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 16 mai 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 15 mai 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 10 avril 2024, pour la période contingentaire A-190, débutant le 30 juin 2024 et se terminant le 24 août 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*.

Les membres du Conseil ont noté une utilisation nettement inférieure des importations sous contingents tarifaires en début d'année 2024 qui pourrait entraîner des importations de poulet plus élevées au cours de la deuxième partie de l'année. Cette situation nécessitera une attention particulière lors de l'établissement de l'allocation domestique pour les périodes à venir.

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

April 10, 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-190

Dear Mr. Douglas,

The prior approval of the Farm Products Council of Canada is being sought for the allocation for period A-190.

The numbers in kilograms live weight for A-190 are:

1. A total allocation of 303,690,219 kilograms,
2. A domestic allocation of 293,556,788 kilograms,
3. A market development allocation of 8,093,600 kilograms,
4. A specialty allocation of 2,039,831 kilograms.

Period A-190 is the eight-week period beginning on June 30, 2024, and ending on August 24, 2024. In accordance with section 3.05 of the Operating Agreement, the anticipated growth rate for the period was set on December 5, 2023, at 3%.

CFC Directors set the allocation for period A-190 on March 20, 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-190 at the CFC Board of Directors meeting on March 20, 2024.

The Market Information Working Group (MIWG) report for period A-190 was circulated to all stakeholders several weeks prior to the March 20 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. Total production in 2023 was 1,401 Mkg, up 3.5% from the year before, despite significant underproduction in the first three periods of the year. Production in the most recent period, A-187, was close to the amount that was allocated. Production projections based on established allocations for periods A-188 and A-189 indicate that production in the first and second quarter of 2024 will be around 2.7% and 3% higher than a year ago, respectively.

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Combined year to-date imports under the WTO and CUSMA TRQs are below pro-rata due to slow imports under the CUSMA TRQ. Imports under the CPTPP TRQ have been quite strong so far this year, and 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) and Import to Re-Export Program (IREP) are similar to last year and imports of fowl meat are higher than a year ago.

Storage stocks have decreased from 72 Mkg early this year to 66 Mkg on March 1st, a decrease of 6 Mkg. Compared to January 1st, inventories in the cut-up and further processed chicken categories are 3 and 2 Mkg lower, respectively. Compared to a year ago, stocks are still 6 Mkg higher due to significantly higher inventories in the further processed chicken category. Stocks of miscellaneous chicken have decreased more than 50% compared to a year ago and have returned to historically normal levels of around 3 Mkg.

Calculated supply and disappearance data show that chicken disappearance is up 2.7% during the most recent twelve-month period compared to a year ago. Disappearance in the most recent six months and three months is more than 5% higher than the same months last year thanks to increased supplies. Retail sales data as reported by Nielsen indicate that kg sales of chicken and pork in the most recent 52 weeks are up 1.1% and 4.6% respectively, while beef tonnage sales are 4.4% lower. Dollar sales in the same timeframe are up for all types of meat due to higher retail prices for all types except for pork and unidentified meats. According to the same Nielsen data, price increases for the various meats have slowed down in recent months except for beef. Total food service dollar sales as reported by Statistics Canada remain strong with sales in the limited-service category, a category with a significant focus on chicken items, far outpacing sales in the other food service categories.

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 at the very bottom of the range.

According to USDA, chicken production in the U.S.is projected to see a modest 1.1% production increase in 2024 after posting even slower growth of 0.4% in 2023. Breast meat prices are currently higher than last year and in 2021 but much lower than the record highs in 2022. Dark meat is performing well as demonstrated by prices that are higher than in previous years, while whole bird prices are lower than at the same time in the past two years. Wing prices continue to strengthen and have more than doubled since the first half of 2023.

Regarding competing meats, USDA projects beef production to decrease 2.4% in 2024 after decreasing 4.7% in 2023. This is the lowest production level since 2016. Pork production in the US is forecast to increase 2.2% in 2024 after seeing 1.1% growth in 2023. This is the highest level in four years but lower than the peak in production in 2020. Frozen beef and pork inventories in the U.S. are below last year's levels and in the case of beef, also lower than in 2021 and 2022. The number of cattle and calves on Canadian farms was 2% lower than last year and the lowest since 1989, driven by drought conditions and tight feed supplies coupled with good prices.

Corn and soybean prices have been trending down in recent months and feed prices in Ontario, as reported by OABA, are lower than at the same time in the past three years but still above 2020 levels. Optimistic planting intentions in the U.S. combined with good supply from South America and slowing economic growth in importing countries has put downward pressure on corn and soybean

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prices.

Provincial and industry requests for A-190

Provincial allocation requests for period A-190 ranged from base to 2% above base. On the positive side, provinces pointed out continued solid demand for chicken at retail and food service, decreased frozen inventories, decreasing beef supplies, continued increases in population, softening inflation, increased featuring of chicken at retail, and expected lower interest rates later this year. Provinces also mentioned that this time is traditionally one of the strongest periods of the year. On the negative side, provinces mentioned high storage stocks despite the recent decrease, increasing pork production, and significantly higher TRQ import volumes in 2024.

Restaurants Canada's member survey results indicated a weighted average requirement for the industry at 2.8% above base. Members of Restaurants Canada reported that traffic increases and sales volumes have returned to normal levels versus 2019. Restaurants Canada continues to see an increase in protein interest and ongoing growth specifically in the quick-service restaurants category where new products continue to be introduced in the market. Restaurants Canada also stated that population growth will continue to drive traffic to restaurants while new store openings and increased limited time offerings activity by one major chain compared to the previous year continue to be supportive of the steady growth of the past few years. In addition, this period is the time where most of the poultry-based promotional activity for the year takes place.

CPEP's further processing sector (FPPAC) recommended an allocation of 1% above base. In its recommendation, FPPAC mentioned that this period is the busiest time of year for chicken consumption, especially for the fresh market while recognizing the expected increased import volumes under the CPTPP and CUSMA TRQs. FPPAC also noted the growing dichotomy between the white and dark meat markets with white meat currently readily available at reasonable prices and further processed chicken frozen inventories still very high, and at the same time dark meat wholesale prices at record highs for the time of the year due to consumers seeking value and shifting consumer preferences.

CPEP's chicken primary processing sector proposed an allocation at 2% below base. According to CPEP, high inflation and higher interest rates continue to have a negative impact on consumer spending. Also, the increased cost of housing and other living expenses has changed food purchasing habits. Imports will increase significantly in 2024 compared to 2023 with the expectation that the CPTPP TRQ will be fully utilized, adding an additional 16 Mkg of TRQ in 2024 or 2.5 Mkg per allocation period. Although stocks decreased 4 Mkg in January, they remain very high compared to previous years. Demographic changes and economic conditions have changed the demand balance for white and dark meat, and allocations need to be set based on selling all parts of the chicken. Costs throughout the supply chain and live prices remain high although grain and feed prices have decreased. CPEP also expects slower growth in population in the second half of 2024 due to recent government announcements related to non-permanent immigration.

After thorough discussions, Directors voted to set the national allocation at 1% above base for period A-190.

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-190 are 223,918,437 kilograms eviscerated weight. This total allocation consists of a domestic allocation of 216,449,702 kilograms eviscerated weight, a market development allocation of 5,965,061 kilograms eviscerated weight, and a specialty allocation of 1,503,674 kilograms eviscerated weight. The total domestic allocation is 0.9% higher than the total domestic production during the corresponding weeks last year, 6.4% higher than domestic production in the same weeks in 2022, 11% more than in the equivalent weeks three years ago, and 24.7% higher than in the corresponding weeks of 2020.

CFC seeks Council's approval for a total allocation for period A-190 of 303,690,219 kg live weight.

Sincerely,

Michael Laliberté,
Chief Executive Officer
Encl.

c.c CFC Directors

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Period A-190 Allocations (June 30, 2024 - August 24, 2024)
Allocations pour la période A-190 (30 juin 2024 - 24 août 2024)

Eviscerated weight / Poids éviscéré

	Domestic Allocation Allocation domestique	Market Development Allocation Allocation à l'expansion du marché	Specialty Allocation Allocation de spécialité	Total Allocation Allocation totale
BC / C.-B.	30,329,547	998,571	839,541	32,167,659
AB	21,927,139	73,770	0	22,000,909
SK	7,271,943	735,000	0	8,006,943
MB	8,670,151	246,225	0	8,916,376
ON	74,976,753	1,812,755	664,133	77,453,641
QC	56,643,484	2,098,740	0	58,742,224
NB / N.-B.	5,787,895	0	0	5,787,895
NS / N.-É.	7,251,737	0	0	7,251,737
PEI / Î.-P.-É.	773,243	0	0	773,243
NL / T.-N.-L.	2,817,810	0	0	2,817,810
CANADA	**216,449,702**	**5,965,061**	**1,503,674**	**223,918,437**

Live weight / Poids vivant

	Domestic Allocation Allocation domestique	Market Development Allocation Allocation à l'expansion du marché	Specialty Allocation Allocation de spécialité	Total Allocation Allocation totale
BC / C.-B.	41,264,690	1,358,600	1,142,233	43,765,523
AB	29,723,653	100,000	0	29,823,653
SK	9,893,800	1,000,000	0	10,893,800
MB	11,796,124	335,000	0	12,131,124
ON	101,333,630	2,450,000	897,598	104,681,228
QC	76,919,451	2,850,000	0	79,769,451
NB / N.-B.	7,874,687	0	0	7,874,687
NS / N.-É.	9,864,967	0	0	9,864,967
PEI / Î.-P.-É.	1,052,031	0	0	1,052,031
NL / T.-N.-L.	3,833,755	0	0	3,833,755
CANADA	**293,556,788**	**8,093,600**	**2,039,831**	**303,690,219**

March 20, 2024 / 20 mars 2024