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Canada

POULTRY AND PRODUCTS ANNUAL

Canada: Poultry and Products Annual

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Report Highlights:

Under Canada's strict supply management system broiler meat production for the first six months of 2009 was over 6 percent lower compared to the same period for 2008; however, domestic production of broiler meat is projected to recover in 2010 to 1.015 MMT. Total imports are projected to increase in 2010 with higher chicken consumption in the food service sector and support from a stronger Canadian dollar. Imports from the United States declined 3.3 percent during the first six months of 2009 to 52,027 MT. Total Canadian broiler exports remain relatively unchanged for 2009 and are projected to increase in 2010 as exports to overseas markets continue to grow. Canadian domestic turkey production is expected to resume long term growth in 2010 after a moderate decline in 2009. Total production is forecast at 180,000 MT in 2010.

Executive Summary:

* Canadian broiler chicken production in 2009 is on pace to decline 2 percent, testing the 1 million MT level, due to high beginning levels of stocks, the second highest on record, and lower consumption in the hotel and restaurant sector.

* Total Canadian imports of broiler chicken during the first six months of 2009 were 5.5 percent below the level from the same period one year earlier. Imports from the United States declined 3.3 percent during that period from 53,816 MT to 52,027 MT.

* Canadian imports of chicken are regulated under a tariff rate quota (TRQ). The global quota for 2009 is estimated at 76,236 MT and projected to be 75,000 MT for 2010. Canadian poultry companies have increasingly utilized International Trade Canada's Import to Re-Export Program (IREP) whereby Canadian chicken processors import chicken under supplementary import license (i.e., tariff free) for use in processing provided they export the associated processed product. As a result, total chicken imports are about double the TRQ as attributed to IREP imports.

* Total exports remained relatively unchanged over the January – June 2009 period. Shipments to the top four destinations during the first six months of 2009 declined primarily as attributed to recent controlled outbreaks of low-pathogenic avian influenza in Saskatchewan and British Columbia.

* Turkey meat production during the January – June period of 2009 was over 7 percent lower than production for the same period of the previous year, but had increased 6.5 percent during 2008 to 180,000 MT and is forecast to rebound to that level in 2010.

* The data in this GAIN report are not official USDA data.

Commodities:

Poultry, Meat, Broiler

Production:

For 2010, domestic production of broiler meat is expected to increase moderately, following steady long term growth in the Canadian chicken industry. Chicken consumption has grown steadily over the past decade relative to other meats, and following a forecasted decline in total 2009 production, production should rebound to continue long term growth to meet consumer demand. This will be supported by

economic growth in 2010 and higher spending in the food service sector and for household consumption.

Data to August of 2009 indicates that product for the January – August period was 1.9 percent lower than the same period during 2008, resulting in moderately lower beginning stocks for 2010. With relatively high chicken prices in the retail sector and high consumption in the foodservice sector, a demand decrease caused by the ongoing economic recession reflects a slight decrease in production.

In the ten years ending 2008, Canadian broiler production has registered an average annual growth rate of 2.1 percent reflecting strong domestic market demand both from the retail and foodservice sectors under the supply management system.

Consumption:

Per-capita consumption of chicken is projected to increase in 2010 with economic growth and increasing health consciousness among consumers in Canada. Total 2009 consumption is forecast to remain relatively unchanged from 2008 levels. Demand for broiler meat was supported by slightly negative (3% of consumers in one major poll) perceptions of pork in the first half of 2009 due to the H1N1 virus, but may have been hindered by the relatively high retail price of chicken as compared to red meats.

Total domestic chicken consumption in Canada has almost doubled in the past 20 years. The increase has been due partly to the country's population growth (which increased more than 25 percent from 25.8 million in 1985 to 33.5 million in 2009), but also to chicken's increasing popularity among Canadians during the period. Overall, Canadian preferences have shifted towards chicken primarily due to an increase in health awareness and the perception that chicken is leaner and therefore healthier than other meats. Price is not a factor since poultry prices, due to the supply management system, are consistently higher than beef or pork which are not under supply management schemes. In recent years, the pattern of Canada's immigrant population is one that is more likely to have dietary preferences for less beef or pork, or no meat at all. In addition, Canada's food service providers are continually introducing chicken menu items in creative ways or as an ingredient in ethnic-style food offerings that are becoming increasingly popular.

Per Capita Consumption

Canadian Per Capita Consumption of Poultry Meat

Units: kg; eviscerated basis

Year	Chicken	Turkey	Fowl
2002	30.69	4.27	1.75
2003	30.74	4.36	1.44
2004	31.08	1.38	1.61
2005	31.35	4.49	1.42
2006	31.67	4.44	1.51
2007	31.65	4.49	1.57
2008	31.66	4.70	1.69
2009*	31.65	4.50	1.60
2010*	31.80	4.70	1.65

Source: Statistics Canada; Canada Food Stats, *Post Forecast

Prices

Retail prices for chicken in Canada have seen relatively stable growth over the last five year period with CY 2008 prices approximately 15 percent higher than the average CY 2004 price. Stability of chicken prices is mainly attributed to the continued supply management of the industry.

Ontario: Retail chicken Prices

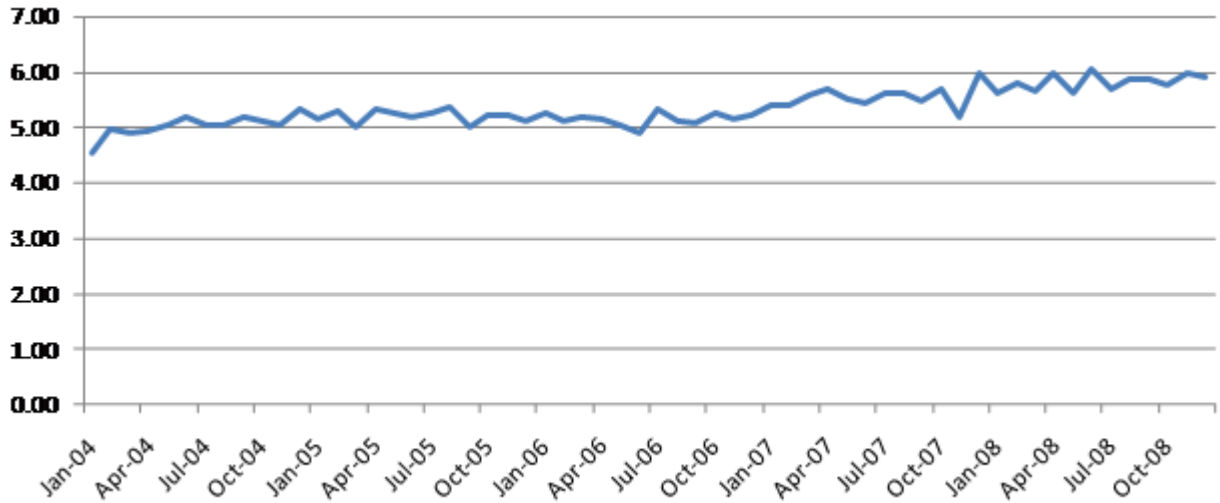
\$/kg eviscerated weight, whole
chicken under 2 kg

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Avg
2004	4.55	4.99	4.89	4.96	5.06	5.20	5.07	5.06	5.19	5.12	5.05	5.34	5.04
2005	5.17	5.30	5.00	5.32	5.25	5.20	5.27	5.36	5.03	5.25	5.21	5.12	5.21
2006	5.28	5.13	5.20	5.17	5.05	4.90	5.35	5.12	5.08	5.26	5.16	5.24	5.16
2007	5.39	5.41	5.60	5.69	5.51	5.45	5.61	5.61	5.49	5.70	5.20	5.97	5.55
2008	5.61	5.80	5.66	5.96	5.63	6.05	5.69	5.85	5.87	5.76	5.99	5.91	5.81
2009	5.38	4.98	4.55	4.83	4.40	5.48	5.29						

Source: Agriculture and Agri-Food Canada

*based on new ACAF Canada reporting of 4 week periods, Jan = Dec 21/08 to Jan 17/09, Feb = Jan 18/09 to Feb 14/09, Mar = Feb 15/09 to Mar 14/09, April = Mar 15/09

to Apr 11/09, May = Apr 12/09 to May 09/09, Jun = May 10/09 to Jun 06/09, July = Jun 07/09 to Jul 04/09, annual=forecast

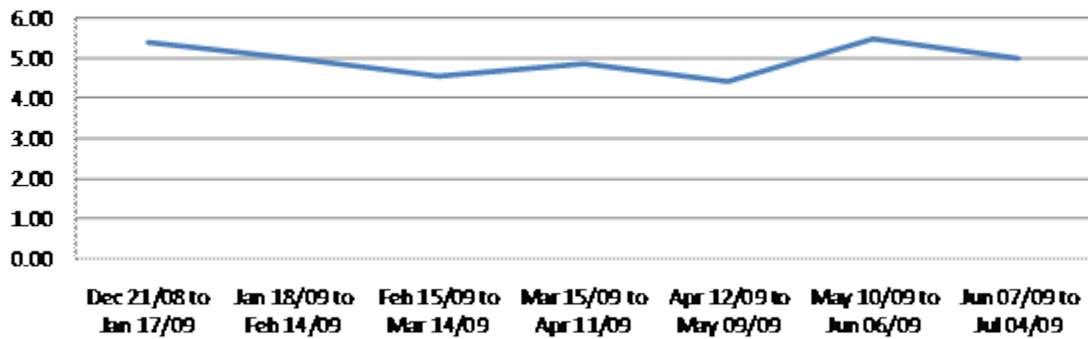


Ontario Retail Chicken \$/kg eviscerated weight, whole under 2kg

Source: Agriculture and Agri-Food Canada

There has been some drop in prices for mid 2009 but levels are expected to return. The drop is mainly attributed to outbreaks of avian influenza in British Columbia and Saskatchewan reflecting reduced demand, as well as red meat prices, particularly pork, at historical lows. Overall chicken is priced higher than beef or pork at the retail level in Canada.

**Ontario Fresh Whole Chicken Avg. Retail Price, C\$/kg
Eviscerated**



Trade:

Imports

Total imports are projected to increase in 2010 with higher chicken consumption in the food service sector and support from a stronger Canadian dollar. According to official trade data, total Canadian imports of broiler chicken during the first six months of 2009 were 5.5 percent below the level from the same period one year earlier. Imports from the United States declined 3.3 percent during that period from 53,816 MT to 52,027 MT. Much of the overall decline in same-period chicken imports was due to a 17.6 percent decrease in Brazilian imports and 14.9 percent decrease in imports from Thailand during the six-month period. Canadian importers are discouraged from importing Brazilian chicken despite its lower cost because it cannot be re-exported to the United States. Furthermore, it is perceived that Brazilian chicken imports are consumed mainly in the Canadian food service sector, which is currently being adversely affected by the economic recession, but is forecast to see higher demand in 2010.

The vast majority of imported broiler meat is consistently bound for Ontario, with the province accounting for over 80 percent of imports in CY 2008. Combined with Quebec, the two provinces accounted for over 96 percent of boiler meat imports during the first six months of 2009.

Total imports from the United States are projected to increase in 2010 following a slight decline in 2009. A major determining factor in chicken import volumes from the United States continues to be the Import to Re-Export Program (IREP), under which supplementary import permits at a free tariff rate are issued to Canadian poultry processors who import chicken, mostly bone-in and boneless chicken, minimally process it by adding water, marinades, coatings, flavors, etc. The program requires that the resulting processed chicken product be exported. These exports head back to the United

States. Most of the IREP chicken exports remain under HS chapter 2. IREP imports are not limited to those from the United States, but U.S. shipments account for over 90 percent of IREP imports.

Canadian proponents of the IREP program argue that it allows Canadian chicken processing plants to achieve economies of scale they could not otherwise achieve if restricted to available supplies of domestically produced chicken. IREP imports may be affected in 2010 by a stronger Canadian dollar, as imports in this category require sales back to the United States. For more information on the impact of IREP in the Canadian chicken market, see the Policy Section of this report. Government of Canada (GOC) policies and practices regarding supplementary imports for chicken and chicken products, including IREP can be found at the following site.

<http://www.international.gc.ca/controls-controles/prod/agri/turkey-dindon/notices-avis/725.aspx?lang=eng>

Canadian Imports of Broiler Chicken ^{1/}						
Calendar Years						
Quantity Units: Metric Tons						
Country	2006	2007	2008	Jan - Jun 2008	2009	% change
World	112,549	125,905	132,976	64,263	60,737	-5.5%
United States	90,553	102,427	114,288	53,816	52,028	-3.3%
Brazil	19,877	21,074	15,479	8,707	7,171	-17.6%
Thailand	1,972	2,364	2,454	1,260	1,072	-14.9%
Chile	147	39	753	480	454	-5.4%
Source: Global Trade Atlas						

^{1/} includes processed, does not include spent fowl.

Product Control 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 storage facilities) must maintain inventory records regarding origin of all meat present on their premises and the destination of meat shipped from the premises.

Exports

Total Canadian broiler exports are projected to increase in 2010 as exports to overseas markets, namely East Asia, recover. While total exports remained relatively unchanged over the January – June period, shipments to the top four destinations during the first six months of 2009 declined. This is partially attributed to recent controlled outbreaks of low-pathogenic avian influenza in Saskatchewan and British Columbia. Exports from all Canadian provinces increased during the first six months of 2009, except for British Columbia and Saskatchewan, which declined 20 percent and 13 percent, respectively, compared to the same period in 2008.

Canada: Broiler Meat Exports by Province				Jan - Jun		
Province	MT 2006	MT 2007	MT 2008	MT 2008	MT 2009	- 09/08 -
Total Canada	110,482	138,978	152,067	73,063	73,247	0.25
Quebec	43,412	55,733	59,739	28,036	31,299	11.64
Ontario	36,144	45,386	47,317	22,544	22,787	1.08
British Columbia	23,185	27,974	33,914	16,804	13,439	-20.03
Alberta	3,624	3,769	4,076	2,152	2,329	8.25
Saskatchewan	371	3,214	4,069	1,944	1,675	-13.82
Manitoba	2,973	2,729	2,776	1,466	1,681	14.69

Canadian Chicken Exports						
	January - June					
Units: MT	2006	2007	2008	2008	2009	% chg
Broiler Cuts	91,347	120,445	132,970	63,652	64,125	0.7%
Broilers, Whole	5,582	5,571	5,485	2,534	2,531	-0.1%
Broilers, Processed	13,553	12,961	13,612	6,876	6,591	-4.1%
Total	110,482	138,977	152,067	73,062	73,247	0.3%
Source: Global Trade Atlas, WTA						

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 under NAFTA, which is equal to 7.5 percent of the previous year's domestic chicken production as reported by Statistics Canada. For 2009, the global chicken TRQ is estimated to be 76,236MT as based on 2008 production and total permit issuances are forecast to increase from 2008. For 2010, the number of global permit allowance is estimated to decline to 75,000 MT based upon 2009 production.

Under the TRQ, imports are subject to low "within access commitment" rates of duty up to the predetermined limit and imports over this limit are subject to higher "over access commitment" rates of duty. 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 import allocations 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. Information on supplementary permits is located at the following site.

<http://www.international.gc.ca/controls-controles/prod/agri/turkey-dindon/notices-avis/725.aspx?lang=eng#a5>

In recent years, the majority of supplementary imports have been comprised of imports under the IREP program. According to International Trade (IT) Canada, the diversion of product imported under IREP to the Canadian (domestic) market is prohibited. It is a policy that helps Canadian poultry processors remain viable by giving them access to lower priced imported chicken, but offers little to Canadian consumers who pay high retail prices for chicken under the supply managed regime.

According to IT Canada, 2008 imports under the IREP totaled approximately 82,429 MT, an amount greater than the 75,359 MT Global TRQ allocation. Clearly, the IREP program has become a driving force in total Canadian import demand for broiler chicken.

Summary of Import Permit Issuances

The table below, derived from data published by IT Canada, illustrates that beginning in 2007, import permit issuances for chicken under the IREP program overtook the permit issuances under the global allocation. During 2008, the quantity of all import permits issued was more than double the 2007 global allocation under the TRQ. For 2009, Post projects IREP permit issuances to again be above the 2008 TRQ allocation.

Summary of Canada's TRQ for Chicken and the IREP Imports			
	2008	2009*	2010*
Units: MT		forecast	projection
TRQ Global Allocation /1	75,359	76,236	75,000
TRQ Permit Issuances	73,697	77,200	80,000
Regular Supplementary Import Permit Issuances	278	0	0
Supplementary Import Permit Issuances "to Compete"	4,965	3,700	4,000
IREP Program Supplementary Import Permit Issuances	82,429	83,000	84,000
Total Import Permit Issuances	161,369	163,900	168,000
Permits Issued as a Percent of the Global TRQ	214%	215%	224%
/1 as published by IT Canada			
Note: The issuance of a permit is not a confirmation that the product was imported.			
Source: International Trade Canada; Export & Import Controls Bureau website			

Special Agricultural Safeguard (WTO)

Canada has given notice of the volume and price triggers that will be used to operationalize the World Trade Organization (WTO) Special Agricultural Safeguard (SSG) for Canada's supply-managed products (i.e., products under a tariff rate quota). The Special Agricultural Safeguard is a provision that allows additional duties to be triggered when import prices fall below a certain level. Currently published triggers are available at the following site.

<http://www.agr.gc.ca/itpd-dpci/tec/4910-eng.htm>

GOC policy makers are currently in consultation with the poultry industry in readjusting price-triggers for a small number of poultry commodities, however, as of August 2009, publication of the new policy was not expected for several months. Unit prices which would theoretically trigger the SSG are currently much lower than current import price trends and activation of the safeguard is not expected. In the event that import prices do decline to levels below trigger prices, the SSG would not automatically be activated, but the situation would be evaluated on a case-by-case basis requiring formal WTO notification and Order in Council (i.e., federal Cabinet approval). For more detail, please see GAIN report CA8060 available on the [FAS website](#).

On Farm Safety Program

The Chicken Farmers of Canada (CFC), the organization representing Canada's chicken farmers, is working toward a national on-farm food safety program for the country's

chicken producers. According to the CFC, the program combines good production practices and internationally recognized Hazard Analysis Critical Control Point (HACCP) principles into chicken production. Once implemented, farmers will undergo a full program audit once every three years and a partial audit will be performed in the intervening years. The audits will be conducted by professionals trained in HACCP principles, on-farm food safety and auditing techniques. After passing the initial audit, farmers will apply for certification that includes adhering to the audit schedule and continuing to carry out the OFFS program. After the audit system has been developed and farms are being audited, the *Safe, Safer, Safest* program will undergo a third party audit by an accredited auditing firm. This audit will ensure that CFC's food safety program is being implemented in accordance with all regulations and guidelines. CFC will then be able to apply for full program recognition from CFIA. Complete implementation is expected by the end of 2009. For more information, see the [CFC website](#).

Brand Canada Initiative

CFC is considering a “Brand Canada” initiative to add value to domestically produced chicken products beyond “Product of Canada” identification. The initiative seeks to reward producers and processors for contributions to health and animal welfare differentiating domestic products. The Brand Canada initiative would involve a consumer promotion campaign with industry partners and is part of a longer term goal to increase annual per-capita-consumption of chicken to 33kg per person, or about a 4 percent increase above 2008 levels.

Avian Influenza

On January 24 of 2009, a low pathogenic H5N2 avian influenza was discovered in a commercial poultry operation in British Columbia. CFIA declared a second operation infected on February 11 and as a result, birds on both farms were destroyed and composted in accordance with international standards and movement restrictions were implemented on birds and bird products. Following a period of extensive testing, CFIA has lifted movement restrictions as of April 2009. In Canada, avian influenza is a reportable disease under the *Health of Animals Regulations*, and all cases must be reported to the Canadian Food Inspection Agency (CFIA).

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Canada	2008		2009		2010	
	Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010	
	USDA Official Data	New Post Data	USDA Official Data	New Post Estimate	USDA Official Data	New Post Forecast
	(inventory, slaughter in 1,000 head, all other data in 1,000 MT)					
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	37	37	38	37		36
Production	1,020	1,016	1,010	1,000		1,015
Whole, Imports	0	0	0	0		0

Parts, Imports	133	123	125	121		129
Intra-EU Imports	0	0	0	0		0
Other Imports	0	10	0	9		10
Total Imports	133	133	125	130		139
Total Supply	1,190	1,186	1,173	1,167		1,190
Whole, Exports	0	5	0	5		5
Parts, Exports	152	133	125	134		140
Intra EU Exports	0	0	0	0		0
Other Exports	0	14	0	13		13
Total Exports	152	152	125	152		158
Human Consumption	1,000	997	1,018	997		996
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	1,000	997	1,018	997		996
Total Use	1,152	1,149	1,143	1,149		1,154
Ending Stocks	38	37	30	36		36
Total Distribution	1,190	1,186	1,173	1,185		1,190

Commodities:

Poultry, Meat, Turkey

Production:

It is projected that Canadian domestic turkey production will resume long term growth in 2010 to 180,000 MT. Statistics Canada reports a 6 percent decline in production through the week of August 22, 2009 to 105,502 MT eviscerated weight. Total 2009 production is forecast to 170,000 MT.

Statistics Canada reports that production reached 180,000 metric tons in 2008, a 6.5 percent increase from CY 2007 levels. The Turkey Farmers of Canada have mandated that production be cut by an average of 6 percent across all weight categories as a result of declining national consumption in 2009. This may be a reflection of a listeria outbreak which affected sales of some deli products. Annual consumption per-capita in 2009 is expected to return to 2007 levels and rebound in 2010 to 4.7 kg.

For CY 2008, Statistics Canada reported an increase in Canadian per capita turkey consumption in 2008 at 4.7 kg (eviscerated weight), compared to 4.5 kg a year earlier.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Turkey Canada	2008		2009		2010	
	Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010	
	USDA Official Data	New Post Data	USDA Official Data	New Post Estimate	USDA Official Data	New Post Forecast
	(inventory, slaughter in 1,000 head, all other data in 1,000 MT)					
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	15	15	16	16		15
Production	172	180	172	170		180
Whole, Imports	0	0	0	0		0
Parts, Imports	12	3	13	3		3
Intra-EU Imports	0	0	0	0		0
Other Imports	0	6	0	6		6
Total Imports	12	9	13	9		9
Total Supply	199	204	201	195		204
Whole, Exports	3	2	3	2		2
Parts, Exports	24	23	25	22		22
Intra EU Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
Total Exports	27	25	28	24		24
Human Consumption	156	163	158	156		163

Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	156	163	158	156		163
Total Use	183	188	186	180		187
Ending Stocks	16	16	15	15		17
Total Distribution	199	204	201	195		204