



Celebrating our 30th Anniversary

A brief history of national egg supply management

December 15, 2002, marks an important milestone for the Canadian Egg Marketing Agency. For those of us old enough to remember, our 30th anniversary reminds us of an era of unstable prices, over-supply and precarious times for egg farmers from coast to coast.

The history of the Agency and of national egg supply management begins before CEMA was formed. In the late 1960s, producers banded together to form marketing boards for milk, eggs and chicken. These marketing boards operated under provincial government authority. It became evident to egg producers that as useful as these marketing boards were, there were limits on what supply management could do at a provincial level.

In 1968, the Canadian Egg Producers Council and the Canadian Federation of Agriculture sponsored the first national conference of egg producers. The meeting concluded that “the over-riding goal and priority must be effective supply management and price adequacy.” It recommended immediately establishing a national agency by special federal legislation.

The government of the day responded with Bill C-197, a predecessor of today’s Farm Products Agencies Act. Bill C-197 died on the order paper but was re-introduced as Bill C-176. There was substantial debate in government and in the agriculture community about Bill C-176 and passage was delayed. It was necessary to determine if a majority of farmers producing any given commodity wanted a national marketing organization for that commodity and to determine what the authorities of that organization should be.

The result was the Farm Products Marketing Agency Act which dealt only with poultry and eggs. It required that before a particular agency could be set up, a majority of producers affected had to approve. A national government supervisory body, the National Farm Products Marketing Council as it was called then, was formed to pave the way for the development of the Canadian Egg Marketing Agency. Finally, on December 15, 1972, the first Proclamation was decreed and a national marketing agency for eggs came into being.

Growing Pains

Significant challenges had to be overcome in the early years of CEMA. CEMA was the first national marketing agency for any poultry commodity so our founders had to learn by trial and error. The Consumers Association of Canada and the Food Prices Review Board became CEMA's most vocal critics, charging that supply management resulted in higher food costs.

The early 1970s were also difficult for us due to excess supply caused by a sudden drop in egg consumption in North America. Part of this had to do with rapidly changing lifestyles – the rise of single-parent families and double-income families meant there was little time to prepare the typical bacon and egg breakfast. Another part had to do with United States scientists wondering publicly if dietary cholesterol found in foods like eggs and shrimp could cause elevated blood cholesterol and, therefore, coronary heart disease.

The egg producers of Canada met these challenges through their national supply management system. In 1975, central selling and pricing was introduced along with a national monitoring system for hen numbers. The following year, the Agency eliminated its indebtedness and solidified its roles and responsibilities through a federal-provincial agreement. Although pricing was eventually returned to the provinces, the role of the Agency as a purchaser of eggs in excess of requirements for the fresh table market has been maintained and still exists today.

Despite CEMA's success in stabilizing supplies and egg prices in Canada in the face of rapidly declining egg consumption on the continent, the Food Prices Review Board, in issuing its final report, suggested supply management be dismantled.

Steady as she goes

The 1980s were marked by increasing the stability of egg supplies. The Agency continued to purchase eggs from the market and sold them to what was becoming a growing breaking sector. The need for breaking eggs to be transformed into liquid, dried or frozen form for use in food manufacturing was growing while the requirements for fresh shell eggs by consumers were continuing to decline. A major challenge came with the Macdonald Royal Commission's conclusion in 1985 that supply management should come to an end in Canada. It was a recommendation not accepted by the government of the day.

However, the changing nature of the Canadian market – the growing requirements of the industrial sector relative to the fresh table market – had to be better understood. In 1987, the federal agriculture minister of the day, the Hon. John Wise, ordered a national seminar to explore the Agency's growing financial requirements to operate its buy and sell program. In addition, the National Farm Products Marketing Council froze that portion of levies used by CEMA to operate its buy and sell program and that were recovered from the sale of fresh table eggs.

The need to bolster the table market was evident more than ever before during this decade. In the mid-1980s, CEMA launched a major multi-media campaign, including national television advertisements, where Olympic gold medal winner Alex Baumann encouraged Canadians to eat eggs. We developed a long-term strategy to improve eggs' nutritional image by promoting the many scientifically proven, positive nutritional attributes of eggs to health professionals.

At the end of 1988, our market operations accounts were in a deficit position of \$14.4 million. And we entered the new year of 1989 with an influx of egg imports caused by the Canada-United States Free Trade Agreement (CUSTA). As if that wasn't enough, the

rise of new food-borne pathogens, particularly in Great Britain and the United States, foretold of unprecedented food safety challenges yet to be faced by Canada's egg farmers.

Stormy waters

CUSTA increased egg imports from the United States from 0.675 percent of the previous year's production to 1.647 percent. At the same time, global negotiations on agricultural trade were taking place under the auspices of the GATT – the General Agreement on Tariffs and Trade. There, the United States proposed the elimination of supply management, suggesting that border controls be replaced with tariffs that would eventually be reduced. Farmers from all parts of Canada held an historic rally on Parliament Hill in 1992 making it clear to Canada's government that the agricultural community was unhappy with the United States proposal.

In Geneva, where the negotiations were being held, an alliance was formed by the United States and the European Union. One by one, countries in support of border controls sanctioned by Article XI of the GATT were picked off. In large part due to the work of the Canadian Federation of Agriculture, a national coalition of farmers producing the supply-managed commodities of milk, chicken, turkey and eggs, as well as Canada's trade negotiators, a workable world-wide agreement was developed. Import-controlling tariffs in combination with market access pacts provided CEMA, and the other supply management organizations, with the structure needed to continue Canada's unique method of production and marketing known as supply management.

In the meantime, CEMA's financial picture improved, in large part due the levies paid directly by producers. The market operations debt declined slowly but surely and by April, 1993 the account had swung into a small surplus situation.

For national egg supply management, the 1990s have been marked by the need to adjust at every level. Our marketing structures have had to change in response to trade agreements; we've had to develop new ways to adapt to the needs of the industrial

product sector; new programs have been introduced to deal with food safety challenges. Even an historic strengthening of consumption of eggs needed some getting used to.

The 1990s and food safety

The scientific communities in Europe and North America discovered that a particular kind of salmonella bacteria that makes people sick, *Salmonella enteriditis*, could get inside eggs before they were laid. Egg-related illness was becoming increasingly known in Europe, especially Great Britain. Though the custom in Great Britain was not to refrigerate eggs -- a custom that encourages bacterial growth -- CEMA wanted to take precautions and determine if there was a problem in Canada.

Egg producers cooperated with the federal government in a research project to sample and inspect eggs. The project revealed that it was only on the very rare occasion that a person would come across a Canada Grade A egg with *Salmonella enteriditis* in it. Despite this excellent news, CEMA launched its Safe from Salmonella program to educate farmers about the need to develop biosecurity measures on-farm in order to reduce the likelihood of dangerous bacteria getting inside eggs. This was the foundation of today's Start Clean – Stay Clean™ program based on internationally recognized HACCP principles. Annually, all regulated egg farms in Canada are inspected by CEMA's field staff according to criteria for the safe production of eggs.

Operational change

The advent of new world trade rules in agriculture in July, 1995, required CEMA to review all of its programs. In consultation with the federal government, whose officials provided much welcomed technical assistance on this matter, CEMA deemed its albumen rebate program was an export subsidy not permitted under the new rules. Consequently, the program was ended. Also, we concluded that our sales of eggs could not be contingent on the final market – whether domestic or international.

Together with our customers, we initially experimented with three tiers of sales. The price of product would be related to quality, service, and supply and demand, which would be categorized by the tiers. The system, however, was only moderately attractive

to producers and buyers; and we were concerned some aspects, if challenged, would be found not to be compliant with the requirements of the World Trade Organization.

CEMA introduced varying methods of pricing industrial product through the 1990s, always in consultation with its customers. The price caps of the mid-1990s responded to egg users' considerations to move processing operations south of the border. The price caps saved Canadian jobs and prevented an influx of dried bakery mixes made out U.S.-produced, and processed, eggs. In addition, we introduced feed-based pricing mechanisms so the price of eggs paid by breakers better corresponded to the major input, feed. And we charged our sales according to the package and delivery specifications of our customers.

In the new millennium, we continue to evolve our pricing mechanisms to ensure it is fair to producers, processors and consumers. A multi-phased price discovery study is ongoing with the Canadian Poultry and Egg Processors Council to determine a mutually satisfactory way to price eggs going to the industrial sector.

“Second generation” directors

While it was a former agriculture minister, the Hon. Don Mazankowski, that introduced the term “second generation supply management”, it was the Hon. Ralph Goodale and his parliamentary secretary of the day, the Hon. Lyle Vanclief, the current Minister of Agriculture and Agri-Food, that gave it force. The Federal-Provincial Task Force on Orderly Marketing examined all aspects of supply management for all of the supply-managed commodities. A thorough review of the changing markets in Canada was completed. The Task Force resulted in a new Proclamation which gave force to new positions on the Agency's board of directors. A director from each of the grading, breaking and hatchery sectors joined our board which was made up primarily of producers. In addition, the Consumers Association of Canada was granted a position on the board. The Canadian Egg Marketing Agency truly consisted of all stakeholders and to grow its markets, required collaboration and consensus by all.

The government also reduced its involvement in the Agency by removing its Governor-in-Council appointed chair and director-at-large. The chair could now be elected by the directors.

Shortly afterwards, another change was required to the Proclamation. The Government of Canada, CEMA and the Government of the Northwest Territories had completed several years of negotiations to bring the Northwest Territories into the national egg supply management plan. At the time of the original Proclamation, no one had envisaged egg production in the Northwest Territories. Improvements in production methods changed that. Today, two egg operations in the Northwest Territories are part of the national egg supply management system and a NWT director is a member of CEMA's board of directors.

The 1990s and the need for new production

As the industrial sector grew in the 1980s and 1990s, egg production in Canada had difficulty keeping up. Consequently, breakers were permitted, with CEMA's complete agreement, to import the eggs they required. As more and more supplementary import permits were being issued, some producers felt opportunities were being missed. Others, however, did not want to incur the increased costs an expanded national buy-and-sell program necessarily implied. Variable levy rates were introduced to ensure those provinces with the greatest level of production going to the breaking sector contributed more toward the financial requirements of the program.

The variable levy, however, could only be a temporary response as increasing pressure was put on the national system to expand the egg industry, particularly on the Prairies. Government transportation subsidies of feed crops were eliminated in response to new trade rules, hurting some provincial economies. Provincial governments began discussions with their farm leaders to expand their respective livestock sectors as a way to increase agriculture's contribution to the economy.

In response, CEMA created new categories of quotas. Following a pilot project, a Grow for Processing policy was developed which permitted independent supply contracts among producers and breakers.

The gold standard

Resurgence in the popularity of eggs among consumers fuelled the growth. Our nutrition education programs to health professionals were beginning to pay off. Emphasis was placed on the quality of protein found in eggs and the generally accepted reality that the protein in eggs is the gold standard by which the protein of other foods should be measured. In addition, eggs were being recommended by dietitians as an affordable, nutrient-dense food.

A turning point was reached in 1996 when the average annual per capita consumption of eggs increased. Even though not all of the 1996 data were in, the Agency was granted a quota order for 1997 which had a national allocation over that established as the base in 1972. The decades of declining consumption had come to an end.

The Agency placed its focus on promotional activities. Our award-winning Producer Portrait campaign took to the airwaves, peaking consumer interest in eggs and in egg farming. If there had been any question remaining about the goodness of eggs, that door was finally shut when the Harvard School of Public Health issued its report studying the dietary habits of close to 118,000 men and women over eight to 14 years. An egg a day did not increase the risk of cardiovascular disease for the typical person, Harvard concluded.

Almost half-way through our second generation of supply management, eggs have been completely exonerated. Annual per capita gains in consumption are now common. The introduction of new kinds of eggs – such as omega-3 eggs or vitamin enhanced eggs – on the grocery shelves has also been a major factor contributing to increasing interest in, and consumption of, eggs.

Today's focus is to promote the health benefits of eggs not just to health professionals but directly to consumers and to advertise eggs as a delicious, versatile and elegant food at any time of day.

Innovation and growth

Further market growth will at least to some degree depend on the development of new specialty fresh eggs for Canadians. That is why CEMA is encouraging research in new product development. Together with the other national poultry agencies and the Canadian Poultry and Egg Processors Council, CEMA is a founding member of the Canadian Poultry Research Council. Increased levels of research in the poultry and egg industries will find new and better ways to grow food for Canadians.

Each new challenge faced by the Canadian egg industry over the 30-year history of CEMA proves what the early proponents of supply management knew all along, namely that orderly marketing of eggs provides consumers with a stable, secure supply of high quality eggs. There have certainly been hurdles to get over. Nonetheless, no matter what difficulty was faced, Canada's egg producers and processors have demonstrated they are up to the task.

We look forward to a very bright future. Research conducted by CEMA in 2002 revealed Canadians fully back this country's farmers and are very supportive of the principles of supply management. Almost all believe it is important for Canada to produce enough food for its own needs. Eighty-five percent are willing to pay a premium to ensure consistent, high quality food and to ensure the livelihood of Canadian farmers. Four out of five Canadians believe Canada should defend our farming industry from foreign competition while the same number agree marketing boards ensure a food supply that is safe, of high quality, affordable and readily available through domestic production.

Historical highlights

1968: The Canadian Egg Producers Council and the Canadian Federation of Agriculture sponsor the first national conference of egg producers.

1971: The Farm Products Marketing Agency Act becomes law.

1972: The Canadian Egg Marketing Agency is formed.

1975: Central selling is developed. The first Governor-in-Council appointment is made to CEMA's chair.

1985: The Macdonald Royal Commission recommends supply management be dismantled. CEMA builds a multi-media marketing campaign around Olympic gold medal winner Alex Baumann.

1989: The Canada-United States Free Trade Agreement becomes law. The United States proposes the elimination of supply management in Canada.

1990: CEMA launches the Safe from Salmonella program.

1992: Pricing is decentralized. 40,000 farmers march on Parliament Hill in support of GATT's recognition of border controls in supply-managed systems.

1993: Variable levies are introduced. Multilateral trade negotiations wrap up with the introduction of tariffs to GATT's Article XI border controls. Table demand for eggs strengthens.

1994: Government lets term of its appointed chair expire. Ad hoc review committee for eggs is established under the Federal-Provincial Task Force on Orderly Marketing.

1995: Inability to reach agreement on levies with National Farm Products Council results in CEMA operating without a levies order for the first time in its history. The new multilateral agriculture trade agreement is in force.

1996: The United States launches a tariff challenge against Canada under the North American Free Trade Agreement. CEMA's board of directors is enlarged to include grader, hatchery and breaker representatives. National allocation goes over the base established in 1972. Per capita consumption of eggs increases.

1997: CEMA hosts the annual production and marketing conference of the International Egg Commission. CEMA coordinates research required by Health Canada on the marketing of omega-3 eggs. Usage and attitude study confirms less concern about cholesterol and more knowledge about the nutritional merits of eggs.

1998: CEMA develops Egg Information Management System software for information needs of CEMA and provincial boards. Start Clean – Stay Clean™ program of on-farm food safety modified to incorporate HACCP principles. CEMA's Y2K compliance verified. Grow for Processing policy developed. Supreme Court of Canada rules supply management is consistent with the Charter of Rights and Freedoms.

1999: St. Andrew's Accord establishes interim agreement on quotas and levies. Revised nutrient analysis shows a marked reduction in fat and cholesterol content of eggs, likely due to improved breeding and layer diets. Harvard School of Public Health concludes most people can safely eat an egg a day. The Northwest Territories becomes a member of national egg supply management system.

2000: CEMA enters the year without a quota order, pending a hearing before National Farm Products Council. Quota Allocations Committee refines agreements of St. Andrew's Accord. Health Canada proposes mandatory nutrition labelling.

2001: Communication risk audit completed. Canadian Poultry Research Council is developed. CEMA's board of directors establishes a standing Research Committee. New round of multilateral trade talks begins. CEMA launches www.eggs.ca, a web site independent of its corporate site and one exclusively dedicated to promoting eggs.

2002: Research Committee invites Canada's top scientists to collaborate on research project to enhance the shell egg. Canadian farmers lead the formation of a global farmers' trade alliance. *Code of practice for the care and handling of pullets, layers and spent fowl* established by the Canadian Agri-Food Research Council.

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