



CANADA'S  
GROWING  
*Success  
Story*

ANNUAL REPORT  
— 2010 —



Chicken Farmers  
of Canada  
Les Producteurs de  
poulet du Canada

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FOR PRESENTATION TO THE MINISTER OF AGRICULTURE AND AGRI-FOOD, THE  
HONOURABLE GERRY RITZ, AND THE FARM PRODUCTS COUNCIL OF CANADA.

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# Who — WE — Are

Chicken Farmers of Canada (CFC) is a national organization, funded completely through farmer levies paid according to the amount of chicken marketed. Established over 30 years ago, CFC is proud of its role in a continuing agriculture success story and for many great years of raising the quality chicken that Canadians trust.

CFC's main responsibility is to ensure that our 2,800 farmers produce the right amount of fresh, safe, high quality chicken to meet consumer

needs. To do so, farmers, processors, further processors and members of the restaurant trade from across the country meet every eight weeks to determine anticipated market requirements and set production levels accordingly.

This evolving risk management system that we operate under is commonly known as "supply management". As part of the system, CFC also monitors compliance with provincial quota allocations and the inter-provincial or market development trade of chicken.

Another CFC responsibility is to represent the interests of chicken farmers and the Canadian chicken industry. CFC strives to ensure that key decision makers in government fully understand the views of Canada's chicken farmers and that these are taken into account

when important agriculture and trade policy decisions are made.

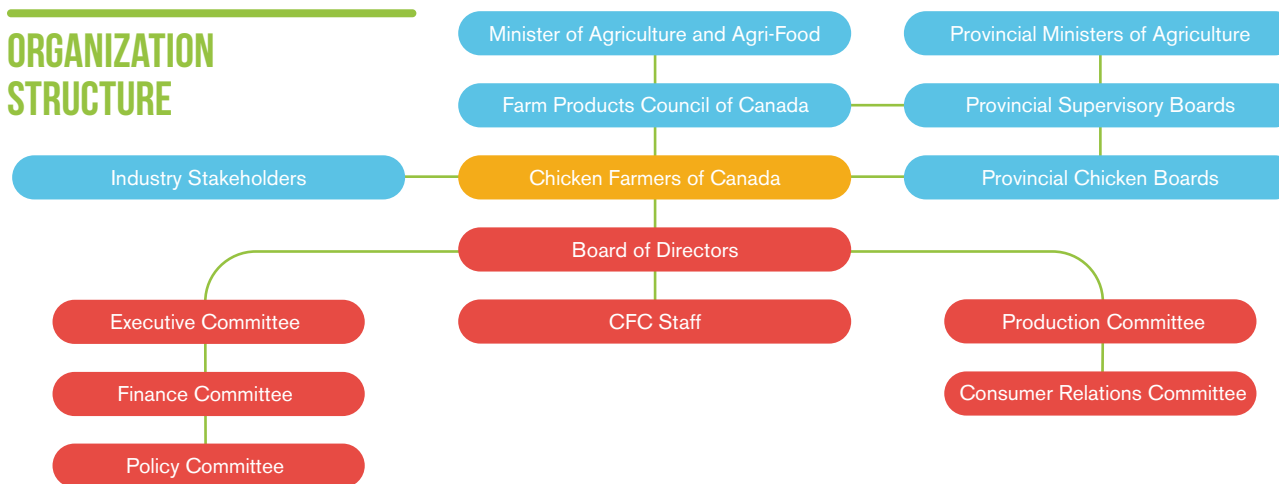
CFC plays a key role in developing, partnering or managing programs for Canada's chicken farmers that prove that farmers continue to grow the high quality chicken that consumers trust. Through on-farm programs such as the food safety program, *Safe, Safer, Safest*, the animal care program and biosecurity initiatives, CFC works closely with government partners and industry stakeholders to keep the industry innovative and responsive.

Our directions and policies are determined by a 15-member Board of Directors. The Board is comprised of farmers appointed by provincial chicken marketing boards. Non-farmer directors—one from the restaurant industry, another from

the further processing industry, and two representing the processing industry—are appointed by their respective national associations.

CFC and its stakeholders work together on behalf Canada's chicken industry, from farmer to consumer. Ours has long been a Canadian success story, known for its responsiveness and leadership within an evolving supply management system. Strong leadership and proactive strategies will always play an integral role in our ongoing success.

## ORGANIZATION STRUCTURE



## OUR MISSION

To build a strong, competitive, consumer-centered Canadian chicken industry that meets the challenges of a changing world, and to profitably grow its position as the protein leader in Canada.



## Message FROM the Chair

### CANADA'S GROWING SUCCESS STORY

In this Annual Report you will discover how the CFC Board of Directors, the CFC committees and staff all played key roles in writing and telling our growing success story.

The CFC Board of Directors makes decisions while bearing in mind the organization's Mission Statement: "To build a strong, competitive, consumer-centered Canadian chicken industry that meets the challenges of a changing world, and to profitably grow its position as the protein leader in Canada".

A major responsibility of CFC is to produce enough chicken to meet the needs of the Canadian consumers while providing a stable environment for the industry stakeholders. This often requires active participation by many key industry players to build momentum and can lead to a balancing act in order to get buy-in for our decisions. Participants in the process should be commended for a good, consistent year for the industry.

On the technical side, the CFC Board of Directors, industry stakeholders and the Federal Government worked throughout 2010 on identifying weaknesses in the chicken

import rules and closing those flaws. More work is required, but I would like to thank the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, for his leadership on this file.

Another issue that we must continue to monitor on a regular basis is trade; negotiations at both the WTO and on a number of bilateral agreements are moving forward, some at a faster pace than others. We must continue to explain to our politicians at all levels the importance of supply management to Canada. We, as an industry, need to be clear that a bad deal in any of these negotiations could have serious implications for the Canadian chicken industry and this message must be delivered to our elected officials and policy makers.

In late September, the Board held a successful strategic planning session to identify the priorities for the coming year. The Board identified a number of priorities, but three of which were determined to be critical priorities:

1. Allocation Setting
2. Antimicrobial Resistance and Antibiotic Issues
3. Integrity of the Chicken Import Pillar

This planning session is crucial to keep CFC focusing on its future and the successful evolution of the Canadian chicken industry.

Late in the year, a major funding announcement buoyed our organization's efforts in the field of research. CFC continues to invest in research on key issues and technologies that are of concern to chicken farmers and consumers. The Canadian Poultry Research Council continues to play a leading role and our ongoing participation is essential to keeping our industry at the leading edge.

I welcome the new Chair of the Farm Products Council of Canada, Laurent Pellerin and thank him for taking a leadership role in dealing with the complex issues that were unresolved with CFC. With his leadership, these issues are progressing.

I would like to express my appreciation to Minister Ritz and to the Canadian Government

for their unwavering support for the Canadian chicken industry and for supply management.

I would be remiss if I as Chairman did not take the time to thank the Board of Directors as well as the Executive Committee and all committee members and chairs for their continued support. As an industry I would also like to convey our gratitude to Mike Dungate and his staff for their devotion to and enthusiasm for the Canadian chicken industry.

Tough decisions made by the Board of Directors on key issues in 2010 have provided a very strong base to move forward as an industry. Their work has guided the Canadian chicken industry onto the road to continued success.

One key message continues to be clear, when we as an industry work collectively and make good decisions the industry has been successful at meeting the needs of the Canadian consumer and this contributes to having a stable environment to invest in.

As we look to the future we must continue to listen to the consumer and provide the right product at the right time for the right price. It is up to us as an industry to do the work required to continue on the road of success!

David Fuller, Chair





## Message — FROM THE — Executive Director

### CHICKEN: THE MEAT OF THE FUTURE

I firmly believe that chicken is the meat of the future. While there have been significant gains in the popularity of chicken with consumers over the past two decades, there remains a lot of upside for the Canadian chicken industry. Over the past year, CFC and its stakeholders have created a stable base from which we can seriously explore how to grow our market further. The 1.2% increase in production in 2010 was achieved with stable pricing and profitability throughout the value chain.

At the same time, the federal government reconfirmed its ongoing support for supply management at bilateral and multilateral trade negotiations. Minister Ritz established the Chicken Imports Working Group with the objective of ensuring the integrity of the import control pillar of our supply management system. CFC's relationship with FPCC has been turned around with Laurent Pellerin, the new forward-looking Chair of FPCC, at the helm.

We continue to have strong leadership, under David Fuller at CFC, and we are developing succession plans to ensure that the quality

of our leadership is maintained. CFC's board committee structure has been transformed to address current and future priorities and CFC's staff structure has been realigned accordingly. This market, political and organizational stability allows Canadian chicken farmers and chicken industry stakeholders to invest with confidence in order to enhance our productivity and grow our business. We believe in our industry.

From a demand perspective, chicken is Canadians' favourite meat. It has a good health profile as a lean protein. Canadians love the convenience, versatility and diversity of our product offerings. CFC's vision is "A Canadian chicken industry that satisfies consumer expectations with domestically produced chicken". To meet these expectations: CFC has now certified essentially all of Canada's chicken farmers through its On-Farm Food Safety Assurance Program and, after one year of implementation, has certified 25% of farms under the CFC Animal Care Program. In addition, we have implemented and tested our animal health protocols, including traceability.

With our new Consumer Relations Strategy, CFC is truly beginning to engage Canadian consumers. On December 1<sup>st</sup>, CFC launched its new consumer-oriented website – with recipes, cooking tips, health and nutrition, information on farming and lots of videos. We are also blogging and engaging consumers through Facebook and Twitter. We will continue to expand and deepen the bond with our real "clients", which will serve us well in the future.

While we are well positioned, it does not mean that we do not have work to do. We are not unique. Like every other industry, we have our issues that we need to address. We have challenges to overcome. We need to address the impact of rising feed costs, which are a concern for all meats. Certainly the feed conversion ratio for chicken gives us a distinct advantage. This feed conversion advantage combined with breeding efficiency also translates into an environmental impact advantage. We need to build on these advantages.

For 2011, CFC and its stakeholders will be focused on ensuring that on-farm food safety

program certification becomes mandatory in all provinces. We will strive to finalize the federal, provincial and territorial government 3<sup>rd</sup> party recognition of the program. We will be working with farmers to continue the quick uptake of our animal care program and we will put in a renewed effort to seek broader support from key food industry players for our program.

We will also continue our research, implement our surveillance and fully develop our industry action plan to determine the best means of reducing antibiotic use. What is clear is that we cannot be complacent about the confidence of consumers that we have earned over the years by being proactive on the issues that are important to them. These actions will help maintain the confidence that consumers have in Canadian chicken.

With the confidence of the industry to invest and the confidence of consumers in our chicken, we have a strong foundation to focus on a strategy to grow our industry.

2010 was an important chapter in Canada's Growing Success Story – but the story is not finished. CFC Directors and staff have crafted the plans and priorities. 2011 beckons, as CFC and its stakeholders write the next chapter in our success story. It should be another page turner.

Mike Dungate, Executive Director





## THE BOARD IN 2010



**DAVID FULLER**  
(Nova Scotia) – Chair



**LUC GAGNON**  
(Canadian Poultry and Egg Processors Council)



**BRIAN PAYNE**  
(Canadian Restaurant and Foodservice Association)



**REG CLICHE**  
(Canadian Poultry and Egg Processors Council)



**IAN HESKETH**  
(Further Poultry Processors Association of Canada)



**MIKE PICKARD**  
(Saskatchewan)



**YVON CYR**  
(New Brunswick)



**DAVID JANZEN**  
(British Columbia)



**BARRY UYTERLINDE**  
(Prince Edward Island)



**MARTIN DUFRESNE**  
(Quebec)



**JOHN MAASKANT**  
(Ontario)



**JOHN VIßERS**  
(Nova Scotia)



**ERNA FERENCE**  
(Alberta)



**RUTH NOSEWORTHY**  
(Newfoundland & Labrador)



**JAKE WIEBE**  
(Manitoba)



## The CFC Board — AND — Committees

### 2010 CFC COMMITTEES

#### EXECUTIVE

**Chairman: David Fuller**

1<sup>st</sup> Vice-Chair: Martin Dufresne

2<sup>nd</sup> Vice-Chair: Erna Ference

Member at Large: Dave Janzen

#### FINANCE

**Chair: Brian Payne**

Ruth Noseworthy

Barry Uyerlindé

#### POLICY

**Chair: Rick Thiessen – B.C. alternate**

Yvon Cyr

Martin Dufresne

Luc Gagnon

Ian Hesketh

#### PRODUCTION

**Chair: Reg Cliche**

Carole Girard – Quebec alternate

Christine Moore – CRFA alternate

Ed Verkley – Ontario alternate

John Vissers

#### CONSUMER RELATIONS

**Chair: Mike Pickard**

John Slot – FPPAC alternate

Jake Wiebe

#### CFA

**Erna Ference**

#### CPRC

**Jacob Middelkamp** – Alberta alternate



## Staff — AND — Office

### NEW FACES

**Sebastien Tremblay** joined CFC in May on a contract basis as Compliance Officer replacing Lori Piché who is on maternity leave. Lori will return in May 2011.

**Eric Braff** was hired in early June as Market Analyst to replace Lori Piché who joined the Finance Unit as Compliance Officer.

**Lise Newton** returned to the coop on a full-time basis as Senior Advisor, Government Relations in July, 2010.

**Adrian Uzea** came to CFC in November, replacing Mihai Lupescu as Senior Policy Analyst

### WENT TO OTHER PLACES

**Janet Noseworthy** retired to be home with her children in May

**Mihai Lupescu** left CFC in July

### LEASE

CFC has been at its current location for over 10 years! Our first 10 year lease expired in June of 2010. Negotiations for a 10-year renewal began early in the year and an additional 1,800 square feet were acquired to bring our total space to 9,000 square feet. Renovations for the expansion began in October 2010. The new space includes a redesigned (and enlarged) kitchen area, 5 workstations, an office, a medium-sized boardroom and additional storage space.

### SUCCESS STORY

Alain Bazinet, his wife Carole, and their three children are proud chicken farmers. Their farm is located in an area of Quebec often called "The Garden" due to its fantastic growing conditions.





# Who's Who AT CFC







**MIKE DUNGATE**  
Executive Director



**LISE NEWTON**  
Senior Government  
Relations Advisor



**STÉPHANIE TURPLE**  
Executive Assistant



**MICHAEL LALIBERTÉ**  
Director of  
Operations



**PAULA DOUCETTE**  
Manager of  
Administration &  
Human Resources



**LISA RIOPELLE**  
Administration  
Coordinator



**LUDE-HÉNA GILLES**  
Translation  
Coordinator



**REBECCA DERRY**  
Meeting Coordinator



**JAE YUNG CHUNG**  
Senior  
Financial Officer



**MARIA ELENA BAISAS**  
Bookkeeper



**LORI PICHÉ**  
Compliance Officer  
*\*maternity leave 2010*



**JAN RUS**  
Manager of Market  
Information & Systems



**ERIC BRAFF**  
Market Analyst



## Planning for — SUCCESS — Strategically

Each year, CFC's Board of Directors and Executive Management Team take the opportunity to celebrate the successes of the previous year and set priorities for the next. The 2011 strategic planning meeting was held in Montebello, Quebec on September 29 and 30, 2010.

Directors reviewed progress in 2010, conducted an environmental scan for 2011, discussed and set the priorities for 2011 and had a presentation on consumer trends by Dave Sholz from Leger Marketing, in keeping with CFC's current focus on growing the domestic market.

The bulk of the meeting was focused on designing strategies for 2011 that correspond with the priorities stated in CFC's five-year strategic plan (2009-2013). CFC Directors agreed upon the following priorities for 2011:

### CRITICAL PRIORITIES FOR 2011

#### Allocation Setting

Setting of a medium term growth target; resolution of FPCC issues; annual review of CFC's Operating Agreement; clear understanding of the differential growth provisions

in the Operating Agreement; resolution of interprovincial movement (IPM) issues.

#### Antimicrobial Resistance and Antibiotic Issues

Implementation of the CIPARS On-Farm Antimicrobial Use and Resistance Surveillance program; development of a CFC/industry antimicrobial use and resistance communication plan; stakeholder meetings towards developing an industry action plan on reducing antimicrobial use; communication tools for farmers/industry to reduce antimicrobial usage.

#### Integrity of the Chicken Import Pillar

Determine a long-term allocation methodology for TRQ administration that supports CFC's national supply management system. Modify import rules to stop the erosion of the Canadian share of the market by Non-ICL imports (13% and spent fowl). Work with industry and federal government partners to ensure that imports meet the same requirements as those faced by the Canadian chicken industry.

### HIGH PRIORITIES FOR 2011

#### Animal Care

Implementation/auditing of the Animal Care Program (ACP) and determination of a target date for all farms to be audited/certified; review of the density section of the Animal Care Program; development of a national strategy for animal care programming in the catching and transport sector; initiation of an update to the Code of Practice for Chickens, Turkeys

and Breeders; representation of CFC policies at industry/government meetings and in communication strategies.

#### Consumer Relations Strategy – Consumer Expectations Component

Compilation of existing data, as well as new quantitative data, to obtain clarification on current consumptive habits, preferences and identification of areas for growth; conduct a series of focus groups with specific targets (as identified in quantitative data).

#### Food Safety

3<sup>rd</sup> Party OFFSAP Recognition (mandatory OFFSAP regulations in each province, consistent implementation of the OFFSAP (producer manual and management manual), finalized government protocol for 3<sup>rd</sup> party audit recognition; a resolution on how/when to promote/require equivalency for imported products; effective management of food safety issues that affect Canadian chicken.

#### Government Relations Strategy

Develop a CFC government relations briefing book; increased CFC monitoring activities; an effective issues management process within CFC; increased CFC involvement with CFA; development of *Growing Forward 2* that supports the Canadian chicken industry.

#### WTO Agriculture Negotiations

Work with industry, provincial and federal governments to maintain support for supply management, both through the SM-5 coalition (dairy, poultry and egg industries) and through industry-wide representation in the face of a changing trade environment and WTO agriculture negotiations.

### SUCCESS STORY

While many chicken farmers focus on raising one type of chicken, there are farms throughout Canada that do more. Leonard Klassen along with his wife Kim and their three children are "dual-commodity" farmers, meaning they raise two different kinds of chickens.





## OTHER PRIORITIES FOR 2011

### Animal Health

Finalization of an acceptable Health of Animals Act chicken compensation model; leadership in the National Farmed Animal Health and Welfare Council; a strategy acceptable to the chicken industry for meeting the 2011 traceability objectives defined by the FPT Agriculture Ministers.

### Consumer Relations Strategy – Online Component

- A) Web portion: a 35% increase in traffic to the new CFC website (from 19,000 to 26,000), as well as increasing time on the site; increased comments and engagement on recipes, blog posts and articles; 200 new recipes with photography; strategy for 18-35 year olds.
- B) Social media portion: delivery and implementation of a strategy to expand our reach to online influencers, as well as to target audiences and get them talking about chicken through various initiatives and social media tactics; launch CFC Facebook page, maintaining, moderating and attracting members; a 150% increase in monthly newsletter subscribers (from 800 to 2,000); a 233% increase in Twitter followers (from 300 to 1,000).

### Consumer Relations Strategy – Outreach Component

Development and implementation of a strategy for participation at health professional trade shows and conferences; development of two new nutritional fact sheets; Web portal on the CFC website that caters specifically to health professionals.

### Contingency Supply Protocol

Develop a protocol for reduced/increased supply during a disease outbreak.

### Corporate Social Responsibility (CSR)

Continuation of *Chicken Challenge*, CFC's year-round chicken donation program in partnership with the Ottawa Food Bank; expansion of CFC's overall CSR activities; launch of CFC's overall CSR program *Under Our Wing*, and the chicken donation program *Chicken Challenge*.

### Information Technology

CFC Office Intranet; electronic Document and Records Management System (EDRMS); Constituency Relationship Management (CRM) System; full-time IT position; farmer and industry website/corporate microsite.

### Market Information

Better information for allocation setting (focus on consumer, retail and food service data); analysis of Canadian demographics and its implications for longer term meat and food consumption in general and chicken consumption in particular.





# Market WATCH

In 2010, the Canadian chicken industry continued to write its ongoing success story with another record production year as, for the fourth consecutive year, Canadian chicken farmers produced over one billion kilograms for the marketplace. The economic recovery here in Canada contributed as consumer demand held strong throughout the year. The major issues the Canadian chicken sector faced in 2010 were lagging imports for the first ten months and the sharp rise in grain prices starting in the summer months. In 2011, the increasing price of feed is still present and is among the leading topics of debate.

Producer prices dropped slightly in 2010, from their highs in 2008 and 2009, as a result of stabilizing feed prices. However, in early 2011, as feed prices started to escalate again, producer prices were back on the rise. Wholesale prices in 2010 also trended upward, above the previous year's levels. Frozen inventories followed the normal seasonal trend throughout the year, peaking in May in preparation for the high demand of the BBQ season and decreasing into the fall. However, storage stocks were consistently below the levels seen in the previous two years. All but one of the periodic allocations in 2010 were set above base, and the previous year's production levels and as a result, total production came in 1.2% higher than 2009.

Per capita chicken consumption in 2010 is estimated to be 31.3 kg, unchanged from

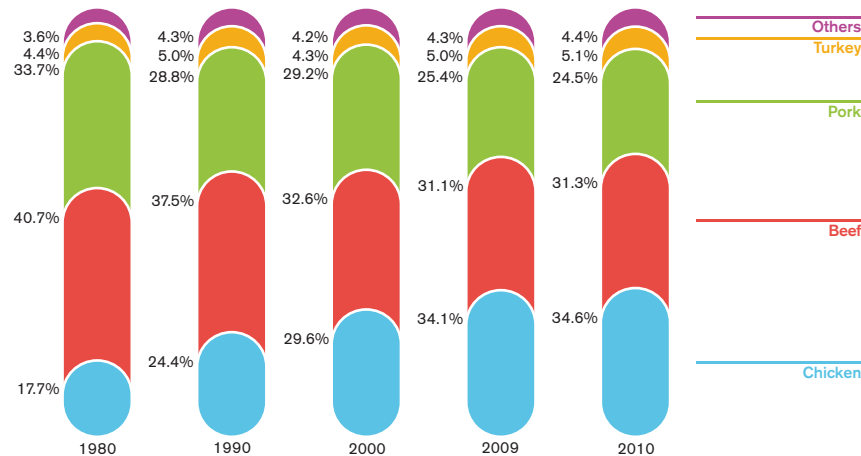
2009. Preliminary numbers indicate that beef per capita consumption declined 1% to 28.3 kg and pork per capita consumption decreased by 5% to 22.2 kg in 2010. Per capita consumption of turkey remained stable at 4.6 kg, and consumption of lamb and veal also remained virtually unchanged from 2009.

## SUCCESS STORY

Perched in the corner of a hotel lobby, miles from home, Scott Wiens looks nothing like a stereotypical farmer. Cell phone in hand, he proceeds to tell the story of the Wiens household and the role chicken farming plays in ensuring his family has a stable lifestyle with a solid return on their investment.



Per Capita Consumption / Various Meats (%)



## PROVINCIAL PRODUCTION

Canadian chicken production in 2010 rose to a record 1,021.5 million kg (Mkg), surpassing the one billion kilogram mark for the fourth consecutive year. This is an increase of 11.6 Mkg (1.2%) over 2009. Production in winter, spring and fall allocation periods was higher than allocated, but production in the two summer periods fell below the allocated levels. Intense

2010 Provincial Production of Chicken ('000 kg eviscerated)

Province	2010	2009	% change
British Columbia	152,718	152,923	-0.1%
Alberta	92,859	89,085	4.2%
Saskatchewan	39,854	37,798	5.4%
Manitoba	42,459	42,400	0.1%
<b>West</b>	<b>327,890</b>	<b>322,205</b>	<b>1.8%</b>
Ontario	332,631	329,006	1.1%
Quebec	281,150	279,923	0.4%
<b>Central</b>	<b>613,781</b>	<b>608,929</b>	<b>0.8%</b>
New Brunswick	27,781	27,388	1.4%
Nova Scotia	34,732	34,563	0.5%
Prince Edward Island	3,675	3,645	0.8%
Newfoundland & Labrador	13,662	13,150	3.9%
<b>Atlantic</b>	<b>79,851</b>	<b>78,747</b>	<b>1.4%</b>
<b>CANADA</b>	<b>1,021,521</b>	<b>1,009,881</b>	<b>1.2%</b>

## Quota Periods

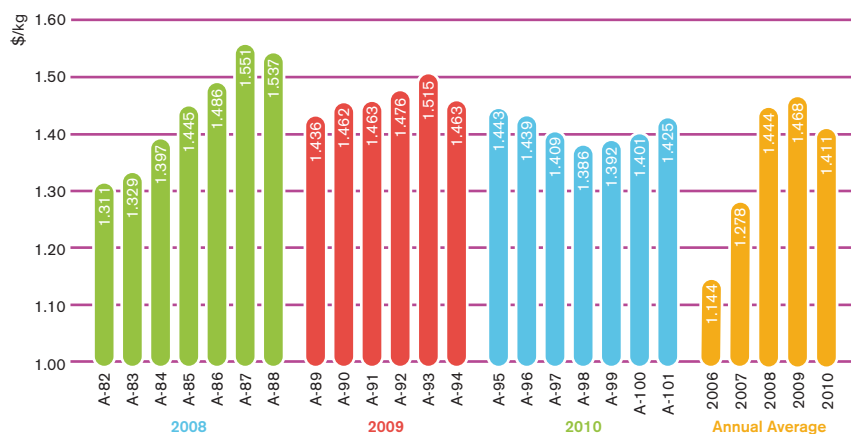
	From	To	Allocation (Mkg evis)	Production (Mkg evis)	Quota Utilization
A-95	December 6, 2009	- January 30, 2010	145.2	147.2	101.4%
A-96	January 31, 2010	- March 27, 2010	154.9	156.2	100.8%
A-97	March 28, 2010	- May 22, 2010	159.6	160.1	100.4%
A-98	May 23, 2010	- July 17, 2010	161.2	159.3	98.8%
A-99	July 18, 2010	- September 11, 2010	158.5	156.0	98.4%
A-100	September 12, 2010	- November 6, 2010	156.7	158.8	101.4%
A-101	November 7, 2010	- January 1, 2011	147.2	148.8	101.1%

summer heat in certain parts of the country was the main culprit as a significant number of birds did not reach their target weights. Nationally, a rise of 15.7 Mkg (1.7%) in production for the domestic market accounted for most of the increase. Offsetting this gain was a reduction in market development production, which fell by an estimated 4.1 Mkg (7.1%) compared to 2009.

## PRODUCER PRICES

The average Canadian producer price in 2010 was \$1.411 per kg, 5.7 cents lower than in 2009, and 3.3 cents lower than in 2008. The producer price in 2010 followed a V-shape pattern as prices were at their highest at the beginning and end of the year. The summer

## Canadian Weighted Average Producer Price (\$/kg)



spike in feed prices triggered the bottom for producer prices which continue to increase going into 2011.

## WHOLESALE PRICES

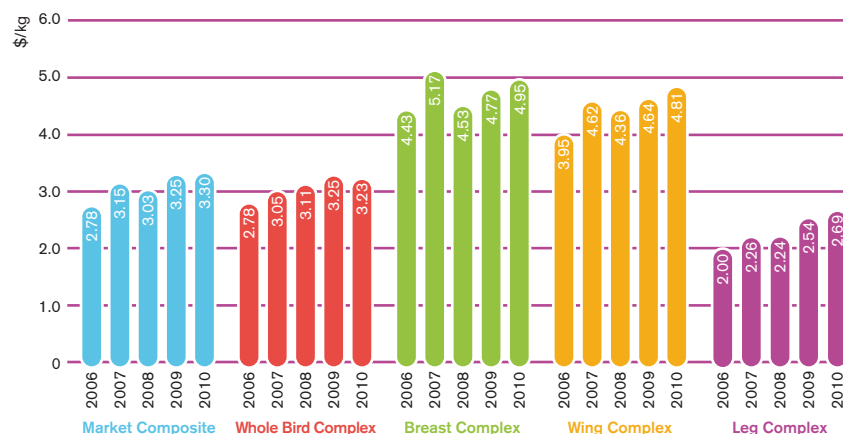
Overall, wholesale prices (market composite) remained above 2009 levels throughout the first three quarters of 2010. The fourth quarter of 2010 saw wholesale prices, on average, 1.2% lower than the previous year. Breast, wing and leg prices were consistently above 2009 levels by an average of 3.8% (17 cents), 4.0% (17 cents) and 5.9% (15 cents), respectively. On average, whole bird prices were 0.6% (2 cents) below previous year's prices. The figures are compiled by EMI (Express Market Inc.).

All four major groups analyzed by EMI mirrored previous years' trends following seasonality

peaks and troughs. Notably, the leg complex was the only price to remain above 2009 prices for the entire year (except for two weeks). Russia's ban of U.S. leg quarters for part of 2010 and the strong demand for dark meat in Canada were two factors contributing to the strong and stable wholesale price for dark meat. The average EMI leg complex in 2010 was \$2.69; the breast complex increased to \$4.95, the wing complex rose to \$4.81 and the whole bird complex dropped to \$3.23.

*(Note: In cooperation with CPEPC, CFC started publishing the EMI wholesale price series in July 2005. The weekly series consists of one market composite and four market complexes (breasts, wings, whole bird and legs). The series is based on actual invoice data from initially six and now nine Canadian processors, and covers a significant percentage of the total Canadian wholesale volume).*

## Annual Average Wholesale Price, \$/kg (source: EMI)



## RETAIL PRICES

The Consumer Price Index (CPI) as reported by Statistics Canada for fresh and frozen chicken (the only national indicator for national chicken retail prices) showed a slight decrease in 2010 after three years of moderate growth. The CPI for chicken in 2010 was 133.9 compared to 134.0 in 2009 and 128.0 in 2008, representing a yearly decrease of less than 0.1% and an increase of 4.7% in 2010 and 2009 respectively.

*(Note: Statistics Canada monitors retail prices for fresh whole chicken, boneless skinless breast and legs and calculates a monthly price index based on the prices for these products).*

In comparison, the consumer price index for all items combined, better known as “the cost of living index”, in 2010 averaged 1.8% higher than last year and the one for all food items was 1.4% higher. Chicken prices at the retail level remained relatively stable throughout the year decreasing slightly towards the end of the year.

All competing meats experienced similar stagnant prices at the retail level in 2010 with beef, pork and fish experiencing minimal movement. Retail beef and pork prices both decreased by less than 0.1% and fish and seafood prices increased by less than 0.1% compared to 2009. Retail turkey prices saw the biggest jump as prices were 2.4% higher than the year before.

## IMPORTS

According to reports from Foreign Affairs and International Trade (DFAIT), a total of 147.5 Mkg of chicken was imported into Canada during 2010 under the global imports and the Import-to-re-export program (IREP). DFAIT is responsible for issuing import permits for chicken and products made primarily of chicken. Under Canada’s NAFTA obligations, the tariff-rate quota (TRQ, also known as global imports) is set at 7.5% of chicken production in the previous year.

The TRQ for 2010 was calculated as 75,814,950 kg; 420,750 kg less than in 2009 due to a decline in Canada’s production. According to preliminary year-end statistics, a total of 73,098,027 of chicken and chicken products were imported under the TRQ. Imports under the “Imports to compete” program were 2.5 Mkg, 4.5 Mkg less than in the previous year. The “Import to compete” program allows chicken imports for Canadian manufacturers to produce processed chicken products that are not on Canada’s Import Control List. This list includes specialized products such as chicken dinners. Global imports and “imports to compete” combined were 75.6 Mkg, representing 7.5% of previous year’s production. The TRQ for 2011 is 76.7 Mkg.

In 2010, chicken parts (bone-in and boneless) accounted for 82.5% of all TRQ imports, 0.9% less than last year. Further processed chicken imports accounted for 17.5% of all TRQ imports while only a very small amount of whole eviscerated chicken was imported. No live chickens were imported in 2010 under the TRQ.

As in the past, the U.S. was the largest supplier of chicken products imported under the TRQ at a total of 49.4 Mkg (69.1% of the total global imports) with a total value of \$123.0 million. Global imports from Brazil totalled 18.3 Mkg (25.6%) for a value of \$42.2 million. The other countries of origin in 2010 were Thailand at 3.5 Mkg (\$8.5 million), Chile at 0.2 Mkg (\$1.0 million), and a small quantity from Israel for a value of \$0.2 million. The total value of all products imported under the TRQ was \$174.9 million, \$19.3 million (9.9%) less than last year.

Foreign Affairs and International Trade also issued additional import permits under the “Import to re-export” program. The “Import to re-export” program allows imports of chicken and chicken products into Canada to be further processed. All imports under this program must then be exported within a three month period. In 2010, a total of 73.5 Mkg was imported under this program, 3.6 Mkg (4.7%) less than in 2009, but more than five times the amount that was imported under this program ten years ago.

### Imports

	2010	2009	% change
Global Imports	71,498,027	75,115,354	-5%
Imports to compete	2,518,786	7,001,945	-64%
Imports to re-export	73,462,149	76,115,894	-3%
Special Imports	0	0	-
Imports for market shortage	0	0	-
<b>TOTAL</b>	<b>147,478,962</b>	<b>158,233,193</b>	<b>-7%</b>

Source: Foreign Affairs and International Trade Canada

### Canadian Chicken Imports and Exports



## EXPORTS

Based on a combination of Agriculture and Agri-Food Canada export data and an estimate for Canadian exports to the U.S. (USDA import data), approximately 121.7 Mkg of Canadian chicken was exported in 2010, down 5.3% compared to 2009.

According to Statistics Canada data, the primary destination for Canadian chicken and chicken products in 2010 was the U.S. with 54.0 Mkg; unchanged from 2009. The second most important export market in 2010 was the Philippines where 23.7 Mkg was shipped, 2.6 Mkg (12.5%) more than in 2009. Rounding out the top ten export markets for Canadian chicken were South Africa, Hong Kong, Taiwan, Russia, Colombia, Macedonia,

Gabon and Armenia. Exports to South Africa and Armenia more than doubled in 2010, while shipments to Russia, traditionally an important consumer of Canadian chicken, increased from 2.4 Mkg in 2009 to 3.8 Mkg in 2010.

According to the same data, the value of Canadian chicken exports in 2009 was \$278.6 million, 3.5% lower than in 2009. Exports to the U.S. in 2010 are estimated at \$184.2 million; 6.1% less than in 2009; but they represent almost two-thirds of the total export value in 2010.

## STORAGE STOCKS

Frozen chicken inventories started and ended the year at 37.4 Mkg, and followed normal seasonal changes throughout most of the year

until the fall which saw unusual increases until falling back to normal levels over December.

Inventories of whole bird and miscellaneous (such as MSM (mechanically separated meat), giblets, skin, feet) categories increased 0.6 Mkg (61.1%) and 1.9 Mkg (106.1%) respectively throughout 2009, while the further processed and cut-up categories decreased over the course of the year. Frozen inventories of cut-up chicken decreased 2.1 Mkg (12.1%), while stocks of further processed chicken in cold storage showed a small decrease of 0.3 Mkg (1.6%). Further processed chicken accounted for over half of all chicken products in cold storage in 2009.

Within the cut-up chicken category, the legs, wing and other (including whole cut-up trimmings and halves) categories decreased in 2009. The leg quarter inventories represented the highest decrease, ending the year 2.0 Mkg (34.7%) lower than at the beginning, and the other cut-up and wing category inventories

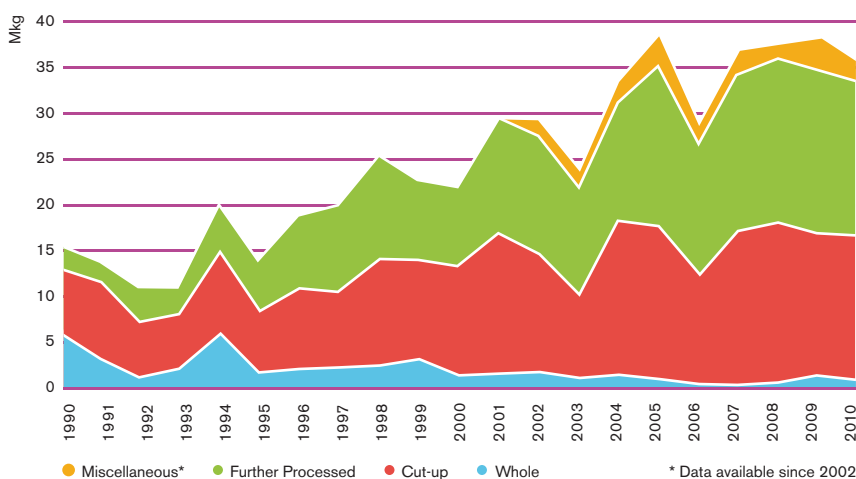
decreased by 1.4% and 13.8%, respectively. Inventories of breasts increased 0.6 Mkg (13.7%) during the year.

Within the further processed category, stocks of further processed boneless breasts fell by 0.7 Mkg (20.8%) in 2009, while frozen inventories of other further processed products (including tenders, strips, nuggets, patties and cooked wings) saw an increase of 0.4 Mkg (2.9%).

## INTERPROVINCIAL MOVEMENT

CFC monitors the number of live chickens that move in the interprovincial and export trade. The figures are reported to CFC on a weekly basis and are audited by external auditors every four periods. Total interprovincial movement increased in 2010 because of the continuing conflict between N.B. producers and a processor resulting in additional chickens moving from N.B. to Quebec.

Canadian Yearly Storage Stocks at Dec. 31<sup>st</sup> (Mkg)



Interprovincial Movement of Live Chickens (in kg live weight)

Province	2010		2009	
	To	From	To	From
British Columbia	-	-	-	-
Alberta	-	52,000	-	-
Saskatchewan	52,000	1,848,000	-	1,954,000
Manitoba	1,848,000	-	1,954,000	-
Ontario	39,383,000	37,324,000	39,377,000	38,506,000
Quebec	64,258,000	42,201,000	49,768,000	39,740,000
New Brunswick	28,695,000	24,917,000	27,675,000	10,971,000
Nova Scotia	-	22,884,000	-	22,651,000
Prince Edward Island	-	5,010,000	-	4,952,000
Newfoundland & Labrador	-	-	-	-
<b>TOTAL</b>	<b>134,236,000</b>	<b>134,236,000</b>	<b>118,774,000</b>	<b>118,774,000</b>



# Monitoring — AND — Enforcement

## AUDITING THE SYSTEM

In 2009, staff completed the audits of provincial commodity boards for compliance with CFC policies from periods A-90 to A-95 and completed most of the provincial board audits for periods A-96 to A-99. CFC's external auditors completed the audits of most of the processing facilities for periods A-90 to A-97. The audit reports for periods A-90 to A-99 will be presented to CFC Directors in March 2011.

## OVERMARKETING ASSESSMENT

During the A-92/A-93 audit period, one provincial commodity board was assessed overmarketing levies totalling \$11,682. During the A-94/A-95 audit period, four provincial commodity boards were assessed overmarketing levies totalling \$203,805. The report for both audit periods was presented and approved by the CFC Board of Directors in July 2010 and the levies were received in August 2010. During the A-96/A-97 audit period, one provincial board was assessed overmarketing levies totalling \$5,543. The Board of Directors will be asked to consider this assessment in March 2011.

In 2006, CFC assessed overmarketing levies of \$2,204,578 against Chicken Farmers of Ontario (CFO) for the A-68/A-69 audit period. In 2007, the CFC Board of Directors and CFO signed a memorandum of understanding in which CFO agreed to pay the overmarketing levies of \$2,204,578 over 5 years with interest charged at 3% per annum. Monthly payments were received in 2010 and the outstanding balance will be paid in 2011.

## MARKET DEVELOPMENT

During periods A-95 to A-98, two primary processors marketed production they received other than in accordance with the CFC Market Development Policy and were assessed levies of \$18,248 and \$11,283, respectively. The processors forwarded the levies to CFC in 2010.

In 2006, a primary processor was assessed market development levies of \$228,450 for periods A-66, A-67 and A-68. A show cause hearing was scheduled for 2007 given the processor had not paid CFC the levies owed. In 2007, the processor requested CFC for an adjournment of the show cause hearing given an appeal filed in its province was still pending. The processor also signed an undertaking where it agreed not to market any chicken pursuant the CFC Market Development Policy throughout the period of adjournment. The CFC Board of Directors granted the processors' request. The case is still pending.

## AUDITOR AND INSPECTOR GUIDELINES

During 2009, the four national poultry agencies took part in the review of draft auditor appointment and inspection designation guidelines as prepared by the Farm Products Council of Canada (FPCC). The guidelines are to facilitate and clarify the process for Governor in Council appointment of auditors and ministerial designation of inspectors. Following several meetings between FPCC and the national agencies, the guidelines were completed and implemented in February 2010.

## INTER-PERIOD QUOTA TRANSFERS

The inter-period quota transfer policy gives flexibility to meet market needs. Requests are in response to short-term, market-driven requirements between two specific quota periods. Inter-period quota transfers cannot be used to adjust slaughter schedules or affect quota utilization in a given period.

In 2010, CFC received 1 request for inter-period quota transfers totalling 50,000 kilograms live compared to 2 requests in 2009 totalling 207,364 kilograms live.

## SUCCESS STORY

Prince Edward Island is well known for its potatoes, its scenic coastlines, the red soil and as the home of Anne of Green Gables. It is also home to some of Canada's world-class chicken farmers. P.E.I. chicken farmers grew over 3.6 million kilograms of chicken in 2010 and all play an important role in the local economy.







## The Art — OF — Negotiation

2010 witnessed a continuation of the pace and tone of 2009 on the trade negotiations scene. At the World Trade Organization (WTO), there was only a very minimal level of activity until late in the year when an attempt to conclude the Doha Development Round was pushed. With the slowdown in WTO negotiations, Canada shifted its activities towards negotiating bilateral or regional free trade agreements, its main initiative of the year being with the European Union.

### WTO

Despite all declarations following the WTO ministerial meeting in December 2009 or the G-20 meetings in Toronto and Seoul in July and November 2010 calling for a quick resolution of the negotiations, there was little real movement from countries to bring closure to the round. It was very clear from the start of the year that 2010 would be more devoted to domestic elections and preferential trade agreements, and WTO would have to wait until countries became more engaged.

The first half of the year saw a minimal level of activity in technical negotiations on the design of the templates. This exercise aimed at preparing the format in which the schedules of commitments would be expressed. Although

this does not directly affect the outcome of the negotiations, the development of these templates allows negotiators to determine which specific information will have to be provided to demonstrate how countries will meet their commitments. It was also the opportunity to realize that some areas of the draft modalities were being interpreted differently by various countries and there was a need to clarify their intent before the completion of an agreement.

At the political level, as usual, trade ministers met in Davos, Switzerland during the World Economic Forum to reiterate their desire to complete the Doha Round as soon as possible, but with no specific deadline or agenda. G-20 heads of government also had two opportunities during the Toronto and Seoul meetings to reinforce the importance of concluding the Doha Round and to commit to refrain from implementing new protectionist measures. A list of stimulus packages, export taxes or tariff increases have been identified in contradiction of that commitment, but countries argue it was necessary to undertake those measures to avoid a strong recession.

However, the real push to re-launch the negotiations came from the Seoul meeting where the declaration was more precise in urging negotiators to conclude the negotiations in 2011:

*“Today, the Seoul Summit delivers our strong commitment to direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress already achieved. We recognize that 2011 is a critical window*

*of opportunity, albeit narrow, and that engagement among our representatives must intensify and expand. We now need to complete the end game. Once such an outcome is reached, we commit to seek ratification, where necessary, in our respective systems. We are also committed to resisting all forms of protectionist measures.”*

An aggressive work programme for 2011 was laid out by WTO Director General Pascal Lamy asking negotiators to resume negotiating the week of January 17 for agriculture with the goal of issuing a revised draft set of agriculture modalities by the end of March. Then, Ministers would convene in Geneva in June or July to approve the modalities, and then again December 15–17 to complete the schedule of commitments and legal text of a final agreement on the Doha Development Round. 2011 will show if these ambitious timelines can be met.

Despite this quiet year in negotiations, CFC, in collaboration with poultry, dairy and egg colleagues continued its efforts to gather more support to ensure a positive outcome of the negotiations. The Call for Coherence declaration was developed with farmer organizations from the United States, European Union, Switzerland, Norway, Japan, Eastern and Western Africa. The declaration highlights the importance of countries being coherent between different treaties and agreements they ratified in ensuring a greater level of food security, with the recognition that agriculture has to be treated differently than industrial goods. During the year, farm organizations from Northern Africa, Central Africa and Brazil also expressed their support for the declaration. The content of this declaration was presented during the WTO Forum in September and

was an opportune topic as one of the Forum’s sub-themes was “Coherence between the WTO and other areas of global governance”.

On the domestic front, CFC and the provincial chicken boards continued their activities with provincial and federal governments to ensure that our key concerns are well understood and will be addressed when negotiations progress. The Canadian government has repeated on many occasions its strong support for supply management and to not make any concessions to a system that works well for Canada.

### PREFERENTIAL AGREEMENTS

The negotiation of a Canada–European Union Comprehensive Economic Trade Agreement (CETA) was the main trade initiative of 2010. Scheduled to be completed by the end of 2011, this bilateral agreement would go further than regular free trade agreements, by including areas of provincial jurisdiction such as government procurement. Canada has indicated clearly its intention to make no concessions for chicken products and other products under supply management, as achieved in every other bilateral or regional free trade agreement negotiated in the past.

A bilateral agreement was also completed with Panama, excluding chicken products from the tariff and market access concessions. The government also added India to the list of at least ten countries with which they are currently pursuing negotiations. Discussions were also entertained with the group of nine countries forming the Trans Pacific Partnership (TPP), an initiative aiming at liberalizing

## SUCCESS STORY

Terry and Carol Knippel bring a wealth of farming experience to their family business. Their chicken farm is 45 minutes north of Saskatoon, nestled in the heart of Canada's bread basket. Before they became chicken farmers in 2002, they had been dairy and grain farmers for 30 years. It is, however, raising broilers that they find very rewarding.



trade in the Asia-Pacific zone. Although no official decisions have been announced, it appears Canada will not join the TPP.

## IMPORT CONTROLS

2010 was a very busy year in import controls, full of new developments. The year started with the prospect that the volume of imports would reach an all-time record with 9.3 million kilograms being requested on top to the 75.8 million kilograms of the tariff rate quota (TRQ).

This prompted a special meeting of the chicken tariff rate quota advisory committee (TQAC) to discuss potential changes to the 2010-2011 TRQ allocation methodology. At the same time, verification initiatives from the Department of Foreign Affairs and International Trade Canada (DFAIT) led to the finding that some very significant TRQ applications were erroneous. Since the DFAIT findings were under appeal, it was decided that if the results of the verifications were to be confirmed, the 2011 TRQ allocation methodology would be implemented. Otherwise, some changes to the allocation would be required to deal with the substantial increase in requests.

DFAIT confirmed in June that some applications were inconsistent with the eligibility requirements of the Notice to Importers, and consequently, the requests for a share of the import quota for Canadian manufacturers of products not subject to import controls (Non-ICL) would be reduced by approximately 6 million kilograms.

Other verifications led to a reduction in import requests beyond the volume of the TRQ. Imports remained at 7.5% of the previous year's production, as stipulated in Canada's international access commitments. It was the first time in 20 years that the volume of imports under the TRQ had not exceeded Canada's commitment.

Despite these good results on the TRQ, it was recognized that the definition of products subject to import controls had to be examined to avoid the leakages in the import control measures. Under the existing rule, products containing 87% or less chicken are generally not subject to import controls. When these products are manufactured in Canada, they create additional pressure on the TRQ allocation. When they are imported as finished products, they erode the market for Canadian chicken. The seriousness of the issue was recognized by the Agriculture Minister, the Hon. Gerry Ritz, who created the Chicken Imports Working Group (CIWG) in April to identify solutions to these problems.

This group, composed of government representatives from Agriculture and Agri-Food Canada, Canadian Border Services Agency and Foreign Affairs and International Trade, and industry representatives from Turkey Farmers of Canada, a primary processor, a further processor and CFC, is expected to produce a final report for Minister Ritz in the first part of 2011. The results of this initiative will be important to ensure that the fundamental causes of import control problems are addressed.

The import to re-export program, administered by DFAIT, continued to be popular in 2010 with 73.5 million kilograms being imported

for further processing and subsequently re-exported. This represented a 3% decline compared to 2009. DFAIT continues to closely monitor this program to ensure there are no leakages into the domestic market.



## Food SAFETY

Chicken farmers in Canada have a strong commitment to food safety. This commitment has been demonstrated by the development and implementation of the On-Farm Food Safety Assurance Program (OFFSAP).

The OFFSAP is an auditable program that has been implemented since 2001 and is enforced through mandatory regulations or policies by provincial boards. Mandatory measures are enforced by a reduction in allocation, fines or other means. To date over 97% of farmers are certified on the OFFSAP. Once enrolled, farms are audited on an annual basis to maintain certification.

Industry stakeholders and consumers can be confident in the CFC OFFSAP as the program is part of an official federal, provincial and territorial government recognition process. CFC has been an industry leader in obtaining recognition from the government for its on-farm food safety program. CFC has already received Phase 1 technical recognition its producer manual as well as Phase 2 technical recognition of its management system.

In 2010, CFC worked with government to finalize the requirements for full recognition, and CFC expects that these will be completed in early 2011. Full recognition will be invaluable in promoting the development, implementation and status of the program to consumers and stakeholders.



As part of the on-going process to ensure the OFFSAP is up-to-date and effective, a revised program was implemented at the end of 2009. The new version is based on feedback from farmers, provincial boards, subject specialists and the Canadian Food Inspection Agency Producer Biosecurity Standards and Guidelines.

The Production Committee then reviewed the CFC Free Range On-Farm Food Safety Assurance Program and developed a new version that was approved by the CFC Board of Directors in July. This revision is based on the changes to the conventional program, as well as feedback from farmers and provincial boards. This version has been distributed and will be implemented in 2011.

For both of these programs, the Production Committee reviewed the record keeping requirements and designed a revised set of records that allows farmers to more effectively maintain records for the OFFSAP; these records have been combined with the Animal Care Program records and are available from provincial board offices.

## ANTIMICROBIAL RESISTANCE

Antimicrobial use and resistance was a critical priority for CFC in 2010. To this end, CFC worked with the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) of the Public Health Agency of Canada (PHAC) to develop an on-farm surveillance program for antimicrobial use (AMU) and resistance (AMR) on chicken farms.



## SUCCESS STORY

Rick Wittenberg and his family have carved out a niche for themselves near Centreville, close to the Bay of Fundy in Nova Scotia. A second-generation farmer, Rick, his wife Gail, and their three children, all in their twenties, have a flourishing poultry operation.



The proposed methodology was approved by the CFC Board of Directors in July and the surveillance project is expected to begin in 2011.

The second part of the action plan was to fund research projects examining alternatives to antibiotics. The CFC Board of Directors approved \$233,863 in funding 4 projects. These funds were in addition to the \$202,000 of 2010 research funding, which also included projects on gut microbiology.

CFC also co-hosted an industry workshop on AMU and AMR. The workshop brought together key industry stakeholders to discuss issues related to AMU/AMR, including industry impacts, challenges and opportunities, and to shape a coordinated approach for developing an industry policy and communication plan.

The overarching outcome of the workshop was that an industry-wide, industry-led approach is needed to address the complex and increasingly high-profile issues surrounding AMU/AMR. The preferred direction points toward reduced use, rather than elimination. Until suitable alternatives are developed, the judicious use of antimicrobials remains a necessary part of the chicken industry's responsible and credible food safety and animal welfare management practices.

From this workshop, industry communication and policy committees have been developed that will examine the future possibilities for the industry. This work will continue as a critical priority through 2011.

## ANIMAL HEALTH

CFC has continued to build on the successes of an improved animal disease response plan with both government and industry. The focus in 2010 was an improved compensation model for chickens, the initiation of the National Farm Animal Health and Welfare Council and recognition of chicken's traceability system.

A focus for 2010 was finalizing the *Health of Animals Act* compensation models and maximums for poultry with AAFC and CFIA. The compensation model for chicken was re-evaluated and modified to more accurately reflect the timing of costs within the production cycle. This new model is expected to be incorporated into CFIA's disease response strategy in early 2011.

A new council – the National Farm Animal Health and Welfare Council – was established in 2010. This council will provide ongoing advice to governments and industry on the implementation of the strategy which provides a comprehensive framework for enhancing Canada's farmed animal health and welfare system. The NFAHW Council facilitates industry-government collaboration and aligns animal health activities to help meet current and future challenges.

The Council includes members from animal industry groups, academia, and federal and provincial governments, and is funded jointly by federal, provincial and non-government partners. While reporting to the FPT Regulatory ADMs, the Council is accountable to all partners. CFC's representative on the Council is John Maaskant from Ontario.

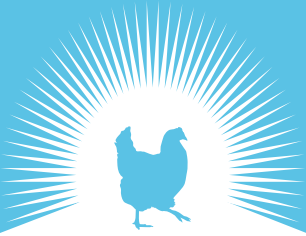
Over the last number of years CFC has participated on the Industry-Government Advisory Council for traceability. This existence of this Council is to meet the FPT Agriculture Ministers request that a mandatory comprehensive national system for livestock and poultry be in place by 2011.

CFC has worked diligently with the provincial boards to communicate the implementation of the chicken traceability system to provincial and federal governments. A significant portion of the traceability information is collected as a result of chicken's supply management system; additional traceability has also been built into the system based on lessons learned from previous cases of avian influenza.

As a result, all farmers are identified, all premises and barns are identified, farm locations have been GPSed and collected data includes the identity of the hatchery, placement date, number of birds placed, identity of the processor, planned shipping date, actual shipping date and the number of birds shipped.

Due to these systems, farms within 3 km and 10 km zones can be identified within hours and this information can be transmitted to governments within a maximum of 24 hours.

This data collection and traceability approach meets the objectives of the FPT traceability standards, and recent avian influenza cases have demonstrated international acceptance. As with any program, continuous improvement is an on-going effort. CFC has focussed attention on formalizing current data sharing agreements between provincial boards and governments to improve the already-effective approach that is being implemented.



## Animal CARE

In 2010 the first audits of the CFC Animal Care Program (ACP) began. To date, almost 25% of farmers are certified on the program, while approximately another 25% have received audits.

The ACP is an auditable program designed to demonstrate the high level and standards of the Canadian chicken industry's on-farm animal care. The program is based on the *Canadian Recommended Code of Practice for the Care and Handling of Chickens, Turkeys and Breeders from Hatchery to Processing Plant*.

Management of the animal care and food safety programs has been integrated in order to make the two programs easy for the farmers to implement concurrently. Furthermore, the stocking density requirements of the ACP will be phased-in over five years; the ending date for the phase-in period will be December 2013.

To help with implementation, CFC re-designed the record keeping forms for the ACP and OFFSAP with the intent of making them more user-friendly. In addition, a density calculator was developed to help farmers calculate chick placement numbers and final density levels. Both of these tools have been distributed and are available through provincial board offices.

When the program was being developed, CFC worked diligently with its partners in order to create the best possible program for Canada's chicken farmers. The Animal Care Committee consulted over forty Canadian stakeholders on

the content of the program. The program was also piloted on chicken farms across Canada.

In 2010, the Canadian Poultry and Egg Processors Council became the latest supporters of CFC's ACP. To date, support for the implementation of the program has also been received from:

- Canadian Federation of Humane Societies
- Canadian Federation of Independent Grocers
- Canadian Veterinary Medical Association
- Further Poultry Processors Association of Canada

A separate ACP was completed in 2010 for free range production. The new Production Committee (created by merging the former Food Safety Committee with the Animal Care Committee) worked closely with the provincial boards to finalize the details of the program. To facilitate implementation, the Free Range ACP is combined under the same cover, and will be audited at the same time as the Free Range On-Farm Food Safety Assurance Program. First audits of the Free Range Animal Care Program will begin in 2011.

CFC's ACP covers the timeframe from chick placement through to the end of the grow-out period. In order to provide assurances that animal care is a priority through all steps in the chain, CFC has been working diligently with industry partners from the catching, transport and processing sectors to extend animal care guidelines for poultry from the farm through to processing. A draft set of guidelines is expected to be available in early 2011 for industry consultation.

## THE NATIONAL FARM ANIMAL CARE COUNCIL

CFC has been a member of the National Farm Animal Care Council (NFACC) since 2006. NFACC is striving to achieve a national, coordinated approach to responsible farm animal care in Canada with one of its key activities being to establish a process for developing and revising the Canadian Codes of Practice for the Care and Handling of Livestock.

NFACC's members represent 23 organizations, spanning a broad cross-section of the animal agriculture industries in Canada. Carole Girard is CFC's representative on the NFACC council.

In 2010, NFACC received over \$3.4 million from Agri-flexibility to develop or revise current Codes of Practice, finalize and pilot an animal care assessment model, and undertake activities that will communicate and promote current farm animal welfare activities.

Work is currently underway for the revision of the beef cattle, pork, equine, mink and ranched fox Codes of Practice. The Code of Practice for poultry, which includes chicken, turkey and breeders, is slated to begin revision in 2011. CFC will be actively involved in this process.

CFC looks forward to working effectively with NFACC on animal care issues in Canada and to building on recent successes.

## SUCCESS STORY

Cindy Lochert believes that it is important to maintain a close relationship with the Canadian consumer. Her Ontario farm is family-run to ensure the highest level of quality control. "We have a successful industry here in Canada and one of our strengths is that we stand together even though we've been challenged for years," says Cindy Lochert. "It's a solid system, very stable."





## Poultry RESEARCH

CFC is one of the five founding members of the Canadian Poultry Research Council (CPRC). The CPRC was established in 2001 with a mandate to create and implement programs for poultry research and development that address specific current and future industry needs. Jacob Middelkamp, from Alberta, is CFC's representative on the CPRC Board of Directors. In 2010, Jacob was re-elected as Chair of CPRC.

To date, CPRC has allocated \$2,179,578 to foster poultry research and these funds have been leveraged to over \$11.2 million. Furthermore, CPRC has committed an additional \$584,373 to poultry research for projects that are currently under consideration for matching funding and which could be leveraged for another \$2.5 million.

### AVIAN GUT MICROBIOLOGY AND ENVIRONMENT RESEARCH

In 2010, CPRC considered research in the areas of avian gut microbiology and the environment. The CPRC Board of Directors approved up to \$349,560 in funding for seven research projects; of which \$202,000 will be contributed by CFC.



### SUCCESS STORY

Confidence and composure are two words that aptly describe Adolf Dalke. This experienced chicken farmer exudes calm and self-assurance, traits which have placed him in good stead in the 37 years that he has been in the chicken business.

These projects have been submitted to various funding partners for consideration for matching funding. Decisions are expected by spring 2011.

The seven avian gut microbiology and environment projects approved for funding are:

- 1) *Control of Campylobacter jejuni in chickens by vaccination.* Lead Researcher: S. Sharif, University of Guelph
- 2) *Development of live-attenuated vaccines to prevent Campylobacter colonization in poultry.* Lead Researcher: B. Jeon, University of Prince Edward Island
- 3) *Use of high-stearidonic acid flax as a novel enrichment method of poultry products with long-chain w-3 PUFA.* Lead Researcher: R. Renema, University of Alberta
- 4) *Utility of immunostimulatory oligodeoxynucleotides containing CpG motifs (CpG-ODN) as alternatives to antibiotics.* Lead Researcher: S. Gomis, University of Saskatchewan
- 5) *Evaluation of phosphorous utilization by broilers using different approaches.* Lead Researcher: J. France, University of Guelph
- 6) *Effect of two prebiotics on gut microflora in healthy and Salmonella challenged broilers.* Lead Researcher: X. Zhao, McGill University
- 7) *Stimulation of innate immune system for the control of poultry respiratory viral infections* Lead Researcher: M.F. Careem, University of Calgary

### CFC ANTIMICROBIAL RESISTANCE RESEARCH FUNDING

In April, CFC also put out a separate call for letters of intent for research in the area of antimicrobial resistance. The CFC Board of Directors approved up to \$233,863 in funding for four research projects in this area of research.

The four projects approved for funding are:

- 1) *Towards development of probiotics with immune enhancing activities for chickens.* Lead Researcher: S. Sharif, University of Guelph
- 2) *Evaluation of vacuum post-pellet applications for bioactives to broiler feed on efficiency and protected delivery.* Lead Researcher: T. Scott, University of Saskatchewan
- 3) *Surveillance of antimicrobial resistant bacteria in antimicrobial-free and conventional broilers in Ontario.* Lead Researcher: M. Guerin, University of Guelph
- 4) *Investigation on the association of Salmonella, Campylobacter and Clostridium with protozoan found in poultry farms.* Lead Researcher: A. Letellier, University of Montreal

These projects have also been submitted to various funding partners for matching funding and decisions are also expected by spring 2011.

## POULTRY SCIENCE CLUSTER

In November, AAFC announced that CPRC will receive up to \$1.8 million from the Growing Canadian Agri-Innovations Program to lead a Poultry Research Cluster. The Cluster brings together expertise from across the country to tackle some important research issues for the industry.

CPRC is contributing \$589,000 towards the research over three years; of that CFC has contributed \$200,000. Coupled with the funds from AAFC and those from other industry organizations (\$170,000) and government organizations (\$293,000) plus in-kind contributions, the total Cluster budget exceeds \$3 million.

Activities within the Cluster are divided into three main themes, which align with national research priorities:

1. The biology and control of gut-borne bacterial diseases in poultry
2. Biology and control of avian influenza in poultry
3. Innovative production technologies and practices for Canada's poultry sector

## CFC'S RESEARCH FUND

By the end of 2010, CFC's research fund reached just over \$5.35 million, demonstrating CFC's ongoing commitment to research. Interest earned by the Research Fund is the source of CFC's annual support for poultry research projects and initiatives.

CFC will continue to work closely with CPRC and other industry stakeholders to ensure that the industry remains responsive to the needs of the industry, competitive on the world stage and state-of-the-art through ongoing support of poultry research.



## Politics — BEHIND — the Scenes

### ADVOCACY

#### Key Ministerial Meetings

CFC representatives met with the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food in April to discuss our concerns regarding the importation of 13% rule chicken products, and again in June to discuss our concern about imports from China. The Minister responded by establishing the Chicken Imports Working group and assuring CFC the imports from China would have to fully meet Canada's food safety regulations.

David Fuller, CFC Chair, along with the national dairy, poultry and egg chairs, met with the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food in October and with the Honourable Peter Van Loan, Minister of International Trade in November. These meetings were to discuss Canada's strategy to defend supply management in international trade negotiations, notably in the context of the Canada-European Union: Comprehensive Economic and Trade Agreement (CETA) talks, the Trans Pacific Partnership (TPP) negotiations and the ongoing Doha Development Agenda at the World Trade Organization (WTO).

#### CFC Parliamentary Reception

As part of CFC's on-going government relations program, CFC hosted its annual Reception for Members of Parliament, Senators, political and departmental staff as well as industry partners at the Fairmont Château Laurier in Ottawa on November 24<sup>th</sup>.

Minister Ritz was in attendance and spoke highly of Canada's successful chicken industry, the government's support for supply management and the value of Canadian agriculture. Also in attendance were other key Ministers, opposition members, and members of both the House and Senate committees on Agriculture and Agri-Food.

The event provided the opportunity for CFC Directors, Alternates, provincial board managers and CFC staff to communicate key messages on import control and trade, food safety, animal care and traceability, and to promote the new CFC consumer website [www.chicken.ca](http://www.chicken.ca) to those in attendance.

#### Joint Annual Reception

The four national poultry agencies held their Joint Annual Reception on March 24<sup>th</sup> at the Westin Hotel in Ottawa. Industry leaders and staff from Chicken Farmers of Canada, Turkey Farmers of Canada, Egg Farmers of Canada, and the Canadian Hatching Egg Producers were on hand to discuss important issues with fellow industry stakeholders, government officials, MPs, Senators and political staffers.

The reception offers farmers, industry stakeholders and staff a chance to discuss serious industry issues and concerns in a more

informal atmosphere. Topics ranged from the WTO and the need for ongoing support, the Agreement on Internal Trade, *Growing Forward* programs and the many benefits of supply management.

Attendance was high and included Minister Ritz, three agriculture critics, Wayne Easter (Liberal), André Bellavance (BQ), and Alex Atamanenko, (NDP), as well as House of Commons Agriculture Committee Members, Larry Miller, (Chair), France Bonsant, Mark Eying, Blake Richards, Bev Shipley and Brian Storseth.

#### **Federal / Provincial / Territorial Meeting**

A Federal/Provincial/Territorial (FPT) Agriculture Ministers' Meeting was held in Saskatoon, Saskatchewan on July 8, 2010. David Fuller, Erna Ference and CFC staff attended the FPT meeting as part of a larger national and provincial supply management contingent.

Federal, provincial and territorial agriculture ministers held key discussions around the challenges and opportunities for agriculture, the need to make long-term strategic investments in innovation, and explored insurance-based and other options to make sure business risk management (BRM) programs work for farmers

David Fuller, CFC Chair took part in the industry panel discussion with the Federal, Provincial and Territorial Ministers of Agriculture. Ministers agreed with the industry panel about the importance of maintaining a strictly science-based regulatory system to spur innovation and to drive the agricultural economy, create new markets, and increase profitability for producers. Traceability, food

safety, market access and a focus on young and new farmers were elements proposed for *Growing Forward 2*.

*Growing Forward*, a Federal-Provincial-Territorial (FPT) commitment to Canada's agriculture sector, was first launched back in 2008. In 2010, AAFC announced the launch of *Growing Forward 2* to design agriculture policy through to the end of the decade. Erna Ference, 2<sup>nd</sup> Vice-Chair, represents CFC on AAFC's Stakeholder Reference Group, which has been mandated to provide advice to the government on the direction and objectives of the *Growing Forward 2* agenda.

#### **Animal Welfare – Transportation of Birds**

In October, the Government of Canada decided to crack down on those who mistreat and improperly transport livestock by more than doubling current fines – the first increase in over 10 years. Administrative monetary penalties (AMPs) of up to \$10,000 can be imposed now, more than doubling the previous maximum penalty of \$4,000 on those who violate the Health of Animals Act. The CFIA will also have the ability to look back into the past five years, instead of three years, of the offender's history.

CFC supported the increased AMPs and enhanced enforcement of Regulations under the Health of Animals Act announced by Agriculture Minister Gerry Ritz on October 27<sup>th</sup> and remains committed to continuing to work with the CFIA and industry partners to update the Health of Animals Regulations governing poultry and livestock transportation, and to ensure that the Regulations are applied appropriately and consistently.

## CFA

### **National Food Strategy**

The Canadian Federation of Agriculture (CFA) held its 75<sup>th</sup> Annual General Meeting from February 22–24, 2010. The theme of the meeting was "The Future of Food". There was a great deal of discussion at the meeting surrounding the development of a National Food Strategy. A CFA working group was established and continued to develop a strategy which focuses on sustainable agriculture for Canadians and creating a demand for high-quality Canadian products. In order to increase the effectiveness of the strategy, CFA hopes to collaborate with all levels of government, food processors, food distributors and consumers.

A review of the National Food Strategy's guiding principles, draft mission and draft strategic objectives was discussed at the CFA Semi-Annual meeting in Halifax from July 26–29. The Strategy's overall timeframe is 15 years and the policy addresses both domestic and export interests. CFA is currently in Phase 2 – Consultation – of the Policy. It is hoped that the final phase, Phase 3 – Consensus – will be completed next year.

### **75<sup>th</sup> Anniversary Banquet**

The Canadian Federation of Agriculture (CFA) held its Harvest Celebration Banquet in honour of its 75<sup>th</sup> anniversary on October 20<sup>th</sup> in Ottawa at the Fairmont Château Laurier. Guest speaker, Senator Mike Duffy, delivered an engaging and thoughtful address on Canada's extensive agricultural history and how it has shaped rural communities.

## IN THE HOUSE

### **Lobbyist Registration Act**

On September 20<sup>th</sup>, the President of the Treasury Board and Minister for the Asia-Pacific Gateway, the Honourable Stockwell Day, tightened up the regulations under Canada's *Lobbying Act*.

Members of Parliament, Senators and senior political staff in the offices of the Leader of the Opposition, both in the House of Commons and in the Senate are now considered designated public office holders (DPOHs). This means that these individuals are now subject to restrictions on lobbying and any meetings with these individuals must be reported by lobbyists. CFC has updated its list of DPOHs.

### **Product of Canada Label Rules under Review**

In 2008, Product of Canada label rules were changed to restrict items from being sold and identified as Canadian, when a large portion of their ingredients are from outside Canada.

Under the old rules, any food with 51% Canadian content – which could include labour and packaging – could boast it was a "Product of Canada."

The matter was studied by a House of Commons committee in early 2008. The committee suggested a threshold of 85% Canadian content before a product could use the label. When passed, the number was boosted to 98%. The net result has been a drastic reduction in the number of products that carry the label "Product of Canada".





The intent of the change was to provide consumers with more information and clearer labels on the origin of their food. Instead, the consumer sees a cornucopia of creative labelling. “Handmade in Canada,” “roasted in Canada,” or “produced from 100% Canadian berries” are sprinkled along supermarket shelves, offering no idea of what ratio of ingredients is actually Canadian. The law also permits the label “Made in Canada” if accompanied by the phrase “from imported ingredients” or “from imported and domestic ingredients.” There’s no need to give proportions here either.

The Honourable Jean-Pierre Blackburn, Minister of Veterans Affairs and Minister of State (Agriculture), recently proposed to keep the 98% rule but to exempt specific ingredients used as sweeteners or packing materials, such as sugar, salt or vinegar. Industry and consumer groups have given the proposal mixed reviews.

## LOOKING AHEAD TO 2011

In 2011, CFC will be implementing an enhanced Government Relations Strategy with the goal of increasing the industry’s profile among decision makers.

The plan encompasses four key principles:

- understanding the evolving decision-making process
- re-evaluating our audience
- utilizing a blend of tactics and approaches
- effectively communicating our position

CFC is confident that the new strategy will ensure that the chicken industry is fully engaged in the development of policies that impact the chicken industry and the interests of our farmers.





## Consumer RELATIONS Strategy

The Consumer Relations Strategy incorporates all of CFC's consumer-oriented activities into one focused approach. By bringing together all of these activities into one comprehensive plan, CFC is able to take full advantage of both its existing and potential internal resources and knowledge. The primary goal of this strategy is to grow the industry, and to position CFC as the most knowledgeable expert in our market. The components of this strategy are designed to work together to increase CFC's outreach to our key external audiences.

Key objectives of the overall strategy include: helping to grow the chicken market in Canada; assisting CFC in becoming the most knowledgeable expert on our market (nutrition, healthy lifestyle, food safety and value); decreasing the number of negative/misinformation mentions of chicken and increasing the number of positive mentions; increasing CFC's communication with key audiences; building a network that can be accessed in a time of crisis drawing traffic back to the existing CFC website as a central hub for all communications efforts.

The online component of the Consumer Relations Strategy pushes information outward and draws information inward. CFC's social media activities, such as blogging and Twitter, push information out to our key audiences and draw them back to the main CFC website and microsites for more in-depth information. The

recipe database pushes information outward to consumers through our newsletter, recipe of the week and draw information to our hub by enticing consumers to seek more information on recipes and cooking tips.

The consumer outreach component primarily pushes information outward to our key audiences via the conduits they use, such as culinary experts and health professionals. This will inevitably draw our audiences to our website and microsites for additional information on nutrition and recipes.

The consumer expectations component allows us to draw information inward and enable CFC to continue to gauge the wants, needs and concerns of our consumers. This data will be used to adapt our messaging to consumers through social media, blogging and newsletters and contribute to an overall strategy for growth.

### THE NEW CHICKEN.CA

In the past two years, the proliferation of the "new" web has changed the world of consumer interaction more than any trend in the past 25 years. A faster, people-driven web has democratized the tools of production and distribution so that the ability to create and publish content, an act previously reserved for the press and distribution companies are available to anyone with a computer and connection to the web.

What this means for brands is that news and information is no longer filtered through controlled channels and that conversations that

once took place over coffee are now taking place across the world, in public forums, such as blogs or on Facebook.

Canadians are voracious users of the "new" web, so CFC's strategic investment into a new online presence and into social media becomes an important new means by which we can connect with our key audiences.

With the new website, launched on December 1<sup>st</sup>, CFC is moving off a rigid and proprietary Content Management System (CMS) to an open and flexible platform, while redesigning the look and feel.

An open-source platform allows CFC to accommodate any future complex development and content needs. CFC will save financially because staff will be able to do a great deal of the design and content work internally, and in cases where this is impossible, we can contract out to freelance developers. This gives us true ownership of our online presence. We now have a common look and feel with our website. New properties can be added with minimal design costs. This will result in a much more uniform look and feel for CFC's online presence.

CFC has also enhanced its recipe content and built the existing content into a fully searchable archive of recipes. The new recipe database allows us to deploy the recipes as fully dynamic pages, powered by a database that allows viewers to search by ingredient, nutritional information, cooking time or custom tags such as "low-fat" or "quick and easy". This will improve the searchability of premium recipe content and will also highlight older recipes.

### SUCCESS STORY

Marc Cormier is passionate about raising the best and healthiest chickens possible. Like the rest of Canada's 2,800 chicken farmers, he is "proud to raise quality chicken Canadians can trust."



In addition, the recipe database will also allow CFC staff to keep recipes more up to date, as a change to the main recipe template will change all recipes automatically. Keeping the content dynamic will also allow us to better syndicate the recipe content to other sites while still maintaining control of the content.

The new chicken.ca is deliberately designed to focus more on consumers while still providing corporate and industry information. A more interactive and dialogue-based format helps to increase the “shareability” of our content and links, while improving search engine capacities. By moving from a corporate website approach to a consumer-focused approach, CFC is now more relevant to its visitors.

## NEW ONLINE TOOLS

CFC’s new series of videos on healthy eating and “how to...” on cooking also provided a conduit to push information out while attracting consumers back to the site for more information. Theresa Albert, nutritionist, TV personality and author, demonstrated how to eat healthier and cut costs and added a new twist to CFC’s blogs by interviewing other foodies about their relationship with chicken. CFC worked with a local video production company to create more dynamic videos to meet consumer demand for fun, quick cooking videos and tips.

## EVENTS AND SPONSORSHIPS

Food bloggers are an influential group online and in an effort to reach out to this group CFC organized a meet-up for bloggers, this time on the west coast. The event was by invitation only, and was held at a cooking school in Vancouver. Not only did bloggers get to enjoy some incredible food but they were also put to task to help prepare their meal. Of course chicken was the focal point of the meal. Bloggers had the opportunity to ask lots of questions about chickens and how they are raised. Everyone left with an increased awareness and a greater impression of the industry which came through in their blogs about the event.

CFC continued to participate in major national health related conferences in 2010. These conferences are targeted at health professionals in the fields of diabetes, cardiovascular health, obesity, and nutrition. These venues provided an opportunity to continue to build on our relationship with health professionals and showcase our resources available to them.

The latest addition to our nutrition factsheet series, #7, was written for Baby Boomers, and addresses their specific nutrition requirements. These factsheets are available, free of charge, to health professionals or interested consumers either through the CFC website or by mail. The factsheets address healthy eating related to a specific issue such as diabetes or cardiovascular health. CFC now has seven fact sheets and two journals; a snack and beverage journal was created in 2010 to complement the existing weekly food journal.

All of these resources are available in English and French.

### Fact Sheet #1:

Eating for Health: Putting it all Together

### Fact Sheet #2:

Striving for Healthy Canadian Kids:  
They are the Future

### Fact Sheet #3:

Diabetes: Making the Right Food Choices

### Fact Sheet #4:

Healthy Eating for Your Heart

### Fact Sheet #5:

Protect Your Health – Get Salt Savvy!

### Fact Sheet #6:

Tackling Weight Loss

### Fact Sheet #7:

Baby Boomers and Zoomers

## CONSUMER EXPECTATIONS

CFC carried out its sixth wave of the Usage & Attitude Survey about chicken consumption in Canada. The first survey was carried out in 1995. Fifteen years later chicken remains the most popular choice for Canadian families. Chicken rated higher than other proteins in many areas including; my family likes it, it’s a popular choice, it tastes good, it’s fresh, good value for money, locally produced and it’s not expensive.

Highlights included the fact that consumers continue to cook and eat chicken at home far more frequently than they eat chicken purchased elsewhere and it was also noted that there was a slight increase in those who are using a whole bird for home cooking (42% vs. 39%). There was also an increase in consumers using cooking times and internal temperature as a way of cooking their meat and poultry safely versus the old “until the juices run clear” or “when the meat falls off the bone.” Both are signs that consumer education and the four key messages for handling food safely: clean, separate, cook and chill are having an effect.

## CANADIAN CULINARY AWARDS

They read, they cooked, they deliberated. Since April of 2010, some of Canada’s top food professionals read and tested their way through 68 entries to determine the winners for the Canadian Culinary Book Awards. Cuisine Canada and the University of Guelph were hosts of the 13<sup>th</sup> annual Canadian Culinary Book Awards which were held at the Royal Winter Fair in Toronto. For several years now, CFC has been a sponsor of the culinary awards in order to provide recognition to some of Canada’s best cookbook authors. The contest was open to culinary books written by Canadian authors and published by Canadian publishers.



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## INDEPENDENT AUDITOR'S REPORT

The Minister  
Agriculture and Agri-Food Canada

The Farm Products Council of Canada

The Members of  
Chicken Farmers of Canada

We have audited the accompanying financial statements of Chicken Farmers of Canada ("CFC"), which comprise the balance sheet as at December 31, 2010, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Auditor's Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of CFC as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Licensed Public Accountants

CHICKEN FARMERS OF CANADA

## STATEMENT OF OPERATIONS

year ended December 31, 2010

	General Fund	Promotion Fund	Research Fund	2010	2009
<b>Revenue</b>					
Levy and fee revenue	\$ 6,138,543	\$ -	\$ -	\$ 6,138,543	\$ 6,035,563
Interest and other revenue	400,258	127,831	197,066	725,155	777,605
Overmarketing and market development levies	-	250,561	-	250,561	178,011
	6,538,801	378,392	197,066	7,114,259	6,991,179
<b>Expenses</b>					
Amortization of capital assets	41,622	-	-	41,622	47,461
Canadian Poultry Research Council	-	-	123,986	123,986	127,668
Committees	162,802	-	-	162,802	187,079
Communication	186,843	-	-	186,843	170,784
Corporate social responsibilities	49,848	-	-	49,848	-
Directors and alternates	1,146,448	-	-	1,146,448	1,356,601
Membership fees	166,915	-	-	166,915	130,696
Office	473,764	-	-	473,764	483,692
On-line business initiative	94,043	-	-	94,043	86,250
Professional fees	517,601	-	-	517,601	473,417
Promotion activities	-	185,311	-	185,311	200,141
Salaries, benefits and travel	2,198,139	-	-	2,198,139	2,181,934
Special studies	754,865	856,525	-	1,611,390	1,129,056
Trade	82,586	-	-	82,586	165,991
Translation	129,347	-	-	129,347	128,046
	6,004,823	1,041,836	123,986	7,170,645	6,868,816
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 533,978</b>	<b>\$ (663,444)</b>	<b>\$ 73,080</b>	<b>\$ (56,386)</b>	<b>\$ 122,363</b>

CHICKEN FARMERS OF CANADA

## STATEMENT OF CHANGES IN FUND BALANCES

year ended December 31, 2010

	General Fund	Promotion Fund	Research Fund	TOTAL	
				2010	2009
BALANCE, BEGINNING OF YEAR	\$ 9,446,200	\$ 4,469,017	\$ 5,281,150	\$ 19,196,367	\$ 19,361,331
Excess (deficiency) of revenue over expenses	533,978	(663,444)	73,080	(56,386)	122,363
Net decrease in unrealized gains on available-for-sale financial assets	(81,096)	(53,509)	(49,153)	(183,758)	(287,327)
<b>BALANCE, END OF YEAR</b>	<b>\$ 9,899,082 <sup>(1)</sup></b>	<b>\$ 3,752,064</b>	<b>\$ 5,305,077</b>	<b>\$ 18,956,223</b>	<b>\$ 19,196,367</b>
Accumulated unrealized gains on available-for-sale financial assets	\$ 153,370	\$ 58,482	\$ 82,281	\$ 294,133	\$ 477,891
<sup>(1)</sup> Consists of:					
Invested in capital assets	\$ 201,219				
Unrestricted	<u>9,697,863</u>				
	<u>\$ 9,899,082</u>				

CHICKEN FARMERS OF CANADA

**BALANCE SHEET**

as at December 31, 2010

	2010	2009
<b>CURRENT ASSETS</b>		
Cash	\$ 558,640	\$ 1,336,211
Short-term investments (Note 5)	3,222,956	2,806,145
Accounts receivable (Note 6)	1,523,256	1,685,887
Restricted cash (Note 7)	516,091	598,968
Prepaid expenses	72,742	33,019
	5,893,685	6,460,230
INVESTMENTS (Note 5)	14,171,380	13,824,251
ACCOUNTS RECEIVABLE (Note 6)	-	440,916
CAPITAL ASSETS (Note 8)	462,192	100,618
	\$ 20,527,257	\$ 20,826,015
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 927,696	\$ 1,030,680
Deferred revenue (Note 7)	516,091	598,968
Current portion of deferred lease inducement (Note 9)	11,642	-
	1,455,429	1,629,648
LONG-TERM PORTION OF DEFERRED LEASE INDUCEMENT (Note 9)	115,605	-
	1,571,034	1,629,648
<b>COMMITMENTS (Note 10)</b>		
<b>FUND BALANCES</b>		
Invested in capital assets	201,219	100,618
Internally restricted - Promotion Fund	3,752,064	4,469,017
Internally restricted - Research Fund	5,305,077	5,281,150
Unrestricted	9,697,863	9,345,582
	18,956,223	19,196,367
	\$ 20,527,257	\$ 20,826,015

## ON BEHALF OF THE BOARD



Brian Payne,  
Finance Committee, Director



Barry Uytendille,  
Finance Committee, Director



Ruth Noseworthy,  
Finance Committee, Director

CHICKEN FARMERS OF CANADA

## STATEMENT OF CASH FLOWS

year ended December 31, 2010

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	\$ (56,386)	\$ 122,363
Items not affecting cash		
Amortization of premium/discount on investments	79,110	(42,034)
Amortization of capital assets	41,622	47,461
Loss on disposal of capital assets	382	-
	64,728	127,790
Changes in non-cash operating working capital items (Note 12)	(196,679)	43,098
	(131,951)	170,888
<b>INVESTING</b>		
Purchase of capital assets	(142,223)	(12,229)
Proceeds from sale of capital assets	346	-
Purchase of investments	(3,733,024)	(3,014,285)
Proceeds on sale of investments	2,705,488	2,690,459
Decrease in restricted cash	82,877	81,775
Decrease in long-term accounts receivable	440,916	440,915
	(645,620)	186,635
NET CASH INFLOW (OUTFLOW)	(777,571)	357,523
CASH POSITION, BEGINNING OF YEAR	1,336,211	978,688
CASH POSITION, END OF YEAR	\$ 558,640	\$ 1,336,211



CHICKEN FARMERS OF CANADA

## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2010

### 1. ACTIVITIES OF THE ORGANIZATION

#### *Objective of the Organization*

The Chicken Farmers of Canada (CFC), incorporated pursuant to the *Farm Products Agencies Act*, was established to ensure the orderly marketing of chicken in Canada. CFC is exempt from income taxes under section 149(1)(e) of the *Income Tax Act*.

#### *Levy and fee revenue*

CFC charges levies to farmers based on chicken marketings in inter-provincial and export trade and receives fees in relation to intra-provincial trade.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations and reflect application of the following significant accounting policies:

#### *Fund accounting*

Resources are classified for accounting and reporting purposes into funds that are in accordance with specific activities, or objectives. Accordingly, separate accounts are maintained for the General Fund as well as for the Promotion and Research Funds, which are internally restricted.

The General Fund accounts for operating and administrative activities as well as all transactions related to capital assets and other interest revenue not allocated to the other funds.

The Promotion Fund reports the overmarketing and market development levies collected and expenses that relate to the promotion and marketing of chicken, as indicated in the Market Development Policy and the Monitoring and Enforcement Policy, and expenses incurred in collecting overmarketing and market development levies. It also reports interest earned on resources held for the purpose of the Promotion Fund.

The Research Fund reports interest earned on resources held for research purposes and expenses for research projects related to the poultry industry in Canada.

#### *Revenue recognition*

CFC recognizes revenue using the deferral method of accounting.

Levies are recognized as revenue during the year when received or receivable if amounts can be reasonably estimated and collection is reasonably assured.

#### *Cash*

Cash is classified as held-for-trading and carried at fair value.

#### *Investments*

Short-term investments and investments are classified as available for sale and recorded at fair value. Interest on interest-bearing investments is calculated using the effective interest rate method.

The fair values of securities are based on quoted market prices when available. If quoted market prices are not available, fair values are estimated using quoted market prices of similar securities or other third-party information.

Transaction costs related to investments are expensed as incurred. Unrealized gains and losses on available for sale financial assets are recorded directly in fund balances until realized when the cumulative gain or loss is transferred to interest and other income.

#### *Accounts receivable*

Accounts receivable, including due from related parties, are classified as loans and receivables and carried at amortized cost.

#### *Capital assets*

Capital assets are recorded at cost. Amortization of capital assets is calculated using the straight-line method over their anticipated useful lives. Terms are as follows:

Office equipment	10 years
Computer equipment	3 years
Leasehold improvements	Term of lease

## CHICKEN FARMERS OF CANADA

## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2010

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are classified as other liabilities and carried at amortized cost and fair value approximates amortized cost.

#### Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

The estimated useful life of capital assets, the net realizable value of accounts receivable, the fair value of investments and the amount of accrued liabilities are the most significant items where estimates are used.

### 3. FUTURE ACCOUNTING CHANGES

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards (IFRSs) or GAAP for not-for-profit organizations. The CFC currently plans to adopt GAAP for not-for-profit organizations effective January 1, 2012.

### 4. CAPITAL MANAGEMENT

CFC's capital consists of Fund Balances as described in Note 2 and presented on the Balance Sheet. CFC's objectives in managing capital are:

- to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual strategic plan review;
- to maintain a minimum reserve in the General Fund of twelve months of budgeted operating expenses;

- to invest funds in financial instruments permitted under the *Farm Products Agencies Act*;
- to determine, on an annual basis, the appropriate levy imposed on farmers for marketing chicken; and
- to build the internally restricted Research Fund to \$10 million where only revenue generated from the capital investment will be used to fund research projects.

The reserve of the General Fund as of December 31, 2010 is 16.8 months of the budgeted operating expenses (2009 - 18 months). CFC has complied with its capital policies and objectives throughout the year.

### 5. INVESTMENTS

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ 3,175,828	\$ 3,222,956	\$ 2,751,472	\$ 2,806,145
Export Development Canada bonds	331,552	334,092	341,962	343,288
Farm Credit Canada notes	247,150	250,011	365,599	379,841
Guaranteed Investment Certificates (GICs)	1,600,000	1,600,000	1,500,000	1,500,000
Canada Housing Trust bonds	11,745,673	11,987,277	11,193,473	11,601,122
	13,924,375	14,171,380	13,401,034	13,824,251
	\$ 17,100,203	\$ 17,394,336	\$ 16,152,506	\$ 16,630,396

Short-term investments are comprised of Farm Credit Canada note and Canada Housing Trust bonds in the amount of \$3,222,956 (2009 - Farm Credit Canada notes and Government of Canada bonds in the amount of \$2,806,145) which mature over the next year bearing interest at rates that range from 3.75% to 4.60% (2009 - 3.55% to 3.75%).

## CHICKEN FARMERS OF CANADA

## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2010

**5. INVESTMENTS (CONTINUED)**

Bonds and notes are debt obligations paying interest rates appropriate to market at their date of purchase. The bonds, notes and GIC's mature at face value on a staggered basis over the next four years (2009 - five years). Interest rates for these securities range from 2.2% to 5.8% (2009 - 2.2% to 5.8%).

*Investment risk*

The maximum investment risk to CFC is represented by the fair value of the investments. Investments in financial instruments also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

*Concentration of risk*

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations described above do not represent excessive risk.

**6. ACCOUNTS RECEIVABLE**

Accounts receivable consist of levies and fees, overmarketing levies receivable from the provincial organizations and accrued interest on investments.

CFC has an account receivable from the Chicken Farmers of Ontario totaling \$440,916 (2009 - \$881,832) which has a fair value of \$440,916 (2009 - \$878,535). This account receivable bears interest at 3% per year with final repayment expected to occur in 2011.

**7. RESTRICTED CASH AND DEFERRED REVENUE**

In 2005, CFC received \$875,956 as full and final payment of a vitamins class action settlement. The monies received are to be used by CFC to decrease the cost of on-farm audits of CFC's On-Farm Food Safety Assurance Program, to enhance or increase on-farm biosecurity, and to allocate funds to research and development for protocols and methods to alleviate and contain any foreign animal disease outbreak in Canada.

	2010	2009
Balance, beginning of year	\$ 598,968	\$ 680,743
Interest earned	3,486	3,325
Recognized as revenue	(86,363)	(85,100)
Balance, end of year	\$ 516,091	\$ 598,968

The expenses incurred of \$86,363 (2009 - \$85,100) were not for on-farm audits but: a) \$49,887 to enhance or increase on-farm biosecurity; and b) \$36,476 to research and development protocols and methods to alleviate and contain any foreign animal disease outbreak in Canada. The revenue is recognized in interest and other revenue of the General Fund.

**8. CAPITAL ASSETS**

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 378,230	\$ 262,419	\$ 115,811	\$ 34,802
Computer equipment	241,022	177,818	63,204	57,038
Leasehold improvements	395,613	112,436	283,177	8,778
	\$ 1,014,865	\$ 552,673	\$ 462,192	\$ 100,618

Of the total acquisitions of \$403,196 there are leasehold inducements of \$127,247 and amounts in accounts payable of \$133,726.

## CHICKEN FARMERS OF CANADA

## NOTES TO THE FINANCIAL STATEMENTS

year ended December 31, 2010

### 9. DEFERRED LEASE INDUCEMENT

In 2010, CFC entered into a lease agreement which expires in 2020, which includes an inducement for leasehold improvements of \$123,252, as well as a lease agreement on a photocopier which expires in 2013, which includes an inducement of \$5,327.

Balance, beginning of year	\$ -
Additions during the year	128,579
Amount amortized to expense during the year	<u>(1,332)</u>
Balance, end of year	127,247
Current portion	<u>11,642</u>
	<u>\$ 115,605</u>

### 10. COMMITMENTS

CFC is committed under the terms of lease contracts with various expiry dates for the rental of premises and office equipment. Minimum lease payments are:

2011	\$ 163,546
2012	171,277
2013	181,522
2014	159,206
2015	143,537
2016 - 2020	<u>747,023</u>
	<u>\$ 1,566,111</u>

### 11. EMPLOYEE PENSION PLAN

CFC has a defined contribution pension plan providing benefits to employees. The contribution is a net percentage of the employees' annual income. The total contributions made by CFC under this plan in 2010 was \$66,204 (2009 - \$61,403).

### 12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2010	2009
Accounts receivable	\$ 162,631	\$ (235,098)
Prepaid expenses	(39,723)	15,817
Accounts payable and accrued liabilities	(236,710)	344,154
Deferred revenue	<u>(82,877)</u>	<u>(81,775)</u>
	<u>\$ (196,679)</u>	<u>\$ 43,098</u>

### 13. COMPARATIVE FIGURES

Certain comparative figures have been classified to conform to the current year's presentation.