



Farm Products Council
of Canada

Conseil des produits agricoles
du Canada

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Our file: 1275-5

October 1, 2013

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

Dear Mr. Janzen:

Thank you for forwarding the details surrounding the six period allocation agreement recently completed by your Board of Directors. I would also like to thank you, Mike Dungate and Jan Rus for meeting with Council members and staff of the Farm Products Council of Canada on September 24, 2013. The process you outlined in arriving at the interim allocation agreement for the six-allocations of A-121 to A-126 was useful during Council's deliberations. The additional details provided by Messrs. Dungate and Rus were also appreciated by those present.

When considering the proposed amendments to the *Canadian Chicken Marketing Quota Regulations* for the A-121 allocation period, which runs from December 1, 2013 to January 25, 2014, the Council reviewed market conditions for chicken as well as the statutory requirements of the Chicken Farmers of Canada when setting allocations.

Given the positive market conditions (as briefly outlined below) and the increase in the domestic allocation for the A-121 period versus domestic production from a year earlier, Council is of the view that the proposed amendments to the *Canadian Chicken Marketing Quota Regulations* are necessary for the implementation of the Agency's marketing plan. As such, Council has approved the proposed amendments to the *Canadian Chicken Marketing Quota Regulations* for A-121 for a total allocation of 210,795,162 kg for period A-121, which comprises a provincial allocation of 200,832,901 kg and a market development allocation of 9,962,261 kg, all in live weight.

It was noted that storage stocks, less chicken quarters and miscellaneous chicken parts as of September 1, 2013, increased by 5.2% versus August 1, 2013 and have been within the Agency's healthy ranges since October 2012. Also noted was that wholesale prices have generally remained at above levels seen in previous years, except for the price for wings. If fully produced, the domestic allocation would be approximately 148.0 million kg eviscerated, almost 1.0 million kg above chicken produced for the domestic market during the same weeks a year earlier. The market development allocation, if fully produced,

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would equal 7.3 million kg eviscerated; this is approximately 850 thousand kg eviscerated above the volume produced last year. The volume of unused tariff rate quota is a concern; Council is of the view that the market conditions are sufficiently strong to bear this increase in imports during the coming months.

Furthermore, the Council found that the proposed quota regulation amendments did not satisfy the requirements of the *Farm Products Agencies Act*. The interim agreement that was used to set A-121 does not conform to subsection 23(2) of the Act, which states:

"In allocating additional quotas for anticipated growth of market demand, an agency shall consider the principle of comparative advantage of production."

The interim agreement relies heavily on the provincial market shares of the base for A-121 to A-126, with the largest factor (in terms of the percentage of allocation) being distributed on a pro rata basis using the provincial market shares and each of the four remaining factor being altered in some manner with the provincial base market shares for the A-121 to A-126 period. It is Council's view that allocating almost 100% of an allocation on provincial market shares, either directly or indirectly does not constitute consideration of comparative advantage of production. It was noted that the methodology does not respond to Council's expectation with respect to its guidelines on comparative advantage of production.

However, Council believes CFC is moving in the right direction and is committed to solving this allocation issue. Council also recognizes that the Agency and provincial boards will soon be engaged, with the aid of a mediator, in finding an allocation methodology which will successfully incorporate comparative advantage of production. I am pleased to see that the Farm Products Council of Canada will be consulted during the mediation process and I look forward to a long term solution.

Should you have any questions, please do not hesitate to contact me.

Yours sincerely,



Laurent Pellerin
Chairman