Farm Products Council of Canada
Conseil des produits agricoles du Canada

Central Experimental Farm
Building 59
960 Carling Avenue
Ottawa, Ontario K1A 0C6

Ferme expérimentale centrale
Édifice 59
960, avenue Carling
Ottawa, Ontario K1A 0C6

Le 18 octobre 2024

Monsieur Tim Klompmaker
Président
Les Producteurs de poulet du Canada
50, rue O'Connor, bureau 1610
Ottawa (Ontario) K1P 6L2

Objet : Modifications proposées du *Règlement canadien sur le contingentement de la commercialisation des poulets,* l'*Ordonnance sur les redevances à payer pour la commercialisation des poulets au Canada* et du *Règlement sur l'octroi de permis visant les poulets du Canada*

Cher Monsieur Klompmaker,

Lors de sa réunion du 18 octobre 2024, le Conseil des produits agricoles du Canada (le Conseil) a examiné les modifications proposées au *Règlement canadien sur le contingentement de la commercialisation des poulets* tel que demandé dans votre lettre datée du 27 septembre 2024, pour la période contingentaire A-193, débutant le 15 décembre 2024 et se terminant le 8 février 2025.

Le Conseil a aussi examiné la modification proposée à l'*Ordonnance sur les redevances à payer pour la commercialisation des poulets au Canada* et le *Règlement sur l'octroi de permis visant les poulets du Canada*, afin d'ajouter la catégorie 'Poitrine désossée avec pilons d'ailes' avec un coefficient de 350%, tel qu'indiqué dans votre lettre datée du 13 septembre 2024.

Après un examen approfondi des justifications fournies par les Producteurs de poulet du Canada (PPC) et suite à des analyses internes, les membres du Conseil ont convenu que les modifications était nécessaire à la mise en œuvre du plan de commercialisation des PPC tel qu'énoncé dans *la Proclamation visant Les Producteurs de poulet du Canada*.

Pour toute question, n'hésitez pas à communiquer avec moi ou avec Lisa Melanson-Daigle, secrétaire du Conseil, par courriel à l'adresse fpcc.secretariat.cpac@fpcc-cpac.gc.ca.

Sincères salutations,

Signature sur la version originale

Brian Douglas
Président

Canada

September 27, 2024

Mr. Brian Douglas
Chairperson
Farm Products Council of Canada
Central Experimental Farm
960 Carling Avenue, Building 59
Ottawa, Ontario
K1A 0C6

Re: Prior Approval for Allocation Period A-193

Dear Mr. Douglas,

The prior approval of the Farm Products Council of Canada is being sought for the allocation for period A-193.

The numbers in kilograms live weight for A-193 are:

1. A total allocation of 282,498,925 kilograms,
2. A domestic allocation of 273,757,154 kilograms,
3. A market development allocation of 6,505,600 kilograms,
4. A specialty allocation of 2,236,171 kilograms.

Period A-193 is the eight-week period beginning on December 15, 2024, and ending on February 8, 2025. In accordance with section 3.05 of the Operating Agreement, the anticipated growth rate for the period was set on August 19, 2024, at 3%.

CFC Directors set the allocation for period A-193 on September 10, 2024, in accordance with section 3.09 of the Operating Agreement. Tables outlining the provincial allocations for this period, in both eviscerated and live weight are attached.

Current market conditions

CFC Directors, industry stakeholders and signatories discussed the market conditions and allocation requests for period A-193 at the CFC Board of Directors meeting on September 10, 2024.

The Market Information Working Group (MIWG) report for period A-193 was circulated to all stakeholders several weeks prior to the September 10 board meeting, and the report, along with the data file used by the MIWG, was also made available on MyCFC.

At the meeting, Directors were presented with the latest market information by CFC staff. Production in the most recent period, A-190, was estimated to be 2.5 Mkg lower than the allocated volume. Production projections based on established allocations for periods A-191 and A-192 indicate that production in the coming months will be below last year, but higher than two years ago.

Combined year to-date imports under the WTO and CUSMA TRQs are below pro-rata due to slow imports under the CUSMA TRQ which are 4.9 Mkg below pro-rata. Imports under the WTO TRQ are 2.4 Mkg below pro-rata, and CPTPP TRQ imports are currently 3.3 Mkg below pro-rata. The consensus is that the full CPTPP TRQ of 23.97 Mkg will be utilized in 2025, but that TRQ utilization in A-193 will likely be below pro rata. Year-to-date imports under the Duties Relief Program (DRP) are above last year by 14% or about 4.4 Mkg, while the Import to Re-Export Program (IREP) is below last year by 6% or 0.7 Mkg. Imports of fowl meat are below last year by 1.5 Mkg. Compared to a year ago, imports of boneless breasts are up by 20%, mostly due to increased imports from Chile under the CPTPP TRQ. Imports of leg quarters are nearly double the same time a year ago, but wing imports are down by 32%.

Storage stocks decreased from 72 Mkg at the beginning of this year to 58 Mkg on August 1st, a decrease of 14 Mkg and are now well below the same time a year ago. Compared to January 1st, inventories in the cut-up and further processed chicken categories are 8 Mkg and 5 Mkg lower, respectively, and both are below last year by about 15%. Stocks of miscellaneous chicken have decreased about 31% compared to a year ago and are at historically normal levels of around 3 Mkg.

Calculated supply and disappearance data show that chicken disappearance is up 5.4% during the most recent twelve-month period. Disappearance in the most recent six months is up by 5.6% and is up by 5.0% in the last three months. This is due to a 3% increase in production over the last 12 months, and a 5% increase in imports.

Retail sales data as reported by Nielsen indicates retail sales volumes of chicken over the past 52 weeks have increased by 3.8%, while beef has declined by 4.2% and pork by 1.7%. Looking at chicken sales broken down by part, only wings are lower than one year ago, while whole chickens, breasts, dark meat, and ground chicken are all up significantly. Food price inflation has meant that dollar sales for all proteins are up compared to a year ago, led by chicken which is up 4.2%. Beef rose 4.1% over this period, but pork is higher by just 0.6%. More recently, dollar sales of chicken have increased by 3.8% over the last 12 weeks. Beef has risen by 5.6% over this same period, while pork has fallen 1.9%. Foodservice spending growth, as tracked by Statistics Canada continues to be robust in the chicken-focused limited-service segment, which has increased sales by 7% compared to 2019.

Canadian wholesale chicken prices are mixed, with legs currently above the five-year range, whole birds near the top of it, but wings near the bottom and breast wholesale prices currently below the five-year range. This indicates that dark meat continues to see strong demand compared to other parts of the bird. This situation has also prompted very strong imports of legs and whole birds this year compared to previous years.

According to the USDA, chicken production in the U.S. is projected to see a 1.1% year-over-year increase in 2024 and a 1.3% increase in 2025. Boneless skinless breast meat prices in the U.S. are strong, above all recent years except the very strong prices seen during 2022. Strong wholesale price levels for breast meat have not encouraged CUSMA TRQ imports to Canada very much above pro rata; year-to-date CUSMA permit issuance for boneless product is about 40% below last year, while bone-in imports are up by about 25%. Wing and leg quarter prices are also strong in the U.S.; wings have been prohibitively expensive for Canadian importers so far in 2024 which has slashed import volumes from the U.S. for this cut by over 75% compared to last year. However, leg quarters and whole birds have seen significantly increased interest. Broiler performance issues, including lower than normal hatchability and higher mortality rates, continue to hamper growth in the U.S. broiler industry.

The USDA projects beef production to decrease by 0.9% in 2024 and by 4.8% in 2025 after decreasing 4.7% in 2023. The projected production level for 2025 is the lowest since 2016.

Pork production in the U.S. is forecast to increase by 2.7% in 2024 and by 1.8% in 2025 after seeing 1.1% growth in 2023. The USDA's projected 2025 pork production would be a record high if realized.

Frozen beef inventories are 1% below 2023, and now 1.6% higher than 2021 but 20% below 2022. Prices are strong and trending higher, not far from record highs. Frozen pork inventories are 4% lower than the same time last year and prices are the lowest they have been at this time of year since at least 2021 and are trending lower. Beef production in Canada is up by 4% year-over-year, while pork production has fallen by 2%.

Corn and soybean prices remain near the bottom of the recent historical ranges as the outlook in North America for supplies, yields, and crop conditions are all very positive; some U.S. states look set to achieve record yields for corn in the current crop. Drought conditions in Western Canada have negatively impacted domestic crops, but this has been partly offset by lower export demand. This, along with higher U.S. corn plantings have increased expectations that production and ending stocks will be strong, reducing expected input costs for poultry in North America.

Provincial and industry requests for A-193

Provincial allocation requests for period A-193 ranged from base to 2% above base. Directors discussed favourable market conditions including declining beef supplies, good growth in domestic disappearance, strong dark meat and whole bird wholesale prices, population growth, continued low feed grain costs, a sustained downward trend in storage stocks, as well as projected GDP growth. On the negative side, directors considered food and housing cost inflation that is still causing consumers to spend cautiously, a typical seasonal decline in demand during the part of the year covered by A-193, and expectations of strong TRQ volumes later in 2024 which may increase storage stocks levels.

Restaurants Canada's member survey results indicated a weighted average requirement for the industry at 2.2% above base, based on expectations of population growth and increasing chicken requirements by foodservice operators. Restaurants Canada's members continue to see an increase in chicken menu items with growth concentrated in the limited service restaurant segment. Membership reported continued resilience in traffic levels, and an increase in chicken menu items, especially in the limited service category.

CPEP's further processing sector (FPPAC) recommended an allocation of 0% or base. In its recommendation, FPPAC outlined its expectation that population growth will continue to drive increases in chicken consumption, and that while changes to federal immigration policies will see growth retreat from recent highs it will still be at 2% during A-193. FPPAC's memo also referred to oversupply conditions present in the comparable previous year period, and the seasonally lower demand typical of this time of year, both of which warranted a cautious approach.

CPEP's chicken primary processing sector submitted separate recommendations for Western and

Eastern Canada for A-193. Concerns about the impacts of an increased live price differential on chicken demand in B.C. prompted CPEP West to submit a recommendation of 4% below base for Western Canada, and a B.C.-specific request of 7% below base. CPEP East discussed the impact of low wholesale prices on processor margins, slowing population growth, and cost-of-living challenges facing Canadian consumers. With these factors considered, CPEP East recommended an allocation for Eastern Canada of 1% below base, and a Nova Scotia-specific request of 4% below base. Partly in response to these separate regional requests, several provincial directors underscored the importance of and commitment of the board to arriving at a single national allocation figure.

After thorough discussions, Directors voted to set the national allocation at 1% above base for period A-193.

CFC wishes to emphasize that the Directors' decision was made with due regard to the interests of producers and consumers of chicken, to promote a strong, efficient, and competitive industry, in accordance with s. 21 of the Farm Products Agencies Act. The decision was made in accordance with the process set out in the Operating Agreement. All stakeholders' perspectives and arguments were heard and considered in making that decision, and a compromise was reached that promotes the industry's national interest.

Conclusion

The total provincial market requirements for period A-193 are 208,305,143 kilograms eviscerated weight. This total allocation consists of a domestic allocation of 201,856,839 kilograms eviscerated weight, a market development allocation of 4,799,877 kilograms eviscerated weight, and a specialty allocation of 1,648,427 kilograms eviscerated weight. The total domestic allocation is 1.0% higher than the total domestic production during the corresponding weeks last year, 3.4% higher than domestic production in the same weeks two years ago, and 4.6% higher than in the equivalent weeks three years ago.

CFC seeks Council's approval for a total allocation for period A-193 of 282,498,925 kg live weight.

Sincerely,

Michael Laliberté,
Chief Executive Officer
Encl.

c.c CFC Directors

1610 – 50 RUE O'CONNOR STREET, OTTAWA, ON K1P 6L2
CHICKEN.CA | CHICKENFARMERS.CA | POULET.CA | PRODUCTEURSDEPOULET.CA

Period A-193 Allocations (December 15, 2024 - February 8, 2025)
Allocations pour la période A-193 (15 décembre 2024 - 8 février 2025)

Eviscerated weight / Poids éviscéré

	Domestic Allocation Allocation domestique	Market Development Allocation Allocation à l'expansion du marché	Specialty Allocation Allocation de spécialité	Total Allocation Allocation totale
BC / C.-B.	27,629,206	220,941	917,415	28,767,562
AB	20,599,687	110,655	0	20,710,342
SK	6,745,628	0	0	6,745,628
MB	7,606,459	275,625	0	7,882,084
ON	70,726,117	2,093,917	731,012	73,551,046
QC	52,929,930	2,098,739	0	55,028,669
NB / N.-B.	5,411,187	0	0	5,411,187
NS / N.-É.	6,781,380	0	0	6,781,380
PEI / Î.-P.-É.	775,807	0	0	775,807
NL / T.-N.-L.	2,651,438	0	0	2,651,438
CANADA	**201,856,839**	**4,799,877**	**1,648,427**	**208,305,143**

Live weight / Poids vivant

	Domestic Allocation Allocation domestique	Market Development Allocation Allocation à l'expansion du marché	Specialty Allocation Allocation de spécialité	Total Allocation Allocation totale
BC / C.-B.	37,590,756	300,600	1,248,183	39,139,539
AB	27,924,206	150,000	0	28,074,206
SK	9,177,725	0	0	9,177,725
MB	10,348,924	375,000	0	10,723,924
ON	95,588,751	2,830,000	987,988	99,406,739
QC	71,876,602	2,850,000	0	74,726,602
NB / N.-B.	7,362,159	0	0	7,362,159
NS / N.-É.	9,225,112	0	0	9,225,112
PEI / Î.-P.-É.	1,055,520	0	0	1,055,520
NL / T.-N.-L.	3,607,399	0	0	3,607,399
CANADA	**273,757,154**	**6,505,600**	**2,236,171**	**282,498,925**

September 10, 2024 / 10 septembre 2024

September 13, 2024

Mr. Brian Douglas
Chairperson and Deputy Head
Farm Products Council of Canada
960 Carling Ave, Building 59, CEF, Room 205
Ottawa, Ontario K1A 0C6

RE: Order amending the *Canadian Chicken Marketing Levies Order* and Regulations amending the *Canadian Chicken Licensing Regulations*

Dear Brian,

On September 10, the CFC Board of Directors approved amendments to the *Canadian Chicken Marketing Levies Order* (Levies Order) and the *Canadian Chicken Licensing Regulations* (Licensing Regulations) to add an additional product category: 'Boneless breast with drumette' with a coefficient of 350%.

On that basis, please find attached the amendments to the *Canadian Chicken Marketing Levies Order* and the *Canadian Chicken Licensing Regulations*, as well as the memorandum presented to the CFC Board in both official languages.

Since the Licensing Regulations only require post-approval, we kindly ask that Council submit the amendments to the Licensing Regulations to Justice Canada for blue-stamping so that CFC can enact the changes requested.

CFC is also requesting prior-approval from FPCC regarding the amendments to the *Canadian Chicken Marketing Levies Order*.

If you require any additional information, please do not hesitate to contact me at 613-566-5907.

Sincerely,

Lori Piché

Lori Piché
Director of Finance

C.C. Michael Laliberté, Chief Executive Officer
Maria Baisas, Financial Compliance Analyst

Enclosures