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Canada

Poultry and Products

Annual

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Report Highlights:
This report summarizes recent developments in the Canadian broiler chicken and turkey sectors and highlights production and trade forecasts for the remainder of 2006 and for 2007. Factors that influence the Canadian market for U.S. exports of chicken and turkey are discussed.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

* Canadian broiler chicken production is expected to register a fractional production decline during 2006 as the industry adjusts to record storage stocks. However, for 2007, total Canadian chicken output is forecast to increase about 1% above the 2006 level and reach a record 980,000 metric tons.

* GOC issuances of special import permits to keep Canadian poultry processors competitive in the domestic market and active in the export market has resulted, in recent years, in total Canadian chicken imports running about one-third higher than the TRQ.

* Since Canada recognized the poultry meat inspection system of Brazil in August 2002, the South American supplier has captured about 22% of total Canadian imports of chicken parts, the largest import segment for chicken, and a segment that was formerly dominated by U.S. product.

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

* Despite the suspension of the Doha Round world trade negotiations, Canada's supply-managed poultry industry remains concerned that any future trade agreement preserves Canada's ability to set production and prices and manage the total volume of imports.

* The Canadian Food Inspection Agency has established an Avian Influenza Advisory Committee that includes members of industry, academia and the animal health community, to assist in the development of policies and strategies avian influenza prevention and preparedness.

* Domestic consumption of turkey in Canada remains flat. Increased Canadian exports of turkey have provided the only spurt to production and have accounted for all of the growth in Canadian turkey output over the five-year period 2002-2006.

* After Russia and Mexico, Canada is the third most important export market for U.S. poultry meat. In 2005, U.S. poultry meat exports to Canada reached $307 million, about 7% below the record $332 million during 2004 when U.S. poultry exports to Canada increased sharply to help offset the avian influenza-related production shortfall in British Columbia. However, for 2006, the value of U.S. poultry meat exports to Canada is on pace to set a new record.

Section I. Broiler Chicken

Production

Canadian broiler chicken production in 2006 is expected to be fractionally below (-0.7%) the record level of 977,355 metric tons produced during 2005. The situation is indicative of slightly smaller production targets by the provincial chicken boards in an effort to alleviate record high storage stocks that were 12.8% higher on July 1, 2006 than they were a year earlier. As a result, chicken output during 2006 is estimated to reach about 970,000 metric tons.

For 2007, present prospects point toward a modest increase in Canadian production to meet increased domestic and export demand. Total Canadian chicken output is forecast to increase about 1% above the 2006 and reach a record 980,000 metric tons.

Commodity	**Poultry, Meat, Broiler**				(1000 MT)(MIL HEAD	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [	Estimate[N	DA Official [	Estimate[N	DA Official [	Estimate[N
Market Year Begin		01/2005		01/2006		01/2007
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	24	33	20	38	20	28
Production	1000	977	1020	970	0	980
Whole, Imports	1	1	1	0	0	0
Parts, Imports	79	94	79	100	0	108
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	80	95	80	100	0	108
TOTAL SUPPLY	1104	1105	1120	1108	20	1116
Whole, Exports	2	8	5	4	0	5
Parts, Exports	98	93	100	91	0	90
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	100	101	105	95	0	95
Human Consumption	984	966	995	985	0	995
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	984	966	995	985	0	995
TOTAL Use	1084	1067	1100	1080	0	1090
Ending Stocks	20	38	20	28	0	26
TOTAL DISTRIBUTION	1104	1105	1120	1108	0	1116
Calendar Yr. Imp. from U.	64	77	65	82	0	85

Trade

Total Imports

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 2006, the global chicken TRQ is 73,292 metric tons. Also, Canada regularly issues supplementary import permits when there are product shortages. Special import permits are also issued to Canadian poultry processors whose finished manufactured products are intended for re-export or compete in the Canadian marketplace with similar, imported processed products that receive zero-tariff treatment under the NAFTA. As a result of these supplementary imports, total chicken imports in recent years have been running about one-third higher than the TRQ.

Imports from the United States

Total U.S. chicken exports to Canada in 2005 declined moderately to 77,371 from the record level of 80,343 metric tons during 2004. That year, the GOC issued special supplementary import permits to importers and British Columbia processors to import additional U.S. chicken (mostly whole birds) to help alleviate the supply shortfall situation in that province due to an avian influenza outbreak. Based on performance during the first half of 2006, U.S. chicken exports to Canada are on pace to register an important increase over the 2005 level (see table, page 6).

Competition from Brazil

Canada recognized the poultry meat inspection system of Brazil in August 2002 (see CA2088), but initially very little Brazilian product was imported. However, as shown on the following table, Brazil currently accounts for about 22% of total Canadian imports of chicken parts, the largest import segment for chicken.

Control Measures on Brazilian Poultry

Since USDA does not permit imports of Brazilian chicken, the Canadian Food Inspection Agency 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 storages) must maintain inventory records regarding origin of all meat present on their premises and the destination of meat shipped from the premises.

Canadian registered storages that receive poultry meat from Brazil may continue to be participants in the export of poultry meat and meat products to the United States provided the poultry meat imported from Brazil is stored segregated from poultry meat and meat products for export to the United States. Fully packaged poultry meat imported from Brazil is required to be stored separately stacked and clearly identified, with respect to it's origin and export restrictions and must not come into contact with fully packaged poultry meat and meat products eligible to be exported to the United States. CFIA inspectors monitor the control procedures to ensure that the storage of non-eligible meat products is being done in the prescribed manner.

Canadian Chicken Imports, By Type, By Country

Chicken Parts

	2001	2002	2003	2004	2005	Jan-June 2005	Jan-June 2006	% chg. 06/05
The World	55,114	59,720	56,544	72,547	74,445	29,427	43,454	48%
United States	55,114	59,720	53,622	53,671	58,648	23,051	33,919	47%
Brazil	-	0	2,922	18,809	15,797	6,376	9,479	49%
All Others	-	-	0	68	0	0	56	
U.S. Share	100%	100%	95%	74%	79%	78%	78%	
Brazil Share	0%	0%	5%	26%	21%	22%	22%	

Whole Chicken

	2001	2002	2003	2004*	2005	Jan-June 2005	Jan-June 2006	% chg. 06/05
The World	281	667	364	8,540	379	314	40	-87%
United States	281	667	364	8,540	379	314	40	-87%
U.S. Share	100%	100%	100%	100%	100%	100%	100%	

Prepared Chicken

	2001	2002	2003	2004	2005	Jan-June 2005	Jan-June 2006	% chg. 06/05
The World	18,024	16,116	17,622	18,921	20,414	9,390	10,404	11%
United States	17,842	15,881	16,551	18,132	18,344	8,645	9,266	7%
Thailand	183	235	1,050	789	1,439	589	923	57%
Brazil	-	0	0	0	630	156	215	38%
All Others	0	0	21	0	-	-	0	
U.S. Share	99%	99%	94%	96%	90%	92%	89%	
Thailand Share	1%	1%	6%	4%	7%	6%	9%	
Brazil Share	0%	0%	0%	0%	3%	2%	2%	
GRAND TOTALS	73,420	76,503	74,530	100,008	95,238	39,131	53,897	38%

* Virtually all into British Columbia following that province's flock depopulation due to AI outbreak

Source: WTA and StatsCan

Policy

Suspension of WTO Talks

Despite the suspension of the Doha Round world trade negotiations, Canada's supply-managed poultry industry remains very concerned that any future trade agreement preserves Canada's ability to set production and prices and manage the total volume of imports. The industry is fearful that without these mechanisms it would lose market stability and risk the livelihood of all poultry and egg farms in Canada.

Canada's new government, fully aware of the importance of open markets for its export-oriented non supply-managed agricultural sectors, continues to take what it terms a "balanced approach" to trade negotiations. Agriculture Minister Strahl says that the GOC is committed to defending the interests of all producers and fully supports the interests of supply-managed sectors of (Canadian) agriculture. While Strahl says he recognizes that Canada's supply-managed sector will continue to face pressure on key issues at trade negotiations, he asserts that the new government will continue to defend the ability of Canadian producers to choose how they put their products on the market.

Avian Influenza (AI) Prevention & Preparedness

Government

The Canadian Food Inspection Agency (CFIA) is responsible for protecting the health of Canada's domestic animal populations from foreign animal diseases. The CFIA recently established an Avian Influenza Advisory Committee, including members of industry, academia and the animal health community, to assist in the development of policies, strategies and protocols for AI prevention, preparedness, response and recovery. CFIA AI activity focuses on five areas: import controls, surveillance of domestic poultry and wild birds, biosecurity, disease response strategies, and international cooperation. The principal activities are: setting import restrictions on poultry, poultry products and birds from other countries; surveillance of domestic poultry and wild birds in Canada; promoting awareness and adoption of biosecurity best practices in the poultry industry, international travel and commercial importing; developing and implementing foreign animal diseases emergency response plans; contributing to international efforts to combat AI in affected countries.

Industry

In the aftermath of the 2004 avian influenza (AI) outbreak in British Columbia, the Chicken Farmers of Canada, the Canadian Turkey Marketing Agency, the Canadian Egg Marketing Agency, the Canadian Broiler Hatching Egg Marketing Agency ad the Canadian Poultry and Egg Processors Council hired a national AI Project Coordinator to assist the national poultry agencies in avian influenza (AI) preparedness and response. The poultry industry has worked with CFIA to develop a response protocol for any suspected disease incident and a national AI survey.

Section II. Turkey

Production

Canadian turkey production in 2006 is expected to reach a record 160,000 metric tons due mostly to the Canadian Turkey Marketing Agency's (CTMA) export policy (see Turkey Trade Section). Given that Canadian per capita turkey consumption has remained relatively flat in recent years, increased Canadian exports of turkey have provided the only spurt to production and have accounted for all of the growth in Canadian turkey output over the five year period 2002-2006.

Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD	
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [	Estimate[NA Official [	Estimate[NA Official [	Estimate[N		
Market Year Begin		01/2005		01/2006		01/2007
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	12	12	14	12	15	12
Production	155	155	156	160	0	164
Whole, Imports	0	0	0	0	0	0
Parts, Imports	10	12	12	10	0	12
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	10	12	12	10	0	12
TOTAL SUPPLY	177	179	182	182	15	188
Whole, Exports	0	1	0	2	0	2
Parts, Exports	18	23	20	24	0	28
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	18	24	20	26	0	30
Human Consumption	145	143	147	144	0	147
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	145	143	147	144	0	147
TOTAL Use	163	167	167	170	0	177
Ending Stocks	14	12	15	12	0	11
TOTAL DISTRIBUTION	177	179	182	182	0	188
Calendar Yr. Imp. from U.	0	12	0	9	0	11

Trade

Imports/Tariff Rate Quota

Similar to chicken, global access to Canada's turkey market is determined by a NAFTA formula (3.5% of the targeted turkey production announced by the Canadian Turkey Marketing Agency). For 2006, the turkey TRQ is 5,588 metric tons. For turkey meat, the over access tariff rates for 2005 range between 154.5% and 165% but supplementary imports at zero duty are allowed under certain supply circumstances. Similar to the chicken industry, there are provisions to operate the special supplementary import categories. As a result, total turkey imports during 2005, virtually all from the United States, were double the TRQ level.

Canadian importers of turkey must be in possession of an import permit issued by the Department of Foreign Affairs and International Trade. Further information on TRQ product coverage and a listing of the import allocation holders is available on the DFAIT website at: http://www.dfait-maeci.gc.ca/trade/eicb/agric/turkey-en.asp

Export Trade

While the longstanding stated goal of supply management in the Canadian turkey industry is to tailor production to domestic demand, in recent years, the Canadian Turkey Marketing Agency (CTMA) and its provincial partners, the turkey boards, have granted production allocation specifically for the export market (mostly to the U.S., South Africa, Bulgaria and Russia). To prevent domestic market shortfalls due to exports, the CTMA accepts that an additional amount of turkey imported from the United States supplementary to the TRQ by importers and further processors may be necessary. Data published by the DFAIT for 2005 show that the level of supplementary import permits issued for turkey exceeded the TRQ.

Marketing

Canadian importers of chicken and turkey must be in possession of an import permit issued by the Department of Foreign Affairs and International Trade. Further information on TRQ product coverage and a listing of the import allocation holders is available on the DFAIT website at:
http://www.dfait-maeci.gc.ca/trade/eicb/agric/chicken-en.asp

U.S. Poultry Meat Export Growth

After Russia and Mexico, Canada is the third most important export market for U.S. poultry meat. In 2005, U.S. poultry meat exports to Canada reached $307 million, about 7% below the record $332 million during 2004 when U.S. poultry exports to Canada increased sharply to help offset the production shortfall in British Columbia after an avian influenza outbreak in that province. Despite the year-to-year decline, the value of U.S. poultry meat exports to Canada during 2005 was more than 14% greater than 2001-2003 three-year average prior to the B.C. avian influenza outbreak. For 2006, the value of U.S. poultry meat exports to Canada is on pace to match or exceed the 2004 record level.

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