



TO: ALL BC CHICKEN GROWERS AND PROCESSORS

June 27, 2024

**PRICING ORDER #181**

The British Columbia Chicken Marketing Board orders as follows:

- (1) The minimum prices to be paid by Processors to Growers for chicken marketed in the Province of British Columbia on all product contracted for or otherwise designated by the Board to be shipped in the Period A-190 (June 30, 2024 – August 24, 2024) shall be as follows:
- (2)

<u>Average Live Weight</u>	<u>Price per kilogram live weight (\$/kg)</u>
1.600 kg and below	2.1962
1.601 – 1.700 kg	2.2382
1.701 – 1.780 kg	2.2422
1.781 – 1.850 kg	2.2312
1.851 – 1.950 kg	2.2162
1.951 – 2.020 kg	2.1992
2.021 – 2.100 kg	2.1962
2.101 – 2.170 kg	2.1962
2.171 – 2.250 kg	2.1932
2.251 – 2.500 kg	2.1912
2.501 – 2.730 kg	2.1832
2.731 – 3.180 kg	2.2402
3.181 kg and above	2.2942

Included in live price are catching costs of \$0.0485 per kilogram, which are charged back to producer by the processor.

- (3) All prices are f.o.b. farm.
- (4) This order shall remain in effect until rescinded, varied or amended by further order of the Board.
- (5) The targeted weight shall be as specified on the contract.
- (6) Tolerance on a flock is plus or minus 6% from targeted weight.
- (7) If flock average weight falls within targeted weight tolerances (i.e., weight range plus or minus 6%) but the average weight is in a different category, the price payable will be determined by the average weight delivered.

BRITISH COLUMBIA CHICKEN MARKETING BOARD

Mr. Kevin Klippenstein, Chair

\*\*\*\*Please see the next pages for additional information related to the A-190 Pricing Order\*\*\*\*



## BC Chicken Live Price Formula

On [October 30, 2023](#), the BC Chicken Board submitted a proposal for a new formula for determining the live price of chicken. This proposal was subsequently approved by the BC Farm Industry Review Board on [May 22, 2024](#). The newly adopted pricing formula is based on a cost of production (COP) model designed for the efficient grower. To ensure a smooth transition, the implementation of this new COP pricing model will be phased in over six production periods (48 weeks). This phased approach will gradually close the gap between the previous interim formula and the new COP model. The below information intends to show the components of the COP, the interim formula, and the 6-period transition until 100% of COP is reached in A-195.

### 1. The new Formula for the COP is as follows:

$$(a) \text{ Operating Costs} + (b) \text{ Labour} + (c) \text{ Capital Costs} = \text{COP}$$

The COP below has been used to establish the minimum live price for period A-190, prior to the phase in process.

#### “NEW” BC COP Formula

BC Broiler COP - \$ per Kg	A189	A190	A191	A192	A193	A194	A195
<b>A) Operating Costs</b>							
Chicks	0.4709	0.4670					
Day-old Chick Cost	0.4545	0.4506					
Vaccine Cost	0.0163	0.0163					
Feed	1.1510	1.1105					
Utilities	0.0788	0.0835					
Vehicle & Equipment Operation (Fuel & Oil)	0.0092	0.0092					
Repairs & Maintenance	0.0476	0.0484					
Bedding	0.0225	0.0226					
Administrative & Office Costs	0.0127	0.0128					
Insurance	0.0179	0.0180					
Other Custom Costs	0.0061	0.0062					
Custom Catching	0.0485	0.0485					
Cleaning/Washing	0.0095	0.0096					
Board Levy	0.0206	0.0206					
MD Lease Costs	0.0016	0.0016					
<b>Operating Costs (With Levies &amp; With MD Lease Costs)</b>	<b>1.8969</b>	<b>1.8584</b>					
<b>B) Labour</b>							
General Labour	0.0835	0.0839					
Management	0.0495	0.0498					
<b>Labour Costs</b>	<b>0.1329</b>	<b>0.1337</b>					
<b>C) Capital Costs</b>							
Depreciation & Amortization	0.1068	0.1084					
Depreciation - Barns & Associated Equipment	0.0823	0.0835					
Depreciation - Other	0.0245	0.0249					
Investment Cost	0.2035	0.2066					
Investment Cost - Land	0.0051	0.0051					
Investment Cost - Barns & Associated Equipment	0.1682	0.1707					
Investment Cost - Other	0.0302	0.0307					
Operating Interest	0.0265	0.0251					
Taxes	0.0061	0.0061					
<b>Capital Costs</b>	<b>0.3429</b>	<b>0.3461</b>					
<b>Total Cost of Production</b>	<b>2.3727</b>	<b>2.3382</b>					



**2. The table below illustrates the phase-in process identified in the May 22, 2024, BCFIRB decision.**

Phase in Periods	Reference	1	2	3	4	5	6
Period	A-189	A-190	A-191	A-192	A-193	A-194	A-195
COP based live price formula - includes catching	\$2.3727	\$2.3382					
Previous Interim Formula - includes catching (par)	\$2.1704	\$2.1678					
Net Change to Formula Price	\$0.2023	\$0.1704					
Phase in % of difference	0.00%	16.67%	33.33%	50.00%	66.67%	83.33%	100.00%
\$/kg phased in	\$0.0000	\$0.0284					
Final Posted Live Price (includes catching)	<b>\$2.1704</b>	<b>\$2.1962</b>					
CHANGE FROM PREVIOUS PERIOD	-\$0.0369	\$0.0258					

### 3. Previous “Interim” Pricing formula:

Below is the “old” 75% formula (including all FIRB ordered amendments) which will be used for the BCFIRB ordered graduated implementation for periods A-190 to A-195 inclusive:

- The Ontario live price at their 2.15 – 2.45 kilogram weight category, **Plus**,
- The current BC catching cost of \$0.0485 per kilogram, **Plus**,
- 75% of the difference in the cost of feed and chicks per kilogram, **Plus**
- The addition of a trigger mechanism to determine when 50% of the current formula costs exceeding the upper guardrail is appropriate to include in the interim pricing formula to account for the wheat-corn gap. The trigger will be a cost gap of \$115.23 between Ontario and BC feed costs per tonne. If the trigger threshold is not met, no adjustment will be made to the live price. If the trigger threshold is met, provisions to cover 50% of the formula costs exceeding the upper guardrail will be made.
- If the above trigger mechanism is met, a provision to cover 50% of the current formula costs exceeding the upper guardrail after adjustment for the cumulative increase or decrease in Ontario grower margins arising from changes to the Ontario Cost of Production formula (COPF) starting in A-181. If the resulting number is negative, no adjustment will be made to the live weight price. (The upper guardrail is currently set at 13.69 cents/kg and the lower guardrail at 10.90 cents/kg due to the increase in the catching costs).

**The numbers indicated by the formula to calculate the A-190 minimum live price using the old interim pricing methodology:**



Ontario price (2.15 - 2.45 category)	\$1.9890	
<b>Minus</b> CFO modular loading recovery	\$0.0020	
<b>Minus</b> CFO AI Insurance recovery	\$0.0015	
<b>Minus</b> OBHECC chick levy	\$0.0006	
Net Ontario Price (2.15 - 2.45 category)	<b>\$1.98489</b>	= A
<b>Plus</b> BC catching price	\$0.0485	
<b>Plus</b> 75% feed and chick differential	\$0.2495	
Total differential over Ontario	\$0.2980	
BCCMB Pricing Formula - Upper Guardrail value of	\$0.1369	
Total differential over Ontario	\$0.2980	
Total differential over Ontario <b>GREATER THAN</b> Upper Guardrail - use Upper Guardrail	<b>\$0.1369</b>	= B
Differential over upper guardrail = (Total differential over Ontario - Upper Guardrail)	\$0.1611	
<b>A-190 Floating Guardrail Mechanism Triggered (Yes or No)</b>	<b>Yes</b>	
Ontario Producer Margin Period A-180	\$0.6384	
Ontario Producer Margin Period A-190	\$0.7074	
Change to Ontario's Producer Margin (If Positive used in Formula)	\$0.0690	
BCFIRB December 13, 2022 Prior Approval A-180 Interm Pricing Formula: = (Differential over upper guardrail minus change in Ont producer Margin)	\$0.09205	
<b>Plus</b> 50% of Differential over Upper Guardrail =	<b>\$0.04603</b>	= C

$$\text{A-190 BC Posted Price} = \text{\$1.98489} + \text{\$0.1369} + \text{\$0.04603} = \text{\$2.1678}$$

A      B      C

#### 4. Levies

A levy of \$0.0206 on all payable weight is to be deducted from the grower by the processor and remitted to the BCCMB as per Part 14 *Fees and Levies* of the BCCMB General Orders

BC Levy Rate Breakdown:

BCCMB portion	\$0.0145 per kilogram live weight
<u>CFC portion</u>	<u>\$0.0061 per kilogram live weight</u>
TOTAL	\$0.0206 per kilogram live weight

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