Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Sponsored by Ontario Chicken Industry Advisory Committee

January 19, 2015

Interested Members of the Public

Guelph, Ontario

Bryan Boyle & Associates

FACILITATING YOUR FUTURE

Table of Contents

Executive Summary

On January 19, 2015 interested members of the public met at the Holiday Inn in Guelph for a highly interactive workshop facilitated by Bryan Boyle. Many of those in attendance represented a particular segment of the public, namely farmers and small flock owners with an interest in expanding their chicken production. 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 general perceptions, fairness and equity, expansion, production considerations and concerns. Their thoughts about processor-supply allocation could be summarized as general perceptions, relation to the market and concerns.

The participants' perspectives about farmer-member allocation were quite negative, reflecting their concerns with the current system. Their perspectives of processor supply allocation were also quite negative.

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

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 overwhelming priority of the participants was to allocate the growth to small flocks. Four other target groups generated minimal levels of support. In order, they include self marketers or product creators; small or new quota holders; organic growers; and new entrants. Two other options of all quota holders and Chicken Farmers of Ontario were very low priorities.

With regard to processor supply allocation of growth, three sectors of the processing industry were identified by the participants as strong priorities. These included small processors, new processors and mobile processors. Current processors on either a per capita or pro rata basis generated limited support.

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: Holiday Inn, Guelph, Ontario
January 19, 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) <u>Relating to Farmer-Member Allocation (F):</u>

<u>General Perceptions</u>

- Closed system
- Greed
- Wealthy farmers
- Selfish, one-sided
- Old Boys Club
- Incentive
- Diversity
- Informed

Fairness and Equity

- Unfair (x3)
- Fairness (x2)
- Fair or not?
- Create a fair allocation
- Fairness to small farmers

Expansion

- New entrants
- Incentives for increasing market

Production Considerations

- Organic chicken needed
- Small flocks

Concerns

- Inaccessible
- Larger should not mean more opportunity
- Big get bigger
- Control the right to market

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

General Perceptions

- Old Boys Club
- Money, money, money
- Business security
- Inflexible
- Over-regulated
- Independent processors
- Small processor is squeezed

Market Related

- Market share
- Neutral
- Want small processors in the market

Concerns

- Too much corporate control
- Bigger should not create more opportunity
- Large get larger
- Fair playing field
- Local access
- Convenience
- Cost
- Small processors may need more support

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		
29		
28		
27		
26		
25		
24		
23		
22		
21		
20		
19		
18		
17		
16		
15	**X**	
14		
13		
12		
11		
10	**X X**	
9		
8		
7		
6		
5	**X X X**	**Average = 4.57**
4	**X**	
3	**X**	
2	**X**	
1	**X X X X X**	

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

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

30
29
28
27
26
25
24
23
22
21
20
19
18 **X**
17
16
15 **X**
14
13
12
11
10 **X**
9
8
7 **X**
6 **Average = 6.18**
5 **X**
4 **X**
3 **X**
2 **X X**
1 **X X**

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 Small flock farmers with no quota can grow, market and deliver as many chickens as they can sell without Chicken Farmers of Ontario oversight. This would demonstrate freedom in chicken production in Ontario.
- F Low financial barrier to entry into the chicken industry, with abilities to scale up
- F Diversified and resilient producer base

Market Realities

FP All consumers can access the product that they desire

FP When all consumers can easily get chicken they want. These consumers would include: 1) those who want a good price 2) those who want quality 3) those who want the middle-of-the-road

FP Broad based food security priority

Stakeholder Relationships

F Equality and fairness to small producers

F Every chicken producer (quota or no quota) has a vote at Chicken Farmers of Ontario

FP Increased trust between farmers, processors and consumers

FP Decentralized economic power

FP Broader sharing of benefits

Sustained Growth

FP Total demand increases

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

System Characteristics

- F Dilutes cost to new entrants over time
- F Creates some very wealthy quota holders
- FP Creates quota as a salable commodity thus increasing wealth

Production

- F Reliable market for producers in quantity (not quality) product

Marketing

- P Reliable supply for processors
- FP Mass market is satisfied
- FP Supplies the market with chicken
- FP Orderly market
- FP Profitable market

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

System Characteristics

- F Inaccessible
- F Eliminates the entry of new chicken farmers into farming
- F Barrier to new entrant farmers
- F Historically chickens have a fast return on investment so are a good entry point for
- farming; current system limits or stops this
- F Only places the quota in the hands of current producers; does not create new farmer opportunities
- FP Costly

Production

- F Producer concentration makes food supply less resilient
- F Hard for small or new producers to enter the industry or expand
- F Small flock limit is too low to be profitable
- F Bio security risk is increased
- F Industrial farming (quota holders) focus on quantity not quality
- FP Poor quality chicken
- FP Animal treatment issues in large operations

Marketing

- F Small flock farmers cannot promote or market their own chicken
- F Required to break the law to get organic chicken if you want it
- F Reduced access to processors geographically
- F Small flock farms cannot deliver, promote and market their own quality niche market chicken
- P Industry swallows niche markets
- FP Consumers and small retailers' needs are not met
- FP Those who want quality are simply lost consumers
- FP Reduced choice to consumer because of no niche markets

Stakeholder Relationships

- F Consumers cannot find out what inputs went into the products they purchase
- FP Does not encourage innovation or diversity of scale
- FP Stimulates underground economy

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)

- Discourages potential or future farmers from entry (x2)
- Reduced opportunity for the next generation
- Loss of family farms that are diversified
- Black-market or underground network of chicken growers
- Go to jail for growing more than 300 chickens
- Not reaching our full potential
- Cost of health care going up due to poor quality factory chicken
- More frustration and anger with Chicken Farmers of Ontario from small flock owners
- Loss of midscale input suppliers

Processor Supply Allocation (P)

- Loss of small processors

Both Growth Allocation Systems (FP)

- Lack of choice for consumers
- Limits adaptation to Comprehensive Economic and Trade Agreement (CETA) open markets
- The eventual monopoly within the industry with a bias to large scale operations
- Too much concentration of production and processing in a few large operations
- The accompanying risk of larger scale operations
- Undermining food safety
- Niche markets will be supplied from outside Ontario
- Loss of public support for supply management
- Loss of vibrant rural economies
- Helps perpetuate a decline of rural Ontario

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
1st	3	Encourage Innovation, New Business-Building Ideas	240
2nd	2	Create Value Serving Growing and Emerging Markets	235
3rd	1	Evolve the Allocation System of Farmers and Processors	110
4th	6	Encourage Quality, Efficiency and Value Creation	95
5th	5	Develop a Predictable and Stable System	80
6th	4	Serve Existing Markets	60

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
1st	Small Flocks	1070
2nd	Self-Marketers/Product Creators	120
3rd	Small or New Quota Holders	100
4th	Organic Growers	90
5th	New Entrants	70
6th	All Quota Holders (Per Capita – Same Amount)	30
7th	Chicken Farmers of Ontario	20
8th	General Citizenry	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. Small Flocks

1.1
To Whom? Small flocks
Why? To help establish new producers who may someday become quota holders; transparent; gains public support; provides transparent market information to all farmers to help establish what quota is actually worth
How? Create an open quota exchange; license farmers as non-quota holders to provide 2000 birds annually
When? As soon as possible
Objectives? 2, 3

1.2
To Whom? Small flocks
Why? Because we live in a free country; allows farmers to market their own birds and build relationships with customers themselves
How? Eliminate Chicken Farmers of Ontario Regulations over non-quota farmers
When? Today
Objectives? 2, 3

1.3
To Whom? Small flock farmers
Why? More diverse food system serving niche markets; sustainability of small farms; improve quality of chicken
How? Allow a greater number of birds produced to small flock non-quota farmers
When? Now
Objectives? 1, 2, 3

1.4
To Whom? Small scale chicken farmers
Why? Service niche markets
How? Create a license system that is affordable; allow tiered growth based on performance
When? Immediately
Objectives? 1, 2, 3

1.5
To Whom? Non-quota holders
Why? Diversified producer base; increase market options of chicken; strengthen rural community; encourage innovation
How? Create a bingo auction with no cost; total pool would be based on non-quota holding share
When? Annually
Objective? 3

1.6
To Whom? Small non-quota farmers
Why? Markets that this group could serve is not known but my feeling is that it is enormous and untapped; good farmer sales skills will find this market; expand the chicken market beyond what the Chicken Farmers of Ontario even dreamed of; increase economic growth and economic spinoff in the community
How? Allows small flock farmers the opportunity to produce to meet this market
When? Today
Objectives? 2, 3

2. Self-Marketers/Product Creators

2.1
To Whom? Creators of the product, e.g. milk-fed
Why? Reward innovation; create many differentiated products
How? Pro rata or a combination of pro rata and per capita
When? Provide a license to produce; utilize third-party accreditation, e.g. pasture raised
Objective? 3

2.2
To Whom? All producers who can self-market
Why? Because they have created the market; response to those who are progressive and forward thinking
How? Provide a licensing system for up to 2000 birds per year for each producer
When? Now
Objective? 2

3. Small or New Quota Holders

3.1
To Whom? Small or new quota holders
Why? Strengthen the smaller farms; increase consumer access to local chicken; strengthen farm communities
How? Create a formula for per capita distribution with the multiplier for smaller sizes, e.g. 1.5 times for less than 1000 birds
When? Each year
Objectives? 1, 2, 3

3.2
To Whom? Small scale quota holders
Why? Service niche markets
How? Provide a specific percentage of annual allocation to a small quota program
When? Annually
Objectives? 1, 2, 3

4. Organic Growers

4.1
To Whom? Organic and free range pastured chicken growers
Why? Assures that 100% share of the organic pasture and pastured chicken market is separated from factory farms; encourages diversity in production; avoids concentration of production; satisfies a need of a certain segment of the

consumers; stops treating special markets as similar to current production models to be controlled by large producers; clarify where growth is really occurring; provides choice for consumer; encourages small farmers because consumers want to connect with the producer; legalizes and makes it easier for consumers to find the products they want; avoids monopolies and the risks that they create

How? Potentially a separate supply management structure; could allow producers to choose not to have a supply management system

When? Immediately

Objectives? 2, 3

5. New Entrants

5.1

To Whom? New quota entrants

Why? Would allow the system to decrease entry barriers

How? Allocate growth to new entries in the same manner as current existing producers

When? Immediately

Objective? 1, 3, 5

6. All Quota Holders (Per Capita – Same Amount)

6.1

To Whom? All quota holders

Why? Keeps the market base intact; gradually reduces the bias to larger producers; increases profitability of smaller producers

How? Allocate on a per capita basis with the same amount going to every quota holder, not pro rata with a similar percent to each quota holder

When? Per quota period

Objectives? 1, 2, 3

7. Chicken Farmers of Ontario

7.1

To Whom? Chicken Farmers of Ontario

Why? Allows CFO to actually report where the growth in chicken consumption is coming from; before setting objectives on the allocation of growth they would know where it's coming from; communicate fairly what consumers are buying to eliminate confusion and to be transparent in their objectives

How? Look at the number of chickens processed in the past year; how many are small flock, how many are quota

When? As soon as possible

Objectives? 1, 2

7.2
To Whom? Chicken Farmers of Ontario and the Farm Community
Why? Builds trust; supply management has a bad image in rural Ontario, having created a "have" and "have not" society
How? Create a team approach to allocation of growth in the industry
When? Now
Objectives? 1, 2, 3

8. General Citizens

8.1
To Whom? General citizenry
Why? Maximum gain; minimum hardship to existing producers; ultimate goal would be a transition to a free market
How? Distribute free quota by lottery; no private trading in the new quota
When? Immediately
Objectives? 1, 2

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1st	Small Processors	545
2nd	New Processors	500
3rd	Mobile Processors	455
4th	All Processors (Per Capita – Same Amount)	100
5th	All Processors (Pro rata – Same Percentage)	20

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. Small Processors

1.1
To Whom? Smaller processors
Why? More equally spread across the province; fewer miles from production to processing site
How? Support smaller processors to allow them to flourish
When? Now
Objective? 1, 2, 3

1.2
To Whom? Smaller processors/Producer Co-ops
Why? Increase the number of small processors so small producers have access to more local processors
How? Reduce the regulations and/or have different regulations for small processors; potentially a co-op to only process chickens from co-op members
When? Immediately
Objectives? 1, 3

2. New Processors

2.1
To Whom? New processors
Why? Ensure chickens can be processed; save transportation time; ensures small flock growers can have a choice in processing
How? Offer incentives; possibly a cooperative situation for new processors
When? Today
Objectives? 1, 2, 4

2.2
To Whom? New processors with innovative products
Why? Both increase the demand and maintain current demand
How? Quota allocation to new processors
When? As soon as possible
Objectives? 1, 2, 3

2.3
To Whom? New processors
Why? Expand the local farm economy; support small flock farmers
How? Distribute quota on a per capita basis to new processors
When? Annually
Objective? 2

2.4
To Whom? New and small processors
Why? If small producers grow birds but do not market them themselves they will need a place to slaughter and sell; provides a slaughter point and more jobs; local economy security
How? Support or guarantee loans; other methods to encourage these processors to grow
When? Now
Objectives? 1, 2, 3

2.5
To Whom? New processors
Why? Need more capacity for small producers
How? Provide low-cost financing; monthly production licensing
When? Now
Objectives? 2, 3

3. Mobile Processors

3.1
To Whom? Mobile processors
Why? Access for small farmers to the processors with markets and customers; rural economy gains flexibility and employment
How? Bingo auction or direct allocation of quota
When? Annually
Objectives? 1, 3, 5

3.2
To Whom? Mobile on-farm processors
Why? Provides service for small farmers; increase processing space; farmer keeps compost for use on their land
How? Utilize a 53 foot trailer, like the Vancouver model
When? This season
Objectives? 1, 2, 3

4. All Processors (Per Capita – Same Amount)

4.1
To Whom? All processors; extra benefit to smaller processors
Why? Assures these processors stay viable
How? On a per capita basis; equal amounts to every processor
When? Annually
Objectives? 1, 4, 5

5. All Processors (Pro Rata – Same Percentage)

5.1
To Whom? All processors
Why? Reflects market demands; well established operations
How? On a pro rata basis; equal percentage to every processor
When? Each quota period
Objectives? 1, 2, 3, 5

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.