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Farm Products Council of Canada

10 2010 annual review

Canada

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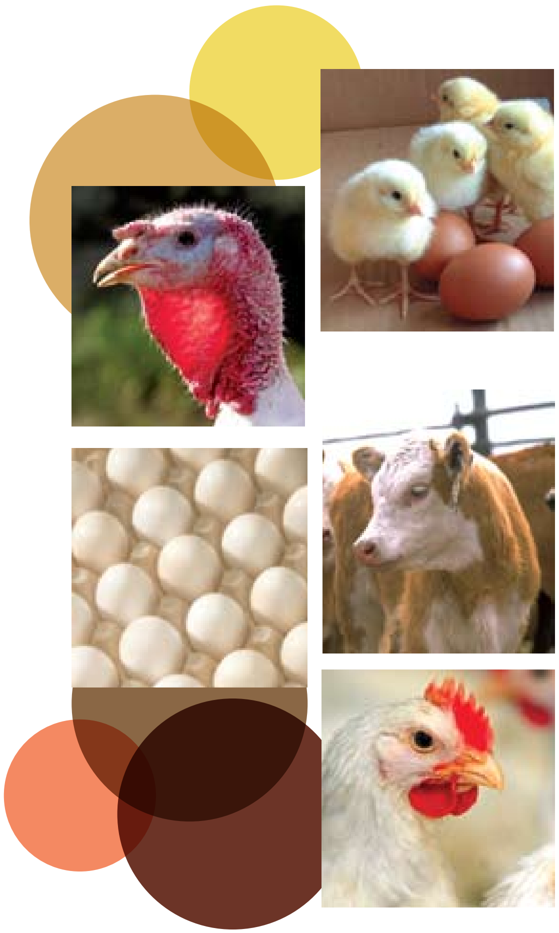


A Message from the Chair

Communicating: Listening and sharing

I have now been working in the agriculture and agri-food sector for more than 40 years, and I took the reins of the Farm Products Council of Canada (FPCC) in June 2010 with enthusiasm. I immediately began familiarizing myself with the hot issues and meeting with a large number of industry stakeholders. The way I was welcomed by the FPCC and the industry was exemplary. It was a wonderful start!

At the outset, I took the time needed to examine the Council's relationships with the national agencies, and I talked with their elected and unelected officials. I firmly believe that we are on the right track and that 2010 ended on a positive note. The Federal Court appeals were abandoned, and the Council initiated discussions and cordial relations with all the national agencies. At our December 2010 meeting, each agency gave a presentation of its industry and current situation, and frank discussions about each agency's state of affairs and concerns took place to enable us to gain a better understanding of one another. It was also at that meeting that the *Guidelines for the Disposition of Complaints* were approved in principle. The guidelines were shared with industry stakeholders and will be implemented and adjusted as necessary.

The Council is also pleased that the *Agency Auditors Appointment Guidelines* and the *Agency Inspectors Designation Guidelines*, which had been developed earlier in the year, were approved.

We live in an age of fast and easy communication. However, this sort of communication does not always allow us to listen carefully or develop the mutual understanding needed if progress is to be made. Constructive communication is essential for moving forward and, for the good of the industry, must be practised by Council members, elected agency officials, all stakeholders and the employees of our respective organizations alike. The progress made in the second half of 2010 shows that this can be done. Indeed, communication is a value that should be promoted, just like integrity, respect and professionalism.

Comings and goings

A few membership changes within the Council occurred in 2010, beginning with the departure of my predecessor, Bill Smirle, who had chaired the FPCC for two years. Mr. Smirle brought wisdom and experience to the Council and contributed to the development of a culture of change based on collaboration, rigor and proactivity.

In March 2010, Patrick James, of Olds, Alberta, also completed his two-year mandate with the FPCC. Lastly, Marjorie Donnan, of Stirling, Ontario, left us in August 2010 after having worked at the FPCC for nearly three years. I would like to thank Bill, Patrick and Marjorie for their excellent contributions, expertise, hard work and commitment.

Ed de Jong's mandate was renewed this past June for an additional three years. The Council will be able to continue to benefit from his knowledge of the system.

Jim Châtenay was also appointed as member. He is a retired rancher living in Red Deer, Alberta, who was a pioneer in the Charolais industry. Jim also has significant experience with the Canadian Wheat Board, having served there as an elected director for 10 years.

My mandate

The responsibilities that the Minister of Agriculture and Agri-Food, Gerry Ritz, has assigned to me are clear. Minister Ritz is aware of the challenges that the FPCC has had to face in recent years, and he hopes that the Council will continue its leadership role with the national agencies and other stakeholders by giving them its support and cooperation in the administration of the supply management system to ensure that the system is flexible and able to meet future challenges. My mandate also calls for us to interact and cooperate with the provincial supervisory boards, improve our dispute resolution process, and encourage the creation of promotion-research agencies.

I am convinced that the FPCC must help strengthen the supply management system by improving its effectiveness and transparency and ensuring that it also operates in the interests of both processors and consumers. Supply-managed industries do not always have a good reputation. I think that supply management is a commendable and useful system that has its advantages and disadvantages. Transparency, information and communication are key elements. All our decisions must be justified and able to stand up to public and judicial scrutiny.

Good relationships between the Council, the national agencies, the provincial supervisory boards and the other stakeholders are crucial. Trust, respect and cooperation are our allies. We have to work together so that we understand our mutual values and respect our roles and responsibilities in the best interests of producers, processors and consumers. To communicate well, we need to not only use clear, honest and transparent language but also know how to listen to and understand others. Those are principles that I, as Chair of the FPCC, intend to stand by!

I also intend to work to establish national promotion-research agencies to increase the competitiveness of the industry. To that end, I plan to ensure that the producers of all agricultural commodities are aware of the *Farm Products Agencies Act* as well as the importance of the FPCC's role. I was surprised to discover how unfamiliar the public is with the Act. I plan to resolve that situation. To me, that will involve putting in extra effort and increasing contact with the various agriculture industries and producer groups. I think that it is important for governments and the Council to support the organizations affected by this legislation and help them in their efforts by keeping them informed and supporting them as actively as possible through consultations and the legislative process, which can sometimes be meandering and intimidating.

Communication, collaboration, work, commitment and perseverance – those are my values. I strongly believe that one should never be satisfied with the status quo and that there is always room for improvement. The next four years are ahead of me, and I intend to work relentlessly to achieve these objectives.

Sincerely,

Laurent Pellerin
Chair

The Council

Phil Klassen, Brent Montgomery, John Griffin, Lise Bergeron, Laurent Pellerin, Ed de Jong, Jim Châtenay (absent)

The Farm Products Council of Canada (FPCC), was established in 1972 under the *Farm Products Marketing Agencies Act*. This legislation provides for the establishment of national marketing agencies and was amended in 1993 mostly to add a new Part III, which enables producers to establish agencies for promotion and research. In 2002, the Canadian Beef Cattle Research, Market Development and Promotion Agency (CBCRMDPA) was the first such agency to be established.

The FPCC currently supervises the operations of four national supply management agencies: the Egg Farmers of Canada (EFC), the Turkey Farmers of Canada (TFC), the Chicken Farmers of Canada (CFC) and the Canadian Hatching Egg Producers (CHEP). The four agencies manage the supply of Canadian chickens, turkeys, eggs and broiler hatching eggs. The agencies implement and administer marketing plans and allocate production quotas to ensure adequate supply. These agencies are funded through levies collected on products sold.

The Council also supervises the operations of the CBCRMDPA. This agency promotes beef marketing through advertising, promotion and consumer education programs, as well as through product development and nutrition research. Revenues for these activities are also generated through levies.

The FPCC supervises these agencies to ensure that they carry out their operations in accordance with the objectives set out in the Act, and that these agencies work in the balanced interests of producers, processors and consumers. This is done through the approval of quota regulations, levies orders and licensing regulations and a review of each agency's annual business plan, budget and policies. Other duties of the Council include working with provincial governments interested in the establishment and exercise of the powers of national agencies, and providing the Minister with information and advice on issues related to the creation and operation of the national agencies.

Supporting farmers

The FPCC supports producers by supervising the establishment, direction and decision-making of national agencies, including:

- Approving quota allocations and levies;
- Hearing and resolving complaints regarding agency decisions;
- Formulating recommendations on agency operations; and
- Reporting to the Minister on challenges, constraints and opportunities for the agricultural industry.

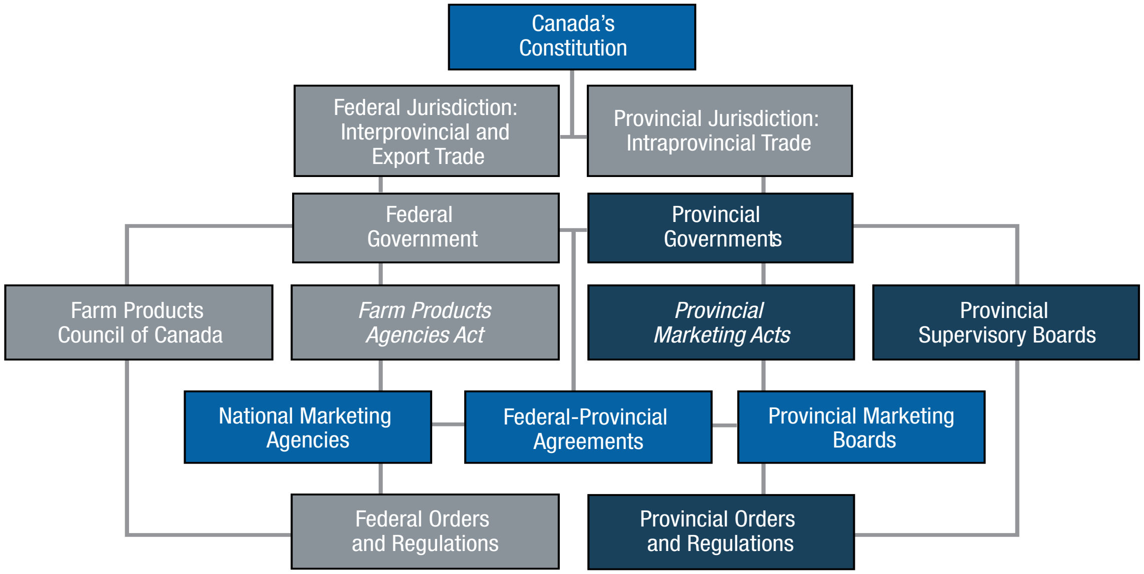
Looking out for consumers

The Council works with all four agencies to ensure that consumers have access to:

- A stable and reasonably priced supply of home-grown chickens, turkeys and eggs; and
- An industry that is responsible and develops adequate responsive solutions to constant challenges, such as avian influenza.

Fulfilling its mandate via partnerships

The FPCC works with all provincial governments and stakeholders to assist industry partners in resolving issues of mutual concern and fostering better working relationships. The Council also works collaboratively with the provincial government supervisory bodies that have a vested interest in the sustainability of the supply management system.



Legislative Framework

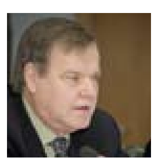
Under Canada's Constitution, agriculture is divided into two jurisdictions: the federal jurisdiction, encompassing inter-provincial and export marketing; and the provincial jurisdiction, covering intra-provincial marketing. The federal-provincial-territorial legal structure is represented in the accompanying chart.

Members

Council members are appointed by the Governor in Council and have a background in various aspects of the Canadian agri-food industry. At least half of the Council's members must be primary producers at the time of their appointment. The following individuals were the members as of December 2010:

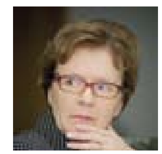
Laurent Pellerin, Chair (2010–2014)

Laurent Pellerin has been a hog and cereal producer in Bécancour, Quebec, since 1972. Possessing a bachelor's degree in group management, he has been the president of the Fédération des producteurs de porcs du Québec (1985–1993), the Union des producteurs agricoles (1993–2007), the Canadian Federation of Agriculture (2008–2010) and, most recently, AgriCord , a network of agricultural associations focusing on international development. In 2005, he was awarded the Ordre national du Québec in recognition of his contributions to agriculture.



Brent Montgomery, Vice-Chair (2007–2011)

Brent Montgomery owns a turkey farm in St-Gabriel-de-Valcartier, Quebec, in partnership with his brother. Brent has occupied numerous positions in the agricultural field, including chair of the Canadian Turkey Marketing Agency from 2003 to 2007. He is co-owner of a turkey hatchery in Loretteville, Quebec. A former teacher and school principal, Brent has also been the mayor of the Municipality of St-Gabriel-de-Valcartier since 1988.



Lise Bergeron, Member (2008–2011)

Lise Bergeron lives in Montreal, Quebec. She has substantial experience in the collective marketing of agricultural products in Quebec and across Canada. Lise was a member of the Régie des marchés agricoles et alimentaires du Québec from 1996 to 1999 and served as the organization's vice-chair from 1999 to 2007.

Jim Châtenay, Member (2010–2012)

Jim Châtenay is a retired rancher living in Red Deer, Alberta. He began working on the family farm west of Penhold, Alberta, in 1964. Jim is considered a Canadian pioneer in the purebred Charolais industry and held a directorship in the Alberta Charolais Association for six years. In addition, Jim has significant experience with the Canadian Wheat Board, having served there as an elected director for 10 years. He was also a member of the Barley Advisory Committee of the Western Grains Research Foundation. Jim graduated from Olds College in Olds, Alberta, with a diploma in agriculture.

Ed de Jong, Member (2010–2013)

Ed de Jong owns a broiler breeder and dairy cow operation in Abbotsford, British Columbia. Ed has held numerous agriculture-related positions, including delegate to the BC Federation of Agriculture, director of the Canadian Broiler Hatching Egg Producers Association and chair of the Canadian Broiler Hatching Egg Marketing Agency.

John Griffin, Member (2008–2012)

John Griffin has been president of W.P. Griffin Inc., a family-owned and operated farming business in Elmsdale, Prince Edward Island, since 2000. The enterprise is organized into two divisions: the farming operation, which grows potatoes, grain and hay; and the potato packaging operation, which specializes in food service, consumer packs and ready-to-serve barbecue- and microwave-ready potatoes. He is also on the board of the World Potato Congress.

Phil Klassen, Member (2009–2011)

Phil Klassen operates a cow-calf and grain and hay farm near Herbert, Saskatchewan. He has operated the farm in partnership with his two brothers since 1976. Elected as a director of the Dairy Farmers of Saskatchewan for the past seven years, Phil has served on many of the organization's committees and has been its vice-president. Phil is active in his community, and he and his wife have raised six daughters and one son with a strong appreciation for farming.

Staff

Executive Office

Laurent Pellerin	Chair
Claude Janelle	Executive Director
Lisette Wathier	Executive Assistant
Carola McWade	Special Advisor Council Secretary & Registrar
Bob Botsford	Special Advisor

Policy and Program Operations

Christine Kwasse	Director
Hélène Devost	Senior Analyst
Marcel Huot	Senior Statistical Analyst
Reg Milne	Senior Advisor, Chicken, Broiler Hatching Eggs and Beef
William Edwardson	Senior Advisor, Eggs
Nancy Fournier	Acting Advisor, Turkey
Mike Iwaskow	Statistical Support Officer
Vacant	Manager, Policy Operations
Vacant	Policy Analyst

Corporate and Regulatory Affairs

Marc Chamaillard	Director
Pierre Bigras	Manager, Regulatory Affairs
Karen Percy	Regulatory Affairs Officer
Chantal Lafontaine	Communication Officer
Lise Leduc	Corporate Team Leader
Mélanie Amyotte	Administrative Officer
Lise Turcotte	Administrative Officer
Ginette Hurtubise	Administrative Support
Absent:	Ginette Hurtubise Marcel Huot Mike Iwaskow

Council Business in Review

Meetings

The FPCC had a very busy year in 2010. The Council held eight face-to-face meetings and three meetings by teleconference. All meetings were held in Ottawa with the exception of one conducted in Saskatoon, Saskatchewan, in conjunction with the June conference of the Canadian Poultry and Egg Processors Council (CPEPC). Members also took the opportunity to tour the University of Saskatchewan and visit Innovation Place, Canadian Light Source Inc., and the Vaccine and Infectious Disease Organization, as well as meeting with the members of the Saskatchewan Agri-Food Council.

Council members and staff continued to regularly attend all agency meetings and presented meeting reports to the Council, as well as attending some of the annual general meetings of the provincial commodity boards. During many of these visits, the FPCC's new chair conducted business meetings with several provincial government supervisory boards and gave presentations on his vision for the FPCC and its strategic direction and priorities for the next four years.

Update on Strategic Plan 2009–2012

During the first year of the FPCC's Strategic Plan 2009–2012, Council members explored avenues to improve the FPCC's governance and the decision-making process. The objective was to ensure that Council decisions remain credible, justifiable and transparent.

The FPCC's Strategic Plan 2009–2012 entered its second year in 2010, and Council members participated in a retreat to review Council objectives and to validate and adapt the work currently under way. This session provided members with the opportunity to shift priorities and develop a work plan with timelines for the next 12 to 18 months.

The priorities are to continue to improve the relationship between the FPCC and the national agencies and other stakeholders; to promote the establishment of promotion-research agencies (PRAs) as a way of helping farmers improve competitiveness; to enhance communications; and to ensure the development and maintenance of the FPCC's knowledge base and expertise. The FPCC will also continue improving the quality of its client service.

In addition, during the summer of 2010, the FPCC chair visited many farm organizations across Canada and discovered that few producer groups were knowledgeable or even aware of the *Farm Products Agencies Act* (FPAA) and the provision for the creation of PRAs under Part III of the FPAA.

Since those visits, however, several groups have expressed interest in exploring this concept, and the FPCC has met with some of them to provide information on establishing a PRA. Those groups include the Canadian Pork Council, the United Potato Growers of Canada, the Canadian Horticultural Council, the Association des producteurs de fraises et framboises du Québec [Quebec association of strawberry and raspberry producers], and affiliates of the Union des producteurs agricoles [Quebec's farm producers' union].

Other groups such as the Western Grains Research Foundation, the BC Highbush Blueberry Association and the BC Raspberry Association are also exploring the concept. Additionally, given that PRAs could be of benefit to national agencies under Part II, those agencies have been encouraged to explore the concept.

As one of the Council's strategic priorities, the FPCC intends in the coming months to develop a PRA awareness campaign aimed at agricultural commodity groups to promote greater use of this legislation. The Council is also looking at ways to make the legislation more "user friendly" to allow a greater number of producer groups to consider the benefits of this type of agency.

Complaints, Oversight Committee and Judicial Reviews

In September 2010, the FPCC disposed of four outstanding complaints against CFC on quota allocations for quota periods A-87, A-89, A-90 and A-93; those complaints had been tabled by CPEPC, the Further Poultry Processors Association of Canada and the Canadian Restaurant and Foodservices Association.

During the deliberations, Council members reviewed the final progress report of the Chicken Industry Oversight Committee, the report of the former FPCC chair, and all the comments and submissions made by not only the parties to the complaints but also the provincial chicken marketing boards and provincial supervisory boards.

The two applications to the Federal Court for judicial review of the FPCC's decisions were discontinued by the CFC in early November 2010. The first application dealt with the Council's handling of the complaint against quota period A-93 and its decision to refuse approval of the allocation for A-93. The second one dealt with the FPCC's decision to refuse the application by CPEPC for a public hearing on the chicken allocation system.

The four complaints and the judicial reviews illustrate that there are issues that need to be addressed, and it is one of the Council's ongoing duties to work with national marketing agencies and industry stakeholders to better manage the supply management system. The Council is of the view that progress has been made toward developing collaborative solutions and that all parties should continue their work in addressing the issues at the root of the complaints.

National Association of Agri-Food Supervisory Agencies

The FPCC is a member of the National Association of Agri-Food Supervisory Agencies (NAASA). This is a federal-provincial-territorial group that shares ideas and information on issues of common concern.

NAASA consists of the FPCC, the Canadian Dairy Commission and the provincial and territorial government supervisory agencies. The provincial and territorial agencies supervise the affairs of their respective commodity boards. In 2010, NAASA held one conference call and two face-to-face meetings in Ottawa, mostly in connection with other industry events. During these meetings, FPCC and NAASA members tabled reports on decisions and ongoing business and discussed current issues. The FPCC provided a final update on the Chicken Industry Oversight Committee and reported on the tools developed and progress made to improve the FPCC's decision-making process, including a new set of questions that Council members will ask themselves when considering the approval of agency orders and regulations.

Furthermore, FPCC staff gave a detailed presentation on an intranet Web site developed for NAASA members, and Chair Laurent Pellerin gave a PowerPoint presentation on a national PRA being explored by the pork industry. Discussions also continued in 2010 on NAASA's governance principles and business plan.

Agricultural Products Marketing Act

The *Agricultural Products Marketing Act* (APMA) provides for the enactment of orders by the Governor in Council for the delegation of federal authority to provincial boards and agencies to regulate the marketing of agricultural products in interprovincial and export trade as well as authority to impose and collect levies.

The FPCC is responsible for the day-to-day administration of the APMA and for assisting provincial commodity boards during the application process. A provincial commodity board needs to apply to the federal government to be granted authority under the APMA. The FPCC guides the group on how to present an application and steers it through the evaluation and decision-making process. If the application is successful, the Governor in Council grants authority to the group and describes its powers by way of an APMA delegation order.

During 2010, the FPCC continued to work actively on simplifying the lengthy administrative process that provincial boards must follow when making changes to their orders and regulations. Furthermore, the FPCC continues to co-operate with the Standing Joint Committee for the Scrutiny of Regulations, which reviews and scrutinizes government regulations to ensure conformity with the enabling statute.

Corporate Affairs

Over the last review period, the Corporate and Regulatory Affairs Directorate has remained at the forefront of the federal government's agenda for responsible, accountable, transparent and ethical federal institutions. As such, it has actively contributed to supporting strong management and comptrollership practices within the organization in collaboration with central agencies. Its final Management Accountability Framework (MAF) assessment conducted by the Treasury Board recognized that the FPCC "*has robust financial management governance structure to ensure accountability and control of public resources*" It also stated that "*Similar to other micro-agencies operating with limited resources, the FPCC should also be commended for finding innovative ways, including collaborating with other departments and agencies, to address various internal and external challenges and risks.*"

Furthermore, the Corporate and Regulatory Affairs Directorate continued to play a lead role with respect to activities relating to the Cabinet Directive on Streamlining Regulation for the ongoing review of the FPAA or the APMA, in collaboration with provincial boards and partners.

The directorate also continues to remain an active proponent of portfolio management within Agriculture and Agri-Food Canada (AAFC) by maintaining close relationships on several corporate, regulatory and communications initiatives.

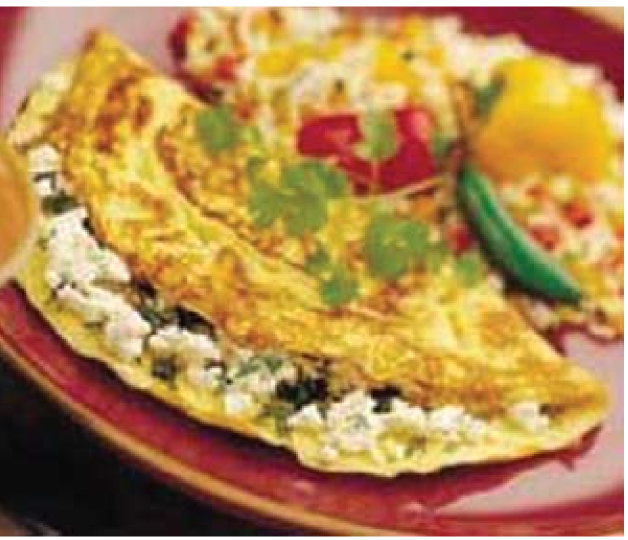
Communications

During 2010, six issues of the FPCC's FOCUS newsletter were produced and distributed to partners and stakeholders. The November issue was a special edition containing an interview with the FPCC's new chair, Laurent Pellerin. The FOCUS newsletter provides valuable information on Council business and decisions as well as insights into portfolio, departmental and industry news and, from time to time, related issues on the international scene. This publication is available in PDF format via e-mail and is also posted in both HTML and PDF formats on the FPCC's Web site.

In 2010, the FPCC continued to actively maintain its Web site and created two new intranet pages for the specific use of FPCC and NAASA members. The FPCC also published the eighth edition of *Canada's Poultry and Egg Industry Handbook*, which provides statistical information about the poultry and egg sector. The handbook was prepared in collaboration with AAFC, other government departments, the four national feather agencies and industry associations. The handbook continues to be a very useful and practical tool for stakeholders, government departments and academia.

State of the industry - Agencies in Review

Egg industry



Overview of 2010

During the year, the production of eggs continued to increase, whereas sales growth slowed in the latter half of the year. EFC estimates that egg production increased by approximately 2.8% over 2009 levels to reach around 517 million dozen marketable eggs. Nielsen data indicate that consumer purchases of table eggs continued to grow by 1.5 million dozen, but at a slower rate (0.6%) than in 2009. In particular, sales of specialty eggs – omega-3, organic, free-run and free-range – fell below 2009 levels by almost 5.5% nationally, although the free-run and free-range categories showed an increase of 3.5% nationally (just over 300,000 dozen eggs).

The volume of surplus eggs grew considerably so that the egg processing companies were able to utilize more Canadian eggs, resulting in a corresponding drop in imports. In 2010, imports of table eggs and eggs for processing decreased considerably over 2009 levels. Data from the Export and Import Controls Bureau of Foreign Affairs and International Trade Canada show that total table egg imports (global plus supplementary) reached 11.7 million dozen, which is 13% lower than in 2009. In terms of eggs for processing, total imports fell by 34% to 13.2 million dozen in 2010, a decrease that included a 50% reduction, to 7.4 million dozen, in supplementary imports of eggs for processing. In 2010, Canadian farmers were able to supply higher levels of the domestic demand for table eggs as well as eggs for processing.

Egg Farmers of Canada

In June 2010, EFC increased the quota allocation by 558,000 layers, in response to increased demand for table eggs and eggs for processing. In September 2010, EFC also increased the quota for the production of vaccine eggs (which are used in the production of vaccines) by 33% to 13 million dozen in response to the increased demand from the vaccine market projected for 2011.

The Pooled Income Fund (PIF) is the fund used by EFC to operate its Industrial Product Program. At the beginning of 2010, the PIF balance was $34 million, well above the minimum trigger point of $20 million. Since the agency anticipated major losses as a result of the forecast price for eggs for processing and the higher purchase price for surplus eggs, the levy was increased by 9.75 cents to 30 cents per dozen. The agency expects the PIF balance to end the year at $25 million.

During 2010, EFC continued to work with egg processors to develop a new contract that covers the pricing and conditions for the supply of surplus eggs that are not needed by the table market. A new contract is considered essential for the viability and long-term sustainability of EFC's industrial product program. Because this agreement was not finalized in 2010, discussions will continue with the expectation that a new contract will be put in place during 2011.

The Cost of Production Survey was successfully completed during 2010 by a third-party consulting company contracted by EFC. Across the country, 127 egg farms were surveyed to ascertain their 2009 costs and production levels, so as to establish the base for the cost-of-production calculations and updating formula for the next 4 to 5 years. The new cost of production will be implemented in January 2011.

As part of its strategy to become a more knowledge-based business, EFC established the first Economic

Research Chair on the Egg Industry at Université Laval. This initiative provides funds to investigate the economic aspects of important topics for the Canadian egg industry. EFC plans to extend this approach to other Canadian universities and other research fields during 2011.

Another major project undertaken by EFC during 2010 was an exploration of how the concept of social responsibility could be incorporated into EFC's organization and activities. Consultations took place across the country to develop a framework for what social responsibility would mean for EFC. Work will continue during 2011.

Progress was made on the development of a *Salmonella enteritidis* insurance program for the breeders, pullets and layers sectors of the table egg industry, as well as on work with the Canadian Food Inspection Agency (CFIA) to improve compensation for producers under the *Health of Animals Act*. Neither of the projects has been completed as of yet.

EFC's traceability project was strengthened by the $800,000 in funding received from AAFC during 2010. This project aims to develop a set of national standards for the establishment of an egg and bird traceability system that will track eggs as they pass through all transactions from producer to consumer within the Canadian egg supply chain. National traceability standards are expected to be in place by the end of 2011.

As part of its strategy to protect supply management and reduce the risk of the system being negatively impacted during Canada's international trade negotiations, EFC worked in partnership with other supply management agencies to monitor the key issues affecting the Canadian egg industry during the Doha Round of the World Trade Organization (WTO) negotiations as well as the negotiations between Canada and the European Union (EU) on the development of a free-trade agreement.

Outlook for 2011

During 2011, EFC anticipates a 2% increase in production owing to the quota increases in 2009 and 2010 and the 53-week production year in 2011. EFC estimates that growth will reach only 1.5% in shell-egg table demand and that both US breaking stock prices and Canadian producer prices will be higher than in 2010. It is also expected that eggs supplied to processors from the surplus will increase by 1.5%. Fluctuation of the US reference prices as well as higher producer prices as a result of the Cost of Production Survey completed during 2010 will continue to put financial pressure on the industrial product program.

Challenges and Opportunities

EFC plans to reconvene the committee to examine revisions to its federal-provincial-territorial agreement.

With respect to animal welfare and food safety issues, EFC will continue to be proactive, given that it plans to promote and implement activities in these areas as part of its social responsibility program, which will be initiated during 2011.

EFC will continue to face challenges with respect to managing the industrial product program and meeting the demands of processors. Council members are of the view that the current model for managing the industrial product program has already been stretched to the limit. The FPCC continues to support EFC's efforts to develop a sustainable and flexible way to supply processors and manage the surplus without relying on increasing the levy. EFC plans to implement changes in 2011 to tackle these issues; the changes will include an agreement with processors for more viable and competitive pricing for surplus eggs to be used for processing.

Broiler hatching egg industry

Overview of 2010

The production of broiler hatching eggs in 2010 was estimated to be 2% below the production volume of 2009.

Throughout 2010, the price for broiler hatching eggs changed slightly in British Columbia, Alberta and Saskatchewan. Manitoba, Ontario and Quebec had increases in the price for broiler hatching egg of 2.5 cents, 1.21 cents and 2.07 cents, respectively.

During 2010, the prices at which hatcheries sell chicks to chicken producers decreased in British Columbia, Alberta and Saskatchewan by 0.37 cents, 1.75 cents and 0.11 cents per chick, respectively. The prices increased in Manitoba, Ontario and Quebec by 2.5 cents, 3.8 cents and 4.8 cents per chick, respectively.

In 2010, imports of broiler hatching eggs and chicks, in egg equivalents, equalled 154.5 million eggs, 9.3% above the total tariff rate quota and 13.6% above the volume imported in 2009.

Canadian Hatching Egg Producers

In 2010, the redrafting of the Federal-Provincial Agreement (FPA) was completed and distributed to the signatories for their review and comment. The Alberta and Saskatchewan broiler hatching egg commodity boards and their supervisory agencies, which are not signatories to the current FPA, also received the draft for review and comment.

CHEP worked throughout 2010 with the CFIA on the methodology employed by the CFIA to determine the level of compensation that a broiler hatching egg producer would receive under the *Health of Animals Act* if the producer's flock were to be ordered depopulated by the CFIA.

The agency monitored the progress of the CFIA's avian influenza surveillance program and the hatchery supply flock surveillance program for program soundness.

Outlook for 2011

Domestic chicken production for 2011 is expected to increase by 1.5%. This increase takes into account Statistics Canada's projection of Canada's population growth in 2011 as well as minimal market expansion. Broiler hatching egg producers expect their production to increase at approximately the same rate.

Challenges and Opportunities

The agency has been working on a revised FPA with the goal of modernizing the agreement to reflect the current practices used by the agency and provincial commodity boards and to include Alberta and Saskatchewan as signatories to the agreement. The agency hopes to be able to have its revised FPA finalized and implemented by the end of 2011.

The agency expects to finalize, with the CFIA, the methodology that the CFIA will employ to determine the compensation that a broiler hatching egg producer would receive under the *Health of Animals Act*.

CHEP continued to work with the three other feather agencies as well as Dairy Farmers of Canada on issues related to the current WTO negotiations.

Chicken industry

Overview of 2010

Chicken production in Canada grew by approximately 1.0% in 2010, whereas production in the United States increased by 2.9% over the same period.

Retail prices for chicken, as measured by the consumer price index, stayed relatively flat compared to prices in 2009. Domestic consumption increased by 0.7%, less than population growth.

The average Ontario live producer price decreased gradually for the first seven months of 2010 owing to lower feed costs but began to increase during late summer and into the fall as feed costs increased because of the below-average feed grain harvest. The weighted average producer price in 2010 was $1.39 per kilogram, approximately 6 cents below the 2009 average.

Throughout 2010, wholesale prices for chicken remained strong and similar to 2009 levels. The prices for wings and legs were especially strong relative to last year, whereas the whole-bird and breast wholesale prices fluctuated above and below the 2009 prices throughout 2010.

In 2010, imports of chicken and chicken products decreased by 3.5% compared to 2009. There were no requests for supplementary imports arising from market shortages, and imports under the Import for Re-Export and Import to Compete categories decreased by 4.7% and 64.0%, respectively.

Chicken Farmers of Canada

In 2009, CFC held a workshop involving commodity boards, provincial supervisory councils and industry stakeholders on the concept of differential growth for the purpose of developing options and methodologies for growing the Canadian chicken industry profitably. While several options were developed, considered and debated, there was no consensus on this issue by the end of that year. During 2010, the debate continued and culminated in a signatory consultation workshop on differential growth in September. Following these discussions, although a policy on differential growth was supported by the downstream directors, not all provincial commodity boards could agree that such a policy was needed or required, and it was agreed that no more resources should be devoted to this issue.

The Allocation Report Card, which was developed in 2009 to assist CFC directors in setting the national chicken allocation, continues to be used. The Allocation Report Card is composed of target ranges for storage stocks in relation to domestic disappearance as well as tariff rate quota usage. There is still no agreement among CFC directors on an acceptable processor margin to be included in the allocation report card.

In an effort to improve the allocation-setting process, the agency began in late 2010 to use a medium-term growth rate target for chicken demand.

Outlook for 2011

The Canadian chicken industry is expected to continue expanding, with production growth of 1.5%. However, some industry stakeholders expect that the expansion will be modest and in line with the expected population growth of 1.0%.

The United States Department of Agriculture anticipates that the chicken industry will scale back production in 2011 with the forecasted rising corn prices in 2011 and lower wholesale prices for broiler products. The US supply/demand situation always impacts the Canadian marketplace, and the uncertainty with regard to the exchange rate complicates this relationship.

In Canada, slightly weaker wholesale prices and higher input costs are expected to put pressure on processor margins.

Challenges and Opportunities

The demographics of the Canadian population are continually changing, although one constant is consumers' desire for healthy foods that are convenient to prepare. The chicken industry must be able to deliver such foods in an increasingly competitive environment.

As in past years, building relationships and fostering trust between industry stakeholders remain an ongoing challenge for CFC, especially with regard to the improvement of the allocation-setting process.

The increase in interprovincial movements of live chickens, the premiums paid by processors to secure supply, and the moratoriums that were in place in Ontario and Quebec on sales to out-of-province buyers continue to be ongoing concerns for the industry. The provincial commodity boards as well as processor representatives from Quebec and Ontario worked throughout 2010 to find a long-term solution to this last issue. Progress is expected in 2011.

CFC is monitoring all bilateral trade negotiations as well as the current WTO trade negotiations, given that CFC views an increase in market access for chicken as a very serious threat to the livelihood of its producers.

Turkey industry

Overview of 2010

Canadian turkey production reached 193.13 Mkg in eviscerated weight in 2010, down 3.2% from 2009. Storage levels at the end of 2010 reached a record low of 12.3 Mkg, which was 32.8% lower than at the beginning of the year. This decrease in inventory resulted from the lower production levels and the increase in domestic disappearance. Production increased from 165.3 Mkg in 2009 to 164.3 Mkg in 2010. Domestic disappearance for the current control period to November 2010 was 65.3 Mkg, which was 1.7 Mkg higher than last year and 1.5 Mkg lower than 2008 for the same period (May–October).

During 2010, retailers featured whole turkeys in their outlets at very low prices to attract consumers. Even though fresh or frozen turkeys were used as "loss leaders" (were sold below purchase price) by grocery stores, the producer prices remained constant, decreasing only slightly. Whole-bird inventories were lower than in previous years, with storage stocks at 26.9 Mkg on October 31, 2010, which represents a decrease of 1.1 Mkg compared to the same date in 2009. Although further processed quota allocations were reduced in July 2010 from 68.9 to 67.8 Mkg, the final total allocation was 0.3 Mkg higher than the initial allocation.

Because of high inventories early in 2010, turkey imports were initially slow, resulting in import quota utilizations remaining below pro rata for most of the year. Import volumes accelerated in November and December, however.

Whereas imports remained constant, exports of whole-bird categories were nonexistent in 2010. Exports in other categories of turkey decreased, particularly in further processed products.

Turkey Farmers of Canada

TFC has been working to reach an agreement on amendments to their orders and regulations throughout 2010, especially with regard to the quota regulations. Because the directors were struggling to come to a consensus, TFC agreed to undertake further consultations on the allocation policy with the agency's member organizations.

The TFC Board of Directors approved the Interprovincial Leasing of Quota Guidelines, which were developed to assist TFC in transferring commercial quota between provinces within a control period, on a short-, medium- or long-term basis, where an unforeseen event significantly limits or prevents turkey production.

In October, TFC was pleased to announce the addition of all-new turkey nutrient data to the Canadian Nutrient File (CNF), which lists the nutrient values of foods in Canada. The CNF is a comprehensive database that reports up to 143 nutrients in over 5500 foods. The database can help users find values for nutrients such as vitamins, minerals, protein, energy, fat and many more and is updated periodically.

TFC is maintaining its partnership with Food Banks Canada to provide turkeys to small towns and rural areas in order to alleviate hunger during festive seasons.

Outlook for 2011

TFC, on the recommendation of the Turkey Market Advisory Committee, opted to keep the whole-bird quota 2 Mkg below the national reference level for the 2011–2012 control period. The preliminary whole-bird allocation of 73,111,683 kg is 3 Mkg higher than the allocation for the 2010–2011 control period. The rationale for this is based on low inventories towards the end of 2010 and in January 2011 and increased domestic disappearance.

Challenges and Opportunities

TFC's main challenge is regaining the market opportunities that have been lost because of the *Listeria* outbreak and more recently because of the economic slowdown. These events have helped alter the consumption patterns for all proteins. TFC remains prudent with respect to featuring by retailers, given that this marketing strategy is not under TFC's control and could be short-lived.

TFC is working hard to influence consumers' food purchasing behaviour in order to increase consumption levels of turkey, and the agency is very active in social media. TFC is devoting resources to increasing consumers' confidence in Canadian turkey products as well as to addressing animal welfare and food safety issues.

Another challenge for the agency is addressing processor-specific whole-bird growth opportunities within its allocation process. TFC's current review of its allocation policy is aimed at solving this issue.

TFC continues to work with the other feather industries to monitor the current WTO negotiations and attend events.

Beef industry

Overview of 2010

AAFC is projecting that domestic beef production will increase by 2.3% in 2010 versus 2009. Beef consumption is expected to remain stable at 2009 levels of 28.6 kg per person.

There was positive news in 2010 regarding access for Canadian cattle and beef products to foreign markets. In June, through the work of the Minister of Agriculture and Agri-Food, Gerry Ritz, and the Minister of International Trade, Peter Van Loan, Panama re-opened its market to imports of live Canadian cattle.

Following the meetings that Prime Minister Stephen Harper, Minister Ritz and Minister Van Loan held with a Chinese delegation led by President Hu Jintao, China announced that it would initiate a process aimed at restoring full access for Canadian beef. Under the first stage of the agreement, China will resume imports of tallow and boneless beef from cattle less than 30 months of age. It is estimated that, once trade is fully restored, the result will be an additional $100 million for Canadian cattle producers.

In August, market access for Canadian rendered animal by-products, including bone meal, blood meal, poultry meal and fats, was secured by Minister Ritz after negotiations with the Philippine government.

In November, an agreement was reached between Canada and the EU granting Canadian beef improved access to the EU in the form of a 20,000-t duty-free quota. The 20,000-t quota was created in 2009 as a result of compensation negotiations between the US and the EU for the decade-old WTO dispute following which the EU ban on growth promotants (small pellets implanted into the ears that release a small amount of hormone) was ruled not scientifically justified. Canada will join the US and Australia in sharing the quota, which will increase to 45,000 t in 2012.

The WTO Dispute Settlement Panel, which was established at Canada's request, held two rounds of oral hearings in September and early December 2010. The oral hearings are examining whether the US country-of-origin labelling law violates the WTO agreements. In a typical year, Canada exports between 1.2 million and 1.5 million head of live cattle and 310,000 t of beef to the US.

Under both the WTO agreements and the North American Free Trade Agreement, country-of-origin labelling of meat is allowed, but the label must indicate the country where it became meat, not where the animal was born or raised.

Canadian Beef Cattle Research, Market Development and Promotion Agency

The first levies order for the CBCRMDPA was approved by the Council in March 2005. Currently, all provinces but Newfoundland and Labrador have signed service agreements with the agency, allowing for the collection and remittance of the levy to the agency.

The CBCRMDPA was created under Part III of the FPAA and can, unlike the marketing agencies created under Part II, collect levies on imports. The agency has begun developing the administrative process necessary for collecting an import levy on imported beef and beef products. The agency has also begun the process of drafting the levies order that will allow them to collect levy revenue on imports. The import levy must be submitted to the Council for approval.

Funds generated from the national levy are allocated primarily to three organizations: the Beef Information Centre (BIC), the Canada Beef Export Federation (CBEF) and the Beef Cattle Research Council. Provincial boards have the option to retain some of the levy collected to fund provincial programs.

An independent study by Dr. John Cranfield, University of Guelph, evaluating the economic benefits to cattle producers of the levies collected by the CBCRMDPA was released in April and indicated that, on average, every dollar invested in national research and marketing activities from 2005 and 2008 earned back $9 for Canadian cattle producers. The full report is available on the agency's Web site, **nco.cattle.ca**.

The Canada Beef Working Group, which was made up of representatives of the national agency, the BIC, the CBEF, the Canadian Cattlemen's Association (CCA), the Canadian Cattlemen Market Development Council, the National Cattle Feeders' Association and the Alberta Cattle Feeders' Associations, was tasked to investigate and develop a new organizational structure to maximize efficiency and effectiveness for domestic and international marketing activities.

The Working Group recommends the creation of a single organization by combining the BIC, the CBEF and the agency. The Working Group estimates that combining the three organizations will reduce administrative costs and make an additional $1.3 million per year available to maintain marketing programs and services.

The Working Groups' recommendation proposes amending the agency's proclamation to reflect the revised governance structure so that the new organization will be able to fully utilize the agency's authority.

The boards of the BIC, the CBEF and the agency will each independently consider the recommendations. If they are supported, the recommendations will go to special general meetings of the CCA and CBEF members for their approval.

Outlook for 2011

According to AAFC, beef production is expected to increase slightly by 1% to 2%. Cattle inventories will decline, tightening beef supplies later in 2011. Imports are expected to increase slightly, a change that will offset declining North American supplies. Russia is expected to be a strong importer of Canadian beef and beef products and, because of the slow economic recovery in the US coupled with continued strong demand in Asia, exports are expected to grow in 2011.

AAFC is anticipating a slight increase in beef consumption, given that Canada's economy is expected to grow slowly in 2011.

Challenges and Opportunities

The CBCRMDPA was created with the intention to finance promotion, research and market development through a domestic and import levy in order to make Canadian producers more competitive. Now that all producing provinces adhere to the national system, the agency can move forward with the development and implementation of an import levies order and explore ways to collect the import levy.

If the new organization is approved by the three boards (the CCA, the CBEF and the agency), the agency's proclamation will need to be amended to fit the new structure as well as the new roles and responsibilities that the CBCRMDPA will inherit.

Mission, Mandate and Other Responsibilities

Mission

The mission of the FPCC is to ensure that the national supply management systems for poultry and eggs and the beef cattle promotion and research agency work in the balanced interest of all stakeholders, as well as to promote the strength of the agri-food sectors for which the FPCC is responsible.

Mandate

The mandate of the FPCC is to:

- Advise the Minister on all matters relating to the establishment and operation of agencies under the FPAA with a view to maintaining and promoting an efficient and competitive agriculture industry;
- Review the operations of agencies with a view to ensuring that they carry out their operations in accordance with their objectives;
- Work with agencies to promote more effective marketing of farm products in interprovincial and export trade and, in the case of a PRA, work to promote such marketing in import trade as well as research relating to farm products; and
- Consult, on a continuing basis, with the governments of all provinces having an interest in the establishment or the exercise of the powers of any one or more agencies under the Act.

Other Responsibilities

The FPCC's other responsibilities consist of:

- Investigating and taking action, within its powers, on any complaints in relation to national agency decisions (pursuant to paragraph 7(1)(*f*) of the FPAA);
- Holding public hearings when necessary (pursuant to subsection 8(1) of the FPAA);
- Ensuring that the national agencies meet the requirements of the *Statutory Instruments Act*; and
- Administering the APMA, which allows the federal government to delegate its authority over interprovincial and export trade to provincial commodity boards.

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Provincial Supervisory Board Contacts

British Columbia Farm Industry Review Board
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Alberta Agricultural Products Marketing Council
Phone: 780-427-2164
www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/apmc2626

Saskatchewan Agri-Food Council
Phone: 306-787-5978
www.agriculture.gov.sk.ca/Agri-Food-Council

Manitoba Farm Products Marketing Council
Phone: 204-945-4495
http://web2.gov.mb.ca/agriculture/programs/index.php?name=aaa31s02

Ontario Farm Products Marketing Commission
Phone: 519-826-4220
www.omafra.gov.on.ca/english/farmproducts

Régie des marchés agricoles et alimentaires du Québec
Phone: 514-873-4024
www.rmaaq.gouv.qc.ca

Nova Scotia Natural Products Marketing Council
Phone: 902-893-6511
www.gov.ns.ca/agri/npmc

New Brunswick Farm Products Commission
Phone: 506-453-3647
www.gnb.ca/0027/Agr/0001

Newfoundland and Labrador Farm Industry Review Board
Phone: 709-729-3799
www.nr.gov.nl.ca/NR/agrifoods/ic/firb

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Phone: 902-569-7575
www.gov.pe.ca/af/agweb/associations

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