



## October 30, 2024 - A-192 Update to BC FIRB on BC Chicken COP phase in

### 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.

### Timeline

Period	Period Start Date	Phase in Status	Industry Communication
A-190	30-Jun-24	Phase in 1 at 16.67% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price June 27, 2024; Pricing order sent to PPAC & Industry June 28, 2024
A-191	25-Aug-24	Phase in 2 at 33.33% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price August 22, 2024; Pricing order sent to PPAC & Industry August 23, 2024
A-192	20-Oct-24	Phase in 3 at 50% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price October 17, 2024; Pricing order sent to PPAC & Industry October 18, 2024
A-193	15-Dec-24	Phase in 4 at 66.67% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price December 12, 2024; Pricing order sent to PPAC & Industry December 13, 2024
A-194	09-Feb-25	Phase in 5 at 83.33% of difference between Interim Pricing Formula and New BC COP formula	Board reviews and sets price February 6, 2025; Pricing order sent to PPAC & Industry February 7, 2025
A-195	06-Apr-25	Phase in 6 at 100% of New BC COP formula	Board reviews and sets price date TBD; Pricing order sent to PPAC & Industry by April 4, 2025



**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-192, prior to the phase in process.

**“NEW” BC COP Formula**

<b>BC Broiler COP - \$ per Kg</b>	<b>A189</b>	<b>A190</b>	<b>A191</b>	<b>A192</b>	<b>A193</b>	<b>A194</b>	<b>A195</b>
<b>A) Operating Costs</b>							
Chicks	0.4709	0.4670	0.4696	0.4779			
Day-old Chick Cost	0.4545	0.4506	0.4532	0.4615			
Vaccine Cost	0.0163	0.0163	0.0163	0.0163			
Feed	1.1510	1.1105	1.1047	1.0941			
Utilities	0.0788	0.0835	0.0779	0.0769			
Vehicle & Equipment Operation (Fuel & Oil)	0.0092	0.0092	0.0093	0.0093			
Repairs & Maintenance	0.0476	0.0484	0.0489	0.0489			
Bedding	0.0225	0.0226	0.0229	0.0228			
Administrative & Office Costs	0.0127	0.0128	0.0129	0.0129			
Insurance	0.0179	0.0180	0.0182	0.0182			
Other Custom Costs	0.0061	0.0062	0.0062	0.0062			
Custom Catching	0.0485	0.0485	0.0485	0.0500			
Cleaning/Washing	0.0095	0.0096	0.0097	0.0097			
Board Levy	0.0206	0.0206	0.0206	0.0206			
MD Lease Costs	0.0016	0.0016	0.0016	0.0016			
<b>Operating Costs (With Levies &amp; With MD Lease Costs)</b>	<b>1.8969</b>	<b>1.8584</b>	<b>1.8510</b>	<b>1.8491</b>			
<b>B) Labour</b>							
General Labour	0.0835	0.0839	0.0845	0.0856			
Management	0.0495	0.0498	0.0514	0.0521			
<b>Labour Costs</b>	<b>0.1329</b>	<b>0.1337</b>	<b>0.1359</b>	<b>0.1377</b>			
<b>C) Capital Costs</b>							
Depreciation & Amortization	0.1068	0.1084	0.1096	0.1096			
Depreciation - Bams & Associated Equipment	0.0823	0.0835	0.0844	0.0844			
Depreciation - Other	0.0245	0.0249	0.0252	0.0252			
Investment Cost	0.2035	0.2066	0.2113	0.2099			
Investment Cost - Land	0.0051	0.0051	0.0051	0.0050			
Investment Cost - Bams & Associated Equipment	0.1682	0.1707	0.1755	0.1747			
Investment Cost - Other	0.0302	0.0307	0.0307	0.0302			
Operating Interest	0.0265	0.0251	0.0241	0.0231			
Taxes	0.0061	0.0061	0.0062	0.0062			
<b>Capital Costs</b>	<b>0.3429</b>	<b>0.3461</b>	<b>0.3512</b>	<b>0.3488</b>			
<b>Total Cost of Production</b>	<b>2.3727</b>	<b>2.3382</b>	<b>2.3380</b>	<b>2.3355</b>			

**Some important highlights of A-192 pricing changes:**

- By request of the processors on behalf of the catching companies, the catching cost was increased from \$0.0485/kg to \$0.0500/kg (an increase of \$0.0015/kg). This necessitated a change to the guardrails in the previous ‘interim formula’.
- Drop in Feed Cost represent a drop of \$0.0569/kg since A-189.
- Labour cost has increased \$0.0048/kg since A-189
- Capital costs has increased \$0.0059/kg since A-189
- Total COP has decrease by \$0.0372/kg since A-189



2. The table below will illustrate the phased-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	\$2.3380	\$2.3355			
Previous Interim Formula - includes catching (par)	\$2.1704	\$2.1678	\$2.1805	\$2.1722			
Net Change to Formula Price	\$0.2023	\$0.1704	\$0.1575	\$0.1633			
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	\$0.0525	\$0.0817			
Final Posted Live Price (includes catching)	<b>\$2.1704</b>	<b>\$2.1962</b>	<b>\$2.2330</b>	<b>\$2.2539</b>			
CHANGE FROM PREVIOUS PERIOD	-\$0.0369	\$0.0258	\$0.0368	\$0.0208			

### 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 \$0.0500 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 13.84 cents/kg and the lower guardrail at 11.05 cents/kg due to the increase in the catching costs).



The numbers indicated by the formula to calculate the A-192 minimum live price using the old interim pricing methodology:

Ontario price (2.15 - 2.45 category)	\$1.9970	
<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)	\$1.9929	= A
<b>Plus</b> BC catching price	\$0.0500	
<b>Plus</b> 75% feed and chick differential	\$0.2391	
Total differential over Ontario	\$0.2891	
BCCMB Pricing Formula - Upper Guardrail value of	\$0.1384	
Total differential over Ontario	\$0.2891	
Total differential over Ontario <b>GREATER THAN</b> Upper Guardrail - use Upper Guardrail	\$0.1384	= B
Differential over upper guardrail = (Total differential over Ontario - Upper Guardrail)	\$0.1507	
<b>A-192 Floating Guardrail Mechanism Triggered (Yes or No)</b>	<b>Yes</b>	
Ontario Producer Margin Period A-180	\$0.6384	
Ontario Producer Margin Period A-192	\$0.7074	
Change to Ontario's Producer Margin (If Positive used in Formula)	\$0.0690	
BCFIRB December 13, 2022 Prior Approval A-180 Interim Pricing Formula: = (Differential over upper guardrail minus change in Ont producer Margin)	\$0.0817	
<b>Plus</b> 50% of Differential over Upper Guardrail =	\$0.0409	= C

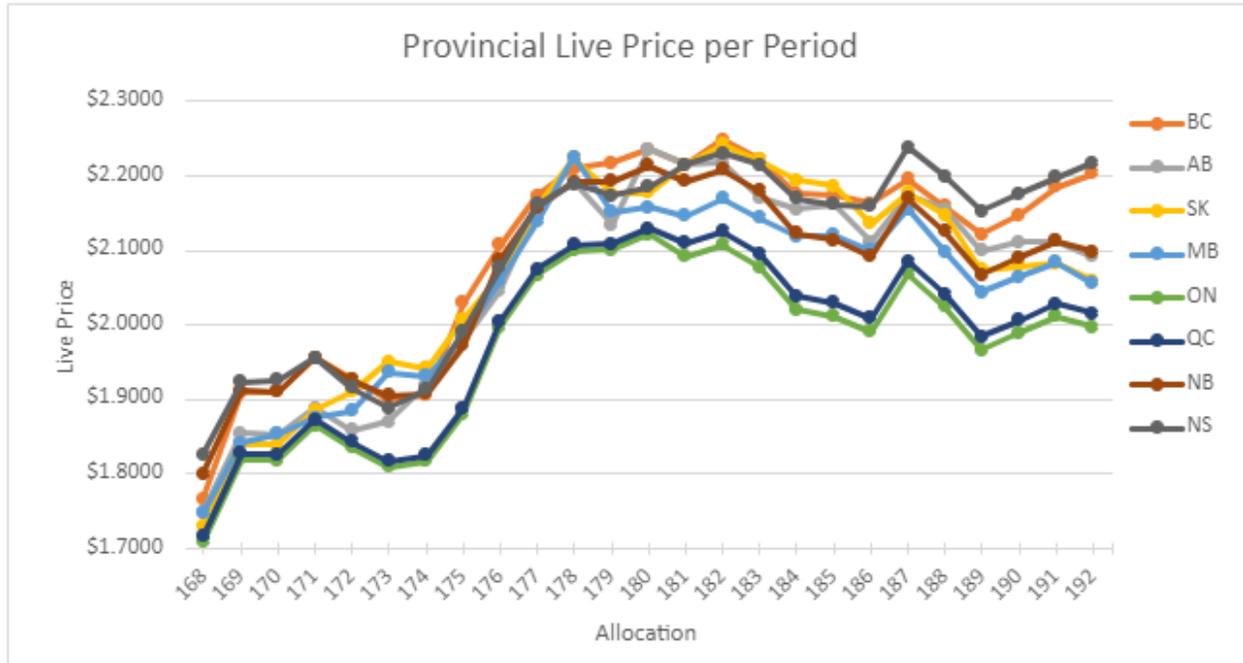
$$\text{A-192 BC Posted Price} = \$1.9929 + \$0.1384 + \$0.0409 = \$2.1722$$

A B C

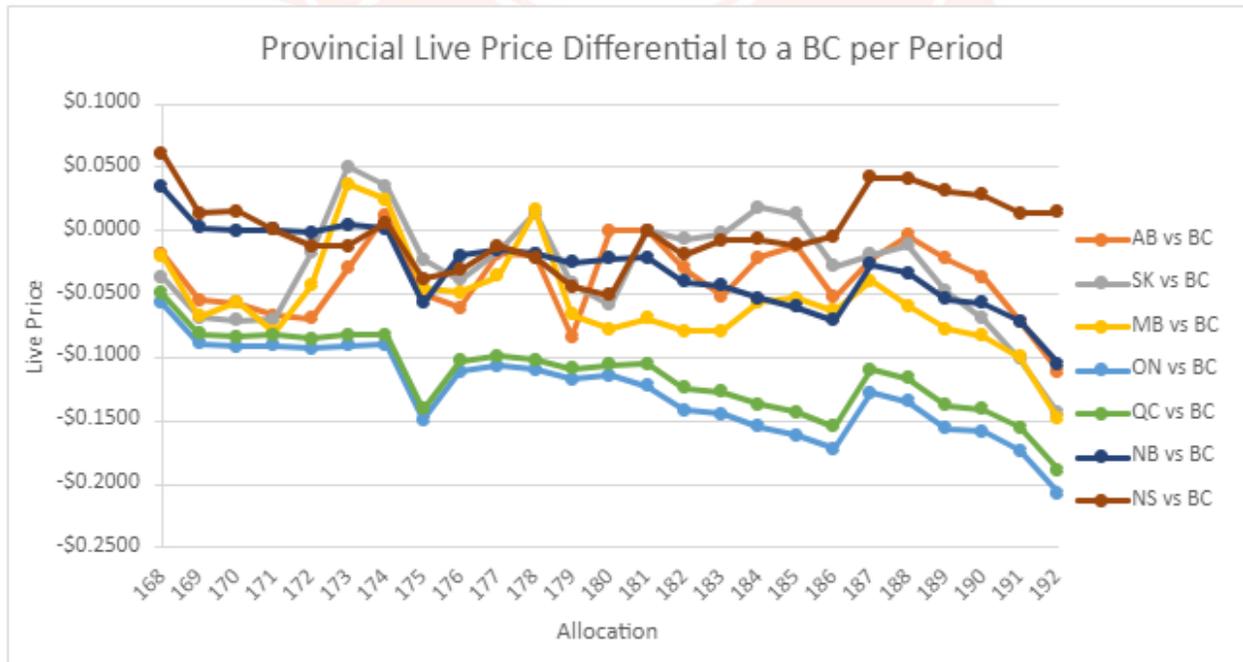


**Provincial farmgate Chicken live price comparison across Canada**

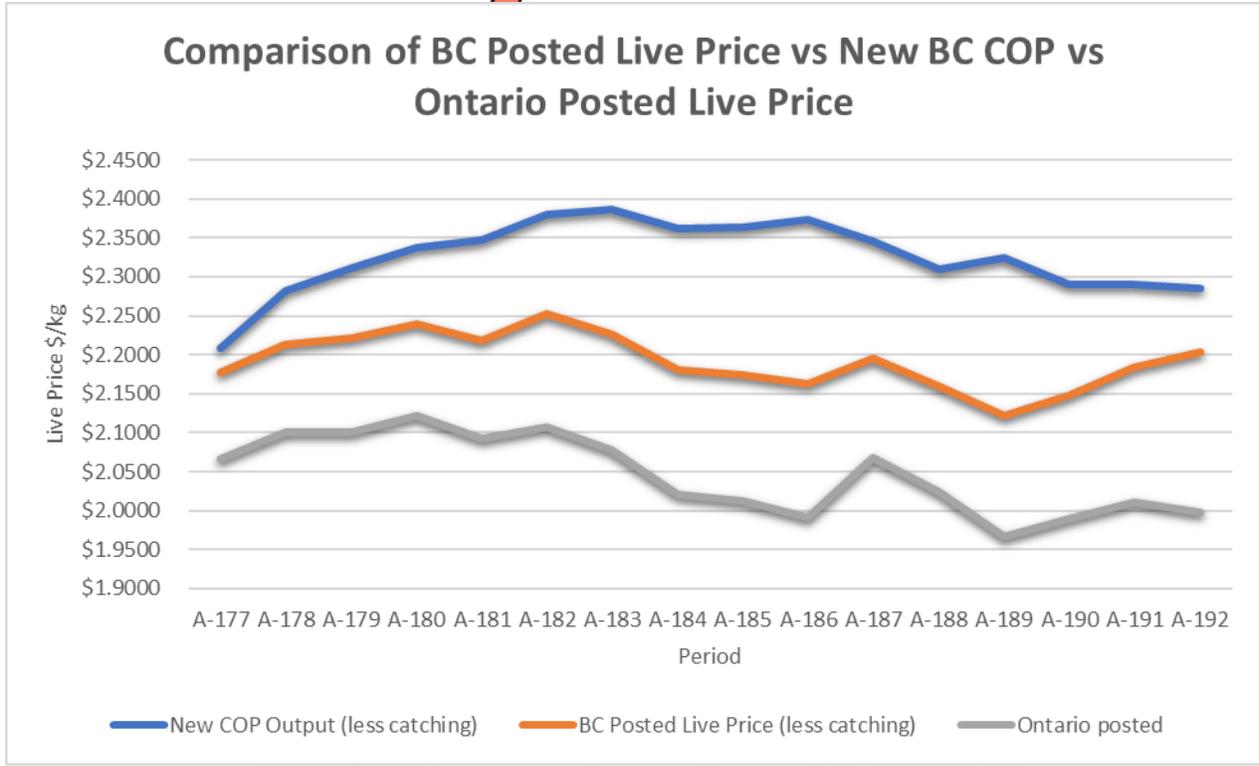
The below graphs will compare the posted live prices across Canada as they compare to BC..



The above graph shows the provincial live prices across Canada (less catching) from the last 24 periods (A-168 to A-192).

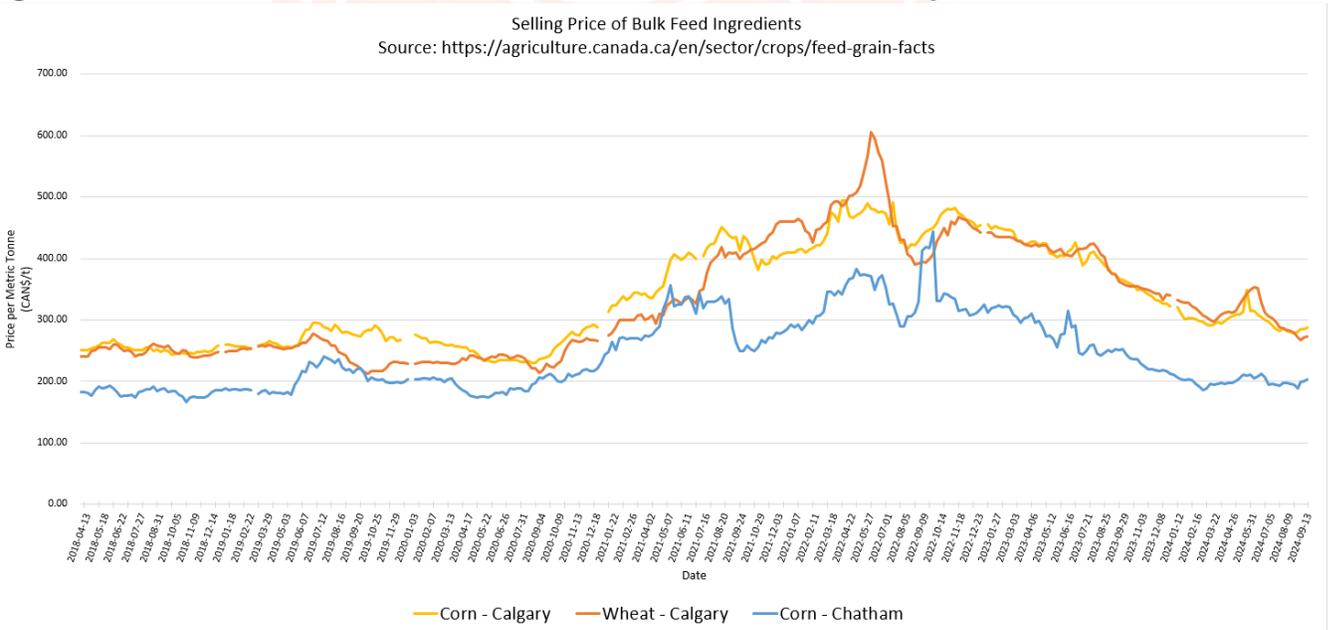


The above graph shows the differential in live price (less catching) with each province versus BC where \$0.00 would be an equal live price to BC.



The above graph shows the comparison between the new COP live price (effective A-195), the actual posted price in BC (COP phase in begins in A-190), and the posted price in Ontario. Of note, in A-187 Chicken Farmers of Ontario updated their COP through a negotiated agreement.

### Figure I – Feed Corn & Wheat, Central Canada vs. Western Canada Comparison



The above graph shows the changes in feed corn and wheat, comparing Calgary, Alberta to Chatham, Ontario. While not a direct correlation to the landed feed cost on BC farms, it does help us see the change in historical trends to a wider gap between the landed feed costs, as well as the



more recent trend of decreasing feed costs. The gap between the prices seems to have come closer together in recent months.

## **Other progress & Updates**

### **Status of JWG & Ongoing Consultation**

As previously reported in the A-191 update, the Board emphasizes the importance of direct engagement with key stakeholders via the Joint Working Group (JWG) to address issues related to pricing and implementation. The JWG serves as a platform for stakeholders to discuss the impact of COP on their businesses and provide data for recommendations to the Board. A JWG meeting was held on September 5, 2024, with representatives from the BCCGA, BCBHEC, and the Chicken Board, but without attendance from processors or the hatchery association. While no formal recommendations were made, the group agreed that Feed Conversion Rate (FCR) could potentially be implemented earlier than expected after data collection. A follow-up meeting will be planned once the FCR data is collected. We continue to encourage processors to return to the table for thoughtful discussion and data sharing.

The Board stated in our October 30, 2023, submission that it will remain flexible, could alter or pause the phase in if exceptional circumstances were identified. The Board remains open to viewing and analysing any transparent and verifiable data, however, nothing has been presented to the Board to date.

### **Annual Updates & Continuous Improvements**

As reported in the A-191 update, the Board aims to update FCR, volume, and mortality figures in Q1 2025. The growers have been contacted by Serecon, data collection has begun, and we await results. If verified data is available earlier, updates may be made sooner after review by the JWG. As reported, the Board is also collecting capital and build cost data from farms built since 2021 to verify or adjust the Douglas Cost Guide (DCG) estimates.

### **Status of Hatchery COP**

The BC Broiler Hatching Egg Commission (the Commission) has approved a hatchery margin increase request from the BC Egg Hatchery Association (BCEHA) of 4.00 cents per saleable chick, phased in over three periods. The effective A-192 BCBHEC approved hatchery margin increase does not affect the BCCMB live price until A-193. There is always a one period lag on the price of day old chicks into our formula.

This decision is based on a cost report prepared by Serecon, Inc., which supported some hatchery costs. The increase will be implemented over at least three periods, starting with 1.41 cents per chick. Additional increases of 1.30 and 1.29 cents per chick are expected to follow, pending receipt of third-party documentation verifying the remaining hatchery costs.

While the Board is supportive of the Commissions efforts, there are still concerns over whether the 4 cost categories are reflective of costs, whether efficiencies are included, the absence of a similar additional 3<sup>rd</sup> party review that the hatching egg and chicken grower COPs had, and further progress on a full COP. As part of BC FIRB's decision in June 2022 for the Hatching Egg COP, there was also direction to continue to pursue a Hatchery COP. The Chicken Board continues to support the establishment of a Hatchery COP as part of pricing in the BC supply chain. It has been more



than 2 years since the BC FIRB direction, and we encourage all parties to pursue its development. The Board believes that a hatchery COP must stand up to the same level of transparency that the Chicken and Hatching Egg COP's have, and that the hatcheries consider both processor competitiveness and efficiency factors within their COP.

Due to the 'phase in' period of the chicken grower COP, it's important to note that BC chicken growers' costs on day old chicks will not fully be recovered until the transition period is complete in A-195. In subsequent periods the hatchery margin may increase further, as will the percentage recouped by chicken growers within the live price, but chicken growers will not recoup 100% of the cost increases until A-195.

### **Allocation & Supply**

In A-192, the "Discrete Supply to Ontario Agreement", as well as the "Atlantic Canada Safeguard Agreement" ended. There are some kilograms that will still be carried over into A-193 to finish and conclude those agreements. While we won't know the exact impact to BC as a result of the ending of these agreements until we set A-194 allocation (Nov 6, 2024), we can look back at A-192 for an example. In A-192 the Discrete Supply Allocation to Ontario took away 81,866 kg from BC, and the Atlantic Canada Safeguard Agreement took away 1,203 kg from BC, for a total of 83,069 kg. These kilograms will be added back to BC going forward.

As previously reported, the Board was informed on August 6, 2024, that the PPPABC would no longer participate in consultation for national allocations with the BC Board. Despite this, the Chicken Board has continued to reach out, offering opportunities for input on A-193 & A-194 allocation through virtual or in-person meetings, written communication, and data sharing. The PPPABC has had limited response and has not shared any further data. Processors are no longer engaging in allocation discussions with Alberta and Saskatchewan as well. The Board remains open to exchanging data to support informed decision-making and intend to continue to share our analysis and allocation submissions.

The Board fulsomely scrutinizes the allocation materials provided by CPEP Primary Processors, Further Processors, as well as Restaurants Canada for transparent and verifiable data to indicate trends in Canadian chicken demand.

We reinforce that the setting of National allocation at the CFC table is not the appropriate forum for discussions and debates regarding the BC live price.

### **Catching Costs & Removal of Catching form the Live Price**

As previously reported, the Board received a request from the PPPABC on July 23, 2024, to raise the catching price in the BC posted live price for chicken. The full membership of PPAC met on September 24, 2024, to provide feedback on this request, as well as removal of catching from the live price, and other topics. Following the meeting, the Board decided on October 8, 2024, to increase the catching price by \$0.0015/kg to \$0.05/kg. Of note, the PPPABC request also included a temporary 6 period 'surcharge' to the price of catching to appease previous agreements between processors and catching providers. There was no consensus at the PPAC to support the surcharge. Subsequently, the Board did not approve the 6-period surcharge.



The change to the catching cost (included in the live price but paid for by the grower), necessitated moving the upper and lower guardrail in the previous “interim formula” by the amount of the increase. This moved the lower guardrail from 10.90 cents/kg to 11.05 cents/kg, and the upper guardrail from 13.69 cents/kg to 13.84 cents/kg, using the same process as in A-185 when catching price last increase.

Additionally, at the October 8, 2024, Board meeting, the Board decided to pursue the removal of catching costs from the live price, in line with an initiative among Western provinces to align with the rest of Canada. This change would be effective February 9, 2025 (A-194) and will require prior approval from BC FIRB before implementation. A submission to BC FIRB has now been made (October 11, 2024) which also notes there is no change to the transfer of care or grower responsibility around animal care, nor is there any change to the net costs’ processors experience.

