



# FOCUS

## Newsletter

September  
2005

National Farm Products Council



### Council News

#### *Conference Call*

The Council met by teleconference on August 23rd. Council approved the chicken quota allocation for period A-68 (October 16 to December 10, 2005) and approved the amendment to CEMA's levy order which increased the federal levy by 2 cents per dozen effective August 28, 2005.

Council members also received an update on the status of the complaint received from the B.C. Turkey Marketing Board against the CTMA's new allocation methodology and the resulting quota order for 2005-06.



### Agency News

#### *CFC Sets Allocation for A-69*

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) and Market Development allocation of 8.0 Mkg.

In the setting of A-69 a thorough examination of market conditions took place and officials from International Trade Canada provided directors with a presentation on the workings of the Import for Re-Export Program and its administration.

All directors but Saskatchewan voted in favour of the allocation. Council will be considering the quota order for prior-approval in the near future.

#### *Council Prior Approves A-68*

On August 23, 2005 the Council prior-approved the Chicken Farmers of Canada quota order for Period A-68 (October 16 to December 10, 2005), which established a domestic allocation of 136.8 Mkg.

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#### COMMENTS or QUESTIONS

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## *CTMA Quota Order Pending*

As reported in the August issue of Focus, the British Columbia Turkey Marketing Board has filed a complaint with Council against the Agency's allocation policy and the proposed quota regulation for the 2005-06 control period.

As part of the Council's revised guidelines for handling complaints, Council staff is conducting an investigation into the matter and a report of the investigation will be presented to Council members before the next Council meeting on October 14th.

## *CEMA proposed levies amendments*

Council prior-approved the Agency's proposed levies amendments on August 23, 2005. The CEMA levy increased from 27 to 29 cents per dozen effective August 28, 2005. The levies order expires on December 31, 2005.

CEMA reported that the levy increase was required in order to end the year with a balance in the Pooled Income Fund above the minimum trigger point of \$15 million. Two factors were driving the forecasted balance in the Pooled Income Fund below the minimum trigger by the end of 2005. The first was industrial product volumes expected to rise by 7.8% in 2005. The second is the lower than anticipated CEMA selling price for the industrial product volumes.

In prior approving the levies order, Council requested the Agency provide a comprehensive plan for financing any anticipated losses in the Pooled Income Fund for the coming year.

## *CEMA introduces new promo ads*

Starting in September 2005, the Canadian Egg Marketing Agency began a series of new energetic TV ads illustrating the role of eggs as a contributing factor to enhancing active lifestyles.

Groups of break dancers have been working the subways in the Toronto and Montreal area demonstrating to commuters how eggs are the ideal food for dynamic people. Eggs are a good food choice because they are high in protein and contain 14 essential nutrients.

(Source: CPEPC Highlighter)



## **International News**

### *Tyson Foods and Katrina*

On September 19, Tyson Foods Inc. Chief Executive **John Tyson** said, "Damage from Hurricane Katrina will cost the company between \$10 million to \$15 million U.S., about \$5 million less than estimated last week."

He added, "The revised estimate reflects lost production from plant shutdowns, the loss of 1 million live birds and frozen products in storage in Mississippi and Louisiana as well as approximately 200 chicken houses were destroyed or damaged."

### *Katrina interrupts production*

## **Hurricane Katrina**

**H**urricane Katrina disrupted broiler production in the Gulf region and damage is still being assessed. Although damage in specific areas has been heavy, it is expected to have limited short-term negative impacts on U.S. broiler production.

The impact on contract growers has been through loss or damage to grow-out houses and the extended loss of electrical power and initial lack of fuels for backup generators.

Processors have also been hit with power outages, employees are concerned with family situations, and transportation problems getting birds to plants and products to buyers.

The second-half broiler production forecasts are reduced from last month, primarily because broiler hatchery and laying flock data indicate a slower pace of production.

Broiler exports are reduced, reflecting weaker-than-expected exports in the second quarter. The destruction to key gulf coast ports has also forced the redirection of exports as a large percentage of overseas shipments normally went through these ports. The disruptions are expected to be relatively short-term, as firms shift exports to other ports.

## *Brazil exports hit a record high*



**I**n the first eight months of 2005 Brazil has exported 1.826mt of poultry meat, an increase of 16% over the same period last year. Close to 30% of its total production will be exported this year compared to 27% in 2004

The price for its poultry meat exports continues to rise also. The average price in August was US\$ 1,242/tonnes compared to US\$ 965/tonnes in August 2004. Brazil's exports are expected to earn about 25% more in 2005 than the US\$ 2.6 billion earned last year.

China is getting 90% of its chicken from Brazil now that its traditional supplier, Thailand, is experiencing bird flu problems.

Another emerging market for Brazil is Russia as Russia has imported 30% more chicken from all sources so far this year compared to 2004, much of it from Brazil.

## *Russia sees more meat imports*

**T**he Ministry for Russian Economic Development and Trade has forecasted an increase in grain and meat imports



for 2006 to 2008. They said imports of many food products would remain high.

Russia's imports for the first six months are up 33% compared to the same period of last year. High domestic meat prices keep the import market strong. And while Russian poultry production continues to grow rapidly, demand is still greater than supply.

Chicken consumption in Russia is up 5% from 2004 and is expected to increase another 6% in 2006.

This growth in consumption is attributed to steady investments in production and processing facilities along with rising prices of competing meats and the continued introduction of new processed poultry products.

## *Pascal Lamy takes office (WTO)*

**A**fter a process lasting several months, **Pascal**



**Lamy** was appointed director-general of the World Trade Organization and began his official position on September 1, 2005.

Many WTO members, especially developing nations, are counting on Mr. Lamy's abilities as a facilitator and the right person to talk rich nations into opening up their markets for imports from poorer countries.

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"What I believe the WTO can do is make trade work more for development," he said. "Build rules and implement them in a way which makes the developing countries feel that they are beneficiaries and not victims of the system. This is, I think, the crucial issue."

One of his objectives is to conclude the stalled global trade talks by the end of 2006. The Doha Round has been held up largely by bickering over the highly protected agricultural markets in the US and Europe.

Recently Mr. Lamy declared that his "priority number one" will be to prepare for the next ministerial conference in Hong Kong this coming December. The conference is expected to approve a draft deal on lowering trade barriers. (Source: [www.wto.org](http://www.wto.org))

## *Ave Expo Americas 2005 - Brazil*

August 17 - 19 saw close to 2,000 participants and 100 exhibitors from Brazil and 21 other countries participating in the first International Aviculture Forum. This event was organized in response to the continued strong growth being experienced in South American production and export of poultry meat around the world. The event was held in the southern Brazilian State of Parana, home to major poultry production and processing facilities.



Attendees were able to participate in a number of seminars dealing with issues such as poultry nutrition, bio security, avian influenza, management and animal welfare. In addition, there were presentations on the world poultry meat market, export plans by Brazil, Argentina and the United States of America and consumer trends in the European Community.

Of particular interest to South American producers and exporters was the information shared regarding

the upcoming EU restrictions on imports from countries using antibiotics in their poultry rations. A number of international speakers, including Canada's **Robert Gauthier** from JEFO Nutrition Inc. of Saint-Hyacinthe, outlined developments in the use of alternatives to antibiotic use in the production of poultry meats such as enzymes, organic acids and essential oils.

On the export market side, Brazilian data showed the impact Avian Influenza in Asia and North America has had on their increasing world wide marketing's. 2005 exports have already reached the projections set for 2006. Of note, Argentina is also exhibiting improved growth in their poultry meat production and exports stating their industry goal is to be the second largest poultry meat exporter after Brazil.

For further information on this Forum, readers may contact **Terry Hayward**, NFPC's Executive Director at [haywardt@agr.gc.ca](mailto:haywardt@agr.gc.ca) or by phone at 613-995-0682

## *US retailing: not what you thought?*

During this year's National Chicken Council (NCC) seminar, key themes that emerged were new channels of trade, new products, innovation, differentiation and a determination to drive down costs and save consumers time.

American retail conditions have changed over the past four or five years. Adding value and identifying specific consumer demands in a competitive marketplace will be vital for continued growth in chicken sales.

"Value added is the key," **Jon Hauptman**, vice-president of Willard Bishop Consulting, told the participants." This is a great way for you to help your customers to stand out in the crowd."





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Presenting a paper entitled *Maximizing Chicken's Success in the New Retail Environment*, and referring to a major retail study, Hauptman said, "Added value will drive growth." He added, "The environment has completely changed, emphasizing that the major issue for manufacturers was how to stand out in an increasingly competitive marketplace."

The marketplace has had to broaden and adapt to a much wider range of retail formats. Two of the top retailers, Wal-Mart and Costco, were considered alternative formats three years ago, but have already elbowed their way past the established giants such as Safeway, Ahold and Winn Dixie.

Conventional supermarkets will continue to have an advantage with perishables, including chicken. "Perishables will be a foundation stone of future growth," said Hauptman. "You have a great opportunity to support new formats. One size will not fit all in the new retailing environment. It will need the right products, innovative merchandising and creative, relevant promotions."

For now, as the number of consumer visits to traditional supermarkets declines, a variety of smaller national chains are springing up and growing fast. Drug stores are selling groceries, groceries are diversifying and even Sears and Ikea are new competitors in the retail food business.

Hauptman is predicting that specialist retailers will offer customized products for their market, and ethnic retailers will thrive. He added, the industry could also help their traditional markets to survive by offering them new products to help them stand out.

He foresees 24% more non-traditional formats joining the market in the next four to five years and non-traditional, led by "supercenters" will account for 36.5% of growth. "In a few years, traditional supermarkets will account for less than half the marketplace," Hauptman said.

## *Taste for chicken still growing*

According to a new survey conducted by the National Chicken Council (NCC), American's taste for chicken continues to grow and diversify. Overall, 90% of adult Americans ate chicken at least once in a two-week period according to the survey, which was done this past June.

Four out of five respondents (81%) ate chicken bought from a grocery store. Two thirds (66%) reported eating chicken at a restaurant at least once in a two-week timeframe, up from 63% in 2001.

"The survey offers encouraging indications that Americans are eating chicken more frequently and are enjoying a wider variety of chicken products," said **Steve Kern**, vice-president of sales and marketing for the company Amick Farms.

Mr. Kern presented the results at the annual chicken industry marketing seminar. He said, "The market penetration levels for both retail grocery and foodservice channels are impressive." Kern reiterated the view of **Jon Hauptman**, vice-president of Willard Bishop Consulting, that new products were one of the main reasons that consumer were still buying more chicken.

Last year, chicken salad was part of the wave of new products that stimulated growth. Fresh salad with chicken was eaten by 35% of respondents in the past month. Chicken strips were eaten by 30%, hot rotisserie by 28%, spicy or buffalo chicken wings by 26% and chicken nuggets by 25%. New entrées are proving popular in the U.S.

Mr. Kern's concern is that overall trend is a little softer than it was last year. He added, "When you add that to the additional capacity we have coming on in the industry, we really have to work hard to keep consumption up."



## Portfolio News

### *New President at CFIA*

On September 12, 2005, Mr. **François Guimont** became President of the Canadian Food Inspection Agency replacing Mr. **Richard Fadden**.

Mr. Guimont was previously Associate Deputy Minister for Public Works and Government Services.

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## *US tagging plan gears up*

The U.S. has announced it will be introducing a new identification system for poultry, as well as for cattle and pigs. Poultry will be the first livestock to be tagged.

They are getting ready to launch an electronic identification plan, designed to trace livestock through the production and processing chain. This system is designed to track where an animal has been, mostly in the event of a disease outbreak, the National Animal Identification System (NAIS) is being established across America.

The system isn't expected to be fully implemented until 2008, but information sessions are underway. Some features of the NAIS include electronic tags and property identification codes similar to those used in Australia.

shares of A&P Canada for a consideration of \$1.7 billion. This deal follows the approval of customary conditions, including the approval of the Toronto Stock Exchange (TSE) and is in accordance with terms that were previously announced.



Following the acquisition of A&P Canada, Metro Inc. now has a network in Quebec and Ontario of 579 food stores operating in the conventional and discount food retailing sectors. Metro Inc. holds the second largest market share in the food distribution and retailing business in Quebec and Ontario with nearly \$11 billion in sales and more than 65,000 employees.

## *Making white meat from dark*

Recently a food and poultry scientist at the University of Georgia has perfected a method of converting dark chicken meat into white meat which resembles processed breast meat.

For now, it is aimed at fast food and other institutional feeding markets and not for retail sale direct to consumers.



## *Metro to buy A&P Canada*

Metro Inc. has completed the purchase of all of the issued and outstanding common

“ This sector (chicken) is one of the success stories that supply management has helped to write. I know that the Ontario government appreciates the value of this system. **The Honourable Leona Dombrowsky, Minister of Agriculture, Food and Rural Affairs** CFC 2005 Summer meeting ”

## *Upcoming meetings - 2005*

### *October*

Oct. 12-13	National Farm Products Council (Strategic Planning Session)	Ottawa
Oct. 14	National Farm Products Council	Ottawa
Oct. 24-25	Cdn Poultry and Egg Processors Council	Montreal

### *November*

Nov. 2	Chicken Farmers of Canada	Ottawa
Nov. 9-10	Canadian Egg Marketing Agency	Ottawa
Nov. 22-23	Chicken Farmers of Canada	Ottawa
Nov. 22-25	Cdn Broiler Hatching Egg Mktg Agency	Ottawa
Nov. 29-30	Canadian Turkey Marketing Agency	Toronto