

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

## **Stakeholder Consultation Workshop**

Sponsored by Ontario Chicken Industry Advisory Committee

February 2 & 18, 2015

Input Suppliers and Downstream Stakeholders  
Toronto, Ontario



**Bryan Boyle & Associates**

*FACILITATING YOUR FUTURE*

## Table of Contents

	<b>Page</b>
<b>Executive Summary</b>	3
<b>Purpose of Session</b>	5
<b>Current Perceptions</b>	5
<b>Desired Outcomes</b>	8
<b>Positives</b>	9
<b>Challenges</b>	9
<b>Consequences of Inaction</b>	9
<b>Key Objectives</b>	10
<b>Suggested Actions : Farmer-Member Allocation</b>	11
<b>Suggested Actions : Processor Supply Allocation</b>	13
<b>Workshop Summary</b>	15

## Executive Summary

On February 2 and February 18, 2015 input suppliers and downstream stakeholders met at the Delta Meadowvale Hotel in Toronto for highly interactive workshops facilitated by Bryan Boyle. The purpose of the sessions 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. Input from both of these sessions has been incorporated into this report.

Participants 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 and production conditions. Their thoughts about processor supply allocation could be summarized as positive perceptions, relation to the market and concerns.

The participants’ perspectives about farmer-member allocation in general trended positive although there were a few participants who indicated that they had concerns. The participants’ perspectives of processor supply allocation were clustered as either slightly positive or slightly 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 two areas emerged: market realities and stakeholder relationships. 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 and marketing.

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 areas.

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:

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

Participants suggested actions that will help the industry 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, the top priority of rewarding efficient producers was clearly the dominant choices of the participants in attendance. Allocating growth to producers meeting specific standards gained modest support. Three other suggested target groups received limited support from participants. These included new entrants, all quota holders on a pro rata basis and the highest bidders.

With regard to processor supply allocation of growth, targeting efficient processors was the highest priority of the participants. Allocating growth to any stakeholder willing to make a contractual agreement was a much lower second priority, closely followed by allocation of growth to the highest bidder. Class “A” processors on a pro rata basis and processors for a specific market generated limited support for 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: Delta Meadowvale Hotel, Toronto, Ontario

February 2 and 18, 2015 Facilitated by Bryan Boyle

## Purpose of the Sessions

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”.*

*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

- Increased quota (x2)
- Increased percentages

#### Fairness and Equity

- Optimal pricing

### Expansion

- Growth (x2)
- Percentage increase
- More people want chicken

### Production Considerations

- Inputs required
- Management
- Increased production
- Grow the right size

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

### Positive Perception

- Growth is in response to change in demand
- Percentage increase

### Market Related

- Increased production
- Increased sales
- Distribution of growth
- Supply what the market needs in terms of size, quality and quantity

### Concerns

- Reliable supply for non-integrated further processors
- Lower live costs
- Price
- Restrictions
- Uneven monthly numbers being processed; too much at the beginning of the month and too little at the end

## 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 X  
23  
22  
21  
20 X  
19 X  
18 X  
17 X  
16  
15  
14 X  
13  
12  
11  
10  
9  
8 X X  
7  
6  
5  
4  
3  
2  
1

Average = 16.00

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

Average = 17.63

<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?"

#### Market Realities

- P Sales of chicken increases
- P More stability in the live market
- FP Issues relating to allocating growth to specialty chickens have been addressed
- FP Chicken industry grows
- FP All desired chicken products will be available from Ontario chicken
- FP Quality assurance staff identify minimal issues anywhere along the value chain

- FP Current trend of pasta dishes replacing chicken dishes on restaurant menus is reversed
- FP Restaurants have a reliable source of chicken products; “pipeline” is never shut off
- FP Consumers can realize their wish to eat local chicken
- FP There is sufficient chicken available so that retailers can offer features and restaurants can build their brand around chicken products
- FP Most imported chicken products would be replaced by Ontario products

### Stakeholder Relationships

- P Processors willing to make a commitment to downstream stakeholders to assure a reliable supply
- FP Satisfied input suppliers, farmers, processors, other stakeholders and consumers
- FP Everyone profits
- FP More transparency throughout the system
- FP Free market would replace supply management
- FP Get away from the “zero-sum game” where one stakeholder’s gain is equivalent to another’s loss; encourage a system where there is mutual gains by many stakeholders

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

#### System Characteristics

- FP More people getting involved in the industry
- FP Committed to these consultations to address issues of allocation of growth

#### Production

- F Examples of innovation in production
- F Strong chicken farming community
- F Guaranteed market for chicken produced to meet quota

#### Marketing

- P Increased customer base
- P Healthy market
- P Potential new product development
- P Increased market share over other proteins
- FP Fantastic potential

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

#### System Characteristics

- P Dealing with fresh chicken has greater challenges than frozen
- FP Ontario component is forcing the outcome rather than relying on the market
- FP High cost of quota
- FP Insufficient innovation

- FP Lack of transparency
- FP National allocation is not lined up accurately with provincial allocation
- FP Inefficiencies in the system, e.g. freight and time wasted
- FP Supply management should get more engaged in trade (import and export)

#### Production

- F Inputs sourced from outside Ontario
- F Inefficiencies increase costs
- P Lacking assurance of supply to secondary market

#### Marketing

- P Demand is outpacing supply
- P Processor-wholesaler margins are exceptionally strong
- P Lack of flexibility by processors
- P Differences in dealing with fresh and frozen chicken
- FP Strategic placement of the growth to meet the market
- FP Shortages of specific products can occur at the retail level
- FP Meeting consumers' demands, e.g. amount, size, cuts, quality, etc.

### **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 new entrants into production system

#### Processor Supply Allocation (P)

- No new processors
- Forced buy-ins
- Imports continue to be substantial

#### Both Growth Allocation Systems (FP)

- Still a controlled system that dictates the live price
- Not going to be enough growth in all the provinces
- Missed opportunities
- Less innovation
- Less poultry available in the marketplace
- Shortfalls in specific products in demand by consumers, e.g. dark meat, kosher, etc.
- Chicken will continue to be dropped from restaurant menus because of price
- Supply management may not withstand the criticisms of the public or other stakeholders

## Key Objectives

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

- 1) Evolve the allocation systems of both farmers and processors to improve the flexibility and responsiveness in capitalizing on growth opportunities in the chicken market place
- 2) Create value by serving the needs of growing and emerging markets
- 3) Encourage innovation, new business-building ideas
- 4) Serve the needs of existing markets taking into consideration their size, importance and historical investment
- 5) Develop a system that is predictable and stable that aligns the interests of key stakeholders in the chicken industry
- 6) Encourage quality, efficiency and value creation

The participants prioritized these objectives using the following method:

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

Rank	Objective Number	Objective	Total Score
1 <sup>st</sup>	1	Evolve the Allocation System of Farmers and Processors	215
2 <sup>nd</sup>	2	Create Value Serving Growing and Emerging Markets	155
3 <sup>rd</sup>	3	Encourage Innovation, New Business-Building Ideas	120
4 <sup>th</sup>	5	Develop a Predictable and Stable System	115
5 <sup>th</sup>	4	Serve Existing Markets	110
6 <sup>th</sup>	6	Encourage Quality, Efficiency and Value Creation	75

## 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.

<b>Rank</b>	<b>Farmer-Member Allocation of Growth (To Whom)</b>	<b>Total Score</b>
<b>1<sup>st</sup></b>	Most Efficient Producers	295
<b>2<sup>nd</sup></b>	Producers Meeting Specific Standards	130
<b>3<sup>rd</sup></b>	New Entrants	75
<b>4<sup>th</sup></b>	All Quota Holders (Pro Rata – Same Percentage)	50
<b>5<sup>th</sup></b>	Highest Bidder	50

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. Most Efficient Producers**

### **1.1**

**To Whom?** Most efficient producers (x2)

**Why?** Rewards efficiency; lowers cost of chicken to the marketplace

**How?** Establish efficiency parameters on which producers could be evaluated; coordinated within the quota system

**When?** Fiscal year 2015 to organize, then every quota period

**Objectives?** 1, 2, 6

## **2. Producers Meeting Specific Standards**

### **2.1**

**To Whom?** All quota-holding producers willing to grow birds to target specific standards, e.g. ideal size, etc.

**Why?** Addresses the market's need for smaller birds

**How?** Define the market parameters to help producers make production decisions; standards would be price driven

**When?** As soon as possible

**Objectives?** 1, 3, 5

## **3. New Entrants**

### **3.1**

**To Whom?** New entrants into the commercial production of chicken

**Why?** Attracts new growers; provides new blood for the industry; creates more potential innovation in production; caters to specific demands; opportunities for competent newcomers into industry

**How?** Offer incentives to reduce the barriers for entry into chicken production; lower the minimum entry level of quota; increase the 300 bird non-quota maximum

**When?** Annually

**Objectives?** 1, 2, 3

## **4. All Quota Holders (Pro Rata – Same Percentage)**

### **4.1**

**To Whom?** All quota holders

**Why?** Current system appears to be working well

**How?** Utilize the current system where growth is allocated to all producers on a pro rata basis

**When?** Every quota period

**Objectives?** 1, 4, 5

## **5.Highest Bidder**

### **5.1**

**To Whom?** Anyone who is willing to pay the highest price

**Why?** Assures growth would be available for those willing to pay; allows producers to make production and capital expenditure decisions; brings some free market concepts to supply management

**How?** Accurately define the new growth and offer the right to produce that growth for sale

**When?** Each quota period

**Objectives?** 1, 3, 6

<b>Rank</b>	<b>Processor Supply Allocation of Growth (To Whom)</b>	<b>Total Score</b>
<b>1<sup>st</sup></b>	Most Efficient Processors	300
<b>2<sup>nd</sup></b>	Any Stakeholder	110
<b>3<sup>rd</sup></b>	Highest Bidder	105
<b>4<sup>th</sup></b>	Existing Class “A” Processors (Per Capita – Same Amount)	55
<b>5<sup>th</sup></b>	Processors for a Specific Market	30

Any supporting information that the table discussion groups provided on processor supply allocation of growth is noted below. Information can be found under the “To Whom” title where it fits most appropriately. The supporting information is provided in the same order as the ranking in the table above.

### **1. Most Efficient Processors**

#### **1.1**

**To Whom?** Most efficient processor, big or small

**Why?** Rewards efficiency and innovation; identifies the potential to reduce cost of product to downstream stakeholders

**How?** Identify standards for efficiency and allocate growth based on processor's ability to meet those standards

**When?** As soon as possible and each quota period in the future

**Objectives?** 2, 3, 6

## **2. Any Stakeholder**

### **2.1**

**To Whom?** Any key stakeholder with an interest in assuring their supply of chicken

**Why?** Helps meet consumer demand; increases competition for the chicken supplied to the secondary market

**How?** Create an open market on processor supply quota to any stakeholder who is willing to contract with producers and processors to create their desired product; utilize a separate mechanism for direct contract as compared to traditional processor supply quota; must be actual value-added production, no paper trading or sale of this allocation

**When?** As soon as possible

**Objectives?** 1, 3, 6

## **3. Highest Bidder**

### **3.1**

**To Whom?** Processors who were the highest bidders

**Why?** Growth would go to those who are willing and able to pay for the opportunity to supply the growth

**How?** Auction

**When?** Now

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

## **4. Existing Class “A” Processors (Per Capita – Same Amount)**

### **4.1**

**To Whom?** All Class “A” Processors

**Why?** Gives some additional benefits to smaller processors and expands their opportunities

**How?** Utilize the same systems currently in place except change from pro rata allocation of growth to per capita allocation

**When?** Each quota period

**Objectives?** 1, 3

## **5. Processors for a Specific Market**

### **5.1**

**To Whom?** Processors for a specific market

**Why?** For those processors who have identified and proven a specific market, this would provide chicken to them to meet that demand

- How?** Allocation of growth to processors who have demonstrated access to or creation of a specific market
- When?** Each quota period
- Objectives?** 1, 2, 3

### **Summary of the Workshop**

The workshops were productive events, 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.