



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

Our File:1285-4

September 22, 2016

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

Subject: Amendment to the *Canadian Turkey Marketing Quota Regulations, 1990*

Dear Mr. Davies:

The Farm Products Council of Canada (FPCC or Council), during its meeting of September 14-15, 2016, considered Turkey Farmers of Canada's (TFC) request for amending the *Canadian Turkey Marketing Quota Regulations, 1990* for the 2016-17 control period, as described in your letter of August 9, 2016. Council members approved the amendment, as they found that it was necessary for the implementation of the marketing plan and satisfied the requirements of the *Farm Products Agencies Act*.

Council members continue to be concerned about the volatility of market demand and its impact on producers and consumers. Council encourages TFC to explore better forecasting methods to aid in setting allocations. In addition, TFC and its stakeholders are encouraged to move forward with studies to better understand the changes in the marketplace and strategies for promoting market growth for Canadian turkey meat in the short to medium term. Council would be happy to collaborate with TFC in this effort.

Should you have any questions, please do not hesitate to contact me or Nathalie Vanasse, Director, Council Operations and Communications at 613-759-1562 or by email at nathalie.vanasse@agr.gc.ca.

Yours sincerely,

Laurent Pellerin
Chairman

Canada



TURKEY FARMERS
OF CANADA
LES ÉLEVEURS DE DINDON
DU CANADA

August 9, 2016

Mr. Laurent Pellerin
Chairman
Farm Products Council of Canada
Central Experimental Farm
960 Carling Avenue
Building 59
OTTAWA, ON K1A 0C6

Dear Mr. Pellerin:

Re: **Canadian Turkey Quota Regulation 2016/2017**

Please find enclosed a submission from the Turkey Farmers of Canada (TFC) to revise the 2016/2017 Quota Regulation Amendment. We request that this be given consideration and prior-approval by the Farm Products Council of Canada at its next meeting.

The pertinent details of the proposed amendment, along with their justification and consideration, are detailed in the attached submission and appendices. The comparative advantage and overbase factors detailed in the submissions of February 29, 2016, April 8, 2016 and May 10, 2016 remain relevant considerations and apply to this amendment.

Should your staff have any questions on this submission, please do not hesitate to have them contact our office.

We look forward to Council's consideration and prior-approval of this amendment, and appreciate your assistance.

Sincerely,

Phil Boyd
Executive Director

Encl.

c: B. Edwardson, FPCC
N. Vanasse, FPCC

Canadian Turkey Marketing Agency c.o.b. Turkey Farmers of Canada (TFC)

Submission to: Farm Products Council of Canada
Regarding: Amendment to the Schedule to the Canadian Turkey Marketing Quota Regulation (1990) for 2016/2017
Date: August 9, 2016

The following is a proposed amendment to the 2016/2017 schedule to the Canadian Turkey Marketing Quota Regulation.

This amendment further revises the Schedule to the Quota Regulation for the 2016/17 control period building on the previous amendments submitted on:

- February 29: Establishment of 2016/2017 Quota
- April 8, 2016: Export Increase, Whole Bird Decrease and Multiplier Breeder Adjustment
- May 10, 2016: Imposition of 2013/2014 Overmarketing Penalty and Redistribution

This proposed amendment reflects decisions taken at the TFC 246th general meeting on June 22-23, 2016 implementing:

1. a decrease to the Commercial Whole Bird Allocation; and
2. a consequential adjustment to the Multiplier Breeder Conditional Allocation.

In particular, this amendment adheres to:

1. Criteria 4(d) of the CTMA Proclamation, which mandates that “any variation in the size of the market for turkeys” be taken into account. The proposed amendment reflects the current state of the market for whole turkeys in Canada.
2. The TFC’s Allocation and Multiplier Breeder Policies.

From the relevant motions made at the TFC 246th Meeting, the proposed revised 2016/2017 Federal Quota for turkey, excluding the unregulated area, is as follows:

Allocation Category	Current Allocation	Proposed Amendment		
	(kg)	Change kg	Total kg	Total Lb.
a. Whole Bird	71,206,420	-5,200,000	66,006,420	145,519,266
b. Further Processing (FP)	85,266,681	0	85,266,681	187,980,877
c. Total Commercial Quota (a + b)	156,473,101	-5,200,000	151,273,101	333,500,143
d. Multiplier Breeder Quota	2,714,142	72,945	2,787,087	6,144,475
e. Primary Breeder Quota	1,879,200	0	1,879,200	4,142,927
f. Export Allocations				
<i>i. Section 1 (Parts)</i>	18,973,065	0	18,973,065	41,828,454
<i>ii. Section 1 (Whole)</i>	295,000	0	295,000	650,363
<i>iii. Section 2 (Planned)</i>	5,782,183	0	5,782,183	12,747,534
<i>iv. Section 3 (Live)</i>	3,194,885	0	3,194,885	7,043,517
Total Export Allocations	28,245,133	0	28,245,133	62,269,868
g. 2013/2014 Overmarketing (1/3 of total)	-629,360	0	-629,360	-1,387,501
h. Redistribution of Overmarketing	629,360	0	629,360	1,387,501
i. Total Global Quota	189,311,576	-5,127,055	184,184,521	406,057,413

(c + d + e + f + g + h)				
j. Base Allocations	97,041,538	0	97,041,538	213,940,000
k. Over Base Allocations (i – j)	92,270,038	-5,127,055	87,142,983	192,117,413
l. Total Federal Quota (j + k)	189,311,576	-5,127,055	184,184,521	406,057,413

Proposed Amendments:

1. Decreased Whole Bird Allocation

In response to lower than expected disappearance of whole turkeys in the 2015/2016 Control Period, and significantly increasing inventories, the TFC Directors, at their 246th Meeting, reduced the whole bird allocation for 2016/2017 by 5,200,000 kg to 66,006,420 kg.

a) Justification

In addition to the 2,500,000 kg decrease to the whole bird allocation that was submitted by the TFC on April 8, 2016 and approved by the FPCC, a further decrease to the whole bird allocation of 5,200,000 kg is necessitated by much lower than expected whole bird disappearance in the 2015/2016 Control Period.

In 2015/2016, domestic disappearance of whole birds was 70.5 million kg (Mkg), 5.8 Mkg lower than in 2014/2015, and the lowest since 2008/2009 whole bird disappearance of 67.4 Mkg. Whole bird production in 2015/2016 was 77.0 Mkg. As a result, whole bird stocks at the end of the control period were 24.9 Mkg; an increase of 6.7 Mkg from opening inventories.

Based on the current whole bird allocation of 71.2 Mkg, and opening stocks of 24.9 Mkg, the supply of whole carcass turkeys for the domestic market in 2016/2017 is projected at 96.1 Mkg. When combined with the Turkey Market Advisory Committee’s forecast domestic disappearance of 72.0 Mkg, whole bird stocks throughout 2016/2017 would continue higher than market requirements such that TMAC forecast a 2017/18 closing inventory of 24.3 Mkg – above the range of 14-16 Mkg which TMAC views as achievable. Accordingly a reduction to the whole bird portion of the allocation is necessary.

b) Consideration

In addition to the points raised immediately above, additional considerations emerged from both the Turkey Market Review (TMR) and the TMAC reports.

From the TMR:

- Easter (March/April) consumer whole bird disappearance was 5.3 Mkg, 2.3 Mkg lower than year earlier, and 1.0 Mkg lower than the lowest estimate from the March TMAC report. The Easter market is very difficult to forecast with confidence, which in turn has a direct implication for May 1st inventories.
- The 24.9 Mkg inventory on May 1, 2016 is a record high for the date;
- Based on the average of the 2013/14 to 2015/16 control periods, the base domestic disappearance forecast for 2016/17 is 74.0 Mkg which may be somewhat optimistic.
- The TMR report showed a forecast May 1, 2017 inventory of 22.3 Mkg.
- Based on Ipsos Reid retail data, the weighted average retail price of turkeys in Canada rose to \$3.16/pound, from \$2.95/pound a year earlier. In part, this may have created a reduction in retail sales volumes during 2015/2016 to 45.5 Mkg from 50.8 Mkg a year earlier.

In addition, data from Statistics Canada indicates that competition from other meats increased in 2015. This, combined with less aggressive featuring of whole birds explains much of the decrease in whole bird sales.

In their report to the 246th meeting, TMAC noted, in addition to points previously raised, that:

- The lower whole bird sales reported by processors is consistent with trends reported by Ipsos-Reid.
- In 2015, Ipsos reported that whole bird sales in 2015 were 13.8% lower than in 2014. *(At the time of the TMAC meeting, only calendar year data was available. At the TFC meeting, control period or May to April data was available.)*
- TMAC was of the opinion that the Ipsos data was consistent with what would be expected due to less featuring of turkeys as loss leaders.
- As very little can be done in the short run to reduce production, TMAC focused on what could be achievable to arrive at a more reasonable stock level on May 1, 2017.
- The Committee looked at a number of scenarios, and considered a domestic disappearance of 72.0 Mkg in 2016/2017 to be likely, which is 2.0 Mkg lower than the base scenario of 74.0 Mkg in the Turkey Market Review, noted previously.
- Under the base scenario, domestic whole bird production of 65.0 Mkg would lead to closing May 1, 2017 stocks of 18.1 Mkg, which is still 2.1 Mkg to 4.1 Mkg higher than should be achievable by the industry.
- As a result of the above, TMAC made the following recommendation, with the objective of bringing inventories into a better balance with demand within the next two years:

“...that the whole bird commercial allocation for the 2016/17 control period, and by extension actual whole bird production, be established at 65.0 Mkg, which is 6.2 Mkg less than the current commercial allocation of 71.2 Mkg established at the TFC 245th Meeting in March.”

2. Adjustment to Multiplier Breeder Allocation

a) Justification

Under the terms of the Multiplier Breeder Policy, provinces set aside constant reference percentages of their commercial allocation to cover multiplier breeder turkey marketings. Marketings in excess of reference levels are covered by Multiplier Breeder Policy Allocations. Adjustments to commercial allocation result in kg changes to reference levels, making it necessary to adjust Multiplier Breeder allocations.

b) Consideration – Change due to the Whole Bird Allocation Decrease

The Whole Bird allocation decrease of 5,200,000 kg reduced reference levels by 19,697 kg in Manitoba, 31,734 kg in Ontario, and 21,514 kg in Quebec. This in turn, results in increases to the Multiplier Breeder Allocation of equal size. As a result, it is necessary that Multiplier Breeder Allocations be increased by 19,697 kg in Manitoba, 31,734 kg in Ontario and 21,514 kg in Quebec, for a total of 72,945 kg. As British Columbia does not have a reference level, that province’s allocation of 10,000 kg is unchanged.

Objects of an Agency

All of the proposed amendments are in response to market conditions and the functioning of the TFC’s Allocation and Multiplier Breeder Policies. The amendments reflect the Agency’s responsibility of promoting a strong, efficient, competitive industry. With this amendment, the TFC is meeting its obligations of adhering to its policies and of adjusting allocations in response to variations in the size of the market for turkeys.

Revised 2016/2017 Federal Quota

In kg and pounds, the following tables show the proposed, revised federal quota for the 2016/2017 Control Period. The provincial allotments have been arrived at under the terms of the TFC’s National Commercial Allocation, Multiplier Breeder, Primary Breeder and Export Policies.

2016/2017 Allocations (kg)

Province	Base Allocation (Proclamation)	2016/2017 Allocation (current)	Proposed Change	Proposed Revised 2016/2017 Allocation
BC	9,298,642	21,822,819	-809,292	21,013,527
AB	8,278,060	16,337,666	-444,038	15,893,628
SK	3,628,738	5,818,487	-229,348	5,589,139
MB	7,824,467	15,118,974	-580,848	14,538,126
ON	41,730,492	82,129,773	-1,458,132	80,671,641
QC	24,493,985	39,553,998	-1,207,808	38,346,190
NB	653,173	3,980,158	-101,602	3,878,556
NS	1,133,981	4,549,701	-295,987	4,253,714
Total	97,041,538	189,311,576	-5,127,055	184,184,521

2016/2017 Allocations (pounds)

Province	Base Allocation (Proclamation)	2016/2017 Allocation (Current)	Proposed Change	Proposed Revised 2016/2017 Allocation
BC	20,500,000	48,111,086	-1,784,184	46,326,902
AB	18,250,000	36,018,392	-978,936	35,039,456
SK	8,000,000	12,827,570	-505,626	12,321,944
MB	17,250,000	33,331,636	-1,280,549	32,051,087
ON	92,000,000	181,065,178	-3,214,631	177,850,547
QC	54,000,000	87,201,651	-2,662,763	84,538,888
NB	1,440,000	8,774,748	-223,994	8,550,754
NS	2,500,000	10,030,375	-652,540	9,377,835
Total	213,940,000	417,360,636	-11,303,223	406,057,413

List of Appendices:

- Appendix I: Relevant Motions of the TFC 246th Meeting
- Appendix II: Turkey Market Review Presented to the TFC 246th Meeting
- Appendix III: TMAC Report to the TFC 246th Meeting
- Appendix IV: 2016/2017 Allocation Table for Consideration from the TFC 246th Meeting
- Appendix V: Revised 2016/2017 Provincial Turkey Allocations in kg and Pounds

Relevant Motions from the CTMA c.o.b. TFC 246th Meeting of June 6 and 7, 2016

1. That the total 2016/17 Federal quota for interprovincial and export trade be amended and established at 184,184,521 kg eviscerated, and be comprised of the following components:
 - Commercial Whole Bird Quota: 66,006,420 kg
 - Commercial Further Processing Quota: 85,266,681 kg
 - Multiplier Breeder Quota: 2,787,087 kg
 - Primary Breeder Quota: 1,879,200 kg
 - Conditional Export Quota: 28,245,133 kg
 - 2013/2014 Overmarketing: -629,360 kg
 - Redistribution of 2013/2014 Overmarketing: 629,360 kg

2. That the 2016/17 Federal quota for interprovincial and export trade be allocated to the provinces as detailed at the TFC 246th Meeting in the Allocation Table as follows:
 - Column 2B Commercial Whole Bird Quota
 - Column 3C Commercial Further Processing Quota
 - Column 5F Multiplier Breeder Allocations
 - Column 6 Primary Breeder Allocations
 - Column 7F Conditional Export Allocations
 - Column 8 2013/2014 Overmarketing
 - Column 9 Redistribution of 2013/2014 Overmarketing

3. To direct staff to prepare the Quota Regulation submission for 2016/17 for blue stamping by the Justice Department and prior-approval by FPCC, subject to the members' review and approval of the supporting rationale.



Revised: June 20, 2016

Turkey Market Review



TURKEY FARMERS
OF CANADA
LES ÉLEVÉS DE DINDON
DU CANADA



Turkey Meat S&D – 12-Month Rolling

June 1 to May 31 - 2011/2012 to 2015/2016

	11/12	12/13	13/14	14/15	15/16
Opening Stocks	24.2	26.6	32.1	29.0	30.2
Production	158.7	167.4	166.2	168.2	178.2
Imports	4.6	5.8	3.3	2.7	2.8
Supply	187.5	199.8	201.6	199.9	211.3
Total Disappearance	160.9	167.7	172.6	169.7	172.1
Exports	20.8	23.7	21.8	20.7	24.4
Domestic Disappearance	140.1	144.0	150.8	149.0	147.7
Closing Stocks	26.6	32.1	29.0	30.2	39.2



Turkey Meat S&D – Traditional

May - 2012 to 2016

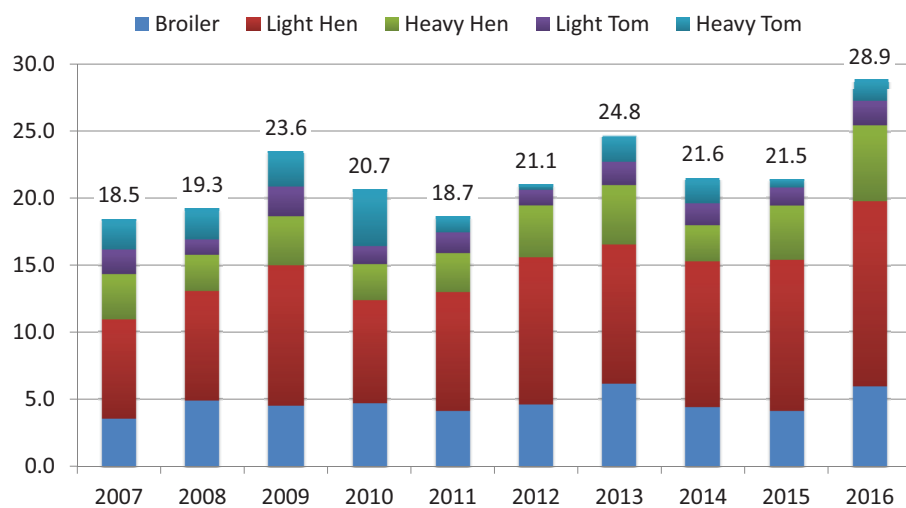
	2012	2013	2014	2015	2016
Opening Stocks	21.1	25.5	25.3	27.2	34.9
Production	14.8	14.2	12.7	12.0	13.6
Imports	0.4	0.5	0.1	0.4	0.3
Supply	36.3	40.2	38.1	39.7	48.7
Total Disappearance	9.6	8.1	9.1	9.4	9.5
Exports	1.3	2.3	2.4	1.2	2.0
Domestic Disappearance	8.4	5.8	6.8	8.2	7.5
Closing Stocks	26.6	32.1	29.0	30.2	39.2

3



Whole Stocks – June 1

2007 to 2016



4



Bagged Allocations

- Comparison of Annual and Model
- Easter
- Control Period
- Control Period Bagging Supply
- Whole Stocks – January and May
- Retail

Note: All figures in millions of kg unless otherwise indicated.

5



Bagged Bird S&D – Annual and Model

2014 & 2015 vs. 2014/15 to 2016/17

	Annual		Model		
	2014	2015	'14/15 Actual	'15/16 Actual	'16/17 Alloc.
Opening Stocks	6.8	7.9	17.3	18.2	24.9
Production	76.4	75.8	77.2	77.0	71.4
Imports	0.3	0.2	0.3	0.3	0.3
Supply	83.5	83.8	94.7	95.5	96.5
Total Disappearance	75.6	74.1	76.5	70.6	74.2
Exports	0.2	0.2	0.2	0.2	0.2
Domestic Disappearance	75.4	74.0	76.3	70.5	74.0
Closing Stocks	7.9	9.7	18.2	24.9	22.3
PCC (kg)	2.12	2.06	2.14	1.96	2.06
<i>Dom. Dis. – Imports</i>	75.1	73.8			
<i>Nova Scotia</i>			1.6	1.7	6



Bagged Bird S&D – Easter

2012 to 2016 - March and April

	2012	2013	2014	2015	2016
Opening Stocks	12.6	14.3	14.0	15.5	18.8
Production	9.8	10.3	11.1	11.3	11.3
Imports	0.0	0.0	0.0	0.0	0.0
Supply	22.4	24.6	25.1	26.8	30.2
Total Disappearance	6.9	6.2	7.9	8.6	5.3
Exports	0.0	0.0	0.1	0.0	0.0
<u>Domestic Disappearance</u>	6.8	6.2	7.8	8.6	5.3
Closing Stocks	15.5	18.3	17.3	18.2	24.9

7



Bagged Bird S&D - Period - Act. and Fcst.

2011/12 to 2016/17

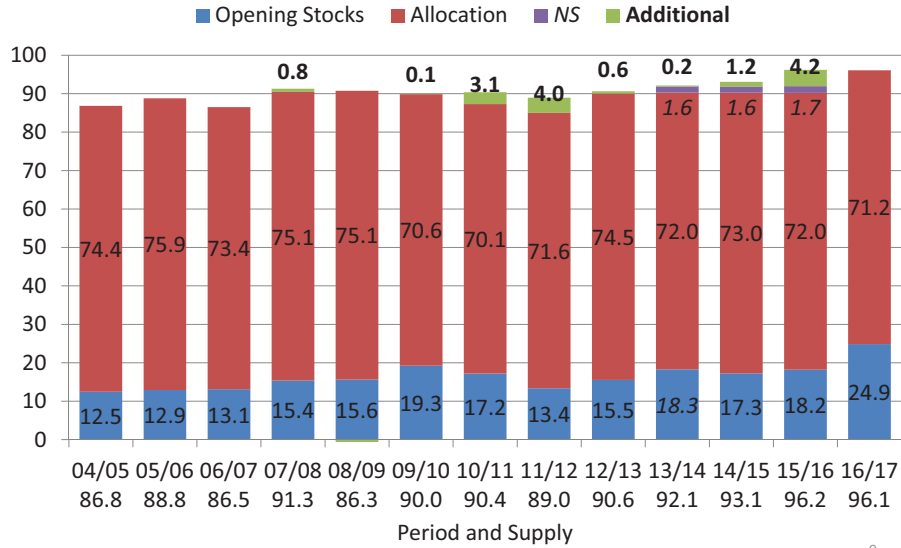
	11/12	12/13	13/14	14/15	15/16	16/17	Change
Opening Stocks	13.4	15.5	18.3	17.3	18.2	24.9	6.7
Production	75.8	75.4	73.9	77.2	77.0	71.4	-5.6
Imports	0.7	1.1	0.4	0.3	0.3	0.3	0.0
Total Supply	89.9	92.0	92.7	94.7	95.5	96.5	1.0
Total Disappearance	74.4	73.7	75.4	76.5	70.6	74.2	3.5
Exports	0.2	0.3	0.2	0.2	0.2	0.2	0.0
Domestic Disappearance	74.2	73.4	75.2	76.3	70.5	74.0	3.5
Closing Stocks	15.5	18.3	17.3	18.2	24.9	22.3	-2.5

8



Control Period Bagging Supply

2004/05 to 2016/17 – Excludes Whole Imports and Production for Exports

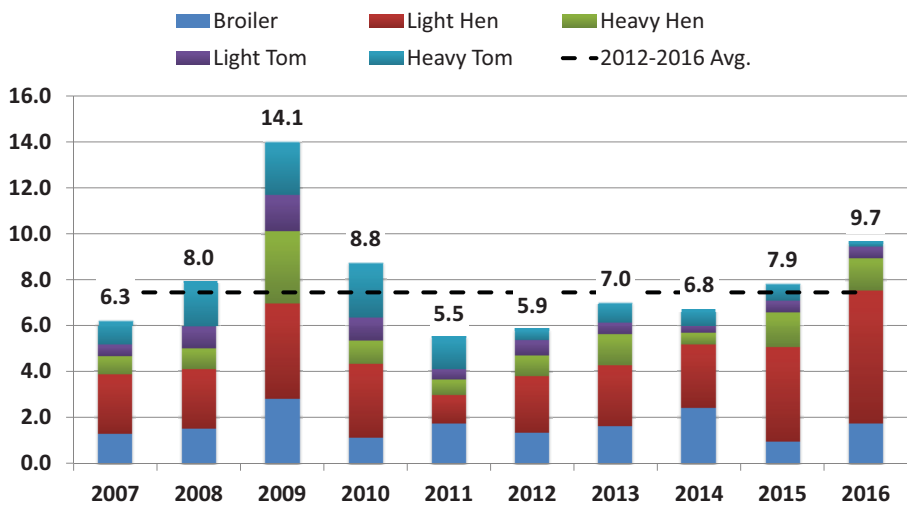


9



Whole Stocks – January 1

2007 to 2016

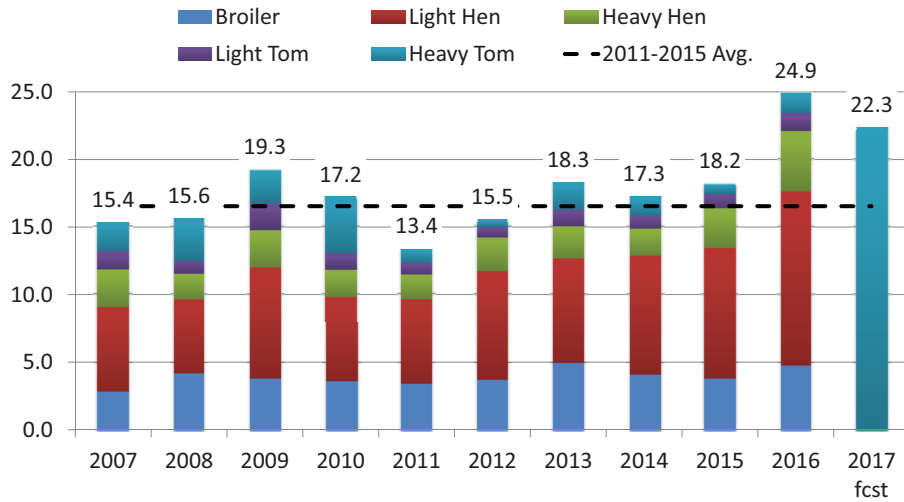


10



Whole Stocks – May 1

2007 to 2017

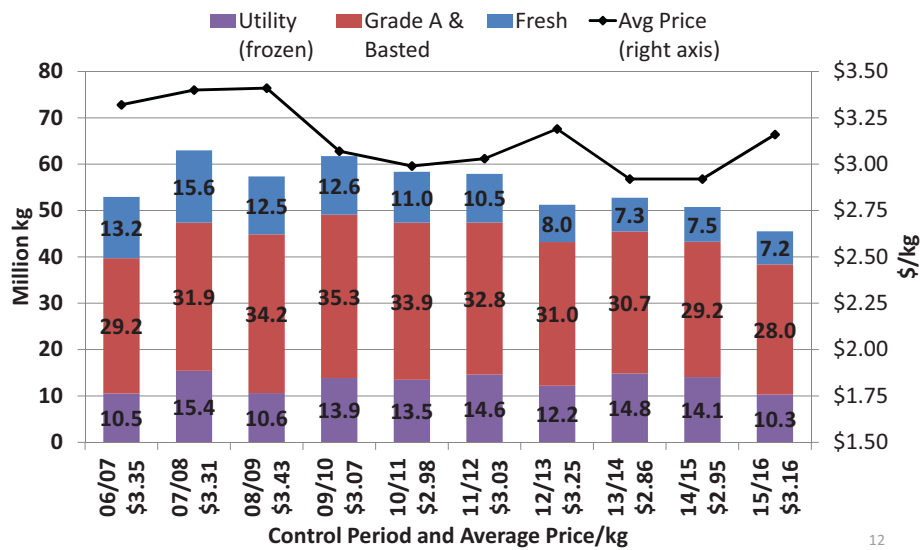


11



Annual Whole Bird Sales Estimates

Retail – 2006/07 to 2015/16 Control Periods



12



Further Processing Recap

- Imports
- US Breast Meat
- Exports
- Retail
- Stocks
- Supply and Disappearance
- Production Sources

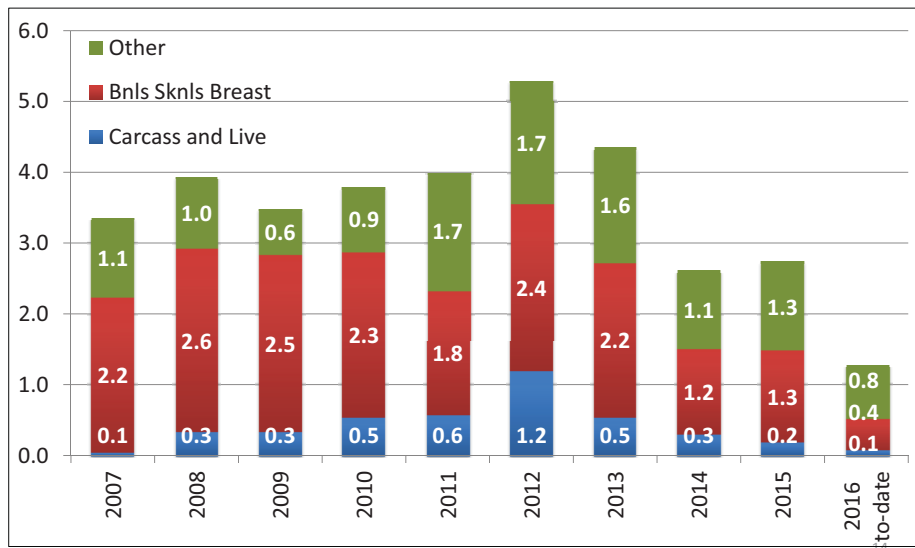
Note: All figures in millions of kg unless otherwise indicated.

13



Imports

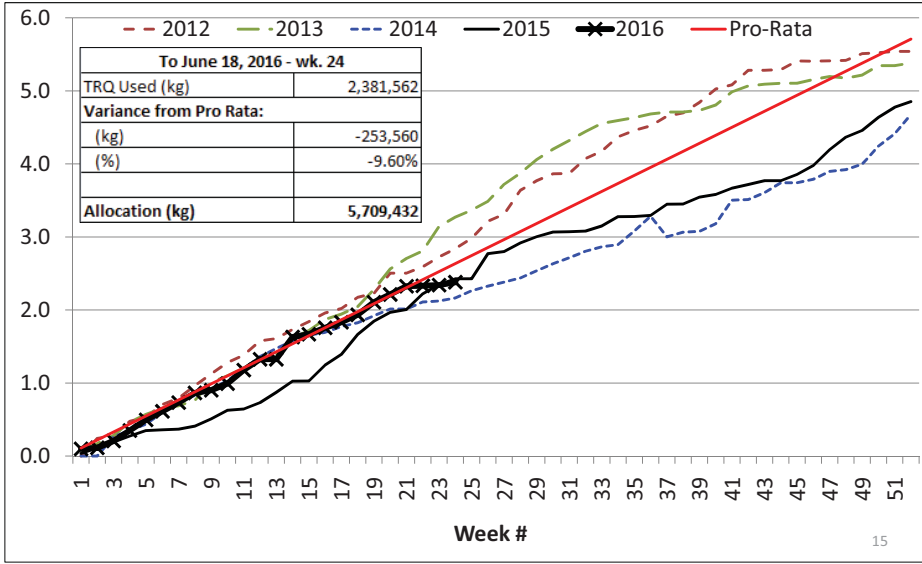
2007 to 2016





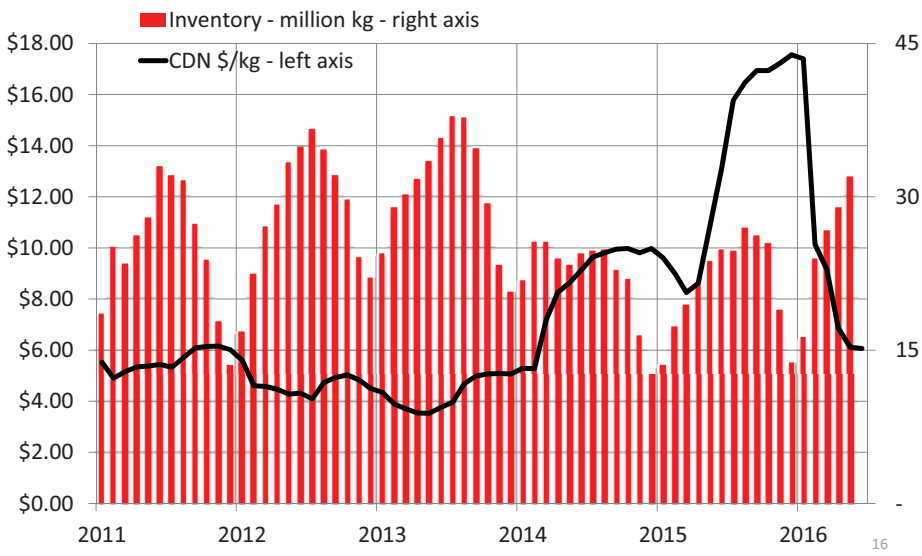
Imports – TRQ Utilization

2012 to 2016



US Breast Meat – Inventory and Prices

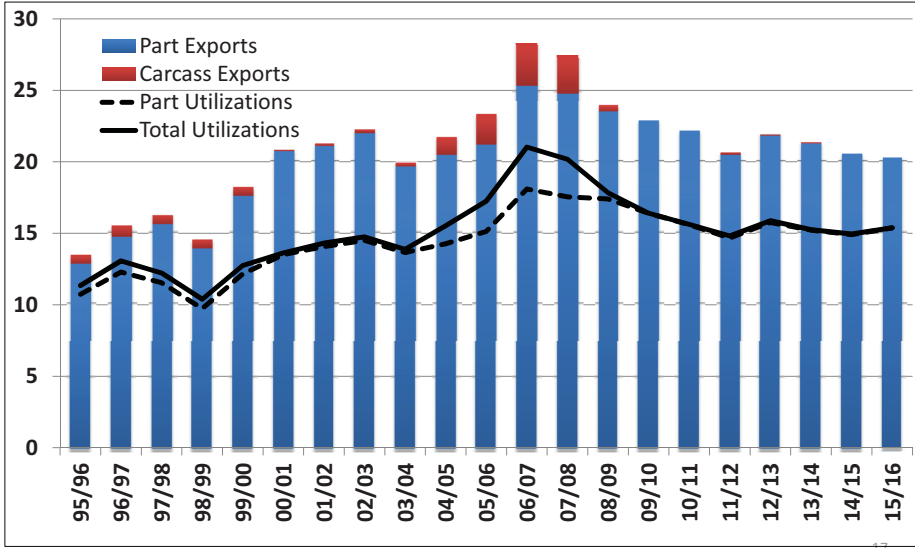
Boneless/skinless – Price: CDN\$/kg. – Inventory: millions of kg.





Section 1 Exports and Utilizations

Control Period – 1995/96 to 2015/16

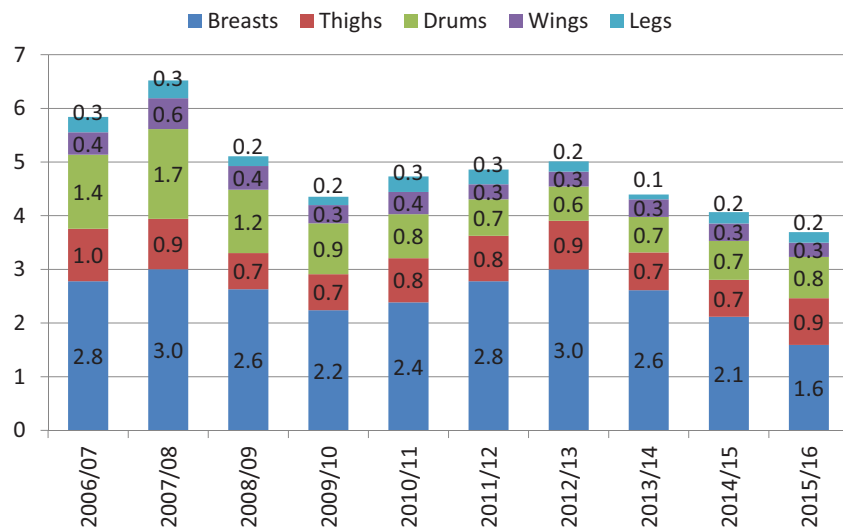


17



Cut-Up Sales Estimates - Mkg

Retail – 2006/07 to 2015/16 Control Periods

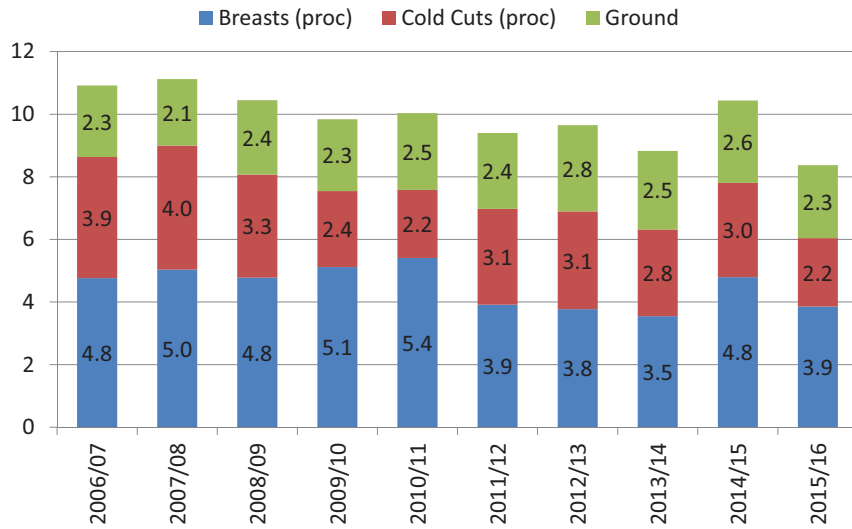


18



FP Sales Estimates - Mkg

Retail – 2006/07 to 2015/16 Control Periods

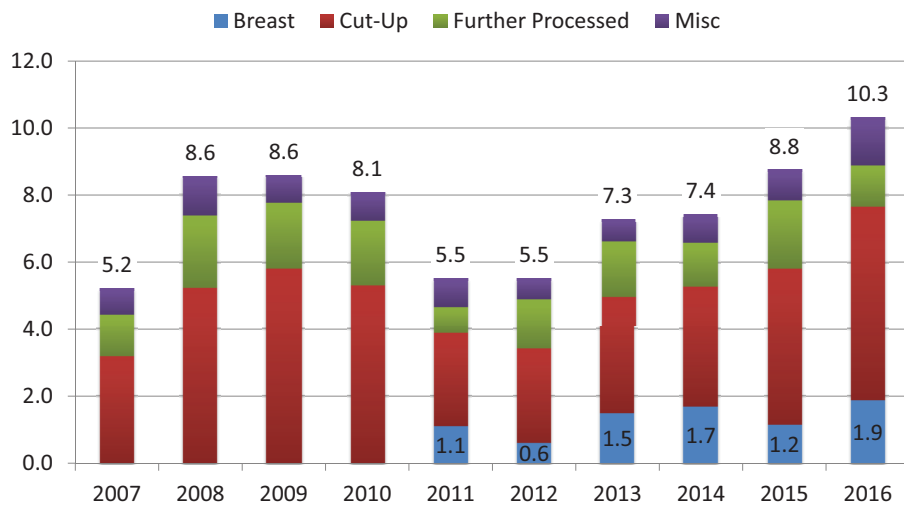


19



Breast/CU Other/FP/Misc Stocks – June 1

2007 to 2017



20



Supply & Disappearance – Breast Meat

Excludes Section 2 - Control Period - 2009/10 to 2016/17

	'9/10	'10/11	'11/12	'12/13	'13/14	'14/15	'15/16	'16/17
	Actual							Fcst.
Open Stocks	2.1	1.7	1.2	0.5	1.3	1.9	1.3	1.8
Production	23.0	21.9	21.6	24.2	24.5	23.8	25.2	27.1
Imports	2.3	3.3	2.8	3.6	2.6	1.5	1.6	3.0
Supply	27.4	26.8	25.6	28.4	28.4	27.2	28.1	32.0
Total Dis.	25.7	25.7	25.1	27.0	26.5	25.9	26.3	30.1
Exports	0.1	0.6	0.2	0.1	0.1	0.3	0.3	0.3
Domestic Dis.	25.7	25.0	24.9	27.0	26.4	25.5	26.0	29.9
Closing Stocks	1.7	1.2	0.5	1.3	1.9	1.3	1.8	1.8
PCC	0.76	0.73	0.72	0.77	0.75	0.72	0.71	0.81
FP Birds Prod./0.2625	87.8	83.4	82.3	92.1	93.3	90.6	95.8	103.4

21



FP Production Sources

Excludes Section 2 - '14/15 to '16/17 FP Sources

	'14/15 Actual	'15/16 Current	'16/17 Request
Multiplier Breeder Utilizations	1.3	1.8	1.8
Primary Breeder Utilizations	1.9	1.9	1.9
Export			
<i>Section 1</i>	15.1	15.0	15.0
<i>Carry-Forward</i>		2.2	2.2
<i>Reference Allocation</i>	66.5	66.5	65.2
Further Processing			
<i>Requests</i>	11.7	16.1	20.1
<i>One-Time</i>		2.0	
Nova Scotia (<i>15/16 = 1.3 (reference) + 0.4 (requested)</i>)	-1.6	-1.7	
Adjustment – April 26-30 Production	1.0	-1.0	
Additional Bagging	-1.2	-4.3	
Total of Utilizations and FP Allocations	95.4	98.4	106.2
Production	90.6	95.8	103.4
Production as a % of Utilizations and Allocations	94.9%	97.4%	97.4%

22

Turkey Farmers of Canada
246th Meeting
June 22-23, 2016

AGENDA # 2b.

TURKEY MARKET ADVISORY COMMITTEE (TMAC) REPORT

Quota System: Market, Supply, Policy 2016/17 Commercial Allocation

A meeting of the Turkey Market Advisory Committee (TMAC) was held on Tuesday, May 31, 2016. The primary purpose of the meeting was to review markets information for the completed 2015/16 control period and to assess the adequacy of commercial allocations, whole bird (WB) and further processed (FP), for the 2016/17 control period.

TMAC discussed other matters regarding whole bird production reporting and the overall allocation process currently utilized by the Agency. The Committee's observations, in this regard, are also presented in this report.

Further Processed (FP) Market

Wholesale Prices: As previously reported, 2015 wholesale prices for breast meat, on average, were up 18% from the previous year and external company sales were up 1.2%. This upward trend in prices has continued so far into 2016 (January to April) with wholesale prices up 28% compared to the same period last year on lower external company sales of 10%. (Note: Higher fresh sales of 26% were more than offset by lower frozen sales of 26%).

Imports: The usage of the Tariff Rate Quota (TRQ) in 2016 appears to be returning to normal following two years of underutilization. This has occurred much faster than anticipated last fall, as it was expected that the U.S. would not return to full production, following the avian influenza outbreak, until much later in 2016. U.S. breast meat inventories are in a very healthy condition at 32.0 Mkg, which has resulted in a significant decline in breast meat prices. U.S. breast meat prices are currently trading at approximately \$6.00 CDN/kg, down from +\$17.00 CDN/kg at the end of 2015.

Retail Sales: In reviewing the Ipsos Reid retail consumer panel data, TMAC noted the downward trend in retail sales of cut-up parts (breasts, thighs, drums, wings, legs) since 2011. Over the last four years, cut up sales are down 26%. The decline in cut-up breast

meat sales is equivalent to 4.0 Mkg in whole eviscerated production. Between 2014 and 2015, lower breast meat retail sales of 0.6 Mkg are equivalent to 2.3 Mkg on a whole bird equivalent.

Retail sales of processed turkey meats (processed breast, cold cuts and ground meat) were also down in 2015 compared to 2014 by 15.4% (approximately 1.6 Mkg); however, this category of retail sales has demonstrated a cyclical pattern the last few years.

Supply and Disappearance: Based on the current FP commercial allocation of 85.3 Mkg, anticipated breeder and export utilizations of 20.4 Mkg and a quota utilization average of 97.8%, total 2016/17 FP production is estimated at 103.4 Mkg (see base scenario in the table below). This level of production should produce a boneless breast meat supply of 27.1 Mkg, which represents 1.9 Mkg or a 7.5% increase over 2015/16.

With imports expected to return to historic norms in 2016/17, TMAC is estimating 2.5 Mkg in imports (scenario #1). This generates a breast meat supply in 2016/17 of 31.5 Mkg, which is up by 3.32 Mkg or 11.8%.

To maintain stock levels of breast meat below 2.0 Mkg with a supply of 31.5 Mkg, this will require a substantial increase in domestic disappearance (see scenario #1). In TMAC's view, this is a very aggressive increase in domestic consumption and per capita consumption (PCC).

Breast Meat (figures in millions of kg)	2015/16 Control Period (Actual)	2016/17 Control Period Forecast Scenarios				
		TMAC May 31, 2016 Meeting (Base Scenario)	TMAC Scenario #1	TMAC Scenario #2	TMAC Scenario #3	TMAC Scenario #4 (most likely)
Opening Stocks	1.3	1.8	1.8	1.8	1.8	1.8
Production	25.2	27.1	27.1	27.1	25.0	27.1
Imports	1.6	3.0	2.5	2.5	2.5	2.5
Total Supply	28.1	32.0	31.5	31.5	29.4	31.5
Total Disappearance	26.3	30.2	30.0	27.4	27.4	29.1
Exports	0.3	0.3	0.1	0.1	0.1	0.1
Domestic Disappearance	26.0	29.9	29.9	27.3	27.3	29.0
Closing Stocks	1.8	1.8	1.5	4.1	2.0	2.4
Per Capita Consumption (PCC)	0.72	0.82	0.82	0.75	0.75	0.80
% Change in PCC from 2015/16		13.6%	13.6%	3.7%	3.7%	10.2%
Production	96.0	103.4	103.4	103.4	95.4	103.4

To put the anticipated breast meat market supply in perspective (see scenario #2), assuming an increase in PCC of 3.7% (i.e., domestic disappearance of breast meat increasing from 26.0 Mkg to 27.3 Mkg), with a total supply of 31.5 Mkg, breast meat stocks at the end of 2016/17 would equal 4.1 Mkg, 2.3 Mkg higher than opening.

[NOT FOR FURTHER DISTRIBUTION OR USE
WITHOUT PRIOR PERMISSION]

Conversely (see scenario #3), to keep opening and closing stocks around 2.0 Mkg at a PCC of 0.75 (3.7% increase in PCC) would require a reduction in breast meat production of 2.1 Mkg, which is equal to a reduction of 8.0 Mkg eviscerated whole equivalent (i.e., 103.4 Mkg minus 95.4 Mkg = 8.0 Mkg).

Based on an anticipated breast meat supply of 31.5 Mkg for 2016/17 and a return to lower breast meat prices in the U.S. and normal import patterns, scenario #4 is seen as the most likely outcome. The additional supply should reduce domestic wholesale prices somewhat, resulting in an increase in PCC. Despite the anticipated increase in PCC, closing stocks are expected to increase well above 1.8 Mkg.

Observations and Recommendation: Over the last seven years, the PCC of breast meat has not exceeded 0.77 kg. The forecast breast meat supply for 2016/17 is not burdensome if PCC increases accordingly and is above 0.80 at the end of the control period. However, TMAC acknowledges that unless there are significant processor/retailer/foodservice FP marketing programs currently in place for 2016/17 for this additional supply, any increase above 0.75 PCC will likely occur at discounted wholesale prices.

Heavy tom whole bird stocks on May 1, 2016 were 1.5 Mkg, up 102.1% from last year. TMAC's working hypothesis is an achievable over 11 kg inventory of 1.0 Mkg on May 1st. Although concerning, this inventory figure is not seen as burdensome but requires monitoring closely over the coming months.

From a TMAC perspective, there are three fundamentals to ensure inventories (both WB and breast meat) remain at a manageable level at the end of the control period:

- 1) Of the anticipated 103.4 Mkg of FP production, it must be used for further processing and the birds boned out accordingly. Any excess FP supply cannot be used for whole bird (WB) production.
- 2) PCC has to increase significantly either through planned marketing programs and/or wholesale price discounting.
- 3) If there is any doubt that points 1 and 2 above cannot be achieved, processors should consider quickly reassessing their FP requirements for 2016/17 and amend their FP requests accordingly.

Whole Bird (WB) Market

Wholesale Prices: Despite January 1, 2016 whole bird stocks of 9.7 Mkg, processors were able to maintain stable wholesale prices on significantly reduced sales volumes. Commodity frozen under 9 kg wholesale prices for the period January to April 2016 were up 5.0% over the same period last year on reduced volumes of minus 76%. CPEPC

[NOT FOR FURTHER DISTRIBUTION OR USE
WITHOUT PRIOR PERMISSION]

processors reported a volume decline of approximately 2.7 Mkg in this four month period.

With respect to wholesale margins, the January to April 2016 period witnessed an increase in the margin above the index of 100 (i.e., Index 100 = average 2011-2013 margin), and that was above the margin experienced for the same period in 2015.

Retail Sales: The lower whole bird sales reported by processors parallels the Ipsos Reid retail consumer panel data. In the case of Ipsos, whole bird sales in 2015 were 13.8% lower (approximately 7.1 Mkg) than in 2014, on higher retail prices of 8.2%. The Ipsos data indicates that the bulk of the lower sales occurred in the utility bird market (5.1 Mkg). TMAC concurs that the Ipsos data is consistent with what would be expected due to less retail featuring through “loss leaders” in 2015.

Supply and Disappearance: With opening May 1, 2016 whole bird inventories at 24.9 Mkg, TMAC anticipates primary processors will have difficult decisions to make with respect to wholesale pricing and how to reduce birds currently in inventory and that may have been in inventory for several months.

The 24.9 Mkg is approximately 10.0 Mkg above what the industry should be able to achieve (i.e., 14.0-16.0 Mkg range). There is simply no good news in this May 1st whole bird inventory number.

As there is nothing that can be done on the live production side in the short run to reduce the inventory level, TMAC focused its discussions on:

- 1) What is achievable from a production perspective for the remainder of the 2016/17 control period;
- 2) Thus, allowing the industry to arrive at a reasonable stock level on May 1, 2017; and,
- 3) Setting up a supply and production situation for 2017/18 that may allow for stocks on May 1, 2018 to be in the 14.0 to 16.0 Mkg range.

TMAC looked at a number of forecast scenarios for the 2016/17 control period (see table below). At the end of TMAC’s deliberations, the following was agreed:

- It is not possible to accurately forecast what level of retail featuring will occur in 2016/17.
- Working hypothesis is that retail feature activity will be the same as last year, with little to no featuring in Eastern Canada and continued featuring in Western Canada.
- It will take two years for inventories to decline to more acceptable levels.

[NOT FOR FURTHER DISTRIBUTION OR USE
WITHOUT PRIOR PERMISSION]

- Domestic disappearance should be higher than the 70.5 Mkg that occurred in 2015/16 but lower than the three-year average used in TMAC's modeling.

Slightly higher whole bird disappearance, relative to 2015/16, is expected for two reasons:

1. It is expected that wholesale prices and processor margins will be lower in 2016/17 and those lower prices passed onto consumers; and,
2. Ipsos Reid retail data illustrates higher sales volumes at higher retail prices, when compared to 2015 data, in previous years.

In trying to predict what the whole bird market may look like in 2016/17, a number of scenarios were tested by TMAC. The base scenario included a 5.0 Mkg production reduction which resulted in a closing inventory of 17.3 Mkg. This was seen as too simplistic as it did not factor in potential changes in retail featuring, what is achievable with respect to closing stocks in 2016/17 and production. TMAC looked at five scenarios that included different levels of retail featuring and production. In all five scenarios, TMAC moved away from the three-year rolling average PCC that is used in the standard TMAC modeling, as this was not seen as realistic for 2016/17. In scenarios #3 and #4, TMAC assumed retailers would again not feature in Eastern Canada and also extend that practice to Western Canada, thereby further reducing disappearance by 2.0 Mkg.

Whole Bird Production (figures in millions of kg)	2015/16 Control Period (Actual)	2016/17 Control Period Forecast Scenarios						
		Current WB Allocation and Standard TMAC Forecasting	TMAC May 31, 2016 Meeting (Base Scenario)(5.0 Mkg production cut)	TMAC Scenario #1 (same retail featuring and no production cut)	TMAC Scenario #2 (same retail featuring and production cut to achieve 15.0 Mkg stock)	TMAC Scenario #3 (no retail featuring in Canada and no production cut)	TMAC Scenario #4 (no retail featuring in Canada and production cut to achieve 15.0 Mkg stock level)	TMAC Scenario #5 (most likely domestic disappearance) (targeted gradual reduction in stocks)
Opening Stocks	18.2	24.9	24.9	24.9	24.9	24.9	24.9	24.9
Production	77.0	71.4	66.4	71.4	61.1	71.4	59.1	65.2
Imports	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Supply	95.5	96.5	91.5	96.5	86.2	96.5	84.2	90.3
Total Disappearance	70.7	74.2	74.2	71.2	71.2	69.2	69.2	72.2
Exports	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Domestic Disappearance	70.5	74.0	74.0	71.0	71.0	69.0	69.0	72.0
Closing Stocks	24.9	22.3	17.3	25.3	15.0	27.3	15.0	18.1
Per Capita Consumption (PCC)	1.96	2.03	2.03	1.95	1.95	1.90	1.90	1.98
% Change in PCC from 2015/16		3.8%	3.8%	-0.4%	-0.4%	-3.2%	-3.2%	1.0%
Production Cut from current WB Allocation =			5.0	-	10.3	-	12.3	6.2

Based on all of the above, TMAC is agreed that scenario #5 set out in the table provides the best basis for decision making by the TFC Directors. Using a forecast domestic

[NOT FOR FURTHER DISTRIBUTION OR USE
WITHOUT PRIOR PERMISSION]

disappearance figure of 72.0 Mkg, with a firm whole bird production number of 65.2 Mkg, would result in a May 1, 2017 inventory of 18.1 Mkg.

This is in line with opening inventories for the 2015/16 control period and in which wholesale prices and margins were healthy. It also generates a WB supply of 90.0 Mkg for the control period which, based on past data, appears to be a level that the industry has gravitated towards in some years.

Recommendation:

TMAC recommends that the whole bird commercial allocation for the 2016/17 control period, and by extension actual whole bird production, be established at 65.0 Mkg, which is 6.2 Mkg less than the current commercial allocation of 71.2 Mkg established at the TFC 245th Meeting in March.

In making this recommendation, TMAC acknowledges that unless additional under 9 kg birds are further processed between now and December, the bulk of this reduction in production will occur after Christmas. As a result, how producers and processors manage this cut back will be critical.

Other Matters Discussed

Regional Whole Bird Production Data: At the TFC 245th Meeting, there was discussion regarding the estimated whole bird production for the 2015/16 control period relative to the whole bird allocation. Concern was expressed with respect to the potential for additional WB production in the range of 2.0 Mkg to 2.8 Mkg in the 2015/16 control period and why this was occurring, given current inventory levels and wholesale volume movement in 2015.

Based on the discussions at the TFC 245th meeting, CPEPC was requested to coordinate the confidential submission of regional whole bird production data to the Turkey Market Advisory Committee (TMAC). The purpose of which was to allow for an assessment of regional production patterns; potential structural changes that may be occurring in the industry; and, general trends in the market.

In reviewing the Agency's request, CPEPC identified an anomaly in the whole bird production numbers submitted by their members. As seasoning, bastes and stuffing are included in the finished product weight of whole birds reported by processors through the bagging survey, CPEPC believes that the whole bird production number may be overstated by 1.8 Mkg in 2015/16 and between 1.5 and 2.0 Mkg in previous years. As TFC's request for regional bagging data was in the context of structural over-bagging, which CPEPC believe may no longer be the case, they did not and would prefer not to share the regional bagging data with TMAC.

[NOT FOR FURTHER DISTRIBUTION OR USE
WITHOUT PRIOR PERMISSION]

In discussing this matter at its May 31st meeting, TMAC noted the following:

- The weight of seasoning and stuffing was included in the WB reference volume and the majority of the 1.8 Mkg figure has likely been included in production since the Allocation Policy was implemented.
- It may be prudent to take into account the 1.5 to 2.0 Mkg in the WB production number if comparing the weight at slaughter with the WB allocation.
- Finished product weights also include the weight of water retention.
- Implicitly, this definition (i.e., WB allocation is equal to the eviscerated weight purchased for bagging) reflects current practice in the processing sector.
- Given that the Allocation Policy is in its eleventh year of use, it is not unexpected that there has been some slippage between finished product weight and eviscerated weight purchased for bagging purposes.
- Based on this new definition, purposeful under-bagging and over-bagging is likely occurring. This underscores the need to have access to the regional bagging data.

Whole Bird Allocation Methodology: One of the key roles of TMAC is to estimate whole bird consumption for the control period. This is very challenging in periods of significant change in the industry whether it be related to retail marketing strategies, market consolidation, input costs, competing protein prices, etc. As a result, too much emphasis can be placed on storage stocks.

With this back drop in mind, TMAC discussed if there may be a way to improve the allocation setting mechanism for whole birds. No conclusions were arrived at, but TMAC notes that new approaches and options, like that used for FP, may allow processors to take timely advantage of market opportunities that arise during the control period.

The subject of special marketing programs for reducing whole bird stocks was also mentioned but not pursued in any detail, as the development of such programs are outside of TMAC's mandate.

[NOT FOR FURTHER DISTRIBUTION OR USE
WITHOUT PRIOR PERMISSION]

ALLOCATION TABLE

2016/2017 Allocation Table

	(1) Reference Point Quotas			(2) Change in Whole Bird Quota		(3) 2016/17 FP Commercial Quota Requests and Total			(4) Total 2016/17 Commercial Allocations
	Whole Bird	Further Processed (FP)	Total	Whole Bird Quota Decrease	Total Whole Bird Quota	Regional FP Requests	Provincial FP Requests	Total Further Processing Quota	
	a	b	c=a+b	a	b=1a+a	a	b	c=1b+b	4=2b+3c
Total	76,818,103	65,200,726	142,018,829	- 10,811,683	66,006,420	20,065,955	20,065,955	85,266,681	151,273,101
BC	11,955,435	7,044,565	19,000,000	- 1,682,655	10,272,780		2,256,942	9,301,507	19,574,287
AB	6,559,649	6,583,038	13,142,687	- 923,231	5,636,418	5,105,254	1,837,787	8,420,825	14,057,243
SK	3,388,090	1,753,917	5,142,007	- 476,853	2,911,237		286,666	2,040,583	4,951,820
MB	8,871,676	791,988	9,663,664	- 1,248,635	7,623,041		723,859	1,515,847	9,138,888
ON	22,009,349	34,142,488	56,151,837	- 3,097,683	18,911,666		8,163,257	42,305,745	61,217,411
QC	18,160,427	13,225,661	31,386,088	- 2,555,970	15,604,457		6,270,592	19,496,253	35,100,710
NB	1,500,931	1,659,069	3,160,000	- 211,247	1,289,684	14,960,701	526,852	2,185,921	3,475,605
NS	2,666,126	-	4,372,546	- 375,241	2,290,885		-	-	-
NS Adjust.	1,706,420	-	-	- 240,168	1,466,252		-	-	3,757,137

	(5) Multiplier Breeder Allocations				(6) Primary Breeder Allocations	
	Forecast Multiplier Breeder Allocations	Reference %	Reference Level	Egg and Poul Cap	Total Reference Level	Multiplier Breeder Allocations
	a	b	c=4xb	d	e=c+d	f=a-e, or 0
Total	6,548,750	-	2,475,387	1,488,166	3,963,553	2,787,087
BC	10,000	0.00%	-	-	-	10,000
AB	55,548	1.62%	227,727	-	227,727	-
SK	-	0.60%	29,711	-	29,711	-
MB	1,355,000	3.28%	299,756	-	299,756	1,055,244
ON	4,459,874	2.13%	1,303,931	1,488,166	2,792,097	1,667,777
QC	668,328	1.75%	614,262	-	614,262	54,066
NB	-	-	-	-	-	-
NS	-	-	-	-	-	-
						6
						1,879,200

ALLOCATION TABLE

	(7) Conditional Export Allocations							(8) 2013/2014 Overmarketing (see Note)	(9) Redistribution of 2013/2014 Overmarketing (see Note)	(10) Total 2016/17 Quota	(11) Base Allocations (CTMA Proclamation)	(12) Provincial Over Base Allocations
	Section 1 (Upper Limits)	Section 1 (Whole Carcass)	Section 2 (Placement for Export)	Section 3 (Live Exports)	Carry-Forward from 2014/2015	Total Conditional Export Allocations f=a+b+c+d+e	8					
Total	18,973,065	295,000	5,782,183	3,194,885	-	28,245,133	629,360	9	10=4+5+6+7+8+9	11	12=11-10	
BC	1,292,411	-	-	-	-	1,292,411	-	136,829	184,184,521	97,041,538	87,142,983	
AB	1,557,377	-	151,144	-	-	1,708,521	-	127,864	21,013,527	9,298,642	11,714,885	
SK	603,252	-	-	-	-	603,252	-	34,067	15,893,628	8,278,060	7,615,568	
MB	1,133,726	-	-	3,194,885	-	4,328,611	-	15,383	5,589,139	3,628,738	1,960,401	
ON	11,254,574	275,000	5,007,039	-	-	16,536,613	629,360	-	14,538,126	7,824,467	6,713,659	
QC	2,290,528	20,000	624,000	-	-	2,934,528	-	256,886	80,671,641	41,730,492	38,941,149	
NB	370,726	-	-	-	-	370,726	-	32,225	38,346,190	24,493,985	13,852,205	
NS	470,471	-	-	-	-	470,471	-	26,106	3,878,556	653,173	3,225,383	
									4,253,714	1,133,981	3,119,733	

Summary of Allocations by Type

	Total Whole Bird Quota	Total Further Processing Quota	Total 2016/17 Commercial Allocations	Multiplier Breeder Allocations	Primary Breeder Allocations	Total Conditional Export Allocations	2013/2014 Overmarketing (see Note)	Redistribution of 2013/2014 Overmarketing (see Note)	Total 2016/17 Quota	Base Allocations (CTMA Proclamation)	Provincial Over Base Allocations
Total	66,006,420	85,266,681	151,273,101	2,787,087	1,879,200	28,245,133	629,360	9	184,184,521	97,041,538	87,142,983
BC	10,272,780	9,301,507	19,574,287	10,000	-	1,292,411	-	136,829	21,013,527	9,298,642	11,714,885
AB	5,636,418	8,420,825	14,057,243	-	-	1,708,521	-	127,864	15,893,628	8,278,060	7,615,568
SK	2,911,237	2,040,583	4,951,820	-	-	603,252	-	34,067	5,589,139	3,628,738	1,960,401
MB	7,623,041	1,515,847	9,138,888	1,055,244	-	4,328,611	-	15,383	14,538,126	7,824,467	6,713,659
ON	18,911,666	42,305,745	61,217,411	1,667,777	1,879,200	16,536,613	629,360	-	80,671,641	41,730,492	38,941,149
QC	15,604,457	19,496,253	35,100,710	54,066	-	2,934,528	-	256,886	38,346,190	24,493,985	13,852,205
NB	1,289,684	2,185,921	3,475,605	-	-	370,726	-	32,225	3,878,556	653,173	3,225,383
NS	2,290,885	-	3,757,137	-	-	470,471	-	26,106	4,253,714	1,133,981	3,119,733
NS Adjust.	1,466,252	-	-	-	-	-	-	-	-	-	-

Note: This represents 1/3 of the 2013/2014 overmarketing. As per the decision of May 2, 2016, the remainder of the penalty and redistribution are to occur in the 2017/2018 and the 2018/2019 Control Periods.

2016/2017 PROVINCIAL TURKEY ALLOCATIONS

Reflecting Decisions of June 23, 2016

	TOTAL	BC	AB	SK	MB	ON	QC	NB	NS
A) Commercial Allocation									
1) Whole Bird Reference Quota	75,111,683	11,955,435	6,559,649	3,388,090	8,871,676	22,009,349	18,160,427	1,500,931	2,666,126
2) Change from Reference	-10,571,515	-1,682,655	-923,231	-476,853	-1,248,635	-3,097,683	-2,555,970	-211,247	-375,241
3) Nova Scotia Adjustment Reference	1,706,420								1,706,420
4) Change from NS Adjustment Reference	-240,168								-240,168
5) Whole Bird Quota (A1+A2+A3+A4)	66,006,420	10,272,780	5,636,418	2,911,237	7,623,041	18,911,666	15,604,457	1,289,684	3,757,137
6) Further Processing Reference Quota	65,200,726	7,044,565	6,583,038	1,753,917	791,988	34,142,488	13,225,661	1,659,069	
7) Further Processing Requests	20,065,955	2,256,942	1,837,787	286,666	723,859	8,163,257	6,270,592	526,852	
8) Further Processing Quota (A6+A7)	85,266,681	9,301,507	8,420,825	2,040,583	1,515,847	42,305,745	19,496,253	2,185,921	
9) Total Commercial Allocations (A5+A8)	151,273,101	19,574,287	14,057,243	4,951,820	9,138,888	61,217,411	35,100,710	3,475,605	3,757,137
B) Multiplier Breeder									
1) Reference %			1.62%	0.60%	3.28%	2.13%	1.75%		
2) Reference Level (A9xB1)			227,727	29,711	299,756	1,303,931	614,262		
3) Egg & Poullet Cap						1,488,166			
4) Reference Level Total (B2+B3)			227,727	29,711	299,756	2,792,097	614,262		
5) Forecast Marketings	6,548,750	10,000	55,548		1,355,000	4,459,874	668,328		
6) Conditional Allotment (B5-B4, or "0")	2,787,087	10,000	1,055,244	1,667,777	1,055,244	1,667,777	54,066		
C) Primary Breeder	1,879,200					1,879,200			
D) Conditional Export Policy Allocations									
1) Section 1 - Upper Limit on Parts Exports	18,973,065	1,292,411	1,557,377	603,252	1,133,726	11,254,574	2,290,528	370,726	470,471
2) Section 1 - Whole Bird Exports	295,000					275,000	20,000		
3) Section 1 - Carry-Forward from 2015/2016									
4) Section 2 - Placements for Export	5,782,183		151,144		3,194,885	5,007,039	624,000		
5) Forecast Live Export Volume (evis.)	3,194,885								
6) Total Conditional Export Policy Allocations	28,245,133	1,292,411	1,708,521	603,252	4,328,611	16,536,613	2,934,528	370,726	470,471
E) 2013/2014 Overmarketing (see note)	-629,360					-629,360			
F) Redistribution of Overmarketing (see note)	629,360	136,829	127,864	34,067	15,383		256,886	32,225	26,106
G) Total 2016/2017 Allocations (A+B+C+D+E+F)	184,184,521	21,013,527	15,893,628	5,589,139	14,538,126	80,671,641	38,346,190	3,878,556	4,253,714
Base Allocations (as per the proclamation)	97,041,538	9,298,642	8,278,060	3,628,738	7,824,467	41,730,492	24,493,985	653,173	1,133,981
Over Base Allocations	87,142,983	11,714,885	7,615,568	1,960,401	6,713,659	38,941,149	13,852,205	3,225,383	3,119,733

Note: This represents 1/3 of the 2013/2014 overmarketing. As per the decision of May 2, 2016, the remainder of the penalty and redistribution are to occur in the 2017/2018 and the 2018/2019 Control Periods.