



Central Experimental Farm
Building 59
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Ottawa, Ontario K1A 0C6

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Ottawa, Ontario K1A 0C6

Our file: 1205-25

October 7, 2014

Mr. Dave Janzen
Chairman
Chicken Farmers of Canada
350 Sparks Street, Suite 1007
Ottawa, Ontario K1R 7S8

Dear Mr. Janzen:

The purpose of this letter is to outline the reasons behind the Farm Products Council of Canada's (Council) decision to dismiss the complaint by the Canadian Poultry and Egg Processor Council, the Further Poultry Processors Association of Canada and by Restaurants Canada regarding the Chicken Farmers of Canada (CFC) domestic allocation for A-127 (November 2 to December 27, 2014).

The Council reviewed the Complaint Committee's report as well as the evidence provided by all Parties to the complaint.

The Council agreed with the assessment of the Committee that the chicken market will likely be in a good position with respect to the storage stock levels as well as wholesale prices during the A-127 period. Council also accepted the Committee's conclusion that the anticipated decrease in the costs of corn and soybean, and their impact on feed costs, will likely result in a decrease in the price of live chicken at the farm gate. Council is of the view that the lower live prices for chicken will likely benefit processors through a positive impact on the gross processor margin. Council further agrees with the Committee's view that chicken specifications are the responsibility of individual processors and producers and that CFC's responsibility lies with setting an allocation which will satisfy the global volume of chicken required in all markets.

During its deliberations on the Committee's report, Council identified a number of issues that it would like to raise with you regarding CFC's allocation process. You will note some of these issues were raised by the Complainants during the complaint process:


- The frequency of allocation setting: It is Council's view that setting the allocation every eight weeks is not delivering the desired stability and predictability.
- Projected domestic disappearance: Council would like agreement between CFC and CPEPC, FPPAC and RC on how best to calculate domestic disappearance and the most appropriate sources of data to be used.

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- CFC's Board governance with respect to voting on allocations: As outlined in schedule B of the Federal-Provincial Agreement for Chicken, a successful motion on quota allocation requires support of more than 50 percent of the members representing more than 50 percent of chicken production market share. It is Council's view that the downstream stakeholders incur almost all of the risk if an allocation is set too high, and yet have little influence on setting the allocation.
- Processor requirements: Council is concerned with the lack of transparency and application of paragraph 3.08(a) and subsection 5.01 of schedule B of the Federal-Provincial Agreement for Chicken. Council would like further elaboration as to the extent of consultations with processors and how the processors requirements are reconciled with the provincial chicken boards requirements submitted to CFC prior to each allocation.

I suggest that representatives from CFC, CPEPC, FPPAC, RC and Council meet to discuss the issues that had been identified by Council. Prior to this meeting, I think it would be beneficial for you and I to meet so I may clarify Council's views outlined in this letter. I will be contacting you shortly to arrange a meeting.

Yours sincerely,



Laurent Pellerin
Chairman

cc: Robin Horel, CPEPC
Robert DeValk, FPPAC
Rick Hall, RC
Henry Zantingh, CFO
Pierre Fréchette, ÉVQ