

# **Allocating Growth in the Chicken Industry in Ontario**

## **Stakeholder Consultation Workshop**

Sponsored by Ontario Chicken Industry Advisory Committee

December 15, 2014

CFO District 8

Milverton, Ontario



**Bryan Boyle & Associates**

*FACILITATING YOUR FUTURE*

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## Executive Summary

On December 15, 2014 chicken producers from District 8 in Perth and Waterloo Counties met at the Perth East Community Centre in Milverton 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, 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 present were generally very positive about farmer-member allocation. Their perspective of processor supply allocation was much more varied.

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. Although there was not widespread concern, some implications were identified in both components of the allocation system.

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

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

Participants suggested actions that will help the industry to 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 and keep 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. The next four highest ranking groups were new, small, niche and innovative producers.

With regard to processor supply allocation of growth, processors who prove they have a specific market were the participants’ dominant priority. The next highest ranking groups were members of the Association of Ontario Chicken Processors, new and small 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: Perth East Community Centre, Milverton, Ontario

December 15, 2014 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”.*

## 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 (x7)
- Positive (x4)
- Sustainable (x2)
- Great news (x2)
- Healthy industry

#### Fairness and Equity

- Equitable (x2)
- Fairness
- Fair to all
- Dividing up the supply
- Who gets it?

Expansion

- New, exciting opportunities (x5)
- New producers
- Expansion
- Captures new opportunities
- Growing more chicken
- More supply needed
- New entrants
- New products
- Are we meeting the market demand?
- More growth for the industry

Production Considerations

- When, how much (x2)
- Chick supply (x2)
- Meat price
- Live price
- Barn space

Attributes

- Pro rata is fair and works well
- Increased quota value
- We picked a good market

**2) Relating to Processor-Supply Allocation (P):**Positive Perception

- Equitable (x2)
- Good

Market Related

- Exciting opportunities (x2)
- Potential for expansion

Concerns

- Quota is not where it is needed for new markets
- Consolidates plant supply assurance, stifles new markets

Recommendations

- Adjust processor supply allocation to meet the market demand

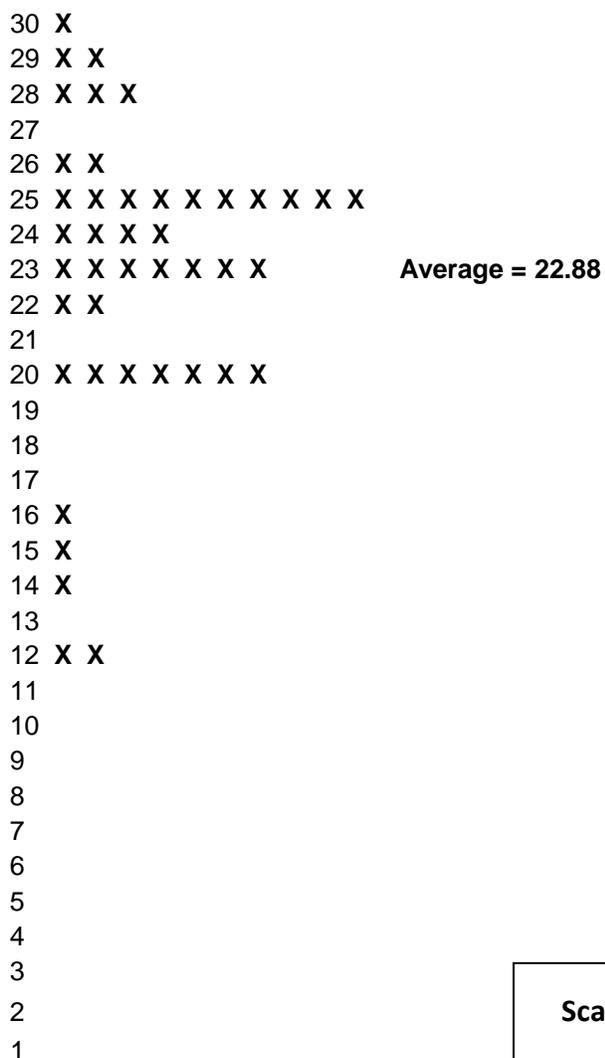
## Participants' Perceptions of Allocation of Chicken Growth

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

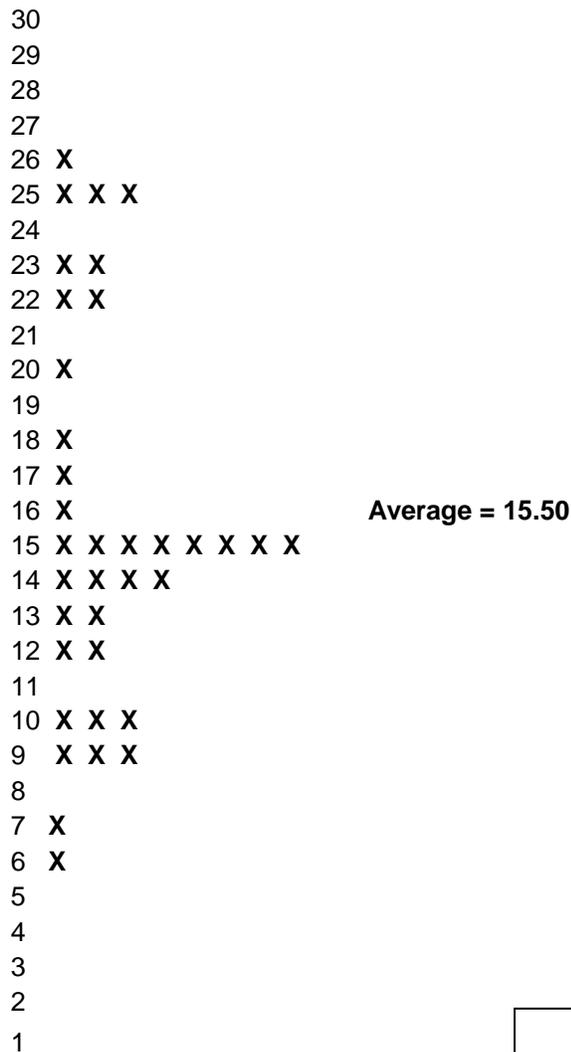
#1 = "Dead in the Water": An uncoordinated, ineffective and inappropriate approach that provides limited value to its stakeholder groups, including producers, processors and consumers

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



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

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



<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 Breeder egg allotments will keep up with demand
- F Maintain the profitability per kilogram
- F Continue to add allocation to basic allotment
- F Quota holders are able to supply all markets for processors

### Market Realities

- P Quota for specialty markets
- P Processors will be rewarded for new markets
- P All markets will be supplied by more processors
- P New products available that consumers want to buy
- P Opportunities for new and innovative products are seized by processors
- P Allocation to small and different users
- FP The increase in Ontario consumption of chicken grown and processed in Ontario
- FP Supply management quota system intact
- FP Supply management is meeting the market needs through growth
- FP Distribute the allocation more frequently
- FP Fill our domestic and niche markets here in Ontario
- FP Improved return on investment

### Stakeholder Relationships

- F Younger generation will be engaged in the industry
- F Keep family farms rather than large corporations
- F One marketing board
- FP Fair and equitable to both farmers and processors

### Sustained Growth

- F More new entrants into the industry, greater than the current two per year
- F Sustainable fair growth
- FP Continued growth will be a sign of a robust industry
- FP Both new farmers and new processors are starting in the business

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

### System Characteristics

- F Constant growth for each farm
- P Increasing population wanting to eat healthy chicken
- FP Consistent growth
- FP Market is growing
- FP Growing and profitable industry

### Production

- F Farmers will grow the chicken needed
- F Efficiency of a chicken, only fish are better
- FP More employment and jobs (x2)
- FP Short cycle, can increase quickly

Marketing

- F Cost of production formula ensures fair profitability
- P New and variety of products for consumers (x2)
- P Opening new markets
- FP We have strong supply management system (x2)
- FP Healthy food and protein source (x2)
- FP Meet the market demand but do not oversupply (x2)
- FP Marketing system is predictable and profitable
- FP Top quality, product
- FP Demographics including ethnic groups support chicken
- FP Chicken is a reasonable price to the consumer
- FP Specialty markets are addressed

Stakeholder Relationships

- F Room for new producers
- F Family farms
- F Future in farming for next generations
- FP Industry collaboration is positive

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

- FP Cost to get into the industry
- FP Minimum limits required to get started
- FP High cost of quota (x2)

Production

- F Quality of inputs
- F Barn space
- FP Chick supply

Marketing

- F Live price reduction
- P Disagreements between processors
- P Large processors getting more allocation instead of small processors
- P Need to support smaller processors
- FP Past practices
- FP Not enough marketing options
- FP Processors own the hatcheries

### Stakeholder Relationships

- F Appeasing other farm groups' concerns based on jealousy
- FP Conflict over who gets allocated the growth

### **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)

- Increased gap between big and small producers
- Does not address the cost for new entrants
- Need more new entrants

#### Processor Supply Allocation (P)

- Bigger processors get larger and small processors disappear
- Small processors are unable to grow in Ontario
- Not filling all the markets
- Plant supply assurance will increase in cost

#### Both Growth Allocation Systems (FP)

- Consumer perception of not being responsive to their needs
- Missed opportunities
- Trusting the Chicken Farmers of Ontario Board to do the right thing
- Interprovincial disagreements
- Global trade may prevail with fewer barriers at the border
- There could be a "sell out" of supply management
- Supply management may be at risk

### **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 <sup>st</sup>	1	Evolve the Allocation System of Farmers and Processors	735
2 <sup>nd</sup>	2	Create Value Serving Growing and Emerging Markets	685
3 <sup>rd</sup>	5	Develop a Predictable and Stable System	635
4 <sup>th</sup>	3	Encourage Innovation, New Business-Building Ideas	600
5 <sup>th</sup>	4	Serve Existing Markets	535
6 <sup>th</sup>	6	Encourage Quality, Efficiency and Value Creation	460

### **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 first 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 <sup>st</sup>	All	1680
2 <sup>nd</sup>	New	750
3 <sup>rd</sup>	Small	660
4 <sup>th</sup>	Niche or Specialty	440
5 <sup>th</sup>	Innovative	365
6 <sup>th</sup>	Chicken Farmers of Ontario	165
7 <sup>th</sup>	Performance	105
8 <sup>th</sup>	Me	95
9 <sup>th</sup>	Highest Bid	90
10 <sup>th</sup>	Women	5

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

#### 1.1

**To Whom?** Existing quota holders

**Why?** We have made the investment

**How?** Allocate the same percentage to every quota holder

**When?** Yearly

**Objective?** 5

**1.2****To Whom?** All quota holders**Why?** Keep it fair, producers have made the investment**How?** Possibly give a higher percentage to smaller producers  
Increase the basic quota instead of more kilograms per quota unit**When?** Each quota unit or when needed**Objectives?** 1,2,3,5**2. New****2.1****To Whom?** New entrants**Why?** Provides more voices and ideas in our industry**How?** A certain percentage would go to new producers with the balance going to existing producers using the current process**When?** Annually**Objectives?** 1,2,3,5,6**2.2****To Whom?** New farmers would get the first allocation of new growth**Why?** Equitable, yet supports new farmers**How?** One-third of the growth would be allocated to new entrants and two-thirds would be allocated to existing farmer members**When?** Quarterly**Objectives?** 2,3,5**2.3****To Whom?** New farmers would get a specific allocation of new growth**Why?** Distributes the growth**How?** Allocate one-quarter to new producers, and the remaining three-quarters to existing producers (one-quarter on a per capita basis, one-half on a prorated basis)**When?** Annually**Objectives?** 5,6**2.4****To Whom?** One-third of the allocation of growth would go to new entrants and two-thirds of the growth would be allocated to current producers**Why?** Promotes our system as being proactive to new farmers; this could help highly invested farmers plan for the future and keep the certainty in the industry.**How?** Distribution to be based on percentage owned**When?** Every six months**Objectives?** 1,3,5

**2.5****To Whom?** New entrants**Why?** We are stronger politically with more numbers**How?** Definitely allow more than two new entrants per year like we currently do**When?** Annually**Objectives?** 1,3**2.6****To Whom?** “Want-to-be” producers**Why?** Encouraging new producers and appearing transparent for consumers and regulatory agency**How?** Design an effective program and make it work; remember past programs may not have worked**When?** Ongoing**Objectives?** 1,5,6**2.7****To Whom?** New Farmers**Why?** Excellent public relations for our chicken industry**How?** Expand the CFO New Entrants Program to make it more meaningful**When?** Annually**Objectives?** 1,2**2.8****To Whom?** A minimum of 10 new producers per year with the remainder of the growth being allocated to all producers**Why?** Similar programs worked in the past and were fair; politically positive**How?** First allocation of growth would go to new entrants and then the remainder would be allocated on a percentage basis to existing producers**When?** Annually**Objective(s)?** 1,5,6**3. Small****3.1****To Whom?** Small quota holders**Why?** Supports keeping our producer numbers strong for our political advantage**How?** Unequal distribution with a stronger percentage for smaller producers; reducing on a sliding scale for larger producers**When?** Annually**Objectives?** 1,5

## **4. Niche or Specialty**

### **4.1**

**To Whom?** Niche market producer and developer

**Why?** That's capitalism

**How?** It would be based on market demand

**When?** As soon as possible

**Objectives?** 1,2,3

### **4.2**

**To Whom?** Specialty markets

**Why?** Produced in Ontario to meet market demands

**How?** Portion of existing quota holders

**When?** Annually

**Objectives?** 1,2,3

### **4.3**

**To Whom?** Farmers who have a supply agreement with a particular processor who has developed a niche market

**Why?** Grow the industry

**How?** Allocate on a percentage basis to those that prove they supply a specific niche

**When?** Annually

**Objectives?** 1,2,3,6

## **5. Innovative**

### **5.1**

**To Whom?** Innovators

**Why?** Leads to efficiency, profitability and productivity

**How?** 10% of new growth is allocated for a new program to which innovators can apply

**When?** Annually

**Objectives?** 2,3,6

## **6. Chicken Farmers of Ontario to Reallocate**

### **6.1**

**To Whom?** All growth would go to Chicken Farmers of Ontario to reallocate

**Why?** This would allow an unequal distribution of allocation to farmer members based on specific needs; it could be adjusted based on the needs in a specific quota period

**How?** Potential to lease quota that is based on growth in the market

**When?** Annually

**Objectives?** 1, 2

## **7. Performance Based**

### **7.1**

**To Whom?** Quota holders who demonstrated efficiencies or other performance-based areas of strength

**Why?** Encourages productivity

**How?** It would be based on past individual farm records

**When?** Apply semi-annually based on allocation of growth

**Objectives?** 3,6

## **8. Me and my Family**

### **8.1**

**To Whom?** My highest priority is me and my family

**Why?** We deserve it

**How?** Just do it

**When?** As soon as possible

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

## **9. Highest Bidder**

### **9.1**

**To Whom?** The highest bidder in an auction

**Why?** People who want it, get it!

**How?** Ritchie Brothers or other accredited auctioneer

**When?** Every six months

**Objectives?** 1,2

## **10. Female Quota Holders**

### **10.1**

**To Whom?** Women who are quota holders

**Why?** Encourage more equal opportunity production between the genders

**How?** Interested women would apply and state their case

**When?** Annually

**Objectives?** 1,3

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1 <sup>st</sup>	Processors Who Prove That They Have a Specific Market	1205
2 <sup>nd</sup>	Members of the Association of Ontario Chicken Processors	410
3 <sup>rd</sup>	New Processors	385
4 <sup>th</sup>	Small Processors	240
5 <sup>th</sup>	Northern Ontario Processors	30

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 That They Have a Specific Market**

### **1.1**

**To Whom?** Any processor who captures small, innovative or developing markets

**Why?** To promote new growth

**How?** Allocate the majority of the new growth in this way

**When?** Each quota period

**Objectives?** 1,2,3,6

### **1.2**

**To Whom?** To the processors who prove that they have a market, e.g. specialty processors

**Why?** We need to sell our chicken; this would encourage growth

**How?** Base allocation on market demand

**When?** When needed, usually every quota period

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

### **1.3**

**To Whom?** To processors that prove that they have a market that is not being supplied

**Why?** This puts the kilos of product where they are needed

**How?** CFO Board could work out the details

**When?** Every two quota periods

**Objectives?** 2,3,4,5

### **1.4**

**To Whom?** Processors that have a sustainable market and can sell the chicken at profitable levels

**Why?** To both fill and create demand

**How?** Unequal distribution

**When?** 24/7

**Objectives?** 1,2,3,6

**1.5**

**To Whom?** Existing processors based on a needs assessment of their markets

**Why?** Gets the product to an appropriate market

**How?** By application to an independent third-party

**When?** Every quota period

**Objectives?** 1,2,3

**1.6**

**To Whom?** Processors servicing niche or growth markets

**Why?** We will meet market demand and solve the issue ourselves without having government involved

**How?** Accept business plan showing their case to receive an allocation

**When?** Yearly

**Objectives?** 2,3

## **2. Members of the Association of Ontario Chicken Processors**

**2.1**

**To Whom?** Ontario Processors who are members of AOC

**Why?** They have the ability and facilities to fill market needs; win-win for all

**How?** Take one half of the market growth and put it into a “use it or lose it” system to fill a specific market need, e.g. kosher or organic markets

**When?** As needed

**Objectives?** 1,2,4,6

## **3. New Processors**

**3.1**

**To Whom?** New processors

**Why?** We need to encourage new processors to meet specific markets

**How?** Direct the initial x % to the new processors and the balance to all others

**When?** As soon as possible

**Objectives?** 1,2,3,6

**3.2**

**To Whom?** New processors

**Why?** To keep their margins honest since they have no “Board price” at which to sell meat

**How?** Provide a large percentage of the growth to new processors; start regulating processors; stop enabling an 800% markup on our product price; grocers and processors are responsible for high chicken costs, not farmers; label spent foul

**When?** As soon as possible

**Objectives?** 1,2

## **4. Small Processors**

### **4.1**

**To Whom?** Smaller more efficient processors

**Why?** Provide options for consumers to reward efficient, progressive processors

**How?** Identify these processors using a specific guideline

**When?** Quarterly

**Objectives?** 1,2,3,6

### **4.2**

**To Whom?** Small processors

**Why?** They are hungry for the lower margins and niche market opportunities

**How?** Current share of growth is 12.5%; increase this to 25%

**When?** Annually

**Objectives?** 1,2,3,6

## **5. Northern Ontario Processors**

### **5.1**

**To Whom?** New processors from Northern Ontario

**Why?** Transparency and appearing fair for consumers throughout Ontario

**How?** Allot a specific percentage and organize a pilot project to encourage growth; partner with both the Ontario and federal government who have a special interest in regional development projects

**When?** As soon as possible

**Objectives?** 1,3

### **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.