



BC Chicken Growers'
ASSOCIATION

September 30, 2009

VIA E-MAIL

Mr. Richard Bullock, Chair
BC Farm Industry Review Board
3rd Floor, 1007 Fort Street
Victoria, BC V8V 3K5

SUPERVISORY REVIEW OF BC CHICKEN INDUSTRY ISSUES

In response to your letter of September 8, 2009, we wish to submit the following comments and recommendations on the report to the BC Farm Industry Review Board (FIRB) from the BC Chicken Marketing Board (the "Board") entitled "*Model for Live Price for BC Grown Chicken and Related Recommendations of September 3, 2009*".

Introductory Comments

This submission from the BC Chicken Growers' Association ("BCCGA") touches on many aspects of the Broiler Industry in BC. We look forward to face to face meetings with FIRB to further clarify our position.

We are committed to making this pricing model process work for our industry while remaining firm in our position that the broiler farmers in BC must be able to recoup their production costs and make a reasonable return. Producer profitability must be the focus along with, not just, Processor competitiveness.

This is recognized in the 3 fundamental pillars that Supply Management is based on: Production Discipline, Import Control and Stable Producer Pricing.

1. Production Discipline

Agricultural producers undertook to provide the Canadian market with quality products in sufficient quantities that efficiently reflect changes in consumer demand. They also undertook not to produce surpluses. This is why dairy, chicken, turkey, table egg and hatching egg producers operate under a quota system, where each producer undertakes to supply a small share of the Canadian market.

Producers are responsible for the costs of surpluses over and above the allocation that is set by Chicken Farmers of Canada in consultation with provincial stakeholders.

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2. **Import control**

The Federal Government is committed to limiting imported products to ensure Canadian market requirements are primarily met by Canadian production. The predictability of imports through effective tariff rate quotas and over quota tariff make it possible for dairy, poultry and egg producers to make a living in agriculture.

3. **Stable Producer Pricing**

A fair pricing policy that covers production costs. The federal government also introduced mechanisms to enable producers to receive prices that guarantee reasonable returns and a decent living from their production.

Supply Management is recognized by Federal and Provincial Governments and industry stakeholders as an effective risk management program.

The Ontario Agriculture, Food, and Rural Affairs Appeals Tribunal decision of January 2, 2002 recognized that:

"... The Supply Management system was designed to provide a fair return for producers. This fair return should cover their costs and a reasonable profit. The Tribunal believes the Supply Management system was put in place to offer producers stability and the opportunity to obtain a reasonable return on their investment."

Support for Supply Management has also been accepted by 130 Members of Parliament in 2004, including all four Party leaders, former Prime Minister Paul Martin, Stephen Harper, Gilles Duceppe and Jack Layton when they signed the following declaration:

A Declaration of Support for Maintaining Supply Management, A Fair Agricultural Model

WHEREAS Agriculture and Farmers are basic to feeding the world;

WHEREAS countries have the basic right to assure the food security of their citizens and the duty to provide fair treatment to those who produce the food;

WHEREAS for over thirty years, the Canadian supply management system, which is based on planning production to match demand, on producer pricing that reflects production costs, as well as on control of imports, has proven that it is a fair agricultural model in the dairy, chicken, turkey, table egg and hatching egg sectors;

WHEREAS this model allows farmers to obtain fair returns from the marketplace, processors to benefit from a stable supply of quality primary material and to realize profits, and consumers to obtain quality products at prices comparable to or lower than the prices in countries that do not practice supply management;

WHEREAS agricultural producers under supply management are basic to the economic vitality and stability of many regions of Canada;

WHEREAS this model causes no distortion of world agricultural markets because it essentially seeks to satisfy the domestic market by avoiding production of surpluses;

WHEREAS this model does not require any government subsidies and therefore represent savings for taxpayers and the government Treasury;

WHEREAS supply management is a future-oriented solution for agriculture that Canada should promote in international forums as a fair agricultural model, particularly for developing countries;

WHEREAS the negotiations underway at the World Trade Organization (WTO) could result in the weakening, or even the disappearance of supply management;

WHEREAS Canada undertook, at the beginning of the Doha Round, to negotiate conditions that would preserve an effective supply management system;

That I support the maintenance of supply management, a fair agricultural model; and that I will personally get involved so that, at the end of the WTO negotiations, producers under supply management can continue to meet the needs of Canadian consumers and obtain all their revenue from the marketplace, based on their costs of production, including a fair return on their labour and capital.

Price Model

While the proposed price model is a step in the right direction, there are issues that need to be addressed for this model to work for our industry and not be subject to abuse or manipulation.

These issues include the following:

Catching Costs

The catching costs provided by Westcoast Catching and SGD Pollon Express are inaccurate at 2.8 cents/kg. That may be what was arbitrarily charged to the growers, but it is not what is paid to the catching crews. Processors have testified in previous arbitrations and appeals that the amount paid to the catching crews is 2.3 cents/kg. This number should be used as the base and any cost increases by the processors should be reflected in the price differential.

As the processors have demonstrated that they will use catching costs to offset any price increases ordered by the Board, the price model must include a provision for an immediate adjustment of both the price differential and the cap, should catching costs (or other processor controlled charges) be increased at any point during the proposed 6 cycle price term.

For example, if during the second cycle of the proposed 6 cycle price term, catching is raised 1 cent/kg, the live price differential must increase by 1 cent/kg and the sleeve must change (from +1, -1) to +2 on the high side and 0 on the low side.

Transportation Costs

Canadian chicken is sold in a regional and national marketplace. Transportation costs play a large role in our industry and it is much more cost effective to ship product from west to east than

vice versa. This gives the processors in BC a large competitive advantage over all their counterparts to the east.

In the formula employed by the cost model to calculate the BC live price, shipping of finished product needs to be considered in the calculation. With all the talk about using a market weighted average and how much product is shipped to other provinces, we must take into account what that shipping costs and what the financial advantage is for BC processors.

The information needed to calculate the transportation differential should be collected and incorporated in the pricing model.

The following tables illustrate the transportation costs from other provinces to BC and vice versa.

Cost of Freight From Other Provinces to BC

Province	Freight	Freight Cost per kg	Freight Cost per kg converted to live (73% evis rate)
Alberta	\$1,400.00	\$0.04828	\$0.0352
Sask	\$2,400.00	\$0.08276	\$0.0604
Manitoba	\$3,500.00	\$0.12069	\$0.0881
Ontario	\$6,000.00	\$0.20690	\$0.1510

Cost of Freight From BC to Other Provinces

Province	Freight	Freight Cost per kg	Freight Cost per kg converted to live (73% evis rate)
Alberta	\$900.00	\$0.0310	\$0.0227
Sask	\$1,500.00	\$0.0517	\$0.0378
Manitoba	\$2,205.00	\$0.0760	\$0.0555
Ontario	\$3,800.00	\$0.1310	\$0.0957

Load Size 29000

KGs

Processor Shipping Cost Differential

Province	Amount BC Processor Shipping Costs Less (cents/kg)	Market Weighting (%)	Market Weighted Shipping Cost Differential
Alberta	\$0.0126	49.00%	\$0.0062
Saskatchewan	\$0.0227	5.50%	\$0.0012
Manitoba	\$0.0326	5.50%	\$0.0018
Ontario	\$0.0554	40.00%	\$0.0222
BC			\$0.0314

The cost differential of \$0.0314 per kg. should be added to the cost model.

Recognition of Cost Savings

The cost model supposedly represents a level playing field for both sectors with respect to realized costs but does not appear to give appropriate weight to realized savings. Specifically, the savings the growers have over their eastern counterparts also apply to the processors (energy costs for example). However, several types of savings that the processors have over their eastern counterparts do not apply to the growers (transportation, payment of little to no bonuses, catching costs paid by producers). This is why examining only costs is not sufficient - savings must be examined as well.

Continuing Disclosure/Manipulation of Live Price

We believe the cost model needs to specifically address the provision of updated information on a regular basis from all stakeholders. Specifically, how does the Board intend to obtain the necessary information and then assess or verify the accuracy of such information?

The Board has recognized that participation from the processors in providing information for the model cannot be assured if it is used to determine the live price for chicken. The Board has recognized that the processors will only provide information if it is beneficial to them. What the Board has failed to recognize is the processors’ ability to manipulate the model by their ownership of processing plants outside of BC.

For example, as the market weighted model does not take bonuses into account, what is to stop the processors from negotiating a lower live price in the Prairie provinces by offering incentives such as bonuses, free vaccinations, extra chicks, etc. Doing so would then lower the number that the market weighted average model produces which would move the entire sleeve down. Labour rates are another area open for manipulation. How can we determine the accuracy of the reported labour rates?

The Board must ensure that, on a continuing basis, it has free and ready access to all data necessary to ensure the accuracy and fairness of the data used to build the cost and market weighted average models and in-province costs/savings incurred by both processors and growers.

Processor Labour

In the cost model, labour rates are compared with feed prices as they are similar in amount. They may be similar now, but the feed differential fluctuates from cycle to cycle due to a variety of factors (supply, season, weather, markets, etc.), whereas labour rates are much more stable .

An obvious advantage to including labour rates is that the processors will no longer have to worry about labour issues. They can solve any problem by offering their employees higher wages, and recoup those increases by way of the cost model.

Another concern is the percentage of labour that is used for Market Development production. This percentage must be considered and taken out of the cost model.

Length of Cycle

The BCCGA recognizes that there is a benefit to the processors for a stable price. However, with grower cost fluctuations, the growers cannot afford to be locked into one price differential for a six cycle period. While we prefer a period by period price, we would be willing to compromise on a 2, or at most 3 cycle price differential.

Triggers need to be put in place to run the model again before the locked in time period is over. For example, if the price differential is outside of the sleeve for more than one consecutive period.

Another option would be that at the beginning of a pricing term, the sleeve is locked in place using the market index model (unless processor to grower charges are increased). Then the cost model would be used to determine a cycle by cycle price. This method would still provide stability to the processor because the price could only move +/- 1 cent during this pricing term.

Further, while a 2 period lag is used, 1 period is sufficient to gather the data necessary to make the calculations.

Review of Cost Model

The model should be subject to an initial review after the first year in case there is a fundamental flaw that has been overlooked.

Assurance of Supply

The BCCGA agrees with the BCCMB's recommendations regarding Assurance of Supply.

Assurance of supply (plant supply quota) is detrimental to the chicken industry in BC in many ways.

The George Morris Centre has reported on some of the effects of AOS (PSQ):

- ❑ *[AOS] has the effect of suppressing market information. With an open sign-up system, when demand exceeds supply (error noted in report which stated supply exceeds demand), the market receives the signals immediately in the form of premiums over the regulated live price. The premiums are an open signal that the market is demanding more chicken. With a PSQ, the excess value of the chicken is captured in processor margins and does not provide a signal to the market for live chicken.*
- ❑ *Allocating live supply by PSQ limits competition for live supply, which therefore stifles innovation throughout the value chain.*
- ❑ *Premiums allow processors to attract, discriminate between, and retain quality growers. Under PSQ, this dynamic is not so clearly evident or necessary.*
- ❑ *Plant supply quota impedes new entrants.*
- ❑ *PSQ may lead to a less efficient processing sector. There may exist some older, less efficient plants that would be unable to compete in a competitive procurement environment that can remain viable under PSQ.*

The BCCGA would like assurance that the Board can and will direct product that has not been contracted for and that the directed processor is responsible for taking the product at the same price, terms and conditions as contracted product for all of BC.

Market Development

The proposed Market Development changes reverts the program similar to the way it originally started.

The processors would be able to set the price which may vary from processor to processor. It also has the capability of varying from farmer to farmer. The price needs to be the same for each producer who ships to a particular processor otherwise the system will revert to the way it was. The processors could offer MD production to Farmer A at 10 cents/kg and to Farmer B for \$1/kg. That will give the processors the ability to manipulate the program to ensure they could direct the MD where they want it grown. This cannot be allowed to happen.

All growers must have an equal opportunity to grow MD regardless of whether or not their specific processor requires export production.

In its letter of July 30, 1999, to all registered growers the Board stated:

“The BCCMB has never stated that export production is not important and desirable. However, what the Chicken Board wishes to see is a “PLANNED EXPORT” program that is consistent with a domestic supply managed system. Further, the program must be FAIR, EQUITABLE, and provide EQUAL OPPORTUNITIES to all growers.”

This mandate was effectively incorporated in the Board's Regulations issued on August 15, 2000.

In its decision of June 27, 2003, on the appeal by the processors of the Board's Regulations dated August 15, 2000, BCFIRB also recognized that the previous MD program was seriously flawed:

29. *As will be noted below, the appointed Chicken Board ultimately concluded that a form of pooling was, following its consultation process and in the context of their overall industry re-structuring, the appropriate policy solution to the problem of access to export production. While we will discuss the details of this policy solution below, it will suffice to observe at this stage that the BCMB's October 1999 supervisory report accepted that there was a lack of equity in the accessibility of export production, and we make that finding expressly here based on the evidence before us. We recognise that there were some growers who, on principle, refused to grow export chicken because they felt that it undermined the supply management system. We also appreciate the processors' evidence that they never refused growers who wished to place export production. However, the fact is that, in practice, some growers were approached and encouraged to place export production while others were not given the same opportunity.*

31. *On the totality of the evidence, we find that it was neither in the mind, nor in the role, of the processors to be concerned with an equitable and accessible system for growing export production. Access was not universally available. Compared with a maximum of 50 growers (more commonly in the 20s) who used to participate regularly in export production, there are now as many as 178 growers (over half the industry) who do so under the new Export Program.*

32. *The fact that the former Export Program was operating in a "fast and loose" manner is apparent on the evidence. The processors, who were controlling production to maximise their business opportunities, did not make equitable access to all growers a high priority.*

The BCCGA sees the MD recommendations as a step backward, not forward, and recommends maintaining the existing MD Program rather than implementing the recommended changes.

With regard to leasing production, the BCCGA is unsure of the effect these proposed changes would have. Will the price now be negotiated between the two parties involved? Do the two parties need to be in the same home week? Will there be a cap on the amount that is eligible to be leased?

The BCCGA would like to see a domestic leasing policy to help producers with over/under production penalties.

FOB/Catching

The Processors provide the catchers, while the growers pay for the service. The Growers have no control over who catches their birds, what method is used or the price paid for such services, all of which are directly controlled by the Processors. When producers have tried to catch their own birds, they were met with significant opposition from the processors. Therefore, in our opinion, the catcher is the agent of the processor and transfer of ownership and responsibility take place at the point where the catcher picks up the chicken.

At 2.8 cents/kg the producers are paying “catching costs” to the processor, not paying for the catching crew.

It is extremely important that any new FOB definition apply to all farms in BC and that all farms are treated equal.

The proposed transfer of ownership rules dictates that any and all freight costs will be borne by the processor and any extra charges will be incorporated into the pricing cost model. The BCCGA agrees with this.

Linkage

While a linkage update is necessary to decrease costs to the producer, the proposed changes by the Board will not accomplish this. The growers have historically borne the burden of high chick costs. The Board’s proposed changes will only see the lower chick cost saving flow through to the processors instead of the growers.

When this flow through happens, the growers will not see any reflection of the decrease. Only the processors will benefit. What this does is create an illusion. After 13 cycles, all savings will fully be passed on to the processors, giving them all the benefit and leaving none for the producer.

The BC Chicken Industry

The BC Processor Advantage

In A-93 (and previous periods) the Processors in BC paid less for live chicken than processors in Ontario. The PPPABC claims that they paid more. The evidence below supports the BCCGA’s position.

A-93 Ontario price

\$ 1.497 posted ON board price
+ 0.045* processor catching cost
\$ 1.542 total processor cost
\$ 0.045 average bonus**
\$ 1.587

A-93 B.C. price

\$ 1.497 posted ON board price
+0.0497*** B.C./Ontario differential
\$ 1.5467 total B.C. processor cost
\$ 0.0066 average bonus****
\$ 1.5533

* Brian Herman, Brian’s Poultry Services

** As testified by B. Lindner (2-7 cents)

*** \$0.0596 less \$0.0099 catching cost increase

**** Ference Weicker Report

Some other benefits the processors in BC have over their eastern counterparts include:

- B.C.'s localized industry has lower transportation costs compared to other Provinces for acquiring and marketing product.
- Having the second largest average farm size in Western and Central Canada further reduces costs to the processor.
- Lower stocking density compared to other provinces results in a higher quality, consistent product.
- Geographical location reduces the possibility of producers seeking out up to 20 ¢ premiums offered by processors in neighbouring provinces.
- Producers pay an inflated cost for catching in B.C.
- Assurance of Supply results in a guaranteed supply of consistent, high quality product and increases the value of their companies.
- A Market Development program where processors have control over volume and price.
- BC enjoys the highest chicken retail prices in Western and Central Canada. See Appendix A.

The Transportation Advantage

Processors in BC have a large competitive advantage over their counterparts to the east when it comes to shipping product between provinces. The cost of shipping freight east is considerably lower (almost half) than shipping freight west.

By looking at total processor costs, the fact that 60% of BC product stays in BC and 40% goes out of province, and what it costs to ship that product, the evidence shows that BC can support a live price of Ontario + \$0.0941 for A-93 while keeping our processors on a level playing field with their competitors to the east.

Appendix B shows the calculations used to calculate the number of Ontario + \$0.0941.

Uncontrollable Increases in Grower Costs

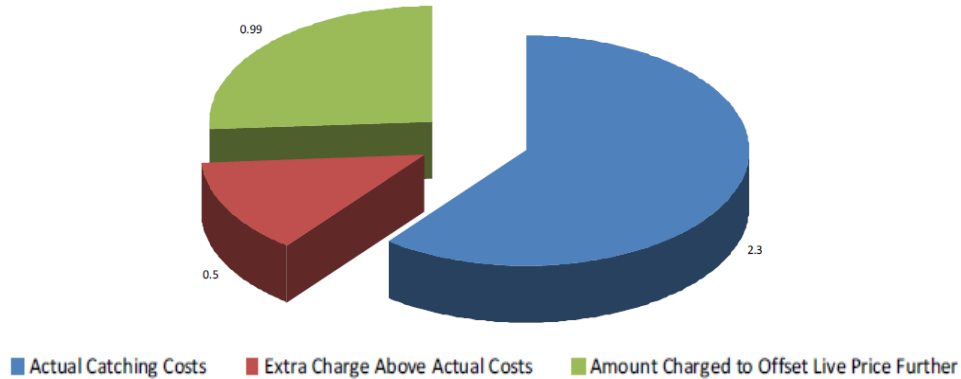
Catching

Growers have had to absorb an 88% increase in catching costs since 2006:

- 2006 - From \$44/1,000 birds to \$46/1000 birds (\$0.0202 per kg to \$0.0211 per kg)*
- A-79 – Increase to \$0.028 per kg.
- A-91 – Increase to \$0.0358 per kg single floor and \$0.0387 per kg. for multi storey barns (Weighted avg. increase of \$0.0099 per kg.)

Based on 2.18 average size bird which was the average from A-75 to A-84
(Source: Ference Weicker)

Breakdown of catching charges:



Freight

Since 1999 growers have also been subsidizing ferry costs of \$0.0007/kg which previously were paid for by the processors.

Feed and Chick

Growers have seen their feed and chick cost differentials over Ontario rise dramatically since the last negotiated 4.35 cent multi-period agreement (A-73 – A-78).

- The average feed and chick cost differential/kg between BC and Ontario in periods A-73 to A-78 was \$0.0955.
- In periods A-79 to A-93 it was \$0.1534.
- That shows that since the last \$0.0435 agreement, BC growers have lost an average of \$0.0579/kg. per cycle.
- By taking an average of the live price over the last 6.5 cycles (Ont. + \$0.0524) that represents \$27,647 of lost revenue per year for a 45,000 bird farm.
- See Appendix C1-3 for related data.

Cost of Production

Since A-66 growers have only seen their cost recovery parity (as calculated by Serecon) above 100% twice; once in period A-93 and the second time in period A-78 when growers received a 1.25 cent retroactive payment.

In period A-93 growers are at 101.79% which means that only 64% of BC producers are recovering 100% of their costs. See Appendix D1-2.

BC's Neighbours

BC has not achieved the same live price differential increases as seen in the Prairie Provinces, especially when the latest catching cost increase is taken into account.

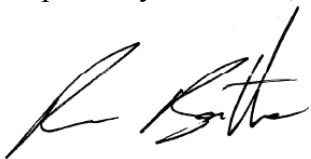
- Since A-72 Alberta has increased its differential over Ontario by 2.25 cents/kg.
- Saskatchewan has increased its differential by 1 cent/kg. from periods A-88 to A-93.
- Manitoba increased its differential by 1 cent/kg. in A-90 and raised the differential by .4 cent/kg in A-91.

Closing Remarks

The BCCGA remains committed to the Board's process of developing a pricing model and to building a strong chicken industry in BC. We are moving in the right direction but in order to succeed, it must start with the producer. Without the farmer, there is no BC chicken industry. We remain committed to a fair return for the producers of BC; one that covers our costs and allows for a reasonable return.

The BCCGA looks forward to meeting with FIRB and the Board to discuss the proposed changes to the BC chicken industry in more detail. In this document we have laid out some of the problems with the proposed changes. We have also shown what is actually happening in the industry in BC. How much costs have risen and what production costs are today. This important information will help make the final pricing model as accurate as possible. A pricing model that will maintain and strengthen the three critical pillars of supply management in Canada: Import Controls, Production Planning and Producer Pricing.

Respectfully submitted,



Ravi Bathe
President
BC Chicken Growers' Association

cc. Jim Collins, General Manager, BC Farm Industry Review Board
Ron Kilmury, Chair, BC Chicken Marketing Board
Bill Vanderspek, General Manager, BC Chicken Marketing Board
Paul D. McLean, Harris & Company LLP

APPENDIX A

Canadian Retail Prices

Boneless Skinless Breasts

Weighted Avg Price per 4 Week Period (\$/kg evisc)	Dec 21/08-Jan 17/09	Jan 18/09-Feb 14/09	Feb 15/09-Mar 14/09	Mar 15/09-Apr 11/09	Apr 12/09-May 9/09	May 10/09-June 6/09	June 7/09-July 4/09	July 5/09-Aug 1/09	Average
B.C.	15.06	13.94	13.81	14.03	14.16	12.28	12.74	12.51	15.50
Alta.	14.87	13.15	14.91	13.73	13.69	12.40	12.33	12.65	15.39
Sask./Man.	12.91	11.28	12.06	12.07	11.63	10.31	10.63	11.33	13.17
Ont.	12.96	11.88	11.41	9.89	12.02	10.94	11.51	11.21	13.12
Que.	10.30	9.35	10.94	9.51	10.94	9.35	10.83	10.70	11.70
Western and Central Canada	13.22	11.92	12.63	11.85	12.49	11.06	11.61	11.68	13.78
N.B./N.S./ P.E.I.	12.45	13.57	13.04	12.62	11.82	12.20	12.58	12.98	14.47
N.L.	17.74	13.73	18.07	12.89	14.00	13.37	14.59	14.03	16.92
Canada	12.88	11.75	12.17	10.84	12.23	10.95	11.66	11.55	13.43

Drumsticks with Skin

Weighted Avg Price per 4 Week Period (\$/kg evisc)	Dec 21/08-Jan 17/09	Jan 18/09-Feb 14/09	Feb 15/09-Mar 14/09	Mar 15/09-Apr 11/09	Apr 12/09-May 9/09	May 10/09-June 6/09	June 7/09-July 4/09	July 5/09-Aug 1/09	Average
B.C.	6.37	5.91	5.94	6.15	6.07	6.11	5.77	5.83	6.88
Alta.	5.89	5.27	5.79	5.59	4.94	5.64	5.58	5.74	6.35
Sask./Man.	5.74	5.32	5.55	5.52	5.18	5.57	5.58	5.58	6.29
Ont.	6.22	5.95	6.08	6.25	6.35	5.52	6.24	5.99	6.94
Que.	4.95	4.96	4.90	4.84	5.10	4.70	4.92	4.84	5.60
Western and Central Canada	5.83	5.48	5.65	5.67	5.53	5.51	5.62	5.60	6.41
N.B./N.S./ P.E.I.	6.67	6.21	5.55	5.70	5.52	6.26	6.62	5.61	6.88
N.L.	5.88	5.45	5.07	5.42	5.32	5.59	5.85	5.22	6.26
Canada	5.94	5.61	5.72	5.76	5.71	5.49	5.79	5.67	6.53

Source: The Nielsen Company, compiled by AAFC Poultry Section (as cited in the CFC Chicken Fax)

Note: Prior to Dec 21/08 retail price data from BC was not reported in the CFC Chicken Fax

APPENDIX B

Cost Comparison for Processors in different provinces with freights included.

Other Western Processors shipping to B.C. - period A-93

Province	Live Price	Posted Differential over Ontario	Catching	Premium	Cost to Processor	Differential Over Ontario	Freight	Freight per Kilogram converted to Live Price	Total Processor Cost to ship to B.C.	Market Weighting Factors FW	Live Price According to Diff
B.C.	\$1.5566	\$0.0596		0.0066	\$1.5632	(\$0.0238)			\$1.5632		\$1.6471
Alberta	\$1.5295	\$0.0325		0.019	\$1.5485	(\$0.0385)	\$1,400.00	\$0.035	\$1.5837	49.2%	\$0.7792
Sask	\$1.5220	\$0.0250		0	\$1.5220	(\$0.0650)	\$2,400.00	\$0.060	\$1.5824	5.5%	\$0.0870
Manitoba	\$1.5160	\$0.0190	0.0165	0	\$1.5325	(\$0.0545)	\$3,500.00	\$0.088	\$1.6206	5.5%	\$0.0891
Ontario	\$1.4970	\$0.0000	0.045	0.045	\$1.5870	\$0.0000	\$6,000.00	\$0.151	\$1.7380	39.8%	\$0.6917

Freight cost based on load size of **29000 KG.s**

B.C. Processors shipping to other provinces - period A-93

Province	Live Price	Posted Differential over Ontario	Catching	Premium	Cost to Processor	Differential Over Ontario	Freight	Freight per Kilogram converted to Live Price	Total B.C. Processor cost to ship to other prov.	Market Weighting Factors FW	Market Weightings to Diff
B.C.	\$1.5566	\$0.0596		0.0066	\$1.5632	(\$0.0238)			\$1.5632		\$1.5071
Alberta	\$1.5295	\$0.0325		0.019	\$1.5485	(\$0.0385)	\$900.00	\$0.023	\$1.5258	49.2%	\$0.7507
Sask	\$1.5220	\$0.0250		0	\$1.5220	(\$0.0650)	\$1,500.00	\$0.038	\$1.4842	5.5%	\$0.0816
Manitoba	\$1.5160	\$0.0190	0.0165	0	\$1.5325	(\$0.0545)	\$2,205.00	\$0.056	\$1.4770	5.5%	\$0.0812
Ontario	\$1.4970	\$0.0000	0.045	0.045	\$1.5870	\$0.0000	\$3,800.00	\$0.096	\$1.4913	39.8%	\$0.5936

The Blue Column represents what the processor cost in different provinces for chicken would be with premiums and catching included

The gray column represents what the differential over Ontario actually is with catching and premiums included. (Actually under)

The purple column represents the actual cost per 29000 kg load of chicken to freight that chicken from that province to B.C.

The yellow column is the cost of freight converted to live kilogram(per kilogram live)

The orange column is actual processor cost after freight is included

Live price BC Processors would pay to have the same price as other processors landing their product in BC

Live price BC processors would have to pay to land chicken in other provinces at the same price as the processors in those provinces

Using Market weightings and the ratio of 60% of the chicken staying in BC and 40% leaving BC

	Alberta	Sask.	Manitoba	Ontario	B.C.	60%	40%
60% of Chicken Priced at Cost for Provinces to get chicken to B.C.	\$0.7792	\$0.0870	\$0.0891	\$0.6917	\$1.6471	\$0.9883	
40% of chicken Priced at Cost for B.C. to Ship chicken to other Provinces	\$0.7507	\$0.0816	\$0.0812	\$0.5936	\$1.5071		\$0.6029
Blended Price					\$1.5911		
BC A-93 Live Price					\$1.5566		
Difference					\$0.0345		
Total Differential over Ontario					\$0.0941		

APPENDIX C-1

Live Price differential between Ontario and BC after deduction of chick cost differential

Chick Cost - mixed, unserved

Period	Ontario	BC	Ont cost /kg	BC cost/kg	Difference per kg	Price differential per kg	Price differential - chick cost differential (per kg)	Price Setting Method
A-93**	\$0.5898	\$0.6701	\$0.2681	\$0.3074	\$0.0393	0.0497	\$0.0104	Processor Set
A-92*	\$0.5839	\$0.6615	\$0.2654	\$0.3034	\$0.0380	0.0491	\$0.0111	Processor Set
A-91	\$0.5874	\$0.6578	\$0.2670	\$0.3017	\$0.0347	0.0575	\$0.0228	Board Set
A-90	\$0.5781	\$0.6399	\$0.2628	\$0.2935	\$0.0308	0.0576	\$0.0268	Board Set
A-89	\$0.5762	\$0.6638	\$0.2619	\$0.3045	\$0.0426	0.0500	\$0.0074	negotiated
A-88	\$0.5958	\$0.6691	\$0.2708	\$0.3069	\$0.0361	0.0500	\$0.0139	negotiated
A-87	\$0.5998	\$0.6583	\$0.2726	\$0.3020	\$0.0293	0.0535	\$0.0242	negotiated
A-86	\$0.5817	\$0.6496	\$0.2644	\$0.2980	\$0.0336	0.0535	\$0.0199	negotiated
A-85	\$0.5728	\$0.6379	\$0.2604	\$0.2926	\$0.0323	0.0435	\$0.0112	arbitration
A-84	\$0.5646	\$0.6245	\$0.2566	\$0.2865	\$0.0298	0.0435	\$0.0137	arbitration
A-83	\$0.5414	\$0.6220	\$0.2461	\$0.2853	\$0.0392	0.0500	\$0.0108	negotiated
A-82	\$0.5438	\$0.6170	\$0.2472	\$0.2830	\$0.0358	0.0500	\$0.0142	negotiated
A-81	\$0.5474	\$0.6195	\$0.2488	\$0.2842	\$0.0354	0.0500	\$0.0146	negotiated
A-80	\$0.5521	\$0.6160	\$0.2510	\$0.2826	\$0.0316	0.0535	\$0.0219	arbitration
A-79	\$0.5356	\$0.6239	\$0.2435	\$0.2862	\$0.0427	0.0435	\$0.0008	arbitration
A-78	\$0.5353	\$0.6073	\$0.2433	\$0.2786	\$0.0353	0.0435	\$0.0082	negotiated
A-77	\$0.5310	\$0.5657	\$0.2414	\$0.2595	\$0.0181	0.0435	\$0.0254	negotiated
A-76	\$0.5133	\$0.5384	\$0.2333	\$0.2470	\$0.0137	0.0435	\$0.0298	negotiated
A-75	\$0.5048	\$0.5355	\$0.2295	\$0.2456	\$0.0162	0.0435	\$0.0273	negotiated
A-74	\$0.5015	\$0.5368	\$0.2280	\$0.2462	\$0.0183	0.0435	\$0.0252	negotiated
A-73	\$0.5042	\$0.5415	\$0.2292	\$0.2484	\$0.0192	0.0435	\$0.0243	negotiated

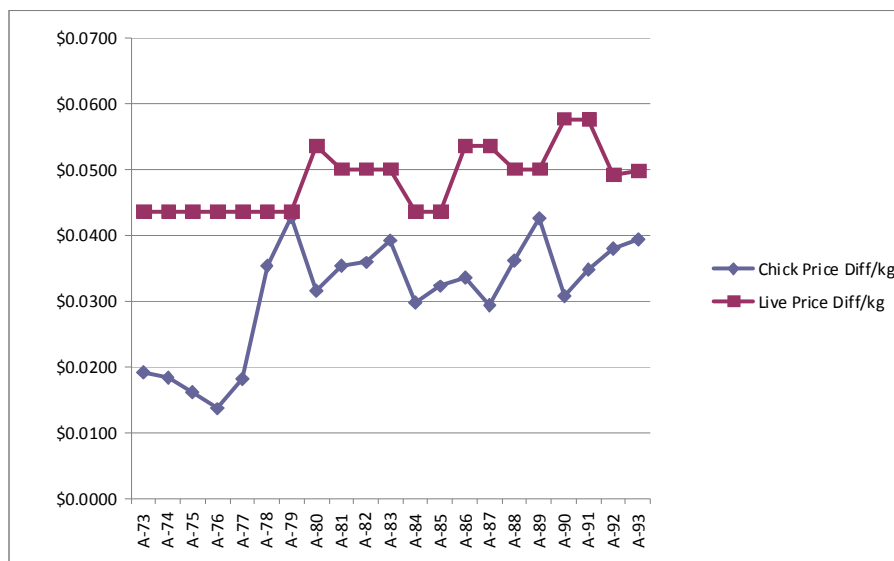
* \$0.059 - \$0.0099 = \$0.0491

** \$0.0596 - \$0.0099 = \$0.0497

Based on 2.20 kg avg bird in Ontario and 2.18 avg bird in BC which was the average from A75-A84

Source: FW

Chick Cost differential/kg between Ontario and BC compared to live price differential



APPENDIX C-2

Live Price differential between Ontario and BC after deduction of feed cost differential

Feed Cost

Period	Ontario	BC	Ont Cost/kg	BC Cost/kg	Difference per kg	Price differential per kg	Price differential - chick cost differential (per kg)	Price Setting Method
A-93**	\$353	\$419	0.6425	0.7207	\$0.0782	0.0497	-\$0.0285	Processor Set
A-92*	\$335	\$419	0.6097	0.7207	0.1110	0.0491	-\$0.0619	Processor Set
A-91	\$328	\$419	0.5970	0.7207	0.1237	0.0575	-\$0.0662	Board Set
A-90	\$330	\$408	0.6006	0.7018	0.1012	0.0576	-\$0.0436	Board Set
A-89	\$318	\$426	0.5788	0.7327	0.1540	0.0500	-\$0.1040	negotiated
A-88	\$364	\$448	0.6625	0.7706	0.1081	0.0500	-\$0.0581	negotiated
A-87	\$379	\$471	0.6898	0.8101	0.1203	0.0535	-\$0.0668	negotiated
A-86	\$351	\$452	0.6388	0.7774	0.1386	0.0535	-\$0.0851	negotiated
A-85	\$333	\$422	0.6061	0.7258	0.1198	0.0435	-\$0.0763	arbitration
A-84	\$311	\$396	0.5660	0.6811	0.1151	0.0435	-\$0.0716	arbitration
A-83	\$282	\$378	0.5132	0.6502	0.1369	0.0500	-\$0.0869	negotiated
A-82	\$273	\$367	0.4969	0.6312	0.1344	0.0500	-\$0.0844	negotiated
A-81	\$265	\$352	0.4823	0.6054	0.1231	0.0500	-\$0.0731	negotiated
A-80	\$266	\$349	0.4841	0.6003	0.1162	0.0535	-\$0.0627	arbitration
A-79	\$276	\$344	0.5023	0.5917	0.0894	0.0435	-\$0.0459	arbitration
A-78	\$281	\$336	0.5114	0.5779	0.0665	0.0435	-\$0.0230	negotiated
A-77	\$277	\$315	0.5041	0.5418	0.0377	0.0435	\$0.0058	negotiated
A-76	\$257	\$303	0.4677	0.5212	0.0534	0.0435	-\$0.0099	negotiated
A-75	\$222	\$289	0.4040	0.4971	0.0930	0.0435	-\$0.0495	negotiated
A-74	\$210	\$285	0.3822	0.4902	0.1080	0.0435	-\$0.0645	negotiated
A-73	\$213	\$280	0.3877	0.4816	0.0939	0.0435	-\$0.0504	negotiated

* \$0.059 - \$0.0099 = \$0.0491

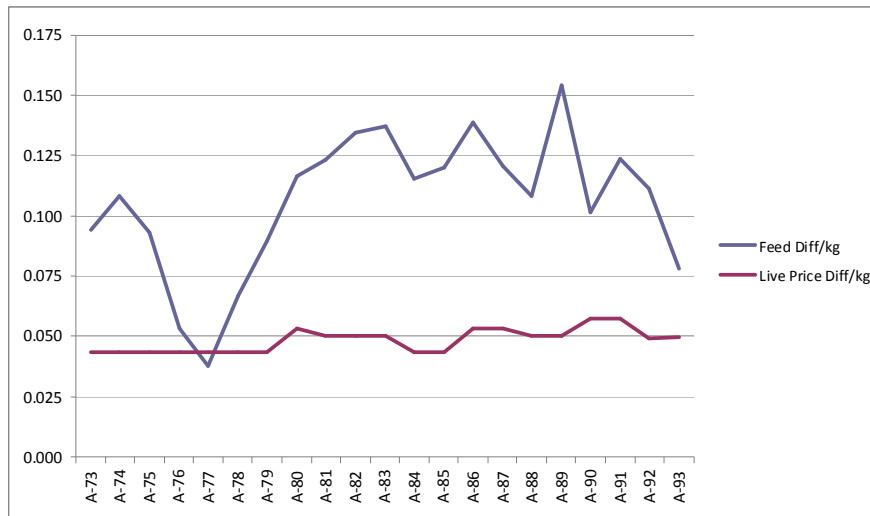
** \$0.0596 - \$0.0099 = \$0.0497

Ont cost per Kg calculated using a feed conversion of 1.82 which was the average from A75-A84

BC cost per Kg calculated using a feed conversion of 1.72 which was the average from A-75-A84

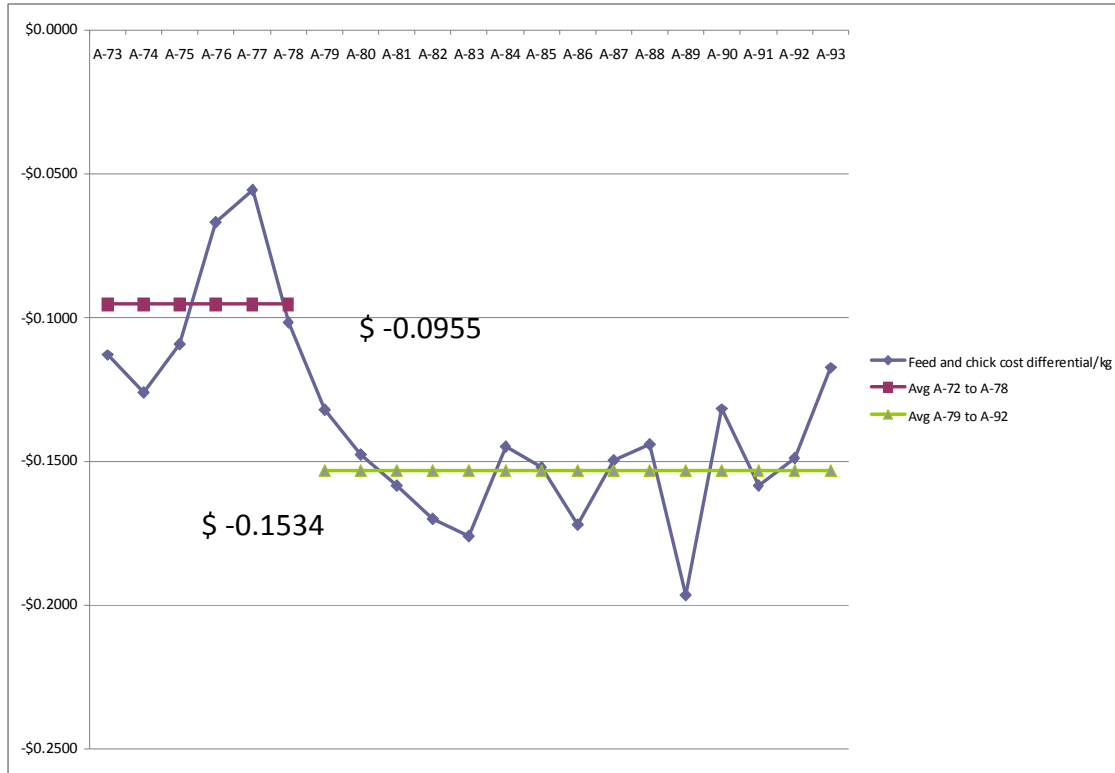
Source: FW

Feed cost differential/kg between Ontario and BC compared to live price differential



APPENDIX C-3

Total feed and chick cost differential between Ontario and BC

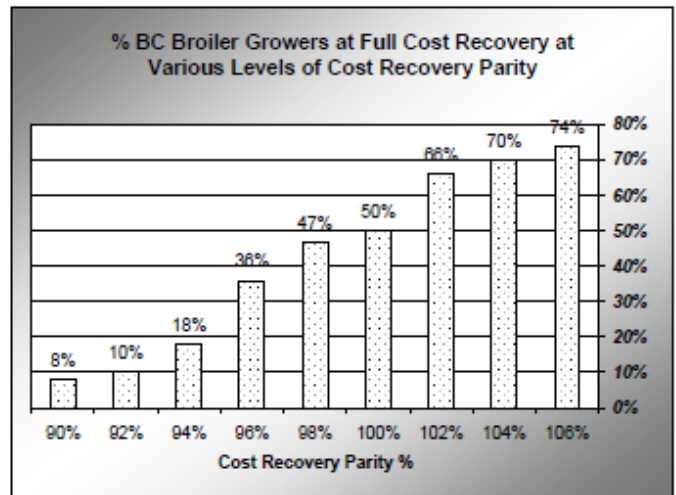


APPENDIX D-1

Cost Recovery Parity (%)

BC Broiler Pricing Summary

Period	Live Price cents/kg	Cost Recovery Parity (%)
A93	155.66	101.79
A92	151.70	99.80
A91	150.25	97.41
A90	150.16	96.19
A89	147.00	90.53
A88	157.10	94.49
A87	159.86	95.86
A86	152.55	95.16
A85	147.55	96.55
A84	142.75	96.52
A83	136.40	93.97
A82	134.70	94.27
A81	132.80	94.5
A80	133.65	96.67
A79	132.40	97.64
A78	134.50	101.29
A77	129.05	99.02
A76	124.55	95.98
A75	115.85	90.66
A74	115.85	91.09
A73	118.75	92.33
A72	118.45	94.28
A71	120.25	96.14
A70	118.85	95.69
A69	114.95	93.54
A68	114.95	94.33
A67	116.15	95.9
A66	116.15	96.53
A65	120.16	105.38
A64	129.15	103.82
A63	131.25	103.25



Source: Serecon Consulting Group

APPENDIX D-2

Comparison of Serecon C.O.P. price vs. BC Live Price – Periods A-74 – A-93

	BC	Serecon		COP	
	Live Price	COP Price	Difference	Recovery	
A - 93	\$1.5566	\$1.5380	\$0.0186	101.79%	
A - 92	\$1.5170	\$1.5317	-\$0.0147	99.80%	
A - 91	\$1.5025	\$1.5495	-\$0.0470	97.41%	
A - 90	\$1.5016	\$1.5683	-\$0.0667	96.19%	
A - 89	\$1.4700	\$1.6515	-\$0.1815	90.53%	
A - 88	\$1.5710	\$1.6812	-\$0.1102	94.49%	
A - 87	\$1.5915	\$1.6708	-\$0.0793	95.86%	
A - 86	\$1.5255	\$1.6148	-\$0.0893	95.16%	
A - 85	\$1.4755	\$1.5385	-\$0.0630	96.55%	
A - 84	\$1.4275	\$1.4883	-\$0.0608	96.52%	
A - 83	\$1.3640	\$1.4662	-\$0.1022	93.97%	
A - 82	\$1.3470	\$1.4424	-\$0.0954	94.27%	
A - 81	\$1.3280	\$1.4225	-\$0.0945	94.50%	
A - 80	\$1.3365	\$1.3969	-\$0.0604	96.67%	
A - 79	\$1.3240	\$1.3759	-\$0.0519	97.64%	*
A - 78	\$1.3450	\$1.3357	\$0.0093	101.29%	*
A - 77	\$1.2905	\$1.2988	-\$0.0083	99.02%	
A - 76	\$1.2455	\$1.2838	-\$0.0383	95.98%	
A - 75	\$1.1585	\$1.2764	-\$0.1179	90.66%	
A - 74	\$1.1585	\$1.2725	-\$0.1140	91.09%	

*Includes retroactive producer margin adjustment (1.25 cents per period)

