

Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Sponsored by Ontario Chicken Industry Advisory Committee

December 11, 2014

Elora, Ontario



Table of Contents

	Page
Executive Summary	3
Purpose of Session	5
Current Perceptions	5
Desired Outcomes	8
Positives	9
Challenges	10
Consequences of Inaction	10
Key Objectives	11
Suggested Actions	12
Workshop Summary	15

Executive Summary

On December 11, 2014 chicken producers from District 7 in Wellington County met at the Elora Legion 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.

When producers were asked what were the first one or two words that come to their mind when they 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 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 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, 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:

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

An example of an action that participants identified within each objective includes:

Evolve the Allocation System of Farmers and Processors

Assure that our Ontario chicken industry is more accessible for new entrants; build on the bottom-up approach because our next generation needs to be able to take over our industry; recognize that the trend towards smaller farms, local and organic production and the desire for new entrants is a challenge to the current system (F)

Develop a Predictable and Stable System

Communicate the three pillars of supply management and maintain production, pricing and import control; this could be accomplished through quarterly reports and stakeholder meetings; do not allow our system to deteriorate because of lack of communication (F)

Create Value Serving Growing and Emerging Markets

To capitalize on the “grow local” initiative, increase the allocation to allow producers and processors to serve this growing market (FP)

Serve Existing Markets

Build the lines of communication relating to existing markets; this could be accomplished through quarterly meetings involving farmers and processors and polling of consumers; results of these activities would be shared with stakeholders (FP)

Encourage Innovation, New Business-Building Ideas

Build new businesses by using a sliding scale to allocate a larger percentage of growth to smaller producers and new entrants as compared to larger producers (F)

Encourage Quality, Efficiency and Value Creation

Maintain high quality standards of Hazard Analysis and Critical Control Points (HACCP) and Animal Care Program (ACP); provide price premiums or quota allocations if individual producers meet certain standards (F)

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: Elora Legion Hall

December 11, 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 (x3)
- Great
- Good deal
- Drive on!
- Positive
- Positive industry
- Bring it on!

Fairness and Equity

- Fairness (x2)
- Needs to be fair
- Remains equitable
- Equality
- Equal percentage

Expansion

- Opportunity
- New markets
- Asian markets
- Consumption up
- Growth of our business
- Opportunity to expand
- Expand

Production Considerations

- Barns getting full
- Better utilized barns
- Where there's room, grow more chicken

Attributes

- Good start
- Good market access
- Large farms
- Money
- Favours small producers

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

- Explore new markets
- Expand into new markets
- Sell into profitable markets
- New market opportunity
- Always wanting more chicken
- Let it grow locally
- Match supply with processor demand

Concerns

- Guaranteed supply is bad
- Distorted, slightly disproportional
- Let us fill it

Recommendations

- Need to promote new players
- Be fair
- Bring it on

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 stakeholders 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

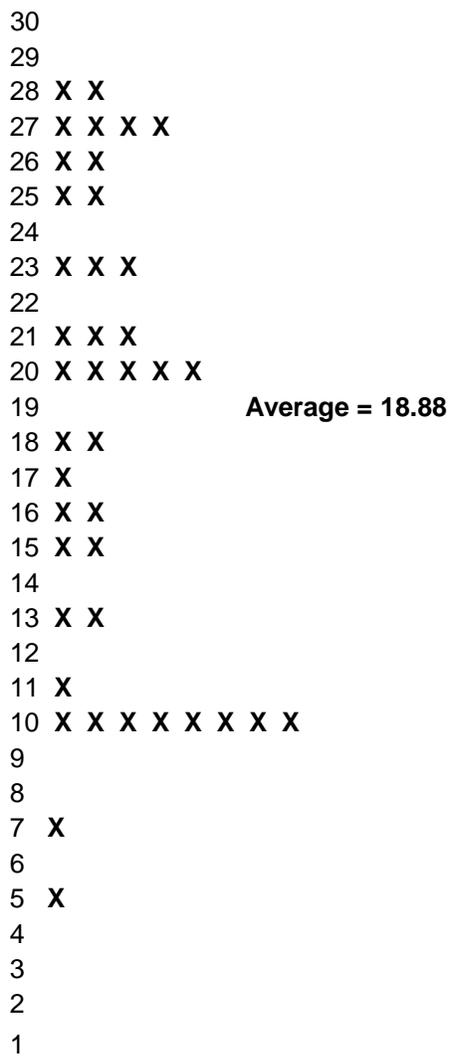
Participants' Perceptions of Farmer-Member Allocation of Chicken Growth (F)

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

Average = 25.03

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

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



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

- FP Ontario produces what Ontario eats
- FP We supply our demand in Ontario

Market Realities

- P Filling the niche markets within the quota system
- P New market is taken care of
- FP Maintain small processors filling niche markets
- FP Industry able to maintain or increase profits

Stakeholder Relationships

- F New entrants starting into farming
- F Viability for new or small producers
- F Give new entrants a fighting chance
- F More producer choice
- F When the government thinks it's wrong, it will be right
- F We do not want to work for nothing; please listen
- FP No more tension between processors and farmers
- FP Provide equal opportunity for new entrants and existing businesses

Sustained Growth

- F Keep grower numbers up
- F Fairness and growth
- F Keep grower numbers up
- FP Growth and profit in chickens are maintained
- FP Continued growth and profitability
- FP Solid growth

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

- F A prorated system
- F Every farmer gains equally
- F We can sell our product, unlike some other farmers
- P Assures stability and predictability
- P Rewards for efficiency
- P New differential growth agreement
- P Promotes quality
- FP Good growth
- FP Steady employment

Marketing

- F Good growth exists based on demand by consumers; let Ontario fill the market
- FP Competitive product
- FP Reputation to respond to market needs

Stakeholder Relationships

- F Encouraging for the next generation
- FP Work well together (farmers, Chicken Farmers of Ontario and processors)

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

System Characteristics

- F Need to reinstate the quota volume
- F Cap the quota; let more small producers into the system
- F Not enough time to build or increase size before allocation is given
- F Benefits larger producers more than the small if done by percentage
- FP Big get bigger more quickly (x2)
- FP High capital requirements, i.e. quota, barns, mortgages, processing plants, etc.

Marketing

- F We don't know how much to expect for future growth
- F Will we maintain our profit per kilogram?
- P Struggle to fill new markets
- P Limited new market growth
- P Cannot or will not fill new or niche markets
- P Small processors need access to fill specific markets
- FP Processing scheduling

Stakeholder Relationships

- F Capital requirements, e.g. quota, barn, mortgages
- FP External perceptions including media opinion

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)

- Fewer farmers
- Lose our voice with government
- Less choice due to assurance of supply
- Stay the same
- It is a big deal; we should produce chicken or somebody else will
- Concerns about quota value

Processor Supply Allocation (P)

- New or small niche markets will be filled from out of province or out of country

- Fewer processors; the big will get bigger
- The small stay small and the big get bigger; hard to get new entrants into the industry
- Will continue to short the market

Both Growth Allocation Systems (FP)

- Stay the same; don't change what's not broken
- Undecided

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:

- 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
- Create value by serving the needs of growing and emerging markets
- Encourage innovation, new business-building ideas
- Serve the needs of existing markets taking into consideration their size, importance and historical investment
- Develop a system that is predictable and stable that aligns the interests of key stakeholders in the chicken industry
- Encourage quality, efficiency and value creation

The participants prioritized their actions 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	Total Score
1st	Evolve the Allocation System of Farmers and Processors	880
2nd	Develop a Predictable and Stable System	870
3rd	Create Value Serving Growing and Emerging Markets	670
4th	Serve Existing Markets	610
5th	Encourage Innovation, New Business-Building Ideas	490
6th	Encourage Quality, Efficiency and Value Creation	445

Action Planning

Participants suggested SMART (*Specific, Measurable, Achievable, Realistic and Timely*) actions that will help them 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.

A. Evolve the Allocation System of Farmers and Processors

- A.1 Measure provincial chicken markets and their growth semi-annually; create a semi-annual report and make the related allocations accordingly (FP)
- A.2 Fill our Ontario domestic market needs or someone from outside Ontario will (FP)
- A.3 Rely on our Chicken Farmers of Ontario Board to meet this objective (F)
- A.4 Assure that our Ontario chicken industry is more accessible for new entrants; build on the bottom-up approach because our next generation needs to be able to take over our industry; recognize that the trend towards smaller farms, local and organic production and the desire for new entrants is a challenge to the current system (F)
- A.5 Address the challenge of a fragmented or a patchwork of producers and the fact that policymakers may only listen to the larger producers or factory farms; recognize that if the voice of producers gets into the hands of too few, political support may erode (F)
- A.6 Cap future growth over 100,000 units to prevent factory farms (F)
- A.7 Increase the number of processors and the capacity for existing processors to allow more profit for both farmers and processors; this could be initiated by consulting with Chicken Farmers of Ontario, processors and marketing groups (P)
- A.8 Provide allotments for specific markets because we are not taking advantage of niche markets the way we could (P)
- A.9 Remove the assurance of supply for processors to improve flexibility for producers to move around between processors (P)
- A.10 Assure that the kosher market is met since it is currently a missed opportunity (P)

B. Develop a Predictable and Stable System

- B.1 Build on the current predictability and stability of our system (FP)
- B.2 Reduce imports since they do not meet the same standards as our Ontario production; work with the Canadian Border Services Agency to assure the integrity of our system and maintain a level playing field; potential exists to flood or erode our market if we don't find ways to control the flow of illegal or substandard products from outside our borders (FP)
- B.3 Communicate and observe timelines in our system (FP)
- B.4 Communicate the three pillars of supply management and maintain production, pricing and import control; this could be accomplished through quarterly reports and stakeholder meetings; do not allow our system to deteriorate because of lack of communication (F)
- B.5 Keep supply management intact; do not trade us away (F)

C. Create Value Serving Growing and Emerging Markets

- C.1 To capitalize on the “grow local” initiative, increase the allocation to allow producers and processors to serve this growing market. (FP)
- C.2 Identify the emerging markets by initiating demographic studies (FP)
- C.3 Create new marketing initiatives by identifying what the consumer wants and then take this information and grow the markets to both farmers and processors; encourage both producers and processors to be open and flexible to change and market-driven ideas, e.g. organic, etc. (FP)
- C.4 Provide incentives through production or supply allocation for those who make “green” or environmentally-conscious decisions
- C.5 Pay particular attention to address the current concerns of the Kentucky Fried Chicken market (P)
- C.6 Provide allotment for specific markets (P)
- C.7 Fill the Kosher market (P)

D. Serve Existing Markets

- D.1 Build the lines of communication relating to existing markets; this could be accomplished through quarterly meetings involving farmers and processors and polling of consumers; results of these activities would be shared with stakeholders (FP)
- D.2 Communicate with Canadian Border Services Agency to assure imports are properly labeled and close off illegal imports; this would maintain the integrity of our existing markets (FP)
- D.3 Adjust quota units to needs (FP)
- D.4 Assure that all growth of our existing markets is filled by quota allocation (FP)
- D.5 Assure producers handle our birds humanely with safe housing to ensure safe products are available to serve our existing markets (F)

E. Encourage Innovation, New Business-Building Ideas

- E.1 Increase profitability to promote innovation (FP)
- E.2 Loan quote for new ideas to help grow special markets (FP)
- E.3 Ensure that we don't hinder innovative ideas but don't “steal from Peter to pay Paul” or simply reallocate resources with no net gain in profitability or market share (FP)
- E.4 Build new businesses by using a sliding scale to allocate a larger percentage of growth to smaller producers and new entrants as compared to larger producers (F)
- E.5 Demonstrate openness to new markets and businesses such as organic; revisit this on a regular basis every 1 to 3 years as consumers’ needs change (F)
- E.6 Encourage farmers who are thinking of building or upgrading to make smarter, “greener” or more energy-conscious decisions; maintain resource information on the Chicken Farmers of Ontario website (F)
- E.7 Recognize that it is easier for a processor to be innovative (P)
- E.8 Support research into new markets and by-products utilization (P)

F. Encourage Quality, Efficiency and Value Creation

- F.1 Encourage processes to provide feedback on how producers are doing (FP)
- F.2 Measure efficiency all through the value chain i.e. good checks, good facilities, good processing (FP)
- F.3 Educate consumers and government through Farm and Food Care with semi-annual campaigns; communicate that we have very high standards and systems in place (FP)
- F.4 Although quantity is good, recognize that it is quality that will grow the industry even bigger; to support this, Chicken Farmers of Ontario should continue on-farm and off-farm audits on a regular basis (F)
- F.5 Maintain high quality standards of Hazard Analysis and Critical Control Points (HACCP) and Animal Care Program (ACP); provide price premiums or quota allocations if you meet certain standards (F)
- F.6 Reward growers for quality and efficiency (F)
- F.7. Encourage hatcheries to improve quality (F)

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.