



Ontario Broiler Chicken Hatching Egg Producers Association

July 30, 2015

Attention: Ms. Nathalie Vanasse, Registrar

Re: File 1203-3 OBHECC Complaint review comments, as requested by Farm Products Council of Canada

We are the Ontario Broiler Chick Hatching Egg Producers Association (OBCHEPA), representing the breeder growers/hatching egg producers in the province of Ontario. We are writing the Farm Products Council of Canada to support the position of the Ontario Broiler Hatching Egg and Chick Commission (OBHECC) that the ongoing structural problems in the current hatching egg marketing system are allowing the overproduction of hatching eggs in Canada. These over marketings have been permitted by CHEP through the over production “sleeve” and the quota exchange lease pool. To date these over marketings have cost our producers approximately 20 million dollars in lost revenue.

The lease pool and the sleeve that are part of the past Liquid Damages Assessment (LDA) have had a direct negative impact on our producers. Both of these policies were initially intended to be used in extraordinary circumstance, but have become common “tools” to over produce one’s allocation. As this over production causes an excess of chicks within the province, interprovincial sales of chicks becomes the solution to remove the excess. While we recognize that Broiler Farmers are free to buy their chicks where they please and hatcheries are welcome to sell their chicks where they please, the same is not true for where hatcheries are allowed to source their hatching eggs to produce those chicks. If a hatchery wishes to expand its market share in areas outside of their province, they must acquire a domestic supply of hatching eggs from that province/area in order to fill approximately 80% of its sales – the balance coming from TRQ. In Ontario, OBHECC has implemented a methodology which will reassign hatching egg producers from licensed hatcheries that have lost market share, to licensed hatcheries that have gained market share. OBCHEPA has tried unsuccessfully to make arrangements with Quebec hatcheries and has provided them with the information they would need to become either licensed hatcheries, or licensed hatching egg producer in the province of Ontario. Both to no avail.

During the attempted mediation facilitated by CHF/CPEPC, OBCHEPA offered a constant egg supply to the Quebec hatcheries to fulfill their requirements for the Ontario market sales. The offer was declined. The Ontario Hatcheries offered a constant supply of TRQ to supply the Quebec hatcheries to fulfill their requirements for the Ontario market sales. This offer was also declined. The response was that they would continue to use the **tools** that were available to them.

The Quebec Producers were also in the room for these talks, and their solution was for the Ontario producers to lease them 5 million eggs of our allocation. When we advised

that we had set our full allocation for the 2015 year, and therefore had nothing to lease to them, the talks ended abruptly. This further demonstrates that there has been a deliberate effort by one province to overproduce their allocation in order to fill the requirements of another. The entire marketing system is founded on the basis of ensuring the careful distribution and allocation of broiler hatching eggs to provinces/non-regulated areas to meet the market requirements for chicken meat as determined by Chicken Farmers of Canada. Market forces, including hatchery competition, must operate within the Supply Managed system and respect the integrity of the system. If producers in one area are allowed to exploit the “tools” of the system in order to over market and cause harm to producers in another area, then the integrity of the system becomes compromised and inevitably the system will no longer be able to continue.

During the 80's and 90's both BC and Alberta challenged the CFC chicken allocation system demanding that the provincial producers be given allocation equal to the consumption/growth of the further processed chicken meat consumed in their province. Although there is no challenge to the allocation system in this instance, the same principals can be applied. By allowing a sleeve and a lease pool to continue, one province or area can easily, and at minimal cost, do exactly what BC and Alberta were trying to achieve. Produce what their hatcheries can consume. It is our recollection that all of Council's decisions favoured the then current CFC allocation system. Among the parties to these challenges at Council were BC & Alberta Chicken Marketing Boards, CFC, CPEPC, AOCF and FPPAC

In conclusion OBCHEPA, believes in the three pillars of supply management: Production Management, Predictable Imports, and Pricing Mechanism. If any one of the three pillars is allowed to be altered, either directly or indirectly because of policy, the system is doomed to fail. That is why we believe it is imperative that Council facilitate, or failing that, direct CHEP to do the right thing and uphold the ideals and intentions of the FPA. We think that an LDA should not have lease pools or sleeves; however, if they are to be included, they must be punitive to the over producing party. Should this process proceed to a more formal challenge, OBCHEPA will be seeking intervener status.

Respectfully,



John Kapteyn
Chair, OBCHEPA

c.c. Mr. Laurent Pellerin, Chairman FPCC
Mr. William Bearss, Chairperson, OBHECC
Mr. Bob Guy, General Manager, OBHECC
Mr. Jack Greydanus, Chairman, CHEP
Mr. Guiseppe Caminiti, Executive Director, CHEP
Mr. Geri Kamenz, Chairman OFPMC
Ms. Marilyn Sewell, Marketing Analyst OFPMC