

Schedule 15
(Part 55)
(Section 55.4)

Board Decision or Determination

Form B

attach applicable Forms A, if available

Mainstream – regular broiler Pricing Decision A-142

February 9, 2017

1. Date(s) of this decision: February 9, 2017

2. Members of Board present for decision:

R. Smith, DA Janzen, A. Johnston, R. Nickel and R. Payne

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):
Schedule 19 – Pricing Model
- Other (explain):

- PPAC draft Minutes of February 6, 2017
- BCCMB industry communique dated January 11, 2017
- PPPABC letter of October 20, 2016 to BCCGA re: pricing for bridge period
- Oct 27/16 email from B.Shier to B. Vanderspek re: agreement on bridge pricing.

- October 27/16 signed agreement for bridge pricing agreement A-140 and A-141.
- Oct 28/16 Pricing Order #131 for A-140
- December 23/16 Pricing Order #132 for A-141

4. What is the Board's decision?

The Board has made the decision to exercise its discretion and set the domestic live price for mainstream chicken (regular broilers) for quota period A-142 (February 19 – April 15, 2017) at the weighted average of Alberta, Saskatchewan, Manitoba and Ontario plus 5.71 cents per kilogram live weight and will contain all the caveats as contained in the A-140 and A-141 pricing orders.

5. Why did the Board come to this decision?

As per the industry communique dated January 11, 2017, circumstances intervened making it impossible for the Board to meet its self-imposed deadline of completing the current pricing methodology review in time for period A-142 which begins on February 19, 2107.

The PPAC met on February 6, 2017 as instructed by the Board, but were unable to successfully negotiate an agreement for pricing of mainstream chicken.

- The processors offered to continue the bridging agreement at 5.71 cents/kg live weight, with all the existing caveats respecting catching costs, extra chicks and chick servicing costs.
- The growers offered an increase to the bridging agreement by one cent for a differential of 6.71 cents citing decreasing grower returns while gross processor margins continue to rise. Further they noted a 2.45 cent decrease in the price for A-142 in Ontario due to the annual efficiency adjustment and cited a need to achieve a price which is closer to the COP.

With no agreement at the PPAC, the current pricing formula found at Schedule 19 – Pricing Model of the *August 26, 2011 BCCMB General Orders* would result in a live price based on a differential of 4.35 cents, and no caveats respecting catching costs, extra chicks, and chick servicing costs.

The Board does not accept the grower's position and rationale for the proposed increase of a further one cent. The Board found the processor's position to be reasonable, as it provides industry stability for the interim until such time as the Board makes a decision respecting the current pricing methodology. The Board felt that reverting to Schedule 19 as written would cause a hardship and cause further divide of the fragile grower/processor relationship.

The Board decided to exercise its discretion and maintain the status quo for the interim period (A-142) while the Board completes its review of the current pricing model. The Board concluded that the status quo was less disruptive to the industry than the either two options. The bridging agreement was accepted by both parties for 2 periods A-140 and A-141 and as such should not cause undue hardship to either the growers or the processors.

RATIONALE FOR DECISION BASED ON OUTCOME BASED PRINCIPLES

Strategic & Effective:

The Board has the authority to make orders it considers necessary or advisable to promote, control and regulate effectively the marketing of the regulated product, and to amend or revoke them, under 11(q) of the Natural Products Marketing (BC) Act. The Act at 11(k) gives the Board the authority to set the prices, maximum prices, minimum prices or both maximum and minimum price at which the regulated product or a grade or class of it may be bought or sold in British Columbia or that must be paid for a regulated product by a designated agency and to set different prices for different parts of British Columbia.

The BC Chicken Marketing Scheme (1961) grants the Board the power under 4.01(g) to fix the price or prices, maximum price or prices, minimum price or prices, or both maximum and minimum prices at which the live chickens over 2 days old that are regulated product, or any grade or class thereof, may be bought or sold in the Province, or that shall be paid for the regulated product by a designated agency, and may fix different prices for different parts of the Province.

Under the Chicken Scheme at 3.20 Pricing and Production Advisory Committee at section (3) it states the Board must consult with the committee and consider the committee's advice before the Board makes any decision relating to pricing or production.

The decision is in keeping with the Board's strategic priorities. It manages risk in a timely basis.

The process leading to the decision was effective. It will have a clearly defined regulatory outcome – to maintain the status quo while the Board completes its review of the current pricing methodology.

The decision allows BC growers and processors to retain traditional competitive relationships in the West, which is consistent with sound marketing policy.

Accountable

The Board is accountable for its decisions to the entire industry and must consider the impact of its decisions on other parties.

The Board is taking into account the interests of both growers and processors. Those who determine they are aggrieved by this decision may appeal to BCFIRB. Both growers and processors are well aware of their rights to appeal and the methodology to do so.

The Board has concluded that the status quo is less disruptive to industry than either of the two options and is in its view, sound marketing policy while the Board conducts its review of the current pricing methodology.

Fair

The decision making process has ensured procedural fairness. All sides were consulted and their opinions heard. While the Board did vary from the prescribed outcome contained in the General Orders at Schedule 19, the Board has the ability to exercise its discretion and has with this document provided a rationale illustrating sound marketing policy.

The Board has concluded that since the bridging agreement was accepted by both parties for 2 periods, the addition of another period should not cause any undue hardship on either side. There is no certainty that the decision of the Board will change the existing pricing methodology, only that the Board will review it. There should be no expectation of any type of pricing increase or decrease.

Transparent

The pricing order is transmitted to all mainstream growers by email.

This Schedule 15 containing the Board's decision and rationale will be posted on the website. Further, an explanation will be included in the BCCMB Monthly Board report and will also provide a reference to the Schedule 15 on the website.

Inclusive

All appropriate interests were considered and consulted. The PPAC consists of representatives of chicken growers, processors and hatching egg producers. The decision of the Board is in the public interest to maintain the status quo and provide continuity and stability respecting the live pricing of product.

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