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Prepared By: Mihai Lupescu

Approved By: Evan Mangino

Report Highlights:

FAS/Canada projects modest growth in chicken meat production in 2021, as federal and provincial governments as well as consumers remain cautious in response to the ongoing COVID-19 pandemic. Calendar year 2021 import tariff rate quota volumes are expected to reach nearly 105,000 metric tons (MT), of which 49,000 MT will be available exclusively to U.S. suppliers following USMCA implementation. FAS/Canada expects the United States to maintain a greater than 80 percent share of total Canadian chicken meat imports in 2021. Keywords: Canada, Poultry, Chicken

Note Regarding Reporting Change:

This report provides *chicken meat* estimates and forecasts for 2019-2021. The prior *broiler meat* series has been discontinued and will not be revised or updated in the future.

Official USDA data is available via the [PSD database](#). The October 2018 data release included a historical *chicken meat* series back to 1999. The *broiler meat* series terminated with 2016 data.

Chicken meat is defined as meat of domestic fowl (*Gallus gallus/Gallus domesticus*) including all chickens: broiler, layer, hybrid, domestic breeds, spent hens, ex-breeding stock, etc.

Executive Summary

- FAS/Canada projects modest production growth for 2021, with chicken meat production forecast to reach 1.315 million metric tons (MMT), 2 percent above the estimated 2020 level. Retail demand for chicken meat remains solid, and sales through the food service channel are expected to gradually approach pre-pandemic levels.
- FAS/Canada estimates 2020 chicken meat production at 1.29 MMT, down 3 percent from 2019. Food service activity was down significantly through the first four months of the COVID-19 pandemic response, and the associated drop in food service demand was only partially offset by increased retail demand.
- Following the July 1, 2020, entry into force of the United States-Mexico-Canada Agreement (USMCA), Canadian chicken meat imports are comprised of three tariff rate quotas (TRQs): the global TRQ, now based on the fixed market access volume negotiated at the World Trade Organization (WTO); the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) TRQ; and the USMCA TRQ. The combined volume of chicken meat imported under these three TRQs is projected to reach nearly 105,000 MT in 2021.
- In addition to TRQ imports, Canadian poultry processing and further-processing companies are expected to import 45,000 MT of chicken meat under Canada's two import for re-export programs in 2020. Nearly all of the finished products produced under these programs would be exported to the United States.

Poultry, CHICKEN MEAT

NOTE: "NEW Post" data reflects Post's assessments and are NOT official USDA data.

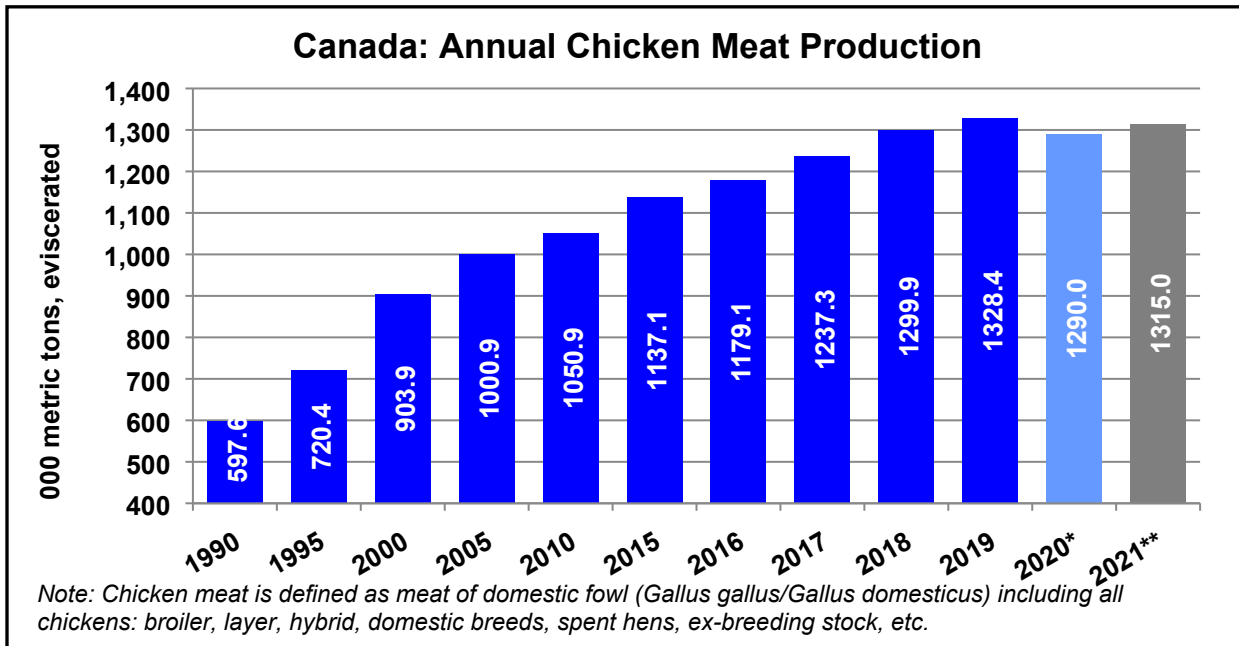
CANADA Meat CHICKEN	2019		2020		2021
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	NEW Post Estimates
Beginning Stocks	54	54	58	58	60
Production	1,328	1,328	1,315	1,290	1,315
Total Imports	172	172	175	175	180
Total Supply	1,554	1,554	1,548	1,523	1,555
Total Exports	124	124	125	130	130
Total Dom. Consumption	1,372	1,372	1,365	1,333	1,365
Ending Stocks	58	58	58	60	60
Total Distribution	1,554	1,554	1,548	1,523	1,555

All data in 1,000 metric tons, carcass weight equivalent

Chicken Meat Production

FAS/Canada forecasts a moderate rebound in chicken meat production for 2021, rising 2 percent to 1.315 MMT, as the economy continues to reopen and food service consumption gradually rebounds climbing toward pre-pandemic levels. FAS/Canada estimates 2020 chicken meat production at 1.29 MMT, a 3 percent drop from 2019, as increased consumption through the retail channel only partially offset the decline in the food service sector, which remains lower due to reduced maximum occupancy levels even as Canadian provinces have resumed indoor, on-premise dining.¹ In Canada, the chicken meat market is driven by broiler meat production, representing between 97 and 98 percent of the market. The balance is comprised of other chicken meat, mostly spent fowl (also called stewing hen).

¹ For additional information on the impact of the COVID-19 pandemic on the Canadian chicken sector please see GAIN report [CA2020-053](#). For additional information on Canada's gradual reopening of the food service sector please see GAIN report [CA2020-057](#).



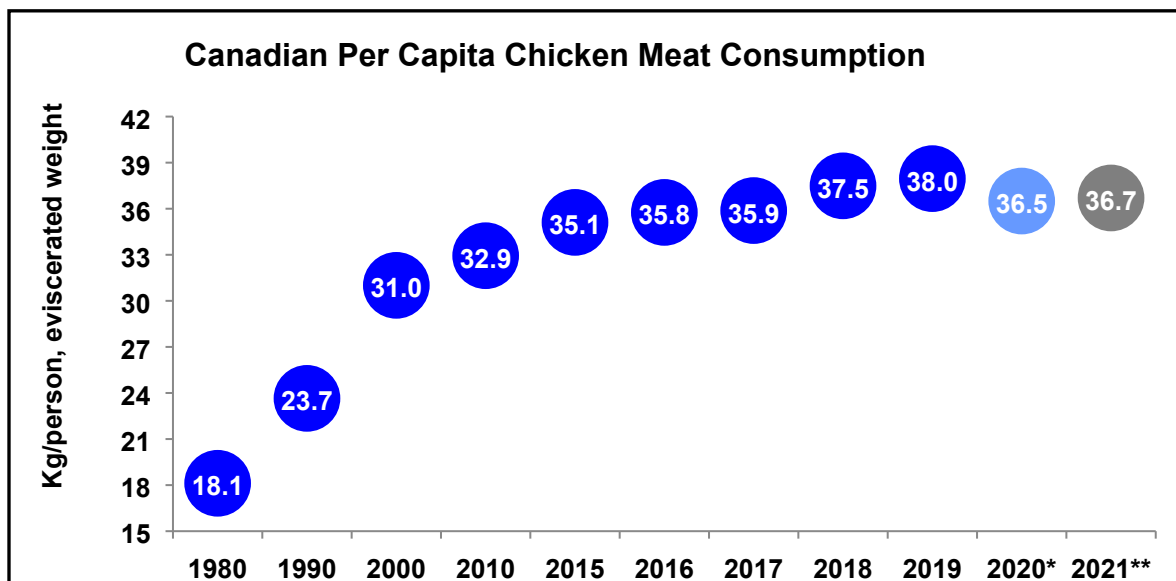
Source: Statistics Canada / FAS/Canada *estimate ** forecast

Under Canada's supply management system, poultry farmers are not vertically integrated into the processing and further processing industries. A large number of independent chicken farmers, often relatively small family operations, supply live birds to processing companies. Production is tightly controlled through a quota system. Representatives of chicken producers, poultry processors, poultry further-processors and the food service sector make production decisions jointly, taking into account current and forecast data on economic indicators, including: imports, stocks, retail and food service sales, wholesale and retail prices, competing protein prices, world production conditions, feed prices, exchange rates and domestic macroeconomic indicators. Then the Chicken Farmers of Canada (CFC), established under the [Farm Products Agencies Act](#) in 1979, allocates the total national quota volume for each 8-week production cycle to each of the ten producing provinces, where provincial-level organizations allocate the production quota to individual producers in the province based on the producer's share of the total production quota.

The prices at which chicken farmers sell their live birds to processors vary from province to province and are typically established based on a cost of production formula. The two major input costs are feed and day-old chicks. Overall, this supply management system based on production controls and cost-based prices insulates Canadian chicken farmers from fluctuating feed costs and stabilizes chicken farm income.

Consumption

The COVID-19 pandemic halted Canada's decades-long, steady increase in per capita chicken meat consumption. FAS/Canada projects per capita consumption levels will fall to 36.5 kg in 2020, while forecasting a modest recovery in 2021 driving per capita consumption up to 36.7 kg.



Source: Statistics Canada / Post *estimate ** forecast

Total chicken meat consumption in Canada has tripled over the last 35 years, due in part to the country's steady population growth, which pushed total population up more than 50 percent from 24.5 million in 1980 to about 38 million in 2020. Prior to the 2020 pandemic, the upward consumption trend reflected the ever-increasing popularity of chicken as a versatile, affordable protein. Competitively priced and consistently available, increased chicken meat consumption has been reinforced by swings in the red meat cycle that have corresponded with increasing prices and shorter supplies.

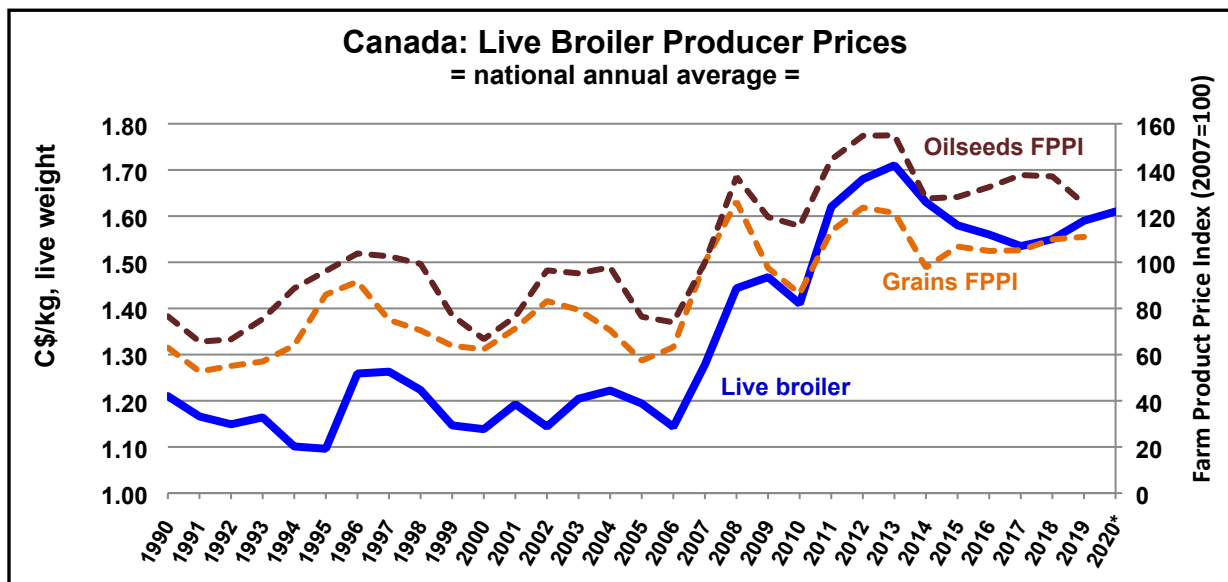
In addition, Canadian consumer preferences have shifted towards chicken primarily due to an increase in health awareness and the perception that chicken is leaner, and therefore healthier, than other meats. Increased chicken consumption can also be attributed to the proliferation of chicken-based fast food offerings as well as Canada's changing ethnic composition. More than 1 in 5 Canadians were born in another country, and Canada's immigrant population increasingly hails from countries with stronger dietary preferences for chicken rather than beef or pork. Increasing diversity has also expanded the range of food service outlets offering chicken-based dishes. As in the United States, chicken's popularity in food service and at retail is indisputable.

According to [Agriculture and Agri-Food Canada](#), in 2018, retail chicken purchases accounted for approximately 59 percent of Canada's total chicken food availability, while quick-serve restaurants constituted 24 percent, full-service restaurants 12 percent, and hotels and institutions utilized the balance of about 5 percent.

Prices

Under the supply management system, chicken producers receive a fixed price for their live birds, which is based on production costs and determined every 8-week production cycle. Ontario is the largest chicken producing province in Canada, accounting for about one-third of the market, and therefore Ontario live bird prices are the basis for the calculation of prices in other provinces. Due to

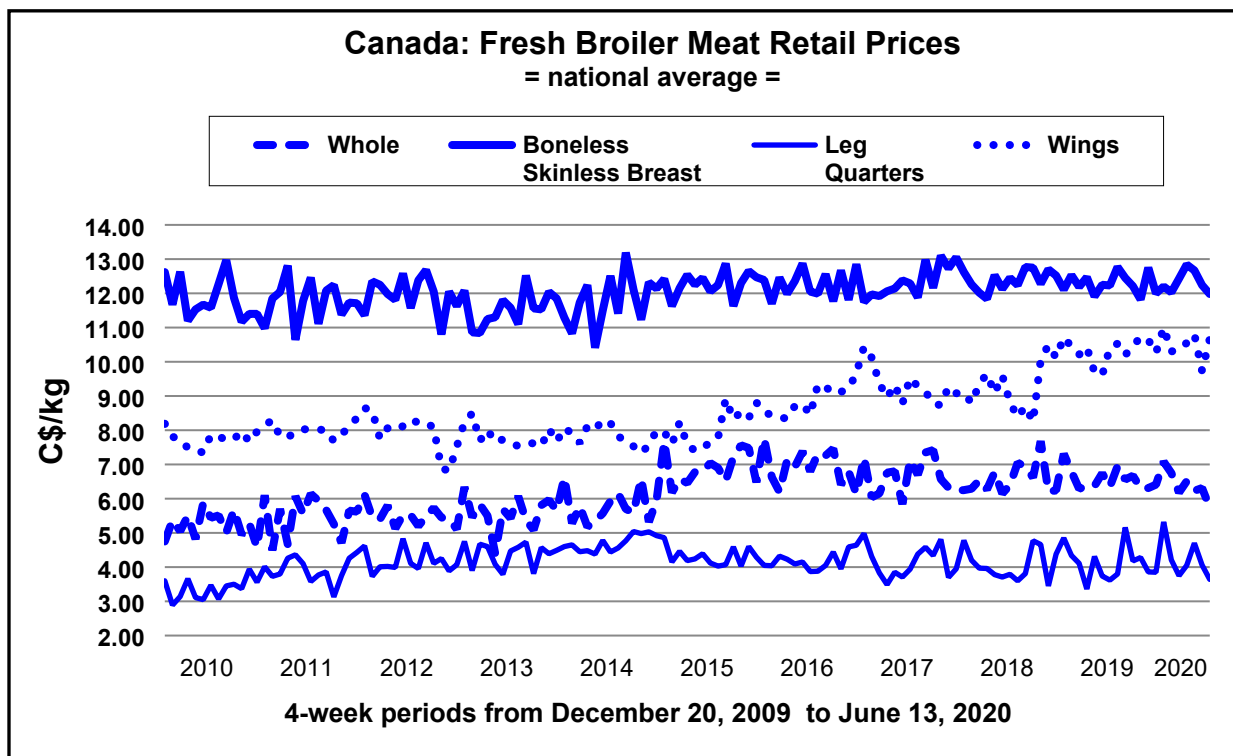
the supply management system, producer prices have remained relatively stable over time, typically tracking changes in feed prices, which represent the largest component in the cost of production.



Source: Statistics Canada / Chicken Farmers of Canada / *FAS/Canada estimate

The Canadian supply management system only guarantees prices for producers. Wholesale and retail chicken meat prices are usually reflective of market conditions in terms of supply and demand. They are also reflective of consumer preferences for various chicken cuts, and of their quality and degree of transformation.

Traditionally, Canadian consumption has skewed more heavily towards white meat (breasts and wings) over dark meat (legs and thighs), although Canadian consumption is gradually balancing as demand for dark meat cuts continues to rise. While leg quarters had long been the least expensive chicken cut in grocery stores, greater consumption of ‘ethnic cuisine’ and consumer price sensitivity have supported increased demand. The gradual decline in retail prices for leg quarters over the past several years reflects not so much a dip in consumer demand for dark meat, so much as a transition towards a more expensive dark meat cut: boneless thighs. The fresh boneless skinless breast, however, remains the most expensive chicken cut, widely used in restaurants and a preferred barbecue item for Canadians. Wings are particularly popular during the winter hockey season and demand has grown considerably over the last few years.

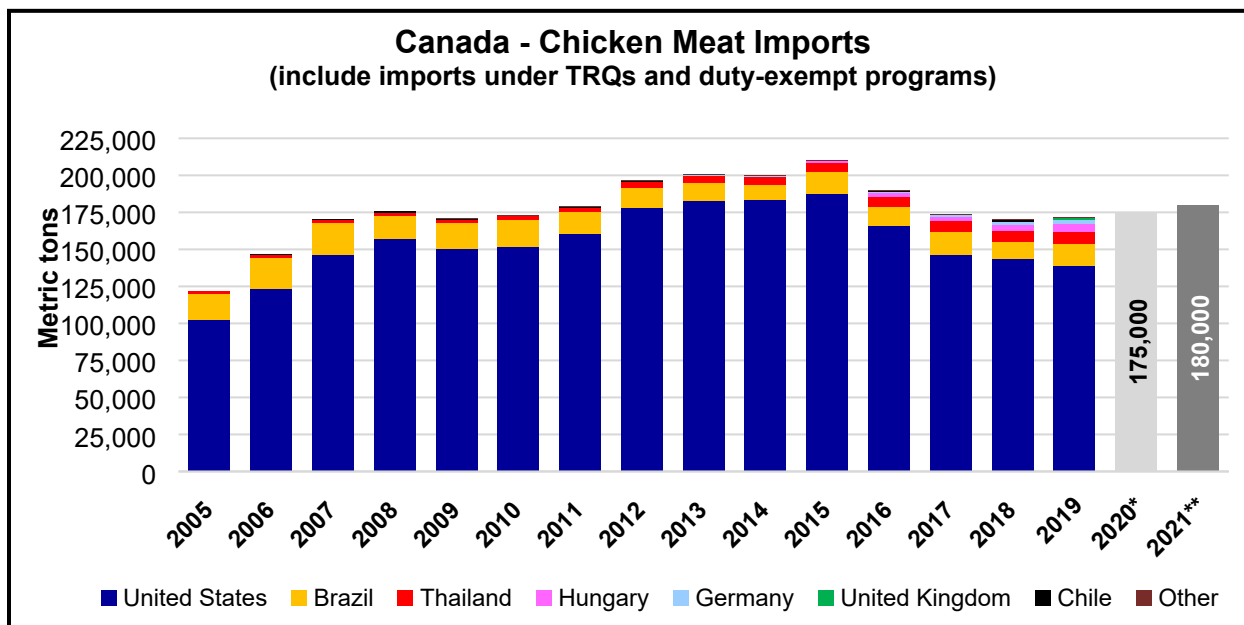


Source: Agriculture and Agri-Food Canada

Trade

Imports

FAS/Canada forecasts total chicken meat imports at 180,000 MT in 2021, up 5,000 MT from the estimated level of 175,000 MT for 2020. Discussed in the policy section, most chicken meat imports are controlled and subject to several tariff rate quotas (TRQs). Additional imports of products subject to TRQs are concentrated under two import-for-re-export programs, which require re-exporting the imported chicken volumes as finished products. Canada also imports chicken products which are not import-controlled, such as spent fowl and certain further processed chicken products. Market conditions in the United States play a significant role in import decisions, since a large price differential between lower U.S. broiler meat prices and higher Canadian prices creates a strong incentive for importers to source U.S. chicken meat, especially under programs that provide a customs duty exemption (i.e., the import-for-re-export programs). Overall, the 2020 COVID-19 pandemic had a minor impact on chicken meat trade flows, with chicken further processing operations largely uninterrupted by the kinds of disruptions that occasionally affected primary processors.



Source: Trade Data Monitor / FAS/Canada *estimate ** forecast

The overall decline in imports from the 2015 peak has been largely attributed to border enforcement measures by the federal authorities which uncovered imports of broiler meat (subject to TRQs) wrongfully labeled as spent fowl (not subject to import controls). Additionally, federal authorities conducted enforcement activities under the import-for-re-export programs, resulting in the delisting of noncompliant companies.

Canada: Chicken Meat Imports, January - June (metric tons)							
	Quantity			% Market Share			% Change 2019/2018
	2018	2019	2020	2018	2019	2020	
World	84,736	82,152	84,347	100.00	100.00	100.00	2.67
United States	71,793	66,757	71,636	84.73	81.26	84.93	7.31
Brazil	5,700	7,558	4,581	6.73	9.2	5.43	-39.39
Thailand	3,800	4,273	3,626	4.48	5.2	4.3	-15.15
Hungary	2,172	1,632	2,217	2.56	1.99	2.63	35.82
Germany	719	1,365	1,445	0.85	1.66	1.71	5.85
United Kingdom	173	463	582	0.2	0.56	0.69	25.76
Chile	225	63	118	0.27	0.08	0.14	86.52
Other countries	154	41	142	0.18	0.05	0.17	246.34

Source: Trade Data Monitor

The United States is Canada's largest supplier of chicken meat, typically commanding around 85 percent of the import market, followed by Brazil and Thailand. Some Canadian importers are discouraged from importing Brazilian chicken, despite its lower cost, because it cannot be re-exported to the United States. Since the entry into force of the Comprehensive Economic and Trade Agreement (CETA) with the European Union (EU), Canada has imported an increasing volume of chicken meat from EU countries, such as frozen wings from Hungary and the United Kingdom, and processed products from Germany and Hungary. As a result, the market share of traditional suppliers (like the United States and

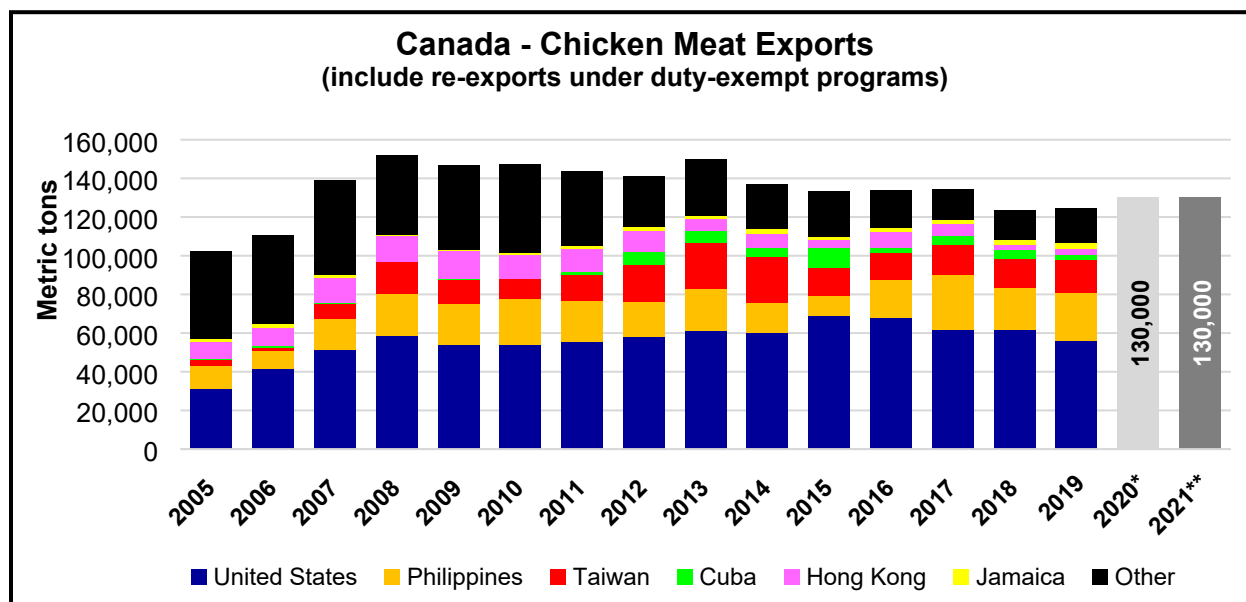
Brazil) has been challenged in recent years and may face increasing competition in the years ahead. Typically, Canada imports chicken wings and chicken breasts. Wings are primarily destined for the food service sector, while breast meat is utilized in various distribution channels, including further processing, food service and retail.

Product Control for Brazilian Poultry

Since USDA does not permit imports of Brazilian chicken meat, the Canadian Food Inspection Agency (CFIA) has strict import procedures to ensure that Brazilian chicken meat imported into Canada does not enter the United States. Under CFIA regulations, chicken 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 chicken meat from Brazil are not eligible to export poultry meat products to the United States. In addition, chicken meat and meat products from non-eligible establishments must not enter Canadian establishments that have full export status for the United States. All Canadian establishments (including storage facilities) must segregate the meat on their premises by country of origin and destination.

Exports

FAS/Canada forecasts 2021 chicken meat exports at 130,000 MT, unchanged from the estimated 2020 export volume. In general, Canadian chicken exports fall into two broad categories. “Re-exports” under Canada’s imports-for-re-export programs constitute roughly half of all export shipments, with most products destined for the United States. The remaining export volume is generally comprised of dark meat cuts for developing country markets. While market forces play a certain role in Canada’s export levels, the timeframe for the re-export requirement under Canada’s import-to-re-export programs also impacts the chicken meat export volumes in any given year. Additionally, as explained earlier, recent enforcement measures by federal authorities under import-to-re-export programs led to a decline in overall imports, which in turn translated into lower finished product volumes available for re-export.



Source: Trade Data Monitor / FAS/Canada *estimate ** forecast

Canada: Chicken Meat Exports, January - June (metric tons)							
	Quantity			% Market Share			% Change
	2018	2019	2020	2018	2019	2020	2019/2018
World	63,933	61,985	65,596	100.00	100.00	100.00	5.83
United States	32,558	28,063	29,588	50.93	45.27	45.11	5.43
Taiwan	9,082	11,095	13,443	14.21	17.9	20.49	21.17
Philippines	11,145	10,168	8,215	17.43	16.4	12.52	-19.2
Ghana	655	791	1,692	1.02	1.28	2.58	113.77
Cuba	1,682	1,756	1,551	2.63	2.83	2.37	-11.66
Jamaica	1,081	1,630	1,436	1.69	2.63	2.19	-11.87
Liberia	240	495	1,203	0.38	0.8	1.83	143
Hong Kong	1,579	1,386	954	2.47	2.24	1.45	-31.16
Other countries	5,911	6,601	7,514	18.16	23.52	25.40	13.83

Source: Trade Data Monitor

Policy:

Tariff Rate Quotas (TRQs)²

Canada controls chicken meat imports through TRQs. Until mid-2020, Canada applied the market access level negotiated under NAFTA to its global chicken TRQ (open to all trading partners), equal to 7.5 percent of the preceding year's domestic broiler production as reported by Statistics Canada. After the [USMCA](#) entered into force on July 1, 2020, Canada's market access under the global TRQ returned to the fixed volume negotiated under the [WTO](#), supplemented by a new USMCA TRQ exclusively for U.S. chicken products. In addition, a [CPTPP](#) TRQ for chicken products originating in CPTPP member countries³ has been in place since late 2018.

The market access levels in 2020, under these various chicken meat TRQs are as follows:

- January-June 2020: 48,500 MT under the Global TRQ
- July-December 2020: 19,900 MT under the WTO TRQ
- July-December 2020: 23,500 MT under the USMCA TRQ
- January-December 2020: 11,750 MT under the CPTPP TRQ
- **Total: 103,650 MT**

² The import volumes of chicken meat mentioned in this section are expressed on a carcass weight equivalent basis based on Canada's international trade commitments, under which import permits are issued at a 1:1 ratio for bone-in chicken cuts and a 2:1 ratio for boneless cuts. Therefore, the import quantities mentioned in this section are not directly comparable with the import volumes mentioned in the rest of this report (which are expressed on a product-weight basis).

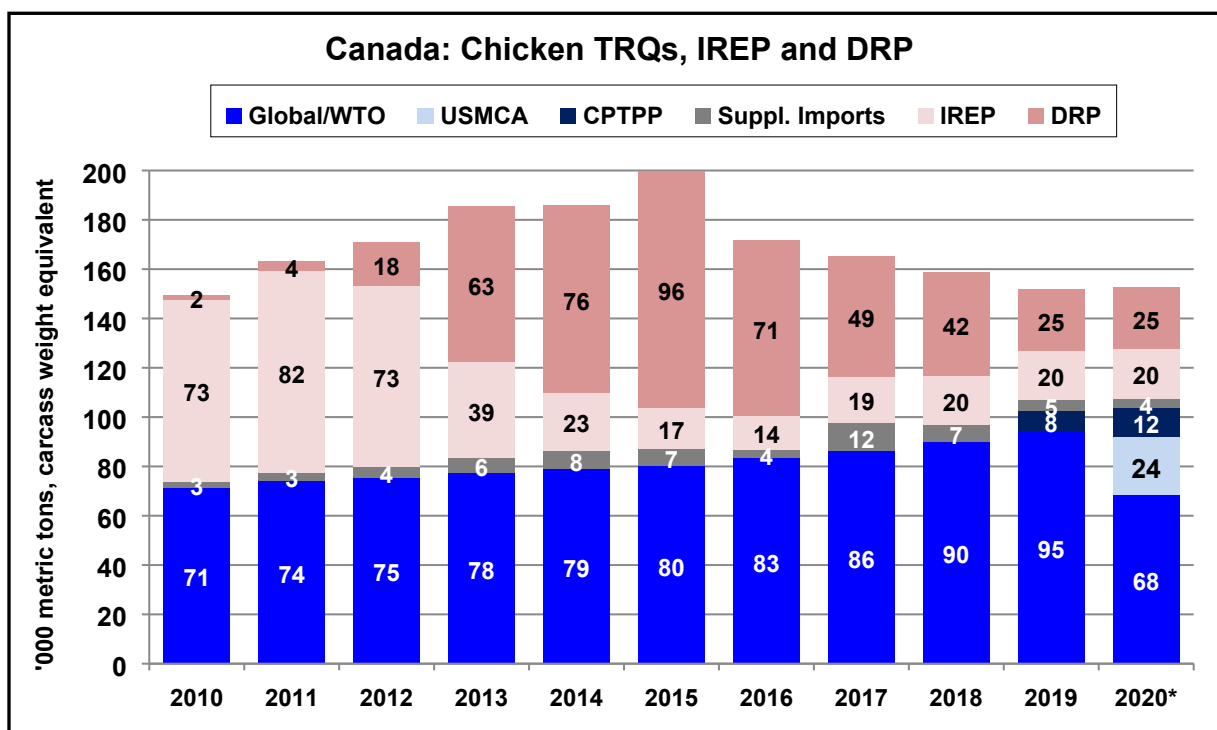
³ Of all CPTPP member countries, Chile is viewed as the most likely supplier of chicken under the CPTPP TRQ, however the country has yet to ratify the trade agreement.

In 2021 (January-December), the chicken market access levels will be:

- WTO TRQ: 39,800 MT
- USMCA TRQ: 49,000 MT
- CPTPP TRQ: 15,670 MT
- **Total: 104,470 MT**

Traditionally, the global/WTO chicken TRQ has filled at nearly 100 percent, and FAS/Canada expects the WTO TRQ to continue fill completely in 2020 and in 2021. Although the USMCA chicken TRQ is new, FAS/Canada expects this TRQ volume to fill completely, as business relationships between Canadian importers and U.S. exporters established under the global TRQ facilitate the transition to this new TRQ. To date, there have been zero imports under the CPTPP chicken TRQ. Among CPTPP members, FAS/Canada expects Chile could ship to Canada and fill the CPTPP TRQ volumes, but Chile has not yet ratified the agreement.

Under these TRQs, imports are subject to low "within access commitment" duty rates, while imports over the TRQ limit are subject to prohibitive "over access commitment" rates. Imports from the United States under either the WTO TRQ or the USMCA TRQ benefit from duty free treatment, while over-quota duties can reach 249 percent. For instance, within access imports of fresh boneless breasts from the United States enter Canada duty free, while over access imports would be subject to a 249 percent tariff. Comparatively, imports of frozen boneless breasts from Brazil within the WTO TRQ are subject to a 5 percent tariff, and over access imports face the same 249 percent tariff.



Source: GAC, CBSA, Statistics Canada, FAS/Canada calculations / *FAS/Canada estimate

Global Affairs Canada (GAC) issues supplementary import permits in the following situations:

- [Resale Due to Domestic Market Shortages](#) – no such permits were issued in 2019.
- [Dark Chicken Meat not Supplied by the Chicken Farmers of Canada's Domestic Supply Program](#) – no such permits were issued in 2019.
- [Import-to-Compete Program](#) – 4,700 MT of import permits were issued by GAC in 2019.
- [Import for Re-Export Program \(IREP\)](#) – 19,600 MT of import permits were issued by GAC in 2019.
- [Test Marketing](#) – no such permits were issued in 2019.
- [Extraordinary or Unusual Circumstances](#) – no such permits were issued in 2019.

Information on the chicken TRQs, supplementary imports and the process of importing chicken meat into Canada is located on the [GAC website](#).

Import for Re-Export Program

Traditionally, the majority of supplementary imports have been comprised of imports under the Import for Re-Export Program (IREP). The program requires that the resulting processed chicken product be exported, since diversion of product imported under IREP to the domestic Canadian market is prohibited. IREP helps Canadian poultry processors and further processors remain viable by giving them access to lower priced imported chicken, but offers little to Canadian consumers who pay high retail prices for chicken under the supply managed regime. Canadian proponents of the IREP program argue that it allows Canadian chicken processing and further processing plants to achieve economies of scale they could not otherwise achieve if restricted to available supplies of domestically produced chicken. IREP imports may be sourced from any country and re-exported to any country, but in practice almost the entire volume is imported from the United States and exported back to the U.S. market.

Duties Relief Program

2012 marked the emergence of increased utilization of the [Duties Relief Program](#) (DRP) operated by the Canada Border Services Agency (CBSA). While the DRP is similar to IREP, there are some differences that make DRP more appealing to importers. For instance, DRP requires the finished chicken meat products be re-exported within four years, rather than the three-month limit under IREP. Imports of chicken under DRP peaked in 2015 and have since declined following a series of compliance verification activities by CBSA that revealed program non-compliance, resulting in several companies being delisted from the program.

FAS/Canada estimates 2020 imports under IREP and DRP at 45,000 MT, down from the 2015 record level of 113,000 MT, due to closer scrutiny of program utilization and stricter compliance enforcement.

Government Consultations on IREP/DRP

Canada launched consultations with industry stakeholders on potential changes to IREP and DRP in the spring of 2017, following a November 2016 [announcement](#) to, “address the concerns of import predictability and effective border controls for supply-managed commodities, while ensuring that Canadian processors who use dairy and poultry inputs can remain competitive in export markets.” Following effective IREP/DRP enforcement measures described previously, the 2017 consultations were not pursued further.

Supply Managed TRQ Consultation

In May 2019, Global Affairs Canada (GAC) opened public consultations on the Canadian allocation and administration of its dairy, poultry, and egg tariff rate quotas (TRQs). Given the recent free trade agreements concluded by Canada (CETA, CPTPP and USMCA), the number of supply managed import TRQs nearly tripled, significantly increasing the administrative burden of TRQ management. The consultation is meant to gather input from stakeholders as to how to best administer all the TRQs going forward. Following the initial round of consultations, GAC published a [summary report](#). A second round of consultations was opened in February 2020, when GAC asked stakeholders to offer views on a set of [policy options](#) put forward for consideration. In May 2020, citing reasons related to the COVID-19 pandemic, GAC decided to [temporarily suspend](#) the consultation process. To date, GAC has not offered a timeline for resuming the consultation, and the original goal of publishing new policies ahead of the calendar year 2021 TRQ year appears out of reach.

Special Agricultural Safeguard (WTO)

In 2008, Canada notified [volume and price triggers](#) that would be used to operationalize the WTO special agricultural safeguard (SSG) for Canada's supply-managed products, including broiler meat. The SSG triggers are not automatically implemented, and FAS/Canada does not expect Canada to trigger the SSG under current policies and trade agreements. To date, Canada has never used the SSG mechanism.

Attachments:

No Attachments