

Allocating Growth in the Chicken Industry in Ontario

Stakeholder Consultation Workshop

Sponsored by Ontario Chicken Industry Advisory Committee

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Association of Ontario Chicken Processors
Guelph, Ontario



Bryan Boyle & Associates

FACILITATING YOUR FUTURE

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Executive Summary

On January 23, 2015 members of the Association of Ontario Chicken Processors met at the Holiday Inn in Guelph 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.

Processors 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 and concerns.

The processors’ perspectives about farmer-member allocation were in general very positive although there were a few participants who indicated that they had concerns. The participants’ perspectives of processor supply allocation were also very positive with some individual concerns indicated.

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, mainly relating to missed opportunities or political pressure.

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

Participants suggested actions that will help the industry move towards strong and effective allocation of growth to farmers and processors in the chicken market in Ontario. These actions are designed to build on the strengths, reduce or eliminate the challenges while keeping the desired outcomes in mind.

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

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

With regard to farmer-member allocation of growth, three top priorities were very clearly the dominant choices of the processors in attendance. They included producers with high quality standards, all quota holders on a pro rata basis and efficient producers. Allocating growth to three other suggested target groups received very limited support from participants. These included new entrants, specialty market suppliers and all quota holders on a per capita basis.

With regard to processor supply allocation of growth, the current approach was the overwhelming highest priority of the processors. This approach is based on pro rata distribution of growth to all processors as well as allocating some growth for self-marketing, new entrant processors and smaller primary processors. Allocating growth to existing Class “A” processors strictly on a pro rata basis was a much lower second priority, followed by allocation to Class “A” processors on a per capita basis. Allocating growth to processors growing at different rates also generated considerable support. The two target groups of specialty processors and all processors on efficiency index generated less but still significant support relating to the allocation of growth.

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 23, 2015 Facilitated by Bryan Boyle

Purpose of the Session

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

Throughout this report whenever two or more participants (or in the Action Plans section - tables of participants) offered the same or very similar comments, they are noted with an “x” and the number, i.e. (x3)

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

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

- Opportunity (x2)
- Provides stability

Fairness and Equity

- Fair (x2)

Expansion

- Growth available to everyone

Production Considerations

- Future opportunity
- What's my percentage?

Attributes

- Efficient
- Quality

Concerns

- Greed

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

- Opportunity (x3)
- Fair (x2)
- Great for the industry
- Growth available to everyone
- Provides stability
- Predictable
- Efficient

Market Related

- Customer-based
- Volume
- New business opportunities

Concerns

- How much is allocated?
- To whom is growth allocated?

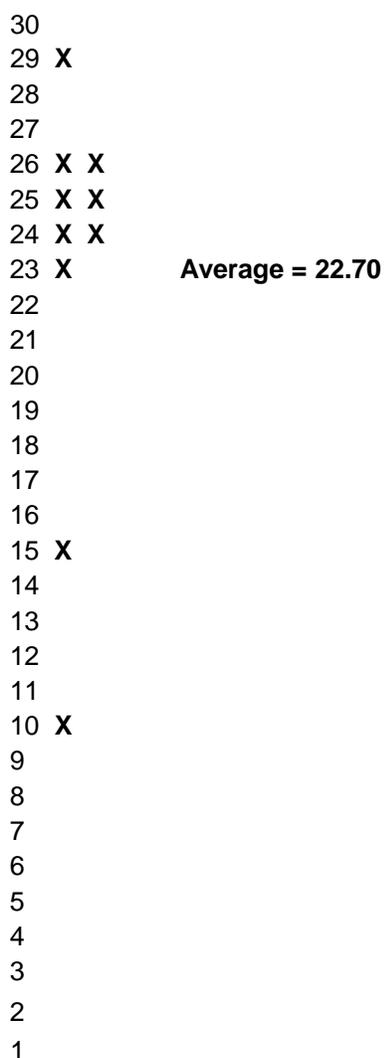
Participants' Perceptions of Allocation of Chicken Growth

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)



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

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

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

Average = 22.50

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 Chicken industry is more efficient and productive

Market Realities

- P New market demands are met
- FP Customer and consumer satisfaction

Stakeholder Relationships

FP No complaints about the system

Sustained Growth

FP A stable and predictable supply for processors from progressive and quality focused farmers

FP Achieving maximum growth potential

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

- P Equitable
- P System already recognizes different growth needs, e.g. specialty, kosher, etc.
- P Flexibility for growth, e.g. acquisition, small processors, etc.
- FP Reflective of investment

Production

- FP Predictability of supply (x2)

Marketing

- P Ability to plan for growth
- P Mainline retail players are getting into the non-traditional and niche markets, e.g. organic; not just smaller marketers meeting this need

Stakeholder Relationships

- FP Stability in relationships

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

- F It is challenging to translate the consumer demand through the entire system

Production

- F No relation to quality or efficiency
- F No incentives to encourage quality
- P Pro rata allocation does not give incentives for growth
- P Lack of flexibility
- P Lack of control over allocation decisions

Marketing

- P Market risk
- P No differentiation between markets where customers are growing at faster rates
- P Limited influence on allocation, but must market the kilograms
- P All processors have different needs depending upon market conditions; not just large versus small
- P Politicians often focus on niche markets, downplaying or forgetting about the major markets

Stakeholder Relationships

- F Large producer versus small producer

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)

- No incentive to drive quality or efficiency with pro rata allocation (x2)

Processor Supply Allocation (P)

- Missed opportunity to drive efficiencies
- Small market segments may drive decision-making, e.g. politicians often refer to market segments like organic although the main market (over 95%) is driven by the main market players such as Walmart, Costco and large retailers and food suppliers

Both Growth Allocation Systems (FP)

- Political fallout
- Political pressure, justified or not?
- System may need tweaking but not major changes

Key Objectives

After considerable discussion, the Ontario Chicken Industry Advisory Committee has identified some objectives relating to the allocation of growth to farmers and processors in the chicken market in Ontario:

- 1) Evolve the allocation systems of both farmers and processors to improve the flexibility and responsiveness in capitalizing on growth opportunities in the chicken market place
- 2) Create value by serving the needs of growing and emerging markets
- 3) Encourage innovation, new business-building ideas
- 4) Serve the needs of existing markets taking into consideration their size, importance and historical investment

- 5) Develop a system that is predictable and stable that aligns the interests of key stakeholders in the chicken industry
- 6) Encourage quality, efficiency and value creation

The participants prioritized these objectives using the following method:

Each participant was given 100 points. They were asked to allocate their points to a number of objectives to show their relative importance. They based their allocation on where action would have the most positive impact on the allocation of growth to farmers and processors in the chicken market in Ontario. Each participant allocated a score between 0 and 40 for each objective.

Rank	Objective Number	Objective	Total Score
1 st	4	Serve Existing Markets	215
2 nd	5	Develop a Predictable and Stable System	210
3 rd	3	Encourage Innovation, New Business-Building Ideas	170
4 th	6	Encourage Quality, Efficiency and Value Creation	160
5 th	2	Create Value Serving Growing and Emerging Markets	130
6 th	1	Evolve the Allocation System of Farmers and Processors	115

Action Planning

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

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

To Whom?

Why?

How?

When?

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

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

Participants' Suggested Actions

Their suggested actions were sorted by “To Whom” the market growth should be allocated. Any of the supporting information (Why? How? When? Objectives?) that participants provided was also noted. The participants prioritized their actions based on the “To Whom” titles using the following method:

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

Rank	Farmer-Member Allocation of Growth (To Whom)	Total Score
1 st	Producers With High Quality Standards	325
2 nd	All Quota Holders (Pro Rata – Same Percentage)	305
3 rd	Efficient Producers	245
4 th	New Entrants	55
5 th	Producers Supplying Specialty Markets	40
6 th	All Quota Holders (Per Capita – Same Amount)	30

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. Producers With High Quality Standards

1.1

To Whom? Higher quality quota holders

Why? Rewards strong food safety, animal welfare and production standards; improves customer satisfaction

How? Establish specific criteria on which producers could be evaluated; this could be challenging but worth the effort; allocate a portion of the growth for high quality and a portion pro rata

When? Immediately; continue each quota period

Objectives? 5, 6

1.2

To Whom? Quality producers

Why? Provides an incentive for producers to ship higher-quality birds

How? Utilize the current metrics in place to determine quality producers

When? Each quota period

Objectives? 5, 6

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

2.1

To Whom? All quota holding producers

Why? Fair; manageable; because they have made the investment

How? Pro rata; equal percentage to all producers; same as current system

When? Every quota period

Objectives? 4, 5

3. Efficient Producers

3.1

To Whom? All current quota holders who demonstrate efficiency

Why? Encourages efficiency and quality; encourages and gives an opportunity for improvement

How? Allocate quota based on growth on a blended basis: x% to all farmers pro rata, y% to farmers based on a quality index, z% to farmers based on an efficiency index

When? Determined annually

Objectives? 3, 4, 6

4. New Entrants

4.1

To Whom? New entrants

Why? Encourages new investment among producers; positive political optics

How? Current system of Ontario New Chicken Farmers' Entrant Policy works; could be enhanced or expanded

When? Every quota period

Objectives? 1, 2, 3

5. Producers Supplying Specialty Markets

5.1

To Whom? Quota holders supplying specialty markets through their processor

Why? Helping meet consumer demand; those who helped create a market get the ability to supply it

How? Identify specific markets through the processor and reward their producers

When? Per quota period

Objectives? 1, 2, 3

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

6.1

To Whom? All quota holders

Why? Treats all farmers equally regardless of size of quota holding; gives some advantage to smaller producers

How? All quota holders would be offered the exact same amount of the growth as additional quota

When? Per quota period

Objectives? 4, 5

Rank	Processor Supply Allocation of Growth (To Whom)	Total Score
1st	All Processors Using Exact Current Process	565
2nd	Existing Class “A” Processors (Pro Rata – Same Percentage)	150
3rd	Existing Class “A” Processors (Per Capita – Same Amount)	90
4th	Processors Growing at Different Rates	85
5th	Specialty Processors	60
6th	All Processors on an Efficiency Index	30
7th	All Processors on a Quality Index	0

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. All Processors Using Exact Current Process

1.1

To Whom? Current processors

Why? System works well; provides flexibility

How? Continue with existing system with the majority of the growth allocated pro rata with certain allowances for special allocations; administration needs to be simpler

When? Per quota period basis

Objectives? 1, 2, 4, 5

2. Existing Class “A” Processors (Pro Rata – Same Percentage)

2.1

To Whom? All Class “A” processors

Why? Fair; manageable; stable

How? Distribute the allocation of growth among processors of all sizes on a pro rata basis

When? Each quota period

Objectives? 1, 2, 4

2.2

To Whom? All Class “A” processors

Why? Predictable; stable; reflects existing investment; removes non-value premiums; easy and transparent

How? Growth is allocated to all processors on a pro rata basis

When? Every quota period

Objectives? 1, 4, 5

3. Existing Class “A” Processors (Per Capita – Same Amount)

3.1

To Whom? All Class “A” Processors

Why? Predictable supply; smaller processors can grow more quickly

How? Growth is allocated to all processors on a per capita basis; all processors would receive equal amounts of the growth

When? Annually

Objectives? 1, 3, 5

4. Processors Growing at Different Rates

4.1

To Whom? Processors growing at different rates

Why? Reflects processors’ individual customer base; ensures that processors meet their customers’ needs

How? Processors would prove the existence of their market growth to be rewarded with allocation of growth

When? Each quota period

Objectives? 1, 3

4.2**To Whom?** Processors growing at different rates**Why?** Opportunities to supply new or faster growing markets; shows market responsiveness**How?** Method of evaluation to be determined**When?** As soon as possible**Objectives?** 1, 2, 3**5. Specialty Processors****5.1****To Whom?** Processors demonstrating specialty growth over and above Canadian Chicken Farmers' national allocation**Why?** Helps to meet market demand; does not take away from existing markets**How?** Allocate a specific portion of the growth to processors who are creating and meeting specific markets**When?** Each quota period**Objectives?** 1, 2, 3**6. All Processors on an Efficiency Index****6.1****To Whom?** All current processors who demonstrate efficiency**Why?** Encourage efficiency quality; encourages and gives an opportunity for processors to improve**How?** Allocation quota based on growth on a blended basis: x% to all processors pro rata, y% to processors based on a quality index, z% to processors based on an efficiency index**When?** Determined annually**Objectives?** 3, 4, 6**7. All Processors on a Quality Index****7.1****To Whom?** Higher quality processors**Why?** Rewards strong production standards and food safety; improves customer satisfaction**How?** Establish specific criteria on which processors could be evaluated; allocate a portion of the growth for high quality**When?** Each quota period**Objectives?** 5, 6

Summary of the Workshop

The workshop was a productive event, where the participants were very engaged. Through their valued input, participants took an important step in their quest for the effective allocation of growth to farmers and processors in the chicken market in Ontario.