

October 7, 2022

The Registrar
Farm Products Council of Canada
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Madam Registrar:

**RE: 09-22-22 Complaint by Canadian Poultry and Egg Processors Council (CPEPC)
regarding Turkey Farmers of Canada 09-25-22 quota allocation decision for the 2022-
23 Control Period**

This is the Agency's Complaint Response under section 12 of FPCC Complaint By-Law, as amended February 10, 2021, and is further to the Registrar's First Notice direction of September 23, 2022, that the Agency deliver its Complaint Response by 4:00 pm on October 7, 2022.

I will be the Agency's contact regarding the CPEPC Complaint, with Phil Boyd, Agency's Executive Director.

The Agency's Response Position

CPEPC's Complaint states that its members "are turkey primary processors who collectively process more than 95% of the turkeys produced in Canada." The Agency does not dispute the fact that the CPEPC turkey members, primary and integrated, control most of the turkey supply in Canada. What the Complaint fails to consider is that the Agency's responsibility and objects are to consider the interests of other stakeholders in the supply chain which include producers, consumers, foodservice, hotel and institutional establishments, distributors, and independent further processors.

After the Agency allocation decision on August 25, 2022, the Agency and FPCC representatives attended the September 28, 2022, Further Poultry Processors Association of Canada (FPPAC) 2022 fall Meeting. At that meeting, FPPAC members who depend on, and require, an adequate supply of turkey primarily from CPEPC members, provided a perspective of the current turkey market and prospectively into 2023 that affirms the Agency's commercial allocation decision of 146 Mkg was correct.

The Agency asks FPCC to summarily dismiss CPEPC's Complaint, and that the Quota Regulation amendment be approved by the FPCC expeditiously.

However, if the Complaint process continues, the Agency joins CPEPC in requesting an expedited Complaint hearing process and, the Agency submits the Quota Regulation amendment should still receive prior approval, so the complete interlocking Federal-Provincial regulatory regime ensures continued orderly marketing of turkey in Canada.

This Complaint Response will summarize the CPEPC Complaint, outline six (6) milestones of the Agency's allocation processes for the 2022-23 Control Period, and outline the Agency's response to the CPEPC Complaint issues.

CPEPC Complaint Issues

The essence of the CPEPC Complaint relates to the 3 million kilogram ("Mkg") increase in the Commercial allocation component of the global quota allocation from the previous 143 Mkg to 147 Mkg approved at the August 25, 2022 meeting.

In that context, CPEPC complains that the Agency failed to:

- be satisfied that the market for turkey meat had significantly changed,
- accept and be guided by the June 2022 Turkey Market Advisory Committee ("TMAC") Report,
- carefully and meaningfully consider market conditions and forecasts.

The 2022-23 Control Period

The Agency's allocation process for 2022-23 is unique in the Agency's recent history dating to around 2006, due to the absence of a commercial allocation policy, but not unique in the market analysis rigour conducted by the Agency.

The process commenced in 2021 and continued during 2022, including until the Agency's meeting of August 25, 2022, and continuing through follow-up Agency meetings in September 2022.

The impugned allocation decision was made at the Agency's August 25th meeting, where the Agency Directors approved a commercial quota allocation of 146 Mkg of turkey meat for the 2022-23 Control Period, as part of the global allocation.

The Agency's global quota allocation comprises four (4) components: the commercial allocation, the conditional primary breeder, multiplier breeder, and the export allocations.

The CPEPC Complaint focuses on the 146 Mkg commercial allocation component of the 2022-23 global quota.

1. The Agency's 268th Meeting November 24-25, 2021

The TMAC is a committee of the Agency established with a mandate to:

- assess market information and identify opportunities and risks important to the determination of the national quota for the whole bird and further processing segments of the market.
- provide advice to the Agency with respect to the annual national production volume for the whole bird and further processing segments of the market for turkey.

TMAC conducts research and analysis of market data to inform its reporting, forecasting and recommendations to the Agency Directors. TMAC's membership includes processor member representation, producer membership representation, Agency staff and an external agri-economic advisor. TMAC meets quarterly and at the direction of the Agency Directors to maintain an ongoing assessment of the market.

At that 268th meeting, the Agency Directors considered a report from TMAC containing forecasted commercial allocation needs of 144.8 Mkg.

The TMAC report forecasted 2022/23 closing whole bird stocks of 8.5 Mkg, representing a 14.8% stock to use ratio¹ and closing breast meat stocks were forecast at 1.5 Mkg, representing a 5.2% stock to use ratio.

The decision-making authority and accountability for establishing a national quota allocation remains with the Agency under its regulatory mandate in the *Proclamation*, and that fact is reflected in the TMAC terms of reference.

The Agency Directors determined the appropriate global quota for 2022-23 at 176,696,089 kilograms comprised of (in approximate numbers):

Commercial	- 143 Mkg
Primary Breeder	- 2.09 Mkg
Multiplier Breeder	- 2.84 Mkg
Export	- 28.7 Mkg

The global commercial quota component approved by the Agency Directors was approximately 2.0 Mkg lower than the TMAC forecast.

2. The Agency's 269th Meeting March 22-23, 2022

At the 269th meeting, TMAC provided its February 2022 forecast report that there was no change to 2022/23 total commercial allocation of 143 Mkg established by Agency Directors and that any adjustments to be made would be assessed after May 1st inventories. TMAC noted the market environment for 2022-23 was uncertain due to the conflict in Ukraine, grain markets, inflation, interest rates and competing meat protein pricing. TMAC had made a minor modification (lower) to breast meat production and (lower) disappearance for the remainder of 2021-22, and higher whole bird production and higher ending stocks for WB and breast meat.

TMAC reported they would be able to better assess the market after the May 1st availability of supply and disappearance data, however they believed the market was likely not far off from 143 Mkg.

In addition, at that meeting, the Agency discussed retaining an independent third party to study and recommend an appropriate stock-to-use ratio for frozen breast meat using historic wholesale pricing, import data and stock to use ratios supplemented with qualitative data from industry participants. CPEPC representatives were a dissenting voice at that meeting.

On September 15, 2022, at the Agency's 271st meeting, the Agency Directors subsequently gave direction to issue a request for proposals ("RFP") for that third party study.

That proposal for a third party to undertake a breast meat stock to use ratio analysis was proposed to address one of the three recommendations that FPCC had made in the November 23, 2021, Complaint Committee Report into the CPEPC Complaint. Those recommendations were that:

¹ Stock to use ratio – the level of carryover stock of turkey meat as a percentage of the total use of turkey. The ratio is used as a predictor of future price movements and to forecast future inventory (supply) and use (demand).

- the Agency and CPEPC continue working cooperatively to determine an appropriate target for breast meat and metrics to measure and forecast consumption and market growth.
- the Agency and CPEPC explore options to better assess how increases in turkey live price is transmitted to wholesale and retail prices and the corresponding impact on consumption.
- the Agency inform provincial commodity boards that production increases cannot be allotted to producers until the regulatory process is completed.

3. The Agency's 270th Meeting June 22-23, 2022

In its June 6, 2022 report, TMAC forecasted supply and dispositions based on a total commercial allocation requirement of 143 Mkg, reflecting that component of the global allocation approved by the Agency in November 2021.

The TMAC report forecast 2022-23 closing whole bird stocks of 8.8 Mkg, representing 15.6% stock to use ratio and closing breast meat stocks were forecast at 1.0 Mkg, representing a 3.3% stock to use ratio.

The TMAC Report cited both positive market indicators and market concerns:

Positive market indicators including:

- full employment impacting available disposable income
- shift in spending to lower priced products
- less featuring of beef
- Food service and Hotel recovery
- continued demographic shift to further processing at festive and non festive times
- increased demand for breast meat products
- if turkey is not available it will not be featured
- low forecast ending stocks for 2022/23
- to date cost increases being passed through
- low import volumes for the remainder of 2022

Market concerns of:

- potential further feed price increases (for all commodities) potentially leading to decreased meat demand and imports potentially being higher January to April 2023

At that 270th meeting, the Agency Directors discussed the market situation and specifically potential for shortage in breast meat. Some in the processing sector reported an inability to source breast meat.

The Agency Directors' discussions and considerations included the market implications of avian influenza ("AI") and its implications on supply of turkey meat.

While no final quota allocation decision was made at the meeting, the Agency Directors considered commercial allocation increases from 143Mkg to 145 Mkg, 146 Mkg and 147 Mkg to ensure sufficient breast meat supply to satisfy market demand.

4. Mid-Summer 2022 Meetings

The Agency continued to work throughout the summer to find a resolution to the absence of a prior approved Quota Regulation, which included developing a process to consider the Proclamation criteria carefully and meaningfully, specifically with respect to the distribution of allocation to the provinces, as directed by the June 29th FPCC Complaint Committee Report.

The mid-summer meetings of producer members were not decision-making meetings to finalize either the global allocation or the distribution among provinces.

Any reports or recommendations from those meetings flowed to the Agency Directors' meeting of August 25th for consideration and decision-making.

The Agency kept the processor members up to date with a report from the Chair and staff via an August 15th Zoom meeting.

5. The Agency's Meeting of August 25, 2022

The Agency Directors met by videoconference on August 25, 2022, to discuss the 2022-23 quota allocation. That discussion was made up of two distinct components:

- i) Consideration of the Proclamation criteria and distribution option of the commercial allocation; and,
- ii) Consideration of the breast meat supply situation.

To further one of the June 2022 Complaint Report recommendations, FPCC Council members and staff attended the relevant discussions relating to the proposed 2022-23 quota allocation.

At that meeting there was a Tukey Market Review ("TMR") presented that informed the Agency Directors of:

- Import utilizations and patterns year-to-date
- TMAC forecasts based on May 1st inventories
- Control Period to-date production

The discussion among Agency Directors at the August 25th meeting extended the continuing discussion about market conditions, forecasts, the global allocation, and distribution among provinces that had been ongoing from the 268th, 269th and 270th Agency meetings, each of which were attended by FPCC representatives.

The meeting material circulated on August 18, 2022, for the August 25th Agency meeting included a memo titled "Conditional Over 9 kg Eviscerated Allocation Proposal", to inform the Agency directors discussions about the adequacy of current and coming breast meat supply, and provincial and processor imbalances in breast meat supply.

At the August 25th meeting, CPEPC spoke against the proposed increase in the commercial allocation to 146 Mkg, but between the circulation of the meeting material on August 18th, through the August 25th meeting to the Agency's September 15th meeting which approved the Quota Regulation submission, CPEPC did not present any quantitative analysis or rationale, or data supporting its opposition to the increase above 143 Mkg.

Other TFC Directors noted concerns with the breast meat ending stock to use ratio, potential for higher food service sales, and reduced import availability, matters all previously discussed at the TFC 270th meeting in June.

6. The Agency's 271st Meeting of September 15, 2022

To further one of the June 2022 FPCC Complaint Report recommendations, FPCC staff attended the September 15th meeting and the Agency discussions regarding the 2022-23 Quota Regulation submission.

To further address one of the November 2021 FPCC Complaint Report recommendations, the Agency approved issuing an RFP from an independent third party to develop an analysis of an appropriate stock to use ratio for turkey breast meat to inform and assist the Agency with measuring and forecasting consumption and market growth in turkey meat.

At the meeting, CPEPC did not present any quantitative analysis, data or rationale to inform the Agency why the 146 Mkg commercial allocation was incorrect.

The Agency Response to the Specifics of the CPEPC Complaint

A. The Agency is Satisfied the Market for Turkey has Changed Significantly

- Based on the Agency's analysis of the market, supported by elements of the turkey processing sector that voted in favour of the 146 Mkg commercial allocation, it is satisfied the market has changed significantly.

B. The Agency's Allocation Decision Making Can be Guided But Not Fettered by TMAC

- While the Agency decision to increase the commercial allocation from 143 Mkg to 146 Mkg was a larger increase than the estimate in the June TMAC report, the Agency's decision making can be informed by, but not fettered by the TMAC reporting, estimates and recommendations.

C. The Agency Has Considered Market Conditions and Forecasts Carefully and Meaningfully

- The Agency considered the:
 - The November, March and June TMAC Reports
 - The August Turkey Market Review report
 - Wholesale pricing data
 - Requests from provincial commodity boards and FPPAC to increase the commercial allocation

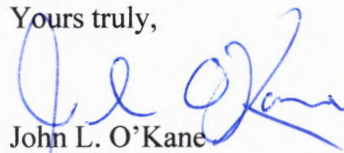
Preliminary List of Response Documents

The Agency reserves its rights to rely on the documents referred to in the CPEPC Complaint, or filed subsequently by CPEPC, or filed by any Intervenor(s).

The following list of Response documents is preliminary, due to the expedited nature of processing the CPEPC Complaint and the abridgement of times set out in FPCC's Complaint By-Law and the Agency reserves its rights to submit and rely on additional documents, as such documents become available.

- 268th Meeting Kit excerpts
- 268th Meeting Minutes
- November 2021 FPCC Complaint Report
- 269th Meeting Kit excerpts
- 269th Meeting Minutes
- 270th Meeting Kit excerpts
- 270th Meeting Minutes
- June 2022 FPCC Complaint Report
- August 25, 2022 Meeting Kit
- August 25, 2022 Meeting Minutes
- 271st Meeting Minutes (draft)
- September 2022 QR Submission
- FPPAC Letter October 4, 2022
- Example – Lack of Product Availability

Yours truly,



John L. O'Kane

Encls.

cc. Turkey Farmers of Canada

cc. Supreme Advocacy, Thomas Slade