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Canada

Poultry and Products

Annual Poultry Report

2008

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Report Highlights:
After surpassing the 1.0 million metric ton level for the first time in 2007, Canadian broiler chicken production in 2008 is on pace to reach a record 1,030,000 metric tons, almost 2.5% above last year's level. Strong domestic demand for chicken at both retail and foodservice is expected to propel total Canadian broiler chicken production to at least 1,060,000 metric tons during 2009. After Mexico and the Russian Federation, Canada is the third most important export market for U.S. poultry meat. Based on the first six months of 2008, U.S. poultry meat exports to Canada are climbing toward a record value $420 million for the year, more than 3% above last year's level. Also, Canada's 2008 avian influenza survey is currently underway and no cases of highly pathogenic strain have been detected since one case in September 2007.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Ottawa [CA1]
[CA]

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Executive Summary

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

* Canadian broiler chicken production in 2008 is on pace to reach about 1,030,000 metric tons (MT), about 2.40% above last year's record level of 1,005,597 MT, which was the first time ever that domestic chicken production exceeded 1.0 million MT. Strong domestic demand for chicken from both the retail and foodservice sectors is expected to propel total Canadian broiler chicken production to at least 1,060,000 metric tons during 2009.

* Canadian imports of chicken are regulated under a tariff rate quota (TRQ). The global quota for 2008 is 75,359 metric tons. However, in recent years, 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 and due to the IREP exports, Canada became a net poultry meat exporter in 2007.

* After Mexico and the Russian Federation, Canada is the third most important export market for U.S. poultry meat. In 2007, the value of U.S. poultry meat exports to Canada reached a record $417 million, almost 30% above the $322 million exported during 2006. For the first six months of 2008, the value of U.S. poultry meat exports to Canada at $210 million is on pace to set another record with shipments valued 3.2% above last year's level for the same period.

* 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 volumes rise above a certain level, or if prices fall below a certain level. These measures could be applied to imports from the United States, but the decision to apply the surtaxes will be done on a case by case basis and require a government Order in Council.

* Canada recognized the poultry meat inspection system of Brazil in August 2002. Brazil's share of the Canadian import market for chicken during the past three years has been steady at about 17%.

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

* Canada's turkey market is relatively flat. Based on preliminary data through July 2008, production is forecast to reach about 172,000 metric tons in 2008 up 1.8% from last year's output. Statistics Canada reported a small increase in Canadian per capita turkey consumption in 2007 at 4.49 kg (eviscerated weight), compared to 4.44 kg a year earlier.

Section I. Broiler Chicken

In the ten years ending 2007, Canadian broiler chicken production has registered an average annual growth rate of 2.4% reflecting strong domestic market demand both from the retail and foodservice sectors. Similar growth is anticipated during 2008 boosting production to about 1,030,000 metric tons (MT). For 2009, Post forecasts Canadian broiler production will rise to at least 1,060,000 MT, nearly a 3.0% increase.

Broiler Meat; Supply and Distribution

BROILER MEAT (not official USDA data)
Canada

Units: '000MT	2007	2008	2009
		revised	fore.
Beginning Stocks	28	37	38
Production	1006	1030	1060
Parts, Imports	126	130	135
Total Imports	126	130	135
Total Supply	1160	1197	1233
Whole, Exports	5	5	5
Parts, Exports	134	140	145
Total Exports	139	145	150
Human Consumption	984	1014	1053
Total Dom. Consumptio	984	1014	1053
Total Use	1123	1159	1203
Ending Stocks	37	38	30
Total Distribution	1160	1197	1233
CY Imp. from U.S.	102	110	115

Consumption

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% from 25.8 million in 1985 to 33.0 million in 2007), but also to chicken's increasing popularity among Canadians during the period. Overall, Canadian's tastes have changed towards chicken primarily due to an increase in health awareness and the perception that chicken is leaner and therefore healthier than other meats. 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 Table

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

Source: Statistics Canada; Canada Food Stats

Trade

Imports

According to official trade data, Canadian imports of broiler chicken in the January to June period of 2008 rose 4% above the year earlier level for the same period. All the increase was attributable to higher imports from the United States. Imports from the United States during the period rose 7.1% to 53,813 MT from 50,267 MT in January to June last year and offset a 14.4% decline in year-over-year chicken imports from Brazil. A major factor in the rate of increase of chicken imports from the United States continues to be imports under the *Import to Re-Export Program (IREP)*, under which supplementary import permits at a free tariff rate are issued to Canadian poultry processors who 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.

According to industry sources, IREP imports for processing into other chicken items under HS chapter 16 (dinners, etc.) fell off sharply after the Canadian dollar rose sharply against the U.S. dollar beginning in early 2007. 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. For more information on the impact of IREP in the Canadian chicken market, see the Policy Section of this report.

Canadian Imports of Broiler Chicken
Calendar Years
Quantity Units: Metric Tons

				Jan. - June		% change
Country	2005	2006	2007	2007	2008	
World	95,274	112,566	125,912	61,769	64,240	4.0%
United States	77,398	90,585	102,448	50,267	53,813	7.1%
Brazil	16,436	19,863	21,061	10,190	8,718	-14.4%
Thailand	1,439	1,972	2,364	1,296	1,260	-2.8%
Chile	-	147	39	16	448	2700.0%

Source: Global Trade Atlas

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

In 2007, Canada became a net export of chicken due to the impact of the IREP which enables Canadian chicken processors to import tariff-free, lower-priced chicken for further processing provided that the resultant processed product is exported (see TRQ Section below for more detail on the IREP). The United States was the major destination for Canadian chicken exports in 2007 accounting for about 37% of total. Other important destinations that year were the Philippines, Hong Kong, and South Africa.

Canadian Chicken Exports

				Jan. - June		
Units: MT	2005	2006	2007	2007	2008	% chg
Broiler Cuts	82,845	91,347	120,445	62,128	63,520	2.2%
Broilers, Whole	7,625	5,582	5,571	2,853	2,534	-11.2%
Broilers, Processed	11,949	13,310	12,961	6,563	6,876	4.8%
	102,419	110,239	138,977	71,544	72,930	1.9%

Source: Global Trade Atlas

Policy

Tariff Rate Quota

Canada controls imports of chicken under a tariff rate quota (TRQ). The minimum access level (into Canada) under the WTO is 39,844 metric tons but Canada applies the higher access level of the NAFTA, which is equal to 7.5% of the previous year's domestic chicken production as reported by Statistics Canada. For 2008, the global chicken TRQ is 75,359 MT. 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.

In recent years, the majority of supplementary imports have been comprised of imports under the IREP program whereby Canadian chicken processors import chicken under supplementary license provided they export the associated processed product. 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, imports under the IREP program beginning in January through early August 2008 totaled approximately 50,148 MT, an amount greater than the 42,753 MT imported under the TRQ during the same time period. 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 2007, the quantity of all import permits issued was more than double the 2007 global allocation under the TRQ. For 2008, Post projects IREP permit issuances to again be above the 2008 TRQ allocation.

Summary of Canada's TRQ for Chicken and the IREP Imports

Units: MT	2005	2006	2007	08 Post Pro'jtd
TRQ Global Allocation /1	72,538	73,292	72,799	75,359
TRQ Permit Issuances	72,552	74,582	76,184	75,000
Regular Supplementary Import Permit Issuances	39	172	-	-
Supplementary Import Permit Issuances "to Compete"	2,264	2,386	1,440	1,000
IREP Program Supplementary Import Permit Issuances	41,407	55,117	74,346	80,000
Other	277	332	363	300
Total Import Permit Issuances	116,539	132,589	152,333	156,300
Permits Issued as a Percent of the Global TRQ	161%	181%	209%	207%

/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 volumes rise above a certain level, or if prices fall below a certain level. The Government of Canada has given until September 1, 2008 to provide comments from interested parties in respect to the price and volume triggers specified. The government's notice containing the price and volume triggers for the various tariff lines is available at the following website: http://www.agr.gc.ca/itpd-dpci/technical/ssg_e.htm. The government of Canada first announced its intention to operationalize the SSG on February 7th, 2008 (see GAIN report CA8006). These measures could be applied against imports from the United States if the volume or price triggers are activated, but the decision to apply the surtaxes will be done on a case by case basis and require an 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. For more information, see the CFC website.

Avian Influenza

Canada has had two outbreaks of highly pathogenic avian influenza (HPAI), the first detected on March 8, 2004 in birds from a commercial chicken breeder farm in British Columbia's Fraser Valley, the second on September 27, 2007 detected in a commercial poultry operation in Saskatchewan.

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). The Canadian Notifiable Avian Influenza Surveillance System (CanNAISS) has been designed to meet current guidelines from the World Organization for Animal Health (OIE) and new requirements from the European Union that take effect in January 2009. The system will provide information about notifiable viruses in Canada's domestic poultry flocks.

As with previous surveys, the 2007 survey found various low pathogenicity AI subtypes, including both H5 and H7. These detections are expected. Low pathogenicity influenza viruses commonly circulate in wild birds with little or no impact on the health of birds or people.

The 2008 survey is currently underway. Annual monitoring of wild birds helps animal health experts track and understand the viruses circulating throughout Canada. Wild bird surveillance is one of the Government's key AI prevention and preparedness initiatives. Survey results, present and historic, can be viewed on the Canadian Cooperative Wildlife Health Centre website

Section II. Turkey

Canada's turkey market is relatively flat. Based on preliminary data through July 2008, production is forecast to reach about 172,000 metric tons in 2008 up 1.8% from last year's output. Statistics Canada reported a slight increase in Canadian per capita turkey consumption in 2007 at 4.49 kg (eviscerated weight), compared to 4.44 kg a year earlier.

Turkey Supply & Distribution

TURKEY MEAT (not official USDA data)
Canada

Units: '000MT	2007	2008	2009
		revised	forecast
Beginning Stocks	13	15	16
Production	169	172	172
Parts, Imports	10	12	13
Total Imports	10	12	13
Total Supply	192	199	201
Whole, Exports	3	3	3
Parts, Exports	24	24	25
Total Exports	27	27	28
Human Consumption	150	156	158
Total Dom. Consumption	150	156	158
Total Use	177	183	186
Ending Stocks	15	16	15
Total Distribution	192	199	201