



BC Broiler Hatching Eggs *Pricing Proposal Highlights*

JANUARY 28, 2022



7a. COP Model – How we got here

Page 6 of the Pricing Package

- April 18, 2018 Pricing Positions document
- Active Appeals, Decisions
- Postings to BCBHEC-BCCMB Pricing Website
- Roundtable Process

7a. COP Model – How we got here

Through this process, BCBHEC:

- Has updated its COP survey
- Had its COP survey reviewed by a third party
- Had the COP surveyor respond to the review
- Provided all reports to stakeholders
- Received and responded to stakeholder questions, and added 'Further Analysis' sections
- Asked its own clarifying questions of stakeholder submissions
- Ran the new COP-based pricing framework alongside the current for comparability

7b. COP Model – High level overview of COP model and efficiencies, mechanisms

Full report on the COP Surveys for 2020 (pp.7-35 of the Pricing Package)

- Cost of Production, itemized (p.29)

Third-Party Review on the COP Surveys for 2020 (pp.44-70)

- Conclusions (pp.68-69)

Response to Third-Party Review (pp.36-43)

7b. COP Model – High level overview of COP model and efficiencies, mechanisms

Proposed COP Update Mechanisms (pp.71-80)

- To permit the COP to be updated and recalculated to ensure the use of the most recent information.
- Aim is to strike a balance between complexity and having critical components costed accurately
- Following further analysis, proposed adjustable inputs include:

Feed	Processing dates	Breeder chicks	Vaccines
Industry Benefit Index	Fowl Revenue	Breaker Quality Eggs Revenue	New Costs

7b. COP Model – High level overview of COP model and efficiencies, mechanisms

Proposed COP Efficiencies (pp.80-83)

- The way in which the COP Pricing Formula ensures balance between Producer costs and sector cost-effectiveness.
- Following further analysis, proposed adjustable inputs include:

Saleable Chick Payment	70% Hatch	Production Trimming
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7b. COP Model – High level overview of COP model and efficiencies, mechanisms

Proposed COP Pricing Effects (pp.84-98)

- Significant additional analysis provided to highlight the difference between the current Linkage-based COP-derived price and the new 2020 COP-derived price.
- Table layering in the Mechanisms (p.86)
- Table layering in the Efficiencies (p.87)
- Key takeaway:

An efficient producer is 99.2% to 99.3% of the COP during those pricing periods.

7c. COP Model – Next steps

- Review of any comments or questions that may arise from this Roundtable and stakeholder submissions
- Potential further analysis to be conducted
- Production Trimming and other analyses are underpinned by timely reporting by hatcheries: full pickup, set and hatch data is required through the Hatching Egg Reporting System

8. Stakeholder discussion



COP Model

9a. Hatchery margin, breeder chick and vaccine pricing – How we got here

Page 99 of the Pricing Package

- Sub-Committee
- October 2019 outcome

9b. Hatchery margin, breeder chick and vaccine pricing – Accomplishments

Hatchery Margin analysis (pp.99-103)

- Recommendation of 1.75¢ per saleable chick (p.103)

Breeder Chick Pricing analysis (pp.103-109)

- Recommended cost approach (p.106)
- Recommended breeder chick margin cost inclusion at 1.25¢ per saleable chick (p.109)

Vaccine analysis (p.110)

- Work Action Plan has been created and work progressed

9c. Hatchery margin, breeder chick and vaccine pricing – Next steps

Substantive response from BCEHA, outstanding since October 2019

Further refinement of key cost processes:

1. Breeder chick price formula - refinement of costs and update timelines
2. Receipt of pricing schedules of breed(s) chosen by hatcheries (e.g., day-old breeder chick costs, breeder company vaccine costs, etc.)
3. Proactive discussions from BCEHA on establishing a baseline hydro and labour cost so as to permit hatchery margin adjustments following verification by a third-party

These processes, coupled with transparency, will insulate hatcheries from the common refrain of 'price gouging'

10a. Linkage discussion – How it will work in the interim

Proposed COP Pricing Effects (pp.84-98)

- Phase-in approaches, tables and illustrations (pp.88-98)
- Use an approach that provides the most clarity and assurance = stability to the Chicken supply chain
- Key takeaway:

Proposal to use a rising floor to the efficient New (2020) COP-derived recovery, over 'X' periods.

Estimated phase-in schedule from A176 (May 8, 2022) to A185 (September 24, 2023)

10a. Linkage discussion – How it will work in the interim

Linkage → a new Chicken ‘Connection’

Connection with hatcheries, chicken growers, processors and further processors will continue to be in place, with a stable input into the BC Chicken Marketing Board’s pricing framework

Note: Estimated HE COP phase-in schedule from A176 (May 8, 2022) to A185 (September 24, 2023) may overlap with an interim schedule for BC Chicken

10b. Linkage discussion – How it will work with a Chicken COP

Linkage → a new Chicken ‘Connection’

The hatching egg COP continues to be a stable input into the BC Chicken Marketing Board’s pricing framework

Note: Estimated HE COP phase-in schedule from A176 (May 8, 2022) to A185 (September 24, 2023) may overlap with an interim schedule for BC Chicken

10c. Linkage discussion – Additional considerations

- Ensuring appropriate connections remain or are established
- During next round of COP updates, addressing areas of critique (e.g., the Commission has begun the process of establishing labour time sheets)
- Continuing to engage with the BCEHA and anticipating receipt of a substantive response, as well as continuing engagement on issues that may arise during implementation and thereafter (e.g., establishing a tripartite COP)

11. Stakeholder discussion



Hatchery Pricing
(Margin, Breeder Chick and Vaccines)

Linkage → a new Chicken 'Connection'