

British Columbia Chicken Marketing Board

Report to BC Farm Industry Review Board (FIRB)

March 26, 2013

“Higher Level Principles, Accountability Framework and Reporting”

Introduction

The BC Chicken Marketing Board (BCCMB) monitors and regulates the production of chicken in British Columbia. This includes all activities from the time the chick hatches until the chicken arrives at the processing plant. This is done through reporting procedures established in the BCCMB General Orders. Hatcheries, growers, transporters and processors are licensed by the Board on an annual basis. Routine inspections and audits are performed in the field by Board audit/inspection staff members.

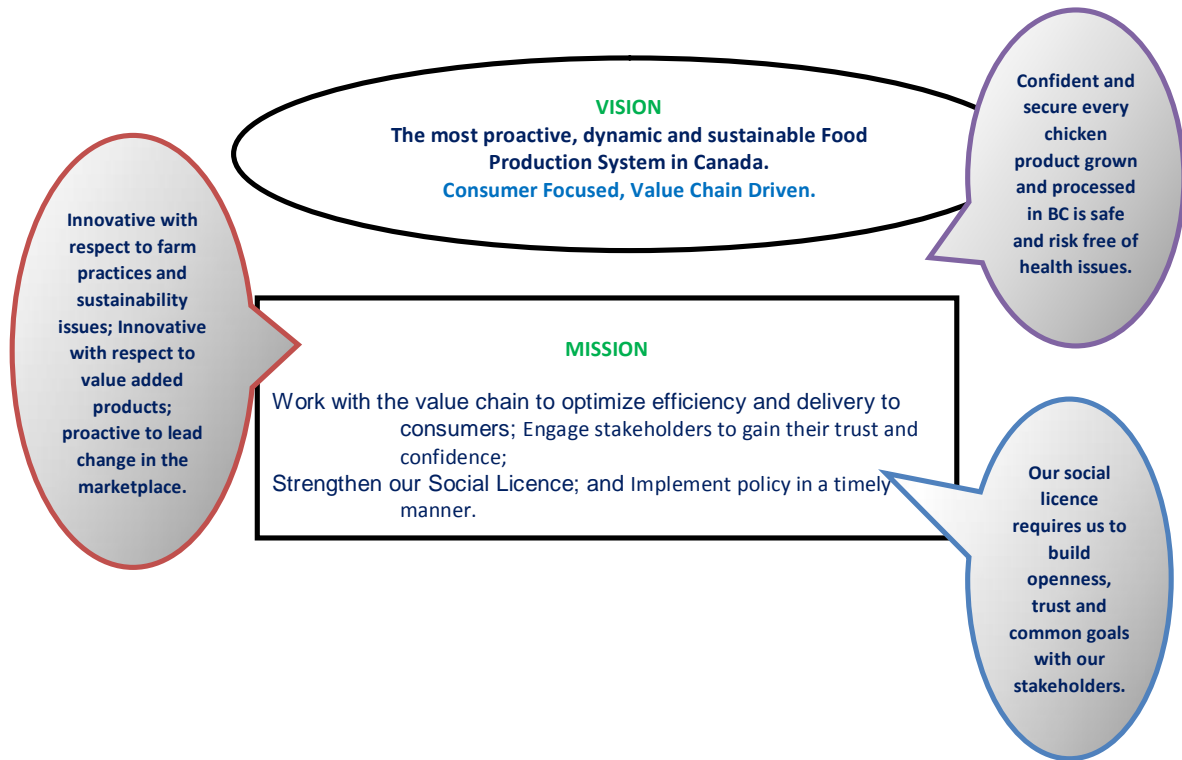
British Columbia has more than 300 chicken growers licenced by the Board. All licenced growers hold quota or permit issued to them by the Board. Growers produced a variety of chicken including free run and free range chicken, certified organic chicken and specific breeds such as the Redbro, Silkie or Taiwanese chicken. All growers are required to apply for a licence each calendar year and may be granted a licence if they continue to be in good standing with the Board. All growers must follow a National On-Farm Food Safety Assurance Program (OFFSAP) and a National Animal Care Program (ACP) in conjunction with a Provincial Bio-security Program which ensures that BC chicken growers continue to produce a high quality, safe source of locally grown chicken for Canadian consumers.

British Columbia’s chicken industry has cash receipts of \$351 million. The over 300 chicken farmers ship their product to 15 processors, contributing 781 direct jobs; and 3,147 total jobs to the BC economy. They pay \$37.8 million in taxes while contributing \$263 million to Canada’s GDP. BC Chicken farmers have 14.9% of the Canadian market-share.¹

The BC Chicken Marketing Board (BCCMB) is committed to the concept of principle based regulation and outcome based decision making. The BCCMB has fundamental principles and objectives it believes are important. In order to respond to changing societal priorities and a changing and increasingly complex marketplace, the BCCMB has

¹ Economic Impact Study of Poultry and Egg Industries in Canada by Infometrica commissioned by CFC March 2012.

adopted a number of principles to guide its members within its national and provincial jurisdiction.

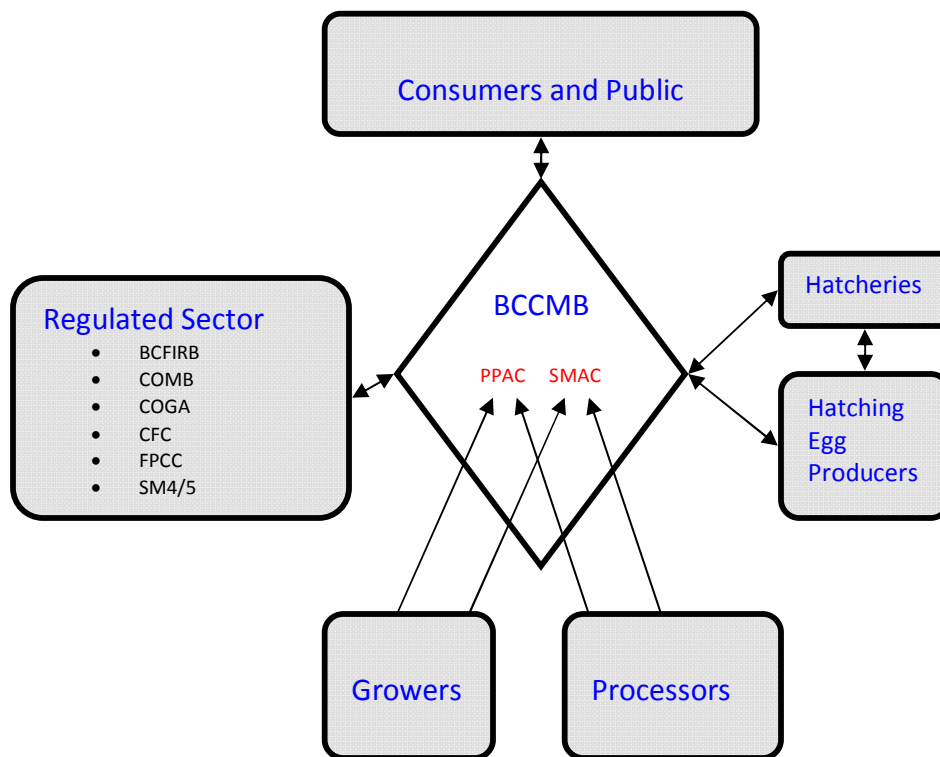


Stakeholder Engagement

Defining Stakeholders:

The BCCMB engages with direct industry participants, other regulated marketing agencies and other groups with interest in the BC Chicken Industry.

- Chicken growers (primary stakeholders)
- Processors (regulated by the Board in a limited fashion)
- Committees of the Board
 - PPAC – Pricing and Production Advisory Committee (created by the Chicken Marketing Scheme) to provide advice to the Board respecting pricing and production.
 - SMAC – Specialty Markets Advisory Committee (created by Board Order) to provide advice to the Board respecting specialty chicken pricing and production.
- Hatching Egg Producers and Hatcheries
- Consumers and the public
- The regulated sector which includes participation on a national basis with Chicken Farmers of Canada (CFC)



Process for input and Feedback

- The Board continues to attend monthly meetings with the BC Chicken Growers' Association (BCCGA) Directors to provide and receive direct face to face feedback on industry issues in a timely manner. It allows for the Board to engage in consultation prior to managing change in the industry, by being able to take the feedback into account.
- The Board travels to attend monthly or bi-monthly industry grower meetings in the 3 regions of the province (Lower Mainland, Vancouver Island, and Interior Region). This allows the Board to gain a better understanding of regional issues and the need for regional growth, and to directly interact with the growers on a regional basis.
- On an annual basis the Board will hold one of its regular board meetings in the Interior and Island regions. This provides growers in these regions the opportunity to meet with the board to discuss their concerns without having to travel to the Lower Mainland. These meetings are generally held in conjunction with regional BCCGA meetings which are then attended by the entire board.

- The Board meets with the processors collectively or individually as needed during Board Meeting(s), or with a subset of the Board at a time and place of the processors choosing to discuss issues of concern. Direct communication with processors occurs between board or staff members prior as part of the allocation setting process which occurs every 8 weeks.
- The Board meets with the BC Broiler Hatching Egg Commission -- BCBHEC (board to board) on a regular basis to discuss areas of mutual interest and concern. Communication between our two closely linked commodities has shown a great improvement over the past year.
- The Board communicates with all industry partners via the monthly Board report which is transmitted electronically to the vast majority. Current and past Board reports can accessed the public side of our website – www.bcchicken.ca . Growers without internet access are provided the monthly Board report via fax or Canada Post.
- The Board receives written input from the SMAC and PPAC after every meeting in the form of draft minutes and/or letters from the respective Chairs. When necessary briefing notes are prepared and circulated to the committees for advice and input, prior to the Board making a decision that will affect matters of pricing and production.
- During 2012 the Board requested input from industry using the electronic survey platform on two separate occasions. The first survey respected land ownership and leasing issues, while the second respected the New Entrant Grower Program and Funding Methodology for new entrant growers. Each survey appeared on the website, and was linked to background documents that provided information respecting the questions posed by the Board. Once completed, the Board met with industry partners (BCCGA, PPABC, PPAC, and SMAC) to discuss the survey findings prior any decisions being taken.

What worked well?

Both electronic surveys undertaken by the Board provided reasonable input at a realistic response rate from industry. It allowed for the data to be compiled and sorted and grouped efficiently in a timely fashion.

The first survey concerned the issues of Land Ownership, leasing of land, and multiple licences per property. The survey was sent electronically to 462 people, while an additional 32 were sent via Canada Post. 108 responses were received in total, with the breakdown as follows:

Land Ownership, Multiple Licences per Property and Leasing of Quota

Category	Recipients	Sent	Responded			Unresponded			
			Partial	Complete	Total	Unresponded	Opted Out	Bounced	Total
NEG Wait List	33	33	2	8	10	23	0	0	23
Permit Producers	109	109	2	21	23	86	2	0	84
Processors/Hatcheries/EMI	42	42	1	4	5	36	1	0	35
Growers**	278	278	9	56	65	213	2	3	208
Website Link	2	0	0	2	2	0	0	0	0
BCAC	1	0	0	1	1	0	0	0	0
Diversity in Ag Consulting	2	0	0	2	2	0	0	0	0
Total	467	462	14	94	108	358	5	3	350

** An additional 32 growers were mailed the survey as they do not have email.

The second survey concerned the issues surrounding the BCCMB New Entrant Grower Program. The survey was again sent electronically to 470 people, while an additional 32 were sent via Canada Post. 80 responses were received in total, with the breakdown as follows:

New Entrant Grower Program

Category	Recipients	Sent	Responded			Unresponded			
			Partial	Complete	Total	Unresponded	Opted Out	Bounced	Total
Growers**	270	270	8	38	46	224	1	0	223
NEG Wait List	33	33	1	6	7	26	0	0	26
Permit Producers	126	126	3	16	19	107	1	2	104
Processors & Hatcheries	31	31	0	3	3	28	0	0	28
Small Lot Processors	7	7	0	1	1	6	0	0	6
Other Industry	10	10	0	1	1	9	0	0	9
Website Link	1	0	0	3	3	0	0	0	0
BCAC	1	1	0	0	0	1	0	0	1
Diversity in Ag Consulting	1	1	0	0	0	1	0	0	1
Total	480	479	12	68	80	402	2	2	398

** An additional 32 growers were mailed the survey as they do not have email.

Face to face meetings with grower groups continue to be beneficial to the Board, in such forms as Q&A on current events and topics of concern to growers.

Meetings with BCBHEC have provided a greater opportunity to understand issues of mutual interest and concern. The 2-cent hatchery margin increase was successfully dealt with and incorporated into the linkage using a graduated approach after achieving measurable cost savings. The two boards continue to work on updating both the MOU and the cost recovery linkage agreement. The linkage is due for a full update in the spring of 2014.

BCCMB Staff participation at the Pacific National Exhibition (PNE) manning the “Poultry in Motion” trailer continues to be huge success.

Engagement with the public and continued 2 way interaction with consumers gives a face to BC chicken farmers, a level of understanding of farming practices and supply management and assists in understanding public concerns, consumer behaviour and consumer fears. Antibiotics use and hormones continue to be the most misunderstood issues.

A newly revamped BCCMB website was to be unveiled at the end of 2012. It is to provide better graphics, clearer links and be more user friendly than the previous version. It will make getting information out to growers easier than before. The website has been delayed until early in the New Year 2013.

How could this be improved?

In 2013 as per the new Strategic Plan it is the intention of the Board to commence to quantify stakeholder engagement in the form of an electronic satisfaction survey. The survey will provide a benchmark and the survey will be updated every 3 years, providing the Board with valuable feedback and a measurable outcomes. One goal of the Board is to make decisions in a timelier manner.

Managing Conflict and Resolving Disputes

The Board through its General Orders outlines a process for applying and obtaining a Board decision or determination. *Part 14 (Form A)* of the January 23, 2011 BCCMB General Orders provides the application form. The Board will also accept a letter submission.

Part 15 (Form B) provides the response of the Board, its decision or determination and accompanying rationale. It explains the sources of information the Board considered, who was present for the decision, the decision itself and the reasons for the decision. Further the Board provides a SAFETI rationale for the decision on outcome based principles.

Part 16 Appeal Process provides instruction on how to file a regulated marketing appeal with the BCFIRB. This document is also reprinted in every BCCMB Annual Report, which is circulated to industry. The document can also be found on the BCCMB website.

Currently the Board does not keep statistics on the time and effort staff, management and the Board utilize to manage conflict.

Commodity and System Management

Board Scheme Powers and Obligations

- Consolidated orders:
 - The BCCMB General Orders were last fully updated August 26, 2011.
 - Several amendments were made throughout 2012.
 - **Apr 16/12** (Part 1, Part 49, Part 50):
 - The definition of specialty quota was amended to include Redbro chicken under the qualification “innovation” as the product is not currently available in the marketplace.
 - All New Entrant Growers (NEG) are now required to remain with the processor who signs their initial business plan for 3 years prior to requesting to switch processors, allowing for greater stability for niche and regional processors.
 - The Board further clarified the section that a permit may not be combined with any class of quota, and cannot be grown on any premise or property that is currently registered with the Board for production of chicken.
 - **Apr 30/12** (Part 32, Part 33, Schedule 3, Schedule 5):
 - The CFC Animal Care Program (ACP) was made mandatory effective June 15, 2012 with growers having until December 31/12 to be certified.
 - How barn space is measured is now changed to inside measurements (excluding all service areas), and the maximum allowable density has increased to 32.5 kg live weight per square meter for mainstream chicken only.
 - The Mainstream pricing grid was amended effective with quota period A-111 after obtaining advice from the PPAC.
 - **May 24/12** (Part 6, Schedule 15, Part 46):
 - The Board made the CFC ACP added as a condition of licence and as a condition of restrictions on leases, transfers sales and relocation of quota.
 - The Board added a section to include rationale for a decision based on outcome based principles or SAFETI (Strategic, Accountable, Fair, Effective, Transparent, and Inclusive).

- Compliance and enforcement:
 - [OFFSAP Manual](#), [Biosecurity Program Manual](#) and now [Animal Care Manual ó 2009](#) are mandatory and audited by BCCMB Auditors on farm on an annual basis. The General Orders contain provision for non-compliance which are followed by staff and brought before the board in cases on continued non-compliance.
 - Any declared operating surplus of the Board is returned to growers as per the General Orders on the condition that they be in good standing with the Board.
 - CFC's external auditors randomly audits BC processors, hatcheries, growers respecting placement and shipments and levy remittance annually. CFC's Finance Department staff audits the Board office annually respecting domestic and market development (MD) allocation, total production, utilization and remittance of levies.

- Voluntary or required standards adoption
 - [Fact Sheet ó Siting and Management of Poultry Barn](#):
New growers are provided with a factsheet provided by the Ministry of Agriculture and Lands prior to building facilities to house poultry. A BCCMB Inspector visits the farm to answer questions, provide advice and contact resources as required; with a view to help growers avoid costly changes that may be required to poultry operations as a result of negative impacts on neighbours.
 - Environmental Farm Planning (EFP):
New growers are provided in advance of site preparation, contact information regarding the Environmental Farm Planning, and are encouraged to participate in the program. BCCMB inspectors are certified to respond to queries respecting the program.
 - [Recommended Codes of Practice](#) for Handling Poultry:
This voluntary code is followed by growers. It provides recommendations for high standards in commercial, research and small-scale operations from the hatchery through the farm and on to the processing plant.

- Market demand assessments
 - Prior to every CFC quota production period the Board sends a letter to all BC processors, requesting input on individual processor requests for level of production for both domestic and market development (where applicable) and accompanying rationale. These numbers are tabulated and a global number is sent to the PPAC along with a recommendation and rationale from the Board. The Board asks the PPAC for comment prior to forwarding the request to CFC in time for the national allocation

meeting. This process can be found in the table on page 13 of this document.

- SMAC is the venue whereby specialty processors update the committee on market demand. They meet every approximately every 6-8 weeks.

- Election rules

- There are 2 positions for registered growers elected by registered growers to the Board. The term of office is for 3 years, and the two positions are staggered so that one grower member is elected in each election. The election officer for the BCCMB is BC COMB.
- BCCMB election rules are approved by FIRB. The rules are updated every 3 years and will be updated again in 2014 after consultation with the BCCGA. Any changes to the Rules and Procedures for Election of Members to the BCCMB must be approved by FIRB prior to implementation.
- Growers via their Grower Application for Licence identify a Voting Grower. The deadline to be added to the Voting List is January 31st.
- Voting is done in person by secret ballot. Growers have a total of 6 opportunities to vote (3 advanced polls and 3 designated regional meetings, one in each of the 3 regions of the province). Ballots are held by the Election Officer until the final in-person voting occurs and is announced by the Election Officer.

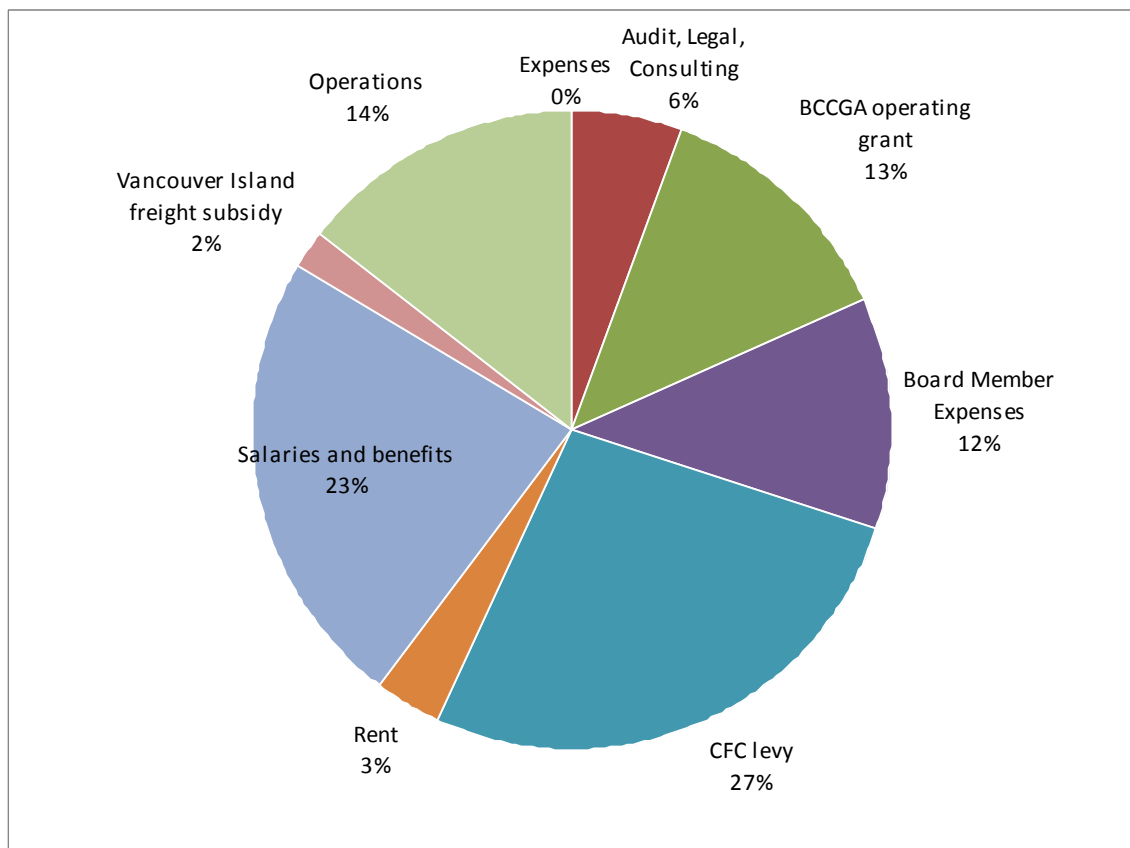
- Pricing

- Pricing for chicken is done every 8 weeks.
 - Mainstream chicken pricing is done by a formula based on the weighted averages of Ontario, Alberta, Saskatchewan and Manitoba plus a differential of 4.35 cents (unless otherwise agreed to by the PPAC). The General Orders contain the formula and provide for rules allowing the Board to vary the price for exceptional circumstances.
 - Specialty chicken pricing is negotiated at the SMAC. The price is set for 2 periods (every odd period → i.e. A-115, A-117 etc), based on a COP which is updated for feed and chick every 2nd period. This is due to the length of cycle for raising specialty chicken. A separate COP is done for TC and Organic chicken. In 2013 the SMAC will engage in discussion respecting a minimum live price for a third type of specialty chicken -- Silkie production. The COP for Silkie's was completed in 2012.

- Committee activities
 - SMAC:
 - SMAC meets monthly to discuss production levels, and negotiate pricing.
 - Other topics for input are:
 - SMAC membership (PPAC observer)
 - SMAC Observer status on PPAC
 - Organic production
 - PPAC:
 - PPAC has been given a renewed mandate from the Board at the end of 2011 requesting input on a number of issues categorized as:
 - Significant issues:
 - Domestic live pricing
 - Premiums above posted live price
 - Production movement limits
 - Notice to change processors
 - Outstanding issues:
 - PPAC membership
 - PPAC observer on SMAC
 - Specialty issues
 - Differential growth
- MOU's and FPA's
 - BCCMB/BCBHEC MOU
 - The BCCMB and BCBHEC have been instructed by FIRB to update the existing agreement (from 1995). The two Boards have met several times and management has worked collaboratively to prepare a draft MOU. The BCCMB and BCBHEC are currently redrafting the draft MOU after which it will be circulated to both Commodity Boards for approval and ratification. It is the intention of the BCCMB to complete this project early in 2013.
 - (FPA) National Chicken Plan
 - Alberta Chicken Producers (ACP) on November 22, 2012 gave notice to withdraw from the FPA. The issue of differential growth continues to be discussed at length at CFC, with the view to obtaining a workable solution to be translated into amendments to the FPA or the CFC Operating Agreement (if required) in the first quarter of the New Year. Failure to achieve a solution may result in the imposition of a model as drafted by Farm Products

Council of Canada (FPCC). As per BC's new Strategic Plan BC's goal is to work with provinces to develop a solution to the differential growth issue within the National Framework and to maximize BC's share of the national allocation, by establishing a fact based and collaborative decision making process.

- Levy collection and distribution
 - Levy collection is done as per the General Orders. Processors collect levies from growers and remit them to the Board. Self marketers remit levies directly to the Board. Levies are used to fund Board activities and operations as per the BC Chicken Marketing Scheme (1961).
 - Levy distribution is as per the 2012 Operating budget which appears in the 2011 Annual Report which can be found on the website at www.bcchicken.ca . The 2012 operating budget can be found below, illustrating the percentage of levies used on various budget items.



- Processor relations
 - The Board meets with the BC processors as a group or individually on an “as needed” basis. Processors are contacted directly by the CFC Director every period to discuss allocation request prior to the Board making a recommendation to the PPAC for input.

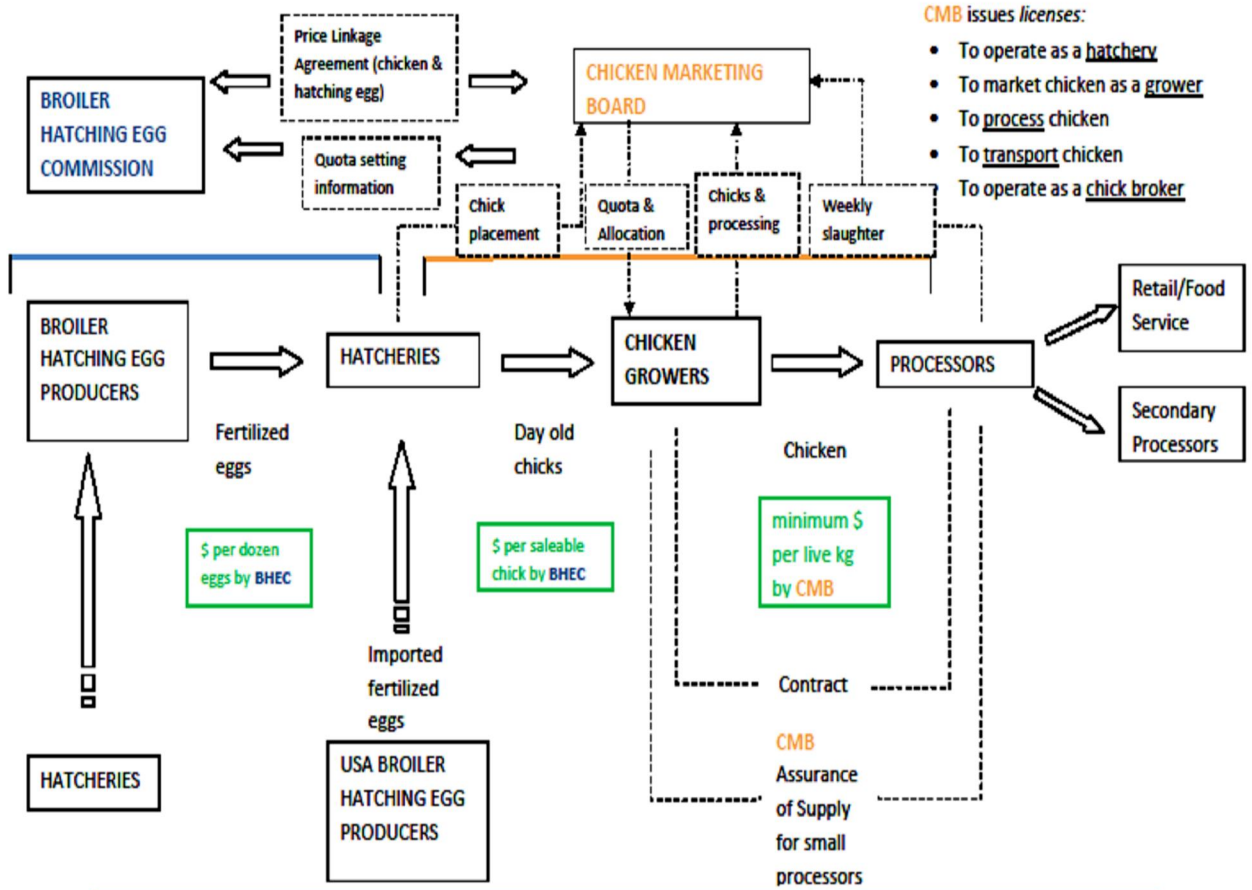
- Fiscal management
 - The Board has a BCCMB Board Policy Manual, which is updated on an “as needed” basis. It contains information such as BCCMB Financial Controls and Procedures, covering a wide range of topics such as cheque issuance and signing authority; monthly board financial statements, board operating and capital budgets; petty cash control; board remuneration policy; and travel; expense policy and insurance policies. The BCCMB Financial Controls were amended December 21, 2012. The newly updated policies are circulated to Board members for inclusion in their policy manual.
 - The Board has an external auditor Meyers, Norris, Penny LLP (MNP), and independent firm of Chartered Accountants, which is appointed by the members to audit the BCCMB financial statements and report directly to them. The external auditors have full and free access to, and meet periodically and separately with, the finance committee, the entire Board and management to discuss their audit findings. MNP also presents the audited year end financial statements to the chicken growers at a meeting in May or June and answers questions regarding the statements.
 - MNP provides the Board with a management letter upon the completion of the year end audit which identifies all matters that may be of interest to management in discharging its responsibilities. The letter also notes whether the suggestions presented in the management letter were addressed from the prior year.
 - The BCCMB General Orders require that a request for proposals (RFP) for audit services is circulated every five years. This process is intended to keep these services current and effective. The current five year cycle completes in 2013.

Comprehensive Approach to quota Allocation

The policies and programs for allocating quota are contained in the [General Orders](#).

Updated September 2011

Figure 2: Chicken Production Players and Processes



Reference Notes on the BC Chicken Marketing Board
Prepared by: BC Farm Industry Review Board

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Steps with respect to quota allocation are shown below in the graph. Basically individual Processors provide input to BCCMB staff which tabulates the requests and accompanying rationale and sends it to the PPAC. The PPAC provides advice to the Board, which after consideration, sends allocation request and rationale to CFC. CFC, then after negotiations, allocates national allotment to provinces. BC's share is divided up amongst all quota holders based on quota holdings on a pro-rata basis.

Reporting and Governance

Organizational Governance Controls

- **Board members.** All Board members are provided with a policy manual containing a full complement of information required for them in the performance of their duties. The documents are reviewed yearly and updated as required throughout the year. Specific documents that are provided include:
 - **Oath of office.** Each new board member, appointed or elected, is required to sign the oath of office document.
 - **Code of conduct.** All board members are required to conduct themselves in accordance with the BCCMB code of conduct. The code is explained to each new member during an orientation session with BCCMB staff.
 - **Conflict of interest declaration.** Each board member is required to submit an updated conflict of interest declaration on a yearly basis. On a number of occasions in the past year, board members have declared themselves in a conflict during board discussions and have recused themselves from discussion and voting on certain agenda items during Board meetings. This has worked well, and the chair has not been required to rule on a conflict situation in 2012.
 - **Financial Controls.** Policies that relate to Board members such as expense claims, travel policy, and per diem rates are provided and fully explained to each member of the board. The controls are updated yearly after receipt of the management letter from the external auditor upon completion of the year end financial statements. The last update occurred in December 2012.
 - **Board Member Evaluation.** Each year the Board completes a performance evaluation, through the auspices of the BC Council of Marketing Boards (COMB). The last one was completed in August 2011 and the BCCMB is preparing for an update to take place early in 2013.
- **Staff members.**
 - All staff members are provided with an Employee Policy Handbook which clearly outlines BCCMB expectations, policies, and benefits.

- Formal job descriptions are in place for all BCCMB staff positions and are updated as required.

Training of Board and Staff

Board and staff participate in ongoing educational opportunities in regard to Board management workshops like (Centre for Organizational Governance in Agriculture) and Accountability Framework seminars.

BCCMB Staff members participate in CFC Auditor Training and Professional Animal Auditor Certification Organization (PAACO) and COGA seminars as required.

Value Chain

Value chain or supply chain integrations

The BCCMB manages product differentiation through different classes of quota. Mainstream quota comprises of 97% of BC's chicken production with the balance of 3% being used for the production of specialty quota. The two types of quota are kept separate and are not interchangeable.

Currently there are animated discussions within the industry on the classification of organic chicken. The PPAC who represent the mainstream quota holders feel that it should be moved from specialty classification to mainstream classification where it currently resides. The SMAC who represent the specialty quota holders do not agree. The growers of organic chicken have expressed their preference to remain as specialty quota holders. There is no agreement on whose product is being displaced in the market. The PPAC has requested additional information on how the specialty market demand impacts the general allocation process. The Board will provide a more detailed framework to the PPAC and SMAC for the analysis required before the committees can have full discussions. The Board is taking a cautious approach to the increasing organic market to see how the matter plays out over time before dealing with how to handle growth in the specialty sector in the future.

The permit program (2000 birds without weight restriction per year) continues to flourish, with 163 permits being issued in 2012 (35 in the lower mainland, 59 on Vancouver Island and 69 in the Interior Region of BC). The number of permits issued by the Board may become an issue at CFC as the amount of kilogram grows closer to the 1 million kilogram mark of unregulated product, beyond the current allocation system.

With the addition of 119,088 kg of OIC quota on Vancouver Island, the processing plant Island Farmhouse Poultry (OFP) has achieved its maximum under Assurance of Supply of

260,000 kg live weight per 8-week cycle. This incentive quota is Vancouver Island specific and is tied to the Island region as long as there is an active processing plant on Vancouver Island. The Board is now able to turn its attention to the Lower Mainland and Interior Regions of the province, to meet the needs of AoS Processors in these regions.

Social Licence and Leadership

Awareness

Environmental Farm Plan Program – when this program first came out, two of our auditors were trained to assist producers implement plans on farm. Due to reasons out of our control we were unable to take an active part in this; however, the training allowed us to be able to identify some farms that could benefit from having a plan. BCCMB Inspection staff briefly explained the program to producers and provides them with the contact information for ARDCORP and BC Agriculture Council (BCAC) and other relevant agencies. BCCMB Inspection staff now recommends to all our new producers to complete an environmental plan and we give them the contact information.

The Board staff is participating in the Agriculture Waste Control Regulations Review. The Board has had representation at 2 of the 3 meetings held in regards to the Agricultural Waste Control Regulations in the last 8 months. This is a working group run by The Ministry of Agriculture. The topics have been in regards to compositing mortalities, manure storage, manure spreading, riparian and environmental impact these practices have in the communities. The board staff has given input on the ramifications of proposed changes to the day to day activities on the farms and have kept the committee focused on attainable changes that can be employed on our farms. The meetings depending on their location are region specific and are not always pertaining to poultry production. The EFP will be able to guide the growers in implementing changes that may be made from these meetings.

During our OFFSAP and bio-security audits we assess the manure and mortality management to ensure that it meets provincial regulations.

Antimicrobial Use

The BC chicken supply chain was consulted regarding the CFC's proposal to require veterinary prescriptions for all antimicrobial use. Consequently the Board underwrote a study on Veterinary Oversight of Antimicrobial Use and Serecon Consulting was invited to facilitate the consultation meeting with industry stakeholders in Abbotsford on November 9, 2012. The meeting was well attended by a diverse group of industry stakeholders including processors, hatcheries and feed companies along with university and veterinary groups, producers, producer reps and OFFSAP auditors. The final report provided December 12, 2012 and shared with CFC and all participants shortly thereafter.

National Programs

All chicken quota holders in BC are audited yearly under the national Chicken Farmers of Canada (CFC) On-Farm Food Safety Assurance Program (OFFSAP). BC has 100% compliance. CFC has progressing down the road to full federal government recognition of OFFSAP. BC was one of the three provinces in Canada to be audited by Guelph Food Technology Center (GFTC). BC passed the audit with no corrective actions being required. After CFC submitted the final GFTC report and OFFSAP documentation to the Canadian Food Inspection Agency (CFIA) and the provincial governments, the final step was to hold an implementation assessment meeting with CFIA. Based on the review team's assessment, no action requests were forthcoming, and the team is recommending CFC receive full Federal Provincial Territorial (FPT) government recognition for OFFSAP.

Strategic Planning

The Board in 2012 undertook with industry to develop a new Strategic Plan. The plan was approved by the Board on December 21, 2012 and will be circulated to FIRB and industry in the New Year. Below is a summary of the document, illustrating the 4 goals of the BCCMB for the next 5 years. Staff has prepared a work-plan to achieve the goals along with measurable outcomes to track progress and feedback.

