



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 10 janvier 2023

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

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

Monsieur Klompmaker,

Lors de sa réunion du 10 janvier 2023, 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* décrites dans votre lettre du 28 novembre 2022, pour la période contingente A-181, qui commence le 12 février 2023 et se termine le 8 avril 2023.

Après un examen approfondi de la justification fournie par les PPC et une analyse interne, les membres du Conseil sont convaincus que l'allocation est nécessaire à la mise en œuvre du plan de commercialisation contenu dans la *Proclamation visant Les Producteurs de poulet du Canada*.

De plus, le Conseil a examiné les modifications proposées à l'*Ordonnance sur les redevances à payer pour la commercialisation des poulets au Canada*, qui entre en vigueur le 1^{er} avril 2023 et prend fin le 31 mars 2024, comme l'indique votre lettre du 9 janvier 2023.

Les membres du Conseil ont convenu que le budget de 2023 des Producteurs de poulet du Canada (PPC) présentait un résumé exhaustif de l'utilisation prévue par les PPC de la redevance fédérale prélevée en vertu de l'*Ordonnance sur les redevances à payer pour la commercialisation des poulets au Canada*. Par conséquent, les membres du Conseil ont convenu que la modification était nécessaire à la mise en œuvre du plan de commercialisation des PPC comme il est 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



November 28, 2022

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-181

Dear Mr. Douglas,

The prior approval of the Farm Products Council of Canada is being sought for the allocation for period A-181. The numbers in kilograms live weight are:

1. A total allocation of 288,240,116 kilograms,
2. A domestic allocation of 277,461,649 kilograms,
3. A market development allocation of 8,513,312 kilograms,
4. A specialty allocation of 2,265,155 kilograms.

Period A-181 is the eight-week period beginning on February 12, 2023 and ending on April 8, 2023, and includes Good Friday. In accordance with section 3.05 of the Operating Agreement, the anticipated growth rate for the period was set on October 25, 2022, at 4%.

CFC Directors set the allocation for period A-181 on November 16, 2022 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-181 at the CFC Board of Directors meeting on November 16, 2022.

At the meeting, Directors were presented with the latest market information by CFC staff. Due to hatching egg and chick supply issues, Canadian chicken production experienced significant underproduction during periods A-175 to A-178, resulting in an estimated underproduction of around 20 Mkg. TRQ utilization improved considerably starting in period A-177 as a result of easing U.S. chicken supplies: year-to-date TRQ utilization up to November 12, 2022 was 2.5 Mkg above pro-rata, with weekly imports under CUSMA coming in above-pro-rata for most weeks in periods A-177 and A-178. Year to-date imports under CPTPP as of November 12, 2022 totaled 1.2 Mkg, consisting of further processed chicken (boneless thighs and breast tenders/fillets) coming in from Mexico. Spent fowl imports in the first half of 2022 were significantly lower than in previous years because of higher domestic demand in the U.S. but spent fowl imports in recent months have returned to similar levels as in previous years. Year-to-date imports under the DRP program are higher than in the previous three years while imports under the Import to Re-Export Program (IREP) have been



trending down in the last two years. After experiencing steady decreases in the first half of 2022, total frozen inventories stabilized during July and August and increased significantly in the fall: AAFC data show that total frozen chicken inventories reached 56.8 Mkg on October 1, 2022, 4.8 Mkg (9.1%) higher than the previous year and 3.4 Mkg (6.5%) more than the previous month. AAFC preliminary data indicated that Canadian frozen chicken inventories reached 59.5 Mkg on November 1, 2022, the highest level ever due to increases in breast meat (both boneless and other categories) and wing inventories. Despite significant underproduction and fewer imports (-11 Mkg) in the last 12 months, calculated domestic chicken disappearance during the October 2021 – September 2022 timeframe totaled 1,387 Mkg, 5% higher than during the same timeframe in 2020-2021. Part of the increase can be attributed to lower exports in the current 12-month timeframe and lower allocation and production in the corresponding months of 2020-2021. Although Canadian wholesale prices have been declining since A-177, prices remain strong for the time of the year and prices for all complexes except the wing complex have consistently been above or close to the maximum of the 2017-2021 five-year price range. The Consumer Price Indices (CPI) for food and meat have been increasing since summer 2021. The chicken CPI broke through the 200 points ceiling for the first time in September 2022 and the 12-month rolling beef CPI in September 2022 was 11% higher than the year before. Nielsen data indicate that the 52-week rolling average retail prices for chicken, beef, and pork, were 6% to 8% higher than in the corresponding weeks of 2020-21. Higher prices prompted consumers to buy less meat at retail: according to Nielsen data, year-to-date kg sales decreased for all three main meat proteins compared to same timeframe in 2020-2021, but dollar sales either increased or did not decrease as much as the volumes sold. On a positive note, the Canadian food service sector continues to perform well. Statistics Canada data show that sales at quick service restaurants have exceeded 2019 sales since January 2022. Sales at full-service type restaurants have been higher than in 2019 since February 2022, while receipts at special service type establishments exceeded 2019 sales for the first time in June 2022. Sales at drinking places are still not back to 2019 levels but the gap is narrowing.

U.S. chicken production in 2022 is expected to increase by 2.4%. In 2023, chicken is projected to increase by 1.9% to reach around 46 billion pounds. Strong domestic demand and chick supply issues earlier in the year will cause 2022 exports to drop 2% versus 2021. U.S. frozen chicken inventories on October 1, 2022, were 18% higher than in 2021, mostly driven by higher inventories in breasts, wings, legs, and thighs. After reaching record-highs in May and June 2022, U.S. wholesale prices have dropped significantly. Prices for breasts, wings and leg quarters have been either close to or even below 2019 prices according to the most recent data from EMI Analytics. The drop in breast meat prices also brought the Canada-US breast price spread closer to historical levels. In terms of competitive meats, beef is forecast to enjoy moderate growth in 2022 while pork production is projected to decrease. For 2023, the situation is projected to be reversed, with beef production to experience a significant decrease (-7.3%), while pork production is projected to increase marginally, reaching a level that is close to but still below 2021 production. Frozen beef inventories in the U.S. have been increasing since August 2021 and remain high compared to the last three years. Pork inventories have gradually increased from the beginning of 2022. Feed prices are expected to remain high in the foreseeable future because of lower-than-expected yields and production for U.S. corn and soybeans, although concerns about a potential economic slowdown could put some downward pressure on forward pricing.



Provincial and industry requests

Provincial allocation requests for period A-181 ranged from 0% to 2% above base. The requests reflect the continued optimistic outlook for 2023 that is based on increased food service demand for chicken, a favourable competing meat situation with significantly lower beef production and supplies, aggressive IRCC immigration targets for 2023, and increased investments in promotion and branding. The provinces also recognized the uncertainty around the timing and quantities of imports from Chile under CPTPP and imports from Ukraine under the Ukraine Goods Remission Order, prompting a more conservative approach for A-181.

Restaurants Canada's member survey indicated a weighted average requirement for the industry at 2.21% above base because of new chicken menu offerings, new limited time offerings in chicken sandwich items, new store openings, an expectation of a 6% increase in guest traffic, planned media presence with larger brands during this time driving incremental traffic, continued growth in the West and Ontario, better demand in February and March compared to January, as well as branding efforts. CPEPC's further processing sector recommended an allocation of 2% below base driven by considerations around relatively higher imports during period A-181 partly due to expected imports from Ukraine. Regarding current market conditions, CPEPC's further processing sector noted that supply of breast meat is currently adequate, which is a relief from conditions earlier this year. CPEPC's chicken primary processing sector asked for an allocation at 1% below base, assuming imports from Chile and Ukraine will start in A-181, significantly impacting the supply and demand balance in the chicken market. Other factors supportive of a conservative approach included increasing storage stocks, higher inflation and worsening economic conditions causing weaker demand, and increasing live prices.

After thorough discussions, Directors agreed to a national allocation at 1% above base. 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 in this challenging time.

Conclusion

The total provincial market requirements for period A-181 are 212,528,886 kilograms eviscerated weight. This total allocation consists of a domestic allocation of 204,586,107 kilograms eviscerated weight, a market development allocation of 6,273,523 kilograms eviscerated weight, and a specialty allocation of 1,669,256 kilograms eviscerated weight. The total domestic allocation is 2.5% higher than the total domestic production during the corresponding weeks in 2022, 10.9% higher than domestic production in the same weeks in 2021, and 6.5% more than in the equivalent weeks of 2020.



CFC seeks Council's approval for a total allocation for period A-181 of 288,240,116 kg live weight.

Sincerely,

Michael Laliberté,
Executive Director
Encl.

c.c CFC Directors

Period A-181 Allocations (February 12, 2023 - April 8, 2023)
Allocations pour la période A-181 (12 février 2023 - 8 avril 2023)

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.	27,853,303	1,300,803	1,004,206	30,158,312
AB	20,642,842	147,540	12,541	20,802,923
SK	6,882,105	735,000	0	7,617,105
MB	7,915,508	242,550	0	8,158,058
ON	71,341,674	1,775,760	652,509	73,769,943
QC	54,095,075	2,071,870	0	56,166,945
NB / N.-B.	5,505,803	0	0	5,505,803
NS / N.-É.	6,895,513	0	0	6,895,513
PEI / Î.-P.-É.	755,060	0	0	755,060
NL / T.-N.-L.	2,699,224	0	0	2,699,224
CANADA	204,586,107	6,273,523	1,669,256	212,528,886

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.	37,895,650	1,769,800	1,366,267	41,031,717
AB	27,982,706	200,000	17,000	28,199,706
SK	9,363,408	1,000,000	0	10,363,408
MB	10,769,399	330,000	0	11,099,399
ON	96,420,697	2,400,000	881,888	99,702,585
QC	73,458,820	2,813,512	0	76,272,332
NB / N.-B.	7,490,888	0	0	7,490,888
NS / N.-É.	9,380,374	0	0	9,380,374
PEI / Î.-P.-É.	1,027,293	0	0	1,027,293
NL / T.-N.-L.	3,672,414	0	0	3,672,414
CANADA	277,461,649	8,513,312	2,265,155	288,240,116

November 16, 2022 / 16 novembre 2022



January 9, 2023

Mr. Brian Douglas
Chairman
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

Dear Brian,

CFC is seeking Farm Products Council of Canada's approval to amend the *Canadian Chicken Marketing Levies Order* (Levies Order) extending the expiration date to March 31, 2024.

Please find herewith the amendment sent to FPCC on November 25, 2022. In support of this amendment, the CFC Executive Committee presented CFC's detailed 2023 budget to Council on December 14, 2022. As presented during this meeting, CFC will be seeking another amendment to the Levies Order later in the spring to increase the CFC levy rate by \$0.02 per 100 kilogram effective June 4, 2023 (A-183).

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

Sincerely,

Michael Laliberté
Executive Director

C.C. Lori Piché, Director of Finance