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**CANADIAN  
FOOD  
FOR  
CANADIAN  
FAMILIES**



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CHICKEN FARMERS  
OF CANADA  
ANNUAL REPORT 2011



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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Designed by Infusion Design & Communications  
Printed by Tri-Co Group



# WHO WE ARE



## 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.



Chicken Farmers of Canada (CFC) is a national organization, funded completely through farmer levies paid according to the amount of chicken marketed. We were established in 1978 under the *Farm Products Agencies Act*. CFC operates within a regulatory environment pursuant to the Federal-Provincial Agreement for Chicken signed by federal and provincial governments and the provincial chicken boards in July 2001.

CFC has two primary mandates. CFC's main responsibility is to ensure that our 2,700 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.

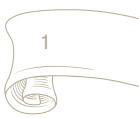
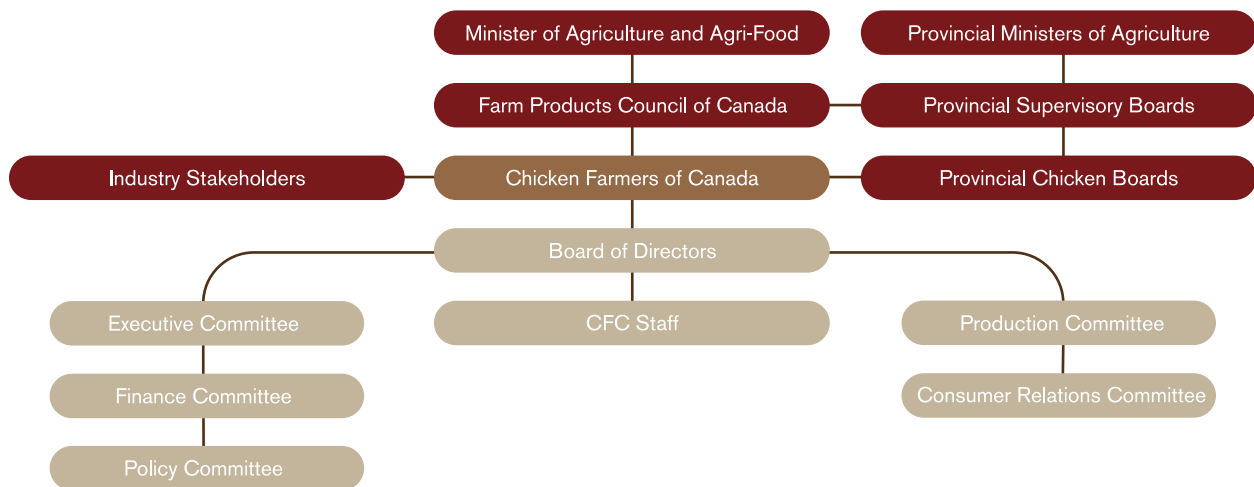
CFC's second responsibility is to represent the interests of chicken farmers and the Canadian chicken industry. CFC plays a key role in developing, partnering or managing programs for Canada's chicken farmers that prove that farmers continue to grow the high quality chicken that consumers trust. Through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

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 of Canada's chicken industry, from farmer to consumer.

Chicken Farmers of Canada delivers:

- A secure, steady supply of fresh, quality Canadian chicken
- The highest food safety and animal care production standards
- 55,000 jobs and \$6.5 billion contribution to Canada's Gross Domestic Product
- Innovation driven by millions of dollars of poultry industry research

## ORGANIZATION STRUCTURE



# CHAIR'S REPORT



## **CANADIAN FOOD: FROM FAMILIES LIKE MINE TO FAMILIES LIKE YOURS**

My family and I are proud to be Canadian chicken farmers who produce great Canadian chicken for Canadian families. Canadian consumers want high quality Canadian chicken and it is our job – no, it is our responsibility – to deliver it to them.

One of the most favourable parts of my job is the number of people in the industry and government that I have met and with whom I have had the opportunity of working. Talking with farmers in every province and getting to understand their priorities has been a highlight of my yearly provincial annual general meeting tour.

I have been Chair of Chicken Farmers of Canada since 1999, and after 13 years at the helm, have decided to step back and let someone else take the reins of this dynamic organization.

Over the past 13 years, I have had the privilege to work with 14 different but very strong, dedicated and passionate people as fellow members of the Chicken Farmers of Canada Executive Committee.

As this will be my final report to you as Chairman of CFC, I would like to give you an overview of what have been and what will continue to be our challenges in the chicken industry in to the future.

As we look back we need to remind ourselves why Supply Management is necessary for the entire chicken industry. The

supply management system for the production of chicken is the result of an agreement among farmers and among governments on the desire for a system in the interests of us all.

Why was this partnership formed?

1. To provide price stability
2. To ensure such price stability and adequacy by the management of supply
3. To preserve a structure of independent family farms
4. To preserve a share of the industry for all regions
5. To achieve these goals without government subsidies

Over the years, we have built a system that is advantageous to both the consumer and all sectors of the industry, but in order to grow and improve this system, and maintain the employment and economic spin-offs, it is crucial that we work closely together for the betterment of the entire Canadian chicken industry.

Throughout the years, I have had an opportunity to work closely with five different Federal Agriculture Ministers: the Honourable Lyle Vanclief, the Honourable Andy Mitchell, the Honourable Robert Speller, the Honourable Chuck Strahl and the Honourable Gerry Ritz, who all have demonstrated their support for supply management along the way.

We continue to receive support for our system from all levels of government and all political parties but, as members, we have a responsibility to work with our partners to deliver, on a timely basis, the right amount of chicken at the right price.

There will always be challenges to our system from those who choose not to understand it and from those who believe the supply management systems restrict Canada at any trade talks. We need to continue to monitor all trade talks, whether they are multilateral or bilateral agreements. We need to continue to explain to all of our politicians the value of our system.



One of the biggest challenges facing our industry has been with us since 2007 and continues to be front-and-centre at the table; this issue deals with differential growth. This has been a very contentious issue and there have been many attempts to resolve it, but we have been unable to bridge the differences between the members. We will continue to work on this file but the complexity of this issue will not lead to an easy resolution.

We need to continue to keep the big picture in mind, though, and understand that the system only works if we stand united. The old saying – United We Stand, Divided We Fall – is what we always need to keep in the back of our minds.

Another weakness that was identified was around the import control pillar, one of three critical pillars that support supply management. This included the ability of some industry players to substitute broiler chicken with other kinds of product – for example, imported mature chicken, which has put pressure on the growth of our domestically produced product. We have identified a number of flaws around the import pillar that need to be corrected and I would like to personally thank Minister Gerry Ritz for understanding and leading the charge on this file.

At CFC, we need to refocus ourselves in growing the Canadian market with domestically-produced broiler chicken. There is still growth possible in the market but we need to examine where we can have the most impact. If we wish to grow, we need to be ready and well-placed to take advantage of those opportunities.

You will note throughout the remainder of this Annual Report how the Board of Directors dealt with a number of complex issues that faced the Canadian chicken industry and how they, as a Board, took a leadership role in dealing with these issues.

We at CFC have moved forward on a number of fronts including Animal Care, Food Safety, a strong Animal Disease Preparedness and Response Plan and Antimicrobial Use, to name a few. At CFC, we continue to live our Strategic Plan and, in late September, the Board of Directors held its annual retreat to identify the critical priorities for 2012. These priorities will help guide CFC into 2012 and the future.

CFC continues to work closely with other farm organizations, both domestically and internationally, to look after the interests

of chicken farmers in Canada. Several key initiatives took flight in 2011, including CFC's participation in the Call for Coherence Declaration; an international appeal from farm organizations in 66 nations to preserve agriculture as a special and different commodity. This initiative was launched in Brussels in June. At this time, I would like to thank the Chair of Farm Products Council of Canada, Laurent Pellerin, for his work throughout 2011 on the tough issues that are being resolved with CFC. I believe that with a push, we can finalize these items in 2012.

I also tip my hat to Minister Gerry Ritz and to the Conservative Government for their unfaltering support to the chicken industry and supply management.

I am particularly grateful to the members of the Board of Directors, the Executive Committee and the Chairs of the Committees for their commitment to the Canadian chicken industry. I am indebted to them for their guidance, dedication and support.

Regarding our Executive Director, Mike Dugate, CFC has been very fortunate to have someone of his calibre to lead the CFC staff. Mike, along with the staff, has brought credibility to CFC as an organization and I would like to thank them all for their passion and devotion to the Canadian chicken industry. Personally, I would like to thank them each for making my job as Chairman over the past number of years very enjoyable and for making me look so good.

As I step out of the limelight and look into the future, I have the confidence that, because we are a forward-looking organization, and as long as we stand united, there is a bright future for the Canadian chicken industry.

I wish the next Chair of this organization success in taking over the reins at CFC and firmly believe that, with the competent Board of Directors and a very capable staff, our industry will continue to add more chapters to our ongoing Canadian agriculture success story.



David Fuller, Chair



## CFC DIRECTORS



### THE BOARD (From left to right)

Ian Hesketh (Further Poultry Processors Association of Canada)  
 Adrian Rehorst (Ontario)  
 Luc Gagnon (Canadian Poultry and Egg Processors Council)  
 Barry Uytterlinde (Prince Edward Island)  
 Martin Dufresne (Quebec)  
 Reg Cliche (Canadian Poultry and Egg Processors Council)  
 Yvon Cyr (New Brunswick)  
 David Fuller (Nova Scotia) – Chair  
 Mike Pickard (Saskatchewan)  
 Christine Moore (Canadian Restaurant and Foodservice Association)\*  
 Ed O'Reilly (Newfoundland & Labrador)  
 Paul Cook (Nova Scotia)  
 Jake Wiebe (Manitoba)  
 David Hyink (Alberta)  
 Dave Janzen (British Columbia)

\*Brian Payne (CRFA) served until October 2011

## CFC COMMITTEES



### COMMITTEES AND REPRESENTATIVES

#### Executive

Chairman – David Fuller  
 1<sup>st</sup> Vice Chair – Dave Janzen  
 2<sup>nd</sup> Vice Chair – Martin Dufresne  
 Member at Large – Adrian Rehorst

#### Finance

Barry Uytterlinde – Chair  
 Mike Pickard

#### Policy

Rick Thiessen  
 (B.C. alternate) – Chair  
 Yvon Cyr  
 Martin Dufresne  
 Luc Gagnon  
 Ian Hesketh

#### Production

Reg Cliche – Chair  
 Ed Verkley (ON alternate)  
 Christine Moore  
 Carole Girard (QC alternate)  
 Paul Cook

#### Consumer Relations

Jake Wiebe – Chair  
 Adrian Rehorst  
 Rudy Martinka (SK alternate)

#### Representatives

Canadian Poultry  
 Research Council:  
 Jacob Middelkamp (AB alternate)

Canadian Federation  
 of Agriculture:  
 Mike Pickard

National Farm  
 Animal Care Council:  
 Carole Girard

Avian Biosecurity  
 Advisory Council:  
 Ed Verkley

National Farmed Animal  
 Health and Welfare Council:  
 Rick Thiessen



# EXECUTIVE DIRECTOR'S REPORT



2011 signals the end of an era for Chicken Farmers of Canada.

David Fuller, who has led the organization since 1999, will be stepping down as Chair in March 2012 after 13 years at the helm.

During his tenure, David set the bar high in terms of personal integrity – rising way above any scent of provincial, farmer or personal interest. He has been selfless in looking after the greater interest and doing the right thing, even when it might have been personally advantageous and well justified to look at other options. As a result, he increased the credibility of CFC as an organization.

He also understood that his responsibility as Chair extended beyond his term. In this regard, he announced his intention to leave in April 2011 and orchestrated succession planning processes to ensure that there was a smooth transition for the next Chair, so that CFC would not be left in the lurch with a snap retirement decision.

I will personally miss the almost daily dialogue that David and I had over the years and the numerous opportunities we had to travel together. His wife Diane and their three daughters and six grandchildren were never far from his thoughts no matter where in the country, or the world, he was. While David was away from home often, he was a real farmer. As they say, he had dirt under his fingernails. Many of our conversations were while he was placing chicks, shipping birds, doing chores or working his fields in his tractor. During all this, he counted on his dad, brother

and son-in-law to take care of things while he was on the road. It epitomized the family farm for which he fought so hard.

He has respected the trust that farmers placed in him, and he has delivered on that trust. He believes in the Canadian chicken industry and the privilege that farmers have with supply management. As David likes to say – it is “passion” that has been the key to his success. That passion was evident to all in his fire and brimstone annual meeting speeches, where some in Manitoba dubbed him “The Minister”.

David was never one to stand back and ride on the coattails of his predecessors – he consistently led CFC and the industry forward. Under him: CFC became a leader in implementing on-farm (food safety and animal care) programs; CFC and the poultry industry established the Canadian Poultry and Research Council; he signed a new Federal Provincial Agreement for chicken in Whitehorse; and he played a key leadership role on two strategic plan renewal committees that laid out the vision for the industry from 2003 to 2013.

What brings a smile to my face when I think of them, and what I will miss dearly, are his inevitable calls for flexibility from Directors; the pleasure he derived from unanimous Board decisions; his straw polls; and most of all, his “Fullerisms”.

David's departure leaves us with big shoes to fill. But, I have confidence that the culture of hard work and success that has been established at the board table, along with staff and with our partners will serve us well as we embark on a bright new era.

A handwritten signature in black ink that reads "Mike Dugate".

**Mike Dugate**, Executive Director



# HUMAN RESOURCES REPORT



## CFC STAFF

### Executive

1. Mike Dungle, Executive Director
2. Stéphanie Turple, Executive Assistant
3. Lise Newton, Senior Government Relations Advisor

### Finance

4. Michael Laliberté, Director of Operations
5. Jae Yung Chung, Senior Financial Officer
6. Lori Piché, Compliance Officer
7. Maria Elena Baisas, Bookkeeper

### Administration & Human Resources

8. Paula Doucette, Manager of Administration & Human Resources
9. Lisa Riopelle, Administration Coordinator
10. Lude-Hena Gilles, Special Projects
11. Dally-Diane Nzinhora, Translation Coordinator
12. Rebecca Derry, Meeting & Recording Coordinator

### Communications

13. Lisa Bishop-Spencer, Manager of Communications
14. Marty Brett, Senior Communications Officer
15. Stephanie St. Pierre, Graphic Designer & Web Administrator
16. Elyse Ferland, Communications Officer

### Trade & Policy

17. Yves Ruel, Manager of Trade & Policy

### Food Safety, Animal Care & Research

18. Steve Leech, National Program Manager
19. Caroline Wilson, On-Farm Food Safety Coordinator
20. Bianca Kitts, Animal Care & Research Coordinator

### Market Information & Systems

21. Jan Rus, Manager of Market Information & Systems
22. Eric Braff, Market Analyst
23. Denis Nadeau, Business Systems Analyst

### New Faces

Denis Nadeau came to CFC in April 2011 as CFC's Business Systems Analyst, a new position, as CFC is in the process of redefining and expanding the use of information technology within the organization.

Bianca Kitts joined CFC in late June 2011 on a contract basis as Animal Care Coordinator replacing Jennifer Gardner, who is on maternity leave. Jennifer will return in August, 2012.

Dally-Diane Nzinhora was hired in November 2011 as the new Translation Coordinator.





# STRATEGIC PLANNING



## STRATEGIC PLANNING

Each year, CFC's Board of Directors and Executive Management Team take the opportunity to celebrate successes of the previous year and set priorities for the next. The 2012 strategic planning meeting was held in London, Ontario on September 28 and 29, 2011.

Directors reviewed progress in 2011, conducted an environmental scan for 2012, discussed and set the priorities for 2012 and had a presentation on antimicrobial use by Matt Fischer of Fischer Family Poultry Ltd., based in Listowel, Ontario.

The bulk of the meeting was focused on designing strategies for 2012 that correspond with the priorities stated in CFC's five-year strategic plan (2009-2013). CFC Directors agreed upon the following priorities for 2012:

### CRITICAL PRIORITIES FOR 2012

#### Allocation Setting

Setting of a medium term growth target for A109-114 and A115-120; renewed participation of the grocery sector in the allocation setting process; assessment of and decision on moving to a seven-week allocation period; differential growth solution; resolution of interprovincial movement (IPM) issues.

#### Antimicrobial Resistance and Antibiotic Issues

Finalization and implementation of an industry-endorsed antimicrobial use and control strategy.

#### Integrity of the Chicken Import Pillar

Determination of a long-term allocation methodology for tariff

rate quota (TRQ) administration that supports CFC's national supply management system; timely implementation of the Chicken Imports Working Group (CIWG) recommendations; appropriate Canadian Border Services Agency (CBSA) classification of chicken/spent fowl blended products; administration of Foreign Affairs and International Trade Canada's (DFAIT) Import to Re-Export Program that does not create distortions on the domestic market; 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 2012

#### Animal Care

Consistent implementation of the CFC Animal Care Program across the country; finalization and distribution of the guidance document for animal care in the Canadian poultry supply chain from farmer to processor; leadership in the revision process for the Code of Practice for Chickens, Turkeys and Breeders; leadership in the National Farmed Animal Health and Welfare Council (NFAHWC) and the National Farmed Animal Care Council (NFAACC); active oversight of animal care projects funded by CFC.

#### Food Safety

Consistent implementation of the On-Farm Food Safety Assurance Program (OFFSAP) across the country; completion of the federal, provincial and territorial governments' implementation assessment (3rd party audit) of OFFSAP; meet the traceability objectives defined by the federal, provincial and territorial Agriculture Ministers.

### OTHER PRIORITIES FOR 2012

#### Consumer Relations Strategy – Online Component

*Web portion:* an overall increase in ranking on search engines using specific keywords; a 33% increase in true traffic to the new CFC website; 100-200 new recipes with photography and



nutrient information; 15 new “how-to” videos; a 50% increase in monthly newsletter subscribers.

*Social media portion:* implementation of a strategy to expand our reach to online influencers, with a particular focus on women; increase Twitter followers and Facebook “likes”.

#### **Consumer Relations Strategy – Outreach Component**

Hiring of a Health Communications Officer; participation at health professional trade shows and conferences; promotion and additional content for the new CFC Health Portal; redesign of existing nutritional factsheets and creation of five new factsheets.

#### **Five-Year Strategic Plan**

Creation of terms of reference and process to develop the next strategic plan; establishment of a strategic plan renewal committee; a 2014-2018 strategic plan.

#### **Government Relations Strategy**

Finalize the CFC government relations briefing book; increased CFC monitoring activities; increased CFC involvement with the Canadian Federation of Agriculture; development of *Growing Forward II* and the National Food Strategy that support the Canadian chicken industry.

#### **Market Growth Strategy**

Exploration of market opportunities from research results; online consumer education – create and expand on information about the attributes of Canadian chicken, create consumer information and a buying guide for Canadian chicken, featuring information about seasoning, meat protein, spent fowl, reading labels and nutritional information, ease of home cooking, and more; branding strategy investigation – using branding expertise and the recently-completed CFC market research, work with stakeholders to determine areas in which there can be alignment on a brand strategy for Canadian chicken.

#### **Market information**

Decision on continuation of Nielsen retail data purchasing; analysis and quantification of the Canadian market for frozen dinners and entrées at the retail level in order to better understand the total chicken market and its evolution; increased monitoring of and reporting on spent fowl, import to re-export, grains and feed prices, retail prices and feature activity; value chain communications regarding CFC allocation volumes.

#### **Online Business Initiative (OBI) and IT Infrastructure**

Office Intranet and Electronic Document and Records Management System; Constituency Relationship Management (CRM) System; paperless meetings for Directors; Unified Communications System for CFC Office staff; industry analytics.

#### **Promotion Research Agency**

Confirm the economic, legal and organizational viability of a Part III Promotion & Research Agency (PRA); creation of a Promotion & Research Agency Proclamation; establishment of an operational Promotion & Research Agency.

#### **Regional, Bilateral and 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 bilateral and regional trade agreements, as well as WTO agriculture negotiations; promotion of the Call for Coherence declaration to raise awareness of the need for a change in direction of the WTO agriculture negotiations.

#### **Research**

Leadership to ensure the effectiveness of the Canadian Poultry Research Council; funding of research projects that meet the needs of Canadian chicken farmers; effective communication regarding the activities of CPRC.

### **CORPORATE SOCIAL RESPONSIBILITY**

In 2011, Chicken Farmers of Canada, in partnership with Quebec-based processor Exceldor, who was chosen following a call for bids, provided \$50,000 worth of frozen chicken to the Ottawa Food Bank via CFC's *Chicken Challenge* food donation program. In March 2011, Sunrise Poultry made an additional donation of 50 cases of stuffed poultry breasts, (totaling 600 individual pieces) and in December 2011, Exceldor donated an additional \$5,000 worth of frozen chicken to the food bank.

In addition, funds destined for the Ottawa Food Bank were collected throughout 2011 from staff payroll donations and matching CFC donations. Proceeds from the sale of chicken sandwiches and salads at CFC's *Great Canadian Chicken Barbecue* and additional donations collected on Canada Day, totaling \$7,140 were given to the food bank. CFC staff also conducted an office-wide food drive in late November and December 2011 to help the food bank over the busy holiday season.

Although CFC was unable to participate in this year's Easter Seals Drop Zone event at the Delta Hotel, whereby participants rappel down the side of a building to collect funds for Easter Seals, CFC donated \$750 in support of Morguard's participation.

On an individual basis, CFC Directors and staff raised more than \$1,000 to support Agriculture Minister Gerry Ritz in his “Movember” campaign for prostate cancer which successfully drew in over \$16,500.

# MARKET WATCH



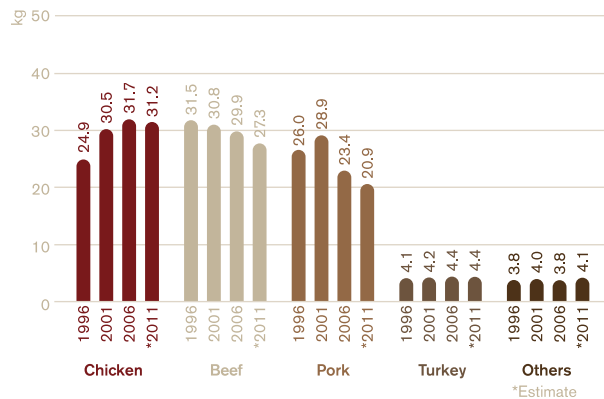
In 2011, Canada's chicken farmers produced over one billion kilograms of chicken for the fifth consecutive year. Chicken production in the first half of 2011 was higher compared to 2010, but allocation cuts in the second half of the year reduced production to below the previous year's level during this timeframe. Overall, total annual production in 2011 was 1,022.9 million kilograms (Mkg), edging out 2010 by 1.3 Mkg.

The major issues the Canadian chicken sector faced in 2011 were high input prices and an uncertain economic landscape.

Producer prices increased significantly in 2011; peaking late in the summer to reach record highs of \$1.70/kg or higher in most provinces. On average, producer prices were 20 cents higher than 2010 due to escalating feed prices that climbed at the beginning of 2011. Frozen inventories followed the normal seasonal trend throughout the first three quarters of the year then fell drastically in the last quarter as production cuts were made.

Per capita chicken consumption in 2011 is projected to be 31.2 kg, slightly higher (0.1 kg) than in 2010. Preliminary numbers indicate that beef per capita consumption declined by 1.5% to 27.3 kg and pork per capita consumption decreased by 3.5% to 20.9 kg in 2011. Per capita consumption of turkey remained stable at 4.4 kg, and consumption of lamb and veal remained unchanged from 2010.

## Per Capita Consumption / Various Meats (kg)



## PROVINCIAL PRODUCTION

Canadian chicken production again surpassed the one billion kilogram mark for the fifth consecutive year. This was a modest gain of 1.3 Mkg (0.1%) over 2010, but Canadian chicken farmers continue to meet the growing demands of Canadian consumers.

All but one production period in 2011 was overproduced and the one period (A-105) of underproduction came in the peak summer months (July/August) when production finished at 2.8 Mkg below the target. Intense summer heat in certain parts of the country was

the culprit as a significant number of birds did not reach target weights. Nationally, a rise of 5.1 Mkg (0.5%) in production for the domestic market accounted for the annual increase. However, offsetting this gain was reduced production under CFC's market development program, which fell for the third consecutive year by an estimated 3.8 Mkg (7.2 %) compared to 2010.

## 2011 provincial production of chicken

('000 kg eviscerated)

Province	2011	2010	% change
British Columbia	154,032	152,719	0.9%
Alberta	91,900	92,937	-1.1%
Saskatchewan	39,596	39,854	-0.6%
Manitoba	42,287	42,471	-0.4%
<b>West</b>	<b>327,815</b>	<b>327,981</b>	<b>-0.1%</b>
Ontario	334,591	332,618	0.6%
Quebec	280,063	281,188	-0.4%
<b>Central</b>	<b>614,654</b>	<b>613,806</b>	<b>0.1%</b>
New Brunswick	28,345	27,785	2.0%
Nova Scotia	34,952	34,732	0.6%
Prince Edward Island	3,738	3,675	1.7%
Newfoundland & Labrador	13,413	13,662	-1.8%
<b>Atlantic</b>	<b>80,448</b>	<b>79,855</b>	<b>0.7%</b>
<b>CANADA</b>	<b>1,022,916</b>	<b>1,021,642</b>	<b>0.1%</b>

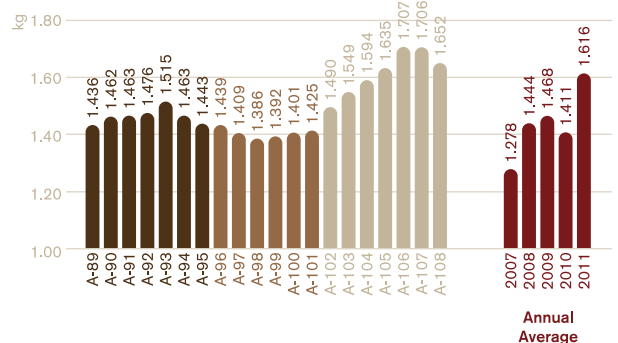
## Quota Periods

	From	To	Allocation (Mkg evis)	Production (Mkg evis)	Quota Utilization
A-102	January 2, 2011	February 26, 2011	158.1	158.8	100.4%
A-103	February 27, 2011	April 23, 2011	158.4	159.2	100.4%
A-104	April 24, 2011	June 18, 2011	164.9	165.6	100.4%
A-105	June 19, 2011	August 13, 2011	161.5	158.6	98.3%
A-106	August 14, 2011	October 8, 2011	154.5	155.2	100.4%
A-107	October 9, 2011	December 3, 2011	149.6	153.1	102.3%
A-108	December 4, 2011	January 28, 2012	143.6	144.5	100.6%

## PRODUCER PRICES

The average Canadian producer price in 2011 was \$1.616 per kg, 20.5 cents higher than in 2010, and 14.8 cents higher than in 2009. The producer price in 2011 increased rapidly along with feed prices, reaching record highs in the fall season while gradually easing back leading into the winter. On average, feed prices in Ontario were 27% higher in 2011 than in 2010. The uncertainty and volatility in feed prices remains a key issue for the industry heading into 2012.

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



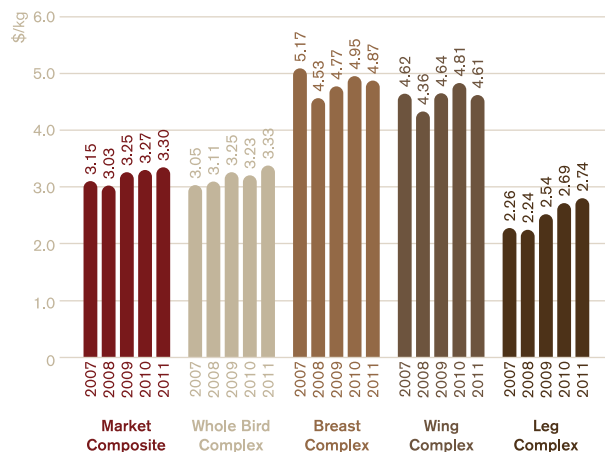
## WHOLESALE PRICES

Overall, wholesale prices (market composite) in 2011 remained relatively in line with 2010 levels throughout the first three quarters. As a result of production cuts, prices began to rise in the fourth quarter of 2011 and a spread of 20 cents developed between current and year ago prices. However, come year end, the average wholesale price in 2011 was only 0.9% (less than three cents) higher than in 2010. In examining individual cuts, whole bird and leg prices ended the year above 2010 levels by an average of 3.1% (10 cents) and 2.0% (5 cents), respectively. On average, breast and wing prices were 1.7% (8 cents) and 4.2% (20 cents) below previous year's prices. The figures are compiled by EMI (Express Market Inc.).

All four major cuts tracked by EMI mirrored previous years' trends following seasonality peaks and troughs. Notably, the whole bird complex price consistently remained above 2010 prices for the entire year (except for four weeks at the beginning of the year). Wing prices in 2011 were well below 2010 levels until they seasonably surged going into the fourth quarter. The average EMI wing complex in 2011 dropped to \$4.61; the breast complex fell to \$4.87; the whole bird complex rose to \$3.33 and the leg complex increased to \$2.74.

(Note: In cooperation with the Canadian Poultry and Egg Processors Council, 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) returned to moderate growth in 2011 after a slight pullback in 2010. The CPI for chicken in 2011 was 138.1 compared to 133.9 in 2010 and 134.0 in 2009, representing an increase of 3.1% over both the 2010 and 2009 yearly levels.

(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 2011 averaged 2.9% higher than last year and the specific CPI for all food items was 3.8% higher. The chicken prices at the retail level remained relatively stable throughout the year increasing slightly towards the end of the year.

In examining other proteins, price increases at the retail level in 2011 for beef and pork were more than double the increase for chicken, while fish experienced minimal movement for the second consecutive year. Retail beef and pork prices increased by 7.1% and 6.7%, respectively, compared to 2010 levels. Fish and seafood prices increased by 0.3% compared to 2010. Retail turkey prices saw a minor jump as prices were 1.6% in 2011.

## IMPORTS

According to reports from Foreign Affairs and International Trade Canada (DFAIT), a total of 159.2 Mkg of chicken was imported into Canada during 2011. 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 automatically set at 7.5% of chicken production in the previous year.

The TRQ for 2011 was calculated as 76,703,750 kg; 888,800 kg more than in 2010. According to preliminary year-end statistics, a total of 74,245,553 kg of chicken and chicken products was imported under the TRQ. Imports under the "Imports to compete" program were 3.4 Mkg, 0.9 Mkg more 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 77.6 Mkg, representing 7.6% of previous year's production, or 900,000 kg more than Canada's international trade obligations. The TRQ for 2012 is estimated at 77.0 Mkg, up slightly from the year before.

In 2011, chicken parts (bone-in and boneless) accounted for 81.6% of all TRQ imports, 0.9% less than last year. Further processed chicken imports accounted for 18.4% of all TRQ imports while only a very small amount of whole eviscerated chicken was imported. No live chicken was imported in 2011 under the TRQ.

As in the past, the U.S. was the most important supplier of chicken products imported under the TRQ at a total of 55.0 Mkg (74.1% of the total global imports) with a total value of \$116.3 million. Global imports from Brazil totalled 15.2 Mkg (20.5%) for a value of \$33.6 million. The other countries of origin in 2011 were Thailand at 3.3 Mkg (\$8.3 million), Chile at 0.6 Mkg (\$1.5 million), and a small quantity from Israel and France for a value of \$0.3 million. The total value of all products imported under the TRQ was \$160.0 million, \$14.9 million (8.5%) less than last year.

DFAIT 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 be exported within a three month period. In 2011, a total of 81.5 Mkg was imported under this program, 8.0 Mkg (10.9%) more than in 2010, and more than five times the amount that was imported under this program ten years ago. This program continues to be contentious and CFC and CPEPC have worked closely with DFAIT to tighten the rules and controls of the program. Changes are expected to be made in 2012 and 2013.

Imports of spent fowl also become very significant over recent years, to the point where spent fowl imports now match the volume of chicken imported under the TRQ. In 2011, spent fowl imports totalled 82 Mkg. Because spent fowl is not currently subject to any import control mechanisms, it is impossible to predict or limit the volume imported through this loophole. This in fact creates a very real erosion of Canadian chicken production as these products are labelled as chicken products at the retail level and their availability is misleading to consumers who are expecting to be buying Canadian broiler chicken. While imports of live spent fowl have remained stable over the last few years at around 15 to 17 Mkg (eviscerated equivalent), imports of spent fowl parts has more than doubled in the last three years from 15 Mkg to almost 32 Mkg.

### Imports

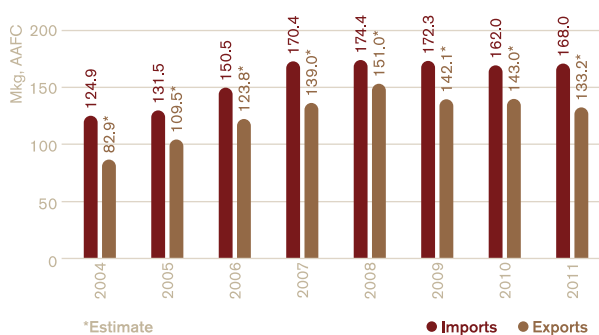
	2011	2010	% change
Global Imports	74,245,553	71,566,483	4%
Imports to compete	3,374,524	2,518,786	34%
Imports to re-export	81,549,839	73,498,437	11%
Special Imports	0	0	-
Imports for market shortage	0	0	-
<b>TOTAL</b>	<b>159,169,916</b>	<b>147,583,706</b>	<b>8%</b>
Spent fowl*	82,695,708	80,491,964	2.7%

Source: Foreign Affairs and International Trade Canada

\*Source: Agriculture and Agri-Food 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 133.2 Mkg of Canadian chicken was exported in 2011, down 6.9% compared to 2010.

According to Statistics Canada data, the primary destination for Canadian chicken and chicken products in 2011 continues to be the U.S. with 55.2 Mkg, 1.2 Mkg more than 2010. Second was the Philippines, which imported 21.2 Mkg, 2.5 Mkg (10.5%) less than in 2010. Rounding out the top ten destinations for Canadian chicken were Taiwan, South Africa, Hong Kong, Macedonia, Gabon, Equatorial Guinea, Columbia and Ghana. In 2011, exports to Taiwan were up more than 30% and exports more than doubled to Macedonia. Shipments to both Russia and Afghanistan, two countries who have been in Canada’s top 10 for chicken exports in the past few years, dropped by 95% in 2011 due to political reasons.

According to the same data, the value of Canadian chicken exports in 2011 was \$281.6 million, 3.7% higher than in 2010. Exports to the U.S. alone in 2011 are estimated at \$186.2 million; 4.1% more than in 2010 and accounting for almost two-thirds of the total export value in 2011.



## STORAGE STOCKS

Frozen chicken inventories started 2011 at 34.7 Mkg, and followed normal seasonal patterns throughout most of the year until the fall season which saw a large decrease in levels mainly due to production cutbacks. Storage stocks ended the year at 32.0 Mkg, down 8% from the beginning of the year.

Inventories of miscellaneous chicken (such as MSM – mechanically separated meat, giblets, skin and feet) were the only category higher over the course of the year and increased 0.5 Mkg (26%) over 2011. The categories of whole bird, cut-up and further processed chicken decreased 0.2 Mkg (15%), 2.7 Mkg (18%) and 0.3 Mkg (2%), respectively, over the course of 2011. Further processed chicken continued to account for almost half of all chicken products in cold storage in 2011.

Within the cut-up chicken category, the legs, breast and wing categories all decreased in 2011. The leg quarter and wing inventories represented the highest decrease, both ending the year close to 35% lower than at the beginning, while chicken breast inventories decreased by 3% over the course of the year. Inventories in the other category (including whole cut-up trimmings and halves) increased 0.6 Mkg (30%) during the year.

Within the further processed category, stocks of further processed boneless breasts fell by 0.1 Mkg (5%) in 2011, while frozen inventories of other further processed products (including tenders, strips, nuggets, patties and cooked wings) decreased by 0.2 Mkg (2%).

## 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 (IPM) increased in 2011 by 3.9 million kilograms live weight.

### Interprovincial Movement of Live Chickens (in kilograms live weight)

Province	2011		2010	
	To	From	To	From
British Columbia	-	-	-	-
Alberta	-	-	-	52,000
Saskatchewan	-	2,692,000	52,000	1,848,000
Manitoba	2,692,000	-	1,848,000	-
Ontario	37,784,000	37,555,000	39,383,000	37,324,000
Quebec	67,558,000	45,373,000	64,258,000	42,201,000
New Brunswick	29,352,000	27,177,000	28,695,000	24,917,000
Nova Scotia	802,000	20,334,000	-	22,884,000
Prince Edward Island	-	5,057,000	-	5,010,000
Newfoundland & Labrador	-	-	-	-
<b>TOTAL</b>	<b>138,188,000</b>	<b>138,188,000</b>	<b>134,236,000</b>	<b>134,236,000</b>

# MONITORING & ENFORCEMENT



## AUDITING THE SYSTEM

In 2011, staff completed the audits of provincial commodity boards for compliance with CFC policies from periods A-100 to A-105. CFC's external auditors completed the processor audits of periods A-96 to A-99 which were initiated in 2010 and completed most of the audits of periods A-100 to A-105. The audit report for periods A-100 to A-105 will be presented to CFC Directors in February 2012.

## OVERMARKETING ASSESSMENT

During the audit period A-100 and A-101, three provincial commodity boards were assessed overmarketing levies totalling \$151,154. The CFC Board of Directors will be asked to consider issuing a final assessment determination to each board during its meeting in February 2012.

In 2006, CFC assessed overmarketing levies of \$2,204,578 against Chicken Farmers of Ontario (CFO) for the audit period A-68 and A-69. 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. The outstanding balance was paid in 2011.

## MARKET DEVELOPMENT

During periods A-98 and A-99, two primary processors marketed production it received other than in accordance with the CFC

Market Development Policy and were assessed levies of \$94,583 and \$238,468, respectively. The levies were paid to CFC in 2011.

In 2007, a primary processor's market development licence was suspended for failure to remit levies owed to CFC for marketing in contravention of the Policy during periods A-68 and A-75. The processors subsequently filed for bankruptcy protection and as part of the settlement, CFC received \$6,963 in 2011.

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 as the processor had not paid CFC the levies owed. In 2007, the processor requested CFC adjourn the show cause hearing given an appeal filed in its province was still pending. The processor also signed an undertaking to not 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.

## 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 slaughterer schedules or affect quota utilization in a given period.

In 2011, CFC received one inter-period quota transfer request of 72,245 kilograms live compared to one request of 50,000 kilograms live in 2010.



# DOMESTIC & INTERNATIONAL TRADE



## TRADE & POLICY

The increasing difficulties faced in re-launching the WTO's Doha Development Agenda (DDA) negotiations created a renewed emphasis towards bilateral and regional trade initiatives for many countries. Canada followed this path in 2011 with the conclusion of bilateral agreements with Honduras and Columbia, the continuation of several initiatives including the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the launch of negotiations with India and Morocco, and the application to join the Trans-Pacific Partnership (TPP).

## WTO

The year started with an aggressive WTO workplan laid out by WTO Director General, Pascal Lamy, to conclude the negotiations by the end of 2011. The goal was to have intense negotiations during the first quarter of 2011 in order to present a revised set of draft modalities by the end of March, which would be finalized by Ministers at a ministerial gathering in Geneva in July. Then, Members would have the rest of the year to complete the schedule of commitments and the legal texts to ratify a final agreement at the 8<sup>th</sup> WTO Ministerial Conference on December 15–17, 2011. Needless to say, this strong level of ambition did not materialize in the actual pace of negotiations.

The main negotiating groups started to meet in January but they soon realized that many Members were not prepared to agree on concessions within the specified timeframe. In the agriculture discussions, there were efforts to complete the templates for the scheduling exercise that would come later in the process. There was also a long list of issues from the draft agriculture modalities to be clarified and those discussions highlighted the on-going divergences.

The language required to gather consensus was often so ambiguous that countries had opposing interpretations. On top of those technical difficulties, the landscape had changed significantly since the launch of the DDA and more commitments were expected, especially on industrial products, from large emerging developing countries such as Brazil, China and India, who benefit from the special and differential treatment provisions for developing countries, but have become agriculture superpowers.

Despite all these difficulties, Pascal Lamy insisted on the importance of having revised draft modalities text by end of April in all nine areas of the negotiations (i.e. Agriculture, NAMA (non-agricultural market access), services, rules, trade facilitation, TRIPS (trade-related aspects of intellectual property rights), S&D (special and differential provisions), DSU (dispute settlement understanding), trade and environment) for two main reasons: first,

to provide an across-the-board picture of the remaining gaps and second, to allow moving to the end game where negotiations could take place.

In the absence of real progress in the discussions, Agriculture Chair, New Zealand Ambassador David Walker, submitted a report on the state-of-play in his negotiating group instead of a revised text. This was mainly an updated version of the report he presented during the March 22–26, 2010 stock-taking meeting, in which he described the situation in the 10 remaining outstanding topics, also known as the “bracketed or otherwise annotated issues” (blue box product-specific limits; cotton; designation of sensitive products; tariff cap; TRQ (tariff rate quota) creation; tariff simplification; special products; special safeguard mechanism and tropical products and preference erosion).

Following the tabling of revised draft texts, it was obvious the DDA would not be completed in 2011. WTO members then started contemplating the development of a “Doha light” package or an “early harvest” on issues such as cotton subsidies and duty-free, quota-free access for products from least developed countries for the Ministerial Conference in December. Even this reduced ambition did not lead to any results. There was no consensus to move on these specific issues as it would eliminate the overall balance pursued in a comprehensive agreement where all sectors are agreed at the same time, allowing for more trade-offs between sectors.

The 8<sup>th</sup> WTO Ministerial Conference achieved modest results. WTO Members did not want to cancel the DDA, but they all recognized that progress will be difficult over the next couple of years. The Chair's conclusion included the document entitled “Elements for political guidance” adopted by the General Council on December 1<sup>st</sup> which remains vague: all agree to fully explore different negotiating approaches (although not clear what it means); to pursue deals on issues on which a consensus can be achieved (“early harvest” although very few in Geneva believe this will happen); and to continue the work on the basis of progress already made (current draft modalities) although some think that the mandate as it exists will not yield a successful conclusion any time soon.

There was also the conclusion of a Government Procurement Agreement, the accession of four new members (Montenegro, Russia, Samoa and Vanuatu) and the adoption of a strong anti-protectionist pledge. Canada was represented by International Trade Minister, the Honourable Ed Fast, who reiterated that Canada's position in any international trade negotiations is motivated by the need to achieve positive results for all Canadian interests.

## PREFERENTIAL AGREEMENTS

Bilateral and regional free trade agreements were high on Canada's trade agenda in 2011. In August, the agreement with Colombia came into force and the one with Honduras was concluded. Other negotiations were also initiated with India and Morocco, and a joint study on economic partnership agreement with Japan was launched. The CETA bilateral negotiations with the European Unions have been lengthier than anticipated, and they are now aiming to conclude them in 2012.



The big announcement came in November when Prime Minister Harper announced Canada's intention to join the TPP.

Canada attended some negotiating sessions of the TPP as an observer since 2010 but never joined the group, as it was reported that some pre-conditions would force Canada to dismantle supply management in order to be admitted in the group. This announcement created major media coverage with journalists implying the government has decided to forego supply management. Although some TPP members such as New Zealand might want to weaken the structure of the Canadian dairy industry, the ability for Canada to join TPP is certainly dependant on many other factors, such as intellectual property and cultural exemptions.

The Canadian position was clarified by the Honourable Gerry Ritz and the Honourable Ed Fast, who indicated that Canada could meet and even exceed the level of ambition of the TPP and reiterated their support for supply management. In addition, on November 15th, Prime Minister Harper was unequivocal in response to questions in the House during Question Period:

*"Mr. Speaker, Canada's position is always that we will protect and promote all our sectors—including our supply management system—in free trade negotiations throughout the world. However, this government's position and our interests are always better protected when Canada is sitting at the table. The other partners have now indicated that they wish to have Canada participate, and we intend to do so."*

Currently, TPP members consist of Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States. Canada, Japan and Mexico have all indicated their interest in joining the group.

### **ON THE DOMESTIC FRONT**

Throughout the year, CFC was active in monitoring trade talks and representing the interest of the Canadian chicken industry. In collaboration with dairy, poultry and egg colleagues, we continued the efforts towards the development of a Call for Coherence Declaration, which was launched in Brussels, on the eve of the

G-20 agriculture ministers meeting. The Call for Coherence declaration, supported by farm groups from 66 countries in Africa, the Americas, Asia and Europe, stresses that trade policy must not be allowed to dictate domestic agricultural policies or ignore non-trade concerns; contrary to the commitments undertaken in the Uruguay Round.

This initiative highlights the importance and special nature of agriculture, which should not be treated the same as any other goods under any trade negotiations. The specific nature of agriculture was also the topic of the G-20 agriculture minister's recommendations to their Heads of Government. To tackle food price volatility, G-20 agriculture ministers agreed on an action plan that featured five pillars:

- improve agricultural production and productivity to feed world population projected to reach 9.1 billion people by 2050 according to the United Nations
- increase market information and transparency
- strengthen international policy coordination
- improve and develop risk management tools for governments
- improve the functioning of agricultural commodities' derivatives markets

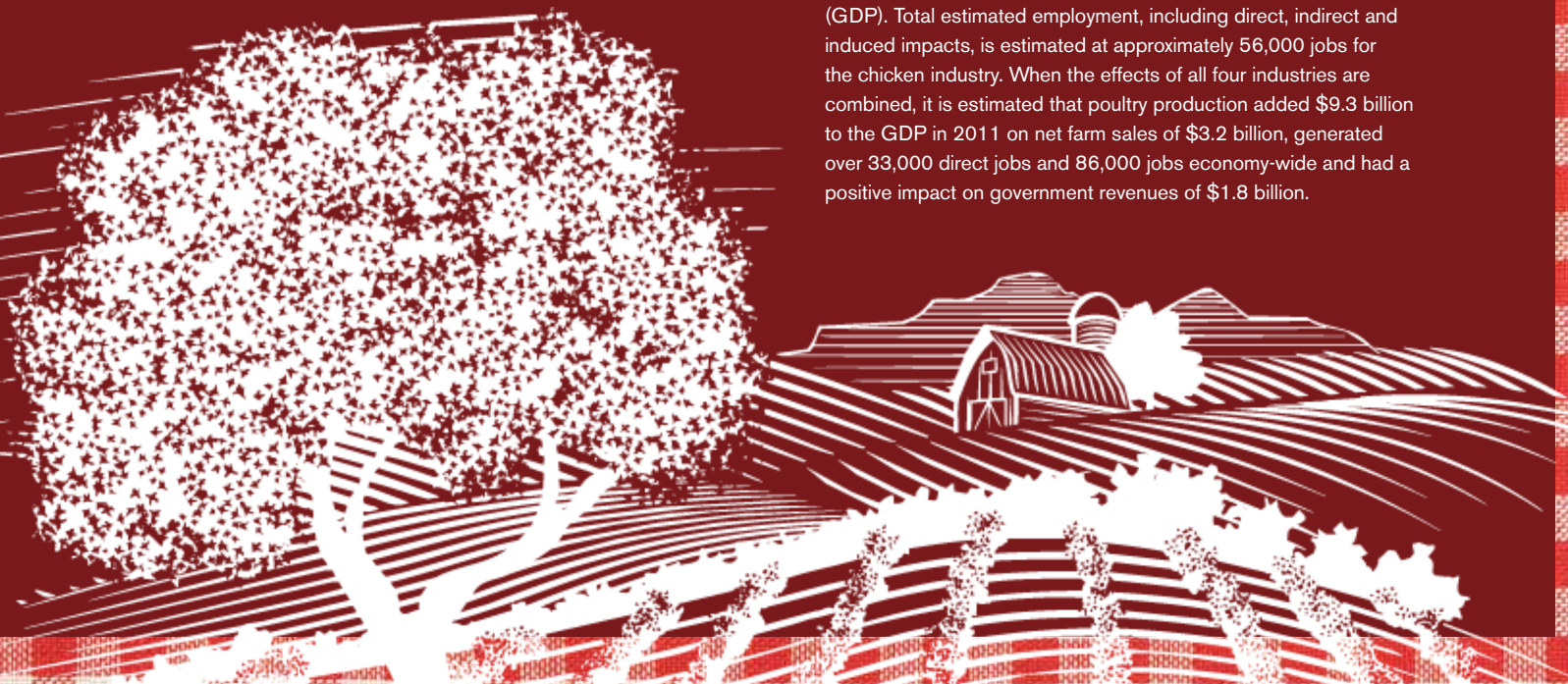
This was a first step toward a better regulated global market. It's now up to the next G-20 chair, Mexico, to keep the discussion alive.

### **ECONOMIC CONTRIBUTION STUDY**

In 2011, the four national poultry agencies agreed to collaborate on an Economic Contribution Study to determine the overall economic activity generated nationally and regionally by the turkey, chicken, eggs and broiler hatching eggs industries.

Studies such as this help assess the degree to which the industry, from a production and marketing perspective, are contributing to regional development and enhancing the economic and social landscape of all Canadian regions.

In late 2011, Informetrica Limited tabled its report. In the case of chicken, the estimated direct farm sales of \$2 billion are expected to generate \$5.3 billion in processing revenue and result in a contribution of \$6.5 billion to Canada's Gross Domestic product (GDP). Total estimated employment, including direct, indirect and induced impacts, is estimated at approximately 56,000 jobs for the chicken industry. When the effects of all four industries are combined, it is estimated that poultry production added \$9.3 billion to the GDP in 2011 on net farm sales of \$3.2 billion, generated over 33,000 direct jobs and 86,000 jobs economy-wide and had a positive impact on government revenues of \$1.8 billion.



# IMPORT CONTROLS



After more than ten consecutive years of tariff rate quota (TRQ) allocations which exceeded Canada's market access commitment of 7.5% of the previous year's production, 2011 brought a very unusual situation, with eligible requests being 1.4 million kilograms (Mkg) under the 76.7 Mkg TRQ.

The allocation requests for the manufacturing of products not subject to import controls (Non-ICL) decreased over recent years from around 30 to 26.9 Mkg. This unexpected situation resulted from verification from the Department of Foreign Affairs and International Trade Canada (DFAIT) into the eligibility of applicants for a share of the TRQ.

Contrary to previous years, instead of debating if imports should be allocated above the TRQ, the Tariff Quota Advisory Committee (TQAC) had to recommend a methodology to allocate the 1.4 Mkg not requested by Non-ICL applicants. CFC favored a cautious approach where the 1.4 Mkg should be used to offset some of the supplementary imports to compete. Unfortunately, it was decided that only 0.4 Mkg would be used to offset supplementary imports to compete and 1 Mkg would be allocated to the other TRQ quota holders in the traditional, processor, distributors and foodservice pools.

This resulted in a total volume of imports exceeding the TRQ by 0.9 Mkg representing an access level of 7.59%.

The DFAIT Import to Re-export Program (IREP) was also a focus of attention in 2011. This program, which has grown exponentially over the last few years, created concerns in the Canadian chicken

industry as many believe that some products are being diverted into the domestic market rather than being re-exported as stipulated by the program criteria. Such activities would distort the Canadian market by adding extra supply which is not anticipated by the industry. IREP grew by 7% over 2010 to a total volume of 82.4 Mkg while the North American demand for chicken was, at best, stable.

In November, DFAIT announced their intent to review some of the eligibility criteria for IREP, especially for marinated products, to ensure they can verify with a high level of confidence that these products were re-exported according to the IREP regulations.

Initiated in April 2010 by Agriculture and Agri-Food Minister, the Honourable Gerry Ritz, the Chicken Imports Working Group (CIWG) met four times in 2011 and submitted its final report in July. The goal of the CIWG was to evaluate options to ensure the integrity of the chicken and turkey supply management systems while maximizing the benefits for the entire Canadian poultry sector. Minister Ritz accepted the working group's recommendations in September.

From the CIWG recommendations, CFC identified four key priorities that should be implemented in the best timelines possible.

These priorities are:

- the alignment of Canada's customs tariff to the Canadian WTO commitment
- the certification of spent fowl
- the consumer labelling of spent fowl
- the border compliance for spent fowl and 13% rule products

The 13% rule products are those not subject to import control because they contain 87% or less chicken. Although the report falls short of recommending the modification of the 13% rule at this time, it is hoped that proposed modifications will alleviate the problems faced by the industry over the last years.



## OFFSAP



### ON-FARM FOOD SAFETY

CFC's On-Farm Food Safety Assurance Program (OFFSAP) is a great tool to promote and to boost consumer's confidence in Canadian chicken products. OFFSAP, also called *Safe, Safer, Safest*, is an excellent example of Canada's chicken industry's dedication to meet the goals of providing high quality and safe chicken to consumers.

*Safe, Safer, Safest* was developed on the principles of HACCP (Hazard Analysis Critical Control Points), which is an internationally recognized approach that focuses on monitoring, controlling and preventing food safety hazards. The *Safe, Safer, Safest* program provides farmers a means to address the potential food safety hazards that can occur on their farm, and ensure that good production practices are being used consistently from coast to coast.

Canadian chicken farmers adhere to the program on their farms and undergo an annual audit of their farm practices and the implementation of the *Safe, Safer, Safest* program requirements. Over 97% of the 2,700 chicken farmers in Canada are certified on the OFFSAP. This is an excellent achievement which provides consumers with trust and confidence in the supply of Canadian chicken.

The standards of OFFSAP are developed and maintained by CFC, while the delivery, certification and enforcement are performed by the 10 provincial boards. To ensure consistency in the certification process and on-farm audits across the country, CFC conducts internal audits at each provincial board and performs witness audits on a sample of auditors on an annual basis. These not only ensure a level playing field for all farmers, but are also required to respect the federal, provincial and territorial (FPT) government requirements for on-farm food safety programs.

CFC has been auditing and fine-tuning *Safe, Safer, Safest* for over a decade and has been actively involved in the government recognition process which provides credibility to the program. CFC was the first commodity to receive Technical Recognition Part I from the FPT governments for the OFFSAP producer manual, and was the second commodity to receive Technical Recognition Part II for the management manual.

The final step, to receive Full Recognition from the FPT governments, requires a 3<sup>rd</sup> party audit which will assess the implementation of the producer manual and the management manual. CFC is currently in the process of initiating this audit with the objective of obtaining Full Recognition in 2012. Upon successful completion, CFC would then become the first commodity in Canada to receive Full Recognition by the FPT governments. This recognition would give a new level of credibility for the efforts and commitment of chicken farmers.

CFC has also focused its efforts to ensure an on-farm food safety assurance program is available for free range farmers. In 2011, CFC's Free Range program was reviewed by FPT governments and subsequently received Technical Recognition Part I.

## ANIMAL CARE



Animal care continues to be an expectation of Canadian consumers. CFC has been proactive in answering consumer questions and demonstrating the high level of care on Canadian chicken farms.

In 2010, the first audits of the CFC's new Animal Care Program, or ACP, began. This auditable 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* and has received support for implementation from the Canadian Federation of Humane Societies, the Canadian Veterinary Medical Association, the Canadian Poultry and Egg Processors' Council, the Further Poultry Processors' Association of Canada, the Canadian Restaurant and Foodservice Association and the Canadian Federation of Independent Grocers.

Farmers are audited annually to assess the implementation of the program and determine if the mandatory requirements of the program are being maintained. In just two years, over 65% of farms have received full audits and over 50% of farmers are certified on the program – this number has doubled in the last year which demonstrates Canadian chicken farmers' commitment to the program.

As with the On-Farm Food Safety Assurance Program (OFFSAP), the ACP is developed and maintained by CFC, while the delivery, certification and enforcement is performed by the 10 provincial boards. The same level of internal audits and witness audits occurs with the ACP to ensure consistency of implementation. In addition, the ACP on-farm audits have been combined with the OFFSAP audits.

When the ACP was approved, CFC Directors requested that a review of the density requirements be performed one year after implementation to assess the new requirements, evaluate any new science and consider international developments. This review was performed in 2011 and resulted in no changes to the stocking density requirements of the ACP. CFC Directors agreed that any future changes should wait until the final paper from the research scientists committee of the Code of Practice can be reviewed. A full review of the ACP is scheduled to occur in 2013.

The ACP is only a segment of the animal care initiatives being performed at CFC. A number of projects involving auditor training, participation on the National Farm Animal Care Council, and attendance at animal care conferences are other core elements of CFC's animal care strategy.

In 2011, CFC sponsored the Poultry Industry Council's adaptation of the U.S. Professional Animal Auditor Certification Organization's (PAACO) Poultry Welfare Auditor Course to the Canadian setting. The intent of this course is to promote humane treatment of animals and to certify animal care auditors according

to Canadian welfare standards with the objective that auditors in Canada, at all levels of the stakeholder chain, will understand the Canadian environment and audit from that perspective.

In addition, CFC was involved in the establishment of an 'Agriculture Issues Centre' pilot project which will introduce a new concept in the way the agriculture and food industry can proactively address challenges to animal agriculture including topics of animal care, the environment, and biotechnology. This project is led by the Ontario Farm Animal Council and the Farm Animal Council of Saskatchewan, in collaboration with the B.C. Farm Animal Care Council and Alberta Farm Animal Care. National farm organizations and industry associations have provided valuable input, direction and financial support throughout the project.

CFC also sponsored the international Assessment of Animal Welfare at Farm and Group Level (WAFL) conference, which was held in North America for the very first time. The WAFL conference was held at the University of Guelph in August, and brought together researchers and industry from around the world with the focus on assessment and auditing of welfare on farms. This was an excellent opportunity to make connections and learn how international players are addressing animal care.

#### **NFACC**

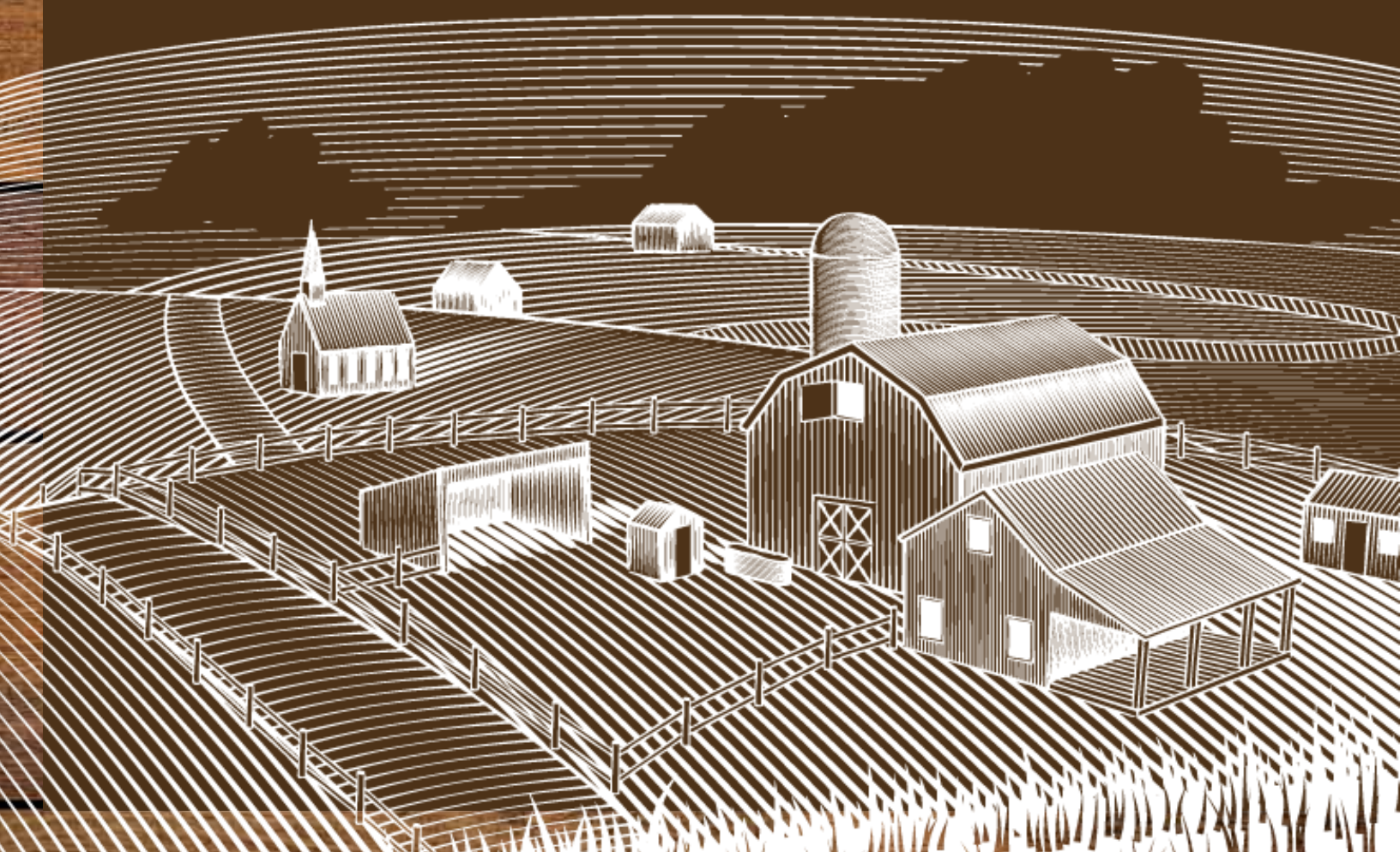
CFC has been a member of the National Farm Animal Care Council (NFACC) since 2006. NFACC is striving to achieve a national, coordinated approach to responsible farm animal care in Canada with one of its key activities being to establish a process for developing and revising the Canadian Codes of Practice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

In 2011, 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.

The *Recommended Code of Practice for the Care and Handling of Chickens, Turkeys and Breeders from Hatchery to Processing Plant* review is underway and will be completed by early 2014. CFC is actively involved in this process and sits as a member on the scientist review committee. The scientists' report is expected to be completed by the end of 2012, after which time the Code Development Committee will focus on developing the new Code of Practice.

In October of 2011, NFACC held a conference that brought together a variety of speakers from across the food chain who proposed a number of approaches to help advance farm animal care and welfare in Canada. Research, benchmarking, extension and verification were some of the components of an overall farm animal care strategy and this will help CFC consider new options as CFC prepares for the full review of the ACP in 2013. CFC looks forward to working effectively with NFACC on animal care issues in Canada and to building on recent successes.



## ANIMAL HEALTH



CFC, in conjunction with provincial boards and government partners, have developed and implemented a strong animal disease preparedness and response plan. Improvement in this area is ongoing and in 2011 the focus was on key elements including:

- Participating in the National Farmed Animal Health and Welfare Council
- Obtaining recognition of chicken's traceability system
- Finalizing a set of biosecurity guidelines for the poultry service sector

The National Farmed Animal Health and Welfare (NFAHW) Council was established in 2010 to provide advice to governments and industry to enhance 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. CFC is represented at the Council by Rick Thiessen from British Columbia.

In 2011, the NFAHW Council focussed its efforts on surveillance and the animal welfare assurance system. Their work culminated with an industry-government forum in December 2011, where discussion papers and recommendations were presented in order to move these issues forward in the Canadian context. CFC will continue to actively participate on this Council and help to facilitate activities for the continuous improvement of the Canadian animal health and welfare systems.

A key component of the disease response toolbox has been traceability within the Canadian poultry industry. Much of the traceability data that is required when a disease has been identified is available due to the benefits of supply management. In addition, provincial boards have implemented further capabilities based on lessons learned from previous outbreaks.

Currently, all farmers, premises, barns and flocks are identified. Farm locations have been logged with GPS and data that is collected for each flock 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 quickly transmitted to governments via pre-existing emergency response teams that are located in each province. This data collection and traceability approach meets the objectives of the FPT traceability standards and recent avian influenza cases have demonstrated international acceptance with the existing policies and procedures.

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 and ways to improve the already-effective approach.

As biosecurity is an integral component of disease mitigation, CFC has participated on the CFIA Avian Biosecurity Advisory Council (ABAC) with industry and governments. This Council has previously released biosecurity guidelines for poultry farmers, and spent 2011 developing a set of biosecurity guidelines for the poultry service sector.

A draft of these guidelines has been completed and CFIA will be consulting further with the service sector with the intent of finalizing the document in 2012. All stakeholders in the chain have a role to play in biosecurity and CFC will continue to be involved in the development and subsequent communication initiatives associated with these guidelines.

## ANTIMICROBIALS



Antimicrobial use and resistance continued to be a critical priority for CFC in 2011. CFC's 2011 action plan built on the successes of 2010 and the implementation of CFC's five-point plan towards addressing antimicrobial use (AMU) and resistance (AMR).

The five points of the plan are:

1. Working cooperatively with the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) of the Public Health Agency of Canada to perform surveillance.
2. Actively funding research examining antimicrobial resistance and alternatives to antibiotic use.
3. Implemented the *Safe, Safer, Safest* On-Farm Food Safety Assurance Program to standardize on-farm food safety production practices.
4. Educating consumers on safe handling and cooking of chicken.
5. Developing an industry strategy on antimicrobial use and resistance that includes assessing methods for reducing antibiotic usage.

For several years, CFC has worked cooperatively with the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) of the Public Health Agency of Canada to perform antimicrobial resistance surveillance. Since 2002, CIPARS has been performing surveillance activities at processing plants and at retail in selected provinces.

CFC has actively cooperated with the CIPARS to expand this program to include an on-farm surveillance component that will monitor antibiotic usage and antibiotic resistance levels. This program is set for implementation in early 2012 and will be important to help industry and government determine future antibiotic use and resistance policies.

To provide further input to future policies and to investigate alternatives to antimicrobials, CFC has funded research through the Canadian Poultry Research Council examining antimicrobial resistance and alternatives to antibiotic use. In the last few years, the poultry industry has invested over \$1.4 million which has been matched to a level of over \$5.1 million. This represents nearly half of all poultry research funding.

In particular, CFC has funded a pilot project of the CIPARS on-farm surveillance program. Operated out of the University of Guelph, this research is examining differences in antimicrobial use and resistance patterns between conventionally-raised and antibiotic-free raised birds. This project also provides a testing ground for the protocols and policies developed for the CIPARS on-farm surveillance program.

CFC's *Safe, Safer, Safest* On-Farm Food Safety Assurance Program (OFFSAP) includes policies and requirements around antimicrobial use and record keeping. For example, antibiotic usage is monitored by Canadian Food Inspection Agency veterinarians via the "Flock Information Reporting Form" – which is a federal requirement as per the Meat Inspection Regulations – that farmers submit prior to every flock being processed.

In addition, all Flock Information Reporting Forms are also reviewed during the annual OFFSAP farm audits.

CFC has dedicated resources to educating consumers on safe handling and cooking of chicken. By way of promotional materials for consumers and the CFC's new website – [www.chicken.ca](http://www.chicken.ca) – CFC promotes safe handling and cooking practices. CFC is also an active member of the Canadian Partnership for Consumer Food Safety Education whose goal is to educate Canadians about the ease and importance of food safety in the home. The Partnership provides promotional education materials and consumer education for the "FightBac!" and "Be Food Safe" programs which focus on the consumer food safety measures of clean, separate, cook and chill.

In 2011, CFC continued to develop an industry strategy on antimicrobial use and resistance by following up on the successful AMU and AMR industry workshop held in September 2010. The September 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 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 responsible use of antimicrobials remains a necessary part of the chicken industry's responsible and credible food safety and animal welfare management practices.

In early 2011, CFC completed a survey of industry members including chicken farmers, feed mills, broiler hatching egg farmers,

veterinarians, hatcheries and academia with the intent of obtaining industry views on antimicrobial use and an assessment of the opportunities to modify antimicrobial use.

The results of this survey fed directly into an expert committee meeting in June 2011 that was used to develop a white paper outlining an industry strategy to manage antimicrobial use with the view of targeting reduction methods. This white paper, developed in conjunction with the Canadian Hatching Egg Producers, the Canadian Poultry and Egg Processors Council and the Animal Nutrition Association of Canada, is expected to be finalized in early 2012, after which implementation will begin.

The strategy includes working closely with government in terms of CIPARS surveillance and communication on the activities that the industry is undertaking in order to proactively manage antimicrobial usage with the chicken sector.

Canadian chicken farmers are committed to working with their government and industry partners to ensure that the chicken being produced is of the highest quality and safety.

## POULTRY RESEARCH



CFC is one of the five founding members of the Canadian Poultry Research Council (CPRC) and is proud to be involved with an organization that focuses on Canadian research for Canadian farmers.

CPRC was established in 2001 with a mandate to create and implement programs for poultry research and development that address current and future industry needs. Jacob Middelkamp, from Alberta, is CFC's representative on the CPRC Board of Directors and is the current CPRC chairman.

To date, CPRC has allocated \$2,500,000 to foster poultry research and these funds have been leveraged to over \$12.5 million.

By the end of 2011, CFC's research fund reached just over \$5.6 million, demonstrating CFC's on-going commitment to research. Interest earned by the Research Fund is the source of CFC's annual support for poultry research projects and initiatives.

2011 presented itself as a year of substantial change at CPRC. In June, the CPRC office was relocated to Ottawa and a full-time Executive Director was hired. These improvements will allow CPRC to be closer with government and to interact with industry members to a greater degree.

CPRC's new Executive Director, Bruce Roberts, is located in the CFC office and has brought a wealth of knowledge and

expertise to the position that will allow CPRC to excel in meeting its objectives.

CPRC's objective is to ensure that there is direct support to poultry research that will benefit CFC and other poultry research stakeholders. Work plans include the completion of the Poultry Research Strategic Plan that will help develop a co-ordinated approach between poultry research organizations, universities and government to maximize research funding and have an impact on the industry. This strategy will also help CPRC to work with research partners to be ready for new research funding that is expected to be announced as part of *Growing Forward 2*.

CPRC is also creating a poultry research database that will offer a single source of information for researchers and industry stakeholders.

In 2011, CPRC considered research in the areas of Poultry Welfare & Behaviour and Food Safety & Quality. The CPRC Board of Directors approved up to \$258,493 in funding for five research projects; of which \$169,000 will be contributed by CFC.

Researchers are in the process of submitting applications for these projects to various funding partners for consideration for matching funding.

The five Poultry Welfare & Behaviour and Food Safety & Quality projects approved are:

- 1) *Day length and its impact on turkey welfare and productivity.* Lead Researcher: H. Classen, University of Saskatchewan.
- 2) *Identification of risk factors during broiler transportation that influence injury and mortality.* Lead Researcher: J. Cockram, University of Prince Edward Island.
- 3) *Investigating methods of assessing bird wetness as a means to determine fitness for transport.* Lead Researcher: T. Crowe, University of Alberta.



- 4) *Is feather pecking in turkeys related to genetics and activity levels?* Lead Researcher: S. Torrey, University of Guelph.
- 5) *Use of high-stearidonic acid flax as a novel enrichment method of table eggs with long-chain w-3 PUFA.* Lead Researcher: R. Renema, University of Alberta.

## GOVERNMENT RELATIONS



CFC's mandate is to ensure that the voices of Canada's chicken farmers are heard, both domestically and internationally, when important agriculture, food safety, and trade policy decisions are made.

### 2011 FEDERAL ELECTION

As a result of the May 2011 election, the Conservative Party formed a majority government. As part of its election strategy, CFC created an election toolbox containing how-to documents such as how to approach candidates and write letters to the editor, as well as key messages on economic contribution, trade, research and innovation and supply management. These materials were made available to Directors, Alternates and provincial boards for all their election information. As well, CFC created and distributed a weekly election update.

### WORKING WITH GOVERNMENT

#### New Government Relations Strategy

In 2011, CFC began implementing an enhanced Government Relations program. In the first year of the strategy, CFC focused on increasing our monitoring activities; establishing key relationships; planning and developing an issues briefing book; increasing our involvement with CFA; and providing input into *Growing Forward 2*.



### Federal Provincial Territorial Agriculture Ministers Meeting (FPT)

This year's FPT meeting was held in Saint Andrews-by-the-Sea, New Brunswick. The meetings ran from July 6<sup>th</sup> to July 8<sup>th</sup> and focused on *Growing Forward 2*, the 5-year government agriculture policy framework.

Ministers agreed that the next suite of programs must assist the agriculture industry to benefit from market opportunities through innovation, first-rate research and development, bringing in a new generation of farmers, efficient regulatory systems and modern infrastructure. The agreed-to principles are outlined in the Saint Andrews Statement, which is available on the Agriculture and Agri-Food Canada website. Governments will hold high level engagement sessions during January and February 2012.

Another set of consultations will take place in the spring, but on program development only. It is expected that the process will take most of 2012 and could go into 2013. Next year's FPT will be held in Yellowknife from September 12–14.

### Tri-Partite Round Table and the CFA National Food Strategy

As in previous years, CFA's Tri-Partite Round Table was held the day prior to the FPT meetings. CFC's Chair David Fuller participated in the discussions with Minister Ritz, the provincial Ministers of Agriculture and other industry leaders. The primary focus on the discussion was on the need for a National Food Strategy (NFS). While Ministers were very supportive of the strategy in principle, they did not offer concrete measures for implementing the NFS. CFA will continue to have discussions with the provinces to determine what needs to be done to drive the process forward.

### KEY MINISTERIAL MEETINGS

#### Honourable Gerry Ritz, Minister of Agriculture and Agri-Food

CFC's Chair met with the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food in November to thank the minister for endorsing the work of the Chicken Imports Working Group (CIWG) and to discuss the implementation of the working group recommendations, particularly the priorities identified by CFC.

#### Honourable Gerry Ritz, Minister of Agriculture and Agri-Food and the Honourable Ed Fast Minister of International Trade

CFC's Chair, along with the other national dairy, poultry and egg chairs (SM-5), met by conference call with the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food and the Honourable Ed Fast, Minister of International Trade in November, following the Prime Minister's announcement that Canada would be seeking to join the Trans-Pacific Partnership (TPP) negotiations. The ministers reaffirmed the Government of Canada's commitment to defending supply management in the TPP and other international trade negotiations, as it has done with nine previous trade agreements. The SM-5 Chairs and the Ministers agreed to stay in close communication and share vital information related to the trade discussions as Canada moves forward in the negotiations.

### KEY PRESENTATIONS TO HOUSE COMMITTEES

#### House of Commons Standing Committee on Health – Sub-Committee on Food Safety

In March CFC appeared before the House of Commons Standing Committee on Health – Sub-Committee on Food Safety who were studying the use of antibiotics in livestock production. The presentation focused on four key areas:

- Misconceptions associated with antibiotic use
- CFC's support for government regulations and monitoring
- CFC's support for the responsible use of antibiotics
- CFC's 5-point plan to address antimicrobial use and resistance





CFC made three key recommendations to the Committee:

- That sustainable funding be provided to the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) so that CIPARS can perform surveillance work on all commodities at the points of interest needed to provide sound policy advice.
- That the funding for research projects into gut microbiology and alternatives to antibiotics, through Agriculture and Agri-Food Canada or other sources such as NSERC, be maintained or increased.
- That government and industry only use sound and credible scientific information to determine future antibiotic use and resistance policies.

#### **House of Commons Standing Committee on Agriculture and Agri-food**

In December CFC appeared before the House of Commons Standing Committee on Agriculture and Agri-food on *Growing Forward 2* and Business Risk Management. The presentation emphasized the fact that supply management is our business risk management program and took the opportunity to make six key recommendations to the committee:

- That the government work closely with CFC to implement the recommendations of the Chicken Imports Working Group (CIWG) to ensure that there is no circumvention of our tariff rate quota and thereby maintain the effectiveness of our import control pillar.
- That the government review the *AgriStability* program to ensure that livestock and poultry commodities are not disadvantaged by the program's calendar year design.
- That the list of events covered by *AgriStability* includes disease outbreaks, no matter how many farmers are directly affected.
- That the government review the *AgriRecovery* program to find an effective animal production insurance model.

- That the government recognize the benefit of all industry risk mitigation programs and their positive impact on government's business risk management portfolio and that government provide continued financial assistance for their share of the development and ongoing implementation of these industry business risk management programs.
- That the government commit sufficient funds through *Growing Forward 2* to poultry research and innovation to maintain and enhance the capability of the current initiative.

#### **WORKING WITH OUR PARTNERS**

##### **CFA Lobby Day**

In October, Mike Pickard, CFC's representative to the CFA, participated in the Lobby Day. CFA representatives met with 16 Members of Parliament on a range of issues including: the National Food Strategy; research & innovation; business risk management & rural policy; railway costing review; species at risk; Pesticide Regulatory Harmonization; trade and the Canadian Wheat Board. It was agreed that the Lobby Day was invaluable and should become an annual CFA event.

##### **Joint Annual Reception**

The four national poultry agencies held their Joint Annual Reception on March 22<sup>nd</sup> at the Fairmont Château Laurier in Ottawa. Chicken Farmers of Canada, Turkey Farmers of Canada, Canadian Hatching Egg Producers and Egg Farmers of Canada were also on hand to hear the Honourable Gerry Ritz make an important announcement of the new maximum compensation amounts payable for birds ordered destroyed for disease control purposes. The reception provides CFC and members of the Canadian poultry industry the opportunity to communicate key messages to MPs and other government officials.



# CONVERSATIONS WITH CONSUMERS



Since introducing the newly-revamped chicken.ca website in late 2010, there has been a measurable growth in CFC's online relationships with consumers.

The growth, and indeed the quality, of our relationships with consumers demonstrate that our current course is sound, and that our goals are realistic. Our engagement with visitors continues to improve, as evidenced by the increased time spent on our site and pages viewed per visit, as well as by a significantly reduced bounce rate (the rate at which people jump off our site immediately after having jumped on).

Traffic to the sites is still growing, due mainly to the effect of the search engine optimization work that started in early 2011.

## **ROB RAINFORD WAS BORN TO GRILL CANADIAN CHICKEN!**

Rob Rainford, Food Network celebrity, chef and cooking instructor with a world-renowned reputation, joined with CFC this fall to share his cooking secrets, thoughts, insights and some new flavours for the meat that he loves working with the most.

Chef Rainford created 10 new recipes for CFC, which were posted on chicken.ca, as well as a series of chicken blogs and interviews to give a glimpse into the man behind the "Q".

On November 23<sup>rd</sup>, Chef Rainford participated in a Twitter party to discuss some of his favourite tips and techniques and to give participants a sneak peek at his new book due out in early 2012!

A Twitter party is a fun, fast-paced forum discussing a specific topic. Questions are asked via tweet and party participants tweet back responses and comments by including the hashtag #chicken. A hashtag is a word or phrase that is used to connect all the tweets. This makes it easy to find all the content related to the conversation.

The Twitter Party trended at #1 in Canada shortly after the event started, meaning that it dominated the Canadian Twitter scene for over an hour. Roughly 60,000 people directly viewed, contributed or retweeted parts of the party, leading to an estimated reach of 2 million.

Twitter Trending – What does it mean? Twitter's Trending Topics algorithm identifies topics that are immediately popular, rather than topics that have been popular for a while or on a daily basis, to help people discover the "most breaking" stories from across the world.

## **FARMERS & INDUSTRY WEB PORTAL**

Following the revamp of the chicken.ca website, which effectively consolidated a great deal of non-consumer content to one area, CFC needed to further expand its membership and industry communications efforts online in a way that does not take away from the consumer focus of chicken.ca. CFC thus improved the usability of the existing Farmers & Industry section by expanding the content available there, while making this section its own, independent site. The site, which can be linked from the chicken.ca consumer site is also available directly at chickenfarmers.ca and was launched in September.

## **NEW HEALTH PORTAL**

CFC continues to roll out new elements of its Consumer Relations Strategy. The latest contribution is the new Health ♥ Portal.

Visitors can access health and nutrition information, resources for patient counselling such as the Nutritional Factsheet Program, articles, videos and more. Based on the main chicken.ca platform, the health portal is accessible on its own at [www.chicken.ca/health/](http://www.chicken.ca/health/), or via the main website as a link.

The site is a one-stop-shop for those looking to live healthier lifestyles, or for those teaching others to do so, with information that is useful to consumers as well as more technical teaching tools and resources. Articles on health, exercise and nutrition provide guidance to those looking for that extra bit of help in order to get and stay healthy.

Dietitians, nutritionists and other health practitioners are also able to use the portal to order the nutritional factsheets, the food journals and several other tools directly through the website.

Another new tool on the health portal is the nutritional comparison feature. Using pull-down menus, visitors can compare 11 different cuts of chicken (or whole birds) against cuts of beef, veal, pork, lamb and several others. This will allow them to really see the benefits of eating chicken in comparison to the other meats.

Consumers often have questions about the benefits of eating chicken or are looking for more information than the brief data that is found in recipes and on packages. This aims to fill in those blanks and keep consumers engaged.

## **SOCIAL MEDIA**

### **Facebook**

The CFC page [facebook.com/chickenfarmers](http://facebook.com/chickenfarmers) now has over 3,000 'likes' and the fan-base is still growing. The engagement on Facebook has proven to have a greater reach than we'd hoped for – with our posts being 'talked about' and passed along via shares from Facebook followers, and crossing back into other social media platforms, making the reach much larger than we'd anticipated. This is also a venue for regular contests and promotions to keep fans engaged.

### **Twitter – Tweeps or Twerps?**

Our Twitter following surpassed the 1,100 mark in the Fall, a large increase over the year. This is largely due to our participation

within the various initiatives we have begun in an effort to connect to 'digital women'. Sometimes the benefits of Twitter participation are difficult to see. However, here's an example of how quick and effective it can be from the ShesConnected conference in Toronto during a panel presentation about brands and digital women.

At the time, the subject of hormones and chicken came up – providing a great opportunity to get the message across to over 200 very connected women that chickens were not fed hormones. Reaction was strong in the room and the moderator encouraged the room to Tweet that fact – which they did. The estimated reach of that message alone was well over 200,000 people. Opportunities to get our messages out in a quick and timely manner are growing.

### **ShesConnected**

While there are social media programs that cater specifically to top digital women and bloggers, and others that cater specifically to brands and agencies, CFC has created an introductory relationship with the ShesConnected network – one that brings them all together in a unique and interactive forum.

The ShesConnected network has a mission of finding better ways for brands and top digital women to work together in order to socially amplify important messaging, while building relationships with the women in target markets. Our relationship with the ShesConnected network began with the ShesConnected conference, held in Toronto from September 29-30 and 200 of the most connected women in Canada.

So, how did we fare? At the August Twitter Party for the ShesConnected conference, CFC's Twitter handle (@chickenfarmers) actually trended in Canada for over 3 hours. This means that, of all the topics on in all the Twitter conversations in Canada for that three hour period, a large number of people were talking about CFC/chicken. This event was one of the most effective and successful trade shows in which CFC has participated.



### **WHAT CONSUMERS TALK TO US ABOUT**

CFC maintains a general email account, based at [cfc@chicken.ca](mailto:cfc@chicken.ca). This is a place where consumers can write their questions to CFC. Here's what we are hearing or being asked about the most.

#### **Animal Care**

This is one of our most consistent issues. People hear and read misinformation and either write us in an accusatory tone, or simply ask questions. Either way, we do our utmost to ensure that they have the right information. There are specific concerns around cages, beak trimming, living conditions, inspections and processing.

#### **Antibiotic Use**

Questions regarding antibiotic use have abated significantly and, by the end of the year, was no longer the most talked-about issue.

#### **Canadian chicken**

There are a growing number of emails and calls on this issue. Consumers want to know how they can be assured that the fresh and frozen chicken they are buying is Canadian chicken.

#### **Hormones**

People are constantly writing to us, asking where they can get "hormone-free" chicken. The vast majority are pleased to hear that all chicken is hormone free.

#### **Organic, Free-range, Vegetable-grain fed, etc.**

Consumers are confused about the standards. We attempt to clarify this for them.

#### **On-Farm Food Safety**

Consumers want to know whether any programs exist and what some of the details are.

#### **Restaurant Chicken**

Consumers want to know where the chicken they buy in their restaurants comes from.



**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, which comprise the balance sheet as at December 31, 2011 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 judgment, 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.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chicken Farmers of Canada as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Other Matter*

The financial statements of Chicken Farmers of Canada for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on February 25, 2011.



Chartered Accountants  
Licensed Public Accountants

Ottawa, Ontario  
February 21, 2012.

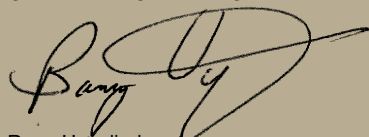
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**CHICKEN FARMERS OF CANADA  
BALANCE SHEET**

DECEMBER 31, 2011

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,379,673	\$ 558,640
Short-term investments (note 5)	3,895,486	3,222,956
Accounts receivable	1,100,544	1,523,256
Restricted cash (note 6)	782,330	516,091
Prepaid expenses	86,127	72,742
	<u>7,244,160</u>	<u>5,893,685</u>
<b>INVESTMENTS (note 5)</b>	12,717,656	14,171,380
<b>CAPITAL ASSETS (note 7)</b>	488,747	462,192
	<u>\$ 20,450,563</u>	<u>\$ 20,527,257</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 824,421	\$ 927,696
Deferred revenue (note 6)	400,553	516,091
Current portion of deferred lease inducement (note 8)	14,871	11,642
	<u>1,239,845</u>	<u>1,455,429</u>
<b>LONG-TERM PORTION OF DEFERRED LEASE INDUCEMENT (note 8)</b>	109,157	115,605
	<u>1,349,002</u>	<u>1,571,034</u>
<b>FUND BALANCES</b>		
Internally restricted - Promotion Fund	3,787,576	3,752,064
Internally restricted - Research Fund	5,511,355	5,305,077
Unrestricted	9,802,630	9,899,082
	<u>19,101,561</u>	<u>18,956,223</u>
	<u>\$ 20,450,563</u>	<u>\$ 20,527,257</u>

ON BEHALF OF THE BOARD:



Barry Uyterlinde  
Finance Committee, Director



Mike Pickard  
Finance Committee, Director

(See accompanying notes)

**CHICKEN FARMERS OF CANADA**  
**STATEMENT OF OPERATIONS**

YEAR ENDED DECEMBER 31, 2011

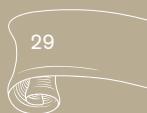
	2011			2010	
	General Fund	Promotion Fund	Research Fund	Total	Total
<b>Revenue</b>					
Levy and fee revenue	\$ 6,098,687	\$ -	\$ -	\$ 6,098,687	\$ 6,138,543
Interest and other revenue	529,097	108,271	179,078	816,446	725,155
Overmarketing and market development levies	-	491,168	-	491,168	250,561
	6,627,784	599,439	179,078	7,406,301	7,114,259
<b>Expenses</b>					
Amortization of capital assets	69,230	-	-	69,230	41,622
Canadian Poultry Research Council	-	-	-	-	123,986
Committees	328,965	-	-	328,965	310,493
Communication	157,265	-	-	157,265	186,843
Corporate social responsibilities	46,761	-	-	46,761	49,848
Directors and alternates	1,212,995	-	-	1,212,995	998,756
Membership fees	187,437	-	-	187,437	166,915
Office	599,403	-	-	599,403	450,806
Information technology	130,829	-	-	130,829	117,002
Professional fees	568,476	-	-	568,476	517,601
Promotion activities	-	193,855	-	193,855	173,205
Salaries, benefits and travel	2,464,153	-	-	2,464,153	2,198,139
Special studies	731,900	386,867	-	1,118,767	1,623,496
Trade	117,605	-	-	117,605	82,586
Translation	150,711	-	-	150,711	129,347
	6,765,730	580,722	-	7,346,452	7,170,645
<b>Excess (deficiency) of revenue over expenses</b>	\$ (137,946)	\$ 18,717	\$ 179,078	\$ 59,849	\$ (56,386)

**CHICKEN FARMERS OF CANADA**  
**STATEMENT OF CHANGES IN FUND BALANCES**

YEAR ENDED DECEMBER 31, 2011

	2011			2010	
	General Fund	Promotion Fund	Research Fund	Total	Total
Balance, beginning of year	\$ 9,899,082	\$ 3,752,064	\$ 5,305,077	\$ 18,956,223	\$ 19,196,367
Excess (deficiency) of revenue over expenses	(137,946)	18,717	179,078	59,849	(56,386)
Net increase (decrease) in unrealized gains on available-for-sale financial assets	41,494	16,795	27,200	85,489	(183,758)
Balance, end of year	\$ 9,802,630	\$ 3,787,576	\$ 5,511,355	\$ 19,101,561	\$ 18,956,223
Accumulated unrealized gains on available-for-sale financial assets	\$ 194,864	\$ 75,277	\$ 109,481	\$ 379,622	\$ 294,133

(See accompanying notes)



**CHICKEN FARMERS OF CANADA**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2011

	<b>2011</b>	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 59,849	\$ (56,386)
Items not affecting cash:		
Amortization of premium/discount on investments	61,038	79,110
Amortization of capital assets	69,230	41,622
Amortization of lease inducements	(13,464)	(1,332)
Loss on disposal of capital assets	13	382
	176,666	63,396
Changes in level of:		
Accounts receivable	422,712	162,631
Prepaid expenses	(13,385)	(39,723)
Accounts payable and accrued liabilities	(103,275)	(236,710)
Deferred revenue	(115,538)	(82,877)
Deferred lease inducement	10,245	-
	377,425	(133,283)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(95,948)	(140,891)
Proceeds from sale of capital assets	150	346
Purchase of investments	(2,358,355)	(3,733,024)
Proceeds from sale of investments	3,164,000	2,705,488
Increase (decrease) in restricted cash	(266,239)	82,877
Decrease in long-term accounts receivable	-	440,916
	443,608	(644,288)
<b>INCREASE (DECREASE) IN CASH</b>	821,033	(777,571)
<b>CASH, BEGINNING OF YEAR</b>	558,640	1,336,211
<b>CASH, END OF YEAR</b>	\$ 1,379,673	\$ 558,640



# CHICKEN FARMERS OF CANADA NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

## 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) 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

### *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.

### *Deferred lease inducements*

Deferred lease inducements represent rent free periods and funding for leasehold improvements and photocopiers. Deferred lease inducements are amortized over the lease term on a straight-line basis and are recorded as a reduction in office expense.

**CHICKEN FARMERS OF CANADA  
NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 intends 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:

- a) 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;
- b) to maintain a minimum reserve in the General Fund of twelve months of budgeted operating expenses;
- c) to invest funds in financial instruments permitted under the *Farm Products Agencies Act*;
- d) to determine, on an annual basis, the appropriate levy imposed on farmers for marketing chicken; and
- e) 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, 2011 is 15.8 months of the 2012 budgeted operating expenses (2010 - 17 months). CFC has complied with its capital policies and objectives throughout the year.

**5. INVESTMENTS**

	2011		2010	
	Cost	Fair value	Cost	Fair value
Short-term investments	\$ 3,844,158	\$ 3,895,486	\$ 3,175,828	\$ 3,222,956
Guaranteed Investment Certificates (GICs)	1,700,000	1,700,000	1,600,000	1,600,000
Canada Housing Trust bonds	10,442,041	10,758,159	11,745,673	11,987,277
Government of Canada bond	247,322	259,497	-	-
Export Development Canada bonds	-	-	331,552	334,092
Farm Credit Canada notes	-	-	247,150	250,011
	12,389,363	12,717,656	13,924,375	14,171,380
	\$16,233,521	\$16,613,142	\$17,100,203	\$17,394,336

Short-term investments are comprised of Canada Housing Trust bonds and Export Development Canada bonds in the amount of \$3,895,486 (2010 - Farm Credit Canada notes and Government of Canada bonds in the amount of \$3,222,956) which mature over the next year bearing interest at rates that range from 4.00% to 5.80% (2010 - 3.75% to 4.60%)

Bonds are debt obligations paying interest rates appropriate to market at their date of purchase. The bonds and GIC's mature at face value on a staggered basis over the next seven years (2010 - four years). Interest rates for these securities range from 1.85% to 4.53% (2010 - 2.20% to 5.80%).

*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 investment concentrations described do not represent excessive risk.

**CHICKEN FARMERS OF CANADA**  
**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2011

**6. DEFERRED REVENUE AND RESTRICTED CASH**

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 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.

During 2011, CFC received \$94,638 as full and final payment of a methionine class action settlement. The monies received are to be used by CFC for the benefit of Canadian chicken farmers and CFC.

Changes in the deferred revenue account for the year are as follows:

	2011		
	Methionine	Vitamin	Total
Balance, beginning of year	\$ -	\$ 516,091	\$ 516,091
Received	94,638	-	94,638
Interest earned	979	5,806	6,785
Recognized as revenue	-	(216,961)	(216,961)
Balance, end of year	\$ 95,617	\$ 304,936	\$ 400,553

	2010		
	Methionine	Vitamin	Total
Balance, beginning of year	\$ -	\$ 598,968	\$ 598,968
Received	-	-	-
Interest earned	-	3,486	3,486
Recognized as revenue	-	(86,363)	(86,363)
Balance, end of year	\$ -	\$ 516,091	\$ 516,091

The expenses incurred of \$216,961 (2010 - \$83,363) were for: a) \$86,354 to enhance or increase on-farm biosecurity; and b) \$130,607 to research and development for 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.

It is the policy of CFC that cash is restricted in an amount equivalent to deferred revenue. As at December 31, 2011 restricted cash exceeds deferred revenue by \$381,777. Subsequent to December 31, 2011 CFC's restricted cash account reimbursed CFC's general cash account \$381,777 in order to rectify this cash imbalance.

**7. CAPITAL ASSETS**

	2011		2010	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Office equipment	\$ 392,637	\$ 279,273	\$ 378,230	\$ 262,419
Computer equipment	246,678	165,840	241,022	177,818
Leasehold improvements	436,319	141,774	395,613	112,436
	1,075,634	\$ 586,887	1,014,865	\$ 552,673
Less accumulated amortization	586,887		552,673	
Net book value	\$ 488,747		\$ 462,192	

**8. DEFERRED LEASE INDUCEMENT**

In 2010, CFC entered into a lease agreement which expires in 2020, which included an inducement for leasehold improvements of \$123,252 as well as granting CFC seven rent free months over the term of the lease as outlined in the lease agreement. During the year \$10,245 was added to the lease inducement due to a free month's rent.

During 2010, CFC also entered into a lease agreement on two photocopiers which expires in 2013, which included an inducement of \$5,327.

	2011	2010
Balance, beginning of year	\$ 127,247	\$ -
Additions during the year	10,245	128,579
Amount amortized to expense during the year	(13,464)	(1,332)
Balance, end of year	124,028	127,247
Current portion	14,871	11,642
Long-term portion	\$ 109,157	\$ 115,605

**9. 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:

2012	\$ 171,277
2013	181,522
2014	159,206
2015	143,537
2016	173,772
2017 - 2020	573,251
	\$ 1,402,565

**CHICKEN FARMERS OF CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 2011

10. 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 2011 was \$97,753 (2010 - \$66,204).

11. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform with the presentation adopted for the current year.

