



*Address by Laurent Pellerin
at the Egg Farmers of Alberta
Annual General Meeting
Red Deer, Alberta – March 1, 2016*

MODERATOR: It's my pleasure to introduce him at this time. Again, he is our Chairman for National Farm Products Council and he is a hog and cereal farmer from Saint-Grégoire, Quebec. He's been a player in the agricultural industry of Quebec and internationally. He has served as President of Agricord, which focuses on international development and he sat on the executive of the International Federation of Agricultural Producers.

Laurent was elected as President of the Canadian Federation of Agriculture in 2009 and he has served on the CFA Executive for over 10 years before assuming his current role of Chair for National Council and he started that role May 31, 2010.

So, I'd like to welcome Laurent for some comments.

THE CHAIRMAN: Good morning everybody. I think it's my sixth year in a row that I've participated in your annual meeting so, again, thank you very much for your invitation.

Every year, I try to be as quiet as possible during those meetings, making sure that people don't get excited after my comments.

This morning, I want to cover a little bit of what we are doing as a council, why we are doing what we are doing and I have a special part of my note this morning, I have a couple of congratulations. I'll tell you, I'm not doing that very often.

I will lead you also through a summary of allocation approval we did in the last five years. I've been around for -- this is the sixth year now so for the last five years and I have a table to do that, helping you understand the numbers and, finally, I would like to address a little bit the future, what are we looking for in the future as a council, as an egg sector and overall in agriculture.

So first, again, thank you for the invitation. It's a great opportunity to be here. You know that the Alberta head meeting is the first one in the big tour going across the ten provinces and the poultry sectors or covering the four communities, almost 40, 40-some meetings across the different provinces and this one, every year, is always the first.

So, it's very good occasion for us to throw a little bit of stuff on the table for discussion and usually come back in the following meetings in other provinces.



We'll be in BC and Saskatchewan, Ontario, Quebec in the next couple of weeks and I'm sure the discussion we start today will have a continuation in the other meetings.

So council this year have been very well occupied with a series of activities. First, complaints. We usually don't receive a lot of complaints from the poultry sector but this year, only this year, we received four of them so I'll tell you, receiving four complaints when you are not used -- we don't have a lot of experience in complaints. That's a big job.

So one in turkey, two in hatching eggs, and one in chicken. The one in chicken is finalized. The one in turkey is almost finished. The report is at the translation step and hatching eggs, almost same, very close to signature and translation. So we are excited. We are looking for the reading of those reports in the next couple of days or weeks so we are quite satisfied with the process.

We also have the request for the creation of research and promotion activity. We just finished the public hearing on pork. We did one in Calgary in January, one in Quebec two weeks ago and it's moving ahead.

One of my members, the vice-chair, Mike Pickard is chairing this committee and, again, that's quite new for us. We only did a couple in the last couple of years, one in strawberries, one in raspberries and we are one that is under operation, the Canada beef one. So, we are hoping that we'll be able to finalize the one we have on the table and we are expecting many more other requests from different sectors that we are working with, actually.

I will not be longer than that on what we are doing. The next thing is why we are doing what we are doing.

And the very short answer is because it's our role. In fact, we have four responsibilities under the *Act*.

And the first one is to work with the agencies to make sure that each of the community sectors are as efficient, as competitive, as productive as possible. And if you know a little bit about the *Act*, it's under Article 6. This wording is exactly repeated almost the same under Article 21, where it mandates the Agency to work for the farmer and consumer to make sure that the system is efficient and competitive.

So there is no doubt there is an obligation to work together with each of the agencies.

Secondly, our role is to review the activity of each of the agencies. So when you review the activity of agencies, sometimes you agree, sometimes you disagree and



they've always given you the opportunity to make comments on what the agencies are doing. Sometimes they are happy with what we are seeing. Sometimes they are a little bit less happy with what we are seeing.

Third, responsibility. We have to report to the Minister and recommend to the Minister any change that is needed to achieve what is supposed to be achieved under this *Act*. So you understand that working with the agency, reviewing their activities. If we are not happy and if we think that the sector is not as efficient as we expect, we can make recommendations to the Minister to change things.

And finally, the fourth part of our responsibility is to work collaboratively with the provincial supervisory board in each of the provinces or agricultural ministry, depending on the structure of each province.

So that's the main reason why we are doing what we are doing.

This year -- I'm entering in the nice part of my comments. Remember last year, I raised the point about -- because we have a little bit of noise on our back and pressure on our back that we were not doing things as fast and as exactly as the agencies were asking for, and I heard and I read, because somebody wrote that on a paper, that the reason why we were late in increased allocation was the fault of the council, responsibility of the council. So you understand easily that I didn't agree with that comment.

So last year I opened my comments here by something that was your responsibility, egg farmers' responsibility, to change the threshold of 97 percent subsidization of the quota, the quota that is already allocated to the sector, to move towards a 100 percent adjudication of the quota. Roger (Pelissero) gave you the number, it's something in the range of 600,000 layers more.

And some provinces said, "Oh, it's not possible. It's complicated. We use the three percent to do this and that and that." But already, three or four provinces were using 100 percent. Small provinces, eastern provinces, who are using the 100 percent. So if it's possible in the small province, why not in the big province?

So that's the first congratulation. Within a year, from the time I was here last year, I'm back this year, you made a decision to egg farmers of Canada to move towards the 100 percent. That's a good thing. That's -- I would say a rapid move to change something that is in the Federal-Provincial Agreement.

Certainly to change that type of thing, you certainly need unanimous support from each of the provinces. So that's what you've done in the last 11 months something. So again, we are quite satisfied with this movement.



Secondly, for, I would say four or five years, we had a discussion with egg farmers on the calculation for the new allocation and we were always lagging late a little bit on the calculation. Always taking the last three years to forecast what would be needed in the market in the future.

So we strongly suggested that it was time to add some forecasting calculations in this formula. Never happened before. We put that on the table several times and, finally, we raised that last year.

We need to postpone a little bit a decision on an allocation. I will come back with the numbers there. But finally, you came back, egg farmers came back with the forecasting calculation that changed a lot of the numbers and I will show you that.

So again, within a couple of months, from where we used a little bit more of a stick to help people to move in the right direction, the change happened. So again, we are satisfied. Congratulations there, also.

COP. We are a little bit late. The result will be only eight years after the last survey in the supply management very efficient sector like yours. Eight years is a long period of time, but at least you made a decision in the last couple of weeks to go ahead and to do the work of a survey on the cost of production. It was about time but, again, congratulations to move ahead on that.

We are also happy with the improved relationship that we developed in the last year with Egg Farmers of Canada. In fact, we had three face-to-face meetings, the full board on both sides, in the last 12 months, which is something that didn't happen for a long period of time before that.

Plus, both staff from the two organizations worked closely together. Last week, I think we had ten staff from Egg Farmers of Canada in our office to go through the procedure, the way we work, trying to make sure that they better understand who we are, what we are doing, what are our responsibilities and both ways, same thing for us, to better understand what is the management of egg farmers, what are the administrative processes and things like that.

Thank you for that. Fourth congratulation.

We are also very impressed with the way you managed the big crisis that the egg and poultry sector, as a whole, faced last summer with the U.S. situation. So very reluctantly, I feel made the decision to overcome as much as we can the difficulty of the situation. It was a very high level crisis. You put in place some programs. I think you proved that they did the job. We would appreciate to be a bit more informed and in touch with you when you develop those programs to make sure that



the mitigations that you brought to that situation were prudent and at least, on our side, more informed.

I probably -- if I dig a little bit more, I'd probably find a couple of other situations where we are happy with what you did. I will stop there because you will probably think that I'm a little bit too nice this morning and I don't want completely to change your perception. So I will keep a little bit.

The next slide.

I will go through this paper only to review what happened in the last five years. When I came to the council in 2010, we had a request -- a pending request from a farmer for 744,000 layers. We approved this request within 35 days.

In 2011, you came back with 214,000 layers. It took 50 days before we approved -- between the time we received the request and we approved the request. Was not bad. We are a government body.

You came the next year with 286. We postponed this thing. In fact, the idea was that -- and we discussed that with Egg Farmers, in fact, I was not aware -- because I was brand new in this organization, but I was not aware that council sent letters to egg farmers for almost 20 years since Cynthia Currie when she was chair of the Farmer Product Council, sent a letter exactly with the same wording, that if you want to continue to increase production, allocation in Canada, send in the bill of processed eggs only to the consumer levy that there is a limit to that policy.

But it never came back. No, no idea, no solution to go there. So we suspended the adoption of this allocation, asking a farmer if you want to come back with this allocation, make sure that it's not combined with a decreased levy to cover those extra eggs that will need to go to the processing sector.

And we told them, we are prepared to discuss that next week, next month, as soon as you can but you will have to deliver something in the direction of finding other sources of financing this type of operation, industrial product operation.

It took a little bit of time and they came back in December 2013, with 582. In fact, they came back with two parts of the request at that time, the same one, they repeat the 286, they add another 200-something and we adopt them combined on 10 of December 2013.

And again, we were very nice. It was not known that we were nice but we were very nice at that time. The only reason why we accept to approve this allocation at that time was not because egg farmers suggest a reduction in levy. Because they commit themselves to the council that, in the next year, we create a committee and



they will investigate different options to reduce the cost of the industrial program. And only on this promise we trust them to tell you, we approved this allocation.

And I'm quite proud because we increased the time between the time we received the request and only 34 days.

The year after, summer meeting in Charlevoix, Quebec, you approve a 408,000 layers increase and we received this request at the end of August and my members asked me to meet and discuss with egg farmers. Because what we heard in the Charlevoix meeting, we were there and I remember this Italian guy, he's from Ontario. I don't know if he's real Italian or he have only the name, the staff line, I think the brothers, that's the other -- coming to the mike and say, "408,000? We need that only for Ontario."

CPEPC, the processor also came to the mike saying, "We need more than that for the processing sector."

So when we received the request in August, we offered to egg farmers to revisit this number, review this number and we were prepared to approve twice this number under only one condition: you split, you allocate this 400,000 as we do historically, but the increased production you direct more of the other 400,000, you direct more to the short market where it's needed in the country.

They came back in September with the same request, no change. We approved. Thirty-six days between the time we received the request to the time we approve.

In December 2014, they came back with 316,000 layers. Again, it was very close to the one in September '13, September 2014, they came back in December. Special calculation allocation.

And we just said the same thing, it's not enough. And we strongly suggest that, this time, early January, we should meet with egg farmers to discuss a new calculation formula. That's what we call the new QAC (Quota Allocation Committee) calculation with the forecast. Because the market is drawing quite fast in the last period so you need to forecast with the graders, with CPEPC. Now they have an agreement with CPEPC that the graders will have help to forecast those numbers. They know the market. They are selling eggs on a contract basis for the next three months so they know what the market needs.

We finally agreed in March to bring some changes to the calculations and instead of 316,000 they did 751,000 layers. And we received this request the 20th of April 2015 and it took only ten days to approve this request. It was quite surprising, again.



They came back last summer with the old, historic QAC calculation. We have a problem with the -- we use the words double counting, it's certainly not the right word but it's one or the other. You pick up the old way or the new way but not both or pick up the highest number in both calculations. We don't mind. But they did both and we have a problem with that.

So we put this one on hold. We didn't approve this one. They came back in December with a new QAC calculation forecast and within 20 days we approved another 725,000 layers.

So the one who still thinks, put down on paper that we are late because the council is not fast enough, I hope that you will change your mind with those numbers.

So if you look at only the last couple of years we approved more than 2.5 million table eggs layers, just over the last two years. If you accumulate what we did in the last five years, it's almost 22 percent and I'm happy because, Roger (Pelissero), you pick up the same number so we are probably right, both of us, that's the right number, 22 point something percent increase in the last five years.

I know a lot of farm product communities that have that rate or that peak of increase. The market is there, product is good, and we approved the allocation.

Plus, as Roger (Pelissero) mentioned, during the same period of time, we approved -- we didn't really approve but the 661,000 layers from the 97 to 100 percent ratio will also be put in production plus the 900,000 that we approved for the special market for processing eggs, we also approved 900,000 layers.

So within five years we approved almost five million eggs -- five million layers, not eggs. Layers. Five million eggs not that big. Five million layers, that's quite a lot.

If we look at the future, that's the last part of my comments this morning, we are suddenly the one that, with many of you, the thing that we should produce in Canada, all eggs that are needed, both for the table egg market and the processing market. The only point that we have to agree on is how do we do that?

We already have a contribution in the processing sector. First, when all those layers will be in production, we think that there's enough eggs to cover the needs of the table market. Okay?

We still have a lag or demand that is not covered on the processing side of the market. And we are prepared to go there. There is no reason why we are not producing all eggs for both markets in Canada, except the trade commitment that we have with U.S. and now with TDP if TDP is officialized.



Other than that, I think we still have the responsibility, we must have the responsibility to produce everything else within Canada.

We already have, for those processed eggs, a fair, increasing contribution from the processors and through the contracts that have been signed, that is at the last year of this contract, it was a five-year contract, processors are actually contributing something in the range of 17 million more than they were in the past from '70s, in the 5 million close to 80, 90 some millions. That's an increase. It's not enough to cover all the costs of the industrial program because the overall cost is something more than 250 million dollars. But they increased their participation.

We also have actually a big participation from the consumer. There is no doubt, council said that, repeated that very often, that we are prepared to maintain the approval of the necessary levy to cover the cost of disposing of all eggs that the consumers don't want on the table market.

The ones that he is not prepared to buy, the jumbo, the double yolk, the small, all those eggs. You don't want those eggs? That's the egg production you have to pay for. So, we are prepared to maintain. We have to find out what is the right numbers there. What is the right percentage of overrun that need to be overrun that need to be support by consumers?

If we produce all eggs that the processing sector needs in Canada, first, we'll have to measure how much they need, then produce, it will certainly throw a lot more eggs in the grading operation. More eggs, probably more efficient, more profit, what can we ask from the grader participation in the management of industrial throw-back?

I hope that we will have a system in place that will extract from those processed eggs all eggs that are most needed on the table market. Mainly the large ones. That's certainly an objective that makes sense. Before cracking those eggs, making sure that we use as much as we can on the table market, on the high value egg, the large ones.

And the last part of this puzzle to produce all the processed eggs in Canada is the farmer participation. Can we find a way that farmers will engage themselves in the production of those eggs in Canada? It's easy to -- easy, probably this word is too strong, it's one thing to have a QAC agreement where egg farmers agree together to produce eggs and, if something happens, if there's a cost in the system, to throw the cost at the customer levy. I understand that farmers can get together in agreeing that.

The problem with the QAC for us, as a Council, it's not a legal document. It's a gentleman's agreement, more and more a gentlewoman's agreement, that's very



good, but the legal strength of the legal reference of this document for us has very little value.

So up to now, we live by those rules, but if we want to go further and increase production of processed eggs and cover almost everything that is needed in this country, we'll certainly have a look to some farmer participation in this 250 million dollar overall cost there.

And why not, looking at the possibility to use some money that are already in the system, on what I call the leasing fee, what you call the service fee. I'm not expecting a commitment today on that but I hope that we can open the door for a little bit more discussion on that.

So that's where we are sitting. That's where -- what we are looking for and certainly, as they mentioned before me, there is a need to review the Federal-Provincial Agreement because a lot of what you are doing actually is completely outside of the federal agreement, so no legal authority to do a lot of the things that you are doing. And some of the things that you are supposed to do under the Federal-Provincial Agreement, you are simply not doing those, some of those things.

So again, legally, it's not something as an oversight body that we are comfortable with.

So we are looking for a new deal. We are looking at something where -- something that I heard many times in the last many years, that an egg is an egg. Actually, all eggs are not equal under the Federal-Provincial Agreement. And we are prepared to work to make sure that, in the very short future, all eggs can be equal under the sun, sunnyside up.

Actually, they are probably I hope not scrambled eggs. Over easy? That's my preferred ones but sunnyside will leave with that easily.

So that's what we are looking for. More production. And, you know, if you put in production all those layers that are needed to cover all processing needs in Canada, we are talking about another two million, more than two million layers in production in Canada.

One of the major reasons why I present those numbers this morning, and I have a little of that discussion last week at the Portfolio meeting with the other stakeholders and the new ag minister, with the Farm Credit Corporation. You know, when we approve allocation, small and medium allocation, you receive a little bit of that, couple of hundred birds, couple of thousand birds, and it never gave the direction to build new barns. It's never enough.



But, when you can lay that together and you look at the possibility of increased production under the processing sector of your activities, it can easily, I think, create a message that we need some new equipment, some new buildings.

Each sector is quite different under poultry, you know? You can increase chickens by five percent tomorrow morning. You can use the same barns, they increase rotation, instead of doing six lot per year, we do six and a half, that's what many do twice a week, almost seven, and the same building, the same equipment, you run more kilos in eggs. We understand that it's not the same.

Plus you are facing some challenges with the cage living. How much time do they change that? For sure the new building will have new equipment so it's all good news and we hope that you will take those numbers together to give you a better picture of what is expected in the next couple of years and probably, and I hope, the message to go ahead and invest a little bit more.

I have another slide I will not cover. If you just went out the other slides. That's the two things, the 97/100, 600,000 and the special temporary marketing, 900,000. So for the last five years, on those five million layers.

All my comments will be summed up. I didn't have time to cover this morning, I'm cutting, I know you don't have enough time and, again, I don't want to create burden on your meeting, but all my comments that I was supposed to deliver this morning, I prepared more than that, will be on the website. And if you want those numbers that I put there, we have a couple of pages on the desk there.

Again, thank you very much. I will be around for the whole day. I'm sure that we'll have some discussion. Thank you.

--- Applause