

November 9, 2020

Nicolas Paillat
Canadian Hatchery Federation
1545 Carling Ave
Ottawa, ON K1Z 8P9

Dear Mr. Paillat:

HATCHERIES DECISIONS TO INCREASE TARIFF RATE QUOTA (TRQ) UTILIZATIONS DURING COVID-19

As the four boards responsible for regulating hatching eggs in western Canada, we are writing on behalf of our hatching egg producers concerning recent decisions of the hatchery industry to continue to fill their TRQ to the detriment of the Canadian hatching egg industry.

We do not question that the hatcheries have the legal right to utilize their TRQ. However, considering current market conditions and the recent decision of Global Affairs Canada (GAC) regarding the use of TRQ, we are concerned that hatcheries remain unwilling to reduce their imports.

The rise of COVID-19 cases in Canada and the ongoing downturn in the marketplace continues to be reflected in Chicken Farmers of Canada allocation decisions. The impact of COVID-19 on the Canadian chicken and hatching egg sectors is far from over.

It remains a fact COVID-19 has had an extremely negative impact on Canadian hatching egg production. Removing domestic production from the market has resulted in extraordinary costs for hatching egg producers. Reducing the processing age for breeder flocks has increased costs of production for hatching egg producers and limited the ability of the domestic industry to recover post-COVID-19. There is every indication that these costs and reductions in domestic production will have to continue.

There was a high degree of cooperation in the initial response to COVID-19. This included hatcheries reducing their imports to mitigate the impact on domestic production. In return, hatching egg producers supported the Canadian Hatchery Federation (CHF) in requesting GAC to waive import penalties for 2020. That initiative proved successful and penalties are not a factor for this year.

Yet in the face of ongoing COVID-19 impact on domestic production and the absence of penalties, hatcheries have chosen to continue importing at the expense of Canadian hatching egg production. We can understand that to some degree hatcheries may need to maintain business relationships with their US

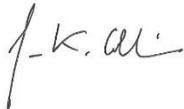
suppliers. If the increase in imports is primarily for other reasons – i.e., economic – to the detriment of the domestic industry, we can only regard this as a marked departure from the earlier cooperation in support of the Canadian hatching egg sector.

We strongly recommend that the CHF urge hatcheries to reconsider these business decisions as soon as possible, due to the current and possible upcoming reductions in domestic hatching egg production. Failing that, we recommend that the CHF transparently explain the actions of hatcheries to prioritize US imports over Canadian production.

Yours truly,



Jeff Notenbomer, Chair
Alberta Hatching Egg Producers



Jim Collins, Chair
BC Broiler Hatching Egg Commission



Jake Wiebe, Chair
Manitoba Chicken Producers



David Janzen, Chair
Saskatchewan Broiler Hatching Egg Producers

cc: Canadian Hatching Egg Producers (CHEP)