

Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Sponsored by Ontario Chicken Industry Advisory Committee

January 20, 2015

CFO District 2

Clinton, Ontario



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Executive Summary

On January 20, 2015 producers from District 2 of the Chicken Farmers of Ontario met at the Royal Canadian Legion in Clinton for a highly interactive workshop facilitated by Bryan Boyle. 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, attributes, fairness and equity, expansion, production conditions and concerns. Their thoughts about processor-supply allocation could be summarized as positive perceptions, relation to the market, concerns and recommendations.

The producers’ perspectives about farmer-member allocation were in general very positive although there were a few participants who indicated that they had concerns. The participants’ perspectives of processor supply allocation were slightly lower but still reflected a definite positive trend.

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: Serve Existing Markets

4th: Develop a Predictable and Stable System

5th: Encourage Innovation, New Business-Building Ideas

6th: Encourage Quality, Efficiency and Value Creation

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 while 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 top two priorities were very clearly the dominant choices of the participants. The highest priority of the participants was to allocate the growth so quota holders all receive the same amount or per capita. Allocating growth to all quota holders on a pro rata basis was a close second place on the priority list. Allocating growth to quota holders who are willing and to new entrants received much lower but still significant support. Allocating growth based on producers’ high quality standards, their ability to supply specialty markets and their innovations all garnered very modest support from the participants.

With regard to processor supply allocation of growth, processors who can prove they have a market were clearly the highest priority. The next three target groups, namely, all processors, processors compliant with rules and regulations and smaller processors all generated substantial support. At much lower levels relating to the allocation of growth were innovative, new and further processors.

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: Royal Canadian Legion, Clinton, Ontario

January 20, 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 (or in the Action Plans section - tables of 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”. 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 Perception

- Good (x3)
- Opportunity (x2)
- Great
- System really works
- Acceptable
- Rewarding farming
- My kids might be able to get into the business

Attributes

- Profitable (x4)
- Sustainable (x2)
- Efficient
- Consistent

Fairness and Equity

- Fair (x4)
- Fairness (x4)
- Distribution (x2)
- Fair distribution
- Pro rata (x3)
- Pro rata growth versus per capita growth
- Allocate growth 100% pro rata
- Even percentages
- Half pro rata half per capita allocation

Expansion

- Growth (x3)
- Expansion (x3)
- Increase
- Great for growth
- Grow kilograms
- Kilograms
- More meat
- More quota (x2)
- Additional quota
- Hurray, free quota!
- Free quota
- Increase quota
- Growth belongs to the farmer

Production Considerations

- More chicken (x2)
- Farmer also needs growth
- Need more room in my barn
- Capacity
- Support small farmers

Concerns

- The big get bigger
- How will they allocate it?
- How is it applied?
- Disagreement
- About time
- Favours large producers

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

Positive Perception

- Profitable (x2)
- Fairness (x2)
- Fair distribution for all processors
- Capacity
- Acceptable
- Filling unmet markets
- Meeting consumers' needs
- Filling demand
- New markets
- Good
- Okay
- Diversity
- Stability
- Grow expansions
- Expansion
- Schedules
- More kilograms (x2)
- More business
- Increased production
- Processor needs growth
- More chicken to market

Market Related

- Distribution
- Growth of the market
- Consumer demands
- More chicken to fill markets

Recommendations

- Pro rata allocation (x2)
- Let's share
- Support small processor
- Get more processors
- Allocate half the growth to large processors and half to small processors

Concerns

- Can they handle it?
- Do they want it?
- Undermining farmers' power
- Looking out for themselves
- The big get bigger
- Growth going to the same big processors
- Favours large processors
- Short staffed
- Disagreements
- Take as they want, give as needed

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

Average = 20.52

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

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

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

Average = 18.88

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

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 Strong producer numbers
- F Producer numbers grow or are maintained
- F Possible for a new farmer to get started
- F Future generations have a good chance of success
- F Encourage small and new producers

- F Growth allocated to farmers with capacity because it can be problematic for those without enough room in their facilities
- F Sustainability for future growers
- F Farmers benefit from growth
- F Animal welfare does not suffer especially on less effectively managed farms

Market Realities

- P Quality chicken in the retail sector
- P All markets are filled
- P Keep all processors small and large
- P All chicken produced in Ontario should be processed in Ontario
- FP Supply the market

Stakeholder Relationships

- F Maintain our political clout
- FP All parties are happy
- FP Both farmers and processors are happy with the solution
- FP Solution meets positive public perception
- FP Public perception of chicken farmers stays good or improves
- FP Positive public opinion is maintained
- FP Maintain consumer trust
- FP Control is maintained within industry stakeholders and not dictated by government

Sustained Growth

- FP Growth for everyone, farmer, processor and consumer
- FP Good economic stimuli in all areas
- FP Growth distributed equally
- FP New growth is not just bought and sold but grown
- FP New producers and processors
- FP Growth is not allocated in quota units
- FP All sectors are responsibly profitable
- FP Growth is proven to be sustainable before allocated
- FP Continued profitability in the industry
- FP Every sector is profitable

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

System Characteristics

- FP If you invest more, your return will be rewarded within the existing system
- FP Larger the investment, the more the reward
- FP There is a quota system

- FP Increasing quota size versus quota numbers
- FP Fair system
- FP Constant growth
- FP There actually is growth
- FP Keeping our system provincial
- FP Profitability
- FP Transparency
- FP Stability
- FP Consistency

Production

- F A strong voice in agriculture
- F Good return on investment
- F Percent increase
- F Helps pay the bills
- F Free kilograms to grow

Marketing

- FP Starting to supply specialty markets
- FP Potential for growth
- FP Differential growth
- FP Less transportation means better chicken quality

Stakeholder Relationships

- FP Everyone is growing
- FP Positive meetings like tonight

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

System Characteristics

- F It is challenging for new producers to get started (x2)
- FP There is no negative for growth!
- FP The system favours the big guy
- FP Keeping the system fair

Production

- F High price of quota
- F Available barn space
- F Minimum entry for farmer of 14,000 units is too high
- F All producers are entitled to growth, whereas growth should be earned
- FP The big get bigger (x2)

Marketing

- P Some processors are not rewarded for innovation and developing new markets
- P Big processors get bigger, squeezing out the smaller ones
- P Undersupply of chicken for processing; hard for processors to fill new markets
- FP Pricing
- FP Don't grow enough for the Ontario market

Stakeholder Relationships

- F Large producer versus small producer
- F Keeping farmers united; avoiding small farmer against large farmer
- FP Animal-rights issues

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

Farmer-Member Allocation (F)

- The producers may not be involved in decision-making (x2)
- Farmers may not have input through their District Committee Representatives (DCR's) and Board
- Fewer new growers
- It will not be fair for new blood to get into the industry
- Producers may not stay happy

Processor Supply Allocation (P)

- Big processors will get too much power
- We will lose out on markets that are referred to processors
- Processors would not be filling essential markets

Both Growth Allocation Systems (FP)

- The government may step in
- If we don't take care of our customers, someone else will
- The system will not get better
- We will be reactive not proactive
- Consumer perceptions will be negative

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	1685
2 nd	2	Create Value Serving Growing and Emerging Markets	1420
3 rd	4	Serve Existing Markets	1205
4 th	5	Develop a Predictable and Stable System	1140
5 th	3	Encourage Innovation, New Business-Building Ideas	1125
6 th	6	Encourage Quality, Efficiency and Value Creation	1050

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 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 (Per Capita – Same Amount)	3110
2 nd	All Quota Holders (Pro Rata – Same Percentage)	2795
3 rd	Producers Willing To Grow	740
4 th	New Entrants	620
5 th	Producers With High Quality Standards	225
6 th	Producers Supplying New or Specialty Markets	170
7 th	Innovative Producers	110
8 th	Consumers	0

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 (Per Capita – Same Amount)

1.1

To Whom? All current quota holders (x4)
Why? Serves the interest of both large and small farmers
How? Allocate growth 50% per capita and 50% pro rata
When? Each quota period
Objectives? 3, 4, 5

1.2

To Whom? All farmers with quota
Why? Assures quality; controlled; responsive
How? A combination of per capita (0 to 100%) and pro rata (0 to 100%)
When? Every year
Objectives? 1, 2, 3

1.3

To Whom? All quota holders
Why? Good for both small and large quota holders; allows producers an opportunity to plan for expansion of facilities
How? Alternate years between per capita and pro rata
When? Every year
Objectives? 1, 2

2. All Quota Holders (Pro Rata – Same Percentage)

2.1

To Whom? All quota holders (x3)
Why? Fair; stable; because they have invested in it
How? Pro rata; equal percentage to all producers
When? Every year or quota period
Objectives? 1, 4, 6

2.2

To Whom? All existing producers
Why? Already committed to the industry; know how to produce a safe and healthy chicken, growing birds under strict regulations, utilizing bio-secure barns; providing a safe consumer product for the shelves of retail stores
How? Pro rata; similar to current system
When? As needed
Objectives? 1, 2, 6

2.3**To Whom?** All producers (x2)**Why?** Fair; good compromise between current system (pro rata) and full per capita**How?** Blended system; 50% pro rata and 50% per capita**When?** Annually**Objectives?** 1, 2**3. Producers Willing To Grow****3.1****To Whom?** Allocate to all current quota holders who are willing to grow additional chickens**Why?** Easy to administer, encourages efficiencies by utilizing barn space**How?** Allocation to these willing producers could be on a half pro rata and half per capita basis; no sale of new growth quota would be allowed - if they cannot grow to meet their quota, then return it**When?** By quota period or annually**Objectives?** 3, 5, 6**4. New Entrants****4.1****To Whom?** New entrants (x2)**Why?** Need to bring fresh blood into the industry; reduce initial investment required**How?** Lower the minimum entrance point from 14,000 units to 10,000 units**When?** Annually**Objectives?** 1, 2, 3**4.2****To Whom?** New entrants**Why?** Politically wise; get young people engaged in our industry**How?** Develop a lease-to-own program that is much broader than the existing Ontario New Chicken Farmers' Entrant Policy**When?** Annually**Objective?** 3**4.3****To Whom?** New producers (x4)**Why?** Strengthens the number of chicken farmers; popular with consumers**How?** Expand the existing Ontario New Chicken Farmers' Entrant Policy substantially**When?** Annually**Objectives?** 3, 5

4.4**To Whom?** Next generation quota holders**Why?** Gets new blood into the business; starts with a strong base from older generation**How?** Provide a certain amount of quota to help viability of business transfers**When?** Annually**Objectives?** 1, 2, 3, 5**4.5****To Whom?** New producers**Why?** Help new producers get started in this highly capitalized business**How?** Provide a certain portion of the growth in the form of a new class of quota with no value that must go back to the board when the existing quota is sold to be reallocated for the same purpose**When?** Annually**Objectives?** 1, 3, 5**5. Producers With High Quality Standards****5.1****To Whom?** Quota holders who meet high quality standards (x2)**Why?** Rewards quality; positive for the consumer; can be documented**How?** Allocate the growth according to quality such as health status, percent condemnns, target weights reached, etc.**When?** Per quota period**Objectives?** 1, 2, 3**5.2****To Whom?** Quota holders based on high quality production**Why?** Shows value of high quality which our processors and consumers value**How?** Allocate the growth to all producers who meet the Canadian Chicken Farmers' On-Farm Food Safety Assurance Program (OFFSAP) regulations in a timely manner; use a blend of 50% pro rata and 50% per capita**When?** Per quota period**Objectives?** 1, 2, 3**5.3****To Whom?** Quota holders who meet high quality standards**Why?** Rewards quality; positive for the consumer; can be documented**How?** Allocate the growth according to quality such as health status, percent condemnns, target weights reached**When?** Per quota period**Objectives?** 1, 2, 3

6. Producers Supplying New or Specialty Markets

6.1

To Whom? Quota holders supplying new and specialty markets (x2)

Why? Meet consumer demand; those who created the market get to supply it

How? Producers would demonstrate that they are supplying a specific market and would be rewarded with additional quota

When? Per quota period

Objectives? 1, 2

7. Innovative Producers

7.1

To Whom? Young innovative quota holders under 60,000 units who are efficiently producing top quality chickens

Why? Promotes and rewards strong management; gives best results for future industry; helps young farmers overcome industry challenges; supports public interest

How? Evaluates production numbers of all producers who apply for this opportunity

When? Every quarter

Objectives? 1, 3, 6

7.2

To Whom? Active producers early in their career

Why? Encourages producers who will be in the industry for the long term; provides positive public perception

How? Create a class "B" quota that has to be grown for at least 10 years to be owned

When? Every quota period

Objectives? 1, 2, 3

8. Consumers

8.1

To Whom? Consumers with a vested interest in the chicken production

Why? Meet consumer demand; allows consumers to influence a certain aspect of production

How? Allow consumers to choose who produces on their behalf

When? Per quota period

Objectives? 1, 2, 3

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1 st	Processors Who Prove They Have A Market	2145
2 nd	All Processors	1445
3 rd	Compliant Processors	1395
4 th	Small Processors	1215
5 th	Innovative Processors	575
6 th	New Processors	385
7 th	Further Processors	210

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. Processors Who Prove They Have A Market

1.1

To Whom? Established processors who can prove that they have a market (x3)

Why? If you can prove you have a market, then you need chicken; the potential sale of all chicken both whole and for further processing deserves a guaranteed supply; growth should go to the processor supplying the growing market; this could reduce imports; fair to both large and small processors as both would get some consistent growth

How? Allocation would be based on specific criteria to establish a market; allocate quota half pro rata and half per capita

When? Administered on a per quota period basis

Objectives? 1, 2, 3

2. All Processors

2.1

To Whom? All processors (x2)

Why? They have made the investment, developed new and innovative products and have proven their ability to process chicken; means more chicken will be sold

How? Distribute the allocation of growth among processors of all sizes on a yearly basis, either pro rata, per capita or a blend of the two

When? Annually

Objectives? 1, 2, 4

3. Compliant Processors

3.1

To Whom? Processors who will comply with the existing rules and regulations

Why? This would be a tangible reward for compliance; those who do not comply would not get growth; could reduce the importing of spent hens that may be sometimes done without obeying the existing regulations; processors who continue to use loopholes should not be rewarded

How? Identify compliant processors based on specific standards

When? Annually

Objectives? 1, 3, 5

4. Smaller Processors

4.1

To Whom? Smaller processors (for example: Pintys, Cericola, Farm Fresh, Grand River, Cami, Abate, etc.)

Why? Improve or maintain small processors' viability because they are significant players in our industry; need to protect the smaller processor

How? Allocate a larger percentage of allocation to smaller processors; possibly even per capita

When? Now

Objectives? 1, 2

5. Innovative Processors

5.1

To Whom? Innovative processors (x2)

Why? Willing to grow the markets by meeting consumer demand

How? Evaluate innovations for interested processors who apply; fill innovative processors' markets first, then allocate the balance to all processors on a pro rata basis

When? Each quota period

Objectives? 2, 3, 5

6. New Processors

6.1

To Whom? New processors (x2)

Why? These processors can drive chicken consumption and new markets; more processors means more growth

How? Encourage new processors to demonstrate their ability and market demand, similar to the way producers do for the Ontario New Chicken Farmers' Entrant Policy

When? As soon as possible

Objectives? 1, 2, 3

6.2

To Whom? All processors who are willing to bid on supply quota

Why? Helps match up the market and the ability to process chicken for that market

How? All the quota relating to growth would go to a specific pool; processors would bid on how many kilograms they would like at a predetermined price, e.g. over producers' cost of production; quota would be sold and allocated based on the bidding volumes

When? As soon as possible

Objectives? 1, 2, 3

7. Further Processors

7.1

To Whom? Further processors who currently do not hold any supply quota

Why? They are more innovative; closer to the consumer market; potential to displace imports; improves Ontario and Canadian market growth

How? Encourage further processors to prove their need for the allocation of growth

When?

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.