Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

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March 22, 2023

Mr. Darren Ference
Chairman
Turkey Farmers of Canada
7145 West Credit Avenue
Building 1, Suite 202
Mississauga, Ontario L5N 6J7

Dear Mr. Ference:

At its March 21, 2023, meeting, the Farm Products Council of Canada (Council) reviewed the proposed amendments to the *Canadian Turkey Marketing Quota Regulations, 1990* (Quota Regulations), as submitted in your letter of September 20, 2022, for the 2022-23 control period, which begins on May 1, 2022, and ends on April 29, 2023.

Following a thorough review of the rationale provided by Turkey Farmers of Canada (TFC), and in light of Council's decision to accept the recommendations of the reports received by Council from its Complaint Committees, with regard to the Complaints filed by the Canadian Poultry and Egg Processors Council (CPEPC) against TFC on September 22, 2022, and by the Turkey Farmers of Ontario against TFC on September 26, 2022, Council members were satisfied that the proposed Quota Regulations for the 2022-23 control period were necessary for the implementation of the marketing plan stated in the *Canadian Turkey Marketing Agency Proclamation*.

Should you have any questions, please do not hesitate to contact me or the Secretariat by email at fpcc.secretariat.cpac@fpcc-cpac.gc.ca.

Sincerely,

Brian Douglas
Chairman

Canada

March 16, 2023

Carole Gendron
Director
Farm Products Council of Canada
Central Experimental Farm
960 Carling Avenue, Building 59
OTTAWA, ON K1A 0C6

Dear Mme Gendron:

Re: **Canadian Turkey Quota Regulations 2022/2023 – FPCC Request of March 9, 2023, for Additional Information**

On our Zoom video conference of March 9, 2023, it was requested that TFC provide updated market information for the 2022/2023 Control Period. Specifically, FPCC requested feedback on if the rationale for establishing Commercial Allocation of 146.0 mkg, at the TFC Web Conference of August 25, 2022, is still forecasted as appropriate based on January and February markets information.

Background

At their meeting of August 25, 2022, the TFC Directors decided that the commercial allocation for 2022/2023 be set at 146.0 mkg, an increase of 7.0 mkg from 2021/2022. The reasons cited in the TFC Quota Regulation submission of September 20, 2022, was concern expressed on the TMAC forecast closing stock-to-use ratio for breast meat of 3.3% being low, resulting in an undersupply of breast meat for the further processing sector and consumers.

Current Market Status

TFC/Turkey Market Advisory Committee (TMAC) Analysis: TMAC met on Monday, February 27th and Monday, March 6th, 2023, to review current markets information.

Regarding wholesale prices, the following is being observed based on data to the end of January.

- Breast meat (fresh and frozen) wholesale prices have increased 35% (+ $3.29 per kg) on a control period to-date basis. Corresponding external sales volumes are down 15% (- 0.5 mkg). However, the drop in sales volumes is overwhelmingly in the fresh category, down 38% (- 0.488 mkg).

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- Total commodity whole bird (WB) wholesale prices for the 2022/2023 Control Period to-date (end of January) are up 10% ($0.52 kg) relative to 2022/2023 on sales volumes that are down 4% (- 0.55 mkg). While under 9 kg frozen WB wholesale prices are also up 10% ($0.49 kg), on higher sales volumes of 13% (+ 1.1 mkg).

With respect to production and disappearance, both of these indicators have been impacted by Avian Influenza (AI), which accelerated in the fall of 2022, after the TFC Directors made their decision on August 25th (see Attachment 1).

- TMAC is of the view that Avian Influenza (AI), especially in Western Canada, likely had a dampening effect on whole bird consumption – through its impact on production – particularly on fresh sales in 2022.
- The drop in external sales of fresh breast meat by primary processors is directly related to Avian Influenza (AI), which reduced the availability of heavy live toms and, by extension, fresh breast meat supply (i.e., breast meat demand in 2022/2023 is being dampened due to the lack of supply).

As illustrated in Attachment 2, breast meat production for 2022/2023 is now forecast at 25.3 mkg, down 3.3 mkg from June, which is resulting in a reduction in forecast domestic disappearance from 29.5 mkg in June to 26.5 mkg or minus 3.0 mkg. However, closing 2022/2023 breast meat stocks are forecast at an appropriate and reasonable stock-to-use ratio of 5.3% at 1.4 mkg, as was an underlying rationale for establishing the commercial allocation at 146.0 mkg. A 5.3% stock -to-use ratio is equal to three-weeks of working inventory.

With respect to the Whole Bird (WB) outlook, as noted in our letter of February 24, 2023, the higher-than-expected stocks on January 1st of 4.6 mkg is a reflection of AI losses having implications on the timing of live production, the mix of live production coming into the market, wholesale pricing and, by extension, product movement. Despite all these shifting factors due to AI, closing WB inventories are forecast at a stock-to-use ratio of 20% at 10.9 mkg (see Attachment 3). A 20% stock-to-use ratio is consistent with the 2015 recommendation from a third-party study undertaken by TFC (i.e., that a May 1st whole bird stock target of 14 to 15 mkg is reasonable, at an annual whole bird disappearance average value of 73.8 mkg).

AAFC Data: Agriculture and Agri-Food Canada, in its most recent Canadian Turkey Industry Report, notes the following with respect to the overall turkey market:

- By the end of 2022, stock levels remained on the low end of the 5-year range. December stocks were at 18.5 mkg, 12% (+2.0 mkg) higher than the same period last year, but 25% (-6.0 mkg) lower than the corresponding 5-year average. By February 1st, 2023, stock levels returned to the low end of the 5-year range.

- 2022 saw high wholesale and retail prices for turkey further down the value chain. Retail prices for thigh meat and frozen turkeys set new 5-year highs last year, while breast meat trended higher than its 5-year average level. For the four-week period ending December 31st, 2022, whole frozen turkeys were retailed at $7.95/kg, 82.8% higher than the 2021 level.
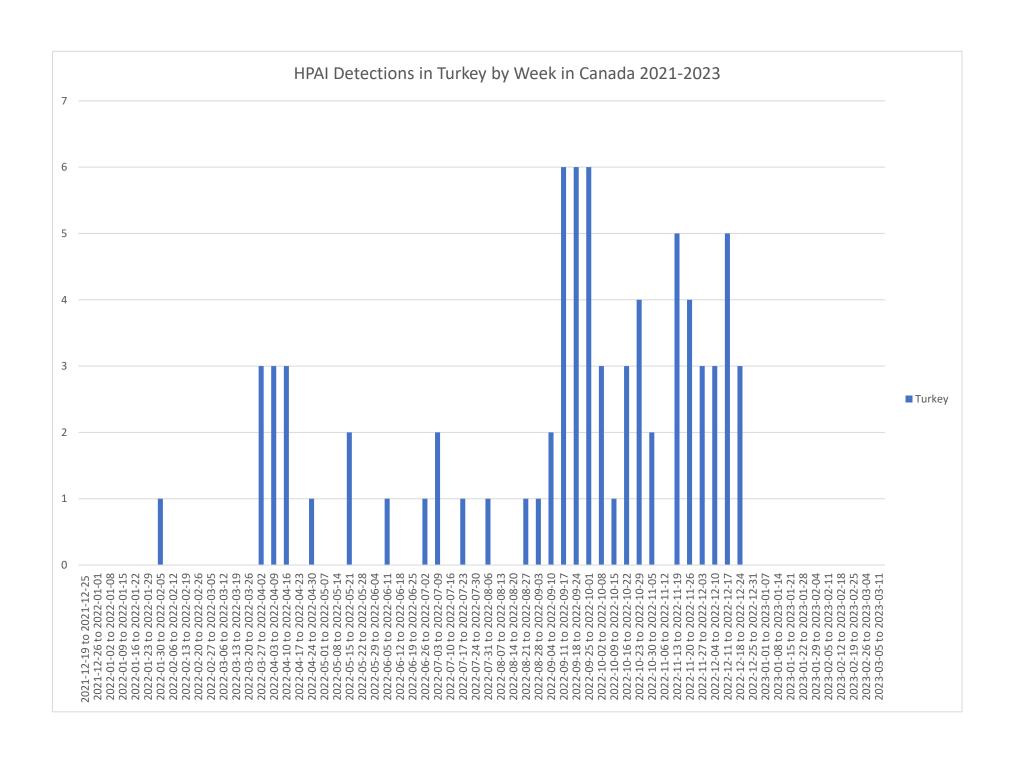
In Summary: TFC is currently estimating that AI will reduce turkey production in the 2022/2023 Control Period by 14.5 mkg. Holding all other factors constant, without the increase in the commercial allocation to 146.0 mkg (i.e., 3.0 mkg increase), the market would have a lower supply and, by extension, higher wholesale prices. As higher prices, holding all other factors constant, would likely have a further dampening impact on demand, this would likely result in even lower disappearance and potentially flat-to-higher closing stocks.

All current data indicates that 146.0 mkg has and is not having any negative market implications to demand, prices or closing inventories. The predominant market factor since the August 25th decision was made, is Avian Influenza. The increase in the commercial allocation of 3.0 mkg to 146.0 kg pales in comparison to the impact AI has had on the industry. Therefore, the August 25, 2022, decision to set the commercial quota at 146.0 mkg remains valid in its own right and, in hindsight, has allowed the industry to avoid an even more severe outcome due to AI.

Sincerely,

Phil Boyd
Executive Director

Attachments (3)

HPAI Detections in Turkey by Week in Canada 2021-2023

		Outlook for Breast Meat Market in 2022/2023 Control Period									
		June TMAC	November TMAC			February TMAC			Comparison February vs June	
		Total	May-Oct actual	Nov-Apr forecast	Total actual+forecast	May-Jan actual	Feb-Apr forecast	Total actual+forecast	Breast Meat	Converted to Whole
		a	b	c	d=b+c	e	f	g=e+f	h=g-a	h=g/0.2625
Opening Stocks	*a*	1.2	1.2	0.8	1.2	1.2	0.9	1.2	- 0.0	- 0.2
Breast Meat Production	*b*	28.6	13.1	14.4	27.5	18.4	6.8	25.3	- 3.3	- 12.8
Imports	*c*	0.7	0.5	0.6	1.1	1.0	0.7	1.7	1.0	3.8
Total Supply	**d=a+b+c**	**30.5**	**14.7**	**15.8**	**29.7**	**20.6**	**8.4**	**28.1**	**- 2.4**	**- 9.2**
Total Disappearance	**e=f+g**	**29.5**	**13.9**	**15.0**	**28.9**	**19.7**	**7.0**	**26.7**	**- 2.8**	**- 10.8**
Exports	*f*	-	0.1	-	0.1	0.1	0.0	0.1	0.1	0.5
Domestic Disappearance	*g*	29.5	13.8	15.0	28.8	19.5	7.0	26.5	- 3.0	- 11.3
Closing Stocks	**h=d-e**	**1.0**	**0.8**	**0.8**	**0.8**	**0.9**	**1.4**	**1.4**	**0.4**	**1.6**
Forecast PCC	**i=g/Pop.**	**0.76**	**0.35**	**0.38**	**0.73**	**0.50**	**0.18**	**0.68**	**0.89**	
Closing Stocks to Use	**j=h/e**	**3.3%**			**2.8%**			**5.3%**	**1.61**	
FP Production	k=b/0.2625	109.1			104.7			96.2	-	**12.9**
Utilization Rate	l	98.8%			94.1%			86.1%		-12.7%
Adjusted Utilizations and FP	m=k/l	110.4			111.3			111.7		1.3
Other Utilizations	n	16.5			13.3			13.7	-	2.8
FP Allocation	**o=m-k**	**94.1**			**98.0**			**98.0**		3.9
			Recap: Whole, FP and Total Allocations							
			November TMAC			February TMAC			Comparison	
Whole Allocation		**48.9**	48.0			48.0			-0.9	
FP Allocation		**94.1**	98.0			98.0			3.9	
Total		**143.0**	**146.0**			**146.0**			**3.0**	

		June TMAC	November TMAC				February TMAC			Comparison
		Total	May-Oct actual	Nov-Dec forecast	Jan-Apr forecast	Total actual+forecast	May-Jan actual	Feb-Apr forecast	Total actual+forecast	February vs June
		a	b	c	d	e=b+c+d	f	g	h=f+g	i=h-a
Opening Stocks	*a*	9.9	9.9	14.1	2.6	9.9	9.9	8.2	9.9	- 0.0
Production	*b*	54.9	27.4	12.0	15.0	54.4	43.7	12.1	55.8	0.9
Imports	*c*	-	-	-	-	-	0.0	-	0.0	0.0
Total Supply	**d=a+b+c**	64.7	37.2	26.1	17.6	64.2	53.6	20.3	65.7	1.0
Total Disappearance	**e=f+g**	56.0	23.1	23.5	9.5	56.1	45.4	9.4	54.7	- 1.3
Exports	*f*	2.0	1.2	0.6	0.3	2.1	3.0	0.3	3.2	1.2
Domestic Disappearance	*g*	54.0	21.9	22.9	9.2	54.0	42.4	9.1	51.5	- 2.5
Closing Stocks	**h=d-e**	8.8	14.1	2.6	8.1	8.1	8.2	10.9	10.9	2.1
Forecast PCC	**i=g/Pop.**	1.39	0.56	0.58	0.23	1.38	1.08	0.23	1.31	- 0.08
Closing Stocks to Use	**j=h/e**	15.6%				14.5%			20.0%	4.4%
Domestic Bagging	**k=b-f**	52.9				52.3			52.5	- 0.4
Stuffing and Basting %	l	7.6%				8.2%			8.6%	1.0%
Stuffing and Basting	m=k*l	4.0				4.3			4.5	0.5
Whole Bird Allocation	**n=k-m**	48.9				48.0			48.0	- 0.9