



*Address by Laurent Pellerin
at the Egg Farmers of Saskatchewan
Annual General Meeting
Saskatoon, Sask. – March 17, 2016*

First, I want to thank the Board members and staff for this invitation to participate in your meeting again this year, not only an invitation to participate but the invitation to speak during your meeting. It's always a very good, interesting opportunity for us to share a couple of ideas, a couple of things with you during those meetings, not because we don't do that during the year with Egg Farmers and some provincial board members, but having a crowd like the one you have here, it's always quite interesting to address a couple of comments on the egg sector.

The Council is just completing its first year of a three-year strategic plan. As you know, when we developed those strategic plans, we identified a lot of priorities to be worked on. I will mention two this morning. The first one is, certainly, the Council wants to work closer with the national agencies. We think that we have a role to play there and we use the word "active" participant in our strategic plan to make sure that people understand that we are there to work, we are there to help to develop each of the sectors, and that's what we are looking for as a first objective.

We have a series of other priorities, but I want to mention another one, the fact that the Council wants to work to develop research and promotion agencies. Under Chapter 2 of our *Act*, we have four agencies that we have to oversee: four supply management agencies in poultry; and we have one agency under Chapter 3 of our *Act*, a research and promotion agency. You, from Western Canada, probably will know the Canada Beef Organization, that's the one that we have under Chapter 3. We look at the possibility to create some other research and promotion agencies under this chapter. We have two recommendations on the Minister's desk: one in strawberry, one in raspberry, and we just completed a public hearing on pork. The Committee is chaired by one of your friends from Saskatchewan, Mike Pickard. They just completed a public hearing in February and they will put their recommendation in front of the Council by probably May, and we'll see what will be the final decision on that.

We are expecting some other groups to come with a request on the creation of research and promotion agencies. We know that Eggs are working on that. Chicken is on the way to finalize the request. The Potato Growers are working quite hard on that for the last two to three years, so we're expecting those projects to be on the table in the next couple of months, hopefully before the end of 2016.

We also — and this is new — we also work with the Barley Producers from Western Canada. You know that, after the change in the Wheat Board, they lost the authority to



collect levies for research and, after a five-year transition period, they are now exploring different avenues to continue to collect research levies for the development of the grain sector, especially, in their case, the barley sector. We expect a request from the Barley Growers to create a research and promotion agency as well.

So you understand that there's a lot of work on this side. Some will probably get results quite rapidly; some others will take a little bit more time.

In our role, we also play sometimes the role of mediator, arbitrator, and sometimes just receiving complaints from different sectors. We are not receiving a lot of those complaints on a yearly basis. Last year, it was a little bit different. Within two months we received four different complaints:

- One in chicken, coming from Saskatchewan, that we resolved.
- One in turkey, coming from Ontario against the Turkey Farmers of Canada. They finally decided to set an arbitration panel and the report just came a few days ago.
- We received two complaints from the Hatching Egg Growers: one from Ontario, one from Québec, against the National Hatching Egg Agency on the movement of chicks between Québec and Ontario. They also created a mediation committee and they reached an agreement a couple of weeks ago, just before Christmas, in fact. But it took several months, three months, in fact, to finalize the text of this MOU and we just received, in that case also, the report last week.

So the Council will have to look after those reports and look at, first, if we have to approve the report, if the parties withdraw their complaints, if we can finalize those files, so that's part of our work for the next couple of weeks.

More specifically to the egg sector, people that know me know that I'm not using the "congratulations" word very often. I'm shy a little bit on that. But, as I said in a couple of other egg meetings, this year we have to take a break and really mention the good work that is being done by EFC and the partners from the provincial marketing board in the egg sector. Certainly, strong congratulations for the movement they did on changing the way they calculate the need for the table egg market through the QAC calculation, adding a component for a better calculation, better estimation of the market, adding a forecasting factor, and they did that last year and changed allocations, almost doubled the allocation they were looking for. So it's quite interesting, especially with the market that is growing rapidly, it's more interesting to have a forecasting factor in the formula for the years to come in front of us.

They also, through the same discussion, reached an agreement with the Egg Processors to use some of the grader's information to better forecast what is needed on the market next week, in the next 3 months, next year, and the year coming. Those



people know exactly where the market is going. So that's also a good achievement there.

We are also quite satisfied with the — and here again, I will repeat the word "congratulations" — we are quite satisfied with the movement that Egg Farmers did on changing their threshold utilization of the quota. You know that, historically, since '84-'85, Egg Farmers were using only 97 percent of their quota. Now, we raise again that point, we push, and the conclusion is that, within the year, Egg Farmers of Canada will make a decision to move this threshold to 100 percent utilization of the quota. When we started the system in 1976, there were too many eggs on the market, perhaps a couple of you remember that, so when they put in place the quota, the rules were that only 95 percent of the numbers were used to produce eggs because the market was oversupplied at that time. They changed to 97 percent in '84 and now the proposal to change the FPA to move to 100 percent is on the table. We know that Egg Farmers — and on our side too — we are working to finalize the text for the change of this rule.

So, again, it's a move in the right direction and those two changes will happen within the year, so knowing that you have to bring 10 provinces together, it's always a challenge: Different mentalities, different attitudes, different markets. So it's always very difficult to bring all those people together, and to do it within a year is certainly a good thing.

We are quite happy also with the fact that Egg Farmers decided to move on the cost of production survey. It's a little bit — I've been a little bit longer than what we expected. In fact, when the result will be on the table, the old cost of production data will be eight to nine years old, which is quite a long time, a long period of time, and we certainly would have preferred that the review would have been done a couple of years ago. But at least it's moving, it's going in the right direction, and in the near future, a couple of years, we'll have — it takes a long time because the survey itself is quite long — but we'll have new data on the table to set the price of eggs in Canada.

A nice word also — nice wording also on the fact that last year was a very special year in the egg sector — a couple of impacts in the poultry sector, but mainly in the egg sector with what happened on the health side in the U.S. with the contamination of many million birds, so it changed the market quite rapidly. The price increased rapidly also, and it was not easy to manage, so the crisis management mitigation that happened through Egg Farmers and CPEPC, the egg processor in Canada, is quite a good achievement. We were informed a little bit late of those actions but we're all — we think that they gave a very good result. So, again, good movement for Egg Farmers on that file.

Overall, we certainly can measure an improvement in the relation between the Council and Egg Farmers of Canada. There's no doubt there's still some room for improvement



but the type of discussion we've had to date sometimes are quite strong, quite face-to-face, direct wording, but at least there is a strong communication process, a strong relation. Staff to staff, we organize sessions where staff from EFC learn a little bit more about the Council and also where the Council staff learn a little bit more about Egg Farmers of Canada.

So this thing, those meetings will continue to happen and we certainly have more to learn on both sides, so that's certainly a process that we recognize as a very positive action.

More specifically in the egg sector again, we know that one of the files that you are following always very closely is the file on allocation requests, allocation approval. And again, that's something that we went through in the last couple of months very intensively.

We heard comments across the country where some people think that the Council is not fast enough to approve those allocations, that the Council creates delays in the approbation of those allocations. I certainly want to correct this perception, especially with the trend we followed in the last couple of years.

I brought a table with me, just to summarize — because I don't think that's the type of information you have access to on a daily basis — just to summarize what we did in the last couple of years.

Back in 2010, we received a request for 544,000 layers that we approved within a 35-day process. I remember at that time it was an urgent request and we approved this request.

The following year we received a request for 214,000 layers in 2011. We took a little bit more time to approve this one. It's not because it's smaller, it take less time. It took 50 days. A little bit long. I certainly will not argue on that.

The following year, we received a request for 286,000, and it was linked with an increased levy for the management of surplus eggs. At that time, we were already working with Egg Farmers trying to find ways to reduce the costs for the management of industrial eggs, and it was not an easy request. It was not an easy decision not to approve this allocation at that time. But quite rapidly, Egg Farmers came back in December 2013 with 582,000 birds to be allocated. In fact, it was a combination of the 286,000 and another 200,000 or 300,000 layers. And why we approved that within 34 days that time? It was only on the promise from Egg Farmers that they will not resolve IPP, industrial program, nothing on the levy, but a commitment from Egg Farmers that they will be working on that, and, in fact, we said: Okay, we are comfortable — we trust you, and we'll approve those 500,000 layers, waiting for the result of your consultation



process.

In fact, the result came the next summer where they came back with a couple of items: reduction of administration costs at the provincial level; the work on pricing medium and large eggs, bringing a little bit more medium eggs on the market, reducing the price there; and thirdly, what Egg Farmers called at that time the Service Fee Program. In our mind, it was more a leasing program and we never had to approve the wording but the wording that had been used by Egg Farmers is the "service fee".

So following this report from Egg Farmers, they came back during the summer of 2014 with a request of 408,000 layers. At that time, we were just walking out of the Charlevoix meeting in Québec, the summer meeting of Egg Farmers, and this allocation had been discussed during that meeting quite strongly. I remember people going to the mic, asking or mentioning that Ontario only needed this number, 400,000 layers, to cover the market, as well as the processor came to the mic and suddenly directed a message to the Council that, only for them, also they need that amount of layers.

So we took a month to a month and a half with Egg Farmers in discussion on this number. We offered to almost double this number if Egg Farmers was prepared to allocate those increased numbers a little bit differently than the first 400,000, the 400,000 be shared between the province on the actual formula if we double this number, the new number that could be allocated differently, more specifically to the markets that are very short in the country. Finally, they came back and they asked only the 400,000, maintaining the allocation the way it was, not looking at the possibility to have a little bit more and allocating differently to the very short provinces this extra number.

So I hope that you understand that we are not there to restrict the number, we, rather, offered more than what was asked in the last couple of years.

It took 36 days to approve this allocation at that time, including the discussion that we'd had for a couple of weeks with Egg Farmers at the end of August, beginning of September 2014.

In 2014, in December, they came back with 316,000 layers. And this time, we told Egg Farmers that, in our view, it was certainly not enough to cover the needs of the market. So within six months we repeat almost twice the same comments that we were prepared to approve more. So we didn't approve this 316,000. That's where we — and we convened and we invited Egg Farmers for a working meeting early in 2015. It didn't happen early, it happened only in March. Finally, we agreed that if we add a forecasting factor in the calculation of the market need, this number became 751,000 — so a lot bigger than what had been asked in December. And we agreed on this number in a



meeting around April, I would say, after the Québec Egg Annual Meeting in Québec City, and a couple of days after, Egg Farmers came back with this number, 751,000. And within 10 days — we are improving our process — within 10 days, we approved this allocation, a quite important allocation.

So there's no link with the size of the allocation and the time it takes to approve. When it makes sense, when there's a strong rationale that the market needs those eggs, and when we agree on a formula that, instead of looking back to the past three years, look in front of us to the future — so the numbers are sometimes a little bit less exact, because when we forecast, we don't know exactly what will happen, but at least when the market is growing as fast as it did in the last couple of years, it's certainly a better way to measure the market need. So that's what we did and we approved that last April.

Egg Farmers came back last summer with another request of 706,000 layers using the old methodology. We had a hard time to understand why they came back with that old methodology when we just agreed on the forecasting methodology for the future. So we didn't approve this one. They came back last December with requests based on a new calculation and we approved, within 20 days, 728,000 thousand layers.

So if you look closely to this table, you will see that within 10 months in 2015, we approved 1.5 million layers.

Some people continue to say that the table market is short today. Certainly those layers are not all in production and I don't include — if you sum up all those numbers from the last five years, we approved almost 5 million layers more than what had been in inventory in the farms for many, many years. Plus, the 97 to 100 percent will add another 660,000 layers on the farms in six provinces, because you already have provinces that are at 100 percent. And very specifically, last summer, after a request from Egg Farmers, we approved 900,000 layers for the processing market in an urgent process because of the needs on the processing side in Canada.

So overall, if you look at this table, just in the last two years, the allocation had been increased by 11 percent. Almost 2.5 million layers will be available for you in the next couple of years and we think that's what those numbers will cover, when they will be all in production, will cover the table market needs.

There will still be a need to cover the processing side of the egg sector. Up to now, Egg Farmers and Council always approved the allocation knowing that the processing sector will be supplied by the overproduction of the table market. Overproduction coming from certain categories of eggs that the consumer don't want — small eggs, medium eggs, the big ones, the double yoke — and also coming from certain periods of the year where the market is a little bit shorter and creates surplus.



And we did that and we approved those increased allocations in the past, to a big cost to the industrial program, something in the range of \$200-250 million per year, paid back by a consumer levies. This is based on the QAC agreement that had been developed in the egg sector.

I want to mention that the QAC agreement is a gentlemen's — and more and more a gentlewomen's — agreement between Egg Farmers. It gave a certain authority, but it's not for the Council — it's not a legal paper that we can rely on. The only legal paper we have is the federal-provincial agreement and the proclamation coming from the federal government creating the national agency. So you have to understand that, that we work on legal paper, we don't work on gentlemen's agreements. Legally, we have to make sure that everything that we approve is legally supported. We've used the QAC-based agreement up to now, but if we want — if you want to cover all processing needs in Canada, we certainly have to investigate something different.

Again, as I did in other meetings, I will very strongly repeat the fact that the Council is prepared to approve all needed allocations to produce all categories of eggs in this country and to import only the eggs that we have an obligation to import in the trade agreement. So it means that if we find a way to produce all those processing eggs different than the actual way, there is room for millions of layers more. In Alberta, I used a number between two and three million. I have to correct this number. If we look only at the processing eggs that we are importing above our commitment, it's 1.6 million layers more that we can produce tomorrow morning if we find a way.

And the Council's basic requirement or rationale to approve those increased allocations, specifically for the processing sector, are part of three different natures.

First, we certainly need to go back to the processors and ask them to put some more money on the table. We are just at the end of the contract with the processors. They already pay a little bit more now than they were paying five years ago. It was I think a nice, good contract with the processors. They are paying something in the range of \$20 million more per year than they were paying five years ago. They certainly faced last summer higher prices to their buyers. None of them were in bankruptcy, so it's certainly a loss rate that there's a little bit of room there. I'm not throwing a number there. I'll let some room for discussion for negotiation between Egg Farmers and the processors, but it would be nice to look for an increased participation.

As a Council, we are prepared to commit ourselves that we will continue to approve a consumer levy to take care of all eggs that consumers don't want on the market, to the eggs that he is not prepared to buy — again, the small, the medium, the double yoke — all those eggs, plus the ones that he is not prepared to buy in low season. This is a cost that the consumer needs to face and to support. So we are prepared to approve the



levy. We have to again open and finalize some discussions with Egg Farmers, what is the real number, the exact number; what is the percentage there? Ten percent, 15 percent; 20 percent; 50 percent? Probably not, but a number. How many eggs are produced over and above the table egg need. That's the number that we have to work out.

And finally, you, the Egg Farmers, how much are you prepared to put in that pot to increase your production by 1.6 million layers? Are you prepared to put something and how much are you prepared to put in the system?

The combination of those three questions could be the answer for increased allocation for the processing sector and the Council is certainly prepared to look at that very rapidly to make sure that we satisfy the total egg market in Canada.

The one good thing of the last summer, the processors quite clearly identified that they prefer a lot to use the Canadian flag, the Canadian maple leaf on their product than they ever did before. So there's a value there. They are not always prepared to pay the value of this flag on their product; there's a cost, but that's certainly something that they expressed quite clearly during the tough summer last year. They know that there's value for them to use the Canadian product in their market, the processing product or table egg. So they know that.

That's the sort of new deal that we have to develop, as well as we also have to face a review of the federal-provincial agreement in the egg sector, not only in the egg sector, all those agreements are — except chicken, that reviewed their argument in 2001, which is already 15 years old — but all the other federal-provincial agreements are more than 40 years old, so it's about time to review those agreements, noting that a lot of the features that we have in the federal-provincial agreements are no longer used by the Agency because everything changed from 1976 in the egg sector, and a lot of the new things you're doing are not included in the federal-provincial agreement. So there's certainly a need to review this agreement.

And I know that Egg Farmers already sent the type of consultation paper to the marketing boards and we are hoping that the committee that they mentioned in one of our last meetings with the Farmers will be put in place and that we'll have the occasion to work together on that.

If you have some questions, I'm certainly prepared to answer your questions. What I said today and at the last couple of meetings have been registered, taped, and written again. It's on the Website, so if you want to consult what we said there, it's on the Website.



And as Roger said, because I'm using his speech, everything that I already said has been shared and approved by Roger —

[laughter]

— almost. Thank you very much for your attention.

[applause]