

Chicken Farmers of Ontario

Fournier Regional Risk Workshop

July 25, 2019
Fournier, Ontario



BRYAN BOYLE & ASSOCIATES
FACILITATING YOUR FUTURE

Table of Contents

| | Page |
|--|-------------|
| Executive Summary | 3 |
| Purpose of Session | 5 |
| Approach to the Workshop | 5 |
| Question #1: What? | |
| Identifying Specific Risks | 6 |
| Prioritizing Key Areas of Risk | 6 |
| Histograms of Participants' Perspectives | 7 |
| Specific Risks within Areas | 10 |
| Question # 2: So What? | |
| Identifying Consequences of Inaction | 11 |
| Question # 3: Now What? | |
| Specific Actions Identified Within Risk Areas | 11 |
| Workshop Summary | 13 |

Executive Summary

On July 25, interested Chicken Farmers of Ontario (CFO) farmer-members and CFO staff met at the Fournier Community Centre in Eastern Ontario for a highly interactive workshop facilitated by Bryan Boyle. This session was part of a regional CFO farmer-members' meeting.

The purpose of the session was to solicit valuable input from farmer-members relating to risks facing supply management, the Ontario chicken industry, and their local family farm as well as how these risks could be reduced or eliminated by actions of CFO or individual farmer-members. The input generated will help to create a practical and realistic Strategic Plan for Chicken Farmers of Ontario.

Risk has been defined as "An uncertain event or condition leading to an unfavourable outcome. It may result in loss, injury or other adverse circumstance".

At the workshop participants addressed three critical questions relating to risk in supply management, the Ontario chicken industry and their local family farm. The three questions were What? So What? and Now What?

What? – Observations, Perspectives
 So What? – Consequences of Inaction
 Now What? - Suggested Actions

Participants identified risks that face supply management, the Ontario chicken industry, and their local family farm. These specific risks were grouped under the various themes and then prioritized with the following results.

- 1st: Financial
- 2nd: Political/Trade
- 3rd: Strategic
- 4th: Operational
- 5th: Competition
- 6th: Compliance
- 7th: Reputational
- 8th: Other

Participants were asked, "What are the consequences of inaction relating to addressing the risks that face supply management, the Ontario chicken industry and your local family farm?" Examples of their responses included loss of supply management, deterioration of chicken production and supply chain, lack of profitability, as well as general business decline.

There are many actions that could help to effectively mitigate the risks facing supply management, the Ontario chicken industry, and local family farms. Participants identified a number of potential actions to address each of the various specific areas of risk.

The workshop was a productive event, where the participants were quite engaged. Through their valued input, the participants present took an important step in identifying risks and their potential mitigation. This could help ensure a strong and vibrant future for supply management, the Ontario chicken industry, as well as their local family farms.

Chicken Farmers of Ontario
Fournier Regional Risk Workshop
Fournier Community Centre, 3210 County Road 9, Fournier
July 25, 2019 Facilitated by Bryan Boyle

Purpose of the Session

To solicit valuable input from farmer-members relating to risks facing supply management, the Ontario chicken industry, and their local family farm as well as how these risks could be reduced or eliminated by actions of CFO or individual farmer-members

The input generated will help to create a practical and realistic Strategic Plan for Chicken Farmers of Ontario.

Defining Risk

Risk has been defined as:

An uncertain event or condition leading to an unfavourable outcome. It may result in loss, injury or other adverse circumstance.

Our Approach

To accommodate language preferences, the slides in all presentations appeared simultaneously in both English and French. Simultaneous translation was also provided by professional translators for all verbal comments so participants could respond or listen in either English or French, based on their personal preference.

At the workshop we addressed three critical questions relating to risk in supply management, the Ontario chicken industry, and their local family farm.

The 3 Questions: What? So What? and Now What?

What? – Observations, Perspectives

So What? – Consequences of Inaction

Now What? - Suggested Actions

What?

Identifying Specific Risks

There are many risks that face supply management, the Ontario chicken industry, and local family farms.

Key areas of risk may include:

- S - Strategic
- O - Operational
- C - Compliance
- F - Financial
- P - Political/Trade
- CO - Competition
- R - Reputational
- OT - Other

Participants identified risks that face supply management, the Ontario chicken industry, and their local family farm.

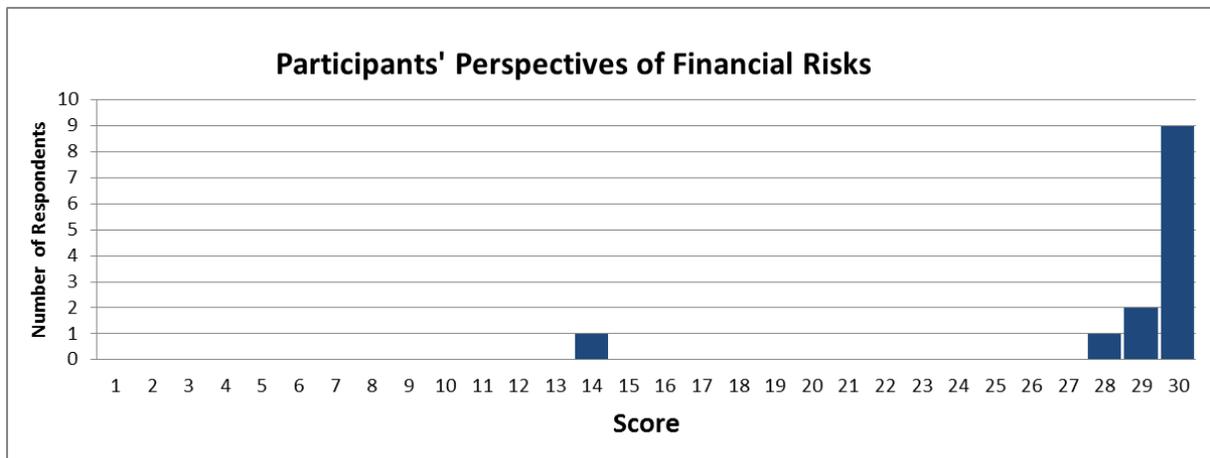
These specific risks were grouped under the various themes and then prioritized. For prioritizing, participants used the following approach and the results are shown in the table below.

On the ballots that were numbered from 1 to 30, participants placed each of the 8 letter codes from the areas or themes of risks somewhere on the 1 to 30 grid at the point that they feel best describes the need for action in that area of risk.

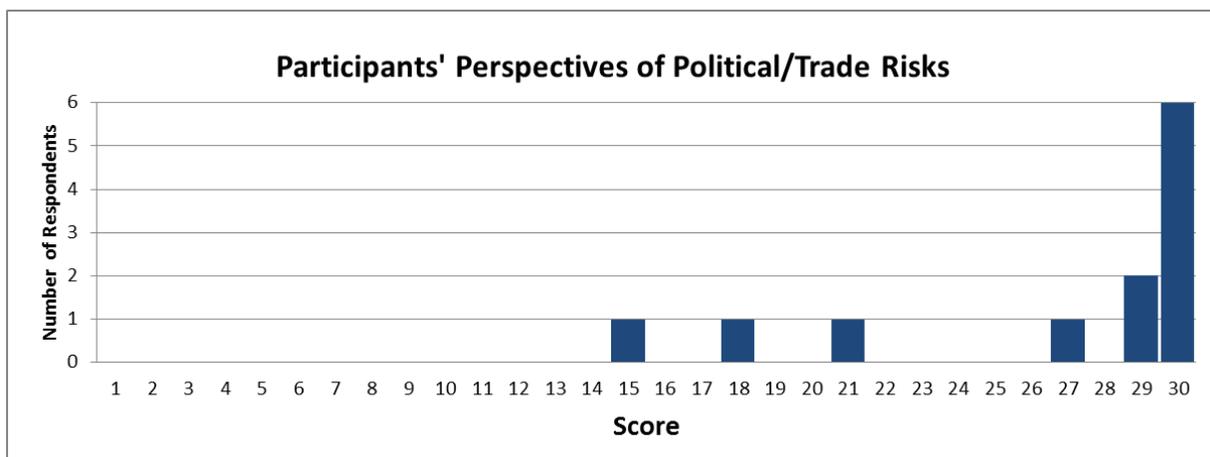
#30 = “Highest Priority for Action”: It is critically important that we move quickly and decisively to address this area of risk to ensure a strong and viable future for supply management, the Ontario chicken industry, and our local family farm.

#1 = “Lowest Priority for Action”: Addressing this risk is a much lower priority either because it is currently being effectively addressed or is not that significant compared to some other risks in supply management, the Ontario chicken industry, or our local family farm.

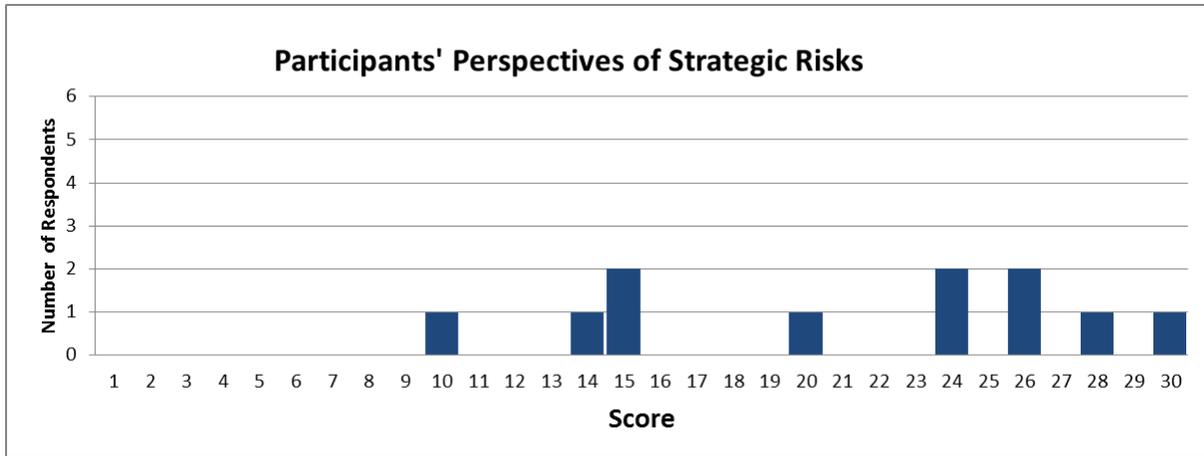
| Priority Rank | Areas or Themes of Risk | Average Significance Score (Maximum = 30) |
|-----------------|-------------------------|---|
| 1 st | Financial | 27.38 |
| 2 nd | Political/Trade | 26.58 |
| 3 rd | Strategic | 21.09 |
| 4 th | Operational | 21.08 |
| 5 th | Competition | 20.20 |
| 6 th | Compliance | 18.92 |
| 7 th | Reputational | 18.23 |
| 8 th | Other | 11.83 |



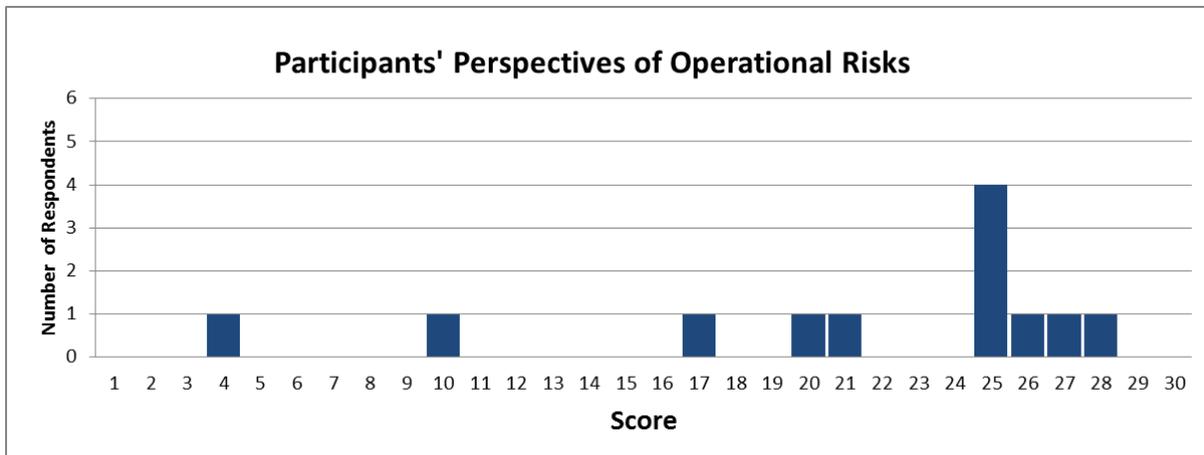
Average = 27.38



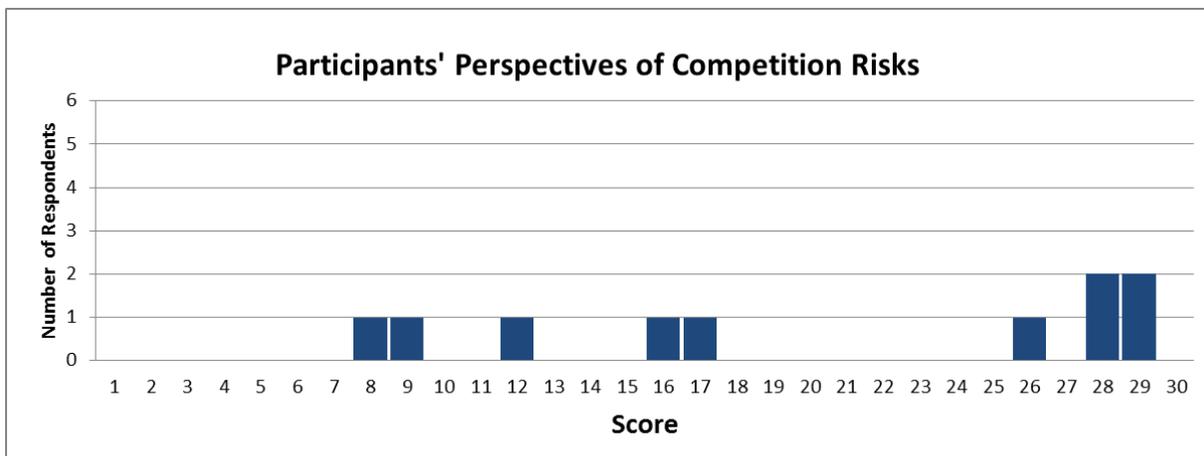
Average = 26.58



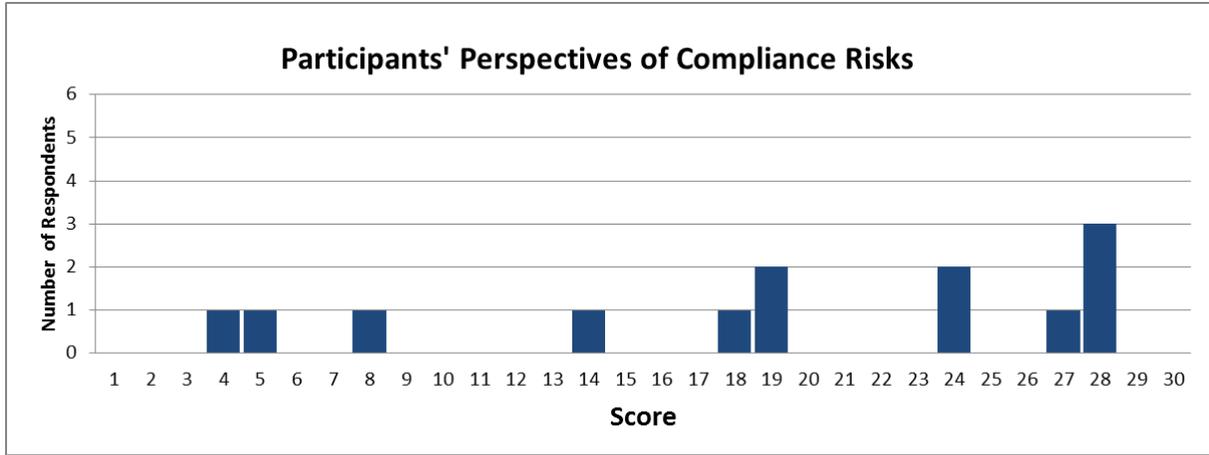
Average = 21.09



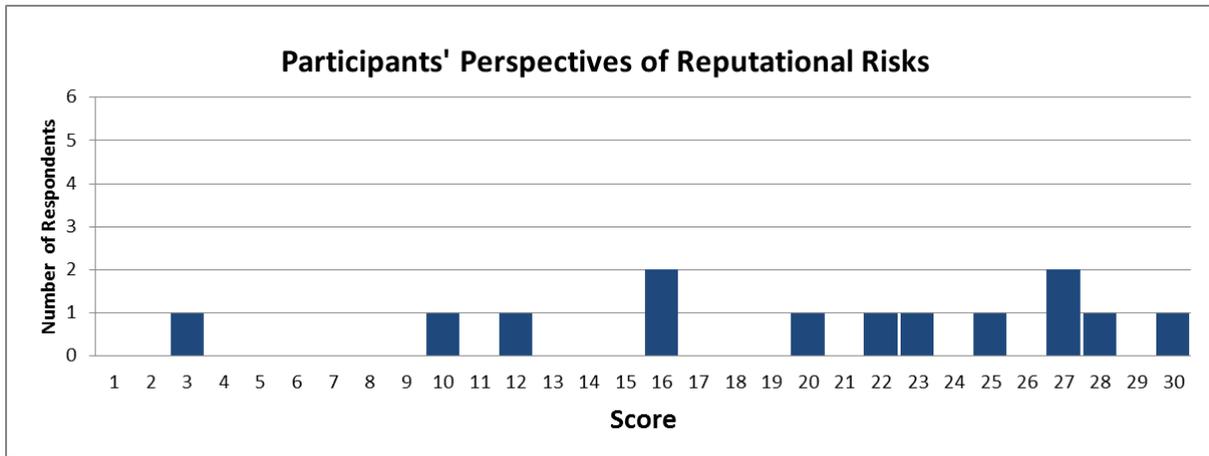
Average = 21.08



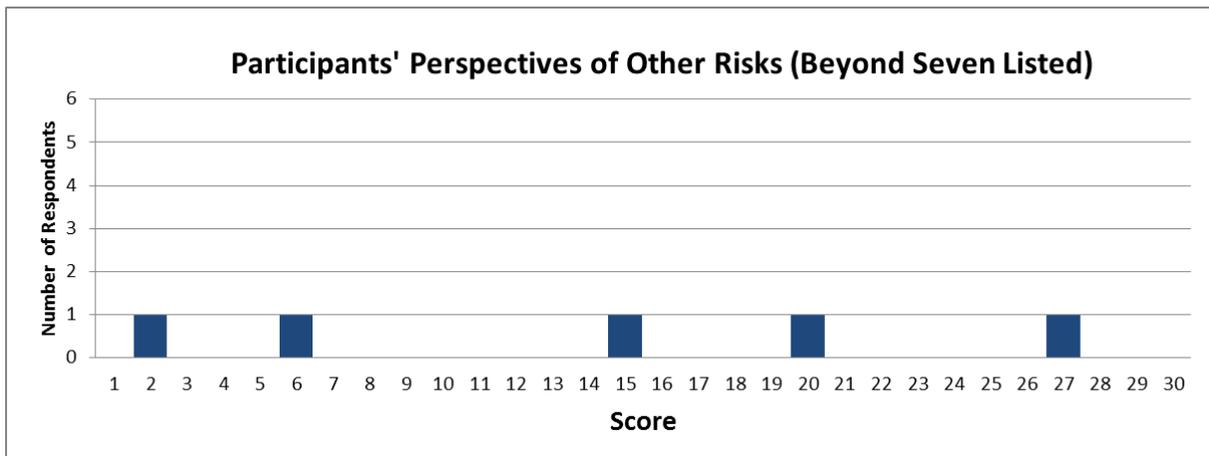
Average = 20.20



Average = 18.92



Average = 18.23



Average = 11.83

The specific risks that face supply management, the Ontario chicken industry, and their local family farm that were identified by participants included:

1. Financial

- Cost of Production Formula (COPF)
- Profitability declining under current COPF
- Lack of progress under COPF negotiations
- Loss of potential profit during COPF negotiations
- Potential increase in interest rates
- Financing for young producers entering the chicken business

2. Political/Trade

- Farmers' lack of influence on political decision-makers
- External political impact on our family farms
- Although we share all our cost of production numbers, we never see the cost of production information from the Association of Ontario Chicken Processors members
- Loss of political support for supply management
- We try to portray that we do all the right things, but risk management is often in the hands of politicians through trade agreements

3. Strategic

- Loss of supply management
- Need for strong leadership

4. Operational

- Extreme weather's impact on birds, especially at heavier weights
- Loading protocol for Québec processors is different than that in Ontario, e.g. loading barns on second and third story, modules outside of barn
- When outbreaks of disease are publicized, wide general areas are given but more specific areas would help farmer-members
- Shortage of labour throughout the chicken production system
- Hiring staff on our farm
- Removal of vaccines and antibiotics that are critical to our production system
- Chicken Farmers of Ontario may not be sensitive enough to our needs for communication in French language in this area

5. Competition

- Vegan activism
- Plant protein, e.g. Beyond Meat
- Some Ontario retailers selling chicken produced outside of Ontario
- Imports from USA, especially if the border gets more porous

6. Compliance

- The 104% allowable production target may not be sufficient
- Fluctuations in production within a single quota period are hard to control and can be stressful

7. Reputational

- Animal activists that come to our barns and create videos

So What?

Identifying Consequences of Inaction

Participants were asked, “What are the consequences of inaction relating to addressing the risks that face supply management, the Ontario chicken industry and your local family farm?”

- Loss of supply management
- Deterioration of our production and supply chain and we could become just like USA
- Frustration could build with farmer-members if positive changes are not taken
- Reduced profitability on our farms
- We could be out of business

Now What?

Specific Actions Identified Within Risk Areas

There are many actions that could help to effectively mitigate the risks facing supply management, the Ontario chicken industry and local family farms. To mitigate is defined as to soften, moderate or to make less severe or harsh.

Participants identified potential actions to address each of the various specific areas of risk.

1. Financial
 - Under COPF, provide fair compensation for farmer-members to encourage investment
 - Ensure that COPF settlement is retroactive for recent quota periods during negotiations
2. Political/Trade
 - Encourage and demonstrate openness, transparency, and two-way communication between Chicken Farmers of Ontario and Association of Ontario Chicken Processors
 - Chicken Farmers of Ontario should conduct polls like politicians do to assess processor and consumer needs
3. Strategic
 - We need to demonstrate “leadership” and not “followership”!
 - In all our actions we need to think of the collective good of our industry, which may not be the same as maximum benefit of any specific farmer-member
 - Assess the impact of our actions on the whole chicken industry
4. Operational
 - Provide handout sheets based on website information that can be posted for farmer-member use relating to protocol for dealing with animal activists
 - Allow special consideration for Ontario producers shipping to Québec processors under Chicken Farmers of Ontario’s modular loading requirements
 - Provide more specific information on the areas of disease outbreak that are publicized by Chicken Farmers of Ontario to influence farmer-member movement and awareness
5. Competition
 - Encourage Ontario retailers to purchase Ontario chicken from Ontario consumers
 - Monitor but do not get obsessed with Beyond Meet as it may be just a fad
 - Create an allowable 105% production target for farmer-members
 - Consider averaging production over more than one quota period for farmer-members to avoid some penalties
6. Compliance
 - Review and create an allowable 105% production target for farmer-members
 - Consider averaging production over more than one quota period for farmer-members to avoid some penalties
 - Allow Eastern Ontario farmer-members to sell to processor in New Brunswick as well as Québec

7. Reputational

- Respond positively when chicken farmer-members are portrayed in a negative light

Summary of the Workshop

The workshop was a productive event, where the participants were quite engaged. Through their valued input, the participants present took an important step in identifying risks and their potential mitigation. This could help ensure a strong and vibrant future for supply management, the Ontario chicken industry, as well as their local family farms.