

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

## **Stakeholder Consultation Workshop**

Sponsored by Ontario Chicken Industry Advisory Committee

January 26, 2015

Ontario Independent Poultry Processors (OIPP)

Burlington, 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>	10
<b>Key Objectives</b>	11
<b>Suggested Actions : Farmer-Member Allocation</b>	12
<b>Suggested Actions : Processor Supply Allocation</b>	14
<b>Workshop Summary</b>	15

## Executive Summary

On January 8, 2015 members of Ontario Independent Poultry Processors met at the Burlington Holiday Inn for an 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 and production conditions. Their thoughts about processor-supply allocation could be summarized as relation to the market, concerns and recommendations.

The processors’ perspectives about farmer-member allocation were varied, with a positive trend. Their perspectives of processor supply allocation were also quite widespread but with a noted negative trend.

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

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, clearly the highest priority of the participants was to allocate the growth to quota holders on a pro rata basis with a maximum for large-scale quota holders. Allocating growth to new entrants, to all quota holders on a pro rata basis and to producers with small flocks all garnered modest support.

With regard to processor supply allocation of growth, participants demonstrated very strong support for a specific blended option that would allocate 50% of growth to all current processors with plant allocation on a pro rata basis and 50% to all processors licensed by OMAF and CFIA. Processors who could demonstrate their ability to match their supply allocations with the farmer member allocations of producers generated modest 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

OIPP Stakeholder Consultation Workshop  
 Location: Burlington Holiday Inn, Burlington, Ontario  
 January 26, 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

- Producers are very happy

#### Fairness and Equity

- Pro rata is not fair; big get bigger

#### Expansion

- Not all the quota holders are prepared to grow more chickens on short notice
- Growth in the backyard flocks

### Production Considerations

- Allocation of additional kilograms of farmer allocation is not in balance with processor allocation

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

### Market Related

- Specialty markets
- Pro rata distribution of growth assumes that all markets are using the same birds

### Concerns

- Pro rata is not fair; big get bigger

### Recommendations

- Differentiate growth and grow the kilograms that we receive from Chicken Farmers of Canada

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

**Average = 20.75**

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

Average = 9.00

<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 Farmers are able to grow the products that the consumer demands
- FP All are making a consistent profit year-round with little fluctuation

### Market Realities

- P Processors are able to supply new customers with specialty products that they demand
- FP Consumers will receive the chicken product they want when they want it

### Stakeholder Relationships

- FP Everybody is happy
- FP Financial gains are spread equally between all players

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

#### System Characteristics

- FP Current system (pro rata) works for a majority of the market
- FP Stable system
- FP Some flexibility still present
- FP Both farmers and processors are getting an allocation of growth from the Chicken Farmers of Canada (CFC)
- FP System needs “tweaking”, not major changes

#### Production

- P Processors will adapt and survive

#### Marketing

- FP Strong demand for chicken exists
- FP Focused on opportunities

### Stakeholder Relationships

- FP Positive that these consultations are taking place with all stakeholders across Ontario; provides a chance for our valuable input
- FP Good communication with the Chicken Farmers of Ontario Board

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

#### System Characteristics

- FP Limited choices on how growth can be allocated
- FP Chicken Farmers of Ontario should take more initiative to identify and meet specific needs by exception; they have the legal authority; self-confidence and flexibility could be demonstrated by CFO
- FP Administration of the system has become too bureaucratic

#### Production

- FP Seasonal emphasis of production does not match consumer demand; as a result, processors and farmers are “leaving money on the table” because of missed or under-supplied markets

#### Marketing

- P Missed opportunities for CFO to meet the processors needs
- FP Challenge meeting the variety of summer markets

- FP Need to avoid getting caught up in the definition of “specialty”; growing or emerging markets is a more flexible explanation relating to market growth

#### Stakeholder Relationships

- P Stakeholders may be cynical because this consultation process of evaluating growth has been conducted in the past with limited changes and success
- FP Consumers are not getting full value or full potential range of chicken products
- FP Substantial challenge matching the amounts of quota held by producers and processors to assure smooth and efficient marketing
- FP Processors should be given the authority to make individual arrangements for some emerging or developing markets
- FP Communication by CFO to individual stakeholders needs to be verified that it was received; some communication is not getting to the specific stakeholder intended; producers with limited or no internet are classic examples

#### **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)

- Not reaching our full potential
- Marketplace would not be served

##### Processor Supply Allocation (P)

- One part of the industry will control the system
- Small processors will not have sufficient input
- Uniqueness and distribution within the system may be missing

##### Both Growth Allocation Systems (FP)

- Consumers will not be served well
- Smaller players are being squeezed out of the industry even though they provide a service and fulfill a need, especially for growing or emerging markets
- Criticism of our supply management system is consistently occurring and would get even greater if we do not work to meet public demand
- Our system of allocating growth would receive additional political pressure to be more flexible, open and transparent
- Continued growth pressure from USA
- Missed opportunities for export; government responsibilities required; bigger producers and processors can meet the export demand when it occurs
- Animal health priorities

## 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>	2	Create Value Serving Growing and Emerging Markets	120
2 <sup>nd</sup>	1	Evolve the Allocation System of Farmers and Processors	100
3 <sup>rd</sup>	6	Encourage Quality, Efficiency and Value Creation	70
4 <sup>th</sup>	3	Encourage Innovation, New Business-Building Ideas	60
5 <sup>th</sup>	4	Serve Existing Markets	30
6 <sup>th</sup>	5	Develop a Predictable and Stable System	20

## 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 <sup>st</sup>	All Quota Holders (Pro Rata– Same Percentage, up to maximum)	290
2 <sup>nd</sup>	New Entrants	50
3 <sup>rd</sup>	All Quota Holders (Pro Rata – Same Percentage)	40
4 <sup>th</sup>	Small Flocks	20

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 Quota Holders (Pro Rata – Same Percentage, Up to Maximum)**

#### **1.1**

**To Whom?** All current quota holders

**Why?** Fair and equitable; would benefit the smaller producer; reduce impact of “big getting bigger”

**How?** Allocate growth on a pro rata basis similar to current system, except a maximum would be established for a specific number of the high-end of quota holdings; the excess quota beyond the maximums could then be used for a specific purpose by CFO, i.e. new entrants, specialty markets, etc.

**When?** Annually

**Objectives?** 1, 3

### **2. New Entrants**

#### **2.1**

**To Whom?** New Entrants

**Why?** Helps reduce the capital burden of new producers; reduces the political pressure of a “closed shop” that is not available to younger or new producers; reduce the minimum amount of quota required to something less than current 14,000 units

**How?** Processes well-established under the Ontario New Chicken Farmers Entrant Policy; expand from the current 2 new entrants per year to a substantially higher number such as 20

**When?** Every quota period

**Objectives?** 1, 2, 6

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

#### **3.1**

**To Whom?** All quota holders

**Why?** Equitable; based on their investment; easy to administer

**How?** Allocate the exact same percentage to all quota holders

**When?** As soon as possible

**Objectives?** 3, 5, 6

## **4.Small Flocks**

### **4.1**

**To Whom?** Small flocks willing and able to expand

**Why?** Support small flock owners; small flock owners may identify and supply very specialized, growing or emerging markets; small flock producers need to be regulated to assure disease prevention and avoid negative impact on larger commercial operations

**How?** Small flock owners would apply for an opportunity to be allocated some growth; avoid additional complexity in the system

**When?** Annually

**Objectives?** 1, 2, 3

<b>Rank</b>	<b>Processor Supply Allocation of Growth (To Whom)</b>	<b>Total Score</b>
<b>1<sup>st</sup></b>	All Current Processors with Plant Allocation (Pro Rata) 50% All OMAF/CFIA Licensed Processors who prove they have a growing or emerging market 50%	310
<b>2<sup>nd</sup></b>	Processors who can match up their processor supply allocation with smaller producers' farmer member allocation	90

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. Current Processors with Plant Allocation (Pro Rata) 50%** **Licensed Processors with Growing or Emerging Market 50%**

#### **1.1**

**To Whom?** Current Processors with Plant Allocation (Pro Rata) 50%; Licensed Processors with Growing or Emerging Market 50%

**Why?** "Win-win" situation; recognizes the success of the current system and the needed support of all quota holders; allows people who are interested to apply; fair to all concerned; can be transparent and readily defended to the public; could generate positive results in meeting or expanding consumer demand; avoids the requirement of exactly defining "specialty"; ultimately grows markets and meets consumers' specific demands; specialty growers will develop on their own but allocating the appropriate amount of growth to the processors is the challenge;

evaluation of the market should be completed annually; could also allow us to respond to a demographic shift from Alberta to Ontario in both population and chicken production potential

**How?** Allocate growth on a pro rata basis using the same system that is currently in place; for the portion where licensed processors prove they have a growing or emerging market, create a panel that is arms' length from industry to evaluate applications based on specific criteria; quota would be allocated on a permanent basis to assure that these markets could be met and sustained; varying allocations on a monthly basis would be an option for some processors

**When?** Every time Ontario is granted new growth from Chicken Farmers of Canada

**Objectives?** 1, 2, 3

## **2. Processors Matching Their Processor Supply Allocation With Farmer Member Allocations**

### **2.1**

**To Whom?** All processors

**Why?** Reward processors with the flexibility and interest to cater to small producers ensuring their needs are met; recognizes some of the smaller and more nimble processors with the ability to coordinate processor supply allocation with farmer member allocations

**How?** Offer processors the opportunity to demonstrate their ability to match allocations with farmers for mutual benefit

**When?** Each quota period

**Objectives?** 2, 3

### **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.