



July 29, 2015

File: 0200 FPCC COMP
Your File: 1205-26

DELIVERED BY EMAIL

Nathalie Vanasse
Registrar
Farm Products Council of Canada
Central Experimental Farm
Bldg 59
960 Carling Av
Ottawa ON K1A 0C6

Dear Ms. Vanesse:

**COMPLAINT PURSUANT FROM THE AGRI-FOOD COUNCIL OF SASKATCHEWAN
REGARDING THE A-133 ALLOCATION DECISION OF CHICKEN FARMERS OF
CANADA (CFC)**

Thank you for your letter of July 27, 2015 providing opportunity to comment on the subject and to request intervenor status.

The general views of the BC Farm Industry Review Board (BCFIRB) on allocation (including provincial shares), governance and other issues facing the supply managed Canadian chicken industry have been communicated previously, including by way of an April 11, 2013 letter.

In relation to proposed changes to the Operating Agreement, BCFIRB has communicated its position via correspondence dated December 23, 2014, February 11, 2015 and June 19, 2015. BCFIRB has made no final decision – in its appellate, supervisory or signatory capacities – with respect to the sound marketing policy merits of the proposed changes, nor will it whilst issues and questions here and elsewhere remain outstanding.

BCFIRB continues to support ongoing dialogue and discussion to bring signatories to an agreement that will allow the industry to move forward and address systemic issues. Without change, we have no confidence that the decision-making that has brought us to this point will not simply repeat itself. In an effort to assist in finding a way to move forward, BCFIRB has helped facilitate discussions examining whether retaining a modified version of the differentiated regional allocation option currently in the Operating Agreement might offer a compromise resolution. This approach is broadly outlined in our March 20, 2015 letter and has since been further discussed by the western chicken boards and processors. We also note that differentiated regional allocation once had the support of all signatories.

British Columbia
Farm Industry Review Board

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If this complaint should proceed to hearing, BCFIRB will be seeking intervener status, likely by way of making written submissions. As the supervisory agency for British Columbia and signatory to the Federal-Provincial Agreement for Chicken and the Operating Agreement, BCFIRB believes it has a direct interest in this matter.

For convenience, copies of the BCFIRB correspondence referred to in this letter are attached.

Yours truly,

A handwritten signature in black ink, appearing to read "John Les". The signature is fluid and cursive, with a large loop at the end.

John Les
Chair

Attachments

cc: Agri-Food Council of Saskatchewan
Chicken Farmers of Canada

BC Chicken Marketing Board
Primary Poultry Processors Association of BC

Alberta Chicken Producers
Chicken Farmers of Saskatchewan
Manitoba Chicken Producers

National Association of Agri-food Supervisory Agencies



April 11, 2013

File: 44200-40

DELIVERED BY EMAIL

Laurent Pellerin, Chair
Farm Products Council of Canada
Central Experimental Farm
960 Carling Av, Building 59
Ottawa, ON K1A 0C6

Dave Janzen, Chair
Chicken Farmers of Canada
350 Sparks St, Suite 1007
Ottawa, ON K1R 7S8

Dear Sirs/Mesdames:

CURRENT NATIONAL AND PROVINCIAL CHICKEN INDUSTRY ISSUES

The BC Farm Industry Review Board (BCFIRB) is the provincial supervisory body with responsibility to ensure the regulated system in British Columbia (BC) operates on the legislated basis of legality, sound marketing policy and in the overall public interest. The regulated marketing sector in this province accounts for approximately half of all farm gate receipts and supports a vital processing and marketing sector. BCFIRB recognizes the value of supply management in terms of its contribution to the sustainability of the BC agri-food economy and, in this case, the Canadian chicken industry generally.

Over the years, there have been an increasing number of inter-related issues within the chicken supply managed system. As a provincial supervisory body, signatory, and member of the National Association of Agri-food Supervisory Agencies (NAASA), BCFIRB has been actively involved in these issues on an on-going basis. As well, the BC Chicken Marketing Board and other stakeholders have expressed concerns about the impact on this province of unresolved pricing and allocation issues. These issues appear, to BCFIRB, to be symptoms of problematic governance and decision making processes. While the symptoms of these problems receive regular attention and the expenditure of considerable resources, the underlying causes – which have been evident for some time – have never been resolved. Many of these underlying problems have been the subject of discussion around the NAASA table for a number of years. If these underlying problems are not addressed soon, BCFIRB sees further risk to the future of a supply managed chicken industry and its contribution to BC's agri-food economy.

BCFIRB notes that the Chicken Farmers of Canada (CFC) strategic plan, now in development, identifies many of these same underlying problems as needing to be resolved, and CFC has suggested some strategies towards resolution.

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What prompted BCFIRB to act now, and express its views as a supervisory agency with legislated and signatory responsibilities, is the apparent confusion in some quarters between developing a comparative advantage-based approach to growth in accordance with section 23(2) of the *Farm Products Agencies Act (FPAA)* and addressing provincial requests for increased production. The intent of this letter is to support a wider and more comprehensive discussion on some of the underlying, inter-related issues in the chicken industry, risks, questions arising and possible conclusions.

Comparative Advantage

Developing a comparative advantage approach to distribution of growth is not dependent on managing provincial requests for increased production. The two should be addressed separately.

The principle of comparative advantage is an on-going legislated responsibility under s. 23(2) of the *FPAA*. In contrast, responding to point-in-time provincial requests for increased production is strategic management. Making the two issues inter-dependent is neither strategic nor effective. Nor has it resulted in a resolution for all the resources expended to date.

BCFIRB continues to support Farm Products Council of Canada (FPCC) in meeting its legislated responsibility to ensure all agencies, including CFC, consider the principle of comparative advantage in growth allocations. From BCFIRB's point of view, little has changed since the July 8, 2005 "NAASA Report to Federal/Provincial/Territorial Ministers of Agriculture" which outlined some of the principles underlying comparative advantage (referred to in the report as 'differential growth'):

1. That there is a capacity for differential growth [comparative advantage]

NAASA members strongly support Agencies integrating the capacity for differential growth into their operating agreements, and believe this is consistent with the original intents of supply management. Differential growth is a pre-requisite for a strong, flexible, and responsive system that can adapt to changing markets and economic factors, changing international trade rules and provincial policy aims.

Differential growth will be driven by many factors related to both the demand and supply of chicken, turkey and eggs at the national, regional and provincial levels. Population growth, market growth, processing capacity, expansion capabilities and environmental and bio-safety concerns are examples of the various factors that Agencies might consider.

It is important that there is an understanding that differential growth means that provinces will grow at different rates. It will require clarity and agreement of the starting point in terms of base production. The Agencies will also need to provide a clear mechanism for dealing with negative market growth.

BCFIRB fully supports FPCC in ensuring compliance with governing legislation and FPCC's stated values of collaboration, innovation, fairness and respect and transparency.¹ We are confident the latter will be maintained by FPCC in making its final decision(s) on the very important question of how to apply the principle of comparative advantage to allocation of growth, not only in the chicken industry, but also in the egg, turkey and hatching egg industries.

National Allocation, Provincial Production Shares and Pricing

Alberta, then Ontario, requested production increases, stating they are short based on population (AB 3%, ON 6% short). For Alberta, this is a particularly long outstanding request, going back to at least

¹ FPCC Strategic Plan 2012-15.

2007. Ontario and BC also recently requested an increase in allocation or some other means of meeting their growing specialty markets.

BCFIRB agrees it is important for the chicken supply management system to be responsive to signatory issues, although any citing of population as a determining factor is challengeable given that “self-sufficiency” is not part of the federal-provincial agreement. Whatever that response is, it must be strategic, effective and accountable. Supply management can only exist with cooperation and collaboration. Effective responses must take into account all interests, and be focused on benefits to the industry as a whole. Effective and appropriate national responses also should not be subordinate to regional interests or sectors.

Increased production in a province must come by way of increasing the national allocation overall (growing the market), and/or from moving existing/future production (benefits) from another province(s). In any scenario, provinces, producers, and processors may see variable benefits and/or losses.

However, there are significant outstanding issues that make it difficult to develop long-term effective and strategic approaches to provincial production requests:

- National agencies, such as CFC and ultimately FPCC, have the responsibility to determine an appropriate national allocation that meets consumer demand at a price that provides a fair return to producers. The system for chicken provides a bottom up process intended to translate legitimate requests for increased allocation to meet demonstrated market demand. If such allocation decisions are not being made, it leads to the question whether sufficient accountability and strategic assessment is being applied to national allocation setting.
- Price influences market (consumer) demand. Ensuring the price of chicken is based on an accountable, transparent system that results in a fair return for efficient production would provide a step towards, in turn, an accountable, more accurate and transparent basis for the national allocation. This also points to the urgent need to address chicken pricing in light of Ontario’s proposed incentive pricing structure, and delays in updating the 20 year old Ontario Cost of Production (CoP) formula, which is based on long out-dated industry information. The realities of today’s national chicken market means that all provinces must factor Ontario pricing into their own pricing calculations – establishing an accountable pricing mechanism should be a priority for all concerned.
- Domestic allocation is flawed. While pricing is one influence on the national allocation, there are other distorting influences that are not appropriately considered in the national allocation process. These influences – such as tariff rate quota, plant supply quota and spent fowl imports – have a significant repercussion on the volume and timing of regional processor production requests in the bottom-up allocation system. While some of these are outside of direct CFC control, there may be more effective and accountable ways to take them into consideration in the allocation setting process.

All of this must be considered in light of the fact that the national domestic market for chicken is not growing in real terms. Per capita consumption of Canadian produced chicken is in fact declining year over year. Currently, it is estimated that 20 to 25 percent of chicken consumed in Canada is imported,

and that share is growing. We are likely foregoing important domestic market share and market growth opportunities due to current allocation and pricing strategies.

There are also issues at the provincial level. These include (but are not limited to):

- Significant provincial requests for increased production through growth and re-allocation can be in contrast to period to period allocation requests and final national allocation decisions (high v low). If provinces take the position they require more allocation, should both producers and processors in that province demonstrate the market exists for more production?
- Inter-provincial movement of chicken (IPM) continues to be a point of conflict that impacts provincial relations and agreements. Movement of agricultural products across provincial boundaries continues to be an ongoing business challenge in agriculture. As outlined by NAASA at a September 9, 2009 meeting with industry stakeholders regarding IPM, conflicting regulations in each jurisdiction may contribute to this issue:

Allocation and pricing are directly related but as allocation is a national responsibility and pricing a provincial one, they are not always managed in direct conjunction with each other. Moreover, how allocation is managed internally by provinces (e.g. assured supply vs. non-assured supply to processors) not only can lead to increased use of IPM but can also affect pricing (i.e., premiums/no premiums). Provincial pricing decisions can also promote use of IPM if stakeholders perceive a need to seek or pay premiums. In both cases, decisions in one province can impact stakeholders in another. Consequences, unintended or otherwise, abound from regulatory decisions being made at both national and provincial levels.

The Agreement on Internal Trade (AIT) “facilitates inter-provincial trade for the benefit of all Canadians, including producers and processors”². Although measures related to supply management are permitted under the AIT, could IPM issues potentially place that status at risk?

Unresolved, these outstanding national and provincial issues will eventually contribute to increased provincial fragmentation and will further limit industry ability to address critical operational matters in a comprehensive and sustainable way.

Governance

Good governance is necessary to be able to respond to changing societal priorities in an increasingly complex marketplace. As outlined in NAASA’s September 9, 2009 Supervisory Principles:

2. In responding to current, emerging and potential marketing opportunities, NAASA members believe it is important for boards and agencies to:
 - a) possess or access the business and other expertise necessary for them to function effectively in today’s social and business environments;
 - b) take into account the interests of all stakeholders in making principled, sound and fact-based business decisions that maintain a viable and sustainable agri-food industry;
 - c) adopt strategic and pro-active approaches;
 - d) develop and promote regulations and policies that facilitate and support a competitive and growing agri-food industry; and
 - e) establish and maintain appropriate and effective performance expectations and measures that review and enhance their operations, policies and overall capabilities on an ongoing basis.

² ‘Progress on Trade in Agriculture and Energy’, Committee on Internal Trade, October 15, 2009.

There are good, knowledgeable and dedicated people around the CFC, provincial board and supervisory agencies tables. However, the question remains – has the collective governance capacity (e.g., in terms of make-up, organization, conflicts of interest and voting structure) necessary to address these outstanding issues been demonstrated? In BCFIRB's view, this is a valid question for CFC, provincial boards and supervisory agencies considering the current circumstances.

Risks

It is well recognized that there will be a progressive trend towards liberalization of trade, over time, in Canada. Industry must take the lead in making operational and policy decisions to prepare itself in the best way possible to meet these production and cost price challenges. The status quo will not suffice as Canada cannot out produce or under price the United States, or other international producers in chicken in the near term.

Restricted production, along with import controls, benefits producers and processors through guaranteed price and stable production. Consumers receive a safe, continuous supply of product. Retention of these benefits must be earned through cooperation and coordination along with good governance and sound nationally oriented decision making. Retention of these benefits is not a right or an entitlement.

Continued infighting presents the public with the image of an entitled sector operating inefficiently, without transparency or accountability. Federal and provincial governments may question support of such a system unless the system can clearly demonstrate public benefit delivered in an accountable and transparent manner.

Conclusions

The supply managed chicken industry faces a growing number of complex and inter-related issues. BCFIRB is concerned that these issues persist in part as a result of national governance and decision-making processes that have subordinated themselves to individual provincial and sector interests. That is not the intent of supply management.

In conclusion, BCFIRB poses the following questions for consideration:

Comparative Advantage

- 1. Would it be effective and strategic for CFC to immediately decouple comparative advantage from the matter of responding to provincial requests for increased production?*

Pricing

- 2. In the absence of an updated CoP, are there steps provinces should be considering to ensure transparent and accountable pricing?*
- 3. Would it be strategic for CFC to develop a national CoP (or at least a reference framework), as was attempted in 1992 that would inform provincial pricing formulas? (e.g. similar to the egg pricing system)?*

National Allocation and Provincial Shares

4. *What steps need to be taken to ensure the national allocation reflects today's actual retail and consumer demands?*
5. *What process (other or new) is needed to strategically, effectively and fairly address other provincial production requests? (see question 4)*

Governance

6. *Do CFC and the provincial boards have the governance capability to make the decisions necessary to address these issues in accordance with the FPAA, the federal-provincial agreement for chicken and the operating agreement? If not, what is the responsibility of the supervisory boards to facilitate or assist in some way to ensure such decisions are made in the best long-term interests of the Canadian chicken industry, which includes consideration of the overall public interest?*

As outlined above, increasing, inter-related issues within the chicken supply managed system are a risk to the industry and its contribution to the BC agri-food economy. These issues appear, to BCFIRB, to be symptoms of problematic governance and decision-making processes. BCFIRB hopes this letter will generate a wider and more comprehensive discussion on the core problems in order to reach strategic, effective and accountable answers.

Supply management can only exist with continued cooperation and collaboration. Effective responses must take into account all national interests, not be subordinate to regional interests or sectors, be focused on benefits to the industry as a whole, and be in line with legislation.

BCFIRB acknowledges that the national supply management system is complex, interconnected and often conflicted. However, there are also considerable benefits. Success requires timely cooperation and coordination.

Yours truly,



Ron Kilmury
Chair

cc: BC Minister of Agriculture
BC Chicken Marketing Board
BC Chicken Growers Association
Primary Poultry Processors Association of BC

National Association of Agri-food Supervisory Agencies Members

BC Farm Industry Review Board web site



June 19, 2015

File: 0416-0151

DELIVERED BY EMAIL

Mike Dungate
Executive Director
Chicken Farmers of Canada
350 Sparks Street
Suite 1007
Ottawa ON K1R 7S8

Dear Mr. Dungate:

FEDERAL-PROVINCIAL AGREEMENT FOR CHICKEN (FPAC) AND PROPOSED AMENDMENTS TO SCHEDULE "B" OPERATING AGREEMENT

Thank you for the May 26, 2015 letter from Chicken Farmers of Canada (CFC) requesting supervisory boards to approve the new Schedule "B" (Operating Agreement) of the Federal Provincial Agreement for Chicken by the end of June 2015.

As per the December 23, 2014 letter of the BC Farm Industry Review Board (BCFIRB), I can advise that the Primary Poultry Processors Association of BC appeal remains before this board. Currently that process continues to be held in abeyance to facilitate ongoing discussion between western industry stakeholders.

Given the foregoing, I have been instructed to advise CFC that BCFIRB as the BC supervisory agency is not in a position to approve the proposed Operating Agreement.

Yours truly,

Jim Collins
Executive Director

cc: Robin Smith, Chair
BC Chicken Marketing Board

Ron Kilmury
Primary Poultry Processors Association of BC

BCFIRB website

British Columbia
Farm Industry Review Board

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March 20, 2015

File: 0146-0151

DELIVERED BY EMAIL

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Robert Tyler
Chair
Saskatchewan Agri-Food Council
302 – 3085 Albert St
Regina SK S4S 0B1

Ken Caldwell
Chair
Manitoba Farm Products Marketing Council
812 – 401 York Av
Norquay Bldg
Winnipeg MB R3C 0P8

Dear Colleagues:

BRITISH COLUMBIA PROPOSAL FOR WESTERN PROVINCES APPROACH IN SUPPORT OF RESOLVING NATIONAL CHICKEN ALLOCATION ISSUES

As we are all aware, there are outstanding questions for western chicken boards, supervisory boards, processors and other stakeholders related to the proposed amendments to the Schedule “B” Operating Agreement of the Federal-Provincial Agreement for Chicken (FPAC) based on the recent Memorandum of Understanding (MOU) developed by provincial chicken boards and Chicken Farmers of Canada (CFC). Tied to these questions are the re-entry of Alberta into the FPAC, the recent amendments to the Ontario cost of production regulation, the governance of CFC and ultimately, whether the national demand for chicken is being appropriately filled by domestic production.

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Representatives of the BC Farm Industry Review Board (BCFIRB), the BC Chicken Marketing Board (BCCMB) and the Primary Poultry Processors Association of BC (PPPABC) met on a ‘without prejudice’ basis on February 26, 2015 to discuss these issues¹. Out of that meeting came an agreement to explore the potential of working with our western counterparts in an effort to propose flexible, robust solutions to chicken allocation in Canada that would allow the industry to move forward in a manner that meets the intent of supply management.

We invite your comments on the following initial, collective thinking on our part. We would like to discuss with you and other stakeholders whether we can establish a western partnership that can effectively address our mutual concerns and needs as part of the CFC process to amend the Operating Agreement.

Context

In proposing this approach, BCFIRB, BCCMB and PPPABC (the “BC parties”) recognize that there are potential policy and legal questions involved that may impact on a final outcome of discussions concerning the MOU, the FPAC Operating Agreement and the re-entry of Alberta. All three organizations reserve the right to address those questions as they deem appropriate, including exercising their statutory rights under the *Farm Products Agencies Act* (Canada), should future circumstances warrant.

Initial Positions

General

1. The BC parties support a stable, market responsive and successful supply management system for chicken.
2. The BC parties are of the view that a successful supply management system for chicken must be based on the “first principles” of supply management – meeting overall national market demand, which includes having regard to the market requirements proposed by processors, while ensuring efficient farmers receive a fair return.
3. The BC parties agree that meeting national market demand should be a priority for CFC and all domestic stakeholders in the Canadian supply managed industry for chicken. Currently, provinces fight over shares of a national domestic allocation that, while still growing marginally year over year, has declined relative to the overall market as a result of displacement of domestic production by imports.
4. The BC parties agree with applying the “principle of comparative advantage of production” in distributing growth as per the *Farm Products Agencies Act* (Canada). Signatories and other stakeholders may have different views on what constitutes an appropriate formula (e.g., BC’s

¹ PPPABC filed an appeal of the decision of BCCMB to enter into the MOU. With the agreement of the parties, this appeal was placed in abeyance to permit BCFIRB to address matters in its supervisory capacity.

position with regard to the current further processing component). But the BC parties also note the current formula allows the system to move forward while being a work in progress. Such progress is essential in terms of ensuring the ongoing development of growth allocation processes that are market responsive.

5. The BC parties suggest that for the continued success of the chicken industry western provinces at all levels should collaborate on issues of mutual concern on a long-term basis.

MOU and Proposed Changes to Operating Agreement

6. The BC parties continue to support in principle an additional supply of chicken to Alberta that does not compromise the position of the west relative to the rest of Canada.
7. In the current circumstances, the BC parties have concerns about a discrete supply to Ontario. In addition to the historical imbalance of tariff-rate quota (TRQ) and imports available to central Canadian processors to the detriment of the western industry, the potential implications of the new Ontario cost of production formula give rise to new concerns.
8. The BC parties suggest that consideration be given to the retention of a regional allocation mechanism that could be applied by any region after CFC sets the periodic national allocation using the methodology developed in the MOU. The details of such a mechanism could be developed jointly by provincial boards, processors and growers for approval as part of the proposed Operating Agreement.

Governance

9. The BC parties agree that all regulatory agencies have an obligation to demonstrate SAFETI-based² governance (as termed in BC) on an ongoing basis. The BC parties also note the guidance provided to “supervisory and other governing boards and agencies” in the September 9, 2009 ‘Supervisory Principles’ of the National Association of Agri-Food Supervisory Agencies.

Concluding Comments

There are many issues facing the chicken sector, too many to be addressed in the short-term – and certainly to any great depth – but which might be resolved over time if certain principles, measures and safeguards can be put in place now to allow the industry to stabilize and move forward. The BC parties have tried to identify certain points which we believe might assist in achieving some short-term and long-term objectives for a more effective and market responsive supply managed system for chicken.

² Strategic, Accountable, Fair, Effective, Transparent, Inclusive.

Bruce Beattie
Dr. Robert Tyler
Ken Caldwell
March 20, 2015
Page 4 of 4

We look forward to discussing with you these important issues.

Yours truly,



John Les
Chair

cc: Robin Smith, Chair
BC Chicken Marketing Board

James Mack, Assistant Deputy Minister
Agriculture Science and Policy
BC Ministry of Agriculture

Ravi Bathe, President
BC Chicken Growers' Association

Diane Pastoor, Chair
Chicken Farmers of Saskatchewan

Scott Cummings, President
Primary Poultry Processors Association of BC

Casey Langbroek, Chair
BC Broiler Hatching Egg Commission

Erna Ference, Chair
Alberta Chicken Producers

Jake Wiebe, Chair
Manitoba Chicken Producers



February 11, 2015

File: 0146-0151

DELIVERED BY EMAIL

Robin Smith, Chair
BC Chicken Marketing Board
101 – 32450 Simon Av
Abbotsford BC V2T 4J2

Scott Cummings, President
Primary Poultry Processors Association
c/o 15879 Collingwood Cr
Surrey BC V3Z 0J3

Dear Sirs:

MEMORANDUM OF UNDERSTANDING (MOU), RE-ENTRY OF ALBERTA INTO THE FEDERAL-PROVINCIAL AGREEMENT FOR CHICKEN (FPAC) AND PROPOSED AMENDMENTS TO SCHEDULE “B” OPERATING AGREEMENT

The purpose of this letter is to follow up on the December 23, 2014 and February 6, 2015 letters from the BC Farm Industry Review Board (BCFIRB) concerning the subject matters.

BCFIRB’s statutory responsibilities were laid out in the December 23, 2014 letter to Chicken Farmers of Canada (CFC). In summary, BCFIRB has appellate, supervisory and signatory responsibilities. BCFIRB must determine whether changes to the Operating Agreement proposed by the MOU “are in compliance with governing legislation, regulations and agreements” and in particular that those changes “are in accord with “sound marketing policy”. By regulation under the *Natural Products Marketing (BC) Act*, BCFIRB is also required to prior approve the BC Chicken Marketing Board’s decision to sign into a new Operating Agreement.

The February 6, 2015 letter advises that, as per some initial discussion with the parties, BCFIRB is prepared to address these through its supervisory capacity instead of by way of the appeal filed by the Primary Poultry Processors Association of BC. A panel of BCFIRB members has been placed in reserve should the appeal be required to proceed at a later date.

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In BCFIRB's view, as outlined in the February 6, 2015 correspondence, a supervisory process would lend itself better to ensuring critical issues for the BC chicken value chain are identified and addressed. A supervisory process would: provide for consultation with all BC stakeholders; identify areas of common ground; and, assess the potential for finding resolution, perhaps in cooperation with our western counterparts. BCFIRB awaits confirmation that both parties are in agreement with the suggested process.

BCFIRB has commented previously on issues it believes are critical to the future of the supply managed chicken industry in Canada at the National Association of Agri-Food Supervisory Agencies table and in an April 11, 2013 letter. We reiterate below BCFIRB's views on some of those issues.

1. **Recapturing domestic production.** In principle, BCFIRB supports the stability that a new allocation agreement and the re-entry of Alberta could bring to the industry. Both would enable CFC to focus on increasingly critical systemic issues. One of those issues is the displacement of domestic production with imports. The volume of that displacement far exceeds the total volume of the adjustments contemplated in the MOU. Recapturing domestic production and meeting domestic market demands should be a priority for CFC and its directors in making allocation decisions in a legislated, supply managed sector.
2. **Comparative advantage.** Without commenting on the merits of the formula proposed in the MOU, BCFIRB supports the use and ongoing development of comparative advantage tools in determining future shares of growth allocations. Not only is such consideration a legal requirement under s. 23(2) of the *Farm Products Agencies Act* (Canada), it is critical to the future sustainability of the domestic Canadian chicken industry – that again is a first instance CFC responsibility.
3. **Cost of Production (CoP).** While there are implications for all provinces, including BC, BCFIRB remains on record as supporting the Ontario Farm Products Marketing Commission in ensuring that the Ontario CoP formula for chicken was updated and made defensible, transparent and subject to ongoing oversight and updating. To rely on an obsolete, indefensible pricing mechanism was, among other things, at the expense of industry efficiency. This is contrary to the principle of supply management that requires a “fair return for efficient production”. It has been detrimental to the long term sustainability of the Canadian industry. It should be no surprise that this new pricing framework could impact on future allocation decisions given the economic link between price and production.
4. **Governance.** BCFIRB has placed increased emphasis on board governance in BC. Using SAFETI¹ as a tool to support principles/outcomes-based regulation, BC boards are expected to demonstrate higher levels of governance, accountability, decision making and performance. Similar expectations should be placed on CFC and its directors.

¹ Strategic, accountable, fair, effective, transparent, inclusive.

5. **Exit and re-entry of Provinces into FPAC.** BCFIRB supports the re-entry of Alberta into the FPAC. However, as a matter of policy and practice BCFIRB questions whether it is advisable and in the best interest of a collaborative, federal-provincial agreement to allow any province to re-enter an agreement without the approval of all signatories. A province's entry, exit and re-entry into the FPAC are significant decisions for that province and can impact on other provinces involved in the agreement. This should be clarified for the future.

BCIFRB looks forward to hearing from you in response to the February 6, 2015 letter and trusts that we can find a way to move our discussions forward on a timely and strategic basis.

Yours truly,

A handwritten signature in black ink, appearing to read 'John Les', with a large, sweeping loop at the end.

John Les
Chair

cc: BC Minister of Agriculture
Chair, BC Broiler Hatching Egg Commission
Chair, Farm Products Council of Canada
Chair, Chicken Farmers of Canada

National Association of Agri-Food
Supervisory Agencies
BCFIRB web site



December 23, 2014

File: 0416-0151

DELIVERED BY EMAIL

Mike Dungate
Executive Director
Chicken Farmers of Canada
350 Sparks St, Suite 1007
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Dear Mr. Dungate:

**MEMORANDUM OF UNDERSTANDING, RE-ENTRY OF ALBERTA INTO THE
FEDERAL-PROVINCIAL AGREEMENT FOR CHICKEN (FPAC) AND PROPOSED
AMENDMENTS TO SCHEDULE “B” OPERATING AGREEMENT**

In light of the current processes being coordinated by Chicken Farmers of Canada (CFC) in relation to the captioned matters, the purpose of this letter is to inform CFC and others, on behalf of the BC Farm Industry Review Board (BCFIRB), regarding the status of these matters in British Columbia. In particular, I think it is important, given the collaborative nature of federal-provincial agreements, to clarify BCFIRB’s roles and responsibilities in relation to any amendments proposed to the FPAC.

BCFIRB Roles and Responsibilities

Overall, BCFIRB is responsible under the *Natural Products Marketing (BC) Act (NPMA)* to provide general supervision of marketing boards and commissions in BC. Under s. 9 of the *NPMA*, BCFIRB has broad powers to ensure boards and commissions are in compliance with governing legislation, regulations and agreements and to ensure that their orders, decisions and determinations are in accord with “sound marketing policy”.

Appeal Role

Under s. 8 of the *NPMA*, a person aggrieved by or dissatisfied with an order, decision or determination of a marketing board or commission may appeal the order, decision or determination to BCFIRB. In this regard, I can advise that the Primary Poultry Processors Association of BC has filed an appeal of the decision of the BC Chicken Marketing Board (BCCMB) to sign the memorandum of understanding (MOU) with respect to long term allocation. The appeal process is being initiated.

British Columbia
Farm Industry Review Board

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Supervisory Role

Under s. 7.1 of the *NPMA*, BCFIRB has general supervision over the BCCMB. Further, under s. 4.02(3) of the *British Columbia Chicken Marketing Scheme, 1961*, the BCCMB must obtain BCFIRB prior approval to "...enter into or amend an agreement with the federal board".

Signatory Role

Provincial supervisory boards, including BCFIRB, are signatories to both the FPAC and the Operating Agreement. At a minimum, changes to the Operating Agreement are required to execute the allocation proposal in the MOU. BCFIRB recommends, therefore, that CFC give consideration to immediately including the provincial supervisory boards in its current consultations in that regard. The implications of this issue are significant for all provinces and in our view, the supervisory signatories should be kept fully and directly advised of all developments so they can properly assess those developments on a timely and informed basis.

Questions Arising

As BCFIRB works through its appeal, supervisory and signatory processes, we anticipate these are two of the questions that may arise:

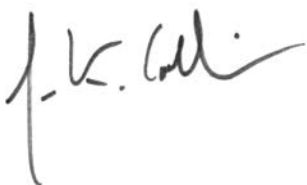
1. Whether or not there are there existing provisions and mechanisms in the FPAC (including the Operating Agreement) that could also provide for differential growth in the Canadian chicken industry?
2. What is the appropriate process for the exit from and re-entry of a province into the FPAC?

Current National and Provincial Issues

In closing, I again draw attention to [BCFIRB's letter of April 11, 2013](#) concerning "Current National and Provincial Chicken Industry Issues". BCFIRB acknowledges CFC's Strategic Plan Priorities October 2014 to December 2015. However, this board remains of the view, as expressed in the April 2013 letter, that long-term, sustainable solutions still require fundamental pricing and allocation issues be addressed by the regulated Canadian chicken industry.

CFC and other stakeholders will be advised as appropriate as BCFIRB proceeds with its processes.

Yours truly,



Jim Collins
Executive Director

cc: BC Minister of Agriculture
BC Chicken Marketing Board
Primary Poultry Processors Association of BC

National Association of Agri-food
Supervisory Agencies
BCFIRB web site