



BC Chicken Growers'
ASSOCIATION

February 4, 2022

BY EMAIL
info@bcchicken.ca

RE: BC Chicken Growers' Association's Feedback to BC chicken Marketing Board's *Draft* Pricing Review Decision

Harvey Sasaki, Chair – BC Chicken Marketing Board

Dear Harvey,

The BC Chicken Growers' Association (BCCGA) supports the BC Chicken Marketing Boards' (BCCMB) proposal for a cost-based approach to live weight pricing in the longer-term new pricing agreement. Our position is that the BCCMB has done their due diligence with regards to reviewing the status of the growers returns. Multiple studies completed by both BCCMB and the BCCGA address this aspect of our industry.

The loss in the number of BC chicken growers is an indication of the health of the BC chicken industry, and it is not favorable. The numbers are declining substantially, as seen in the charts below. This reduction in number of growers will continue if cost recovery for growers is not achieved, in addition to a reasonable return.

Year – No. Of Growers

2010 - 332 growers

2018 - 324 growers

2021 - 317 growers

2022 - 310 growers

*Since 2007 the BCCMB has started 67 New Entrant Growers. 8 of them have since left the industry. The above declining numbers include these NEG additions.



101 - 32450 Simon Avenue, Abbotsford, BC V2T 4J2

tel 604.556.0378 | www.poultryinmotion.ca | office@bcchickengrowers.ca

BC chicken growers can not continue to operate with increased costs. They have not reached their costs of production since 2012. BC chicken growers are not able to recoup losses from the recent wheat/corn imbalances, increased chick prices, other increased costs. The hatching egg sector proposed COP-based pricing, if implemented before the cost-based approach to live weight pricing, will increase chicken growers' costs during the interim formula. Chicken growers will have no way to recover these increased costs while above the upper guardrail. And even if the live price is below the upper guardrail, it would only capture 75%, not the 100% that the BCCMB originally proposed. There needs to be some increase given to growers to cover these increased chick costs.

The BCCMB's intent to shift the Ontario Farm Gate Minimum Live Price used in the formula to the 2.15 – 2.45 kg weight category will result in a further reduction of \$.02/kg is a step backwards and cannot be borne by the BC chicken growers.

The BCCMB's explanation of transparency with the Ontario COPF and processor competitiveness is an incomplete and unsupported argument for the \$.02/kg reduction. To be transparent with the Ontario price, the BCCMB must also change the catching cost mechanism and have the processors pay for catching costs directly. These two items done together would provide greater transparency. Additionally, this \$.02/kg reduction by way of a weight category change cannot be shown to improve processor competitiveness since the processor's competitiveness can not be easily measured by any data provided in these roundtables. To reduce the BC chicken growers' live price, considering the high costs BC chicken growers are experiencing, does not have compelling supportive evidence. We have heard from our growers that this change is not supportable to a healthy BC chicken industry nor sustainable.

Regarding the long-term pricing mechanism, the BCCGA strongly recommends a timeline less than two years and suggests a completion within six months. BC chicken growers need an expedited decision to make important business decisions, such as expansion, succession, sales, exiting the industry, or growing the farm. BC processors cannot be allowed to slow the process by not being transparent. If the growers and processors cannot agree, then the BCCMB must make timely decisions, otherwise this process will continue to drag on, as it has for the last 6 years.

The BCCGA believes that the committee structure would benefit by including Jim Collin, Chair of the BC Broiler Hatching Egg Commission. Mr. Collin's experience with processes within BCFIRB as well as his experience facilitating agreements between growers and processors, and his implementation of the hatching egg cost of production proposal, may help expedite the creation of the long-term chicken pricing mechanism.

The most transparent linkage to BC processors' competitiveness is measuring change in the market share; this affects all stakeholders equally. Market share is also a good indication of industry health provided the growers are receiving an adequate cost-based price. The BCCMB would then be able to consider an appropriate adjustment to the cost-based price accordingly.

It is important to acknowledge that the B.C. retail fresh chicken prices are consistently higher than the Canadian average price on average by \$.60/kg and proves that the higher price in BC can be passed on by processors. The other Western provinces now have higher live prices compared to BC and proves that the live price can move upward in BC. This is an opportunity for the growers to receive increased returns without the processors giving up market share

The goal of an increased live price is not only in response to helping BC chicken growers cover ever increasing costs, but also in support of a prospering industry in which the BC chicken growers can build new barns, which will improve animal health and help the BC chicken growers become more efficient. Also, it is important to grow the number of family farms and make succession attractive for the next generation. The growers believe that this vision of the future is supported by the studies undertaken by our reputable consultants. Both Serecon and Hugh Scolah's 2021 "BC Chicken Grower Sustainability" report claim the industry will not survive if things do not change. Currently, BC chicken growers will retire by selling their farms and the family farm will eventually disappear.

Thank you for your attention to this matter.

Sincerely,



Dale Krahn, President
BC Chicken Growers' Association

Jan 21, 2022

To the BC Chicken Board of Directors ...

I want to begin this letter with something positive. We are all living in a very broken world while we strive to make the best of it all. The BC chicken industry is made up of solid, dedicated, resilient, resourceful, hard-working folk on all levels. I am a proud member of this "family" because of the opportunity provided through the Interior NEG Program. A lot of Board work is behind the scene and thankless. I want to say "thank you". Your efforts and the time this work takes you away from your families and other important things is appreciated. Sincerely.

Feedback regarding Draft Pricing Review Decision ...

After reading through the report it is clear there is much variability in the grower and processor sectors however I don't think any of the information was so much different from past collections and what we already know to be a big surprise to anyone.

Consumer demand for BC chicken holds strong. The effort of BC chicken growers to feed people is important work. The BCCGA has never advocated for less than 100% feed/chick in the pricing formula so I'm very disappointed to see the draft proposal unchanged at 75% feed/chick. BC feed costs are through the roof and only climbing while feed mills struggle to source and transport ingredients. It's also unacceptable that the guardrails have prohibited 75% recovery recently. That cannot continue.

Since my NEG start (2012) I have appreciated the effort of the Board to respond to concerns with positive improvements. The scope of my further investment was limited by (age), equity, borrowing power, and cash flow. I was really discouraged to see the current NEG program described "borderline at best". Small farm size will continue to be an issue in the Island and Interior Regions where most of the current mainstream NEG exist. Operating indefinitely on a red line does not encourage further investment and growth. Inflation and equity alone cannot fund further investment and growth. At this rate I can never pay off the farm without selling the farm. This reality does not promote NEG as the intended avenue for industry growth and renewal.

A thorough consultation process can be complex and tedious but this has really dragged on for too many years to be excused by COVID, fires, and floods. A reasonable return for growers is a pillar of supply management. Processor competitiveness is not a pillar of supply management. It's apparent that processors will always argue and appeal grower gains no matter how a process tries to accommodate them. When the BC allocation is over 35 million kg per cycle and the live price is undervalued even a modest 5 cents/kg that adds up to more than \$11,000,000 per year times many years! These are very big numbers and stalling all the processes is a revenue generating tactic for them and it will not stop.

Following the zoom discussion about family farm insolvency ACTION is required ASAP to address these serious and relevant issues before it's too late ...

*Chris Coers
Enderby BC*

To whom it may concern,

Grower feedback to BCCMB's final submission:

- 1.
2. BC growers should be paid at 100% difference in cost of feed and chicks, instead of the 75% currently and 50% previous to this. How can one logically figure
3. we should be compensated for anything less than the full cost of production? In layman's terms, this would mean we are never covering our costs, yet the Board figures this to be 'consistent with sound marketing policy'. On top of this, they introduce guardrails
4. that cause the growers to cover even less than 75% of COP. How in any business model, let alone one that needs to be sustainable to feed the country, does this make sense? We need much further explanation than the board writing but not stating how this is
5. sound marketing policy.
- 6.
- 7.
8. We seem to understand that BC is grain deficient, we will always need to import drastically more grain than any other province, and that feed is the growers
9. biggest cost. Yet we base our live price on another province that can grow a substantial amount of their own grain and feed a corn based diet. This makes our entire live price dependent on the cost of corn for Ontario, which is not only cheaper but is grown
10. in the province, versus the cost of wheat, which is more expensive and needs to be imported from the closest province (AB). Based on the export dynamics, there is no end in sight to the extremely high price of wheat, we will likely be in this situation for
11. years where corn is much cheaper than wheat. When you add in the freight costs BC must cover, we are going to be into the upper guardrails for years to come, unless we can price based on our own unique provinces' cost of production.
- 12.
- 13.
14. Further to the above point, to state that BC's lower feed conversion can offset the higher price of feed is not sound logic. Feed conversion varies greatly
15. based on bird gut health, yet BC's feed price is always going to be higher. To depend on the health of the flock to offset the higher cost of feed is not sustainable, the flock health is always going to vary, the feed price however is always going to be higher
16. than Ontario's.
- 17.
- 18.
19. Processor's competitiveness should not be part of the equation. First, CFC is supposed to control how much chicken each province is allotted based on that
20. province's consumption, not province consumption + exported chicken to other provinces. Second, based on there being 26 processors in BC, but the fact there

are only 3 main parent companies that own nearly all 26, screams profitability.
Third, these same parent

21. companies own processing in nearly every province across Canada, which means we are trying to keep them competitive amongst their own sister companies in other provinces? The comparison of the top 5 processors owning 60% of the broiler market to the US also
22. owning this is a slap in the face to supply management and how it has been structured (with the obvious point being US is not supply managed). They profit in every way possible and we are going to put a cap on growers profits in the way of a guardrails to ensure
23. this continues?
- 24.
- 25.
26. The fact that processors can also own broiler quota in BC furthers the above point. If they could not own broiler quota, they would need to work with growers
27. much more strategically, to ensure they get their product to market. Instead they continue to buy more and more quota, ensuring they do not need to work with growers on how to make growing chicken profitable and sustainable, they instead rely on receiving
28. the profit at the end of the value chain regardless. This also contributes to the ugly situation where less and less families own broiler quota, and more and more large scale farms are run by the same parent companies. The quality of product and production
29. utilization is always going to be better on smaller scale family run farms due to their ability to only profit off of growing the chicken, not counting on larger profits when selling to the market.
- 30.
- 31.
32. If we are to ensure this industry is sustainable and can have more diversity amongst growers (not just processors owning more), how could we possibly use
33. the Grant Thornton model, as it ONLY looks at an existing grower, not someone entering the industry. This would ensure that only farmers willing to sell to their kids (likely at a large discount) and processors who own quota will stay in the industry as we
34. get through this generation of growers. In 1-2 generations, the amount of individual families in the industry will be reduced dramatically.
- 35.
- 36.
37. Catching price should be removed from live price and instead be paid by the processors, or at the very least split 50/50 between grower and processor.
38. The catching crews in all instances either work for the processors (Pollon Express) or work extremely closely with the processors. The grower has almost zero control of the catching process, including time of arrival, bird handling, birds per crate, if trucks
39. are tarped in the winter, etc. All the grower can do is be present and hope to sway the catching crew into listening by pleading with the catching supervisor on

site. Although the grower requires catching, the processor also requires catching and completely

40. controls nearly every facet of it, and in some instances directly profits off of it by having their own crews. For the grower to pay for this service, and then have it baked into the live price (currently causing the live price to push that much further past
41. the guardrail) does not make sense.
- 42.
- 43.
44. Look to Ontario for how to make a COP, not how to price ours off of them. They have ZERO processor run farms, they have independent hatcheries and processors,
45. all working extremely hard to ensure all chains in the linkage are profitable. Their COP has been worked over constantly by the grower ran board, who have first hand experience on the true costs of doing business. They also recently changed their live price
46. to guarantee a producer margin, basing their data off of all new builds and renovations, ensuring the COP is always recent and on top of the increasing costs growers incur. With the government grant currently in place, this would be an extremely easy set of
47. data to collect, as the growers have to include all of the relevant data for builds and renovations when applying for the grant.
- 48.

Thanks for your time,

Silver Slough Farms

Dear British Columbia Chicken Marketing Board Members and those considering pricing models for Chicken in BC:

After attending the meeting last week Friday on long term chicken pricing, I found there were three specific areas we would like to comment on and give suggestions. We would also like to thank all those who were involved in the enormous task of gathering all the data contained in the reports that were prepared, and look forward to positive outcomes for all involved in the chicken industry. Our three topics for discussion are: Final Pricing, the New Entrant Grower Program, and finally, Marketing Strategies and the Optics of our industry.

Final Pricing:

In order to stay competitive as growers, we cannot take any steps back on pricing. We have and would be willing to continue to be completely transparent about our costs and profits, I would propose that the sectors that are not being transparent are probably the sectors making the most profit. Also, the proposed two cent decrease would be devastating. Our costs have done nothing but grow over the past twelve years since we began farming, but our profit per kilogram grown has stayed the same.

A few examples of costs passed down from other members of the community and industry:

- Washroom facilities for shipping
- Fuel surcharges
- Sawdust base cost and labor has increased
- Utilities (BC Hydro and Fortis Gas)
- Processor Loyalty incentive taken away during COVID
- And so many more I will not list them all.

If cost increases in BC are never going to change, then to mitigate these issues, perhaps it may be time to allow quota to leave the province and be grown where it is more sustainable.

New Entrant Grower Program:

A short background of the position we are coming from will help explain our issues with the New Entrant Grower Program. We are young farmers who purchased our farm from my husband's parents twelve years ago because we entered the New Entrant Draw a few times and were not chosen. We grow around 20,000 birds (which we top off with Market Development and Lease when possible to fill our barn). We are the farm referenced in the reports shared that requires us to work off the farm to make a living. We would represent the farm referenced that is smaller and run by a spouse that did not grow up in the chicken industry, nor had any interest in it before marrying into it (I am actually a teacher, but since having kids, we bought the farm and now I'm a farmer and substitute teacher). We work hard, involve our kids in farming, and hope to continue farming and pass the farm down to our children one day.

Based on the information gathered in the reports that were shared, the base number of birds referenced in order for a farm to be viable is 40,000 birds. This tells me that the New Entrant Grower Program is not viable as it is and actually shows favoritism to those who have not put in the time and effort to work and learn in the industry for many years. I would propose offering incentives to smaller

farms similar to those offered to those in the New Entrant Program. Options like allowing farms with the experience and proven dedication to the industry to:

- Get their quota purchase matched by the Board up to a base number (total farmed birds equal to 40,000 – if we purchase 10,000 kgs, we receive 10,000 kgs for free).
- The New Entrant Growers knew when they applied what the numbers in the industry were, and were given a huge gift of quota and other assists. Giving them more help and quota for free is robbing it from others who have put in the time, money, and have the experience to run a farm well.

Marketing Strategies and Optics:

To put it bluntly, I think the marketing done for the chicken industry is abysmal. I look at the Dairy industry and see heartfelt and meaningful commercials and campaigns that reach people outside of their industry and put a positive outlook on Dairy farmers and their industry. In order for the chicken industry to remain accountable to the public, we should be advertising and reaching out more to show them that we are local, we care about our product, and sustaining the world around us. In the same tone, the public likes to see a farm run by a family that lives and works the farm together. The optics of our industry will change drastically if smaller farmers are not supported and given the same voice as larger corporate farms. If the Board wants marketability, they must take into consideration that the local family farm is what the public wants to see.

In conclusion, I again want to thank all those who are working so hard on our behalf to work out a fair pricing model. I hope our comments are helpful and shed new light to what consumers and growers are actually thinking.

Thank you so much for your consideration,

Ryan and Sophia Van Dorp