

August 15, 2014

Nathalie Vanasse
Registrar
Farm Products Council of Canada
Central Experimental Farm,
Building 59
960 Carling Avenue
Ottawa, ON K1A 0C6

Re: Complaint to FPCC re CFC's Allocation for Period A-127

Dear Ms. Vanasse:

Thank you for your memorandum dated August 7, 2014 outlining the process for dealing with the complaint launched by CPEPC, FPPAC and Restaurants Canada (complainants) on the A-127 volume allocation.

Chicken Farmers of Ontario (CFO) respectfully submits the following comments as an intervener in the process.

Executive Summary

CFO believes that the right volume allocation was approved by the CFC Board to meet the domestic market needs in A-127 because:

- key demand and supply market fundamentals support this allocation;
- market dynamics and fundamentals are unique and unprecedented, and as such, CFC should embrace and leverage the potential, well-rationalized growth opportunity in A-127 and into 2015;

and,

- the complainants' A-127 positions are focused on supply containment which is not in the best interest of the public.

Unprecedented Positive Market Fundamentals

As a responsible supply management leader within the CFC community, CFO bases its allocation recommendations on comprehensive analysis, modeling, forecasting, and consultation.

CFO forecasts the national market needs (demand forecasting) and the many factors influencing the consumer market. CFO also conducts supply analysis and forecasting of the North American protein markets. In doing so, CFO incorporates consultations with external experts, some independently-developed research, as well as auditing of reviews and business and financial guidance from Canadian, US, and global publicly-

held protein companies which are forecasting a positive environment now and into 2015.

While some analysis is proprietary to CFO, many key components are shared with CFC provincial Boards. [Appendix A](#) provides some market factor analyses that are typically shared. Also, CFO publishes a monthly Commodity Outlook Report which it posts publically on its website. A copy of the July 2014 Commodity Outlook Report was also attached to the CFO's A-127 rationale letter provided in [Appendix B](#).

For A-127, CFO's comprehensive market analysis revealed and continues to support that market conditions will be exceptionally strong for A-127, and that the chicken market has been presented with unprecedented growth opportunities now and at least through 2015. Some key facts that shape the recommendation include:

- Year-to-date volume of fresh chicken purchased through the Canadian grocery channel has grown by 5.5%;
- Competing proteins – pork and beef – both face long-term structural supply issues across North America that will remain unresolved well through 2015 if not much longer.

As a result, Ontario submitted a national allocation request of +5% relative to adjusted base for A-127. A position it would advance again today based on more recent market information.

Fearing vs. Capturing Growth?

Comprehensive analysis concludes that there are opportunities for capturing profitable, sustainable growth - a key objective of CFC's Strategic Plan.

CFO, in all the years that it has been an active participant in the national allocation setting process, has never witnessed such positive supply and demand fundamentals that now present themselves for Canada's chicken industry, and indeed for the broader North American chicken protein sector.

The complainants appear once again to be confirming their risk aversion or fear towards pursuing real growth opportunities. This mindset requires advocating for and justifying low volume allocation recommendations. For example, for A-127, CPEPC bases its recommendations on last year's market dynamics. Given that the current and forecasted conditions are substantially different, the dynamics that prevailed in 2013 are truly irrelevant to forecasting the growth opportunity for A-127 and into 2015.

The risk aversion, however, for CPEPC, is misguided, and an analysis of CPEPC's forecasts of wholesale prices against actuals provides evidence that CPEPC has been misreading market fundamentals. Please see [Appendix C](#) for this analysis.

Good Governance: Supply Management vs. Supply Containment

As noted in CFO's A-127 domestic volume allocation rationale letter, all parties of the supply management system have a shared responsibility to meet consumer requirements for chicken, given current and changing market dynamics, within a positive "balanced best interest" public policy framework.

In its A-127 allocation letter and in a recent letter, CPEPC continues to exclusively focus on its targeted proxy slaughterhouse gross margin "profit return", and targeting and achieving wholesale prices (level and trend) to substantiate its chicken position. As CPEPC is aware, the CFC Board rejected their previous effort, albeit a few years ago, to include slaughterhouse margin as a scorecard market factor which also implied a rejection of the notion of a target or healthy range associated with the slaughterhouse margin.

As discussed in recent CFO domestic volume allocation rationale letters, the Canadian poultry industry is highly concentrated by integrated poultry firms which enjoy ever greater financial rewards as they benefit from multiple profit pools - of which the slaughterhouse profit center is only one within an integrated business model.

The single-minded focus on slaughterhouse profitability without due regard for a wide range of market-to-production factors is clearly evident in the current CPEPC recommendation. We note that while advocating for low domestic production levels, the integrated chicken processors are executing supply optimization strategies involving domestic chicken, imported chicken, and chicken substitutes (business portfolio management).

Restaurants Canada is also now attempting to introduce a different but similarly irrelevant market pricing issue - the impact of domestic production on pricing differences between distribution channels - restaurants and retail. This notion, as well as that of slaughterhouse margin, is soundly rejected by CFO as it is supply containment that will short consumer need - it is not supply management. Setting domestic production levels to address differences in pricing models among competing channels is not covered under the governance of CFC.

Rather, CFO is strongly committed to supporting Chicken Farmers of Canada's mandate to evolve and advance supply management to meet consumer needs.

Responsible Supply Management Leadership

CFO has a proven track record of advocating and advancing responsible volume allocations in times of changing and/or challenging market conditions. For example, for A-106 to A-108, CFO advocated and advanced a volume allocation that adjusted production downwards to manage challenging market conditions. In times of stable market conditions, CFO has advanced moderate allocations in the spirit of balanced public interest.

Now market conditions are forecast to be positive. A responsible decision of +4.25 relative to adjusted base was made by CFC for A-127 with double majority approval.

Continually Improving Allocation: A CFC Priority Objective

CFO remains committed to supporting continuous improvement including in the allocation process. In the immediate term, CFO would welcome any opportunity to participate in and advance a fact-based analysis, forecasting and consultation approach within a “balanced best interest” public policy framework.

Yours truly,



Henry Zantingh
Chair

c.c. Geri Kamenz, Chair, Ontario Farm Products Marketing Commission
Dave Janzen, Chair, Chicken Farmers of Canada
Michael Burrows, Chair, Association of Ontario Chicken Processors

Attachments: Appendix A: Example of analysis shared with provinces
Appendix B: Ontario’s A-127 domestic volume allocation rationale letter
Appendix C: CPEPC forecasting performance

APPENDIX 1

(CFO Analysis of Market Fundamentals)



Growing Ontario, Together

A-127 (November 2 to December 2, 2014)

Allocation Discussion and Staff Recommendation

July 22, 2014



Chicken
Farmers
of Ontario

Exceptional Growth Potential for A-127 and Beyond Underpinned by Long-term Supply Issues in Beef and Pork

CFO staff recommends 5.0% above the adjusted base for A-127

- +2.8% vs. last year's production

Key Themes That Support the Recommendation

- 1. Tight Supply** - The impact of unexpected natural events (drought: beef, PED: pork, Mexico: chick supply, etc.) has created unique North American meat protein marketplace and operating conditions offering promising current and future growth conditions for chicken;
- 2. Strong Chicken Consumption** - Chicken consumption has been strong and will remain strong despite higher consumer purchase prices, primarily due to the chicken's relative price : value position versus competing beef and pork market prices, as well as its perceived healthfulness versus competing proteins;
- 3. Supply Management or Supply Containment?** - The supply management system should meet consumer requirements for chicken given current and changing market dynamics within a positive "balanced best interest" public policy framework.
 - In its A-127 allocation letter, CPEPC continues to exclusively focus on a targeted proxy slaughterhouse gross margin "profit return" and targeting and achieving wholesale prices (level and trend) to substantiate its industry supply requirements. CPEPC's A-127 allocation letter, much less historical CPEPC allocation letters, fail to highlight fact-based consumer demand, a projected consumer demand forecast, as well as any specifics regarding grocery and foodservice distribution channel demand requirements as important components in their CPEPC requirement analysis and forecast;
- 4. Risk to Realizing Growth Potential** - Successfully meeting growing consumer market demand for domestic chicken could be compromised by the quantity and quality of chicks available to Canadian farmers. Current chick supply levels appear to be well below chicken production requirements.
 - Responsible supply management parties (CHEP, CPEPC and CFC), working collaboratively, must immediately adjust chick production levels upwards to meet a marketplace full potential and avert a crisis of supply;
- 5. Value Creation** - Positive marketplace conditions offers many near and long term opportunities.
 - CFC and the industry can drive further domestic growth through strategic focus and careful investment(Brand Canada marketing, allocation system improvement, consumer insight research, etc.) while encouraging competitiveness and innovation, overall.

Cattle prices continue to accelerate



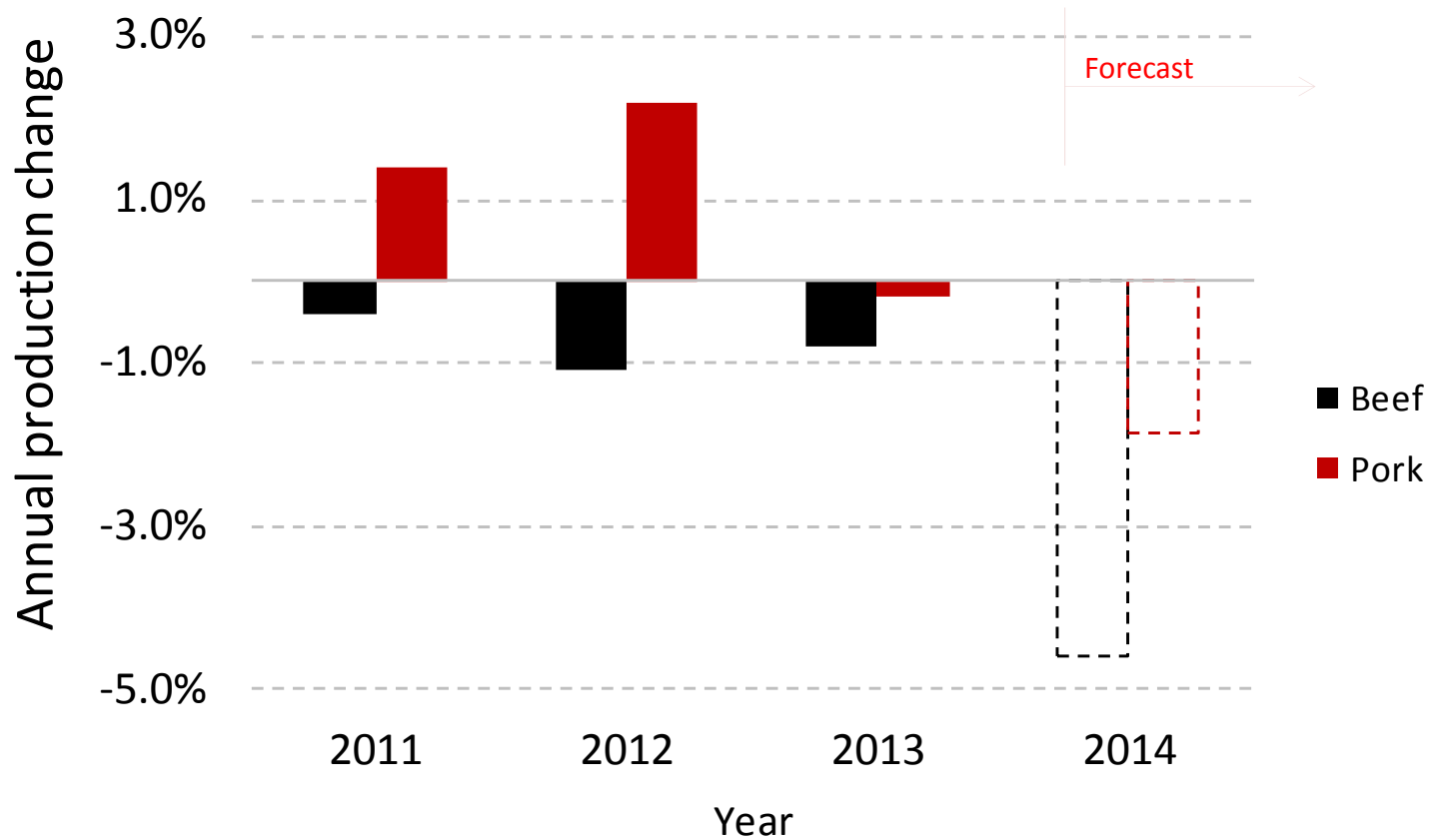
Source: CBOT

Hog prices continue to experience steady increases after a run-up earlier this year



Source: CBOT

Supplies for competing meats are forecast to remain tight



Source: USDA

Short beef and pork supplies continue to be an issue

Dakota Premium idles 300 South St. Paul workers due to cattle shortage

Article by: [MIKE HUGHLETT](#), Star Tribune | Updated: July 2, 2014 - 9:35 PM

Record high beef prices due to nationwide cattle shortage

Posted: Mar 25, 2014 7:34 PM EST
Updated: Mar 25, 2014 7:43 PM EST

Written by Becca Habegger, Multimedia Journalist - [bio](#) | [email](#)

Market Forecaster: Grains lower, but beef, pork higher

June 02, 2014 2:05 pm • By [Brian Hoops](#), president, Midwest Market Solutions [\(0\) Comments](#)

Porcine epidemic diarrhea virus still a worry in quarterly hog report

July 16, 2014 8:05 am • [Mary Hookham](#) Special to Agri-View [\(0\) Comments](#)

Tyson profit misses, says piglet virus to hit pork supplies

[No Comments](#) Posted May. 5th, 2014 by [Reuters News Service](#)

Cattle Shortage Causing Spike in Beef Prices

POSTED 6:32 PM, FEBRUARY 10, 2014, BY [BRITTANY BOYER](#), UPDATED AT 06:42PM, FEBRUARY 10, 2014

Beef prices up this summer on cattle shortage

Monday, June 23, 2014 12:48 a.m. CDT

Disease remains focus of global pork markets

Thursday, July 03, 2014 3:00 PM

ST. LOUIS — Pork shortages will be a key concern in many countries in the coming months.

According to the Rabobank Food and Agribusiness Research and Advisory Group Pork Quarterly Q2 report, the ongoing spread of porcine epidemic diarrhea virus in the Americas and Asia will have a material impact on pork supply both this summer and in the years to come.

PEDv outbreak kills 14,286 pigs daily

[Angela Bowman](#), Staff Writer | Updated: 07/09/2014



Chicken companies realizing profitability growth due to high red meat prices

Tyson Foods Should See Increased Profits On Soaring Pork And Beef Prices

Mar. 18, 2014 7:00 AM ET | About: [Tyson Foods Inc. \(TSN\)](#), Includes: [BRFS](#), [HRL](#)

Disclosure: I have no positions in any stocks mentioned, but may initiate a long position in BRFS over the next 72 hours. ([More...](#))

Summary

- US Pork prices are up nearly 45% in the last three months due to Porcine Epidemic Diarrhea Virus (not harmful to humans).
- US Live Cattle prices are up 11% in the last three months.
- The higher pork and beef commodity prices should spur profit growth in US meat food producers in 2014.
- The uptrends in both commodities seem likely to continue near term.
- There is a secular growth story in meat foods worldwide. This should provide good growth for food manufacturers over the long term.

Tyson Sales Beat Estimates as Prices Surge for Beef, Pork

By Elena Popina May 5, 2014 7:49 AM ET | [0 Comments](#) [Email](#) [Print](#)

Market Forecaster: Grains lower, but beef, pork higher

June 02, 2014 2:05 pm • By Brian Hoops, president, Midwest Market Solutions

[\(0\) Comments](#)

Tyson, Pilgrim's Pride Should Benefit from Higher Meat Prices

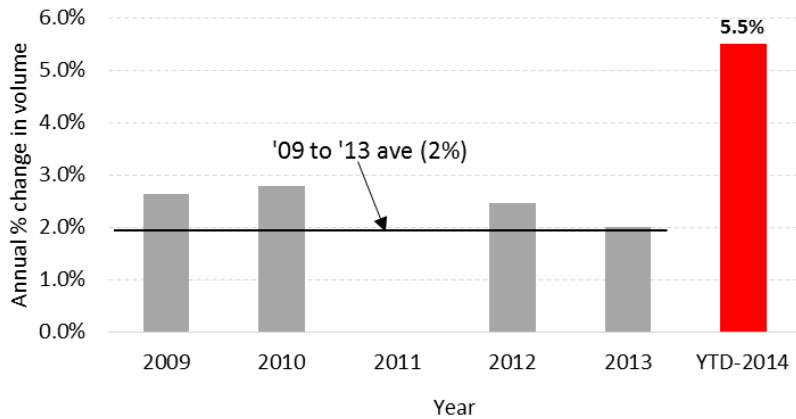
Stephens agribusiness analyst Farha Aslam sees higher meat prices in 2014 – these companies should benefit.

By [GRACE L. WILLIAMS](#)

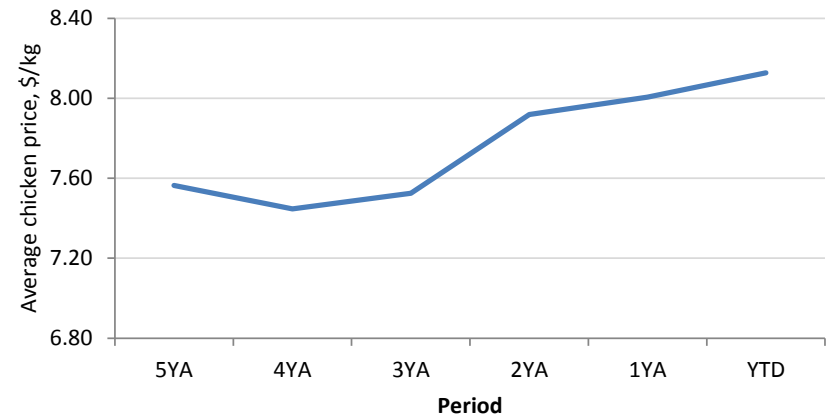
May 6, 2014

Retail volume of fresh chicken is experiencing a “step-change” growth while its average price continues to increase

Annual Chicken Volume Growth

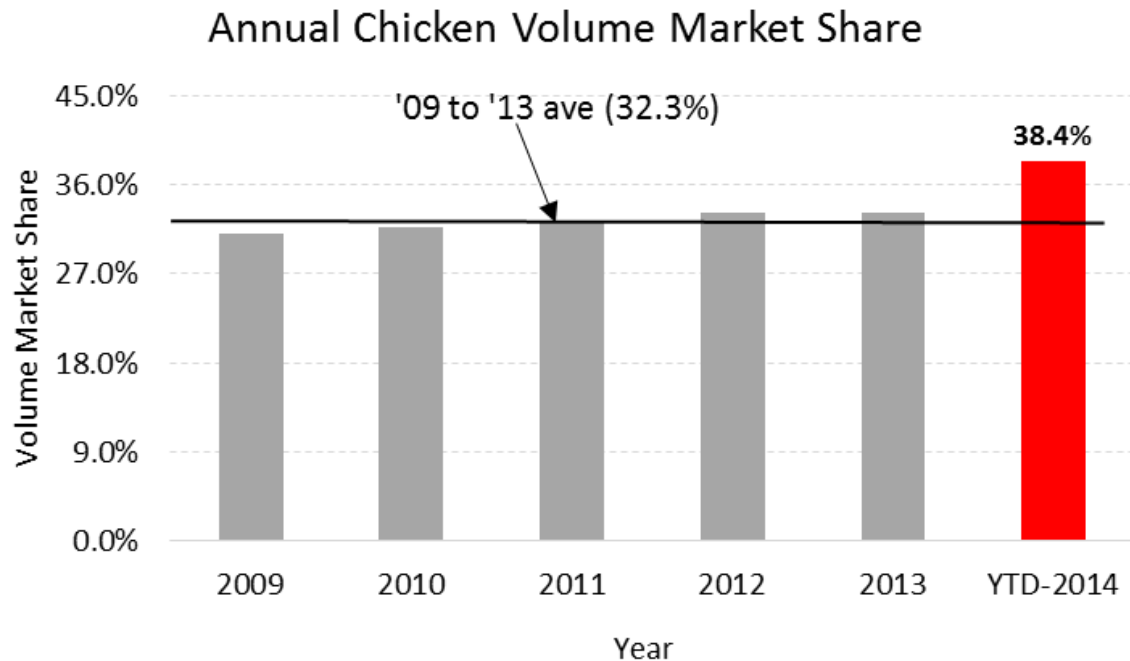


Average Chicken Price



**Nielsen data covers up to week ending June 28, 2014*

The accelerating growth of chicken is resulting in significantly higher market share than in the past 5 years



**Nielsen data covers up to week ending June 28, 2014*

CHEP allocations of chicks could limit the chicken industry's growth

July 15, 2014 Meeting

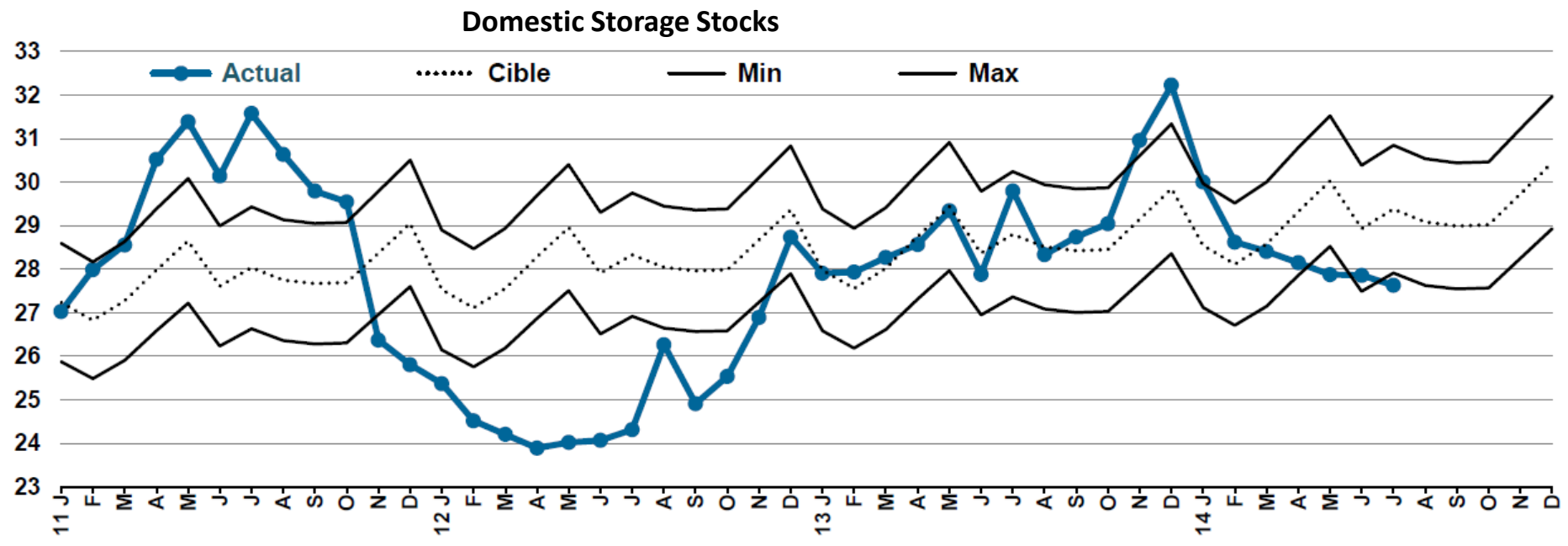
2014: 2.0% production increase

2015: 2.5% production increase

Year	CFO	CHEP	Difference
2014	1,069,959,362	1,065,000,000	4,959,362
2015	1,112,757,736	1,092,000,000	20,757,736

The chicken industry is facing a production short fall of 25.7 million kilograms in 2014-2015 due to limited chick supplies set by CHEP

Domestic inventories are trending down and are now below the healthy range

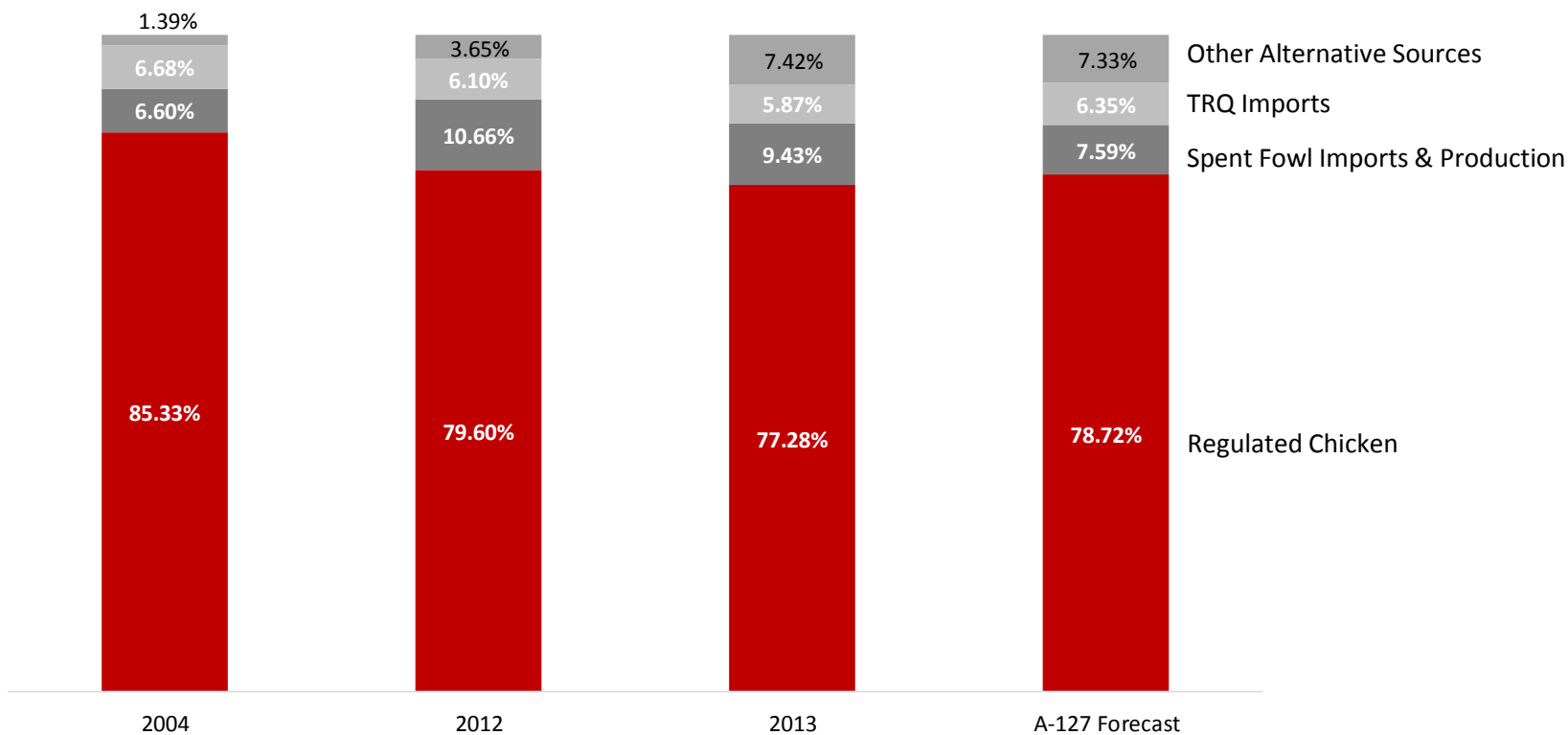


Source: CFC

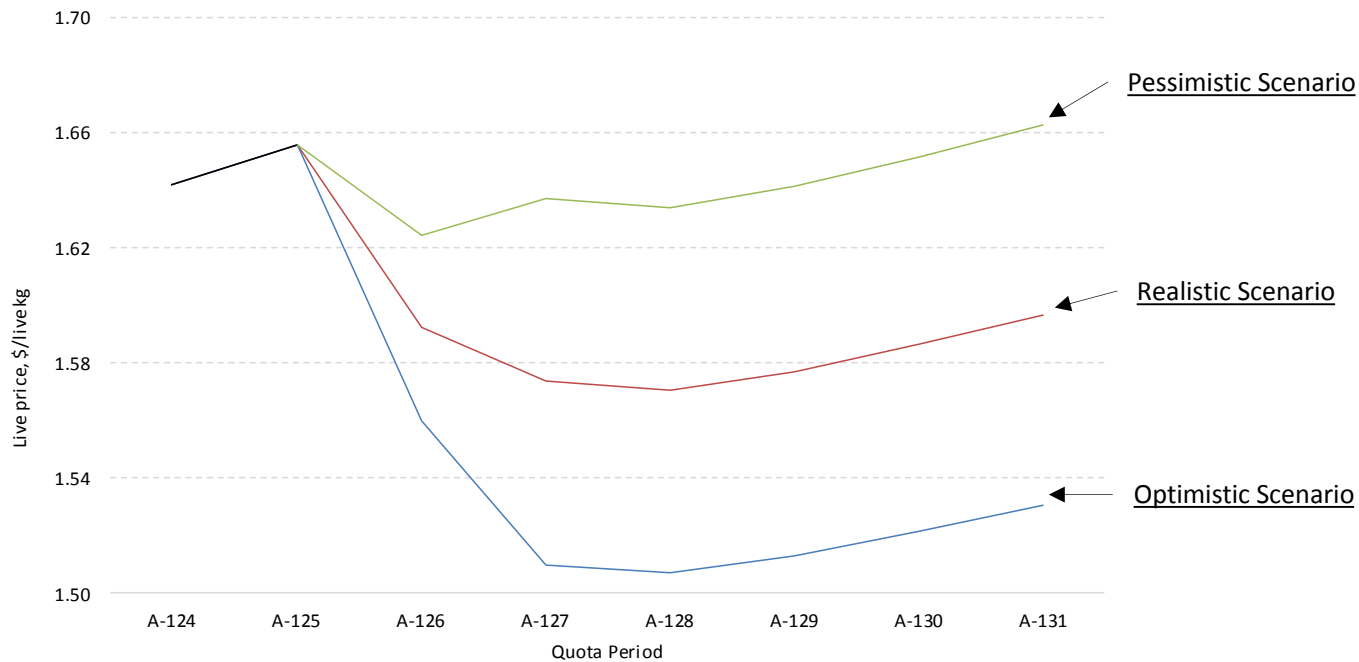


The market share of regulated chicken production continues to be cannibalized by industry's utilization of other protein sources

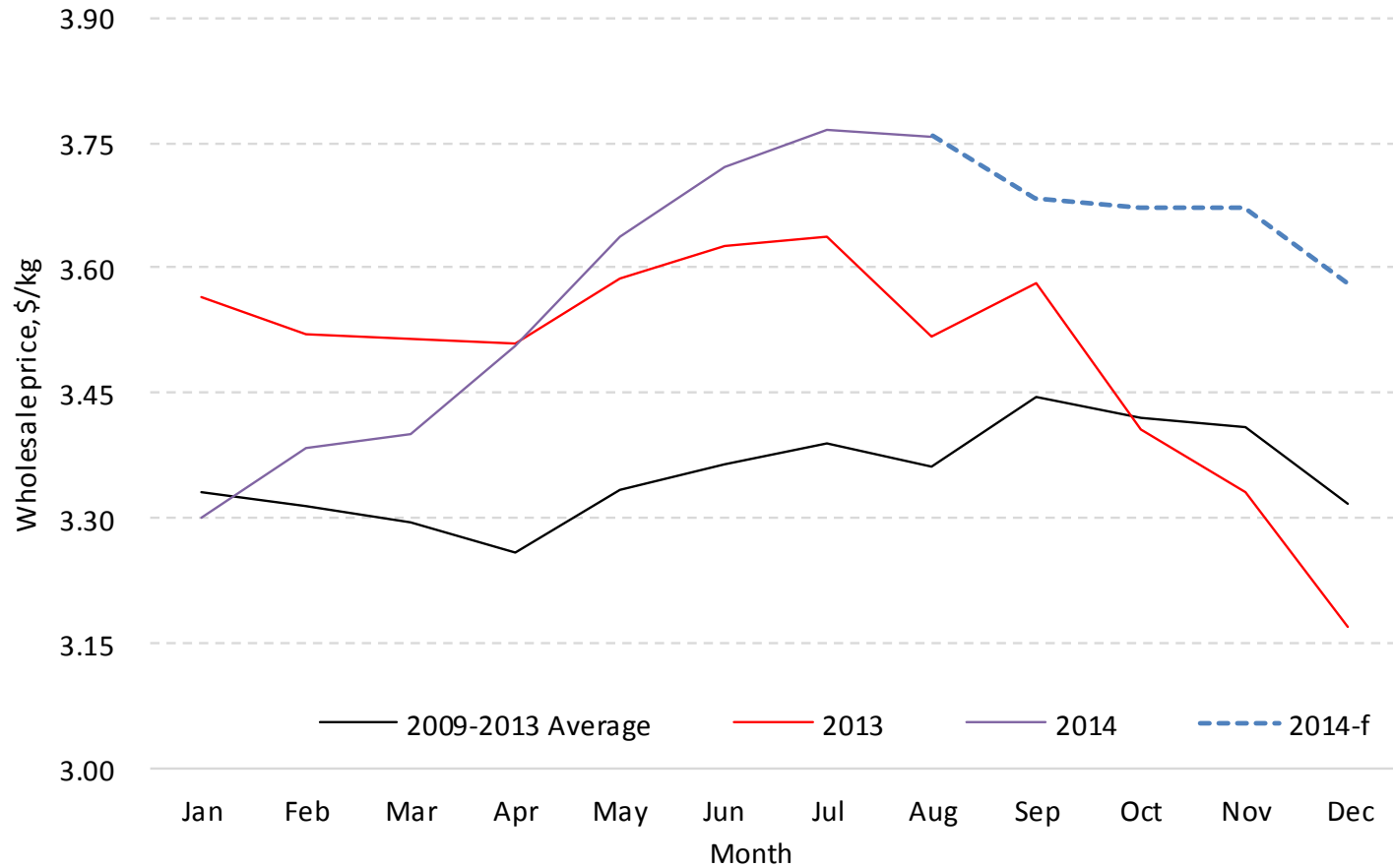
Market Shares of Various Chicken Sources



Live price has been declining and is forecast to stabilize



Wholesale price for the rest of 2014 is forecast to remain higher than previous year



CFO proprietary research (George Morris Centre A-127 Summary)

Confidential

Current Market Dynamics

- Chicken wholesale prices in US and Canada are both continuing to be strong
- Significant production increases are not likely to be risky regarding chicken pricing
- Actual prices in US and Canada are significantly higher than any forecasts
 - This reality is driven by high beef and pork prices
- Chicken has cost and margin advantages for retailers compared to beef and pork
- Wholesale pork prices are 35%-40% above their levels last year
- Beef is over 20-25% higher versus last year
- US chicken price and demand are both strong and increasing

Forecasts – A-127

- Pork supply will be 3% lower and price is forecast to be 20% higher than last year
- Beef supply will be about 5% less and price will be 15% higher than last year
- Chicken wholesale price in US forecast to be about 15% higher than last year
- Chicken wholesale price in Canada forecast to be strong in A-127
- US chicken processors are keeping production increases moderate due to low increases in broiler breeding flocks

APPENDIX 2

(CFO A-127 Rationale)

July 23, 2014

Chicken Farmers of Canada
350 Sparks Street, Suite 1007
Ottawa, ON K1R 7S8

Attention: Mike Dungate

Executive Summary

Meeting Consumer Needs

Market conditions for chicken are exceptionally strong and are forecast to remain so during A-127 and well into the future.

Chicken Farmers of Ontario (CFO) is recommending an allocation of +5.0% relative to its adjusted base for quota period A-127. This is 2.4% higher than last year's actual production and 3.8% higher than last year's allocation.

Note that the A-127 base is the lowest base in the current block of six quota periods and is 7% lower than the highest base period (A-130) and 3.7% lower than the average base of the six quota period block. Therefore, the base volumes already account for the seasonal differences in demand whereby A-127 was designated as having the weakest demand.

Two Key Factors Support the A-127 Allocation

Supply issues create promising current and future profitable growth for chicken

The impact of unexpected natural events has created a unique North American marketplace and operating conditions that promise current and future growth conditions for chicken. The drought-induced shortage in beef and the PED virus situation in pork are both long-term structural issues which have no near-term end in sight. The avian influence issue in Mexico has contributed to an overall tightness in North American chicken supply thus further bolstering demand for domestic chicken.

Demand for chicken has been exceptionally strong and will stay so well into 2016

Consumers continue to shift consumption away from other meat proteins despite slightly higher price levels. The year-to-date volume of fresh chicken purchased at retail has increased by 5.5%, a sharp increase compared to the 2009-2013 average growth of 2.0%. This growth has been driven by the supply issues, as well as the perceived healthfulness of chicken vs. other meat proteins. Thus chicken is placed exceptionally well for sustained growth not only for A-127 but through 2015 and well into 2016.

Two Concerns Impact the A-127 Allocation Planning

CFC Governance: Supply Management or Supply Containment?

All parties of the supply management system have a responsibility to meet consumer requirements for chicken, given current and changing market dynamics, within a positive “balanced best interest” public policy framework.

In its A-127 allocation letter, CPEPC continues to exclusively focus on a targeted proxy processor gross margin “profit return”, and targeting and achieving wholesale prices (level and trend) to substantiate its industry supply requirements. CPEPC’s A-127 allocation letter, much less historical CPEPC allocation letters, fail to highlight fact-based consumer demand, a projected consumer demand forecast, as well as any specifics regarding grocery and foodservice distribution channel requirements as important components in their CPEPC requirement analysis and forecast.

As discussed in CFO’s last letter, the Canadian poultry industry is highly concentrated and dominated by integrated poultry firms which enjoy ever greater financial rewards as they pursue multiple profit pools. The single-minded focus on profitability without due regard for meeting market needs is clearly evident in the current and historical CPEPC recommendations.

Risk Mitigation: successfully meeting the growing consumer demand could be compromised by the quantity and quality of chick supply

The current level of planned chick supply by CHEP will fall significantly short of meeting the growing consumer demand for chicken. This situation will only be further exasperated by the tight breeder supplies in the US and the avian influenza outbreak in Mexico.

A concerted and responsible supply managed solution is required by CHEP, CFO, and CPEPC to ensure that sufficient quantity and quality of chicks are made available to support the market demand.

All chicken market fundamentals have been strong and expected to remain strong

All market fundamentals support a strong A-127:

- The wholesale price continues to exhibit exceptional strength and has reached record high levels over the past two months,
- Grain prices have experienced significant decreases over the past two months which will lead to lower live prices in the near future (CFO’s July Commodity Outlook Report provides further details and is attached),
- Despite CPEPC’s overblown concerns, TRQ levels are actually ahead of last years’ levels and not expected to have a material impact,
- Storage stocks have trended downward since the start of 2014 and currently below the healthy range.

A responsible allocation decision calls for significant growth

CFO has taken a “balanced best interest” framework and taken a comprehensive review of all relevant market factors which provide an unequivocal and overwhelming case for strong, profitable growth of +5% relative to the adjusted base.

An opportunity for value creation

CFC through its Strategic Plan, and industry stakeholders can drive further domestic growth through strategic focus and careful investment (Brand Canada marketing, allocation system improvement, consumer insight research, etc.) while encouraging competitiveness and innovation, overall.

Yours truly,

Rob Dougans
President & CEO

c.c. Geri Kamenz, Chair, OFPMC
Laurent Pellerin, Chair, FPCC

Attachments: Appendix A. Detailed Discussion of Relevant Market Factors
Appendix B. Summary of Historical and Recent Data
CFO July Commodity Outlook Report

Appendix A Detailed Discussion of Relevant Market Factors

Supply of Chicken

Production:

The A-127 recommendation of +5.0% relative to the adjusted base corresponds to a national domestic allocation of 156.5 Mkg.

Imports:

Over the last 5 years, the TRQ import permit utilization during A-127 weeks averaged 0.8 Mkg above the pro-rata level.

Spent Fowl:

The latest AAFC report indicated the total import of spent fowl as of December 28, 2013 is 97.2 million kilograms. This volume represented 10% of domestic production through 2013.

With the 106 million kilograms of spent fowl imported in 2012, the industry has imported over 200 million kilograms of spent fowl in the last two years.

The year-to-date as of May 31, 2014, spent fowl imports totaled 24.1 million kilograms which is 26% below the volume imported over the same timeframe in 2013.

Other Alternative Chicken Sources:

In addition to TRQ and spent fowl imports, there are also threats from alternative sources of chicken such as potential leakages in the IREP, significant growth of chicken imported under the Duty Deferral Program (“DDP”) and imports that utilize the “13% rule”.

The latest data under the DDP indicates that in 2013, the chicken industry imported 61.0 million kilograms of chicken through the DDP. This volume is 3.5 times (+46.9 million kilograms) as much as the total DDP imports in 2012. Notably, the total decrease in IREP imports of 34.2 million kilograms is exceeded by the total increase in DDP imports.

In the first two quarters of 2014, DDP imports are 35% higher than the previous year in the same timeframe.

Supply of Alternative Protein

Beef:

Drought conditions in North America in the past few years that have resulted in cattle herd reductions has constrained the amount of beef in the market. It takes at least two years to expand the cow herd and this process has barely begun. Therefore, tight supplies will continue to be a factor for at least another two years. As this process begins, supplies will be reduced further as female heifers are removed from the slaughter mix. The main point is that there is nothing on the immediate horizon that will reverse the supply situation.

Pork:

The porcine epidemic diarrhea (PED) has resulted in millions of pigs from the North American slaughter mix and has limited the availability of pork products in the market. Future prospects of pricing will be primarily tied to the industry's ability to expand the sow base and the suppression of the disease. There are currently no indications that this problem has been eliminated. The USDA Hogs and Pigs report for June 2014 indicated that there were 5% fewer pigs in the US than last year which will roughly result in 5% lower slaughter in the fall this year compared to last year.

Demand for Chicken

Domestic Consumption:

Most Recent 52 Weeks:

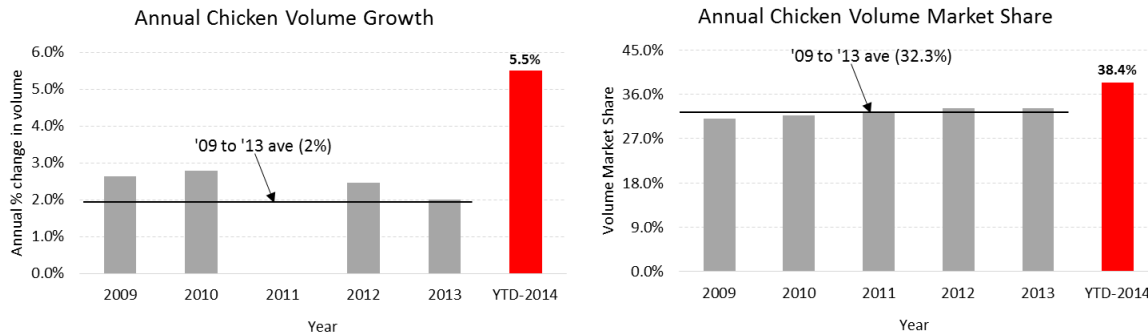
The latest Nielsen data for the last 52 weeks ending June 28, 2014 is indicating the growth in consumer spending for fresh chicken was 5.4% which is driven by a 3.2% growth in volume and 2.2% growth in average price. In comparison, consumers **increased** spending by 3.1% on fresh beef for less volume (2.0% **decrease**) and a higher average price (5.3% **increase**). The average price for fresh pork **increased** 5.1%, accompanied by a **decrease** in volume of 4.9% leading to unchanged consumer spending.

Chicken remains the retail market share leader in volume of fresh proteins with 34.29% having grown from 33.06% from the preceding 52 weeks. Beef is second with 29.70% (-0.46%) of the market while pork is at 18.42% (-0.86%).

Year-to-date:

As of June 28, 2014, the year-to-date view of retail consumption of fresh proteins illustrates the unprecedented demand that chicken is currently experiencing. The volume of fresh chicken growth of 5.5% is 2.7 times faster than the average growth experienced from 2009 to 2013. In comparison, the volume fresh beef purchased at retail declined by 7.0% while the volume of fresh pork purchased at retail declined 6.8%. For this period, chicken's volume market share is at 38.4% compared to an average market share of 32.3% from 2009 to 2013.

The year-to-date spending on chicken was up 7.1% compared to +3.0% change in beef and 2.8% for pork. The charts below illustrate the unprecedented growth that chicken is experiencing in 2014.



Inventory:

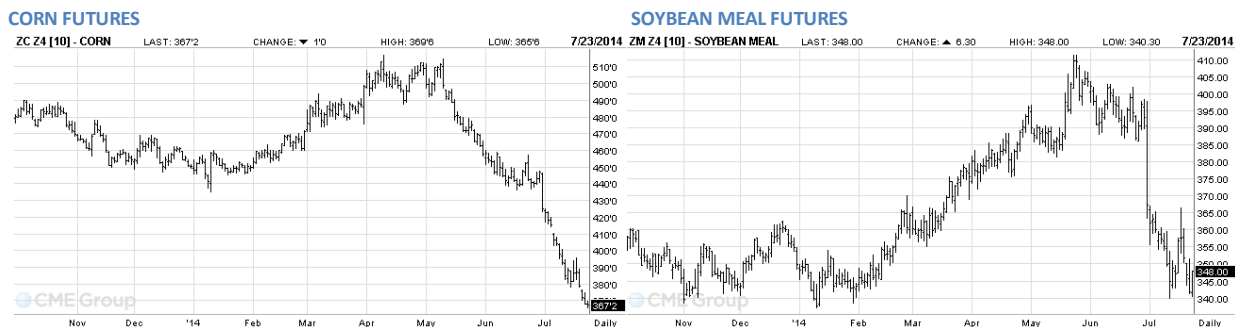
The July 1 storage stocks data released by AAFC is again reflecting the strong market demand for chicken. Domestic inventories have trended down since the beginning of 2014, currently sit below the healthy target and are estimated to be lower than the lower end of the acceptable range.

Price Review and Forecasts

Live Price:

The Ontario live price for A-125 is \$1.656/kg. Corn and soybean meal futures indicate that feed prices will be trending lower in the next few quota periods.

The following charts illustrate the downward trend being experienced by the futures prices of primary feed ingredients and support the view that feed prices would be on the down trend for the foreseeable future.



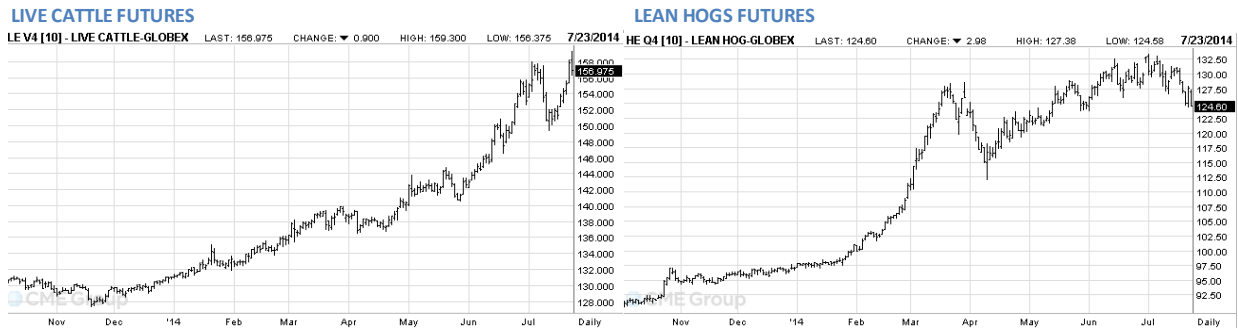
Wholesale Price:

The year-to-date average wholesale price is \$3.52/kg. Since December 21, 2013 when the wholesale price reached its lowest level in 2013 of \$3.12/kg, it has risen by 70 cents (+22%) to the current price of \$3.82/kg (all-time high) for the week ending July 19, 2014.

Compared to historical data, the wholesale price has been at historically high levels for the past two months.

Beef and Pork Pricing

As a result of significant reductions in the supply of beef and pork, prices of these commodities have escalated. This trend in beef and pork pricing is illustrated in the charts below.



**Appendix B
Summary of Historical and Recent Data**

Table 1: Current versus historical data

	2014 A-124 average	2013 Same weeks as A-127	2011-2013 Average
Wholesale Price	3.72	3.47	3.39
Live Price	1.64	1.69	1.70
Change in Inventories (Mkg)	^{Last 2 months} -0.31	-0.8	+0.23
TRQ Imports to Pro Rata (Mkg)	-0.86	+1.5	+0.77

Table 2: Live and wholesale prices

	Last 12 Months Apr 13 - Mar 14		Last 9 Months Jul 13 - Mar 14		Last 6 Months Oct 13 - Mar 14		Last 3 Months Jan - Mar 14	
	Average	YOY	Average	YOY	Average	YOY	Average	YOY
Wholesale Price (WSP)	\$3.48	-3%	\$3.47	-3%	\$3.57	0%	\$3.71	2%
Live Price (LP)	\$1.63	-5%	\$1.61	-7%	\$1.61	-6%	\$1.63	-3%

* May 2014 average includes 3 out of 5 weeks

Table 3: Inventory (Million Kilograms)

	Last 12 Months Mar 13 - Feb 14		Last 9 Months Jun 13 - Feb 14		Last 6 Months Sep 13 - Feb 14		Last 3 Months Dec 13 - Feb 14	
	Average	YOY	Average	YOY	Average	YOY	Average	YOY
Total	35.54	3%	35.58	0%	34.14	-6%	33.70	-7%
W/O Legs and Miscellaneous	29.00	4%	29.10	2%	28.13	-2%	27.81	-4%
W/O Legs, Misc. and IREP*	26.68	6%	26.76	4%	25.81	-2%	25.48	-4%

* Estimated using latest bi-monthly data from AAFC as provided by CFC

APPENDIX 3

**(CPEPC Production Requests and EMI
Forecasts)**

CPEPC production requests reflect a low production bias

CPEPC tends to submit the lowest volume recommendation

	BC	ALB	MAN	SASK	ON	QUE	PEI	NS	NB	NFLD	RC	FFPAC	CPEPC	Final Allocation
A-110	4.0%	5.0%	4.7%	4.0%	2.0%	4.5%	3.1%	3.1%	3.1%	3.1%	3.2%	2.0%	1.0%	2.0%
A-111	3.0%	3.5%	3.0%	3.0%	2.0%	2.2%	2.1%	3.0%	2.1%	2.1%	1.0%	1.1%	1.0%	2.0%
A-112	2.0%	3.5%	2.0%	2.0%	2.0%	2.5%	2.0%	2.0%	2.5%	2.0%	0.0%	0.3%	0.0%	2.0%
A-113	3.0%	5.0%	3.0%	3.0%	2.0%	3.0%	3.0%	3.5%	3.0%	3.0%	1.0%	2.0%	0.0%	2.0%
A-114	3.0%	5.0%	3.0%	3.0%	2.0%	3.0%	3.0%	3.1%	3.0%	3.0%	0.0%	1.6%	0.0%	2.0%
A-115	3.0%	5.0%	3.0%	3.0%	2.0%	3.0%	3.0%	3.0%	3.1%	3.0%	0.0%	1.2%	-2.0%	1.5%
A-116	3.6%	5.0%	3.1%	3.0%	1.7%	3.0%	3.0%	5.0%	3.0%	3.0%	1.2%	1.7%	0.5%	1.7%
A-117	3.7%	5.0%	3.0%	3.0%	2.0%	3.0%	3.0%	3.0%	3.1%	3.0%	2.1%	1.5%	1.0%	2.0%
A-118	2.7%	3.5%	2.0%	2.0%	1.5%	2.7%	2.0%	2.1%	2.0%	2.0%	0.0%	1.0%	0.0%	1.5%
A-119	2.7%	3.5%	2.0%	2.0%	1.7%	2.2%	2.1%	2.0%	2.0%	2.0%	1.9%	-1.3%	-2.0%	1.0%
A-120	2.7%	3.5%	2.0%	2.7%	1.8%	2.2%	2.1%	2.1%	2.1%	2.1%	4.8%	0.5%	-1.5%	1.8%
A-121	3.0%	5.0%	3.0%	3.0%	2.0%	3.0%	3.1%	3.1%	3.1%	3.1%	2.7%	0.7%	-2.0%	2.0%
A-122	3.7%	3.5%	3.0%	2.5%	2.5%	3.0%	3.1%	3.1%	3.1%	3.1%	2.7%	1.8%	1.0%	2.5%
A-123	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	3.1%	3.1%	3.1%	3.1%	1.2%	1.5%	0.0%	1.5%
A-124	1.0%	2.5%	1.0%	1.1%	1.7%	2.0%	2.1%	2.1%	2.0%	2.0%	0.0%	0.2%	-2% to 0%	0.0%
A-125	2.0%		2.0%	2.0%	2.0%	3.0%	2.0%	2.0%	2.0%	2.0%	-1.6%	-0.5%	-0.5%	1.0%
A-126	3.0%		3.0%	3.0%	3.0%	3.5%	2.0%	2.1%	2.0%	2.0%	1.2%	2.0%	1.0%	2.5%
A-127	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%	2.4%	2.0%	1.8%	4.3%

Has CPEPC been misreading the market fundamentals regarding market price realization?

	A-121	A-122	A-123	A-124	A-125
CPEPC EMI Forecast (\$/kg)	3.48	3.42	3.455	3.285	3.395
Actual EMI Average (\$/kg)	3.23	3.39	3.531	3.719	3.779
Forecast vs Actual (\$/kg)	0.25	0.03	-0.076	-0.434	-0.384

Notes:

- Actual average price in A-125 includes 4 weeks of available data
- CPEPC numbers are based on the midpoint of wholesale price forecasts for the quota period in which volume recommendations were submitted