



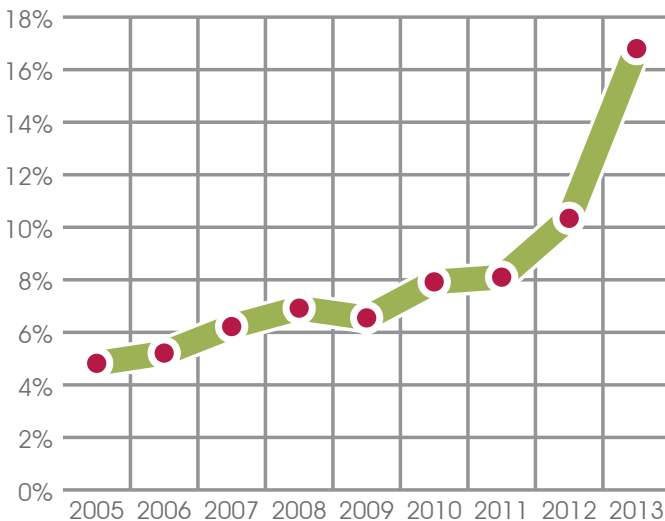
CHICKEN.CA • POULET.CA

WHAT IS “SPENT FOWL”?

Simply put, spent fowl are old laying hens: a byproduct of egg and hatching egg production. Whereas broiler chickens are raised for meat consumption, spent fowl hens lay eggs for approximately 60 weeks beforehand; when their productivity declines, they are processed for their meat.

Due to improvements in processing technologies, chicken is increasingly substitutable with tougher and stronger tasting spent fowl meat; however, due to the hen's role in egg production, spent fowl meat carries an egg allergy risk, which is not the case with chicken.

Spent Fowl Imports as % of Domestic Broiler Production



Sources: Monthly National Fowl Statistics at a Glance, AAFC; CFC, June 28, 2013

WHAT'S THE PROBLEM WITH SPENT FOWL?

It's displacing Canadian production and costing Canada millions of dollars.

Whereas chicken is subject to import controls, spent fowl is not: there is no limit on how much can be imported. In 2012, for instance, Canada imported 106 million kilograms of spent fowl from the U.S.; this displaces more than 10% of Canadian chicken production, 8,900 jobs and \$591 million dollars in GDP contributions.

It's getting worse... fast.

Those same 106 million kilograms represent a 28% increase in spent fowl imports over 2011 and an overall increase of more than 50% in the past three years. Based on first quarter statistics, imports are on pace to increase another 15% in 2013.

Consumers don't know what they're buying.

As it stands today, there exists no specific consumer labeling requirement for the sale of spent fowl: though imported as such, it can be sold under the guise of fresh broiler chicken. As a direct displacement of chicken production, this is misleading to consumers who expect to buy fresh, local, Canadian chicken and is a potential danger to those who suffer from egg allergies. The Canadian consumer does not want this: a survey undertaken by Leger Marketing confirmed that 74% of Canadians want spent fowl to be clearly labeled.



HOW IS THIS HAPPENING?

Evidence suggests fraud.

Based on production and trade statistics, Canada is currently importing more spent fowl breast meat than is actually produced in the entire U.S.: Canada imported spent fowl meat representing 101% of U.S. spent fowl production in 2012 and has - within the first 5 months of 2013 - imported the equivalent of 109% of U.S. spent fowl production. This clearly points to the fact that chicken meat is being imported and declared as spent fowl in order to bypass import controls. Fraud such as this robs Canada's chicken farmers and processors of jobs and revenue that could – and should – benefit the Canadian economy.

It's visually indistinguishable and being blended with chicken.

As there is no test for a Canadian Border Services Agency or Canadian Food Inspection Agency officer to help them distinguish between the two kinds of meat, importers are able to circumvent existing import controls by blending the two products through product formulations consisting of 51% spent fowl and 49% broiler meat.



WHAT NEEDS TO BE DONE?



- The Canadian Border Services Agency must classify blended products as chicken because there is no test to distinguish spent fowl from chicken, and the blended content cannot be verified.
 - The Canadian Food Inspection Agency must implement a mandatory certification process for spent fowl to stop any fraud and avoid importing mislabelled chicken.
 - The CFIA must require truth in labeling to inform consumers; spent fowl is not chicken and carries egg allergy risks.
- 

What Canada Stands to Gain

Jobs	8,900
Wages and Salaries	\$283.4 million
Gross Domestic Product	\$591 million
Gross Output	\$1.8 billion (\$362 million at farm level)
Taxes on products and Production*	\$33.2 million
Estimated Income Taxes (40% tax rate)	\$113 million

Source: Statistic Canada, Industry Accounts Division / System of National Accounts (George Morris Centre Income Tax Estimate)

*Excluding income tax.