M kgs (750,000 bpc) fm large processors using premiums to attract growers.
Lack of financial modeling on hatching egg/chick price beyond 1 period; grower return/processor competitiveness impact not modeled		Consultation has been inadequate and ineffective.	
No definition of a fair return for an efficient hatching egg producer.		Favoured unsubstantiated/anecdotal data from growers while holding processors to unrealistic, ever-changing standards of proof.	
Failed to work with/address processor issues to rebalance interests of stakeholders when ON COPF amended A169/A170		Failed to provide Impact Analysis on how will affect grower returns and processor competitiveness (TOR).	
Balanced approach between stakeholders has been abandoned.		Processor submissions (processor competitiveness and grower returns) have been discounted, manipulated or ignored; not considered nor incorporated into final decision.	
		Impact analysis provided in response to June 2 Round Table is inaccurate and incomplete - does not account for changes in ONCOPF which creates excessive returns for growers and underestimates impact on processor competitiveness.	
		Impact analysis (grower returns/processor competitiveness) missing	
OUTCOME	OUTCOME	OUTCOME	OUTCOME
Fails to consider linkage principles - equivalent returns to reduce appeals.	None	Growers and producers benefit at expense of hatcheries and processors.	.
Complex model, hard to understand.		Preliminary Decision of CMB will result in unsound marketing policy.	
COP model is heavily based on Serecon model. Chicken Serecon COP overstates grower returns.		Grower expectations have been set at levels which are unsustainable by the industry. Use of Serecon model as the basis for pricing guardrails exacerbates.	
Prioritizes hatching egg producer return.		Under proposed formula, BC Grower returns will increase by 10¢ kg to \$24.1 Million annually (+23%) over 2019/20.	
Unclear how COP data will be sourced and updated.		BC processor costs will increase by \$23.3 Million annually and live price gap over Ontario (less catching) by \$9 Million annually.	
		Will increase BC processor cost disadvantage by \$9M annually.	

- No feedback was provided by PPPABC on Hatchery Margin, Breeder Chick and Vaccine formula

BC PROCESSORS INDEPENDENT OF PPPABC: FEEDBACK TO REGULATORS

ROSSDOWN HE COP	HATCHERY Margin Ck Vac	LW PRICE	AOS
PROCESS	PROCESS	PROCESS	PROCESS
None	None	None	BCCMB has failed to “provide any proof that the current premium structure is problematic to the market.”
OUTCOME	OUTCOME	OUTCOME	OUTCOME
None	None	None	Moratorium on grower movement between processors will have a significant negative impact on competitiveness
			Oppose any attempt by CMB to eliminate grower premiums as their premiums reflect value added.
FVSP HE COP	HATCHERY Margin Ck Vac	LW PRICE	AOS
PROCESS	PROCESS	PROCESS	PROCESS
None	None	None	Lack of Research to justify need for moratorium on grower movement between processors and how it can be reconciled with SAFETI.
OUTCOME	OUTCOME	OUTCOME	OUTCOME
None	None	None	Will negatively impact their competitiveness as a small, niche processor.
			Suggest 2 alternatives: <ul style="list-style-type: none"> • limit volume of production that can be moved per cycle • increase current 2 cycle mandatory notice of intent to move to 3 cycles

- No feedback was provided by Rosssdown nor FVSP on HEC COP, Hatchery Margins nor CMB LW pricing.