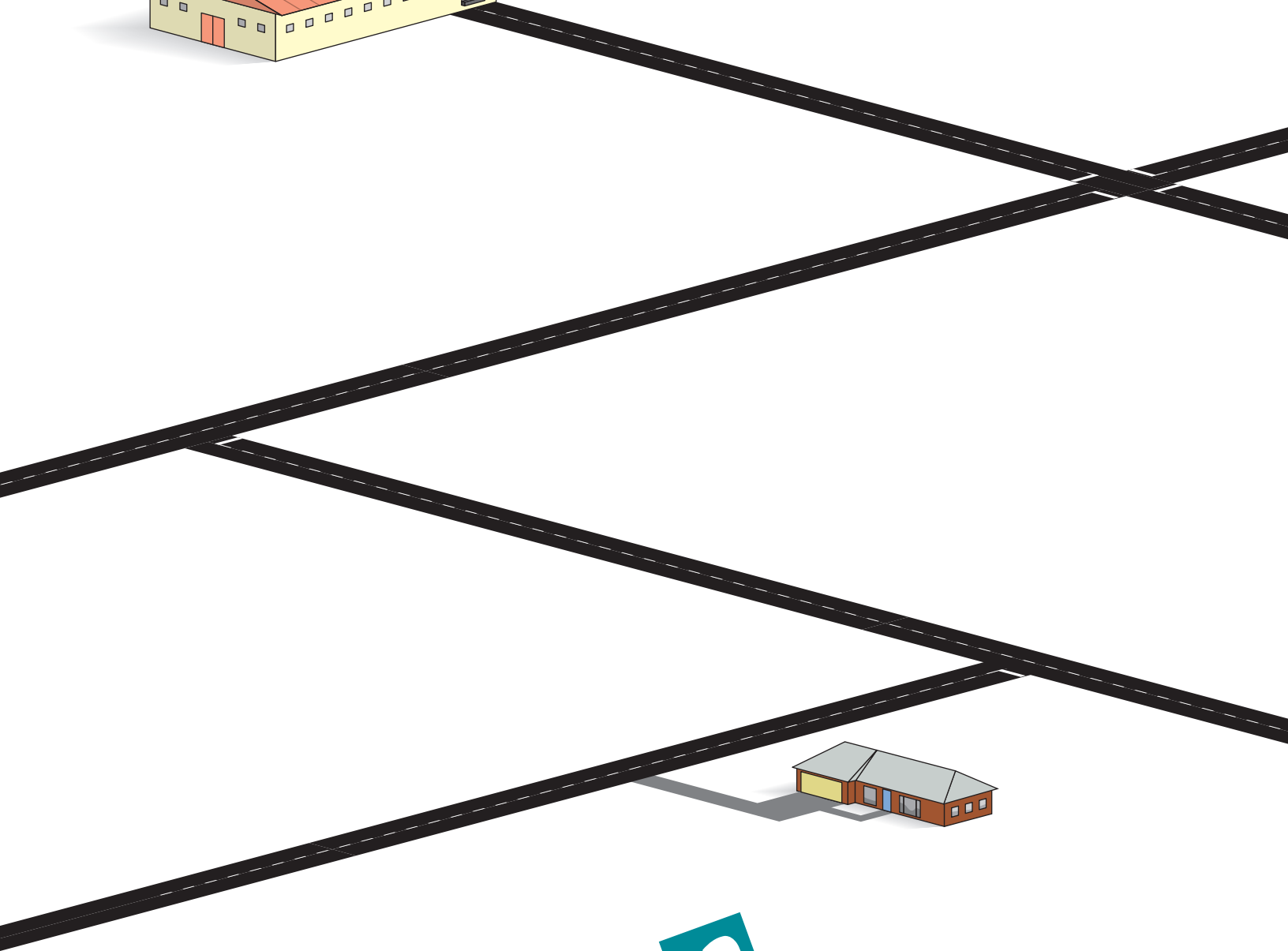
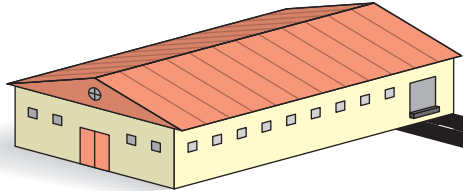


Supply Management of Eggs



Canadian Egg Marketing Agency

What is it?

Supply management is a uniquely Canadian marketing system that matches what farmers produce with what consumers need and want. Since 1972, the national egg supply-managed marketing system has been providing Canadians with reasonably priced, quality eggs, while providing income stability for egg producers.

Five agricultural commodities are supply-managed: eggs, milk, turkey, chicken and broiler hatching eggs. Provincial egg marketing boards work with the Canadian Egg Marketing Agency (CEMA) to manage the production, pricing, marketing and promotion of eggs in Canada.

Supply management is a tool that stabilizes the market for consumers. By forecasting the need for food and planning for production accordingly, it reduces the instability that can result when supply and demand for products are out of sync. Supply management maintains an orderly market and price stability for everyone in the food supply chain.

Managing production to meet demand is a common business practice that takes place in every sector from information technology to automotive manufacturing. Industries set price points to ensure they at least recover their costs of production. With so many variables influencing Canadian consumers, from employment prospects, to weather, to holiday seasons, the demand for products can vary significantly. So it's clear that forecasting requirements, planning production and establishing base prices provide stability that directly benefits consumers.

These principles hold true in agriculture as well.

Demands for food vary according to the season, holidays, food and health trends and international food crises. However, in the case of food production, farmers can't ask hens to stop laying eggs or cows to stop producing milk. So, accurately forecasting supply and demand is all the more important in maintaining an orderly market.

Who benefits?

CONSUMERS

Canadians benefit from supply management at the grocery store with a high quality, safe and reliable supply of reasonably priced products. Eggs, and the other supply-managed products, are virtually always available, and remain consistently priced year after year. Frequently in the United States, egg prices are far higher than in Canada. Let's take a look at two comparable markets: In New York, consumers pay \$2.47 (in Canadian dollars) for a carton of eggs and prices fluctuate significantly. In Toronto, on the other hand, people pay an average of \$1.88 for a dozen Grade "A" large eggs with very little fluctuation in pricing.

Canadian farmers are committed to the safety of our food supply, and it shows. Canadian eggs are among the safest in the world. The Canadian Egg Marketing Agency manages *Start Clean – Stay Clean™*, a program that monitors the safe handling of eggs from the farm to frying pan. According to a national survey¹, most Canadians believe that the Canadian Egg Marketing Agency ensures a safe and high quality (87%), reliable (90%) supply of reasonably priced (88%) eggs.

Canadians also have the benefit of eating home-grown food. The survey of Canadians found that consumers are very interested in where their food comes from. A full 98% of Canadians believe that Canada should produce enough food to satisfy our own needs. In fact, 85% of Canadians would be willing to pay a premium if it meant they would be assured that the food was of high quality, produced in Canada and that Canadian farmers make a decent income. Supply management helps ensure our food is produced by Canadian farmers who support the Canadian economy while giving consumers peace of mind in knowing where their food comes from.

FARMERS

Because supply management provides market stability, farmers of supply-managed commodities derive their income from the market rather than from government support. Farmers in the supply-managed commodities also benefit because the stability of the market allows them to reinvest in their farms, plan for the future and encourage their children to carry on the tradition of food production. In fact, in a survey of farmers who are at least second generation, 86% of those producing eggs, dairy or poultry said they chose farming as a career because it's a good way of life and they want to carry on the family business.

Seventy-five per cent of those producing supply-managed commodities said they would encourage their children to farm².

How does it work?

REGULATORY FRAMEWORK

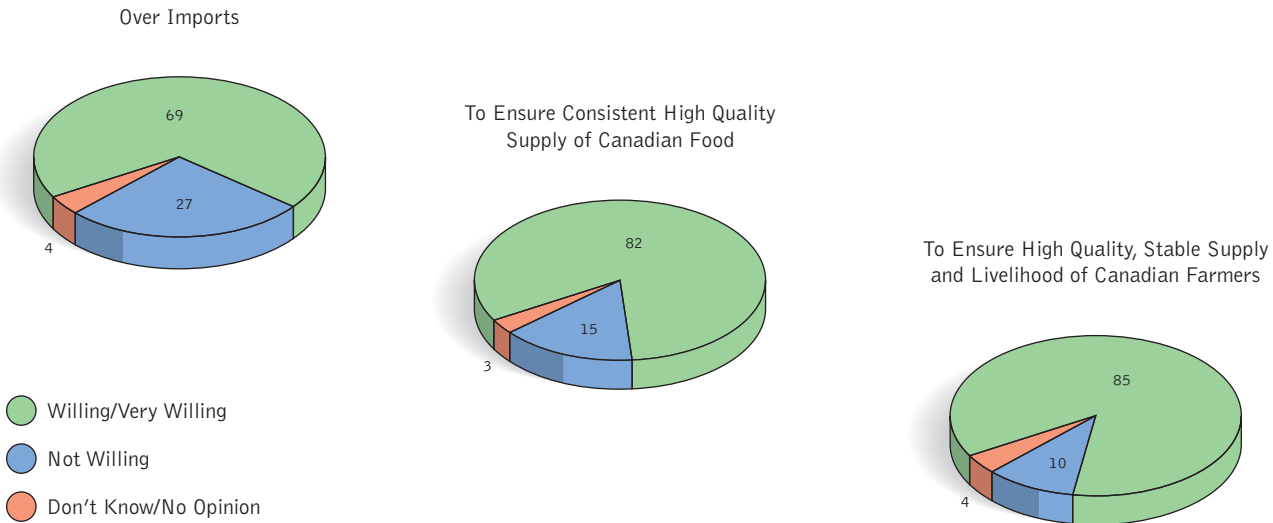
The National Farm Products Council, appointed by the federal government, and governed by the Farm Products Agencies Act, oversees CEMA's operation. The Council approves CEMA's quota and levy recommendations (orders) annually. The quota orders specify the quantity of eggs the industry can produce. CEMA employs the money from the levy to manage egg production, accurately determine supply requirements, support research, promote food safety, animal care and the environment and to market eggs.

PRODUCTION QUOTAS

Every year, CEMA projects the national requirement for eggs and allocates production quota to each of the ten provinces and the Northwest Territories, taking into



Percent of Canadian Adults Stating Willingness to Pay Premium for Canadian Food... (%)



account seasonal demand peaks at Christmas and Easter as well as the demand for certain sizes of eggs.

The provincial and territorial egg marketing boards, in turn, allocate individual production quotas to farmers. The goal is to match supply as closely as possible with the demands of the consumer.

Because supply management minimizes shortfalls and excesses in the production of eggs, it ensures there is a consistent supply of quality eggs at reasonable prices for Canadians.

COST OF PRODUCTION

Supply management ensures that the price regulated egg producers receive for their eggs, is based on what it costs an efficient farmer to produce the eggs. When the costs of production go down, producers get less for their eggs. When costs of production go up, producers get more. Efficient farmers are rewarded for their hard work. Inefficient farmers make less money and will find it difficult to operate a viable business.

MARKETING BOARDS

Under supply management, the provincial marketing boards regulate how much is produced by allocating individual producer quotas, determining the price to be received by egg farmers and administering food safety and quality enhancement programs. CEMA and its provincial counterparts promote eggs and new uses for eggs and contribute hundreds of thousands of dollars annually toward research that enhances the environment, health of hens and nutritional value of eggs.

INDUSTRIAL PRODUCTS PROGRAM

Most eggs produced in Canada are sold as fresh table eggs. Graders size the eggs, check them for quality and package them for distribution to retailers and restaurants. Some

eggs (about 25% of Canadian production) are bought by CEMA from graders and then sold to breakers who process them into liquid, dried and frozen forms. Some of these processed egg products are then used in the manufacture of foods like mayonnaise or baked goods. Eggs are also used to make pharmaceutical products and in diagnostic tests to identify viruses and diseases.

International trade

Canadian farmers are increasingly exposed to competitive pressures from highly subsidized production in the United States (US) and European Union (EU). To survive in this global environment, Canadian farmers need a level playing field.

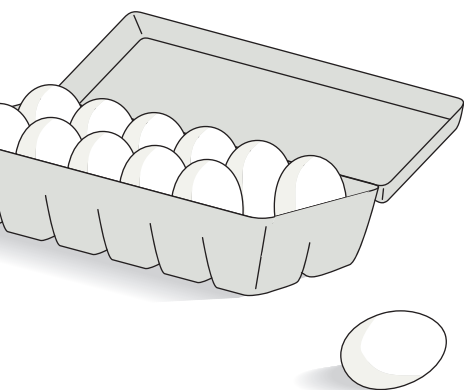
In Canada, farmers producing eggs, dairy, chicken and turkey do not receive government subsidies, unlike their counterparts in the US and EU. Canadian farmers are paid by consumers for their products.

Canada restricts imports of eggs in accordance with the Agriculture Agreement of the World Trade Organization. The restrictions enable CEMA to anticipate the number of imports for any given year and then to determine how many eggs must be produced by Canadian farmers.

In multilateral trade negotiations, some countries have pressured Canada to reduce the duties that are charged on most imports. This would result in a flood of foreign food products on our grocery store shelves. However, research shows that Canadians want food produced in Canada by Canadian farmers. According to the 2002 national survey, most Canadians (82%) believe that Canada should defend its farmers against foreign competition and 97% feel that Canadian farmers are an essential part of our way of life³.

Clearly, the existing supply management system is a unique solution that gives Canadians what they're looking for: safe, wholesome, Canadian food at reasonable prices.

¹NFO CF Group, 2002 – ²Ipsos-Reid, 2003 – ³NFO CF Group, 2002



British Columbia Egg Producers

150-32160 South Fraser Way
Abbotsford, British Columbia
V2T 1W5
Tel. (604) 556-3348

Alberta Egg Producers

#15, 1915-32nd Avenue N.E.
Calgary, Alberta
T2E 7C8
Tel. (403) 250-1197

Northwest Territories Egg Producers' Board

10-4 Courtoreille
Hay River, Northwest Territories
X0E 1G2
Tel. (867) 874-2209

Saskatchewan Egg Producers

P.O. Box 1263, Main Station
Regina, Saskatchewan
S4P 3C4
Tel. (306) 924-1505

Manitoba Egg Producers

18-5 Scurfield Boulevard
Winnipeg, Manitoba
R3Y 1G3
Tel. (204) 488-4888

Ontario Egg Producers

7195 Millcreek Drive
Mississauga, Ontario
L5N 4H1
Tel. (905) 858-9790

Fédération des producteurs d'œufs de consommation du Québec

555 Roland-Therrien Boulevard
Longueuil, Québec
J4H 3Y9
Tel. (450) 679-0540

New Brunswick Egg Producers

181 Westmorland Street
Fredericton, New Brunswick
E3B 3L6
Tel. (506) 458-8885

Nova Scotia Egg Producers

P.O. Box 1096
Truro, Nova Scotia
B2N 5G9
Tel. (902) 895-6341

Egg Producers of Prince Edward Island

420 University Avenue
Charlottetown, Prince Edward Island
CIA 7Z5
Tel. (902) 892-8401

Egg Producers of Newfoundland and Labrador

P.O. Box 8453
St. John's, Newfoundland
A1B 3N9
Tel. (709) 722-2953



Canadian Egg Marketing Agency

1501-112 Kent Street
Ottawa, Ontario
K1P 5P2
Tel. (613) 238-2514