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Canada

Poultry and Products

Annual

2000

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Report Highlights:
The expansion of Canada's egg processing industry has resulted in a sharp increase in demand for processing eggs that is challenging the production and pricing structure of Canada's supply-managed egg industry. Costs of a program to divert higher priced table eggs to processing are becoming burdensome. Exports of Canadian egg products are increasing, but processors are turning to the United States to get additional quantities of eggs for processing.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Ottawa [CA1], CA

Executive Summary

* Total Canadian poultry meat output in 2000 is on pace to to reach about 1,057 thousand metric tons, up more than 4% from the previous year reflecting increased chicken output. Total poultry output in 2001 is expected to advance about 2.5%-3.0% over the current year's production.

* With the exception of duck and goose meat and processed eggs, Canada is a net importer of poultry and egg products. The value of Canadian imports of live poultry and poultry meat in 1999 exceeded exports by C$229 million while the value of imports in the egg and egg product category exceeded exports by C$15 million.

* A new federal/provincial agreement on chicken is currently being developed and is expected to be implemented in the late fall of 2000. At that time, the Chicken Farmers of Canada, the national producer agency, is hopeful that both Alberta and British Columbia will return as full signatories.

* Total annual imports of chicken from the United States continue well above the NAFTA formula reflecting a steady increase in chicken items not on the control list (mostly prepared items) and imports under special permit for further processing in Canada and subsequent re-export.

* During the first five months of 2000, Canadian chicken exports were up more than 20% from the year ago period with increased exports to the United States, China, and South Africa.

* Despite a promotional campaign undertaken by the Canadian Turkey Marketing Agency during 1999, Statistics Canada reports a 5% decline in domestic consumption.

* Canada's egg industry has reached a crossroad where the structure of the traditional supply managed table egg market is being challenged by growing demand for processed eggs and expansion developments in the egg processing sector.

* Canada's egg processors are increasing egg product exports under a two-price system for shell eggs.

* The inability of the Canadian egg industry to supply sufficient industrial eggs from domestic producers has resulted in a sharp increase in imports of eggs for breaking from the United States.

* By the end of July 2000, Canada had issued supplementary import permits for 1.9 million dozen breaking eggs from the United States.

* This report contains a special section on egg product trade illustrating the recent rapid increase in exports of Canadian processed eggs.

Section I. Total Poultry Meat

Situation and Outlook

Total Canadian poultry meat output (broiler chicken + turkey+fowl) in 2000 is expected to reach 1,057 thousand metric tons, up 4.4% from the previous year mostly reflecting increased chicken output. Turkey production in 2000 will be at or slighlty below the 1999 level. Total poultry output in 2001 is expected to advance about 2.5%-3.0% over the current year's production.

PSD Table						
Country	Canada					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	38	38	46	30	39	28
Production	1004	1012	1040	1057	0	1084
Whole, Imports	47	9	52	9	0	10
Parts, Imports	83	125	79	141	0	150
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	130	134	131	150	0	160
TOTAL SUPPLY	1172	1184	1217	1237	39	1272
Whole, Exports	6	7	5	7	0	8
Parts, Exports	83	100	80	112	0	112
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	89	107	85	119	0	120
Human Consumption	1037	1047	1093	1090	0	1121
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1037	1047	1093	1090	0	1121
TOTAL Use	1126	1154	1178	1209	0	1241
Ending Stocks	46	30	39	28	0	31
TOTAL DISTRIBUTION	1172	1184	1217	1237	0	1272
Calendar Yr. Imp. from U.S.	130	134	131	150	0	160

International Trade Summary:

With the exception of ducks/geese and processed eggs, Canada is a net importer of poultry and egg products. In 1999, over 99% of total Canadian imports of poultry and egg products were from the United States. As shown below, the value of Canadian imports of live poultry and poultry meat in 1999 exceeded exports by C$C229 million while the value of imports in the egg and egg product category exceeded exports by C$15 million.

Canada: Poultry & Egg International Trade, 1999					
Description	Exports quantity	C$'000	Imports quantity	C$'000	Trade Balance C$'000
Live Gallus Domesticus <185g (thousand head)	10,878	$27,740	28,920	$38,636	$(10,896)
Live Gallus Domesticus >185g (thousand head)	452	$4,708	11,312	$6,294	$(1,586)
SUBTOTAL LIVE	11,330	$32,448	40,232	$44,930	$(12,482)
Meat/Prods. Gallus Domesticus (metric tons)	55,068	$68,686	94,316	$273,160	$(204,474)
Turkey (metric tons)	9,652	$9,907	5,462	$21,949	$(12,042)
Ducks & Geese & Guinea (mt)	2,691	$14,952	2,576	$11,096	$3,856
Other Poultry (metric tons)	80	$902	6,060	$4,591	$(3,689)
SUBTOT POULTRY MEAT	67,491	$94,446	108,414	$310,797	$(216,351)
Hatching Eggs ('000 dozen)	2,612	$31,916	12,717	$38,453	$(6,537)
Shell Eggs (dozen)	28	$80	25,071	$20,160	$(20,080)
Processed Eggs (metric tons)	5,469	$25,302	8,915	$14,071	$11,231
SUBTOT EGGS & PRODS.	8,109	$57,298	46,703	$72,684	$(15,386)
GRAND TOTAL		$184,192		$428,411	$(244,219)
Source: Agriculture & Agri-Food Canada; Markets Information					

Section II. Chicken

PSD Table						
Country	**Canada**					

Commodity	Plty, Meat, Chicken -16 wks				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	26	26	35	20	28	19
Production	840	847	870	890	0	915
Whole, Imports	2	3	2	3	0	3
Parts, Imports	76	73	73	87	0	92
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	78	76	75	90	0	95
TOTAL SUPPLY	944	949	980	1000	28	1029
Whole, Exports	2	2	2	2	0	2
Parts, Exports	60	61	58	70	0	73
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	62	63	60	72	0	75
Human Consumption	847	866	892	909	0	934
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	847	866	892	909	0	934
TOTAL Use	909	929	952	981	0	1009
Ending Stocks	35	20	28	19	0	20
TOTAL DISTRIBUTION	944	949	980	1000	0	1029
Calendar Yr. Imp. from U.S.	78	76	75	90	0	95

Situation and Outlook

For 2000, present prospects point to a year-to-year increase in Canadian chicken production of about 5.0%. Preliminary data to the end of July 2000 indicates that total production increased 3.6% over the same seven month period one year earlier. Production quota allocation increases for the fall period of 2000 were recently scaled back by the Chicken Farmers of Canada, the national agency representing the provincial producer boards, due mostly to slower sales reflecting cool and abnormally wet weather during the first half of the summer. On balance, total production for all of 2000 is forecast to reach about 890,000 metric tons, up 5% over the 1999 level. The outlook for 2001 is for a further production increase in the range of 2-3%.

Industry Developments

In late 1999, Alberta Chicken Producers, the provincial signatory to the national supply management program for chicken gave notice that their organization would withdraw from the Chicken Farmers of Canada (CFC). Alberta's formal departure will be effective in December 2000. Alberta producers cited frustration with British Columbia's chicken production policies which were allegedly disrupting Alberta chicken markets. British Columbia withdrew from the national agency many years earlier. Spokespersons for the CFC claim that a new federal /provincial agreement on chicken is currently being developed and is expected to be implemented in the late fall of 2000. At that time, the CFC is hopeful that both Alberta and British Columbia will return as full signatories.

All major chicken producing provinces operate special production allocation programs to produce chicken for export. Canada's top export market for chicken is Cuba which accounts for about one-third of total Canadian chicken exports (see Trade Section).

Trade

Chicken Imports

The United States supplies virtually all Canadian imports of chicken. A summary of Canada's tariff rate quotas (TRQ) on chicken is provided in Section VI: Policy. Import allocations are administered by the Department of Foreign Affairs and International Trade (DFAIT). Total annual imports of chicken from the United States continue well above the NAFTA formula reflecting a steady increase in chicken items not on the control list (mostly prepared items) and imports under special permit for further processing in Canada and subsequent re-export. These latter imports enter at the "within access" tariff rate (free from the U.S.), are substantially transformed into prepared chicken items, and exported under another tariff classification. In the first five months of 2000, chicken imports from the United States showed nearly a 43% increase over the same period a year earlier due to increased imports of non-controlled items and chicken imports for processing.

Canadian Fresh, Chilled or Frozen Chicken Imports						
1997-1999; January to May 2000						
Units: Metric tons, product weight						
HS Codes: see below						
Excludes Prepared Chicken Items						Year-to-Yr.
				Jan - May	Jan - May	%
	1997	1998	1999	1999	2000	change
World	61,053	77,974	76,664	25,955	37,016	42.6%
United States	61,053	77,974	76,664	25,955	37,016	42.6%
HS Codes						
020711 Chickens and Capons, whole fresh or chilled						
020712 Chickens and Capons, whole frozen						
020713 Chickens and Capons, cuts and edible offal. fresh or chilled						
020714 Chickens and Capons, cuts and edible offal,frozen						
Source: Statistics Canada; Canadian Trade Analyzer						

Chicken Exports, by Destination

Total Canadian fresh, chilled or frozen chicken exports in 1999 slipped nearly 15% to 52,049 metric tons from the record level of 60,623 metric tons the previous year. Most of the decline was reflected by reduced exports to Cuba, the number one export market for Canadian chicken. During the first five months of 2000, total chicken exports were up more than 20% from the year ago period with increased exports to the United States, China, and South Africa accounting for most of the rise.

Canadian Fresh, Chilled or Frozen Chicken Exports						
1997-1999; January to May 2000						
Units: Metric tons, product weight						
HS Codes: see below						
Excludes Prepared Chicken Items						Year-to-Year
				Jan - May	Jan - May	%
	1997	1998	1999	1999	2000	change
World	48,536	60,623	52,049	19,754	23,845	20.7%
Cuba	14,729	26,355	16,811	8,633	7,163	-17.0%
China	12,106	11,567	11,571	4,067	5,200	27.9%
United States	2,762	4,037	6,241	2,176	2,816	29.4%
Hong Kong	8,424	9,340	5,823	2,811	2,673	-4.9%
South Africa	478	1,556	3,022	212	1,684	695.8%
Jamaica	439	1,654	1,970	759	409	-46.2%
Taiwan	45	403	1,587	25	0	-100.0%
Russia	6,055	1,471	1,412	384	941	144.8%
Philippines	97	134	1,160	39	1,559	3869.0%
HS Codes						
02071100	Chickens and Capons, whole fresh or chilled					
02071200	Chickens and Capons, whole frozen					
02071300	Chickens and Capons, cuts and edible offal. fresh or chilled					
02071410	Chickens and Capons, livers, frozen					
02071490	Chickens and Capons, cuts and edible offal, except livers,frozen					
Source: Statistics Canada; Canadian Trade Analyzer						

Section III. Fowl (Spent Hen)

Canadian production of fowl meat (spent hen) is expected to show modest growth in relation to the growth in the breeder flocks supplying the broiler chicken and egg industries. Fowl imports from the United States are expected to increase about 4% to 52,000 metric tons in 2000 from about 50,000 metric tons the previous year. Canada's tariff rate quota does not apply to fowl meat and under NAFTA provisions U.S. access for fowl meat is unlimited (see Tariff Rate Quota Section below).

CANADA: Stewing Hen; THOUSAND METRIC TONS;			
	Revised	Forecast	Forecast
FOWL	1999	2000	2001
BEGIN. STOCKS	1	1	1
PRODUCTION	26	27	28
IMPORTS,WHOLE	0	0	0
IMPORTS,PARTS	50	52	56
INTRA EC IMPORTS	0	0	0
IMPORTS TOTAL	50	52	56
TOTAL SUPPLY	77	80	85
EXPORTS,WHOLE	0	0	0
EXPORTS,PARTS	21	20	20
INTRA EC EXPORTS	0	0	0
EXPORTS,TOTAL	21	20	20
HUMAN CONSUMPTION	55	59	64
OTHER USE/LOSS	0	0	0
TOTAL DOMEST.CONS.	55	59	64
TOTAL USE	76	79	84
ENDING STOCKS	1	1	1
TOTAL DISTR.	77	80	85
Source: Statistics Canada and Post Forecasts			

Section IV. Turkey

Canadian turkey production has remained static at about 140,000 metric tons for the last several years. Despite a promotional campaign undertaken by the Canadian Turkey Marketing Agency during 1999 (see CA9046, 4/28/99), Statistics Canada reported a 5% decline in domestic consumption for that year. Turkey pricing policies keep retail prices high in Canada and consumers continue to view turkey mostly as a holiday meat only.

PSD Table						
Country	Canada					
Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	11	11	10	9	10	8
Production	140	139	144	140	0	141
Whole, Imports	5	6	5	6	0	7
Parts, Imports	1	2	1	2	0	2
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	6	8	6	8	0	9
TOTAL SUPPLY	157	158	160	157	10	158
Whole, Exports	2	2	2	2	0	2
Parts, Exports	11	21	14	25	0	23
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	13	23	16	27	0	25
Human Consumption	134	126	134	122	0	123
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	134	126	134	122	0	123
TOTAL Use	147	149	150	149	0	148
Ending Stocks	10	9	10	8	0	10
TOTAL DISTRIBUTION	157	158	160	157	0	158
Calendar Yr. Imp. from U.S.	6	8	0	8	0	9

Turkey Meat Trade

Virtually all Canadian turkey meat imports are from the United States. Imports in 2000, regulated by Canada's TRQ on turkey are expected to reach about 8,000 metric tons, unchanged from a year ago. Russia was Canada's top turkey meat export market in 1999, but Cuba is expected to become the leading market in 2000. As shown below, turkey meat exports in the first five months of 2000 were more than 40% greater than during the same period a year earlier due mostly to a significant increase in exports to Cuba and South Africa. Exports to the U.S. rose sharply in the first part of 2000, buts levels remained relatively insignifcant.

Canada: Fresh, Chilled or Frozen Turkey Exports						
Units: Metric tons						Year-to-Year
excludes processed items				Jan - May	Jan - May	%
	1997	1998	1999	1999	2000	change
World	12,650	9,694	9,190	2,838	4,010	41.3%
Russia	1,655	984	1,101	11	81	636.4%
Cuba	756	809	1,020	390	1,370	251.3%
China, P.R.	1,630	1,117	894	403	146	-63.7%
South Africa	1,337	877	891	100	926	827.4%
Philippines	780	1,087	844	484	125	-74.2%
Poland	480	388	777	99	241	143.3%
Mexico	0	0	607	545	18	-96.7%
Barbados	313	387	461	121	168	38.8%
Saint Lucia	344	317	388	94	163	73.6%
Jamaica	491	663	358	150	36	-75.8%
Korea, South	149	143	334	72	186	157.7%
United States	746	390	308	18	241	1277.3%
HS Codes						
020724 Whole, fresh or chilled						
020725 Whole, frozen						
020726 Turkey cuts & edible offal fresh or chilled						
020727 Turkey cuts & edible offal frozen						
Source: Statistics Canada; Canadian Trade Analyzer						

Section V. Consumption

Per Capita Consumption: Meat & Poultry

Poultry meat consumption continues to make gains against red meats in Canada as shown below. For 2000, per capita beef and veal consumption is expected to rise, and poultry meat will face strong competition from increasing supplies of pork.

Canada: Per Capita Consumption of Meats & Poultry				
Calendar Years 1996-1999				
Units: kilograms; eviscerated weight/carcass weight				
	1996	1997	1998	1999
Chicken	24.9	25.4	26.2	27.3
Stewing				
Hen	1.7	2.1	2.1	1.8
Turkey	4.1	4.2	4.3	4.1
Beef & Veal	32.7	32.3	32.0	32.3
Pork	25.9	25.4	27.0	27.4
Mutton & Lamb	0.8	0.7	0.8	0.8
TOTAL	90.1	90.1	92.4	93.7
Beef Share	36.3%	35.8%	34.6%	34.5%
Pork Share	28.7%	28.2%	29.2%	29.2%
Poultry Share	34.1%	35.2%	35.3%	35.4%
Derived from: Statistics Canada Data & Post Estimates				

Section VI. Policy

Canadian Levels of Tariff Rate Quotas for Poultry Meat and Eggs

Beginning in the early 1970s, Canada protected its domestic markets for poultry with import quotas on chicken, turkey, shell eggs, egg products, broiler hatching eggs and chicks.

Under implementation of the WTO Agreement on Agriculture in 1995, Canada eliminated its quantitative import restrictions on poultry and eggs and imposed tariff rate quotas (TRQ) on these products. While granting the NAFTA tariff reductions provisions to U.S. exports “within” the TRQ (zero duty for all U.S. poultry and egg products beginning January 1, 1998), Canada applies prohibitively high tariffs to imports above WTO or NAFTA access levels. Under chapter 20 of the NAFTA, the United States challenged the application of the high, over-access tariffs, but a NAFTA panel ruled in Canada’s favor in December 1996 and Canada announced it would continue to apply tariff rate quotas on these products. As a result, U.S. exports above the TRQ are assessed prohibitively high rates of duty (see below).

Poultry and egg products remain on Canada's Import Control List and Canadian importers of these products must be in possession of an import permit issued by Canada's Department of Foreign Affairs and International Trade for within TRQ imports. Over TRQ imports can enter under a general import permit. Listed below are the approximate levels of U.S. access to the Canadian market for certain poultry products during 2000 before the application of the over access tariff rates:

Poultry TRQ Levels for 2000

- Chicken: 59,888 metric tons
- Turkey: 5,364 metric tons
- Shell eggs: 7.3 million dozen
- Nest Run Eggs (for breaking purposes): 6.3 million dozen
- Egg Product: 2.3 million kilograms
- Broiler hatching eggs: 107.4 million
- Broiler Hatching Chicks: 22.8 million (egg equivalents)

Chicken

U.S. access to Canada’s chicken market is determined by a NAFTA formula of 7.5% of the previous year’s Canadian production of chicken as published by Statistics Canada. For 2000, the GOC announced the chicken tariff rate quota (TRQ) at 59,888 metric tons. Imports of U.S. broiler chicken cuts, fresh or frozen above the TRQ, are assessed an over access duty of ranging from 238% to 249%. However, the NAFTA agreement recognizes a supplementary import system which allows additional imports (at zero duty) when Canadian supplies fail to meet market demand.

Fowl

There is no TRQ on live fowls or fowl meat (i.e., import allocations are freely issued) and the market is reportedly firm for both domestic and U.S. fowl. Since fowl meat is a practical substitute for broiler chicken in certain further processed items, imports from the United States, in recent years, have averaged above the 50,000 metric ton level.

Turkey

Similar to chicken, U.S. access to Canada's turkey market is determined by a NAFTA formula (3.5% of the targeted turkey production announced by the Canadian Turkey Marketing Agency). For 2000, the turkey TRQ is 5,364 metric tons. Similarly, for turkey meat, the over access tariff rates for 2000 range between 154.5% and 165% but supplementary imports at zero duty are allowed under certain supply circumstances.

Eggs and Egg Products

U.S. access to Canada's egg market is determined by a NAFTA formula of 2.988% of the previous year's Canadian production. The over access tariff rates for shell eggs is 163.5%. Supplementary imports at zero duty are allowed under certain supply availability conditions.

Broiler Hatching Eggs and Chicks

U.S. access to Canada's egg market is determined by a NAFTA formula of 21.1% of the current year's anticipated Canadian production. The over access tariff rates for broiler hatching eggs is 238%. Supplementary imports at zero duty are allowed under certain supply availability conditions.

Section VII. Marketing

Value of U.S. Exports

According to U.S. Bureau of Census trade data, the value of total U.S. exports of poultry meat to Canada reached $218.4 million in 1999, while U.S. exports of eggs and egg products totaled $49.6 million. Combined, U.S. poultry and egg exports to Canada in 1999 totaled $268 million and accounted for 3.8% of total U.S. exports of agricultural products to Canada worth $7.0 billion during 1999.

Health and Labeling Import Requirements

U.S. exports of fresh and processed poultry meats to Canada must comply with the health, inspection and packaging and labeling regulations for poultry detailed in Canada's Meat & Poultry Inspection Regulations. To be eligible to export poultry meat and poultry meat products to Canada, U.S. exporters must ensure that the product:

-Originates from USDA federally inspected premises.
-Is approved for export to Canada by USDA's Food Safety Inspection Service.
-Conforms to limitations on package sizes for certain processed meats.
-Meets recipe disclosure requirements for formulated products.
-Meets bilingual (English & French) and metric labeling requirements for retail products.
-Identifies country of origin on label.

Schedule II of Canada's Meat & Poultry Inspection Regulations stipulates the standard package size requirements for processed poultry products such as sausages, sliced meats and poultry wieners. The Internet site where Schedule II can be viewed is: http://www.cfia-acia.agr.ca/english/actsregs/meatreg/home.html

Processed Poultry Products

The Canadian Further Poultry Processors' Association, a trade association of Canada's 29 major manufacturers of value-added poultry products have a website which may provide U.S. companies, with an interest in monitoring the industry developments in value-added poultry in Canada, product profiles and other additional information. The site can be viewed at: http://www.cfta.ca/fppac/fppac.html

Section VIII. Eggs and Egg Products

Egg Industry Background Summary

Created in 1972, The Canadian Egg Marketing Agency (CEMA) is a national marketing agency run by producers. Its board of directors includes representatives from the 10 member provincial commodity boards, three representatives from the Canadian Poultry and Egg Processors Council, and one representative from the Consumers' Association of Canada. The CEMA elects a chairperson each year from its own membership.

The CEMA manages the supply of eggs in Canada. Each year by estimating the table and processing market requirements and establishes a national production quota. The Agency divides this quota between the provincial boards, which then allocate it to individual producers.

Farmers sell the eggs to grading stations, which resell them to wholesalers. Through the CEMA's Industrial Products Program, any extra eggs the grading stations couldn't sell are bought back by the Agency. The CEMA then sells these eggs to Canadian breakers (processors who convert the eggs into liquid, frozen or powdered form).

The price the grading stations pay producers for their eggs is negotiated by the provincial commodity boards, while the CEMA sets the price it pays the grading stations for industrial eggs through a cost-of-production formula.

When producers sell their eggs to the grading stations, they get the same price for their eggs, regardless of whether they're eventually sold as table eggs, or sold to processors. But when the CEMA resells eggs to processors, it must do so at the market price (which is lower than what they paid the producers). The Agency recovers this difference through levies. The CEMA assesses levies on each dozen eggs marketed to cover its administrative costs and to fund the Industrial Products Program.

Recent Industry Developments

Canada's egg industry has reached a crossroad where the structure of the traditional supply managed table egg market is being challenged by growing demand for processed eggs and expansion developments in the egg processing sector. At the inception of the Canadian Egg Marketing Agency in 1972, only about 5% of Canada's egg supply was destined for the breaking industry. With rising demand by food processors, Canada's egg processing industry, according to CEMA, now absorbs 20% of total Canadian egg production. In recent years, Canada's egg processors have required more breaking eggs than the domestic industry can supply. These changes in the nature of the Canadian egg industry have resulted in deep division among egg producers and provincial egg boards over the CEMA's buyback policy which is the foundation of the Agency's Industrial Products Program. The program is a core CEMA function whereby the Agency purchases eggs from producers at table egg prices, tied to a determined cost of production, and sells them, at a lower price, to egg breaking operations. To finance the cost of the Industrial Products Program, egg producers pay levies assessed by their provincial egg boards. As the demand for breaking eggs in Canada expanded, so increased the costs of the buyback program. While varying, the amount of the producer levy on each dozen eggs produced has reached as high as 16 cents.

A fundamental tenet of CEMA is that provincial shares of national production can be set and administered by the Agency. However, with investment in the fast growing egg processing industry concentrated in certain regions, mostly Manitoba and Ontario, the CEMA is faced with a delicate balancing act in allocating provincial shares of national production. CEMA's increasing buyback purchases to fuel the expanding processing industry has angered egg producers in provinces that predominantly produce for the table market because they are paying increasing levies to finance the Industrial Products Program in other provinces. Rather than thwart the investment and expansion of egg processing in Canada, the CEMA granted additional production quota for industrial egg production in Manitoba under that province's "Grow for Processing" program. As a result, provincial allocation disputes have plagued the CEMA in recent years prompting the formation of a special CEMA committee to develop a solution to the problem of quota allocation and buyback levies. For example, an inquiry was held in May 2000 by a Complaints Committee (Committee) established by the National Farm Products Council (NFPC) in response to a complaint received on from both the Manitoba and Saskatchewan egg signatories. The complaint is against the Canadian Egg Marketing Agency's (CEMA) proposed quota allocation for the period February 27, 2000 to December 31, 2000. The industry is being closely monitored by the NFPC, a federal body that oversees Canada's supply managed poultry industry agencies. The CEMA committee is scheduled to develop proposed solutions by September 30, 2000 and the proposals will reportedly be scrutinized closely by the NFPC to ensure that they meet the Council's priorities for the orderly marketing of eggs in Canada.

The developments in Canada's egg industry are not without trade implications for the U.S. egg industry. Canada's egg processors are increasing egg product exports (mostly to the U.S. and

Japan) under a two-price system for eggs. Also, the inability of the Canadian egg industry to supply sufficient industrial eggs from domestic producers has resulted in a dramatic increase in imports of eggs for breaking from the United States. The demand for U.S. breaking eggs has resulted in a substantial increase in supplementary imports of U.S. eggs. For 2000, the Department of Foreign Affairs and International Trade (DFAIT) reports that some Canadian egg processors had used all their import allocation by mid-year and will be requesting supplementary import permits for U.S. breaking eggs for the remainder of the year. By the end of July 2000, the DFAIT had issued supplementary import permits for 1.9 million dozen breaking eggs from the United States. According to the DFAIT, total imports of breaking eggs from the U.S. in the first seven months of 2000 reached 5.2 million dozen (3.3 million dozen within access + 1.9 million dozen supplementary). The WTO minimum access level for 2000 is 6.3 million.

WTO Access and Rising Imports from the United States

Beginning 1996, Canada’s WTO minimum access committment for eggs was larger than the NAFTA formula (see policy section for NAFTA background). All of the increase in the access level was allocated by DFAIT to additional (import) quota for breaking eggs. With a sharp expansion in egg processing in Canada and the resulting demand for raw product, annual imports of U.S. breaking eggs have increased steadily as a result.

Eggs: Supply and Distribution
A modest increase in Canadian shell egg production is anticipated for 2000 reflecting the CEMA's increase in the national quota allocation last year. The majority of increased Canadian shell egg production is being diverted to the egg breaking industry which has increased its processing output. As a result of increased production of egg product, imports of processed eggs (nearly all from the U.S) are forecast to decline while exports are expected to increase. The next section details Canadian egg product export performance.

PSD Table						
Country	Canada					
Commodity	Poultry, Eggs				(MIL HEAD)(MIL PCS)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Layers	24	24	24	24	0	25
Beginning Stocks	46	46	55	97	50	52
Production	6095	6151	6175	6300	0	6400
Hatch Eggs, Imports	190	150	195	130	0	130
Shell Eggs, Imports	325	277	300	300	0	330
Other Imports	365	308	360	200	0	190
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	880	735	855	630	0	650
TOTAL SUPPLY	7021	6932	7085	7027	50	7102
Hatch Eggs, Exports	30	31	30	30	0	30
Shell Eggs, Exports	1	0	1	0	0	0
Other Exports	365	423	375	570	0	620
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	396	454	406	600	0	650
Hatch Eggs,Consumption	870	766	905	800	0	820
Shell Eggs, Human	4250	4150	4250	4050	0	3982
Shell Eggs,OT.Use/Loss	1450	1465	1474	1525	0	1600
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	6570	6381	6629	6375	0	6402
TOTAL Use	6966	6835	7035	6975	0	7052
Ending Stocks	55	97	50	52	0	50
TOTAL DISTRIBUTION	7021	6932	7085	7027	0	7102
Calendar Yr. Imp. from U.S.	870	720	840	600	0	0

Special Section: Exports of Processed Eggs

In recent years, Canadian domestic demand and exports of egg products has increased reflecting the expansion of the egg processing industry. The following tables illustrate the recent rapid increase in exports of most types of Canadian processed eggs.

Egg Yolks

Canada						
Dom Export Qty: kilograms						
HS 04081900; Egg Yolks, nes						
				Jan-May	Jan-May	% change
	1997	1998	1999	1999	2000	00/99
World	556,305	555,197	794,105	260,646	555,440	113.1%
United States	345,787	461,219	596,973	260,646	283,543	8.8%
Japan	22,725	17,880	157,680	0	108,945	+100%
Trinidad-Tobago	41,260	21,378	21,052	0	22,759	+100%
Venezuela	144,733	54,720	18,400	0	126,560	+100%
All Others	1,800	0	0	0	13,633	+100%
Source: Statistics Canada; Canadian Trade Analyzer						

Egg Albumin, not dried

Canada						
Dom Export Qty: kilograms						
HS 350210; Egg Albumin, Other than dried						
				Jan-May	Jan-May	% change
	1997	1998	1999	1999	2000	00/99
World	530,265	762,925	1,243,093	382,670	752,061	96.5%
United States	527,865	762,925	1,243,093	382,670	752,061	96.5%
All Other	2,400	0	0	0	0	
Source: Statistics Canada, Canadian Trade Analyzer						

Albumin, Dried

Canada						
Dom Export Qty: kilograms						
HS 350211; Egg Albumin, dried						
				Jan-May	Jan-May	% change
	1997	1998	1999	1999	2000	00/99
World	916,861	1,160,334	1,368,412	527,775	335,511	-36.4%
Japan	850,894	1,022,087	1,304,720	523,210	303,110	-42.1%
Thailand	7,340	0	32,340	0	0	na
United States	19,965	83,947	31,352	4,565	25,961	468.7%
All Others	38,662	54,300	0	0	6,440	+100%
Source: Statistics Canada; Canadian Trade Analyzer						

Dried Egg

Canada						
Dom Export Qty: kilograms						
HS 04089100; Eggs, Bird, not in shell, dried						
				Jan-May	Jan-May	% change
	1997	1998	1999	1999	2000	00/99
World	349,705	296,656	491,214	98,567	171,407	73.9%
Japan	15,907	73,380	204,220	22,680	79,380	250.0%
Austria	122,520	156,323	127,008	45,360	45,360	0.0%
United States	0	113	77,946	7,847	37,467	377.5%
Venezuela	0	0	36,080	0	9,200	+100%
Thailand	4,000	0	23,280	0	0	
Slovenia	0	0	22,680	22,680	0	-100.0%
All Others	207,278	66,840	0	0	0	
Source: Statistics Canada; Canadian Trade Analyzer						

Egg Yolks, Dried

Canada						
Dom Export Qty: kilograms						
HS 0408110000; Egg Yolks, Dried						% change
				Jan-May	Jan-May	00/99
	1997	1998	1999	1999	2000	
World	953,220	845,595	1,149,809	462,357	864,754	87.0%
Japan	518,207	628,240	544,080	169,860	136,080	-19.9%
Austria	246,062	87,720	313,184	204,320	108,864	-46.7%
Venezuela	0	0	124,846	17,706	57,240	223.3%
United States	800	0	92,851	18,463	248,075	1243.6%
Australia	116,580	108,135	40,828	40,828	45,360	11.1%
Trinidad-Tobago	43,760	21,500	33,620	11,180	11,280	0.9%
Netherlands	0	0	0	0	158,760	100.0%
Germany	13,000	0	0	0	68,040	100.0%
All Others	14,811	0	400	0	31,055	100.0%
Source: Statistics Canada; Canadian Trade Analyzer						

Exchange Rates

Prices and values in this report are expressed in Canadian dollars. Exchange rates are 1997, C$=US$.7223; 1998, C$=.6743; 1999, C$=US$.6730; August 2000, approximately US$ .6800.

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