

Canadian  
Hatching Egg  
Producers



Les Producteurs  
d'oeufs d'incubation  
du Canada

# **Canadian Hatching Egg Producers Submission for the Pre-Budget Consultations**

**Ottawa, Ontario  
August 7, 2020**



## Summary of Recommendations

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**Recommendation 1:** That the government provide immediate full and fair support for poultry and egg sector to mitigate impact of recent trade agreement.

**Recommendation 2:** That the government develop programs into the upcoming budget to take into account the current losses in income farmers are facing as a result of COVID-19 pandemic. In the meantime, the government is also encouraged to pursue discussion with provinces to increase Business Risk Management (BRM) programs coverage in order to be relevant to our farmers.



## **Canadian Hatching Egg Producers and the Broiler Hatching Egg Industry**

The Canadian Hatching Egg Producers (CHEP) represent 240 producers from British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Under supply management, CHEP farmers produce high quality broiler hatching eggs to meet the needs of the chicken industry that contributes to a steady supply of safe, high quality and nutritious chicken to Canadian consumers and the food service industry. The stability provided by supply management also allows CHEP to invest in research including, continued improvement in productivity, egg quality, bird health, bird welfare and food safety.

The Canadian hatching egg sector plays a critical role in the chicken industry. Hatching egg farmers produced more than 820 million broiler hatching eggs valued in excess of \$370 million. The broiler hatching egg industry in Canada supports over 7,700 direct and indirect jobs. These broiler hatching eggs and chicks helped supply more than 2,500 chicken farmers across Canada with day-old chicks, allowing them to meet the needs of the Canadian chicken industry.

### **Background**

The COVID-19 pandemic has deeply affected Canadians and the all sectors of the Canadian economy. The agricultural and food industry experienced unprecedented pressure due to the COVID-19 pandemic and Canadian Federation of Agriculture (CFA) estimates the losses at \$2.6 billion.

Similar to other agricultural sectors, the pandemic has triggered drastic shifts in poultry demand due to a rapid collapse in demand in the foodservice and restaurant industry and impacts in maintaining processing capacity. After first seeing a dramatic increase in the demand for chicken as individuals and families stocked up on food at the outset of the pandemic, the chicken industry saw demand quickly drop. As a result, the Chicken Farmers of Canada (CFC) revised down chicken production for two periods covering most of May to August 2020 that had previously been set much higher prior to the crisis. This resulted in an immediate and unprecedented corresponding decline in the need for chicks and broiler hatching eggs. The production and sales losses for our farmers are estimated at 32.6 million broiler hatching eggs, or more than \$15 million in farm cash receipts for the two periods of reduction. In addition, with chicken processing plants having experienced reduced capacity and closures due to the pandemic, some farmers had to depopulate their end of life flocks at the farm at additional cost and having foregone revenue.

CHEP welcomed the federal announcement of a \$252M emergency aid package for farmers and food processors as a first step. However, the measures announced falls well short of the \$2.6 billion identified by the Canadian Federation of Agriculture (CFA). It also did not address the



considerable losses experienced by hatching egg farmers since the beginning of the COVID-19 pandemic. Therefore, additional investments are needed to help broiler hatching egg farmers face the significant losses they are experiencing right now as losses due to COVID-19 are compounded by the impact of trade agreements on our sector.

Our farmers have and are projected to experience significant impacts as a result of recent trade agreements. Indeed, the CPTPP agreement did not keep our import control pillar fully intact and additional access to our market was granted. Under CUSMA, 21.1% of the hatching egg and chick market is reserved for U.S. producers, while the impact of CPTPP access after full implementation is 44.3 million hatching eggs per year or 5.5% of our domestic production (2018). The access from both CUSMA and CPTPP translates into an annual loss of 398 jobs and \$28 million in GDP contributions to the Canadian economy.

We expect the government to uphold its commitment of full and fair support for Canada's poultry and egg sectors to mitigate the impacts resulting from the concessions granted by Canada under the CPTPP. The work of the Poultry Working Group concluded in early 2019 and we have received verbal and public commitments from the government in the 2019 federal budget, throughout the election, in the Speech from the Throne and again more recently. However, farmers are still anxiously awaiting the programs despite of the fact that CPTPP and CUSMA are now in force. The upcoming budget offers the federal government an opportunity to deliver upon its promises.

The coming years will be decisive for the broiler hatching industry. In this context of economic recovery, it is critical that the government budget address our concerns to support the broiler hatching egg industry to remain strong for the benefits of all Canadians.

## **Recommendations**

### **1) Full and fair support for poultry and egg sector to mitigate impact of recent trade agreement:**

Recent trade deals have eroded the poultry and egg sectors, and the future of our farms are unclear at this point. With CPTPP and CUSMA now entered into force, an increasing number of import products will enter in direct competition with domestic products in the coming years. Therefore, it is vital that full and fair support for the poultry and egg sectors be a priority in the upcoming budget. This will guarantee that our industry remains competitive, sustainable and contributes to the Canadian economic recovery. CHEP, along with its poultry and egg counterparts, recommended programs that will enhance the productivity of our sectors while increasing our contribution to Canadian GDP, employment and tax revenue in the future years:



- An investment program to increase productivity through innovation and improve the sustainability of the production practices and better respond to changing public expectations.
- A market development fund to offset the loss in domestic production resulting from the recent trade agreement by increasing per capita consumption of Canadian-raised poultry and egg products.
- A border measure fund to strengthen the import control pillar of supply management by enforcing Canada's border control measures, putting an end to the circumvention of import rules and applying tighter controls of the government's import-to-export programs.

## **2) New programs to address the shortcomings of Business Risk Management (BRM) programs:**

The BRM programs available through Agriculture and Agri-Food Canada (AAFC) have proven themselves to be ineffective to address the financial challenges farmers across agricultural sectors experienced due to the pandemic. Our farmers are not eligible for AgriInvest and AgriRecovery covers up to 90% of the costs of euthanizing and disposing of birds but fails to cover the significant absorbed costs such as feed and chick/poult costs. AgriStability has been criticized for years by general farm organizations as not being an effective risk management tool, therefore, in our projections will not provide the supports needed for our sector.

We understand that the BRM programs were developed in collaboration with provincial government and that any reforms can be challenging as it will require the agreement of all the provinces involved. In this context of economic recovery, it is essential that new programs be developed into the upcoming budget to take into account the current losses in income farmers face. Maintaining a sustainable Canadian broiler hatching egg sector is in the interest of all Canadians and will underpin economic recovery in rural Canada.

In the meantime, the government is encouraged to pursue discussion with provinces to increase BRM programs coverage in order to be relevant to our farmers.

## **Conclusion**

The agricultural sector is an important contributor to the Canadian economy. As we work through the economic recovery, it is critical that the government develop a relief package that effectively addresses the financial challenges and losses broiler hatching egg farmers and other agricultural sectors are experiencing. These programs should be reflected in the budget 2021 to keep our broiler hatching egg and chick industry strong for the benefit of all Canadians.