

Turkey Market Advisory Committee (TMAC) Report

Assessment of current state of the further processing (FP) segment of the market

Background

TMAC met by conference call on Monday, September 21, 2015 to review and assess the current state of the further processing (FP) segment of the market, looking to the end of the 2015/16 control period.

Current Status/Situation

Using the information contained in the Turkey Market review (TMR) and the information provided by CPEPC on wholesale prices and external company sales of boneless skinless breast meat, the following is TMAC's observations of the FP market.

- January to August wholesale prices for breast meat (fresh and frozen) is 12% higher than one year previous. Frozen is higher still at + 16%.
- Total external sales of breast meat (fresh and frozen) are up 5%, with frozen volumes down by 5%.
 - This appears to indicate that breast meat demand has and is increasing.
 - In the case of frozen breast meat, prices have increased substantially since June. TMAC believes that as a result, price is rationing the available supply.
- Constrain on supply and upward pressure on wholesale prices is not being helped by the import situation.
 - TMAC does not expect the TRQ to be fully utilized again this calendar year.
 - Import quota returns in the order of 1.0 Mkg should be expected.
 - The reduced TRQ utilization is a result of supply constraints in the U.S. which has pushed up the U.S. breast meat wholesale price to approximately \$16.00 per kilogram in Canadian dollars.
 - TMAC also expects imports to be constrained in the early half of 2016 due to supply limitations in the U.S. due to the avian influenza outbreak.
- Although breast meat stocks on September 1, 2015 are reported at 1.073 Mkg, TMAC is concerned that it may be overstated. CPEPC's survey of its membership indicates lower breast meat stocks, relative to the AAFC numbers.
 - If the AAFC numbers are overstated, this would drag down the domestic disappearance number reported in the TMR.

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Recommendation/Options

1. TMAC agrees that additional breast meat supply (i.e. above the current supply forecast of 28.8 Mkg) between now and the end of the 2015/16 control period is required to ensure there is adequate supply to meet market requirements at reasonable wholesale prices.
2. The Committee does not have a firm volume amount to put out into the market but did discuss a number between 1.0 and 2.0 Mkg whole bird eviscerated equivalent, which would generate approximately 550,000 kg of breast meat.
3. Given that there are only 7-months left in the control period, it may be difficult to find/place poult and grow-out this volume of production. Options discussed by TMAC to get additional breast meat in the market are:
 - a. Allocating additional FP quota to those provincial industries requesting additional breast meat production to:
 - i. Place additional poult and raise them to desired weights (e.g. heavy hen up to heavy tom) for deboning; or,
 - ii. Keeping heavy hens, light toms and heavy toms in the barns a little longer to add live weight to those units.
 - b. Requesting the provinces to manage their production relative to FP allocations more efficiently, in order to increase quota utilizations. Currently the Agency is estimating FP production equal to 97% of FP allocations.

TMAC is aware that additional production in the 2015/16 control period may be forthcoming through increased export carry-forward from the 2014/15 control period. However, TMAC agrees that allowing the industry to augment that additional supply through the options presented above is also required.

The Committee recommends that the Agency send a positive signal to the marketplace that supply will be available to meet market requirements through to the end of the control period.

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