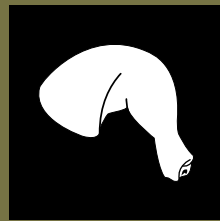
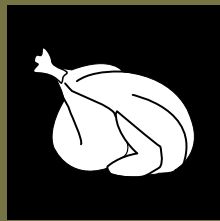
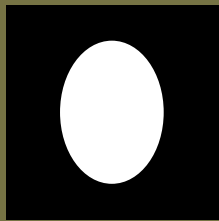




NATIONAL FARM PRODUCTS COUNCIL

2005 YEAR IN REVIEW

05



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MISSION

Our mission is to ensure that the national supply management systems for poultry and eggs, and the national beef research and promotion agency work in the balanced interests of all stakeholders;

and to

promote the strength of the agri-food sectors for which the Council is responsible.

MANDATE

Our mandate is to:

- advise the Minister on all matters relating to the establishment and operation of agencies under this Act 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 on their operations in accordance with their objects;
- work with agencies in promoting more effective marketing of farm products in interprovincial and export trade and, in the case of a promotion-research agency, in promoting such marketing in import trade and in connection with research and promotion activities 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 this Act.

THE AGRICULTURE AND AGRI-FOOD PORTFOLIO

Agriculture and Agri-Food Canada (AAFC)
National Farm Products Council (NFPC)
Canadian Dairy Commission (CDC)
Canadian Food Inspection Agency (CFIA)
Canadian Grain Commission (CGC)
Farm Credit Canada (FCC)

TABLE OF CONTENTS

MESSAGE FROM THE CHAIRPERSON	2
THE COUNCIL IN REVIEW	6
Council Business	6
Complaints	6
Federal-Provincial Agreements	7
Administration of the Agricultural Products Marketing Act	9
Beyond Canada's Borders	9
Communications Initiatives	10
STATE OF THE INDUSTRY	11
Agencies in Review	11
Canadian Turkey Marketing Agency	11
Chicken Farmers of Canada	12
Canadian Egg Marketing Agency	13
Canadian Broiler Hatching Egg Marketing Agency	14
Canadian Beef Cattle Research, Market Development and Promotion Agency	15
Industry Issues	16
World Trade Organization Negotiations	16
Avian Influenza	17
Bovine Spongiform Encephalopathy	17
LOOKING FORWARD	18
LEGISLATIVE FRAMEWORK	19
STAKEHOLDER CONTACTS	20

MESSAGE FROM THE CHAIRPERSON

ONE OF OUR STRONG POINTS IS OUR ABILITY TO WORK COOPERATIVELY WITH INDUSTRY AND GOVERNMENT PARTNERS. THESE POSITIVE RELATIONSHIPS ENABLE US TO BETTER UNDERSTAND ISSUES, TO DEAL WITH PROBLEMS AS THEY ARISE AND TO PROVIDE THE MINISTER OF AGRICULTURE AND AGRI-FOOD WITH A PAN-CANADIAN OVERVIEW.



As we look back on the year under review, we can be proud of our achievements and the way in which we responded to our challenges. With five new Council members joining us and some staff turnover, 2005 was a busy year for the National Farm Products Council. We also had to make sure that new government-wide policies on internal management were implemented on time—no small feat for our small organization.

One of our strong points is our ability to work cooperatively with industry and government partners. These positive relationships enable us to better understand issues, to deal with problems as they arise and to provide the Minister of Agriculture and Agri-Food with a pan-Canadian overview. This strength bodes well for future endeavours such as our work with the poultry and egg industries on issues such as the current world trade negotiations.

While most of our business deals with the four national supply-management agencies, we also work with the Canadian Beef Cattle Research, Market Development and Promotion Agency. In 2005, the Council approved the Agency's first domestic levy—a key step forward. We will continue working with the Agency to establish a levy on imported beef that will channel more support to the domestic industry's promotion and research activities.


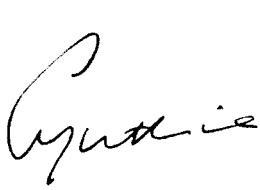
As you read, you will see that we have much improved the way we do business. We streamlined complaint procedures and developed a set of alternative dispute resolution mechanisms. We revitalized corporate management by implementing modern comptrollership and the planning and performance measurement framework. We also improved the governance manual and launched a process to streamline the administration of the *Agricultural Products Marketing Act*. And, having achieved most of the objectives in the *2003–2006 Strategic Plan*, we renewed the Plan and charted our course through 2009.

Looking forward, Council will continue to urge the turkey, egg, and broiler-hatching egg supply management agencies to renew their federal-provincial agreements. These agreements provide opportunities for innovation, transparency and a fair allocation system that allows disproportionate market growth. The Council will also continue to push for improved market information so that the poultry and egg agencies can make better-informed production and marketing decisions.

I am confident that we will succeed thanks to the hard work of my fellow Council members and staff who have shown commitment and co-operation in handling tough issues.

I take this opportunity to commend the national supply management agencies and their industry stakeholders for their continuing efforts to find common ground and build for the future. Through their commitment to partnership, integrity and leadership, Canada's poultry and egg industry grows stronger. The Canadian beef industry, through its own co-operative efforts, is also regaining its strength as it returns to its export markets. I am very confident it has an optimistic future.

Proud as we are of our achievements, they are but a prelude to Canada's future success, where partnerships form the basis of strong leadership.



Cynthia Currie
Chairperson

MEMBERS



From left to right: Roger Richard (Member), Michel Veillette (Member), Susan Johnson (Member), Ron O'Connor (Vice-Chair), Cynthia Currie (Chairperson), Terry Hayward (Executive Director), Maurice Giguère (Member), Stewart Affleck (Member).

Absent: Juliann Blaser Lindenbach (Member), Larry Campbell (Member—term expired November 2005)

STAFF



From left to right: Lisette Wathier, Keith Wilkinson, Carole Hotte, Pierre Bigras, Lise Leduc, Terry Hayward, Reg Milne, Carola McWade, John Kirk, Christine Kwasse, Kevin McBain, Chantal Lafontaine, Demeena Seyann

Absent: Laura LeBœuf, Patricia Lepage

THE COUNCIL'S STRATEGIC PLAN

The Council is in the last year of its current three-year Strategic Plan, which pursued the following objectives.

- To ensure that the national supply management systems work in the balanced interest of all stakeholders; to provide transparent and accountable supervision of the national marketing agencies for chicken, turkey, eggs, and broiler and hatching eggs; to work co-operatively with provincial and territorial government partners and bring about renewed agreements to strengthen the orderly marketing system.
- To promote the strength, competitiveness and profitability of the sectors and collaborate to improve their market responsive capacity; to promote export market opportunities, higher food-safety standards, improved management of the supply-chain and other measures that benefit Canadian agriculture and agri-food; to provide guidance on the merits and process for creating promotion and research agencies.
- To continually improve the efficient, transparent and responsive management of Council operations; to achieve this by improving strategic planning, management reporting and operating procedures.



In October 2005, Council members and senior staff met to begin work on the *2006–09 Strategic Plan*. This Plan will be finalized and made public early in 2006. It calls for the Council to play a pro-active role in:

- advising the Minister of Agriculture and Agri-Food and policy makers about the operations of the national agencies and the implications that domestic policies and international trade agreements may have on the regulated farm products sector;
- providing an active outreach program to the agri-food sector to highlight the importance and the benefits of co-operation between governments and stakeholders in regulated marketing matters; and
- bringing agencies and sector players together to discuss the major opportunities and challenges facing their industries.



THIS WAS A BUSY AND PRODUCTIVE YEAR FOR THE COUNCIL AND ITS STAFF... THE COUNCIL ALSO MET WITH ITS PROVINCIAL SUPERVISORY BOARD COUNTERPARTS TO EXPLORE THE CHALLENGES FACING CANADA'S REGULATED FARM PRODUCTS INDUSTRIES.

THE COUNCIL IN REVIEW

COUNCIL BUSINESS

This was a busy and productive year for the Council and its staff. The Council held 13 meetings in 2005; seven by teleconference and six face-to-face. Council members regularly attended meetings of the five national agencies that it oversees as well as meetings of the Canadian Poultry and Egg Processors Council. The Council also met with its provincial supervisory board counterparts to explore the challenges facing Canada's regulated farm products industries.

The Council took steps to provide stakeholders with alternatives to resolving disputes through the formal complaints mechanism. In the fall, information was circulated on the alternative dispute resolution methods that will be offered. In future, where use of an alternative dispute resolution process is not possible, the Council may resort to handling complaints through public hearings under section 8 of the Farm Products Agencies Act (FPAA).

COMPLAINTS

In 2005, Council addressed three complaints from stakeholders.

In April, the Canadian Poultry and Egg Processors Council (CPEPC) submitted a complaint against the Chicken Farmers of Canada (CFC)'s quota allocation for period A-66 (June 26 to August 20) and the overall allocation-setting process. The Council investigated the complaint and convened a meeting of the parties. The Council also participated in the CFC Board of Directors meeting in July to observe how Directors set allocations. The Council made several recommendations to the agency on how to improve the process.

In July, the British Columbia Turkey Marketing Board filed a complaint against the Canadian Turkey Marketing Agency (CTMA)'s proposed quota order for 2005–2006 and the Agency's allocation methodology. Although the Council ultimately rejected the proposed order, the complaint remains open pending the results of the CTMA's facilitated process. This process was initiated by the CTMA to find an allocation methodology that meets the needs of its members and complies with its legal responsibilities.

In November, the CPEPC filed a further complaint against the CFC, this one with respect to the allocation for period A-70 and, again, against the overall allocation-setting process. The Council met with the two parties. An agreement was reached to set up a joint industry technical committee to develop and measure market indicators that could result in more accurate long-range forecasts for the supply and demand of chicken.

FEDERAL-PROVINCIAL AGREEMENTS (FPA)

The Canadian Egg Marketing Agency (CEMA), the Canadian Turkey Marketing Agency (CTMA) and the Canadian Broiler Hatching Egg Marketing Agency (CBHEMA) continued to work to renew their FPAs. The CEMA and CTMA's discussions were also aimed at resolving issues relating to the quota allocation methodology used by each agency.

The National Association of Agri-Food Supervisory Agencies (NAASA) convened member workshops in April and May to establish a clear and coherent position regarding provincial expectations for the supply-managed sector and to arrive at a set of principles acceptable to governments. These principles will guide how the agencies develop quota allocation policies. Workshop participants included NAASA members from the ten provinces (chairs and managers of provincial supervisory boards) as well as agriculture policy Assistant Deputy Ministers from several provinces. Federal participants included representatives from the Council and Agriculture and Agri-Food Canada.

The central principle developed during the workshops was the incorporation of differential growth into agency-developed quota allocation methodologies. This was seen as consistent with the original objectives of supply management and as a pre-requisite for a strong, flexible and responsive system that can adapt to changing markets, international trade rules and provincial policy aims.

Other general principles included protection of financial investments, consideration of regional allocation approaches, support for innovation; effective dispute resolution mechanisms, export policies that are "WTO-friendly" and finally, that the FPAs must address the balanced interests of all value-chain members.

NAASA members elaborated these principles in a report to facilitate discussions with the four national marketing agencies. Meetings were held with each agency in the fall. For the most part, the agencies viewed the principles positively and welcomed NAASA's initiative to help resolve the outstanding issues surrounding quota allocation policies and the timely completion of the FPAs.

The status of the FPA renewal process for each agency is set out below.

Chicken Farmers of Canada (CFC)

A renewed FPA was signed in June 2001 incorporating a new approach to quota allocation, moving from a "top-down," formula-driven methodology to a "bottom-up," market-driven system. The new agreement, however, did not address the market responsiveness goals of some provinces. The CFC circulated proposed amendments to provincial producer and supervisory boards in 2003 and continued to seek agreement from all provinces in 2005.





Canadian Broiler Hatching Egg Marketing Agency (CBHEMA)

In 2005, the Agency completed work on a new FPA and associated schedules. This material will be forwarded to all signatories in 2006 for review and comment. Proposed amendments to the Agency's *Proclamation* (Schedule A to the FPA) include removing the province of Alberta as a member, changing the name of the Agency to "Canadian Hatching Egg Producers" and allowing industry organizations to make non-producer appointments to the Agency's board of directors.



Canadian Egg Marketing Agency (CEMA)

CEMA circulated a draft renewed Federal-Provincial-Territorial Agreement (FPTA) to signatories for comment in 2004. At that time, the three Saskatchewan signatories indicated they would not sign a new FPTA that included CEMA's proposed new quota allocation methodology. The government of Saskatchewan challenged this section as not adhering to the requirements of the *Farm Products Agencies Act*, citing no consideration of the principle of comparative advantage of production. In 2005, this challenge moved into the Federal Court, halting further development of the FPTA.



Canadian Turkey Marketing Agency (CTMA)

The CTMA continues to face internal challenges to its quota allocation methodology. These challenges, started in 2004, have delayed the finalization of a renewed FPA for the Agency.

In February 2005, the Agency established an Allocation Committee to examine the criteria set out in the CTMA *Proclamation* and to develop a new commercial allocation policy. In June, the Committee concluded its work and forwarded a report to the Agency's Board of Directors for consideration. The Board was unable to reach consensus on the Committee's recommendations. In the fall of 2005, the CTMA entered into a mediation process in an attempt to resolve this issue.

Finding an acceptable methodology for setting quota allocations will allow the Agency to focus its attention on renewing the FPA.

ADMINISTRATION OF THE AGRICULTURAL PRODUCTS MARKETING ACT (APMA)

In 2005, Council initiated a major project to improve how efficiently the *Agricultural Products Marketing Act* (APMA) is administered. The legislation allows the federal government to delegate authority to provincial boards and agencies, enabling them to regulate intra-provincial, inter-provincial and export trade.

The project involves:

- streamlining the administrative procedure for APMA *Orders, Regulations* and amendments;
- improving the ability to track the progress of a particular file; and
- identifying the current status of all the APMA *Delegation Orders* and the provincial organizations exercising federally-delegated authority.

The Council has developed a database of all APMA *Orders and Regulations* that is useful when retrieving and manipulating the information into a comprehensive report. With the co-operation of all provincial government supervisory boards, the database contains information pertaining to the *Delegation Orders, Regulations and Orders* and their amendments, contact information for each provincial supervisory board and commodity organization, extracts from the *Canada Gazette* and direct access to all legislative documents related to the APMA.

BEYOND CANADA'S BORDERS

The Council attended a number of international poultry forums and workshops to build a strong knowledge of trends and developments in the poultry and beef industries. As a food-producing nation, Canada's interests lie in ensuring that sound and fair trading rules and practices are in place, and that Canadian agriculture is prepared to meet animal health challenges as they arise.

At the Atlanta International Poultry Exposition held in January, technological changes and challenges in the poultry and egg industry were discussed. In February, the USDA Agricultural Outlook Forum addressed the theme of "Science, Policy and Markets - What's Ahead". The event focused on how science and technology could have a positive influence on farm productivity, nutrition, health and the environment. The forum also discussed the bovine spongiform encephalitis (BSE) and avian influenza (AI) outbreaks, their impact, prevention and management of future outbreaks.



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The Ave Expo Americas held in August in Brazil underscored once again the continued growth in South American poultry production and in Brazil's exports, in particular. The first International Aviculture Forum dealt with poultry nutrition, bio-security, AI, management and animal welfare.

International trade in poultry and poultry products has been affected by the discovery of various strains of AI in wild and domestic flocks. Concerns about the possibility of human-to-human transfer of a mutated AI strain have created additional world-wide anxiety about the likelihood of a human flu pandemic.

Trade policy decisions in Russia (import quotas) and the European Union (poultry meat salt content) had a negative impact on major poultry meat exporters, which in turn affected international poultry prices. Canadian producers, processors, distributors, retailers and consumers also felt the effects. These experiences highlighted the importance of sustaining close working relationships along the supply chain to ensure that Canada produces safe food, available in sufficient quantity to meet demand, at reasonable prices.

COMMUNICATIONS INITIATIVES

The Council continued to provide excellent communication products to inform and update its members, staff, industry partners and stakeholders.

Focus Newsletter

Issued eight times a year, the Council's Focus newsletter provides interested readers with valuable and current information. It focuses on Council business, agency news and offers insight on international, industry and portfolio news.

Website

Constructive comments from users have been invaluable in helping Council staff update the website to make it more user-friendly and informative. Contact pages for the supply management marketing agencies and provincial governments, along with the Council's Home Page, received the most "hits" in 2005. To simplify access to information, the site now boasts a new Data Handbook page and a new graphic link to the Speeches page.

Data Handbook

The Council published the 2004 edition of *Canada's Poultry and Egg Industry* in September 2005. This all-in-one handbook provides a wide range of facts and statistical data on the poultry and egg industry. The handbook has been cited as a practical tool for the poultry and egg industry, the academic sector, government departments and other interested groups.

STATE OF THE INDUSTRY

AGENCIES IN REVIEW

Canadian Turkey Marketing Agency

A lot of work was accomplished on the Agency's On-Farm Food Safety Program. The technical review undertaken by the Canadian Food Inspection Agency (CFIA) in 2005 to determine the consistency of the program with the principles of Hazard Analysis Critical Control Point (HACCP) was successful.

The Agency played a significant role in promoting the nutritional value of turkey to Canadians. The long-standing pattern of static consumption has been broken thanks to the significant growth in consumption, further-processed products and several fast-food marketing initiatives.

In 2004, the processing industry approached the CTMA with a request for additional supply to launch a new turkey sandwich menu item at McDonald's restaurants. As a result, overall consumption of turkey subs and deli sandwiches rose significantly at Canadian quick service restaurants in 2005. This bodes well for consumption, production and processing activity.

Allocation issues, however, continued to preoccupy the Agency, given the Council's December 2004 Complaint Committee report in the matter of the BC signatories' complaint against the CTMA's allocation policies. The Agency responded by forming three sub-committees to define and measure the criteria set out in Section 4 of the *Proclamation* and how they would apply to a new allocation system.

In July, CTMA directors accepted the recommendations made by the Agency's Allocation Committee. They established a quota allocation for the 2005–2006 control period. This action, however, prompted a further complaint to be filed with the Council against the Agency's allocation methodology and the proposed quota regulation.

A LOT OF WORK WAS ACCOMPLISHED ON THE AGENCY'S ON-FARM FOOD SAFETY PROGRAM... THE AGENCY PLAYED A SIGNIFICANT ROLE IN PROMOTING THE NUTRITIONAL VALUE OF TURKEY TO CANADIANS.



Council staff conducted an investigation into the matter and presented a report of the investigation to Council members. Based on the Council's review of the supporting material, the rationale provided by the Agency and the staff investigation report into the complaint, the Council declined to prior-approve the 2005–2006 order. Recognizing the seriousness of its position and its inability to establish an acceptable quota order, the CTMA engaged a mediator to assist it resolve the impasse.

The Council continues to co-operate with the CTMA and its members in their efforts to move forward in this matter

THE AGENCY HAS SHOWN A COMMITMENT TO DETERMINE THE APPROPRIATE VOLUMES OF PRODUCTION FOR EACH PERIOD USING CREDIBLE MARKET INDICATORS SUCH AS IMPORT VOLUMES, STORAGE STOCKS AND WHOLESALE PRICES IN AN EFFORT TO RESOLVE THE CONCERNS OF PROCESSORS.

Chicken Farmers of Canada (CFC)

The CFC continued to monitor key issues affecting the Canadian chicken industry, such as the Canadian consumer preference for chicken, perceptions regarding food safety and quality, and farm-animal care programs. A pilot project on animal care was initiated to develop a comprehensive program for Canadian chicken production. The CFC also worked with industry partners to enhance bio-security in the On-Farm Food Safety Program, *Safe, Safer, Safest*, ensuring that first-class food safety procedures and standardized food safety systems are in place on Canadian farms.

Although progress was made to improve the allocation-setting process, the CFC Board of Directors continued to focus attention on more improvements. The Council was encouraged by the willingness of the CFC directors to openly discuss improvements. The Agency has shown a commitment to determine the appropriate volumes of production for each period using credible market indicators such as import volumes, storage stocks and wholesale prices in an effort to resolve the concerns of processors.



In April 2005, the CPEPC filed a complaint regarding the CFC's allocation for period A-66 and the overall CFC allocation-setting process. The Council addressed this complaint in two stages. As a first step, both the CPEPC and the CFC Executives agreed to meet with the Council to present their views on the proposed allocation for A-66. The Council then met with the CFC Board of Directors to discuss the CPEPC's concerns. The meetings provided a forum for all parties to voice their concerns and discuss ways of improving the process.

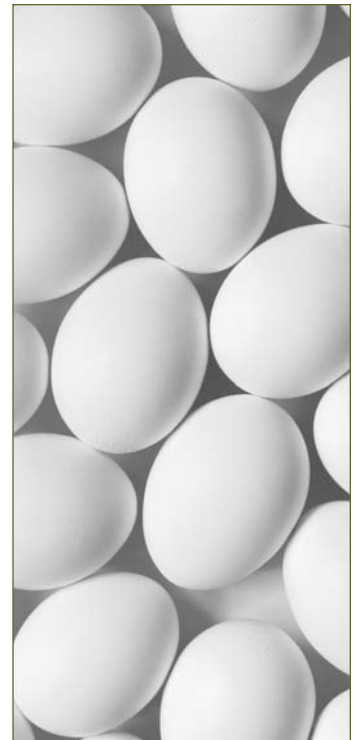
In early November, the CPEPC filed a second complaint with the Council concerning the CFC's quota allocation decision for period A-70. The Council was asked to solve recurring issues with the current system. The Council Chair met with key staff members from the CPEPC and the CFC to discuss the situation. This led to several suggestions with respect to improving the quota allocation-setting process and developing an action plan.

The CFC agreed to form a working group with the CPEPC to identify the most important market indicators to consider in determining quota allocations and then to analyze these indicators thoroughly. The Council commends the parties for taking this collaborative approach to resolving their differences and will follow progress of the working group's efforts with interest.

Canadian Egg Marketing Agency (CEMA)

The CEMA redesigned its *Marketing and Nutrition Plan*. Through this plan, the CEMA's goal is to increase egg consumption by promoting the positive health benefits of eggs. The Agency worked with doctors, dieticians and educators to improve the perception of egg consumption among patients and the general public.

The Agency also revised its cost of production survey. The last survey was completed in 1999. The CEMA and the provincial Egg Boards use the cost of production formula to determine producer price as well as the buyback value used in the Agency's industrial product program. The purpose of this new survey is to update the productivity indicators, i.e., rate of lay and feed conversion ratio. Preliminary work, including questionnaire development and sampling methodology, was completed early in 2005. On-farm interviews took place during the summer and fall and the final report was drafted in late 2005. The final version should be presented to the CEMA Board of Directors at the Agency's March 2006 meeting. The Council's Vice-Chair, Ron O'Connor, participated as an observer on this committee.



THE AGENCY BEGAN THE YEAR IN A GOOD FINANCIAL POSITION. A COMBINATION OF LOW-BREAKING STOCK EGG PRICES INFLUENCED BY US PRICES AND HIGHER THAN ANTICIPATED INDUSTRIAL PRODUCT VOLUMES HOWEVER, RESULTED IN THE AGENCY INCREASING ITS LEVY FOR THE LAST FOUR MONTHS OF THE YEAR.

The Agency began the year in a good financial position. A combination of low-breaking stock egg prices influenced by US prices and higher than anticipated industrial product volumes, however, resulted in the Agency increasing in its levy for the last four months of the year.

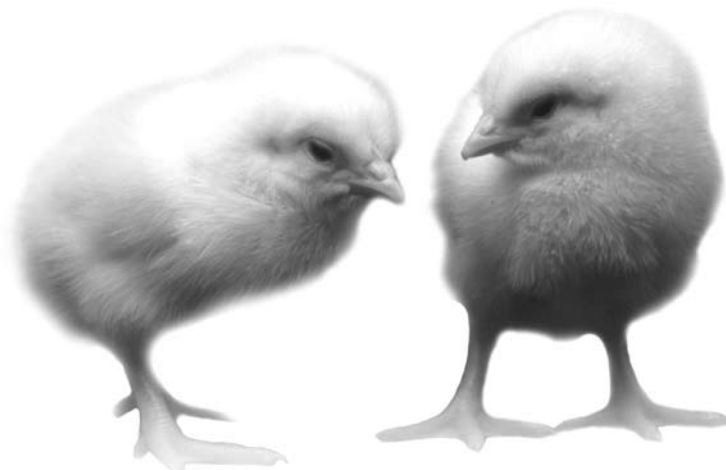
The Agency continued to audit egg producers to ensure they are following the Agency's on-farm food safety program, *Start Clean—Stay Clean*[®]. This HACCP-based program is delivered by the Agency's field inspectors to regulated egg producers, rating farms against objective criteria. The Agency has had an on-farm food safety program since 1989.

The Agency is also developing an on-farm food safety program for the industry's pullet growers. This program will be similar to the *Start Clean—Stay Clean*[®] program and should be operational in 2006.

The Saskatchewan signatories and three Saskatchewan egg farms filed an application in Federal Court for judicial review of the provincial allocations set out in the CEMA's quota order for December 26, 2004 to December 31, 2005. The Saskatchewan parties had filed a similar request for judicial review in 2004 concerning the quota period August 1, 2004 to December 25, 2004. The Federal Court consolidated the two review applications and has set hearing dates for early 2006.

Canadian Broiler Hatching Egg Marketing Agency (CBHEMA)

The Agency continued discussions with the Alberta Hatching Egg Producers to reach an agreement for the province to rejoin the Agency. The Alberta producers withdrew from the Agency in December 2004. The Agency also held discussions with producers from Saskatchewan and New Brunswick on joining the Agency.



[®]Registered Trademark of Canadian Egg Marketing Agency

The Agency focused its efforts on its FPA renewal. The FPA committee met in June to review the draft FPA, Schedule A of the *Proclamation* and Schedule B of the *Operating Agreement*. Work on the FPA and associated schedules was completed. The CBHEMA will forward the amended FPA to all signatories in 2006 for comment.

The Agency strengthened the bio-security aspect of its HACCP-based Canadian Hatching Egg Quality (CHEQ®) Program. The original technical review of the Program was done by the CFIA in 2005. In the Program, broiler hatching egg farms are audited according to good production practices and critical control points. The Program has three critical control points: medication used, sorting of hatching eggs and storage of any hatching eggs destined for federally-registered grading stations. The CFIA will be reviewing the changes in 2006.

Canadian Beef Cattle Research, Market Development and Promotion Agency

The Council prior-approved the Agency's first domestic levy order in March 2005. The national levy, set at one dollar per head, is collected on inter-provincial marketing of beef cattle. Four provinces (BC, AB, SK, NB) are collecting the levy based on signed agreements. The other provinces are collecting the levy voluntarily and remitting it to the Agency to support its promotion, research and market development business plan activities. The Agency continued to work with its provincial counterparts to implement the national levy collection system on the basis of signed agreements.

The Agency initiated efforts to develop and finalize the required documents necessary to establish a levy on imported beef cattle, beef and beef products. Agency staff also studied the option of collecting a levy on exports.



INDUSTRY ISSUES

The four national supply management marketing agencies co-ordinated their efforts in areas of common interest. The round of trade negotiations at the World Trade Organization (WTO) and the industry/government co-ordination to confront the AI outbreak were two such issues. BSE and its impact on trade continued to be an issue within the beef industry world-wide.

World Trade Negotiations (WTO)

Agriculture negotiations through the WTO were extremely busy as member countries set an ambitious target for progress in the Doha round. The objective was to resolve structural issues and focus on determining the level of ambition in preparing for the Ministerial Conference in Hong Kong in December.

Progress was made on several key issues at the sixth World Trade Organization Ministerial Conference in Hong Kong. All the participants recognized, however, that much remained to be finalized in 2006. Canadian poultry and egg industry representatives worked with Canada's politicians and trade negotiators to reinforce their position that over-quota tariff levels should not be reduced and that minimum access levels not be increased.

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Avian Influenza (AI)

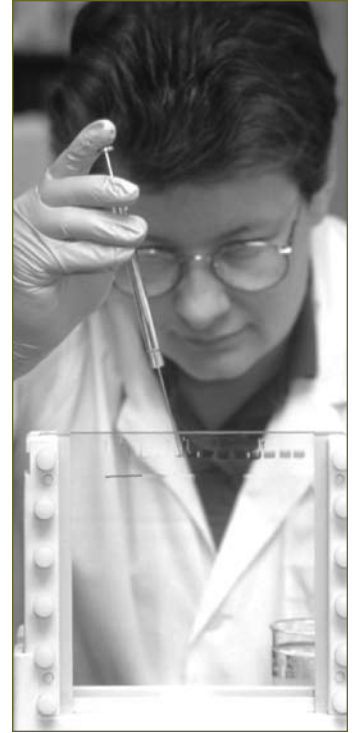
AI remained a top concern world-wide as high pathogenic strains of the H5 virus were identified. The Canadian poultry and egg industry went on high alert when a low pathogenic H5 strain of AI was found on a British Columbia commercial duck farm in November. Quick action through a self-imposed quarantine by the producer and the industry/government decision to depopulate the affected flock prevented an industry-wide crisis similar to the one experienced in 2004 when AI was discovered in the Fraser Valley. This quick action and follow-up surveillance resulted in the CFIA and the BC Ministry of Agriculture and Lands declaring poultry farms in two surveillance zones of the Fraser Valley to be free of AI. The surveillance zones and all related quarantines were later removed.

The national agencies and the CPEPC continue to work with the CFIA to develop an effective and efficient set of AI protocols. A co-ordinator was hired by the industry to liaise with the CFIA and Agriculture and Agri-Food Canada. The co-ordinator will focus on projects such as compensation, a pre-emptive cull program and general emergency management, and will also work with governments to implement a national foreign animal disease preparedness plan.

Bovine Spongiform Encephalopathy (BSE)

Since the confirmation of BSE in Canada in 2003, the federal government has worked closely with the Canadian cattle industry to improve the situation facing it. Canada surpassed its testing target established for 2005 BSE surveillance. As of June, 32,363 samples were collected and tested through the provincial and federal laboratory network.

Following a December 2004 decision to allow a wide range of beef and beef products from Canadian cattle of any age into Cuba, the Cuban government announced in March that Canada had been approved as a source of live cattle. As well, the US border opened to some classes of live Canadian cattle and an expanded list of beef products, including bone-in beef from animals under 30 months old. In December, Japan decided to reopen its market to Canadian beef from cattle verified to be less than 21 months old, once risk assessments and final administrative procedures are completed.





LOOKING FORWARD

The Council engaged in constructive discussions to develop the strategic vision for 2006–2009 with the national agencies and stakeholders who presented their plans and priorities as well as their most important concerns. During the Council's strategic planning session in the fall, an environmental scan of the Canadian poultry and egg industry was presented as well as a domestic and international snapshot of the Canadian agriculture and agri-food sector.

The strategic planning session provided the Council with a clear vision of its role and responsibilities in overseeing an effective and sustainable supply management system in Canada. The session underscored the evolution of the poultry and egg industry, the uncertain impact on the industry as a result of international negotiations on agriculture and the idea of a more consumer-oriented industry focused on innovation, efficiency and value chain principles.

Looking ahead, Council identified key priorities as well as challenges within the poultry and egg industry that need to be addressed. Council sees the following as its main priorities:

- work with the agencies and provincial supervisory boards to advance the renewal of the FPAs for poultry and eggs;
- strengthen its oversight role, ensuring that national agencies are operating according to their regulatory and legislative framework and authority;
- improve communication with national agencies and industry stakeholders, and foster dialogue among key stakeholders to enhance effective co-operation;
- continue to initiate activities, conferences and workshops that address current and emerging domestic and international poultry and egg issues to build a knowledge-based industry; and
- strengthen internal administration with sound management practices that allow the Council to monitor its performance against its strategic objectives.

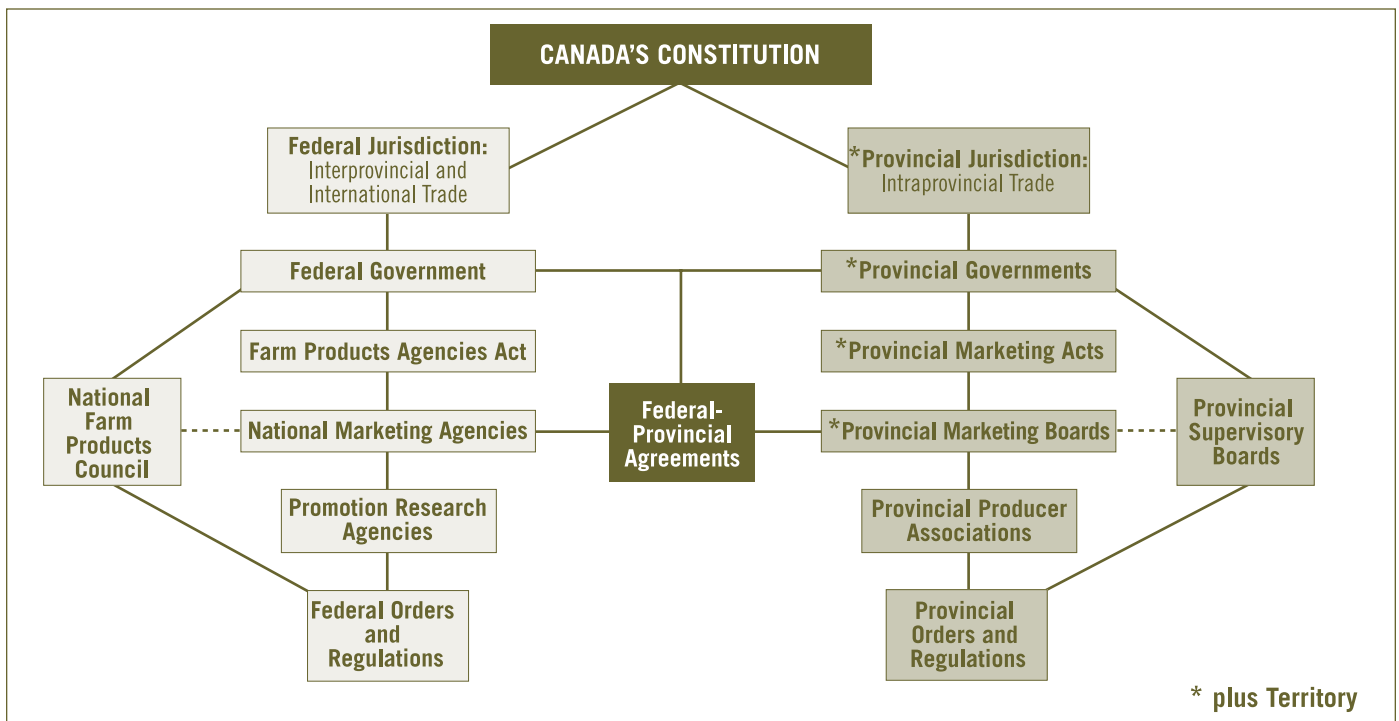
The Council is aware of the challenges in achieving these strategic priorities. Nevertheless, it is optimistic about the promising and exciting future. The Council is prepared, confident and secure that it has the support of its members, staff, the national agencies and industry partners.

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. Any national program must be constructed to respect these two separate but interlinked jurisdictions. The federal government and each province, pursuant to the *Constitution*, put in place a framework within their own jurisdiction and authority. Structurally, the frameworks have similar parallel components, although at the provincial level, there may be some distinctly provincial features.

The supply management system is built on four key legal foundations.

- The *Farm Products Agencies Act* enables producer groups to set up national marketing agencies.
- Federal proclamations establish each of the national marketing agencies.
- Provincial and territorial legislation govern commodity and supervisory boards.
- Federal, provincial and territorial agreements provide the details for operating the system by setting out how each national marketing agency will operate.



STAKEHOLDER CONTACTS

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Website: www.canadaegg.ca

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Mr. Tim Lambert, Chief Executive Officer

Chicken Farmers of Canada

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Website: www.chicken.ca

Contact: Mr. David Fuller, Chairperson
Mr. Mike Dungate, General Manager

Canadian Turkey Marketing Agency

Phone: (905) 812-3140

Website: www.canadianturkey.ca

Contact: Mr. Brent Montgomery, Chairperson
Mr. Phil Boyd, Executive Director

Canadian Broiler Hatching Egg Marketing Agency

Phone: (613) 232-3023

Website: www.cbhema.com

Contact: Mr. Ed de Jong, Chairperson
Mr. Errol Halkai, Executive Director

The Canadian Beef Cattle Research Market Development and Promotion Agency

Phone: (403) 275-8558

Website: www.cattle.ca/nco/checkoff.htm

Contact: Mr. Marlin Beever, Chairperson
Mr. Rob McNabb, Executive Director

Canadian Poultry and Egg Processors Council

Phone: (613) 724-6605

Website: www.cpepc.ca

Contact: Mr. Shelly Mandell, Chairperson
Mr. Robin Horel, President and CEO

Further Poultry Processors Association of Canada

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Contact: Mr. Ross MacLeod, Chairperson
Mr. Robert DeValk, General Manager

PROVINCIAL SUPERVISORY BOARD CONTACTS

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Saskatchewan Agri-Food Council

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Contact: Mr. Garf Stevenson, Chairperson
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Manitoba Farm Products Marketing Council

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Contact: Mr. David Gislason, Chairperson
Mr. Gordon Mackenzie, Director

Ontario Farm Products Marketing Commission

Phone: (519) 826-4220
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Mr. John Colford, Advisor

