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Report Highlights:

Annual Canadian broiler chicken production advanced 5.0% in the 5 years 2001-2006, but in 2007 is estimated to increase 2.0-2.4 percent over 2006. Canada remains the third most important export market for U.S. poultry meat with record value exports during the first 6 months of 2007 at \$201 million, up 34% compared to same period in 2006. Canadian broiler chicken 2006 imports were 82% from U.S. with Brazil second at 17%. The Chicken Farmers of Canada (CFC) are urging Canadian government WTO negotiators of their top concerns that there be no over-quota tariff reductions or increase in minimum access levels.

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Table of Contents

Executive Summary **3**
Section I. Broiler Chicken..... **4**
Consumption..... **5**
Trade..... **5**
 Imports 6
 Product Control Measure for Brazilian Poultry 6
 Exports..... 6
Policy **7**
 Tariff Rate Quota 7
 WTO Concerns 8
 Avian Influenza (AI) Prevention & Preparedness 8
Section II. Turkey **9**

Executive Summary

* Canadian broiler chicken production in 2007 is on pace to increase 2.0-2.4% above last year's level and reach about 995,000 metric tons (MT). A modest, but steady annual increase in demand for chicken at retail and at foodservice is expected to propel total Canadian broiler chicken production beyond the 1.0 million metric ton (MMT) level during 2008.

* After Mexico and the Russian Federation, Canada is the third most important export market for U.S. poultry meat. In 2006, U.S. poultry meat exports to Canada reached \$322 million, 4.9% above the \$307 million exported during 2005. For the first six months of 2007, the value of U.S. poultry meat exports to Canada at \$201 million is on pace to set a new record with shipments valued 35% above last year's level over the same period.

* In recent years, Canadian poultry companies have increasingly utilized the *Import to Re-Export Program (IREP)* whereby they import chicken under supplementary import license (i.e., tariff free) for the domestic market provided they export an equal amount of product, normally of lesser demand in the market. According to the GOC, imports under the IREP program to mid-August 2007 totaled approximately 50,500 MT, an amount only slightly less than the 52,600 MT imported under the TRQ. Clearly, the IREP program has become a driving force in total Canadian import demand for broiler chicken.

* Canada's chicken farmers continue to press the GOC to direct Canada's trade negotiators to ensure that their industry suffer no economic losses from the WTO negotiations in agriculture. The top concerns of the Chicken Farmers of Canada (CFC) are that over-quota tariffs may be sharply reduced, that minimum access levels may rise, and that the number of sensitive product tariff lines may be reduced.

* Canada recognized the poultry meat inspection system of Brazil in August 2002. In 2006, imports from U.S. outpaced imports from Brazil in the Canadian market and Brazil's share of the Canadian import market for chicken during 2006 was similar to a year earlier at 17%.

* USDA does not permit imports of Brazilian chicken and the Canadian Food Inspection Agency has strict import control procedures to ensure that Brazilian chicken in Canada does not enter the United States.

* Canada's turkey market is flat. Production is forecast to reach 164,000 metric tons in 2007 up only fractionally from a year ago. Statistics Canada reported Canadian per capita turkey consumption in 2006 at 4.4 kg (eviscerated weight), unchanged from the same level 10 years earlier.

Section I. Broiler Chicken

Canadian broiler chicken production in 2007 is on pace to increase 2.0-2.4% above last year's level. Total output during 2007 is forecast to reach about 995,000 MT compared to 971,000 MT produced in 2006. The popularity of chicken both in the home and in the foodservice industry continues to drive Canadian consumption higher. In addition, Canadian chicken processors are exporting more chicken than ever before although a considerable portion of exported chicken is linked to increased Canadian imports of chicken under the IREP program whereby processors import white chicken meat cuts for the domestic market and export an equal amount of the dark meat cuts that are less preferred by Canadian consumers. For 2008, post forecasts Canadian broiler chicken output to post a modest annual increase of about 1.0% above the current year and surpass 1.0 MMT for the first time.

Country Commodity	Canada			Poultry, Meat, Broiler			(MIL HEAD)(1000 MT)		
	2006	Revised	Post	2007	Estimate	Post	2008	Forecast	Post
Market Year Begin	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New
		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	38	20	38	28	0	28	0	0	26
Production	970	1020	971	980	0	995	0	0	1005
Whole, Imports	0	1	0	0	0	0	0	0	0
Parts, Imports	100	79	120	108	0	135	0	0	145
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	100	80	120	108	0	135	0	0	145
Total Supply	1108	1120	1129	1116	0	1158	0	0	1176
Whole, Exports	4	5	4	5	0	5	0	0	5
Parts, Exports	91	100	106	90	0	130	0	0	140
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	95	105	110	95	0	135	0	0	145
Human Consumption	985	995	991	995	0	997	0	0	1005
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	985	995	991	995	0	997	0	0	1005
Total Use	1080	1100	1101	1090	0	1132	0	0	1150
Ending Stocks	28	20	28	26	0	26	0	0	26
Total Distribution	1108	1120	1129	1116	0	1158	0	0	1176

Consumption

Several factors are driving chicken consumption increases in Canada. Agriculture and Agri-Food Canada (AAFC) reports that Canadian chicken consumption has almost doubled in the past 20 years. According to AAFC poultry analysts, the increase has been due in part to the country's population growth (which increased more than 25% from 25.8 million in 1985 to 32.6 million in 2006), but also to chicken's increasing popularity among Canadians during the period. Overall, Canadian's tastes have changed towards chicken primarily due to an increase in health awareness and the perception that chicken is leaner and therefore healthier than other meats. There is also an increased presence of substitute products containing chicken (i.e. chicken burgers), often seen as a healthier choice compared to its red meat alternative.

In 2007, the Chicken Farmers of Canada (CFC) commissioned a study to survey chicken usage and attitudes about chicken among Canadian consumers. Some of the key findings released by the CFC were: 1) 97% of respondents said that they buy poultry and eat chicken an average of 8.6 times per month; 2) 82% said they cook meals with chicken at home at least once per week, up from 75% in 2004; 3) Boneless, skinless chicken breasts are the most popular type of chicken.

Canadian Per Capita Consumption of Poultry Meat

Units: kg; eviscerated basis

	Chicken	Turkey	Fowl
2002	30.7	4.3	1.8
2003	30.1	4.1	1.7
2004	31.1	4.4	1.6
2005	31.4	4.5	1.4
2006	31.8	4.4	1.5

Source: Statistics Canada

Trade

According to official trade data, Canadian imports of broiler chicken in the January to June period of the current year rose 14% above the year earlier level for the same period. Most of the increase was attributable to higher imports from the United States. A major factor in the rate of increase is attributable to increased imports under the *Import to Re-Export Program (IREP)*, under which supplementary import permits at a free tariff rate are issued to Canadian poultry processors who re-export an equal amount of chicken product. For more information on the impact of IREP see the Policy Section of this report.

Imports

Canadian Broiler Chicken Imports

Units: metric tons

	2004	2005	2006	Jan-June 2006	Jan-June 2007	07/06 % change
-- The World --	103,731	101,767	120,227	57,152	64,906	14%
United States	84,065	83,892	98,246	46,375	53,378	15%
Brazil	18,813	16,436	19,863	9,781	10,217	4%
Thailand	789	1,439	1,972	940	1,296	38%
Chile	-	0	147	56	16	-72%
All Others	64	-	0	0	0	

Source: Statistics Canada & World Trade Atlas

Methodology:

Sum of HS codes 0207.11; 027.12; 0207.13; 0207.14; 1602.32

Subtraction of various HS Codes for spent fowl

Product Control Measure for Brazilian Poultry

Since USDA does not permit imports of Brazilian chicken, the Canadian Food Inspection Agency (CFIA) has strict import procedures to ensure that Brazilian chicken in Canada does not enter the United States. Under CFIA regulations, poultry meat imported from Brazil may not be exported to the United States and may not be used in the manufacture of meat products exported to the United States.

Canadian poultry slaughter and processing establishments that import poultry meat from Brazil are not eligible to export poultry meat products to the United States. All poultry meat and meat products present in the non-eligible establishments must not enter Canadian establishments that have full export status for the United States. All Canadian establishments (including storages) must maintain inventory records regarding origin of all meat present on their premises and the destination of meat shipped from the premises.

Exports

As mentioned above, there is an important correlation between the IREP program for chicken and Canadian chicken exports. As shown in the table below, there has been significant growth in Canadian chicken exports in recent years. The United States remains the top market but the impact of IREP is evident in the level of sales to South Africa, Hong Kong and the Philippines, where dark meat is in higher demand than in North America.

Canadian Chicken Exports

Units: metric tons

Country	2004	2005	2006	Jan-June 2006	Jan-June 2007	07/06 % change
-- The World --	75,717	102,419	110,482	55,779	71,522	28%
United States	28,149	31,173	41,831	19,681	26,605	35%
South Africa	4,416	13,948	22,766	12,509	7,611	-39%
Hong Kong	7,370	8,864	9,381	5,167	6,953	35%
Philippines	5,892	11,814	8,880	3,013	6,915	130%
Macedonia	1,135	4,852	4,463	2,131	5,714	168%
El Salvador	2,006	2,318	3,052	1,498	1,424	-5%
Ghana	1,627	1,993	1,410	469	4,345	827%
All Others	25,122	27,457	18,698	11,310	11,955	6%

Source: Statistics Canada & World Trade Atlas

Sum of HS codes 0207.11; 027.12; 0207.13; 0207.14; 1602.32

Policy**Tariff Rate Quota**

Canada controls imports of chicken under a tariff rate quota (TRQ). The minimum access level (into Canada) under the WTO is 39,844 metric tons but Canada applies the higher access level of the NAFTA, which is equal to 7.5% of the previous year's domestic chicken production as reported by Statistics Canada. For 2007, the global chicken TRQ is 72,800 metric tons. However, Canada regularly issues supplementary import permits for: 1) periods when there are product shortages, 2) the chicken *Import to Re-Export Program (IREP)*, under which supplementary import permits are issued to Canadian poultry processors whose finished manufactured products are intended for re-export, and 3) to Canadian poultry companies, commonly referred to as the FTA (free trade agreement) sector, who compete in the Canadian marketplace with similar, imported processed products that receive zero-tariff treatment under the NAFTA.

In recent years, Canadian poultry companies have increasingly utilized the IREP program whereby they import chicken under supplementary license (i.e., tariff free) for the domestic market provided they export an equal amount of product. This program, administered by International Trade Canada (IT Canada, a federal department), enables Canadian companies to help meet the domestic demand for mostly white meat chicken and export dark meat chicken for which there is substantially less demand in Canada. According to IT Canada, imports under the IREP program to mid August 2007 totaled approximately 50,500 MT, an amount only slightly less than the 52,600 MT imported under the TRQ. Clearly, the IREP program has become a driving force in total Canadian import demand for broiler chicken.

The chicken TRQ will be allocated to three groups: to the traditional group (i.e., firms importing chicken before the introduction of import controls in 1979); to eligible processors producing chicken products not on the Import Control List (e.g., TV dinners) (called the non-

ICL group); and to members of the processor, distributor and foodservice sectors (called the processor, distributor and foodservice group).

For 2007, the annual import access level for chicken of 72,800 MT will be allocated on the following basis: approximately 50,500 MT to the 4 pools comprised of the traditional, processor, distributor and foodservice group; approximately 22,300 MT allocated to applicants producing chicken products not on the Import Control List.

WTO Concerns

Canada's chicken farmers continue to press the government of Canada to direct Canada's trade negotiators to ensure that their industry suffer no economic losses from the WTO negotiations in agriculture. The top concerns of the Chicken Farmers of Canada (CFC) are that over-quota tariffs may be sharply reduced, that minimum access levels may rise, and that the number of sensitive product tariff lines may be reduced.

In August 2007, Canada's dairy, poultry and egg farmers issued a press release urging the GOC to urgently find ways to influence the direction of WTO negotiations. They called on the GOC to prevent the erosion of the three pillars of supply management: production control, import control, and domestic pricing mechanisms.

Avian Influenza (AI) Prevention & Preparedness

Government

The Canadian Food Inspection Agency (CFIA) is responsible for protecting the health of Canada's domestic animal populations from foreign animal diseases. The CFIA recently established an Avian Influenza Advisory Committee, including members of industry, academia and the animal health community, to assist in the development of policies, strategies and protocols for AI prevention, preparedness, response and recovery. CFIA AI activity focuses on five areas: import controls, surveillance of domestic poultry and wild birds, biosecurity, disease response strategies, and international cooperation. The principal activities are: setting import restrictions on poultry, poultry products and birds from other countries; surveillance of domestic poultry and wild birds in Canada; promoting awareness and adoption of biosecurity best practices in the poultry industry, international travel and commercial importing; developing and implementing foreign animal diseases emergency response plans; contributing to international efforts to combat AI in affected countries.

Industry

In the aftermath of the 2004 avian influenza (AI) outbreak in British Columbia, the Chicken Farmers of Canada, the Canadian Turkey Marketing Agency, the Canadian Egg Marketing Agency, the Canadian Broiler Hatching Egg Marketing Agency and the Canadian Poultry and Egg Processors Council hired a national AI Project Coordinator to assist the national poultry agencies in avian influenza (AI) preparedness and response. The poultry industry has worked with CFIA to develop a response protocol for any suspected disease incident and a national AI survey.

U.S.-Canada Wild Bird AI Surveillance

U.S. and Canada wildlife officials have strong collaborative relations to increase surveillance of any possible avian influenza via wild birds in their countries. This mutual effort is to minimize risk of transmission of high pathogenic H5 or H7 potential from wild birds into North America.

Section II. Turkey

Turkey Production and Trade Overview

Canadian turkey production is forecast to reach 164,000 MT in 2007 and about 165,000 metric tons in 2008. In recent years, both domestic production and consumption have been relatively flat. The pricing policies of the provincial turkey marketing boards keep retail prices high and stifle innovation in the further processed turkey market in Canada. Statistics Canada reported Canadian per capita turkey consumption in 2006 at 4.4 kg (eviscerated weight), unchanged from the same level 10 years ago. This compares to U.S. per capita turkey meat consumption of about 7.7 kg.

Similar to chicken, turkey meat imports into Canada are subject to a tariff rate quota calculated at the higher of 3.5% of the current year's production allocation as estimated by the Canadian Turkey Marketing Agency, or the WTO access level. For 2007, the WTO access level is 5,588,000 kilograms, which is a higher level than 3.5% of the current year's estimated production quota. Like chicken, imports supplementary to the TRQ and imports under the IREP for turkey propel actual imports well beyond the TRQ level.

Country Commodity	Canada Poultry, Meat, Turkey								
	2006 Revised			2007	Estimate		2008 Forecast		
Market Year Begin	USDA Official	Post Estimate 01/2006	Post Estimate New 01/2006	USDA Official	Post Estimate 01/2007	Post Estimate New 01/2007	USDA Official	Post Estimate 01/2008	Post Estimate New 01/2008
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	12	14	12	12	15	13	11	0	12
Production	160	156	163	164	0	164	0	0	165
Whole, Imports	0	0	0	0	0	0	0	0	0
Parts, Imports	10	12	9	12	0	10	0	0	12
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	10	12	9	12	0	10	0	0	12
Total Supply	182	182	184	188	0	187	0	0	189
Whole, Exports	2	0	2	2	0	2	0	0	2
Parts, Exports	24	20	25	28	0	28	0	0	30
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	26	20	27	30	0	30	0	0	32
Human Consumption	144	147	144	147	0	145	0	0	146
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	144	147	144	147	0	145	0	0	146
Total Use	170	167	171	177	0	175	0	0	178
Ending Stocks	12	15	13	11	0	12	0	0	11
Total Distribution	182	182	184	188	0	187	0	0	189