

CFO's Report from Chicken Farmers of Canada's Meeting June 1, 2016

Chicken Farmers of Canada (CFC) approved national allocations of +2.0% for A-139 (Sept 4 to Oct 29) and +3.0% for A-140 (Oct 30 to Dec 24) relative to adjusted base at its June 1, 2016 meeting in Ottawa.

The recommendations of Chicken Farmers of Ontario (CFO) for A-139 and A-140, as in prior periods, had been framed on a public policy of "balanced best interest" and were informed by deep quantitative as well as a broad qualitative analysis of the market. CFO actively works to promote fact-based and objective decision making and supports its recommendations using third party market data to forecast consumer demand. After conducting a fact-based analysis of consumer markets across multiple consumer channels and consulting with industry stakeholders, CFO determined that chicken continues to experience growth above historical norms. In advocating for a higher increase, CFO reiterated the importance of the supply management system meeting consumer demand.

Demand for chicken over other meat proteins is a major market environment shift that provides long-term sustainable growth opportunities for chicken. These growth opportunities come from changing consumer preferences for healthier proteins that will provide slow-moving but material long-term growth, as well as from the near-term opportunistic gaps in the supply of alternate meat proteins.

The opportunistic gaps in alternate meats has provided extraordinary tailwinds for profitable growth for chicken over the past 2 years. As had been anticipated, the supply shortfall in alternate meats has begun to ease but supply of beef is not expected to fully recover for another 12 - 18 months. This situation will continue to provide the opportunity for higher-than-normal profitable growth for chicken, albeit at a more tempered rate than has been experienced in the recent past.

The CFC allocations will provide Ontario with 56,187,720 eviscerated kilograms for A-139 and 56,551,108 eviscerated kilograms for A-140. The national allocations of 2.0% and 3.0% provide a corresponding allocation to Ontario of 2.5% and 3.6% over adjusted base in A-139 and A-140, respectively.

With almost all of 2016 allocation having now been decided, the growth rate for Ontario is expected to be +4.8% relative to last year's production. This assumes a quota utilization rate of 100%.

Ontario remains committed to setting allocations for two quota periods at a time and anticipates that volume allocations for A-141 and A-142 will be set at the Sept 27, 2016 CFC Board meeting.