

Chicken Farmers of Ontario

Walkerton Regional Risk Workshop

July 24, 2019
Walkerton, Ontario



BRYAN BOYLE & ASSOCIATES
FACILITATING YOUR FUTURE

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Executive Summary

On July 24, interested Chicken Farmers of Ontario farmer-members and CFO staff met at the Best Western Hotel and Conference Centre in Walkerton 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: Operational
- 4th: Strategic
- 5th: Reputational
- 6th: Competition
- 7th: Compliance
- 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 lack of income and profitability, loss of supply management, decrease of consumer confidence and demand, as well as a decline in the entire Ontario chicken industry.

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 very 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
Walkerton Regional Risk Workshop
Best Western Hotel and Conference Centre, Walkerton
July 24, 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.

Throughout this report whenever two or more of the six discussion groups offered the same or very similar comments they are noted with an "x" and the number, i.e. (x3).

Defining Risk

Risk has been defined as:

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

Our Approach

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

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.

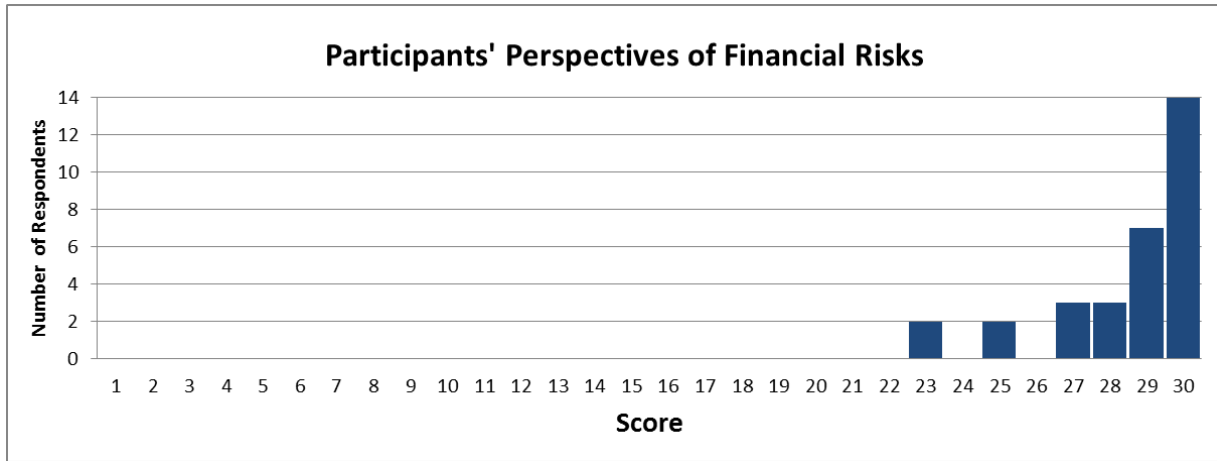
These specific risks were grouped under the various themes and then prioritized. For prioritizing, participants used the following approach and the results are shown in the table below.

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.

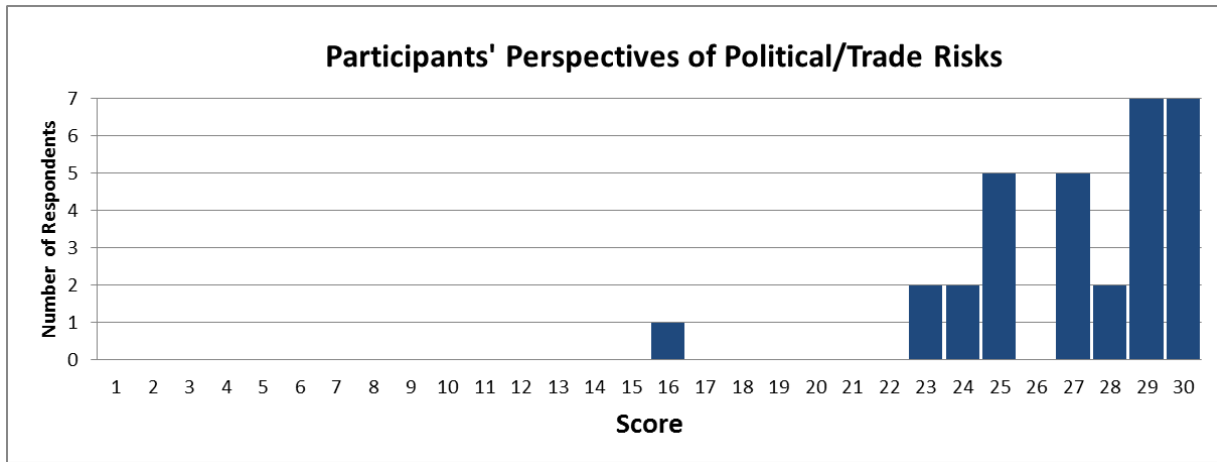
#30 = “Highest Priority for Action”: It is critically important that we move quickly and decisively to address this area of risk to ensure a strong and viable future for supply management, the Ontario chicken industry, and our local family farm.

#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.

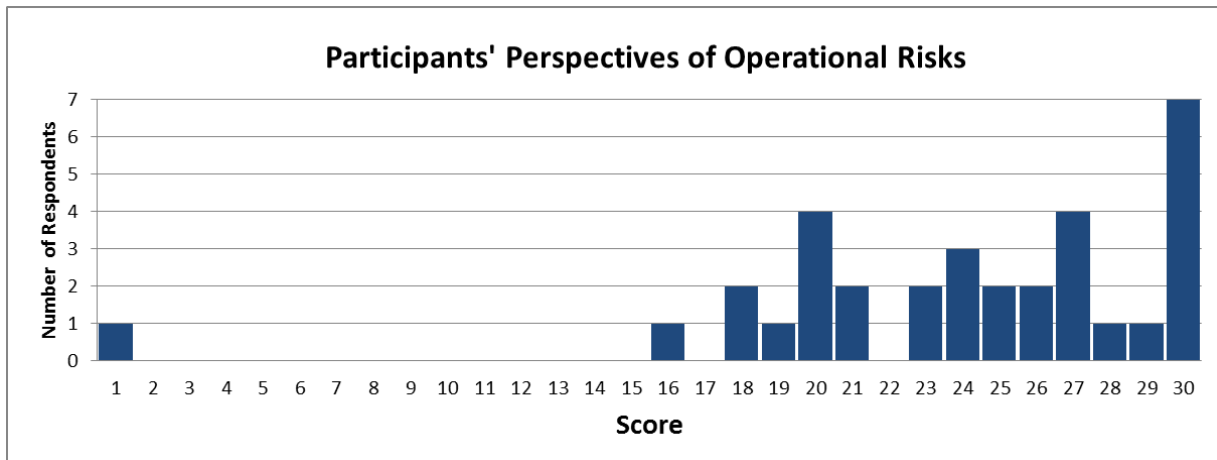
Priority Rank	Areas or Themes of Risk	Average Significance Score (Maximum = 30)
1 st	Financial	28.51
2 nd	Political/Trade	27.06
3 rd	Operational	23.36
4 th	Strategic	21.80
5 th	Reputational	19.83
6 th	Competition	18.80
7 th	Compliance	17.19
8 th	Other	11.79



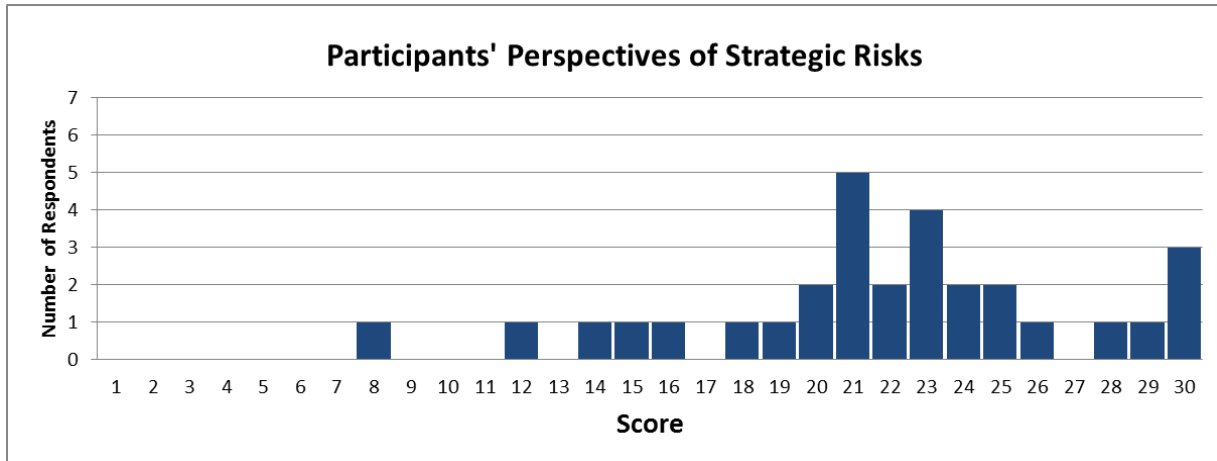
Average = 28.51



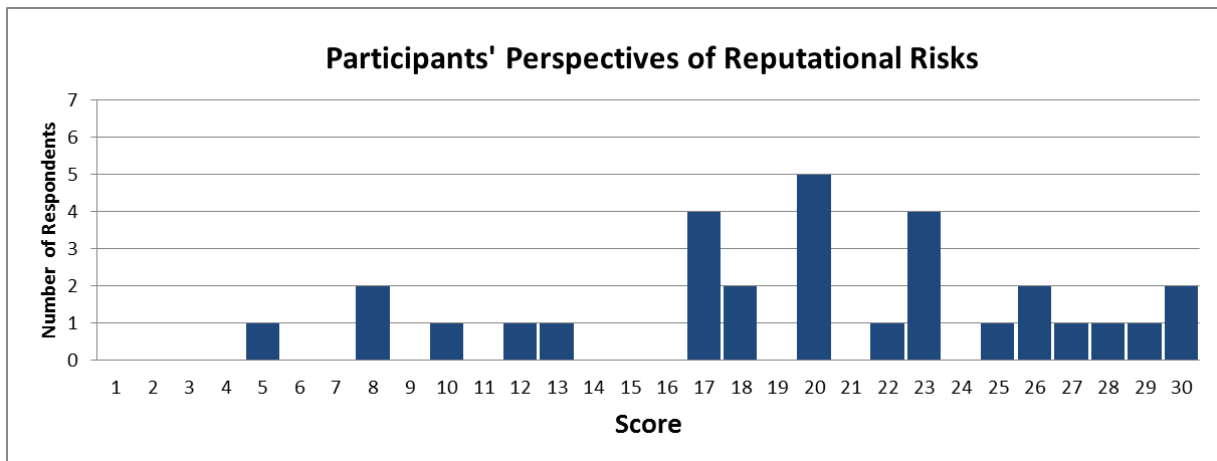
Average = 27.06



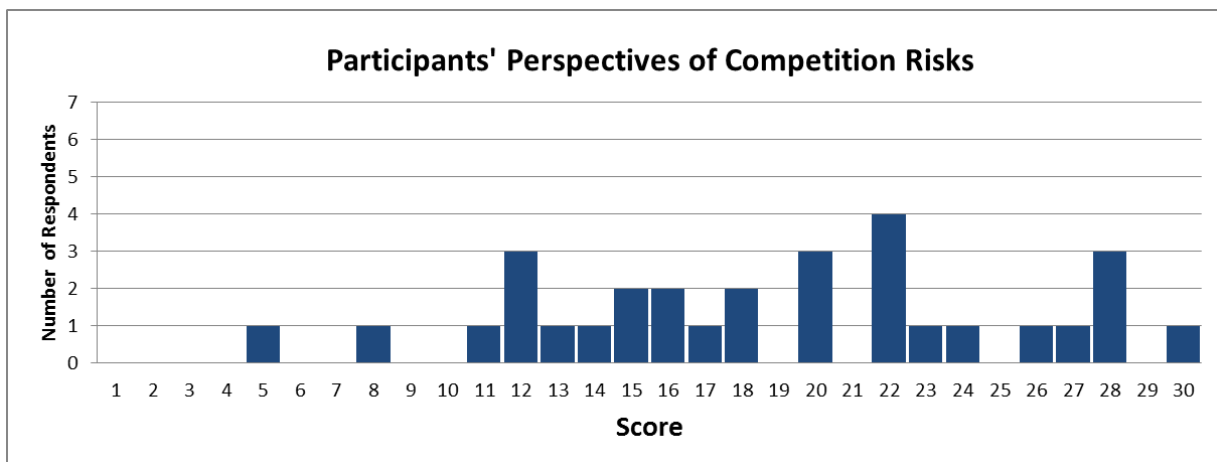
Average = 23.36



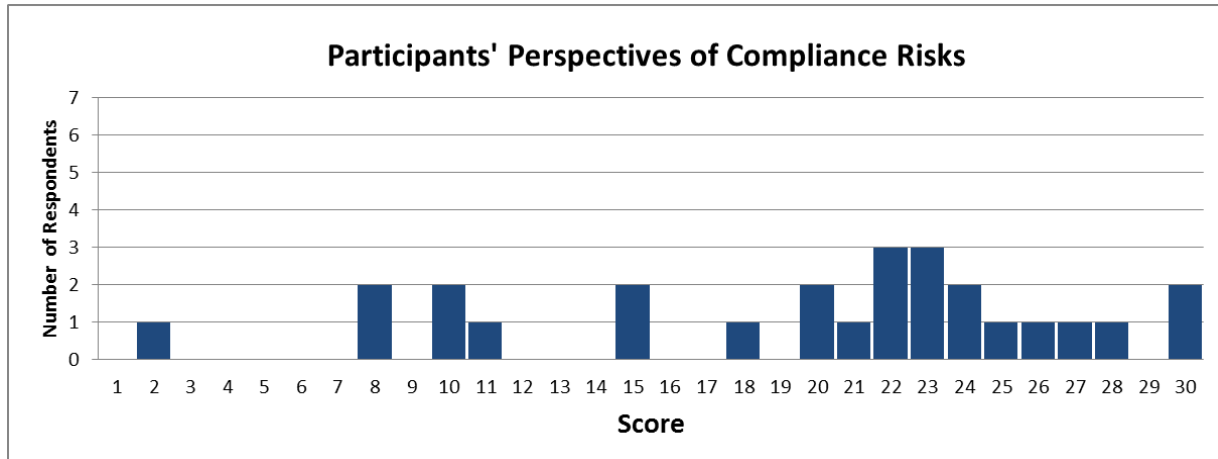
Average = 21.80



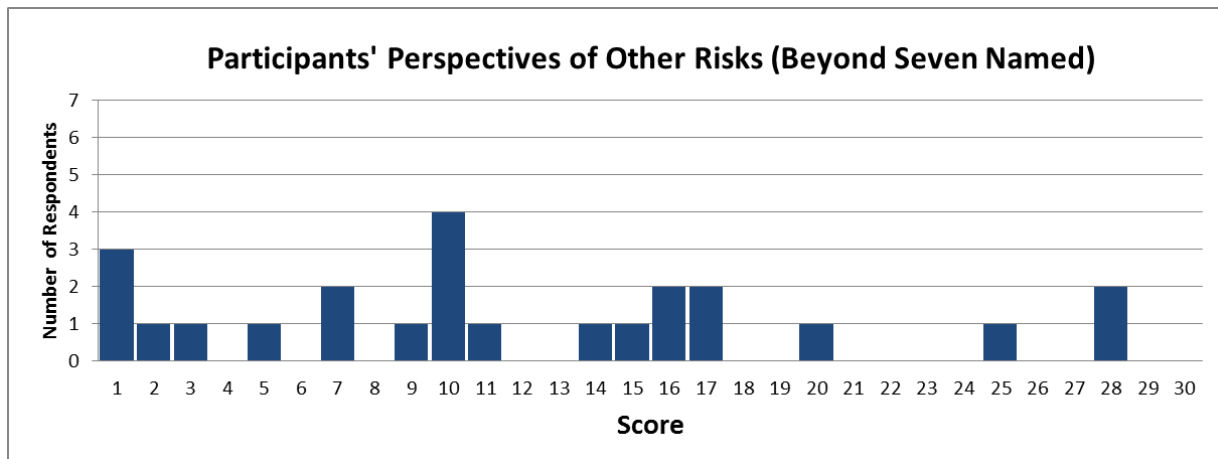
Average = 19.83



Average = 18.80



Average = 17.19



Average = 11.79

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) (x4)
- Quota price or value (x2)
- Profitability measured by earnings before interest, tax, depreciation, and amortization (EBITDA)
- COPF should be retroactive
- No deadline for COPF
- Allocation of growth per capita

2. Political/Trade

- Trade agreements
- Trade talks
- Political policy
- Trade deals' negative effect on farmer-members
- Illegal imports

3. Operational

- Labour quality and shortage (x2)
- Chick quality (x2)
- U.S. chicks and chick supply
- Inconsistent chick supply
- Animal activism
- Trucking
- Openness of information
- Enriched housing to be imposed, e.g. labour and cost
- Disease control
- Antimicrobial reduction

4. Strategic

- Flawed quota transfer system
- Identifying new market areas
- Allocation of growth in quota increases

5. Reputational

- Animal welfare due to reduced antimicrobial use
- Animal activists
- Erosion of customer confidence due to salmonella

6. Competition

- Beyond Meat
- Imports

7. Compliance
 - Evaluation of over/under production
 - Understanding the reality versus theory of third-party audits
 - Challenges for new families to get into the chicken business
8. Other Risks (beyond seven named above)
 - Tight linkages between selling feed, chicks and processing

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?”

- Lack of income and profitability (x2)
- Our supply management system crashes (x2)
- Decline of supply management
- Deterioration of financial viability of the family farm
- Industry stalls
- Industry collapses if there is lack of political support
- Ontario chicken industry will decline
- Consumers decrease or cease consumption of Ontario chicken
- Being non-compliant will lead to loss of consumer confidence
- Non-compliance destroys our system
- Reduction in quality of product and harm to our industry’s reputation
- Decline or loss of our reputation
- No expansion or new entrants
- Farmer-members exit the chicken business
- Disease outbreaks
- Failure to think ahead
- Processed meats from plant sources create a reputational risk to real meat

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

- Make COPF retroactive
- Implement a deadline for COPF
- Implement COPF as soon as possible
- CFO Board should expediate the COPF resolution and strengthen their position to fight on behalf of farmers
- Cap the quota price
- Quota needs more than paper value since it is only good if you sell it
- Allocate quota to cover growth on a per capita basis
- Ensure all quota purchases by way of online quota transfer system, not feed mills, etc.

2. Political/Trade

- Advocate for stronger farmer/politician communication
- Stay positive and informed when dealing with government
- Expand lobbying efforts
- Lobby our politicians about the importance of quota
- Lobby for legal support against animal activists

3. Operational

- Increase quality of chick supply
- Create big data network
- Assist with solutions to corrective action on audits
- Develop University of Guelph Ridgetown co-op programs to reduce labour shortage

4. Strategic

- Professionally promote our quality product
- Encourage farmers to protest against Regulation 402

5. Reputational
 - Reduce anti-microbial use to ensure strong animal welfare
6. Competition
 - Develop a new marketing strategy to compete with Beyond Meat
 - Promote family farms in a similar method to the commercials from Dairy Farmers of Ontario
 - Listen to consumers' wants
7. Compliance
 - Over/under production should be evaluated over more than one flock, e.g. over 1 year on each farm
 - Enhance chick mortality reporting
8. Other Risks (beyond seven named above)
 - Try to maintain some independence and diversity to offset the tight linkages between selling feed, chicks and processing

Summary of the Workshop

The workshop was a productive event, where the participants were very 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.