

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

## **Stakeholder Consultation Workshop**

Sponsored by Ontario Chicken Industry Advisory Committee

January 30, 2015  
Class "B" Processors  
Toronto, Ontario



**Bryan Boyle & Associates**

*FACILITATING YOUR FUTURE*

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## Executive Summary

On January 30, 2015 a group of Class “B” and independent processors met at the Delta Meadowvale Hotel in Toronto 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 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 mid-range with a negative trend. The participants’ perspectives of processor supply allocation covered a wider range with a slightly positive 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, 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:

- 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>: Serve Existing Markets
- 5<sup>th</sup>: Encourage Quality, Efficiency and Value Creation
- 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, there were no dominant priorities in the five target groups chosen by the processors in attendance. From highest to lowest priority, they include: new entrants, small flock producers, producers from specific regions, producers supplying specialty markets and producers with underdeveloped potential.

With regard to processor supply allocation of growth, the highest priority target group was small processors. Lower but still significant priorities included existing quota holders and small non-quota holders, regional processors, existing quota holders and new entrants.

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

January 30, 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”.*

*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

- Educate
- Inform

#### Fairness and Equity

- Fairness

#### Expansion

- Regional is the new local

### Production Considerations

- Quota (x2)
- Undersupplied

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

### Positive Perception

- Opportunity (x3)

### Market Related

- Regional is the new local
- Supply markets that need to be served
- Under-supplied
- Market

### Concerns

- No differential growth
- No new entrants
- Why pro rata?
- Unfair growth opportunities for smaller processors

## 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 X  
16 X  
15 X X X X  
14  
13  
12  
11  
10 X  
9  
8  
7 X  
6 X  
5  
4  
3  
2  
1

**Average = 12.89**

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

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

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

Average = 15.78

<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 Small flocks have increased

### Market Realities

P Less importing of products to meet market needs

FP Consumers' needs are being met

FP Market is supplied with chicken

Stakeholder Relationships

- F Informed farmers
- FP Happy consumers

Sustained Growth

- P Growth within processing
- FP Industry is profitable

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

- F New entrant program
- FP Acknowledgment of demand and shortages
- FP Ontario's national share of allocation has increased

Production

- F Producers' stability

Marketing

- P Efficient food processing systems
- FP Increased demand for homegrown chicken
- FP Buy local initiative

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

- FP Over-regulated
- FP No flexibility
- FP Lacking regional development
- FP Current system is being attacked publicly

Production

- F Distribution of kilograms of production

Marketing

- P Market share
- P Limiting consumers buying options
- P Pricing

Stakeholder Relationships

- FP Producer and processor issues in Eastern Ontario
- FP Remember Northern Ontario does exist

**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)

- Black market would be created

Processor Supply Allocation (P)

- Further concentration of the processing industry
- Small processors cannot grow
- Imports would increase

Both Growth Allocation Systems (FP)

- Loss of Ontario market growth
- Status quo has left Northern Ontario out in the cold
- Unhappy consumers
- Risk of loss of political support for the system
- Decision-making would be too narrowly based

**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	320
2 <sup>nd</sup>	2	Create Value Serving Growing and Emerging Markets	245
3 <sup>rd</sup>	3	Encourage Innovation, New Business-Building Ideas	165
4 <sup>th</sup>	4	Serve Existing Markets	160
5 <sup>th</sup>	6	Encourage Quality, Efficiency and Value Creation	65
6 <sup>th</sup>	5	Develop a Predictable and Stable System	40

## 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>	New Entrants	300
2 <sup>nd</sup>	Small Flock Producers	255
3 <sup>rd</sup>	Producers From Specific Regions	165
4 <sup>th</sup>	Producers Supplying Specialty Markets	150
5 <sup>th</sup>	Producers With Under-developed Potential	130

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. New Entrants**

### **1.1**

**To Whom?** New entrants

**Why?** To help supply regional markets; reduce barriers to entry into the industry

**How?** Lower the minimum quota required from the current 14,000 units

**When?** Yesterday

**Objectives?** 1, 2, 3

## **2. Small Flock Producers**

### **2.1**

**To Whom?** Current small flock owners and others who wish to start small flocks

**Why?** Fair; utilize government grant opportunities

**How?** Allocate growth to all small flock owners with an interest in expansion

**When?** Every quota period

**Objectives?** 2, 3

## **3. Producers From Specific Regions**

### **3.1**

**To Whom?** Producers in specific areas, e.g. Northern and Eastern Ontario

**Why?** Encourages regional development; allows expansion of operations and improved efficiency; capitalize on government grants

**How?** Chicken Farmers of Ontario needs to develop regional policies and use those policies to guide the allocation of growth

**When?** Annually

**Objectives?** 1, 2, 3

#### **4. Producers Supplying Specialty Markets**

##### **4.1**

**To Whom?** Producers who would adhere to specifications for particular markets

**Why?** Meeting consumers' needs and demand

**How?** Make it easier for these producers to enter the market

**When?** As soon as possible

**Objectives?** 1, 3

#### **5. Producers With Under-Developed Potential**

##### **5.1**

**To Whom?** Farmers with underdeveloped potential

**Why?** Provide an opportunity for farmers to meet documented potential

**How?** Provide a percentage of growth to specific producers; allocate the first growth to this target group; unused portion of the group would be allocated to existing quota holders

**When?** Per quota period

**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>	Small Processors	385
<b>2<sup>nd</sup></b>	Existing Class "A" Processors and Small Non-Quota Holders	225
<b>3<sup>rd</sup></b>	Regional Processors	205
<b>4<sup>th</sup></b>	Existing Class "A" Processors	145
<b>5<sup>th</sup></b>	New Entrants	140

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?** Small processors who demonstrate demand

**Why?** Provides flexibility; meeting consumers' demands

**How?** Accept applications from small processors who can demonstrate potential demand

**When?** Each quota period

**Objectives?** 1, 2, 6

## **2. Existing Class "A" Processors and Small Non-Quota Holders**

### **2.1**

**To Whom?** All Class "A" processors and small non-quota holders

**Why?** All consumer demand is not currently being met; give consumers options; generates community growth

**How?** Distribute the allocation of growth among processors of all sizes on a per capita basis; small processors would receive more benefit

**When?** Each quota period

**Objectives?** 1, 2, 3

## **3. Regional Processors**

### **3.1**

**To Whom?** Regional processors who identify and can meet the market demand

**Why?** Meets consumer needs; creates competition within the industry; encourages true economic growth

**How?** Allocation of growth would be based on processor input and needs

**When?** Yesterday

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

## **4. Existing Class "A" Processors**

### **4.1**

**To Whom?** Current processors

**Why?** Ensures that processors meet their customers' needs

**How?** Allocate 50% of the growth to existing quota holders on a pro rata basis and 50% to new entries and small processors; use the current system for the existing quota holders; utilize a third-party to evaluate implementation of the other 50% to new and small processors

**When?** By October 1, 2015

**Objectives?** 1, 4, 5

## **5. New Processors**

### **5.1**

**To Whom?** Potential new processors

**Why?** Allows for potential market expansion with new players

**How?** Allocate a specific portion of the growth to potential processors with a strong business plan

**When?** Each quota period

**Objectives?** 1, 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.