

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

## **Stakeholder Consultation Workshop**

Sponsored by Ontario Chicken Industry Advisory Committee

January 5, 2015  
Eastern Area of CFO District 9  
St. Isidore, Ontario



**Bryan Boyle & Associates**

*FACILITATING YOUR FUTURE*

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## Executive Summary

On January 5<sup>th</sup>, 2015 chicken producers from the eastern portion of District 9 met at the Recreation Centre in St. Isidore 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, attributes and concerns. Their thoughts about processor-supply allocation could be summarized as positive perceptions, relation to the market, concerns and recommendations.

The producers present have a wide range of perspectives about farmer-member allocation. Their perspectives of processor supply allocation were also quite diverse.

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:

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

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

With regard to farmer-member allocation of growth, the two highest priorities of the participants were to allocate the growth to all quota holders (per capita) and all quota holders (pro rata). The next highest priority was to allocate growth to small producers which generated considerable support. Allocating growth to new entrants and large producers generated limited support.

With regard to processor supply allocation of growth, Eastern Ontario processors were the participants’ overwhelming priority. There was substantially lower but still significant priority expressed for allocating growth to small processors and processors who create a specific market. Allocating growth to new producers generated a very limited amount of support.

A Committee of Eastern Ontario Chicken Producers has been proactive in an effort to generate support for a potential Eastern Ontario chicken processing plant. On behalf of that Committee, Robert Laplante offered a Book of Documents to the facilitator. This document is attached at the end of this report. Committee members Marc Bourdon and Richard Burton each made a short presentation of two highlights from the Book of Documents including 1) Top 15 reasons why Eastern Ontario should have its own chicken processing plant and 2) A letter to the Ontario Minister of Agriculture Jeff Leal, encouraging support for the initiative of building an Eastern Ontario chicken processing plant. These documents were offered as points of information and there was no discussion relating to these documents by those in attendance at the stakeholder consultation January 5<sup>th</sup> in St. Isadore.

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: Recreation Centre, St. Isidore, Ontario

January 5, 2015 Facilitated by Bryan Boyle

## Purpose of the Session

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

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

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

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

## Current Perceptions

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

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

#### Positive Perception

- Value (x2)
- Value added
- Good
- Encouraging
- Good for our business
- Positive for the long-term
- Good for producers

Fairness and Equity

- Pro rata (x3)
- Fair to small producers
- Fairness
- Great, if it's fair to farmers
- It is fair to the farmer

Expansion

- Growth (x3)
- More growth
- Growth in all regions
- Expansion
- Increased income
- More chickens

Production Considerations

- Enough density
- Start-up made easier
- Fills up our barns

Attributes

- Free quota
- Higher income
- Increased revenues
- Profit

Concerns

- Not transparent
- Unfair
- System not favourable for development in the East of the province

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

- Pro rata
- Profit
- Strong profit
- Respect
- Work extra hours
- Revenue increase

### Market Related

- Able to handle our production
- Need more kilograms to expand
- Serving market needs
- Shipping it to come back
- Free markets

### Concerns

- Too much control
- Quebec shippers concerns
- Processors want to pay less per kg

### Recommendations

- Allocation to meet new processors' 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

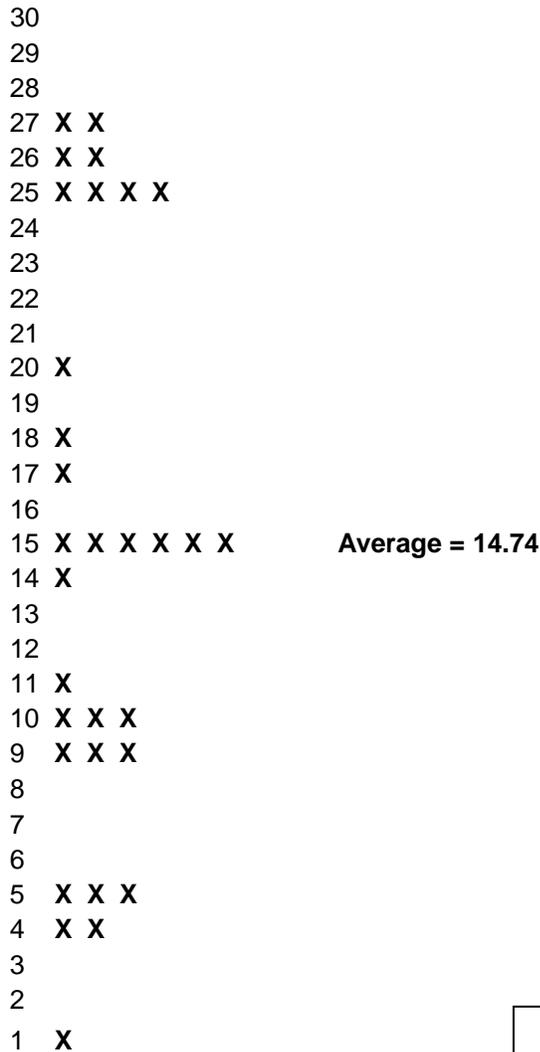
## Participants' Perceptions of Farmer-Member Allocation of Chicken Growth (F)

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

Average = 17.45

**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 Seven week cycle
- F No increase for small flocks; stay at 300
- F Increase the percent of production in our district compared to other districts

Market Realities

- F Have the right to ship where we wish
- F Possibility to choose your processing contract obligation
- F Eliminate the net disadvantage for Eastern Ontario producers because all the processing is done in Quebec
- P Eastern Ontario processing plant as an option (x3)
- P Number of abattoirs increases

Stakeholder Relationships

- F Farm friendly policies
- F Cost of production formula in place

Sustained Growth

- F Continued growth
- F Expansion and profit
- F Farm growth in Eastern Ontario
- F Build continuity, especially with new and smaller producers
- FP Everyone has an equal chance for growth

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

- F Strong profits (x4)
- F Money (x3)
- F The system is open for changes
- FP Great opportunities
- FP Increased revenues

Production

- F Expansion (x2)
- F Increase your income based on the room you have in your barn
- F Filling the barns
- F Flexibility to change to a seven week cycle

Marketing

- P Expansion

Stakeholder Relationships

- P More employment
- FP Protects the industry
- FP Good for all fields related to agriculture

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

### System Characteristics

- F Bigger farms get even bigger, faster
- F Pro rata allocation of growth favours the big producers
- F Pro rata is not good for the new producers
- F Over-quota penalties paid by producers needs more flexibility
- P Current system is not good for small processors (less than 1 million kg base)
- P The definition of small processor at less than 2.5 million kgs does not work; it should be less than 1.0 million kgs

### Production

- F Enough density
- F When the barn is full, producers should be given time to accommodate growth

### Marketing

- P Small number of processors limits competition
- P Decrease in the number of buyers
- P Currently no substantial processing in Eastern Ontario

### Stakeholder Relationships

- F Does not help the family farm
- F Doesn't help small producers
- F No room for the little guy
- F Different opinions
- P Does not help the small processor

## 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)

- Small producers will be discouraged
- Harder for the new producer to grow and expand
- Concentration of the production
- Too expensive to start up
- Another province will produce it
- If we don't do anything, another province will produce the chicken
- Our region will be negatively affected
- We might not be able to produce export kilograms given to the processors in Québec
- Too many Chicken Farmers of Ontario Board restrictions and penalties

### Processor Supply Allocation (P)

- New and growing markets would not be well served
- New markets would not be filled
- No new processors with the status quo
- The processors would make the rules
- Eliminate the second phase
- Eastern Ontario processors would have no supply quota

### Both Growth Allocation Systems (FP)

- The bigger get bigger and the smaller have limited growth
- No advantages for our district compared to the other districts since we have the smallest production

### **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.

Rank	Objective Number	Objective	Total Score
1 <sup>st</sup>	1	Evolve the Allocation System of Farmers and Processors	630
2 <sup>nd</sup>	4	Serve Existing Markets	505
3 <sup>rd</sup>	5	Develop a Predictable and Stable System	465
4 <sup>th</sup>	6	Encourage Quality, Efficiency and Value Creation	385
5 <sup>th</sup>	2	Create Value Serving Growing and Emerging Markets	370
6 <sup>th</sup>	3	Encourage Innovation, New Business-Building Ideas	345

## **Action Planning**

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

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

**To Whom?**

**Why?**

**How?**

**When?**

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

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

## **Participants' Suggested Actions**

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

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

Each participant was given 100 points. They were asked to allocate their points to whom the allocation of growth to farmers and processors would have the most positive impact on the chicken market in Ontario. Each participant allocated a score between 0 and 100 for each action.

<b>Rank</b>	<b>Farmer-Member Allocation of Growth (To Whom)</b>	<b>Total Score</b>
<b>1<sup>st</sup></b>	All Quota Holders (Per Capita – same amount)	1085
<b>2<sup>nd</sup></b>	All Quota Holders (Pro rata – same percentage)	1000
<b>3<sup>rd</sup></b>	Small Producers	680
<b>4<sup>th</sup></b>	New Entrants	230
<b>5<sup>th</sup></b>	Large Producers	15

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 Producers (Per Capita)**

### **1.1**

**To Whom?** All farmers who are growing chickens

**Why?** To continue the growth

**How?** Allocate fixed amounts, not percentage

**When?** Whenever growth is available

**Objectives?** 1,2,4

### **1.2**

**To Whom?** Existing producers who are quota holders

**Why?** To reward the investment made by the producers; build on the strong bio security and quality established by these producers

**How?** Allocate a fixed amount to each quota holder which means the new allocation would have a greater impact on smaller producers and a lesser impact on the larger producers

**When?** Whenever the demand comes from the marketplace; as soon as possible

**Objectives?** 5,6

## **2. All Producers (Pro rata)**

### **2.1**

**To Whom?** Existing producers

**Why?** Fair; provides a return on investment

**How?** Pro rata; same percentage goes to all producers

**When?** Semi-annually

**Objectives?** 4,5

### **2.2**

**To Whom?** All current quota holders

**Why?** Equitable; easy administration

**How?** Provide identical percentage to every quota holder

**When?** Every quota period (annually)

**Objectives?** 1,2,5

**2.3****To Whom?** All producers with quota**Why?** Fairness; long-term sustainability**How?** Provide all growth on a percentage or pro rata basis or consider 50% per capita and 50% pro rata**When?** Every quota period; start in 2015**Objectives?** 1,2,4,5**2.4****To Whom?** All producers with quota**Why?** Fairness; long-term sustainability**How?** Provide all growth on a percentage or pro rata basis or consider 50% per capita and 50% pro rata**When?** Every quota period; start in 2015**Objectives?** 1,2,4,5**2.5****To Whom?** All quota holders, even when their barn is currently full**Why?** Growth; includes a seven week cycle**How?** Hybrid system of 50% pro rata and 50% equal kilograms distribution**When?** Every quota period**Objectives?** 1,5**3. Small Producers****3.1****To Whom?** Smaller quota holders**Why?** To expand the number of people in our industry; help meet small and specialized markets**How?** Lower the minimum quota holding from 14,000 to 7000 units to expand the “small” category; allocate specific amounts of the growth in quota to each small quota holder**When?** The sooner the better (A-129)**Objectives?** 1,2**3.2****To Whom?** Smaller farmers**Why?** Favours new farmers and prevents the big guys from getting even bigger**How?** Allocate the quota to all producers but on a 50% per capita and 50% pro rata basis**When?** Annually**Objectives?** 1,2,3

**3.3****To Whom?** Smaller quota holders**Why?** To favour smaller newer farmers and help them with their growth**How?** Allocate 20% of the growth to newer, smaller producers only and spread the remaining 80% among all other producers**When?** Annually**Objectives?** 3**4. New Entrants****4.1****To Whom?** New farmers wanting to grow chicken**Why?** The industry needs more farmers**How?** Give them a break on the minimum amount of quota required; allocate a specific amount of growth to new entrants in quota**When?** Every five years have an application system for new entrants**Objectives?** 3**4.2****To Whom?** New chicken producers**Why?** Allows a greater number of producers**How?** 50% by percentage: 50% by producer**When?** Annually**Objectives?** 1,5,6**5. Large Producers****5.1****To Whom?** Large producers**Why?** They are efficient and able to produce and market additional chicken**How?** Identify a specific size of quota holder and allocate growth of those above that level**When?** Annually**Objectives?** 1,2,4

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1 <sup>st</sup>	Eastern Ontario Processors	1485
2 <sup>nd</sup>	Small Processors	405
3 <sup>rd</sup>	Processors Who Create a Specific Market	380
4 <sup>th</sup>	New Processors	75

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. Eastern Ontario Processors**

### **1.1**

**To Whom?** New processing plant in Eastern Ontario to give Eastern Ontario producers an Ontario option for marketing

**Why?** Improves the viability and sustainability of Eastern Ontario chicken production

**How?** Get the plant built and operational

**When?** ASAP

**Objectives?** 1,2,3

### **1.2**

**To Whom?** Allocate growth to a future Eastern Ontario processing plant

**Why?** To keep the benefits and economic growth in Ontario; job creation for Ontario; increased economic growth for our local economy; benefit the local consumer

**How?** Allocate processor supply quota to an Ontario plant; assure no restriction of producer’s choice of processor

**When?** Every quota period

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

### **1.3**

**To Whom?** Eastern Ontario processing plant

**Why?** To keep the kilograms of chicken in Ontario

**How?** Develop a plan to bring processing of our production back to Ontario instead of sending it to Quebec

**When?** As soon as possible

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

## **2. Small Processors**

### **2.1**

**To Whom?** Processors with smaller operations

**Why?** Encourages the flexibility and the new markets that are typical of small processors

**How?** Establish criteria and allocate specific amounts of growth to processors under a specific current quota level

**When?** Every quota period

**Objectives?** 1,3

## **3. Processors Who Create a Specific Market**

### **3.1**

**To Whom?** Processors who have developed a market and now need processor supply quota to meet that market

**Why?** Provides more processor choices for the farmer; assures health of the birds; makes it easier for some of the smaller and newer processors who are actively marketing our chicken; helps assure all our markets are met

**How?** Allocate a specific amount of supply quota to those who document a newly identified market

**When?** Annually; as soon as possible, every quota period

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

## **4. New Processors**

### **4.1**

**To Whom?** New processors to identify and develop market and are capable of supplying it

**Why?** Encourages growth; more competition in the marketplace

**How?** Reward business plans that include a commitment from potential buyers of final product

**When?** As soon as possible

**Objectives?** 1,2,3

### **Proposed Eastern Ontario Chicken Processing Plant**

A Committee of Eastern Ontario Chicken Producers has been proactive in an effort to generate support for a potential Eastern Ontario chicken processing plant. On behalf of that Committee, Robert Laplante offered a Book of Documents to the facilitator. This document is attached at the end of this report. Committee members Marc Bourdon and Richard Burton each made a short presentation of two highlights from the Book of Documents including 1) Top 15 reasons why Eastern Ontario should have its own the chicken processing plant and 2) A letter to the Ontario Minister of Agriculture Jeff Leal encouraging support for the initiative of building an

Eastern Ontario chicken processing plant. These documents were offered as points of information and there was no discussion relating to these documents by those in attendance at the stakeholder consultation January 5<sup>th</sup> in St. Isidore.

### **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.