



June 20, 2016

**TO: PPPABC
BCCGA
PPAC
Farmcrest Foods Ltd.
Rosstown Natural Foods
Island Farmhouse Poultry
Wingtat Game Bird Packers Ltd
Fraser Valley Specialty Processors**

RE: BC Formula for the Pricing of Live Mainstream Chicken.

The current live pricing model has been incorporated into the BCCMB General Orders since quota period A-101 (shipments commencing November 7, 2010) in accordance with the formula as directed by BCFIRB. At that time BCFIRB ordered that a workable pricing model must be consistent, predictable, transparent, and result in a live price that gives growers a reasonable return and allows processors to be competitive in the Canadian market.

The Board, as part of good governance and sound marketing policy has determined that it is now time to review the current pricing formula which has been in place for over five years. The review arises from a changing industry – rapidly changing national markets (consumer preference and increasing consolidation of the wholesale/retail sector), increasing imports (including potential increases in TRQ levels as a result of the TPP trade agreement), and pricing being increasingly fragmented between provinces as part of the impact of the new Ontario COPF. Provincially, concerns have been raised respecting the updated Serecon COP, deteriorating grower margins and processor concerns respecting increasing amounts of product from Central Canada finding its way onto the shelves of BC retailers.

The Board has no preconceived outcomes on the issue of pricing and is not contemplating change unless the review and industry consultation supports it. Any changes to the existing model will require consultation with the PPAC and approval by BCFIRB. The Board must demonstrate a thorough and substantiated use of principles-based regulation and SAFETI analysis in arriving at any changes to the pricing model that must clearly reflect sound marketing policy.

On June 29, 2016 the Board reviewed the current formula found at Schedule 19 Pricing Model of the August 26, 2011 BCCMB General Orders in detail along with its historical inputs and outcomes and historical requests for a variation arising from exceptional circumstances.

The differential of \$0.0435 over Ontario has historical significance arising from pricing negotiations between the growers and processors over many periods as recognized in the BCFIRB Supervisory Decision of 2010. The 2010 decision also noted the BCCMB's support of the pricing formula model was predicated on catching costs returning to the "recent level" of \$0.028/kg.

The Board notes that the most recent negotiated differential of \$0.0485 has been in place for 20 periods (A-113 to A-139 inclusive). It is the understanding of the Board that the increase in the differential reflects a negotiated increase in catching costs from 2.8 cents per kilogram as illustrated in the following chart. We understand that these catching prices remain in effect today.

Quota Period	Chicks supplied by processor (cents/kg)		Chicks NOT supplied by processor (cents/kg)	
	Single Deck	Double Deck	Single Deck	Double Deck
FIRB Sup Decision	2.8	2.8	2.8	2.8
A-102	3.3	3.6	3.55	3.9
A-139	3.3	3.6	3.55	3.9

The BCCMB wishes to engage in fulsome and frank discussion with industry stakeholders respecting the current live pricing model for chicken. While the Board is cognizant of the expiration date of the current multi-period pricing agreement of the PPAC which ends at the conclusion of quota period A-139 (shipments September 4 to October 29, 2016 inclusive), the Board is not prepared to rush the consultation process.

As the BCCGA is conducting their own investigation of pricing they have already submitted a number of documents on this subject. The Board recognizes the sensitivity and importance of price to all sectors of the chicken industry and intent to follow the directive of FIRB that a workable pricing model must be "*consistent, predictable, transparent and result in a live price that gives growers a reasonable return and allows processors to be competitive in the Canadian market.*"

In order to understand the concerns of the growers and processors and to explore any opportunities to make improvements to the current pricing model, the Board would like to have an open, honest and thorough communication with the BCCGA and PPPABC on the subject.

The Board will conduct its review through a principle/outcomes-based approach using SAFETI. As required by s.9 of the *NPMA*, the BCCMB must find that any proposed amendments are in accordance with the British Columbia Chicken Marketing Scheme (1961), with “sound marketing policy” and comply with governing legislation, regulation and agreements. To that end the BCCMB expects submissions to include SAFETI-based analysis of stakeholder positions including argument and evidence related to:

- Does the current pricing model provide a reasonable return to growers?
- Does the current pricing model allow processors to be competitive in the Canadian marketplace?
- Is the current pricing model, consistent, predictable and transparent?
- Are there reasons based on sound marketing policy to amend the current pricing model?
- Does the current pricing model address the needs of the entire BC chicken industry?
- How does the cost of doing business in BC compare to competitive jurisdictions for growers and processors?
- Other competitive factors which should be considered by the Board.

The Board is requesting written submissions from the PPPABC, BCCGA and other interested parties by September 30, 2016 and intends to meet with the parties as required to discuss their concerns and inputs in the interim. The Board will also be meeting with the PPAC with regard to this matter, and consulting with BCFIRB should the Board determine there are any changes contemplated.

All submissions will be posted on the Board’s website shortly after September 30, 2016. Additional comments and responses from all parties based on the posted submissions will be accepted until November 30, 2016.

During the period October 1 to November 30, 2016 the Board anticipates meeting with the interested parties to discuss their submissions and obtain clarification if required. It is the intention of the Board to then undertake a review of all submissions and documents and provide a decision no later than January 17, 2017.

A 30 day appeal period will be provided prior to the commencement of quota period A-142 (February 19, 2017) at which time it will be the intention of the BCCMB to implement any amendments to the pricing formula for mainstream chicken.

Please contact Bill Vanderspek or myself for any clarification. Please forward your submissions and comments by email: info@bcchicken.ca

Thank you for your attention to this matter.

BRITISH COLUMBIA CHICKEN MARKETING BOARD



Mr. Robin Smith

Chair

c.c. Ms. Kirsten Pedersen, Executive Director BCFIRB

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