

Schedule 15
(Part 55)
(Section 55.4)

Board Decision or Determination

Form B
attach applicable Forms A, if available
May 22, 2012
A-111 Mainstream Pricing

1. Date(s) of this decision: May 22, 2012

2. Members of Board present for decision:

May 22, 2012 – D. Stancil, R. Thiessen, G. Gauthier.

3. What sources of information did the Board consider in coming to its decision?

Form A - Application for Decision or Determination

Board Staff's Briefing Note

Applicant's oral submissions

Board's Orders (give reference numbers, if applicable):

Part 13 Payment to Growers

Schedule 2 Pricing and Production Advisory Committee

Schedule 3 Pricing Order for Mainstream Chicken

Schedule 19 Pricing Model

Other (explain):

- May 18/12 participation on PPAC conference call
- May 18/12 draft PPAC minutes

- Revised Pricing bulletins for quota period A-111 (Alberta, Saskatchewan, Manitoba)
- CFO Insight Newsletter dated May 11, 2012
- Follow up telephone conversation by GM with Mike Terpstra of AOCF respecting Ontario additional adjustment.
- Follow up telephone conversation by Chair with Henry Zantingh, Chair of CFO.
- Follow up conversations by GM with GM's of Alberta, Saskatchewan and Manitoba confirming their revised A-111 pricing decisions.
- Follow up telephone conversation by BC CFC Director R. Thiessen with Adrian Rehorst CFO CFC Director.
- Option #1 and #2 as prepared by BCCMB staff (illustrating BC price with 1.5 cents included and deducted from Ontario price) taking into account revised Western prices.

4. What is the Board's decision?

In setting the price on May 18th BCCMB staff made an error when the pricing order was issued. The 1.5 cent additional adjustment was not properly accounted for as per the motion made by the Board on May 18th. The price was set exclusive of the 1.5 cents and should have included the 1.5 cents. Further to this, and prior to a correction being sent to industry, the Alberta Board revised their pricing order which impacts the BC formula. The BC Industry was informed that a revised Pricing Order would be issued following a meeting of the Board scheduled for 10:00 a.m. on May 22, 2012.

The Board met by conference call on May 22, 2012 at 10:00 a.m. and again at 3:30 p.m. to discuss the A-111 BC price. During this period a number of phone calls were made by BCCMB members and staff in an effort to obtain clarification on the CFO additional price adjustment. As the day progressed, the rest of the Western Provinces changed their prices to include the 1.5 cent negative adjustment contained in the A-111 Ontario price bulletin. After receiving confirmation that in addition to Alberta earlier in the day, both Manitoba and Saskatchewan had revised their prices, the Board made the following decision.

Based on new information and clarification obtained from a number of sources, the decision of the Board is to apply the negative 1.5 cents additional adjustment made by CFO. It is the understanding of the Board that this adjustment will appear in subsequent CFO pricing orders until such time as an agreement is reached between CFO and AOCP for implementation of a revised mechanism for the Ontario Pricing Formula.

5. Why did the Board come to this decision?

- The Board determined that it should recognize the new exceptional circumstances of the Western provinces making a negative adjustment to the Ontario live price, which was a change to their direction as of May 18, 2012. It is important for BC to remain consistent in its pricing differential relationships with the three other western Provinces. This decision allows BC growers and processors to retain traditional competitive relationships in the west.
- The Board was able to obtain credible and reliable information from a number of sources within the Ontario industry respecting the rationale for the negative 1.5 cents additional adjustment.. The Board now has a clearer understanding of what the adjustment is comprised of, the rationale behind it, and the fact that it will be included in the Ontario price for at least the next six periods. The additional pricing adjustment is to reflect an agreement between CFO and AOCP on an adjustment to the feed conversion rate (FCR) contained in the Ontario producer margin component of the Ontario COP.

RATIONALE FOR DECISION BASED ON OUTCOME BASED PRINCIPLES

Strategic

- The decision is consistent with the past practice of the Board to maintain consistency in BC's pricing differential relationships with the three other western Provinces. This decision allows BC growers and processors to retain traditional competitive relationships in the west. It is the opinion of the Board that the concept of maintaining pricing differentials and competitive relationships across the west is consistent with sound marketing policy and due to the change in direction of the Western Boards amounting to exceptional circumstances, the BC Board reversed its decision regarding the 1.5 cent adjustment. .

Accountable

- The Board is accountable to all growers and processors in the province of BC. Any person aggrieved by the decision can appeal to FIRB. Growers and Processors are well aware of their right to appeal and the methodology to do so. The PPAC was initially consulted by the Board. The members expressed their perspectives on the adjustment based on their separate interests and did not achieve consensus. The original pricing order was circulated to all industry stakeholders and posted on the BCCMB website. The Board revisited the matter and altered its decision based on credible information regarding the CFO additional adjustment and after receipt of revisions to the Western Provinces prices for period A-111.

Fair

- The decision is consistent with past practices of the Board. It maintains the status quo in the West (which has an impact on the BC weighted average pricing formula calculation) and the rest of Canada. All of the other nine provincial chicken boards in Canada issued their A-111 pricing orders in a manner consistent with CFO respecting the 1.5 cent negative adjustment.

Effective

- It maintains the status quo respecting pricing differentials in the West, and across Canada. The Board reacted in the best interests of the BC chicken industry in response to new information gathered from a number of reliable sources.

Transparent

- The Board has the authority to deal with this issue. The decision is consistent with the General Orders and past decisions of the Board. Representatives of chicken growers, processors, and hatching egg producers were represented at the PPAC, which was consulted. Upon receipt of additional information (revised Prairie Pricing and further information respecting the CFO negative 1.5 cent additional adjustment the Board revisited its A-111 pricing decision and issued a revised pricing order, which was circulated to all industry.

Inclusive

- The revised pricing order affects A-111 pricing for BC growers and processors in a manner consistent with growers and processors in the rest of Canada. This decision provides neither side with either a competitive advantage or disadvantage.