



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 13 septembre 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,

Lors de sa réunion du 12 septembre 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 31 juillet 2024, pour la période contingente A-192, débutant le 20 octobre 2024 et se terminant le 14 décembre 2024.

Après un examen approfondi de la justification fourni par les Producteurs de poulet du Canada (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 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



July 31, 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-192

Dear Mr. Douglas,

The prior approval of the Farm Products Council of Canada is being sought for the allocation for period A-192.

The numbers in kilograms live weight for A-192 are:

1. A total allocation of 291,036,614 kilograms,
2. A domestic allocation of 282,088,534 kilograms,
3. A market development allocation of 6,666,600 kilograms,
4. A specialty allocation of 2,281,480 kilograms.

Period A-192 is the eight-week period beginning on October 20, 2024, and ending on December 14, 2024. In accordance with section 3.05 of the Operating Agreement, the anticipated growth rate for the period was set on May 29, 2024, at 3%.

CFC Directors set the allocation for period A-192 on July 16, 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-192 at the CFC Board of Directors meeting on July 16, 2024.

The Market Information Working Group (MIWG) report for period A-192 was circulated to all stakeholders several weeks prior to the July 16 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-189, was estimated to be between 0.5 and 1.0 Mkg lower than the allocated volume. Production projections based on established allocations for periods A-190 and A-191 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 5.3 Mkg below pro-rata. Imports under the WTO TRQ are 2.4 Mkg below pro-rata. Imports under the CPTPP TRQ fluctuated significantly from week to week so far this year and are currently 3.3 Mkg below pro-rata. The consensus is that the full CPTPP TRQ of 23.7 Mkg will be utilized in 2024. Year-to-date imports under the Duties Relief Program (DRP) are above last year by 8.5% or about 2 Mkg, while the Import to Re-Export Program (IREP) is below last year by 12% or 1.2 Mkg. Imports of fowl meat are above last year by 2 Mkg. Compared to a year ago, imports of boneless breasts are up by 11%, mostly due to increased imports from Chile under the CPTPP TRQ. Imports of leg quarters are double the same time a year ago, but wing imports are down by 36%.

Storage stocks decreased from 72 Mkg at the beginning of this year to 60 Mkg on July 1st, a decrease of 12 Mkg and are now at similar levels as they were a year ago. Compared to January 1st, inventories in the cut-up and further processed chicken categories are 7 Mkg and 4 Mkg lower, respectively, and both below last year by 7% and 8%, respectively. Stocks of miscellaneous chicken have decreased about 40% 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 4.1% during the most recent twelve-month period compared to a year ago. Disappearance in the most recent six months is up by 5.3%, and is up by 3.9% in the last three months. This is due to a 4% increase in production over the last 12 months, and a 2% increase in imports.

Retail sales data as reported by Nielsen indicates retail sales volumes of chicken over the past 52 weeks have increased by 3.2%, while beef has declined by 4.7% and pork by 0.2%. Broken down by part, only wing sales 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 4.8%. Beef rose 3.3% over this period, and pork is higher by 1.3%. More recently, dollar sales of chicken have increased by 3.3% over the last 12 weeks. Beef has risen by 5.8% over this same period, while pork has fallen 1.6%. 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 prices are currently at the top or above the most recent five-year range for the market composite, leg complex and whole bird complex. Breast meat prices are in the middle of the five-year range while the wing complex is still close to the bottom of the range although wing prices have improved in recent weeks. The leg complex has consistently been above the five-year range this year, signaling strong domestic demand for dark meat.

According to USDA, chicken production in the U.S. is projected to see a modest 0.8% production increase in 2024 and a 1.5% increase in 2025. BSB prices in the U.S. are strong, above last year and the five-year average, being supported by retail feature activity. They are well below the record highs set in 2022, however. Increased wholesale prices in Canada have been supportive of above pro rata imports in the last several weeks, gradually reducing the below pro rata amount for CUSMA TRQ. Wing and leg quarter prices are also strong in the U.S.; wings have been prohibitively expensive for Canadian importers so far in 2024, but leg quarters have seen increased interest. Broiler performance issues, including lower than normal hatchability and higher mortality, continue to hamper growth in



the U.S. broiler industry.

USDA projects beef production to decrease 1.2% in 2024 and 4.5% in 2025 after decreasing 4.7% in 2023. The projected production level in 2024 is the lowest since 2016.

Pork production in the US is forecast to increase 3.1% in 2024 and 1.5% in 2025 after seeing 1.1% growth in 2023. Projected 2024 production is the highest in four years but lower than the peak in production in 2020.

Frozen beef inventories are 1% below 2023, and now just slightly higher than 2021 but far below 2022. Prices are strong and trending higher, not far from record highs. Frozen pork inventories are 9% 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 are near the bottom of the recent historical ranges as crop conditions in the U.S. and Canada look excellent, outside of some localized crop damage due to storms. Lower demand from China for soybeans and increased 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-192

Provincial allocation requests for period A-192 ranged from 1.0% above base to 3.0% above base. Directors discussed favourable conditions including declining beef supplies, good growth in domestic disappearance, strong wholesale prices, population growth, low and falling feed grain costs, a continued downward trend in storage stocks, and projected GDP growth. On the negative side, directors considered food and housing cost inflation that is causing consumers to spend cautiously, and expectations of strong TRQ volumes later in the year.

Restaurants Canada's member survey results indicated a weighted average requirement for the industry at 4.5% above base, based on an expectation of 1.9% higher foodservice chicken requirements. Restaurants Canada's members continue to see an increase in chicken menu items with growth concentrated in the quick service restaurant segment. Membership reported continued resilience in traffic levels, and continued expectations that consumers will trade down to chicken, away from higher-priced beef options. This trend is likely to be emphasized as consumers start to prepare financially for the holiday season that immediately follows A-192.

CPEP's further processing sector (FPPAC) recommended an allocation of 3.5% above base. In its recommendation, FPPAC stated that last year's chicken market was oversupplied due to strong domestic production and TRQ import volumes, and as such a reduction in supply this year compared to last was appropriate. Its recommendation would accomplish that, resulting in an effective 2.8% decline in domestic production compared to the comparable period in 2023.

CPEP's chicken primary processing sector proposed an allocation at 1% below base. CPEP identified last year's oversupply situation that resulted in significant declines in wholesale prices and emphasized a need to avoid a similar situation in 2024. CPEP expects 23 Mkg of TRQ imports during A-192, slower population growth, and reductions in per-capita spending due to a fragile economic



situation in Canada due to increased housing costs, high interest rates, and slowing population growth. CPEP also questioned whether population growth translates directly into consumption growth, as many immigrants are among the least wealthy Canadians.

After thorough discussions, Directors voted to set the national allocation at 1% above base for period A-192.

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-192 are 214,602,888 kilograms eviscerated weight. This total allocation consists of a domestic allocation of 208,002,865 kilograms eviscerated weight, a market development allocation of 4,918,347 kilograms eviscerated weight, and a specialty allocation of 1,681,676 kilograms eviscerated weight. The total domestic allocation is 5.2% lower than the total domestic production during the corresponding weeks last year, 0.2% higher than domestic production in the same weeks in 2022, 0.4% less than in the equivalent weeks three years ago, and 5.4% higher than in the corresponding weeks of 2020.

CFC seeks Council's approval for a total allocation for period A-192 of 291,036,614 kg live weight.

Sincerely,

Michael Laliberté,
Chief Executive Officer
Encl.

c.c CFC Directors



Period A-192 Allocations (October 20, 2024 - December 14, 2024)
Allocations pour la période A-192 (20 octobre 2024 - 14 décembre 2024)

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.	27,722,423	206,976	958,647	28,888,046
AB	21,176,450	110,655	0	21,287,105
SK	6,919,368	0	0	6,919,368
MB	7,842,008	282,975	0	8,124,983
ON	73,188,671	2,071,720	723,029	75,983,420
QC	55,040,836	2,246,021	0	57,286,857
NB / N.-B.	5,602,251	0	0	5,602,251
NS / N.-É.	7,007,078	0	0	7,007,078
PEI / Î.-P.-É.	772,346	0	0	772,346
NL / T.-N.-L.	2,731,434	0	0	2,731,434
CANADA	208,002,865	4,918,347	1,681,676	214,602,888

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.	37,717,582	281,600	1,304,282	39,303,464
AB	28,706,046	150,000	0	28,856,046
SK	9,414,106	0	0	9,414,106
MB	10,669,399	385,000	0	11,054,399
ON	98,916,977	2,800,000	977,198	102,694,175
QC	74,743,123	3,050,000	0	77,793,123
NB / N.-B.	7,622,110	0	0	7,622,110
NS / N.-É.	9,532,143	0	0	9,532,143
PEI / Î.-P.-É.	1,050,811	0	0	1,050,811
NL / T.-N.-L.	3,716,237	0	0	3,716,237
CANADA	282,088,534	6,666,600	2,281,480	291,036,614