



CHICKEN FARMERS OF CANADA BRIEFING BOOK

2016



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OUR INDUSTRY

THE CANADIAN CHICKEN INDUSTRY:

- sustains 78,200 jobs
- contributes \$5.9 billion to Canada's Gross Domestic Product
- pays \$2 billion in taxes
- purchases 2.4 million tons of feed, supporting other farmers in turn

Canada's chicken farmers are a stabilizing force throughout our country. In rural areas, our farmers not only produce high-quality chicken, but also reinvest in their farms and their communities. In turn, Canada's urban cities and towns get fresh, local food on their plates each week. From farm to plate, Canada's chicken farmers help generate jobs in not only farming and processing, but in transportation, retail, restaurants, and more.

In a recent survey, 93% of Canadians said they prefer to feed their families food raised by Canadian farmers—that's why we created the "Raised by a Canadian Farmer" logo. Now Canadians can have confidence in knowing where their food comes from by looking for our logo—and trust that it was raised safely by a Canadian farmer.

Chicken is Canada's number one meat—we need to keep the conversation going on the important role agriculture plays in the Canadian food chain.

Economic Contribution of Canada's **CHICKEN INDUSTRY**

CANADA

- \$2.4 billion in farm cash receipts
- 2,669* farmers
- 145 processors
- 78,200 total jobs
- \$5.9 billion to Canada's GDP
- \$2 billion in taxes

BRITISH COLUMBIA

- \$378 million in farm cash receipts
- 328* farmers
- 16 processors
- 11,733 total jobs
- \$883 million to Canada's GDP
- \$295 million in taxes

ALBERTA

- \$220 million in farm cash receipts
- 245* farmers
- 71 processors
- 6,991 total jobs
- \$526 million to Canada's GDP
- \$176 million in taxes

SASKATCHEWAN

- \$98 million in farm cash receipts
- 66* farmers
- 3 processors
- 3,101 total jobs
- \$233 million to Canada's GDP
- \$78 million in taxes

MANITOBA

- \$102 million in farm cash receipts
- 119* farmers
- 5 processors
- 3,237 total jobs
- \$244 million to Canada's GDP
- \$81 million in taxes

ONTARIO

- \$785 million in farm cash receipts
- 1,012 farmers
- 23 processors
- 25,291 total jobs
- \$1.9 billion to Canada's GDP
- \$635 million in taxes

QUEBEC

- \$670 million in farm cash receipts
- 758 farmers
- 13 processors
- 21,708 total jobs
- \$1.6 billion to Canada's GDP
- \$545 million in taxes

ATLANTIC PROVINCES

- \$195 million in farm cash receipts
- 141 farmers
- 14 processors
- 6,139 total jobs
- \$462 million to Canada's GDP
- \$154 million in taxes

Source: Kevin Grier Market Analysis and Consulting Inc., The 2013 Economic Impact of the Poultry and Egg Industries in Canada, June 2015

*Farm numbers update from provinces, Dec. 31, 2015

Revised: February 24, 2016

ANIMAL CARE & FOOD SAFETY

Canadian consumers have high expectations of their farmers, from the assurance of a steady supply to ensuring excellence and best practices in animal care and food safety. Canada's chicken farmers are proud to deliver on these expectations, with every flock we raise.

ON-FARM CERTIFICATION PROGRAMS

Chicken Farmers of Canada's Animal Care and On-Farm Food Safety programs are concrete, accountable means of demonstrating the pride and commitment of farmers in raising the quality chicken Canadians can trust. Canada's supply management system assists the industry in enforcing these mandatory programs, and ensures accountability and consistency across all farms.

Chicken Farmers of Canada is a strong advocate of the federal, provincial and territorial On-Farm Food Safety Recognition Program led by the Canadian Food Inspection Agency (CFIA), and we were the first commodity to achieve full recognition for our on-farm food safety program.

- Our programs offer a national set of standards to guarantee consistency from coast to coast
- Our programs are auditable, ensuring accountability from every farm
- Our programs are mandatory, ensuring participation and compliance from all farmers
- Our programs have strict enforcement measures
- Our programs are supported by stakeholders, from gate to plate
- Chicken Farmers of Canada is committed to continuous improvement



ANTIMICROBIAL USE AND RESISTANCE

Antimicrobial use and resistance is a worldwide issue that impacts both public health and agriculture.

Chicken Farmers of Canada proactively manages antimicrobial use by employing a sector-wide strategy to control, monitor and reduce antimicrobial use where possible to preserve effective treatment options. The continued availability of antimicrobials is important to safeguard poultry health and welfare, and the industry's strategy is designed to provide confidence to consumers and government.

Elements of the strategy includes:

1. Defining antimicrobial use and analyzing antimicrobial resistance trends
2. Reviewing best management practices
3. Ensuring effective controls of antimicrobial use in Canada
4. Researching and determining the availability of alternative products
5. Educating stakeholders on the issues of antimicrobial use and resistance

The poultry industry's strategy reflects the objectives of the federal government's Antimicrobial Resistance and Use action plan that was released in 2015. Chicken Farmers of Canada has been working in collaboration with Health Canada to tighten controls of veterinary antibiotics by the end of 2018.

As a show of Chicken Farmers of Canada's commitment, the industry implemented a policy in 2014 to eliminate the preventive use of Category I antibiotics—those most critical to human health—making the Canadian poultry industry the only one to have self-regulated the elimination of an antibiotic.



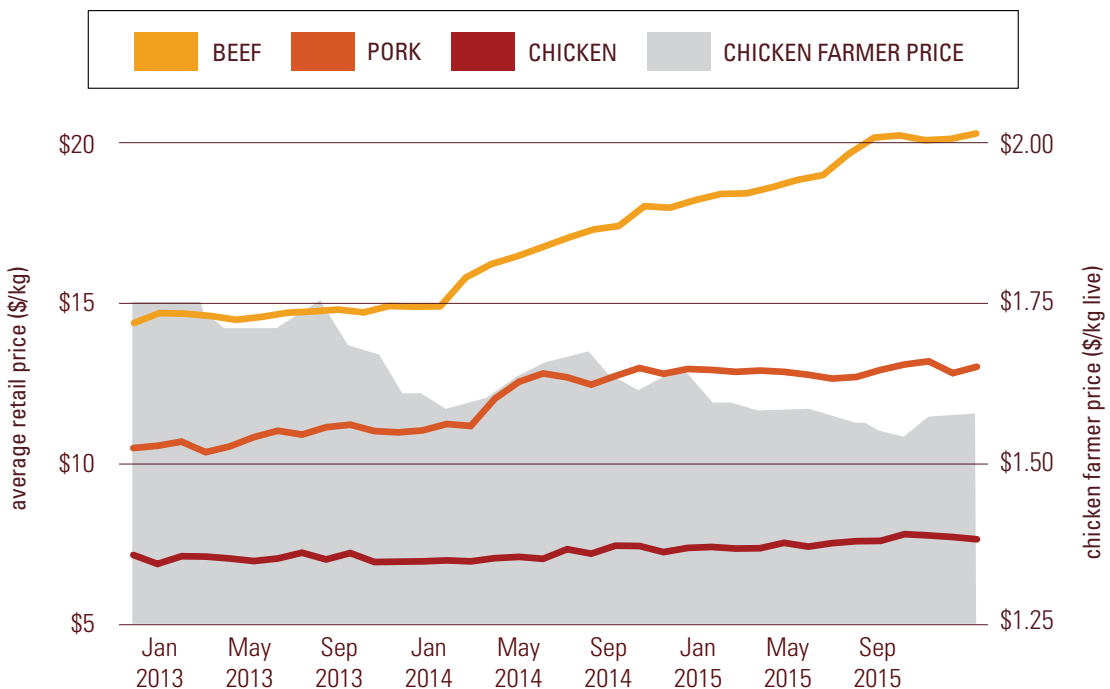
PRICING

The chicken industry provides value to the Canadian consumer and our food chain. Canadian chicken is the least expensive, and most popular meat protein in the country—having risen by only 5.2% since 2013, compared to 33.5% for beef and 17.9% for pork. At the same time, the price the farmer receives has gone down by 7.7%.

Farmers do not set consumer prices for chicken—these are set by retailers and restaurants, who charge for what the market will bear. In fact, farmers only receive the average price of about \$1.58 per kg, as the flock leaves the farm.

Store prices are influenced by things like:

- Retailer competition
- Brand positioning
- Cost of competing meats
- Store specials





SUPPLY MANAGEMENT

Along with dairy, egg, turkey, and hatching egg farmers, Canada's chicken farmers work under the risk management system of supply management, matching production to Canadian demand.

Our farmers meet with processors, further processors, and members of the restaurant trade to ensure that we are producing the right amount of chicken to meet Canadian demand in every eight week period. This process of setting allocation ensures that we are not over or under-producing chicken—situations that can cause unpredictable pricing and unstable business environments.

Supply management also helps us determine chicken supply from both domestic and international sources. The chicken industry is not a closed market. Canada is the 17th largest importer of chicken in the world.

In order for us to set the right level of production, we rely on three important pillars of the supply management system: import controls, production planning and producer pricing.

Import Controls: Farmers count on government to ensure that there is a predictable level of imports. The government does this by administering Tariff Rate Quotas that permit imports up to the level of access negotiated in trade agreements.

Production Planning: Farmers plan their production to provide a steady supply of fresh, high-quality, local food that efficiently reflects changes in consumer demand. This prevents sudden price shifts as products move from farm to plate.

Producer Pricing: Farmers collectively negotiate minimum farm gate prices. By working together, farmers receive a fair price for their products based on what it costs to produce them.

ISSUES FACING THE CHICKEN INDUSTRY



SPENT FOWL

Spent fowl are laying hens at the end of their production cycle: a by-product of egg and hatching egg production. While broiler chickens are raised for meat consumption, spent fowl hens lay eggs and when their productivity declines, they are processed for their meat.

- Chicken coming into Canada is subject to import controls, and spent fowl is not—there is no limit on how much can be imported. In 2012 and 2013, Canada imported more spent fowl breast meat than was actually produced in the entire United States.
- This means chicken meat is fraudulently being imported and declared as spent fowl in order to bypass import controls, while taking away jobs and revenue from Canada's chicken farmers and processors. In 2015, Canada imported 91% of the United States' entire spent fowl breast meat production, which again is highly improbable and speaks directly to the likelihood of fraud.
- There is no specific consumer labelling requirement for the sale of spent fowl. Even though it is imported as spent fowl, it can be sold labelled as broiler chicken. This is misleading to consumers who expect to buy Canadian chicken and is a potential danger to those who suffer from egg allergies.
- Chicken Farmers of Canada has successfully developed a DNA test that allows the differentiation of broiler and spent fowl meat.

WHAT NEEDS TO BE DONE?

- Chicken Farmers of Canada strongly encourages the government to adopt the DNA test to ensure that no imports of broiler meat are falsely identified as spent fowl in order to circumvent import controls.
- Canadian consumers want the truth—spent fowl is not broiler chicken and it carries egg allergy risks.

DUTIES RELIEF PROGRAM

The Duties Relief Program administered by the Canadian Border Services Agency (CBSA) was not designed for agriculture goods and does not provide adequate safeguards to address the potential for diversion into the domestic market when chicken is imported into Canada for further processing and subsequent re-export. Specifically, we have identified the following concerns with respect to the Duties Relief Program:

- Participants have up to four years to re-export the chicken they've imported—longer than any acceptable shelf life, including frozen products.
- Imported products can be substituted with lower value, domestic cuts, even spent fowl.
- The program duplicates Global Affairs Canada's Import to- Re-Export Program, which was created specifically for agricultural goods.

One of the commitments coming out of the Trans-Pacific Partnership agreement was that dairy, poultry and egg products would be excluded from the Duties Relief Program.

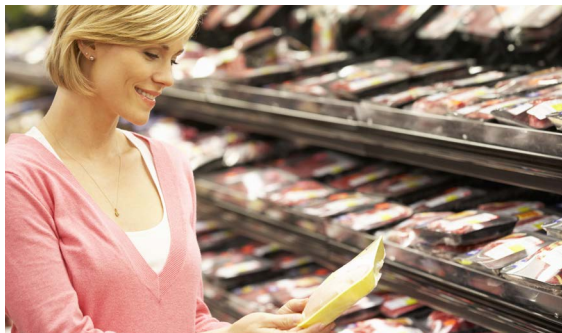
It is our hope that the government will move quickly to enact this change to ensure that no further damage occurs from the misuse of the Duties Relief Program.

SPECIALLY DEFINED MIXTURES

Chicken combined with 13 per cent of other ingredients is labelled a "specially defined mixture" (SDM) and is not considered chicken for import controls purposes. In other words, products with up to 87 per cent chicken meat are generally not subject to import controls.

- A handful of companies have identified this as an opportunity to circumvent trade rules. By adding sauce to a box of chicken wings or by stuffing uncooked chicken breast, these companies are deliberately creating products whose purpose is to evade import controls.

- These actions are undermining Canadian job creation, harming the Canadian economy, and hurting Canadian farmers. It is also placing compliant Canadian food manufacturers at a competitive disadvantage.
- The government needs to reinstate the sauce and cooking requirements already negotiated in our WTO commitments into the Canadian Customs Tariff.



ANTIMICROBIAL USE AND RESISTANCE

- Antimicrobial use and resistance is a worldwide issue that impacts both public health and agriculture.
- Chicken Farmers of Canada continues to examine further antimicrobial reduction strategies and support is sought from the federal government to increase Canada's availability to alternative products so that both industry and government can meet our collective goals.
- The government can help meet its Antimicrobial Resistance and Use action plan objectives by modernizing the Canadian approval system for antibiotic alternatives so that Canadian farmers have access to the same products and claims that are available internationally.

ON-FARM FOOD SAFETY

- The government needs to continue supporting the CFIA's On-Farm Food Safety Recognition Program, and can grow this success story by using the same framework to initiate a similar recognition system for animal care programs—to the benefit of agriculture and the Canadian public.

SUPPLY MANAGEMENT MYTHBUSTERS



1. SUPPLY MANAGEMENT DOES NOT RAISE PRICES FOR CONSUMERS

Farmers do not set retail prices—retailers and restaurants charge what they feel the market will bear.

2. SUPPLY MANAGEMENT DOES NOT ONLY BENEFIT FARMERS

Farmers only receive about \$1.58 per kg, as the flock leaves the farm. This is called the “live price”. In the past year the live price of chicken has declined by 5.0%.

3. SUPPLY MANAGEMENT IS NOT BLOCKING TRADE

Canada is an open market. We are the 6th largest importer of agri-food products, and 1st on a per-capita basis.

4. SUPPLY MANAGEMENT IS NOT SUBSIDIZED

Unlike other agricultural sectors, the Canadian chicken industry does not receive government subsidies.



5. THE CHICKEN INDUSTRY IS NOT A CLOSED MARKET

Canada is the 17th largest importer of chicken in the world.

6. SUPPLY MANAGEMENT MAKES A DIFFERENCE TO CANADA'S ECONOMY

78,200 total jobs, \$5.9 billion to Canada's GDP and \$2 billion in taxes.

7. DISMANTLING SUPPLY MANAGEMENT WILL NOT LOWER CONSUMER PRICES

In countries where supply management has been dismantled, prices have actually gone up for consumers, while revenues for farmers have gone down or stayed the same.

8. SUPPLY MANAGEMENT HELPS FOOD SAFETY SYSTEMS WORK

Chicken farmers follow strict on-farm programs that ensure that the highest standards of care are followed, from food safety to biosecurity.

9. SUPPLY MANAGEMENT IS RISK MANAGEMENT

Industry representatives meet regularly to determine production to keep up with demand. Thanks to this process, shortages and surpluses are eliminated, ensuring a steady supply of chicken.

10. SUPPLY MANAGEMENT MEANS FAMILY FARMS

Thanks to supply management, over 90% of chicken farms are family run.



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