



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 12 décembre 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*

Cher Monsieur Klompmaker,

J'aimerais vous remercier, vous, les membres du comité exécutif et le personnel des Producteurs de poulet du Canada (PPC), pour l'excellente présentation au Conseil le 12 décembre 2024 sur les défis et les possibilités du secteur du poulet.

Comme vous le savez, le Conseil s'est réuni le 11 et 12 décembre 2024 pour examiner les modifications proposées au *Règlement canadien sur le contingentement de la commercialisation des poulets* tel que demandé dans votre lettre datée du 19 novembre 2024, pour la période contingente A-194, débutant le 9 février 2025 et se terminant le 5 avril 2025.

Après un examen approfondi de la justification fournie par les PPC et suite à une analyse interne, les membres du Conseil ont convenu que les modifications étaient nécessaires à la mise en œuvre du plan de commercialisation des PPC.

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



November 19, 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-194

Dear Mr. Douglas,

The prior approval of the Farm Products Council of Canada is being sought for the allocation for period A-194.

The numbers in kilograms live weight for A-194 are:

1. A total allocation of 296,004,987 kilograms,
2. A domestic allocation of 286,748,678 kilograms,
3. A market development allocation of 7,056,685 kilograms,
4. A specialty allocation of 2,199,624 kilograms.

Period A-194 is the eight-week period beginning on February 9, 2025, and ending on April 5, 2025. In accordance with section 3.05 of the Operating Agreement, the anticipated growth rate for the period was set on September 10, 2024, at 3%.

CFC Directors set the allocation for period A-194 on November 6, 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-194 at the CFC Board of Directors meeting on November 6, 2024.

The Market Information Working Group (MIWG) report for period A-194 was circulated to all stakeholders several weeks prior to the November 6 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-191, was estimated to be 0.2 Mkg lower than the allocated volume. Production projections based on established allocations for periods A-192 and A-193 indicate that production in the coming months will be below last year.

Combined year to-date imports under the WTO and CUSMA TRQs are below pro-rata, mostly due to



slow utilization of CPTPP and WTO TRQ, which are below pro-rata by 4.0 Mkg and 2.6 Mkg, respectively. CUSMA TRQ utilization has been strong over the past two months and is now just 0.3 Mkg below pro rata. For 2025, the consensus view is that available TRQs will be fully utilized, however most directors assumed that A-194 would see below pro-rata imports given that this is typically seen in the early part of the year.

Year-to-date imports under the Duties Relief Program (DRP) are 15% above the same time last year, while the Import to Re-Export Program is 1% or 0.2 Mkg above the same time a year ago. Imports of fowl meat are below last year by 2.5 Mkg or 3.8%. Chicken boneless breast meat imports are 5.3 Mkg or 24% above the same time last year mostly due to higher imports from Chile under the CPTPP TRQ. Bone-in leg imports are 8.3 Mkg or 110% higher than the same time a year ago, but wing imports have declined by 4.8 Mkg or 30%.

Storage stocks have fallen from 72 Mkg at the start of 2024 to 61 Mkg on October 1st, a decline of 11 Mkg, and are significantly lower than the same time in 2023. Compared to January 1st, inventories in the cut-up and further processed chicken categories were 6.6 Mkg and 4.1 Mkg lower as of October 1st, respectively. Total cut-up storage stocks are 16% lower than a year ago, and further processed inventories are 8% lower. Stocks of miscellaneous chicken items are down 4% from last year and are at historically normal levels around 3 Mkg.

Calculated supply and disappearance data show that chicken disappearance is up 5.2% during the most recent twelve-month period. Disappearance in the most recent six months is also up by 5.2% and by 3.7% in the last three months. This is due to a 2% increase in production over the last 12 months, and a 13% increase in imports. Additionally, 8 Mkg were removed from cold storage over the last year.

According to Nielsen retail sales data, the volume of chicken sold at retail in Canada has increased by 3.7% over the past 52 weeks. During this same period, beef sales volume declined by 4.1% and pork by 2.4%. Dollar sales of chicken have risen 3.9% over the last 52 weeks, while beef is up 4.8% and pork is down 0.2%. By part, chicken kg sales volumes have increased for all items except wings, which fell by just 0.1% over the last 52 weeks. Wings were the only part to see a dollar sales decline compared to last year, falling 3.8%. Dark meat retail dollar sales rose 4.8% over this same period. Over the last 26 weeks, dollar sales of chicken have increased 4.3%, and by 3.8% over the last 12 weeks. Foodservice dollar sales in the chicken-focused limited-service segment continues to show strong growth, up by 7% compared to 2019 after adjusting for inflation.

Canadian wholesale chicken prices are strong overall compared to historical averages, except for wings. The market composite is above the five-year average, as are the complexes for legs and whole chickens. The breast complex is near the top of the five-year range, but wings are much closer to the bottom of it. These wholesale price levels indicate that demand for chicken meat is in general very strong.

According to the USDA, chicken production in the U.S. is projected to see a 1.5% year-over-year increase in 2024 and a 1.6% increase in 2025. Boneless skinless breast meat prices in the U.S. remain strong, currently above all recent years except 2021. Recent increases in domestic boneless skinless breast prices have encouraged strong utilization of CUSMA TRQ, much of which has been for boneless product, bringing YTD utilization nearly back to pro rata. U.S. wing prices have remained



strong relative to domestic prices, which has discouraged imports so far this year; to the end of September, imports of wings from the U.S. are below 2023 by 75% or 3.6 Mkg. Over this same time, imports of bone-in legs have more than doubled, and whole bird imports have increased tenfold (although whole birds account for a small percentage of total imports).

U.S. beef production is forecast by the USDA to increase by just 0.1% in 2024 year-over-year and decline by 4.0% in 2025. U.S. pork production is forecast to increase by 2.4% in 2024, and by 2.0% in 2025. Frozen beef inventories in the U.S. are 2% below the same time last year; pork inventories are flat over this same time. Cutout prices for both beef and pork are at record levels for this time of year, with beef just a little below its record high. In Canada, beef production is down 4% from the same time a year ago, while pork production is down by 3% from last year.

Corn and soybean prices are both at the lowest point they have been at this time of year in any year since at least 2020. The North American harvests for both these crops are characterized as good, with the U.S. poised to see the second largest ever soybean harvest and record high yields for corn. Dry conditions in Canada and the Western U.S. in the final months before harvest negatively impacted crop quality, but overall supplies are strong and export demand is lower than previous years, keeping prices for feed inputs relatively low.

Provincial and industry requests for A-194

Provincial allocation requests for A-194 ranged from 0.5% below base to 2.5% above base. BC, Alberta and Saskatchewan all requested allocations at 2% above base, while Manitoba requested allocation be set at 2.5% above base. Ontario and Quebec requested allocations at 0.5% and 1.0% above base respectively. The Atlantic provinces requested that allocation be set at 0.5% below base.

Directors discussed the ongoing opportunity to capture market share provided by reductions in beef supplies and growth in the Canadian population. The Canadian government's recently announced plans to reduce immigration targets over the next three years was also discussed and although 2025's population may contract compared to 2024 by the year's end, it was assumed that current growth trends would persist into the A-194 period. Directors also discussed the strength of wholesale chicken prices, low feed grain costs, and storage stocks which have declined significantly compared to the same time last year. TRQ imports during A-194 were expected to be below pro rata, in keeping with typical seasonal trends. Directors also considered other economic indicators such as 2025 projected GDP growth and CPI growth that suggest a stronger economy and a slowdown in price increases compared to 2024.

Restaurants Canada stated that its member survey results indicated a 0.03% decrease versus the adjusted base allocation was appropriate for A-194. However, it also stated that the number of chicken menu items continues to increase, and that growth in the limited-service segment, which tends to offer more chicken items than other foodservice segments, remains strong. They noted that population growth is the key factor driving demand growth for chicken.

CPEP's primary processing sector discussed challenges facing the Canadian economy including slowing growth, lower population increases, and constraints on household spending related to interest rates and housing inflation, as well as rising unemployment. Taken together, CPEP suggested that per



capita consumer spending is declining and that an allocation of 2.3% below base on a national basis would be appropriate.

CPEP's further processing sector (FPPAC) recommended an allocation of 2.0% above the adjusted base, citing expected population increases and good demand for chicken. FPPAC also suggested that CPTPP utilization will be below the full available amount once more in 2025, and that domestic supplies in 2024 were bolstered by continued reductions in storage stocks. Since this will not be possible in 2025, more domestic production will be needed to keep supplies at the same level.

Directors discussed the varying provincial and industry perspectives on the appropriate allocation and the significance of various economic indicators in light of both the CFC staff presentation and individual directors' presentations. This included debating the impact of inflation, TRQ utilization, projected population growth and the health of Canada's economy and its impact on chicken consumption. In particular, in its May 16, 2024 letter approving allocation for the A-190 period, Council emphasized the need to carefully consider TRQ utilization and its impact on quota allocation. This issue was specifically addressed by Directors in the course of their discussions. When allocation was set for period A-193 in September, 6.6 Mkg of CPTPP TRQ had been returned to Global Affairs Canada and made available for reallocation but at that time it was not clear how much would remain unallocated for 2024. During the discussions, it became apparent that CPTPP TRQ is unlikely to be fully utilized by the end of 2024, which suggests there will be less breast meat added to frozen inventory and thus a need for greater supply early in 2025. This discussion reflected a collective effort by Directors to understand and bridge the many different perspectives around the table. After thorough discussion, Directors voted to set the national allocation at 1.5% above the adjusted base for period A-194.

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 had the opportunity to put forward their perspectives and arguments, and a compromise was reached that promotes the industry's national interest.

Conclusion

The total provincial market requirements for period A-194 are 218,370,737 kilograms eviscerated weight. This total allocation consists of a domestic allocation of 211,543,420 kilograms eviscerated weight, a market development allocation of 5,205,787 kilograms eviscerated weight, and a specialty allocation of 1,621,530 kilograms eviscerated weight. The total domestic allocation is 3.5% higher than the total domestic production during the corresponding weeks last year, 5.6% higher than domestic production in the same weeks two years ago, and 6.1% higher than in the equivalent weeks three years ago.

CFC seeks Council's approval for a total allocation for period A-194 of 296,004,987 kg live weight.



Sincerely,

Michael Laliberté
Chief Executive Officer
Encl.

c.c CFC Directors



Period A-194 Allocations (February 9, 2025 - April 5, 2025)
Allocations pour la période A-194 (9 février 2025 - 5 avril 2025)

Eviscerated weight / Poids éviscéré

	Domestic Allocation	Market Development Allocation	Specialty Allocation	Total Allocation
	Allocation domestique	Allocation à l'expansion du marché	Allocation de spécialité	Allocation totale
BC / C.-B.	28,817,029	182,721	937,308	29,937,058
AB	21,517,359	110,340	0	21,627,699
SK	7,015,841	441,000	0	7,456,841
MB	8,125,368	257,250	0	8,382,618
ON	73,861,125	2,094,766	684,222	76,640,113
QC	55,902,423	2,119,710	0	58,022,133
NB / N.-B.	5,659,370	0	0	5,659,370
NS / N.-É.	7,091,011	0	0	7,091,011
PEI / Î.-P.-É.	781,101	0	0	781,101
NL / T.-N.-L.	2,772,793	0	0	2,772,793
CANADA	211,543,420	5,205,787	1,621,530	218,370,737

Live weight / Poids vivant

	Domestic Allocation	Market Development Allocation	Specialty Allocation	Total Allocation
	Allocation domestique	Allocation à l'expansion du marché	Allocation de spécialité	Allocation totale
BC / C.-B.	39,206,842	248,600	1,275,249	40,730,691
AB	29,251,440	150,000	0	29,401,440
SK	9,545,362	600,000	0	10,145,362
MB	11,054,922	350,000	0	11,404,922
ON	99,785,362	2,830,000	924,375	103,539,737
QC	75,902,815	2,878,085	0	78,780,900
NB / N.-B.	7,585,270	0	0	7,585,270
NS / N.-É.	9,585,038	0	0	9,585,038
PEI / Î.-P.-É.	1,059,120	0	0	1,059,120
NL / T.-N.-L.	3,772,507	0	0	3,772,507
CANADA	286,748,678	7,056,685	2,199,624	296,004,987