



FOCUS

Newsletter

November
2005

National Farm Products Council



Council News

Strategic Planning Session

The Council met on October 12 and 13, 2005 in Ottawa to discuss its strategic vision for 2006-2009. At the session, Council staff presented the poultry and egg environmental scan and two guest speakers from the department of Agriculture and Agri-Food Canada (AAFC) were invited to present the domestic and international snapshot of the Canadian Agricultural Policy Framework.

Mme **Suzanne Vinet**, Assistant Deputy Minister, Strategic Policy branch presented the outlook of AAFC's domestic agriculture policy and its link to the government perspective.

Mr. **Graham Barr**, Director, Multilateral Trade Policy division gave the status of the WTO agriculture negotiations and presented the next steps towards the December 2005 Ministerial Conference in Hong Kong.

Council Meeting

On October 14, 2005 Council considered the 2005/2006 Quota Order proposed by the Canadian Turkey Marketing Agency (CTMA). Council reviewed the supporting material and rationale provided by the Agency plus the staff reported on its investigation into a complaint from B.C. on the Agency's allocation methodology and its quota order. Based on its deliberations Council declined to prior approve the order.

Council recognized the considerable effort taken by the Agency and its allocation committee over the past year relating to revising its allocation methodology and encouraged all parties to continue with this process. The Council remains available to meet with the CTMA and its members to further discuss any outstanding issues in respect to this important work.

Members discussed comments received on the new complaint guidelines and agreed to implement these guidelines. Further drafting work will be undertaken.

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COMMENTS or QUESTIONS

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Council Meeting Dates for 2006

During Council's October meeting, members were presented with the meeting schedule for 2006 for their consideration:

| | |
|-----------------|---------------|
| January 25-26 | Ottawa |
| March 21 | Ottawa |
| May 11-12 | Ottawa |
| June 14 | Charlottetown |
| September (TBD) | Ottawa |
| December 12-13 | Ottawa |

The Agency's financial position is projecting a year-end total balance of \$31.5 million. Of this total, \$24.5 million is in the pooled income fund. The remaining balance of \$6.962 million is in the administration fund.

The Marketing Manager presented CEMA's Marketing and Nutrition Plan for 2006. The specific objective for 2006 is to increase consumption of shell eggs in Canada by 3% or approximately 6.5 million dozen. The budget for 2006 is \$8.764 million, up \$452.5 thousand dollars from the 2005 budget, a 5.4% increase.



Agency News

Chicken Farmers of Canada

On September 7, 2005 Chicken Farmers of Canada established a domestic allocation of 135.8 Mkg for period A-69 (December 11, 2005 to February 4, 2006). Provincial commodity board directors excluding Saskatchewan voted in favour of the allocation.

Canadian Broiler Hatching Egg Marketing Agency

On October 14, 2005, Council considered and prior-approved the Agency's final 2005 quota regulation and its preliminary 2006 quota regulation.

Canadian Egg Marketing Agency

The Agency had its open Board meeting on Wednesday September 28th. A number of issues were discussed, including an update of the current round of trade negotiations at the WTO, update on the processor contract, a review of current statistics as well as the Agency's fund balances.

The Directors also reviewed a draft Quota Leasing Policy. The Agency staff has been asked to integrate the Agency's animal care program into the Quota Leasing Program.

Agency staff presented 5 years of data on eggs coming into Canada in excess of Canada's TRQ commitments:

| | |
|--------------------|---------------|
| 2001 | 66,398 dozen |
| 2002 | 48,870 dozen |
| 2003 | 128,520 dozen |
| 2004 | 147,292 dozen |
| 2004 (Jan to July) | 63,892 dozen |
| 2005 (Jan to July) | 599,887 dozen |



International News

New poultry plants in Brazil



Two massive processing plants are being built by Sadia in Mato Grosso, Brazil, moving the centre of Brazil's poultry industry to the west. Both facilities

will be able to process half a million birds a day.

Sadia predicts that Mato Grosso, responsible for only 1.7% of the 4 billion birds processed last year, and for 1.9% of the 2.4 million tonnes exported, could become Brazil's leading producing and exporting state within the next few years.

The project means that Sadia will leapfrog over its main rival Perdigao. In the meantime, Perdigao, which already has plants in the neighbouring centre west state of Goias, is to build a smaller plant in Mato Grosso.

The new Sadia project, which will be supplied from 500 integrated farms, will include a \$500 million US feed processing mill. While Sadia plans to contribute half of the funding, the integrated producers are expected to contribute the balance.

Sadia stated that the ability to reduce feed costs by 10-15% will justify chicken being produced in Mato Grosso. The company plans to export 60% of it, with some of the rest being further processed at the new factories, which will reach full capacity in 2009. (Source: *World Poultrymeat*)

WTO in favour of Brazil & Thailand



The World Trade Organization's Appellate Body, which reviews court decisions



and settles WTO disputes, upheld its decision favouring Brazil and

Thailand regarding imports of frozen chicken cuts in Europe.

It concluded that the EU had acted inconsistently with GATT trade rules drawn up in 1994 and in doing so had restricted benefits owed to Brazil and

Thailand. They have requested the European Communities to conform their regulations to GATT trade obligations.

The problem concerned frozen, boneless chicken cuts with a salt content of between 1.2% and 3%. A panel concluded that lightly salted poultrymeat should be included in heading 02.10 of the EC Schedule of tariff commitments that relates to preserved poultrymeat.

The EU challenged the explanation on a number of legal points, including the interpretation of the word 'salted'. It claims that vast amounts of poultrymeat are being lightly salted just to qualify for the lower tariff. (Source: *World Poultrymeat*)

Brazilian Poultry Expands

According to a report published by the U.S. Foreign Agricultural Service, Brazil's chicken production is expected to increase by 5% in 2006 over 2005's record-high production.

The strong growth can be attributed to a continued increase in domestic demand along with a strong export market. Brazilian chicken consumption is projected to increase 4% in 2006 while exports are projected to increase 7%.

Domestic demand remains strong because chicken is more affordable than beef or pork and the foodservice industry is providing a variety of products such as frozen and pre-cooked meals, chicken burgers and nuggets. The Brazilian poultry industry is shifting to more value-added meats and parts, although a large part of production, 45%, remains whole birds.

Brazil's biggest export markets include China, Japan, Russia and the European Union. Exports to Asia and Europe have increased due to avian influenza in Asia and Eastern Europe. Canada's imports of chicken from Brazil are 10.0 million kg, which represent a decrease of 35% compared to the

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same period last year (Jan 01 - Oct. 08). The decline can be attributed to the increased price of Brazilian chicken and increased exports to other markets, mainly the European Union and Asia. (*Source: Feedstuffs and AAFC*)

NCC Annual Conference

NATIONAL CHICKEN COUNCIL

On October 5-6, 2005, the Council's Vice-Chair **Ron O'Connor** and staff member **Kevin McBain** attended the National Chicken Council's 51st Annual Conference in Arlington, Virginia.

The meeting provided an opportunity to hear first hand issues of concern to the U.S. poultry industry. Guest speakers included **Bob Goodlatte**, Chairman of the House Agriculture Committee and **Dale Moore** who was representing **Charles F. Conner**, Deputy Secretary U.S. Department of Agriculture.

Both speakers presented challenges related to developing the next U.S. Farm Bill given the ongoing WTO Trade negotiations and the budget situation in the U.S. Access to the Chinese market was seen as a major challenge, while at the same time a major opportunity. Maintaining access to the Russian market for U.S. chicken was also seen as a priority. They spoke about the need for significant reform and greater market access.

Former Secretary of Homeland Security and Former Governor of Pennsylvania, **Tom Ridge** spoke about U.S. Security and the war on terrorism. According to Ridge, the current situation in the U.S. is not unlike the cold war, when the U.S. and the former USSR had thousands of nuclear missiles pointing at each other. This is another geopolitical reality that Americans will deal with.

A *Situation and Outlook* panel examined the economic and commodity trends for the upcoming year. Continued growth in U.S. meat consumption,

led by chicken will continue. Chicken consumption is expected to grow by 1 to 2% in U.S. domestic demand due to: health and wellness trends; chickens affordability at a time of reduced purchasing power; and, because beef prices should decline little in the year ahead.

U.S. chicken exports are up 22% so far in 2005 (January to July), significantly above the average growth seen in the prior five years (as a result, leg quarter prices are near historical highs). Exports have been fueled by the outbreak of AI in key producing countries and also due to economic growth in emerging markets like Russia, China and Mexico.

Continued economic growth in key emerging markets and the fact that key producing countries in Asia are having little success in reversing the trends of AI should continue to drive export growth in 2006. While Brazil was categorized as being a potential long-term threat to the U.S. industry, JP Morgan believes that at this time there is little overlap between the U.S. export focus on leg quarters (dark meat) and Brazil's export focus on whole bird and white meat parts.



Eggs Hold Food Safety Secret

Food scientist Professor **Yoshinori Mine** and candidate of the Department of Food Science **Zeina Ghattaskassaify** of the University of Guelph believe it's only a matter of time before antibiotics are banned from poultry feed and they claim a solution to this problem has been found, "give birds a taste of their own medicine!"

They have discovered that adding powdered egg yolks to poultry diets can stop disease and the spread of antibiotic-resistant bacteria by eliminating

harmful pathogens from colonizing in the intestines of birds and spreading to humans.

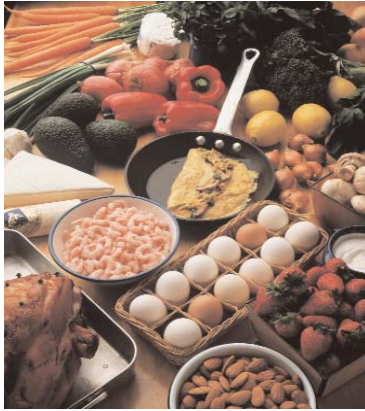
"We discovered just feeding five percent normal egg yolk

powder to chickens can prevent salmonella infection in poultry, and also if the flock already has infection by salmonella or campylobacter, we can eliminate these pathogens by feeding this supplement," said Professor Mine.

According to Mine, the secret ingredient is something called granule proteins, a major component of egg yolks. As powdered egg yolk is digested, granule proteins are reduced to smaller protein components known as peptides. These peptides eliminate pathogens from the chicken by attaching to the bacteria and making them vulnerable to natural breakdown in the bird's intestinal tract.

"It works well, actually," Mine said. "The only problem we have to solve is the economical impact. It's still a little expensive." Mine says that in Canada we already have a serious problem in terms of antibiotic-resistance strains of these pathogens, adding that the European Union will completely ban antibiotics as feed additives by 2012.

The University of Guelph has applied for a patent on the feed supplement and has licensed it to a Canadian poultry company. The priority will be given to a local Canadian company to develop the product. "We are now working together to bring this idea to the farm level," said Mine. (*University of Guelph*)



Turkey the new fast food

Fast food restaurants are now serving up healthier turkey choices and this new trend is impacting the fast pace life of the Canadian consumer. So far this year, turkey production has reached 56 million kilograms, almost six million kg higher than at the same time last year.

John Sheldon, Manager - Markets Information with the Canadian Turkey Marketing Agency said, "This increase can be traced back to the buying habits of fast food restaurants, adding the industry has really taken off in the past year."

Ron Christianson, of McDonald's Canada, said that their restaurant chain offering a healthier meat alternative was a natural choice, since it was already being used in places such as Subway and Tim Horton's.

"When we got into the deli sandwich menu category, that particular segment within Canada was already at \$2 billion business, and as such, we knew that customers were looking for that sort of a product." He added, "The sandwich that we have the turkey meat as part of is *The Turkey B.L.T.* and it has actually become one of our most popular toasted deli sandwiches."

The higher levels of white meat have also resulted in more dark meat, but Mr. Sheldon said that hasn't been a problem. "From what I can see, that dark meat is being absorbed within Canada quite easily. It is used in turkey kebobs and ground turkey meat."

According to him, the industry is doing its best to keep up with the new trends. The increased demand fits in with a lot of things that are going on in society. (*Source: Western Producer*)



Grocery Innovations Canada 2005

This year, Toronto hosted the 6th edition of the *Grocery Innovations Canada 2005*



on October 24 and 25. The event is considered one of the most popular trade shows by key industry players and attracts more than 6,000 industry attendees.

This forum is recognized as a significant business booster for the grocery industry, involving over 500 exhibits of grocery products from national brand, imported and Canadian food processors as well as the newest store equipment and services.

The GIC 2005 works in partnership with the Canadian Federation of Independent Grocers (CFIG), the Food and Consumer Products of Canada (FCPC) and the Canadian Association of Sales and Marketing Agencies (CASMA) with support from Agriculture and Agri-Food Canada and Canadian Grocer Magazine.

Worldwide Food Expo 2005

More than 30,000 attendees from 100 countries visited this year's 2005 *Worldwide Food Expo* in Chicago, IL on October 26-29, 2005.



This event offered participants from the global food and beverage industries the

opportunity to visit and learn about new technologies, trends and ideas.

The *Worldwide Food Expo* is the largest food and beverage processing and packaging event in the world, covering more than a million square foot of exhibits and featuring over 1,200 of the world's leading suppliers.

Two special events were featured at this year's expo, the *AMI*

International Meat, Poultry & Seafood Convention and Exposition and the Food, Dairy & Beverage Exposition.



The first event for the meat, poultry and seafood industry featured the latest innovations in processing and packaging equipment, business and processing software systems, supplies and services.

It also offered seminars from experts speaking on consumer trends, business technology, food safety, management and human resources, operations, regulatory issues and much more.

The second event, the Food, Dairy & Beverage Exposition allowed participants to explore new ideas in product development, processing and packaging for dairy, beverage, prepared meals, condiments, grocery, frozen food, confection, snacks and other foods.

Exhibitors from the food and beverage processing industries showcased their latest

innovative technologies and used this time to network with industry leaders. Participants attended world-class sessions to learn what works today for cost efficiencies, innovation and business success.



Other News

BBQ Helps Gulf Victims

In late September 2005 more than 4,000 people gathered on Parliament Hill to purchase a BBQ meal in support of the Red Cross relief efforts for Hurricanes Katrina and Rita.



The burgers were cooked by **Prime Minister Martin**, U.S. Ambassador **David Wilkins**, Canadian Red Cross Secretary General Dr. **Pierre Duplessis** and a group of MPs including party leaders **Stephen Harper**, **Gilles Duceppe** and **Jack Layton**.

"We thank the Caucus Chairs for organizing this extraordinary event today," said Dr. Duplessis. "It is a great honour to once again witness the incredible generosity of Canadians."

The barbecue was led by MP **Andy Savoy** and was supported by numerous corporations and organizations that provided assistance at the BBQ along with several Red Cross and Parliament Hill volunteers.

Dr. Duplessis stressed, "That it is the most vulnerable survivors of such disasters who turn to the Red Cross for their most basic needs—food, clothing, shelter and financial assistance."

The event closed with Ambassador Wilkins thanking the crowd and especially Canada for their amazing support. "You were there quickly, you were there with eagerness when we needed you and we will never forget it," said Ambassador Wilkins. "We will never forget your friendship." Since Hurricane Katrina struck, Canadians have donated more than \$15 million to the relief efforts. The American Red Cross estimates their relief programs for the hurricane will cost more than \$2 billion US. (Source: Red Cross)

Canada works to advance WTO negotiations

The Honourable **Andy Mitchell**, Minister for Agriculture and Agri-Food and the Honourable **Jim Peterson**, Minister for International Trade released on October 10 a joint statement following the conclusion of World Trade Organization (WTO) discussions held in Zurich, Switzerland, on the U.S. proposal regarding agricultural export subsidies:

"The Doha agriculture negotiations represent a real opportunity to level the international playing field for Canadian producers. Since the start of the negotiations, Canada has sought the elimination of export subsidies as quickly as possible, the maximum possible reduction or elimination of all forms of trade-distorting domestic support, and substantial improvement in market access for all agriculture and food products. We are also committed to defending the ability of producers to choose how to market their products.

One of our key priorities has been to achieve substantial reductions in trade-distorting domestic support, particularly by the highest spenders, the European Commission and the United States. The negotiations had been stalled, and Canada

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appreciates the fact that the United States has now taken steps to move the negotiations forward.

Their new ideas on domestic support, including proposed cuts to 'amber' and 'blue box' amounts as well as *de minimis* are a serious contribution, and we are hopeful that their initiative will lead to meaningful reform and changes to farm support programs.

As the negotiations move forward, Canada will continue to seek meaningful cuts in actual domestic support spending levels. We will also pursue the implementation of disciplines governing blue box payments that ensure they are truly less trade-distorting than amber payments.

We welcome the suggestion that export subsidies should be eliminated by 2010. The elimination of all forms of agricultural export subsidies has been a long-standing Canadian objective.

While Canada is prepared to address the financing issues related to export state trading enterprises (STEs), we firmly believe that there is no justification for further disciplines on STEs such

as the Canadian Wheat Board, which has been found time and again to be trading fairly.

There remains considerable work on market access, particularly in relation to the appropriate treatment for sensitive products, including the need for flexibility. We need to focus much of our attention on these issues in the coming days.

Today's meeting also saw positive movement toward Canada's objectives for a tariff reduction formula that provides real market access for non-agricultural goods, and a process that will guarantee commercially meaningful access for Canadian services. Canada also highlighted the importance of rules and movement on the development agenda.

Thus there is much to be done if modalities are to be developed for the Hong Kong Ministerial meeting, slated for December 2005. Canada is committed to working at both the political and officials levels to ensure a meaningful outcome.

We hope that this initiative will provide a much-needed impetus to move the agriculture negotiations forward—something that is urgently needed."

Upcoming meetings - 2005

November

| | | |
|------------|---|---------|
| Nov. 9-10 | Canadian Egg Marketing Agency | Ottawa |
| Nov. 22-23 | Chicken Farmers of Canada | Ottawa |
| Nov. 22-25 | Canadian Broiler Hatching Egg Marketing Agency | Ottawa |
| Nov. 29-30 | Canadian Turkey Marketing Agency | Toronto |
| Dec. 1 | | |

December

| | | |
|------------|--------------------------------|-----------|
| Dec. 7-8 | National Farm Products Council | Ottawa |
| Dec. 13-18 | WTO Ministerial Conference | Hong Kong |



Did you Know?



It was once believed that merely touching a wishbone would bring you good luck. Squabbles over the bones eventually led to the custom of tugging them until they snapped, and the holder of the longer piece would be granted a wish.
(Source: CTMA)