

Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Sponsored by Ontario Chicken Industry Advisory Committee

January 5, 2015
Western Area of CFO District 9
Trenton, Ontario



Table of Contents

	Page
Executive Summary	3
Purpose of Session	5
Current Perceptions	5
Desired Outcomes	8
Positives	9
Challenges	9
Consequences of Inaction	10
Key Objectives	10
Suggested Actions : Farmer-Member Allocation	12
Suggested Actions : Processor Supply Allocation	14
Workshop Summary	18

Executive Summary

On January 5, 2015 chicken producers from the western portion of District 9 in East Central Ontario met at the Ramada Hotel in Trenton for a highly interactive workshop facilitated by Bryan Boyle. Because District 9 is so large geographically, this was the second of two meetings held in the district. The purpose of the session was to solicit input, feedback and advice on how future growth should be distributed to farmers and processors (farmer – member allotment and processor supply distribution) so as to position the chicken industry for economic growth and success.

Producers were asked, “What are the first one or two words that come to your mind when you hear the allocation of growth in the chicken market in Ontario”. Their thoughts about farmer-member allocation were focused around positive perceptions, fairness and equity, expansion, production conditions and attributes. Their thoughts about processor-supply allocation could be summarized as positive perceptions, relation to the market, concerns and recommendations.

The producers’ perspectives about both farmer-member allocation and processor supply allocation varied widely. When asked to identify their desired outcomes for the allocation of growth in the chicken market in Ontario to be successful and effective, the following emerged: production features, market realities, stakeholder relationships and sustained growth. Participants identified some strengths or positives and negatives or challenges that exist for the allocation of growth in the chicken market in Ontario in both the farmer-member and the processor supply allocations. They identified these strengths and challenges in the areas of system characteristics, production, marketing and stakeholder relationships.

Participants reflected on the implications or consequences, if any, of maintaining current policies for the allocation of future growth to producers and processors (farmer – member allotment and processor supply distribution) in the Ontario chicken market. Several implications were identified in both components of the allocation system.

The producers present prioritized the objectives that had been created by the Ontario Chicken Industry Advisory Committee to assure strong and vibrant allocation of growth in the chicken market in Ontario. Highlights of the objectives listed from their highest to lowest priority are:

- 1st: Evolve the Allocation System of Farmers and Processors
- 2nd: Create Value Serving Growing and Emerging Markets
- 3rd: Encourage Innovation, New Business-Building Ideas
- 4th: Encourage Quality, Efficiency and Value Creation
- 5th: Serve Existing Markets
- 6th: Develop a Predictable and Stable System

Participants suggested actions that will help the industry move towards strong and effective allocation of growth to farmers and processors in the chicken market in Ontario. These actions are designed to build on the strengths, reduce or eliminate the challenges keeping the desired outcomes in mind.

Participants were encouraged to identify actions that will have a positive impact on the allocation of future growth in the chicken industry. They spent some time diverging or sharing a range of ideas for action and then some time converging or focusing in on which of those actions they felt would be most effective.

Their suggested actions were sorted by “To Whom” the market growth should be allocated. Any of the supporting information (Why? How? When? Objectives?) that participants provided was also noted.

With regard to farmer-member allocation of growth, the highest priority of the participants was to allocate the growth to all quota holders on a pro rata basis. The next five highest ranking groups were those serving expanding markets, innovative farmers, all quota holders on a per capita basis, new entrants and producers with sufficient capacity in their facilities.

With regard to processor supply allocation of growth, all processors on a pro rata basis was the participants’ strongest priority. There was a substantial priority expressed for processors who prove they are serving an expanding market. At lower priority levels were small processors, those creating new markets, processors with products at-risk due to co-mingling, all processors on a per capita basis and processors supplying a local market.

The workshop was a productive event, where the participants were very engaged. Through their valued input, participants took an important step in their quest for the effective allocation of growth to farmers and processors in the chicken market in Ontario.

Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Location: Ramada Hotel, Trenton, Ontario

January 5, 2015 Facilitated by Bryan Boyle

Purpose of the Session

To solicit input, feedback and advice on how future growth should be distributed to farmers and processors (farmer – member allotment and processor supply distribution) so as to position the chicken industry for economic growth and success

Throughout this report whenever two or more participants offered the same or very similar comments they are noted with an “x” and the number, i.e. (x3)

There are two different approaches for the allotment of growth in the chicken market. One relates to the farmer-member and one relates to the primary processor. Throughout this report, when participants made comments specifically about farmer-member allocation they are noted with an “F”. Comments about processor supply distribution are noted with a “P” and general comments that apply to both are noted with an “FP”.

In this report, any terms relating quota to processors, e.g. “plant quota”, “supply quota” or “processor’s quota” expressed by participants are a reference to the official terms of “assurance of supply” or “assured supply”.

Current Perceptions

Participants were asked to share the first one or two words that come to mind when they hear “Allocation of growth in the chicken market in Ontario”.

1) Relating to Farmer-Member Allocation (F):

Positive Perceptions

- Managed properly
- Sustainable

Fairness and Equity

- Pro rata
- Part of the growth allocated percentage; part per capita
- Equal distribution
- Fairness

Expansion

- Consumer demand
- More chicken should equal more dollars
- Expansion
- More money
- Need new farmers
- Serving expanding markets with stability
- Meet new market demands
- Growing towards consumer demand

Production Considerations

- Organic supply
- Undersupplied

Attributes

- Innovation

2) Relating to Processor-Supply Allocation (P):

Positive Perception

- Managed properly
- Strong consumer demand
- Innovation
- Fairness

Market Related

- Equal distribution
- Undersupplied
- Serving expanding markets with stability
- Growing towards consumer demand

Concerns

- Is there quota allocation for new rapidly expanding markets?

Recommendations

- Meet new market demands

Participants' Perceptions of Allocation of Chicken Growth

On ballots numbered from 1 to 30, participants indicated the number that they feel most accurately describes the current status of the allocation of chicken growth.

#30 = "Top of our Game": A well-coordinated, effective and appropriate approach that provides strong value to its stakeholder groups, including producers, processors and consumers

#1 = "Dead in the Water": An uncoordinated, ineffective and inappropriate approach that provides limited value to its stakeholder groups, including producers, processors and consumers

Participants' Perceptions of Farmer-Member Allocation of Chicken Growth (F)

30 X X
 29
 28 X
 27
 26
 25 X X
 24
 23
 22
 21
 20 X X
 19
 18
 17
 16
 15 X X
 14
 13 X
 12 X
 11 X
 10 X X
 9
 8
 7
 6 X
 5 X
 4
 3
 2
 1

Average = 17.19

Scale: 30 = Top of our Game
 1= Dead in the Water

Participants' Perceptions of Processor Supply Allocation of Chicken Growth (P)

30 X
 29
 28
 27 X
 26
 25 X
 24 X
 23
 22
 21
 20 X X
 19
 18
 17 X
 16
 15 X X
 14
 13 X
 12
 11
 10 X
 9
 8
 7
 6
 5
 4 X
 3 X X
 2
 1 X

Average = 15.13

<p>Scale: 30 = Top of our Game 1= Dead in the Water</p>
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Desired Outcomes

Participants were asked, "When we look at our chicken industry in the future, how will we know that we "got it right" for the allocation of chicken growth?"

Production Features

- F Better rate of survival in non-medicated chickens in 15 years

Market Realities

- P A non-transferable allocation for small expanding markets
- FP Ontario producers fill all Ontario markets based on consumer demand

Stakeholder Relationships

- FP If the new system for allocating growth demonstrates in the future that it is Defendable, we “got it right”
- F We will know that we “did it right” if we are not having consultation similar to this for allocating growth again in three or four years

Sustained Growth

- F More small or organic farms

What positives exist for the allocation of growth in the chicken market in Ontario?

System Characteristics

- F New Entrant Program
- FP The positive is in the word “growth”
- FP Our system is good for the economy
- FP Pro rata distribution of growth
- FP End product is affordable

Production

- F Small farms are still sustainable

Marketing

- FP New markets are being addressed

Stakeholder Relationships

- F Consideration is being given to new entrants (x2)
- FP Consumption is up

What challenges exist for the allocation of growth in the chicken market in Ontario?

System Characteristics

- F Biggest players are getting bigger

Production

- F Organic market is underserved; could produce more

Marketing

- P Organic kgs should not come off processors’ allocated kgs as they currently do
- P Allocation for innovative markets
- P For more new or rapidly growing markets we need a better system to grow them
- FP Current system does not serve new and expanding markets well

- FP May not be able to fill some markets

Stakeholder Relationships

- FP Relationships between organic and mainstream market

What are the implications or consequences, if any, of maintaining current policies for the allocation of future growth to producers and processors?

Both Growth Allocation Systems (FP)

- Risk of supply management system failing to supply the market demands, opening up the entire province to someone who can meet those demands
- Possibility of losing orderly marketing
- The government will pull the rug out from under our feet
- Markets will get filled by someone else if we don't fill them
- Losing our system as we see the demolition of supply management
- We will miss important market opportunities and consumers will lose interest in supporting our product and our system

Key Objectives

After considerable discussion, the Ontario Chicken Industry Advisory Committee has identified some objectives relating to the allocation of growth to farmers and processors in the chicken market in Ontario:

- 1) Evolve the allocation systems of both farmers and processors to improve the flexibility and responsiveness in capitalizing on growth opportunities in the chicken market place
- 2) Create value by serving the needs of growing and emerging markets
- 3) Encourage innovation, new business-building ideas
- 4) Serve the needs of existing markets taking into consideration their size, importance and historical investment
- 5) Develop a system that is predictable and stable that aligns the interests of key stakeholders in the chicken industry
- 6) Encourage quality, efficiency and value creation

The participants prioritized these objectives using the following method:

Each participant was given 100 points. They were asked to allocate their points to a number of objectives to show their relative importance. They based their allocation on where action would have the most positive impact on the allocation of growth to farmers and processors in the chicken market in Ontario. Each participant allocated a score between 0 and 40 for each objective.

Rank	Objective Number	Objective	Total Score
1 st	1	Evolve the Allocation System of Farmers and Processors	445
2 nd	2	Create Value Serving Growing and Emerging Markets	410
3 rd	3	Encourage Innovation, New Business-Building Ideas	255
4 th	6	Encourage Quality, Efficiency and Value Creation	250
5 th	4	Serve Existing Markets	215
6 th	5	Develop a Predictable and Stable System	95

Action Planning

Participants were encouraged to identify actions that will have a positive impact on the allocation of future growth in the chicken industry. They spent some time diverging or sharing a range of ideas for action and then some time converging or focusing in on which of those actions they felt would be most effective.

Participants were encouraged to answer the following questions relating to each allocation action:

To Whom?

Why?

How?

When?

Objectives? Identify which one or more of the six objectives that this action will help the chicken industry in Ontario achieve.

Farmer-Member Allocation or Processor Supply Allocation? Participants focused on farmer-member allocation for the first part of this session and then focused on processor supply allocation for the second part of the session.

Participants' Suggested Actions

Their suggested actions were sorted by "To Whom" the market growth should be allocated. Any of the supporting information (Why? How? When? Objectives?) that participants provided was also noted.

The participants prioritized their actions based on the "To Whom" titles using the following method:

Each participant was given 100 points. They were asked to allocate their points to whom the allocation of growth to farmers and processors would have the most positive impact on the

chicken market in Ontario. Each participant allocated a score between 0 and 100 for each action.

Rank	Farmer-Member Allocation of Growth (To Whom)	Total Score
1 st	All Quota Holders (Pro rata – same percentage)	620
2 nd	Producers Serving Expanding Markets	370
3 rd	Innovative Producers	265
4 th	All Quota Holders (Per Capita – same amount)	250
5 th	New Entrants	165
6 th	Producers With Capacity In Their Facilities	130

Any supporting information that the table discussion groups provided on farmer-member allocation of growth is noted below. Information can be found under the “To Whom” title where it fits most appropriately. The supporting information is provided in the same order as the ranking in the table above.

1. All Quota Holders (Pro rata – same percentage)

1.1

To Whom? All current quota holders

Why? Fair to all farmers; large farmers have more invested

How? Pro rata, every farmer gets the same percent; use the current system

When? Per quota period

Objectives? 4,5

1.2

To Whom? Existing producers

Why? Fairest way to allocate growth

How? Pro rata; equal percentage but different actual amounts

When? Every quota period

Objectives? 1,2,4,5

2. Producers Serving Expanding Markets

2.1

To Whom? Farmers serving expanding markets

Why? The goal of growing chicken should be to fill consumer demand

How? Respond to demonstrated need when allocating growth

When? As market needs arise

Objectives? 1,2,3,4,5,6

2.2

To Whom? All farmers supplying expanding markets

Why? To properly service these markets

How? Outlined in the percentage of growth that's allocated based on the percentage of specific market growth

When? Immediately

Objectives? 1,2

2.3

To Whom? Farmers who are serving expanding markets

Why? This is where the demand exists

How? A larger allocation would go to farmers filling those markets; CFO Board could keep kgs of quota for this purpose

When? As market needs arise

Objectives? 1,2,3

3. Innovative Producers**3.1**

To Whom? Innovative producers

Why? They should be rewarded for filling consumer demand with innovation

How? On a case-by-case basis based on business plan

When? Annually

Objectives? 2,3,6

4. All Quota Holders (Per Capita – same amount)**4.1**

To Whom? All quota holders

Why? Help smaller firms get bigger but larger farms don't get too big

How? Develop a hybrid system whereby a certain percentage of growth is allocated evenly among all farmers and another portion of growth is given out based on quota units by percentage; use both per capita and pro rata

When? Every quota period

Objectives? 1,2

5. New Entrants**5.1**

To Whom? New entrants with a real interest in getting into the chicken business

Why? Producer diversity
How? In an application process to identify ideal candidates
When? As required
Objectives? 1,2,3

5.2

To Whom? New entrants
Why? This is a very important issue for supply management; shows we are trying to get young farmers involved
How? Allocate some of the growth to farmers who currently have no quota
When? As required
Objectives? 2,3

6. Producers With Capacity In Their Facilities

6.1

To Whom? To farmers who have capacity in their current facilities to expand
Why? Because they can handle expansion; it will improve their production efficiencies
How? Evaluate or accept applications and distributed on a pro rata basis to all who qualify
When? Each quota period
Objectives? 3,6

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1 st	All Processors (Pro rata – same percentage)	545
2 nd	Processors Serving Expanding Markets	410
3 rd	New Processors	225
4 th	Small Processors	180
5 th	Processors Creating New Markets	150
6 th	Processing Chicken At-Risk of Co-mingling	140
7 th	All Processors (Per capita – same amount)	100
8 th	Processors Supplying Local Market	50

Any supporting information that the table discussion groups provided on processor supply allocation of growth is noted below. Information can be found under the “To Whom” title where it fits most appropriately. The supporting information is provided in the same order as the ranking in the table above.

1. All Processors (Pro rata – same percentage)

1.1

To Whom? All processors

Why? Fair; all processors share in growth
How? Same way the current system works
When? Every quota period
Objectives? 1,4,5

1.2

To Whom? All current processors
Why? General, across the board; all markets benefit
How? Use system that is in place
When? Each quota period
Objectives? 1,2,3,4,5

2. Processors Serving Expanding Markets

2.1

To Whom? Processors who serve rapidly expanding market segments such as organic
Why? To supply consumer demand and boost the economy
How? Track consumer demand and allocate growth accordingly
When? Every quota period
Objectives? 1,2,3

2.2

To Whom? To the processors who are expanding market segments
Why? To service the market needs; expand our industry and the economy
How? It is easy to identify and reward market expansion
When? Every quota period
Objectives? 1,2,3

2.3

To Whom? To the processors who can verify that they are meeting a new demand or have created a new product; remainder goes to all processors
Why? Encourages processors to develop new markets or new products
How? Use the current system, but make sure the verified markets are met first; the remainder is allocated to all processors pro rata
When? Every quota period
Objectives? 1,2,4,6

2.4

To Whom? To the processors who service expanding markets
Why? Meeting a market need
How? Assess the particular market growth (e.g. organic) as a percentage and allocate growth on that basis

When? Whenever that growth appears

Objective? 2

2.5

To Whom? All processors who service a specific expanding markets

Why? Shares growth among active promoters

How? Allocate 50% of the growth to companies that can prove that they service specific markets; the remainder of the growth would be distributed on a pro rata basis

When? At each quota period

Objectives? 1, 2, 3

3. New Processors

3.1

To Whom? New processors

Why? These processors will be starting small and servicing emerging or growing markets; they need some support

How? Accept applications and reward the most fitting applicants with an allocation of growth

When? As required or needed

Objectives? 1,2,3,6

4. Small Processors

4.1

To Whom? Small processors

Why? Larger processors may not be as flexible to meet some markets; small processors deserve some support

How? Processors could make applications to CFO; the first portion of the growth would be allocated directly to small processors and the remainder would go to all processors pro rata

When? Immediately

Objectives? 1,2,3,6

5. Processors Creating New Markets

5.1

To Whom? Processors who can document and prove that they have created new viable markets

Why? This is an excellent example of market growth

How? Allocate the first 50% of growth to these new rapidly growing markets; the remainder of the processor supply quota would be distributed pro rata to all

When? Each quota period

Objectives? 1,3

5.2

To Whom? Processors who create new markets

Why? These processors should not be required to share the growth they have generated with all other processors

How? Establish an upper limit of plant supply quota; if any of the pro rata allocation of growth to all processors would put an individual processor over the limit, that extra amount is held back and given to processors for new markets

When? Every quota period

Objectives? 1,3,4

6. Processing Chicken At-Risk of Co-mingling

6.1

To Whom? Processors or potential processors with markets at risk from co-mingling at existing plants

Why? Markets can be lost permanently

How? Administration of this allocation would be done by CFO

When? As soon as possible; the public will become impatient

Objectives? 1,3,6

6.2

To Whom? Processors filling expanding markets, e.g. organics

Why? Organic chicken runs the risk of being co-mingled and the market advantage being lost

How? Interested processors could apply to the Chicken Farmers of Ontario and the new kgs would be managed by the CFO Board

When? By July of each year

Objectives? 1,2,3

7. All Processors (Per capita – same amount)

7.1

To Whom? All processors

Why? Rewards smaller processors who are often the ones creating or servicing niche markets

How? Split all growth evenly so each processor gets the same amount, not same percentage

When? Every quota period

Objectives? 1,2

8. Processors Supplying Local Markets

8.1

To Whom? Applicant to serve specific geographic area, e.g. Central Eastern Ontario

Why? Service specific market and meet “eat local” requirements

How? Chicken Farmers of Ontario review documentation and applications

When? As soon as possible

Objectives? 2,3, 6

Summary of the Workshop

The workshop was a productive event, where the participants were very engaged. Through their valued input, participants took an important step in their quest for the effective allocation of growth to farmers and processors in the chicken market in Ontario.