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Report Highlights:

FAS/Canada projects moderate growth in chicken meat production in 2022, following a robust recovery in 2021 prompted by stronger than anticipated sales through the retail channel and quick-service restaurants. Calendar year 2022 import tariff rate quota volumes will amount to over 110,000 metric tons (MT), of which 51,000 MT will be available exclusively to U.S. suppliers under USMCA implementation. FAS/Canada expects the United States to maintain a greater than 80 percent share of total Canadian chicken meat imports in 2022. Keywords: Canada, Poultry, Chicken

Note Regarding Reporting Change:

This report provides *chicken meat* estimates and forecasts for 2020-2022. 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 moderate production growth for 2022, with chicken meat production forecast to reach 1.4 million metric tons (MMT), 3 percent above the estimated 2021 level. Retail demand for chicken meat remains solid, while sales through the food service channel are anticipated to gradually return to pre-pandemic levels.
- FAS/Canada estimates 2021 chicken meat production at 1.36 MMT, up over 4 percent from 2020, and above the 2019 production level. In addition to strong chicken sales at retail, the quick-service restaurant channel has shown a robust recovery and became the driver behind growth in food service activity following the significant decline due to the COVID-19 pandemic lockdowns and restrictions.
- 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 market access volume for chicken meat under these three TRQs will exceed 110,000 MT in 2022.
- In addition to TRQ imports, Canadian poultry processing and further-processing companies are expected to import over 50,000 MT of chicken meat under Canada's two import for re-export programs in 2021. Nearly all of the finished products produced under these programs would be exported to the United States.

Poultry, CHICKEN MEAT

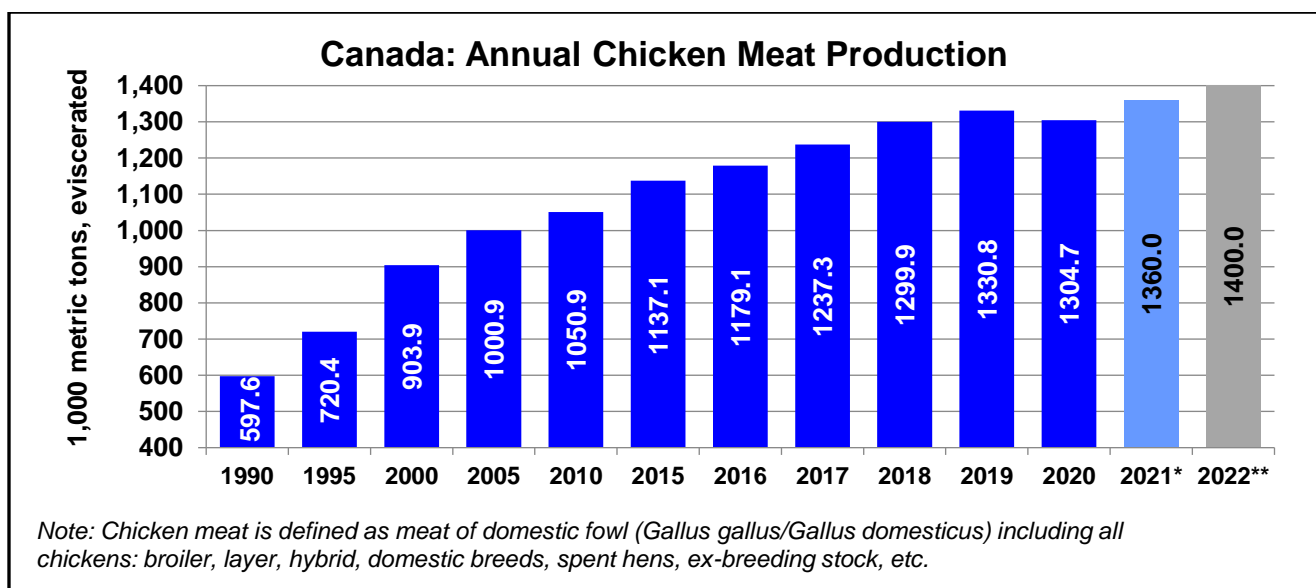
NOTE: "NEW Post" data reflects Post's assessments and are NOT official USDA data.

CANADA Meat CHICKEN	2020		2021		2022
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	NEW Post Estimates
Beginning Stocks	58	58	60	60	60
Production	1,305	1,305	1,340	1,360	1,400
Total Imports	188	188	190	195	200
Total Supply	1,551	1,551	1,590	1,615	1,660
Total Exports	128	128	140	135	140
Total Dom. Consumption	1,363	1,363	1,390	1,420	1,460
Ending Stocks	60	60	60	60	60
Total Distribution	1,551	1,551	1,590	1,615	1,660

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

Chicken Meat Production

FAS/Canada forecasts a moderate growth in chicken meat production for 2022, rising 3 percent to 1.4 MMT, as retail demand remains solid and food service consumption is expected to recover to pre-pandemic levels with the anticipated reopening of the economy. Additionally, FAS/Canada estimates 2021 chicken meat production at 1.36 MMT, a robust 4 percent increase from 2020 and 2 percent above the 2019 production level. The increased consumption through the retail channel continued throughout 2021, while sales through quick-service restaurants outperformed expectations driving the overall demand in the food service market segment. In Canada, the chicken meat market is primarily represented 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/mature hens).



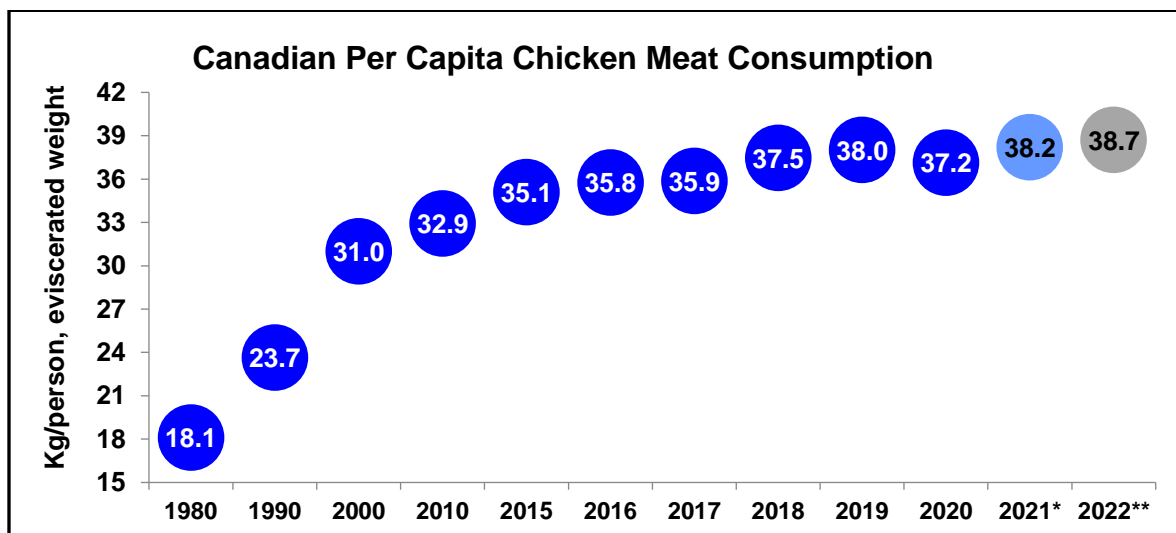
Source: Statistics Canada / FAS/Canada *estimate ** forecast

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 every 8-week production cycle to each of the ten producing provinces, where provincial-level organizations allocate the production quota to individual producers 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. The goal of Canada's supply management system, which is based on production controls and cost-based prices, is to insulate Canadian chicken farmers from fluctuating input costs and to stabilize chicken farm income.

Consumption

The COVID-19 pandemic negatively impacted Canada's decades-long, steady increase in chicken meat consumption, as per capita consumption declined 2 percent in 2020 compared to the 2019 level. However, as the sector is now rebounding, FAS/Canada projects per capita chicken meat consumption to reach 38.2 kg in 2021, and further forecasts an increase in 2022 to 38.7 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 from 24.5 million in 1980 to roughly 38.3 million in 2021, which represents a more than 56 percent increase. The upward consumption trend reflects the ever-increasing popularity of

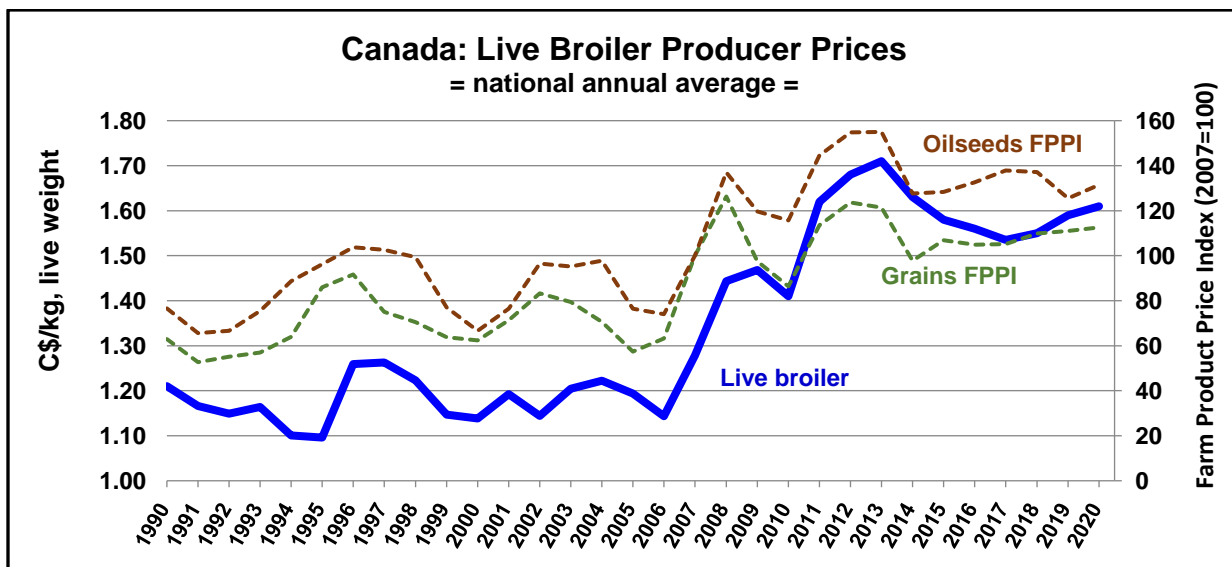
chicken as a versatile, affordable protein. The COVID-19 pandemic has not altered this trend, nor the appeal of chicken meat. Chicken meat, which is competitively priced and consistently available, is an attractive substitute to red meat proteins which are currently experiencing an increase in prices as a result of short supplies.

In addition, Canadian consumer preferences have shifted towards chicken meat primarily because of an increase in health awareness and a perception that chicken is leaner, and therefore healthier, than other meats. Increased chicken consumption can also be attributed to the proliferation of chicken-based quick-service 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 an Agriculture and Agri-Food Canada estimate, in 2018, retail chicken purchases accounted for approximately 59 percent of Canada's total chicken food availability, while quick-service restaurants constituted 24 percent, full-service restaurants 12 percent, and hotels and institutions accounted for roughly 5 percent. This data has yet to be updated, following the impacts the COVID-19 pandemic has had on various distribution channels.

Prices

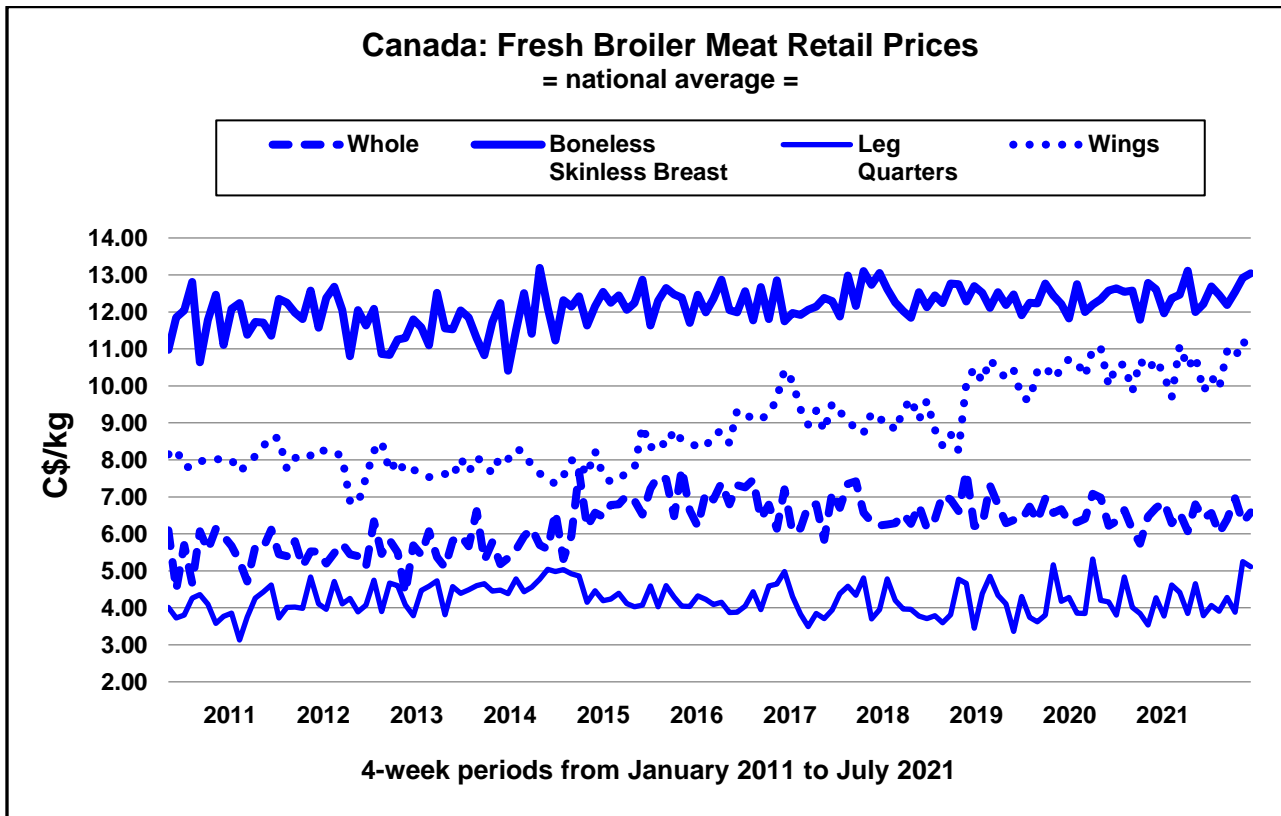
Under the supply management system, chicken producers receive a fixed price for their live birds, which is based on production costs and determined for every 8-week production cycle. Ontario is the largest chicken producing province in Canada, accounting for about one-third of the market, and therefore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

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, as well as consumer preferences for various chicken cuts, quality, and degree of transformation.

Traditionally, Canadian consumer preferences have skewed heavily towards white meat (breasts and wings) over dark meat (legs and thighs), but Canadian consumer preferences are gradually starting to balance out as demand for dark meat 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 and increased volatility in retail prices for leg quarters over the past several years reflects not so much a dip in consumer demand for dark meat, but rather a transition towards a more expensive dark meat cut: boneless thighs. The fresh boneless skinless breast, however, remains the most expensive chicken cut, which is widely used in restaurants and a preferred barbecue item for Canadians. Wings are particularly popular during the winter hockey season and other sporting events, and demand has grown considerably over the last few years.

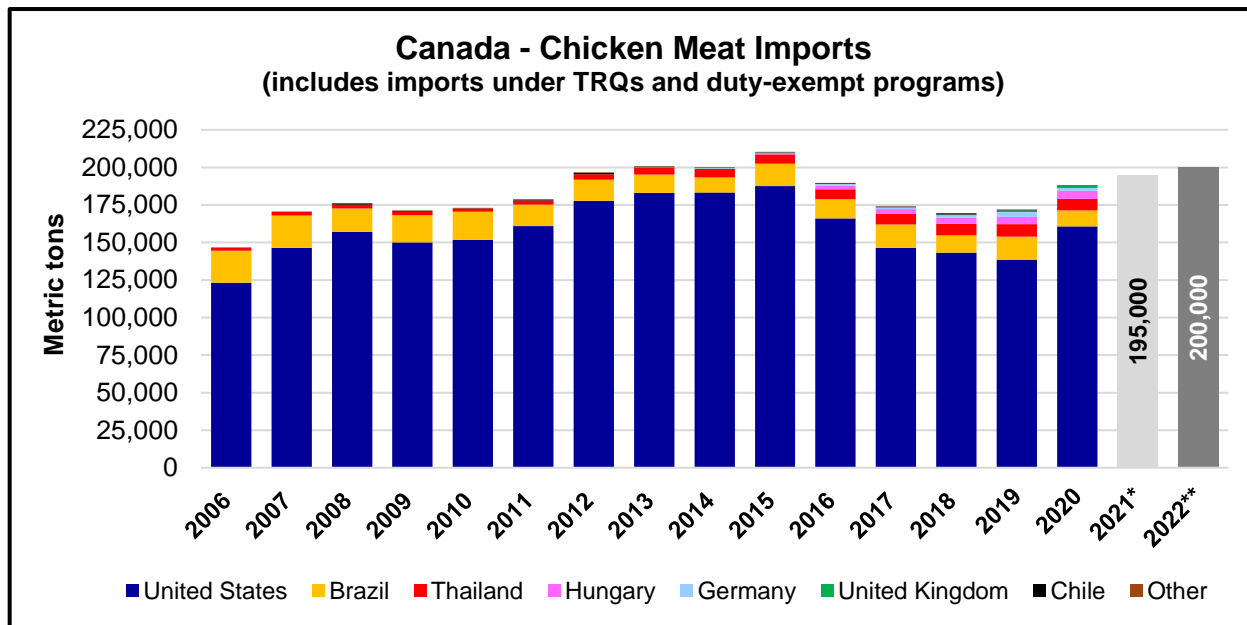


Source: Agriculture and Agri-Food Canada

Trade

Imports

FAS/Canada forecasts total chicken meat imports at 200,000 MT in 2022, up 5,000 MT from the estimated level of 195,000 MT for 2021. 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. 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 as there continues to be a large price differential between lower U.S. chicken meat prices and higher Canadian prices and this price difference 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 COVID-19 pandemic had only 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	2020	2021	2019	2020	2021	2021/2020
World	82,152	84,309	92,532	100.00	100.00	100.00	9.8
United States	66,757	71,616	77,828	81.3	85.0	84.1	8.7
Brazil	7,558	4,581	7,367	9.2	5.4	8.0	60.8
Thailand	4,273	3,631	3,114	5.2	4.3	3.4	-14.2
Hungary	1,632	2,194	2,711	2.0	2.6	2.9	23.6
United Kingdom	463	582	678	0.6	0.7	0.7	16.5
Germany	1,365	1,445	506	1.7	1.7	0.6	-65.0
Argentina	10	0	145	0.0	0.0	0.2	
Other countries	94	260	183	0.1	0.3	0.2	-29.6

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. With 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 (e.g., 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 slightly 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.

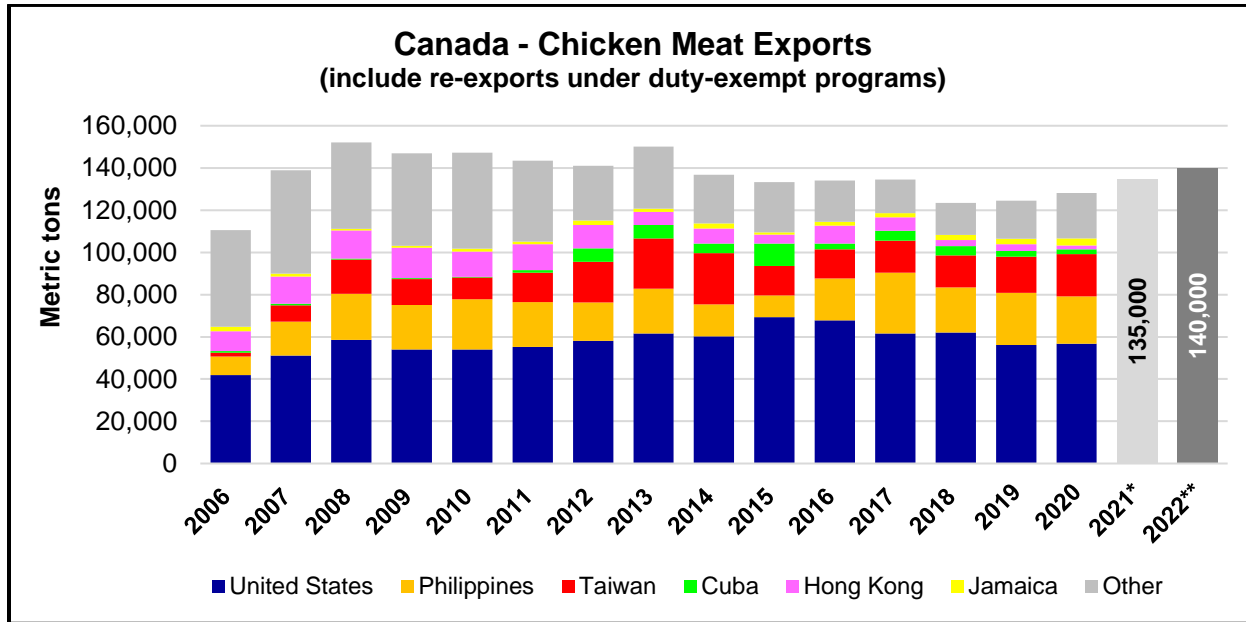
Product Control for Brazilian Poultry

Since USDA does not permit imports of Brazilian chicken meat, the Canadian Food Inspection Agency (CFIA) has strict import procedures to ensure 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 2022 chicken meat exports at 140,000 MT, up 5,000 MT from the estimated 2021 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 highlighted above, 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
	2019	2020	2021	2019	2020	2021	2021/2020
World	61,985	65,849	70,967	100.00	100.00	100.00	7.8
United States	28,063	29,589	29,349	45.3	44.9	41.4	-0.8
Philippines	10,168	8,269	17,552	16.4	12.6	24.7	112.3
Taiwan	11,095	13,562	10,643	17.9	20.6	15.0	-21.5
Jamaica	1,630	1,436	2,135	2.6	2.2	3.0	48.6
Ghana	791	1,719	1,737	1.3	2.6	2.5	1.1
Gabon	564	805	1,103	0.9	1.2	1.6	36.9
Benin	917	264	873	1.5	0.4	1.2	231.0
Congo (DROC)	185	826	683	0.3	1.3	1.0	-17.3
Other countries	8,572	9,379	6,892	13.8	14.2	9.7	-26.52

Source: Trade Data Monitor

Policy:

Tariff Rate Quotas (TRQs)¹

Canada controls most 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 countries² has been in place since late 2018.

The market access levels in calendar year 2021 (January-December), under these various chicken meat TRQs are as follows:

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

In calendar year 2022 (January-December), the chicken market access levels will be:

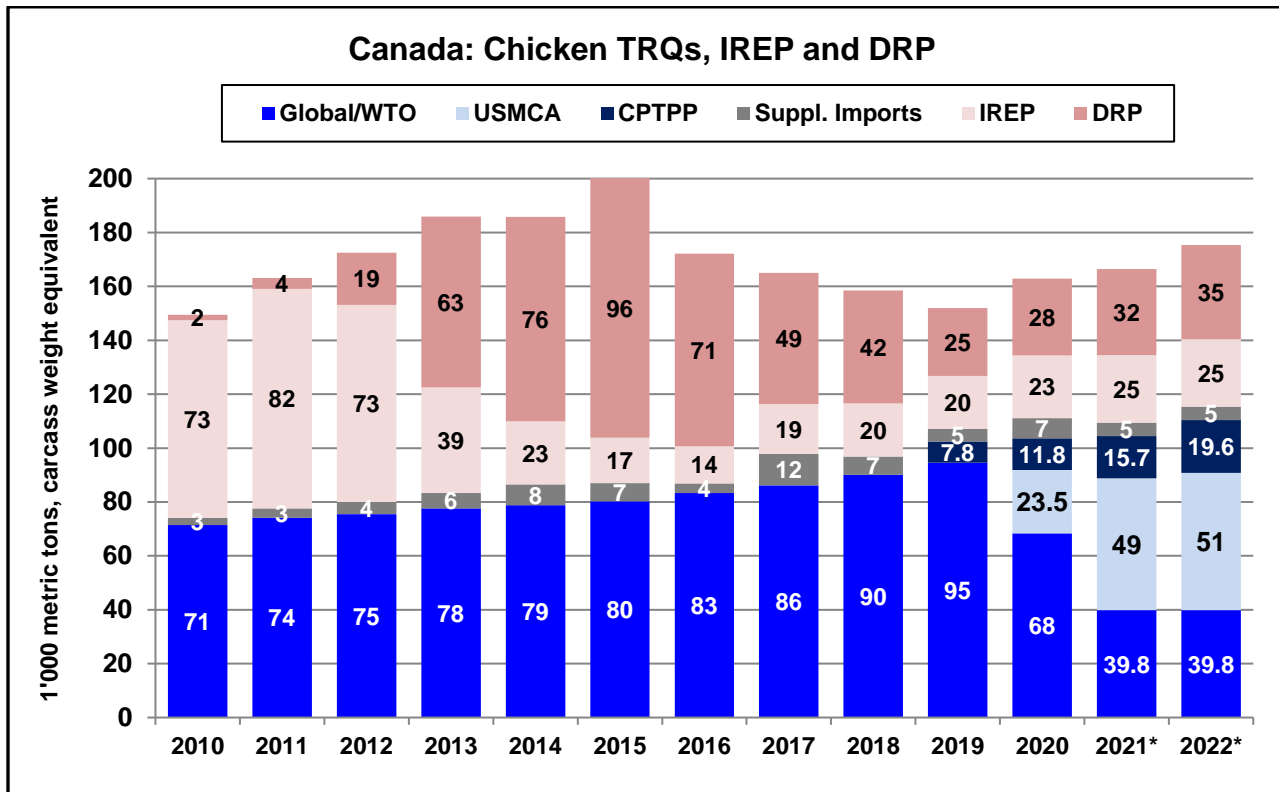
- WTO TRQ: 39,800 MT
- USMCA TRQ: 51,000 MT
- CPTPP TRQ: 19,580 MT
- **Total: 110,380 MT**

Traditionally, the global/WTO chicken TRQ has been filled at nearly 100 percent, and FAS/Canada expects this fill rate to continue in the future. Although the USMCA chicken TRQ is new, FAS/Canada expects this TRQ to fill as well, given the long-standing business relationships established between Canadian importers and U.S. exporters under the global TRQ. To date, the CPTPP chicken TRQ stays unfilled, and is expected to remain so, until Chile, the likely supplying country among the CPTPP members, ratifies the trade 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.

¹ 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).

² 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.



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 2020.
- [Dark Chicken Meat not Supplied by the Chicken Farmers of Canada’s Domestic Supply Program](#) – no such permits were issued in 2020.
- [Import-to-Compete Program](#) – 7,450 MT of import permits were issued by GAC in 2020.
- [Import for Re-Export Program \(IREP\)](#) – 23,270 MT of import permits were issued by GAC in 2020.
- [Test Marketing](#) – no such permits were issued in 2020.
- [Extraordinary or Unusual Circumstances](#) – no such permits were issued in 2020.

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 GAC’s 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) managed 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 2021 imports under IREP and DRP at 57,000 MT, down from the 2015 record level of 113,000 MT, due to closer scrutiny of program utilization and stricter compliance enforcement.

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 was 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. In January 2021, consultations were [resumed](#), with a closing deadline in March 2021, and a stated publication deadline for new policies of September 1, 2021. However, the new policy announcement will likely be delayed until a new federal government is formed following current federal elections, which are scheduled to conclude on September 20, 2021.

Attachments:

No Attachments