

August 29, 2022

VIA EMAIL

Harvey Sasaki
Chair
BC Chicken Marketing Board
220 – 1848 McCallum Road
Abbotsford, BC V2S 0H9

Dear Harvey:

BC BROILER HATCHING EGG COMMISSION COST OF PRODUCTION (COP) IMPLEMENTATION

The BC Broiler Hatching Egg Commission provided all stakeholders with its draft Implementation Plan, dated June 23, 2022, that outlined its process for implementing its new cost of production pricing for hatching egg producers and incorporating hatcheries into the pricing framework. The sole feedback was an August 17, 2022, letter from the BC Chicken Marketing Board.

The Joint Committee of the Commission and the Chicken Board met on August 18, 2022 (with Wendy Holm in attendance) and had a constructive discussion. In the interest of ongoing transparency and accountability, a copy of the Chicken Board's letter and this recap of the Commission's response to the Chicken Board will be posted on the Pricing Review website.

As confirmed at the August 18, 2022, meeting, both boards continue to strongly support ongoing communication and cooperation, including through regular meetings of the Joint Committee and board to board meetings as outlined in the Memorandum of Understanding. Both boards also fully support each other's pricing initiatives.

As a general point, the Commission has been transparent and accountable throughout the Pricing Review and will continue to hold to that standard through the implementation phase and thereafter. Commission decisions will continue to be evidence-based and reached through consultation with stakeholders.

Parity

Any discussion of parity needs to be evidence-based and include chicken grower premiums. Hatching eggs will be pricing off a new, updated COP (starting at 95 percent), which includes efficiencies. This COP was thoroughly scrutinized during the Pricing Review. The process for a similar cost recovery model for chicken growers is in its preliminary stages and comparing parity in the two sectors is not currently feasible. It must be emphasized that the Commission announced its intention to withdraw from the linkage after the Chicken

Board, supported by the BC Chicken Growers' Association and the Primary Poultry Processors' Association of BC, declined to include premiums in the linkage.

Hatchery Margin

In accordance with the Pricing Review Terms of Reference, the Commission remains committed to incorporating the hatcheries into the new pricing framework and ensuring that hatchery costs are identified and addressed through the same evidence-based approach taken for hatching egg producers. The Commission and the BC Egg Hatchery Association are working closely in an evidence-based process to update breeder chick costs to be included in the Implementation Plan. A similar cooperative and evidence-based approach to the development of a hatchery COP will address hatchery costs in the longer-term.

Period-by-period analysis to date has indicated minimal impact of the new COP and hatchery inclusion on broiler chick pricing. That monitoring and analysis will continue post-implementation, including comparing the BC live price and chick price to those in other provinces.

Industry Benefit Index (IBI)

As previously stated, the Commission will be severing its current levy structure and a producer levy will remain outside the IBI and COP. Inclusion of any cost into the COP through an IBI will be evidence-based following consultation with stakeholders.

Price Monitoring

The Commission will develop appropriate mechanisms to monitor pricing for which it is statutorily responsible. The Commission fully appreciates the necessity of assessing pricing impacts on the wider chicken sector and will continue to work with the Chicken Board in assessing those impacts. The establishment of an evidence-based, defensible cost-recovery framework for chicken growers and processor competitiveness will facilitate an industry-wide approach in response to pricing issues.

Resolution Mechanism

The Commission believes its Pricing and Production Advisory Committee (PPAC) provides an appropriate, regulatory dispute resolution mechanism. Pricing off a producer COP and a fixed hatchery formula (pending a hatchery COP) should provide certainty and stability. As well, and as stated at the Joint Committee meeting and in previous correspondence, the Commission intends to amend its Consolidated Order to explicitly provide opportunity for PPAC members to raise evidence-based 'exceptional circumstances'.

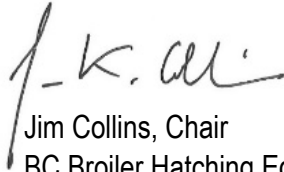
Vaccine Program

The increase to \$1.61 was previously communicated. The Commission believes that the move to a common industry vaccine program is a significant benefit to all stakeholders. As vaccines are included in the hatching egg COP, a common standard supports transparency and accountability. The Technical

Committee (comprised of industry and ministry veterinarians) has already proven its worth and has much potential. As it is not within the Commission's scope to evaluate individual vaccines, the Technical Committee is the more appropriate forum within which this and other issues are discussed.

Thank you again for the constructive dialogue at the August 18, 2022, Joint Committee meeting. It is important for the two regulatory agencies to continue to address and move forward on issues.

Yours truly,



Jim Collins, Chair
BC Broiler Hatching Egg Commission

cc: Wendy Holm – BCFIRB Pricing Liaison
Jim Byrne – Chair, Commission PPAC
Review and Commission websites