



Chicken

A good choice for
Canada, a good choice
for Canadians



2013 Annual Report



For presentation to the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz,
and the Farm Products Council of Canada.

Table of Contents

Who We Are • 4	26 • How We Do It
Report from the Chair • 6	28 • Differential Growth
Board, Committees & Staff • 8	29 • Market Watch
Report from the Executive Director • 10	35 • Monitoring & Enforcement
About Us • 12	36 • What Matters to Us
Corporate Social Responsibility • 13	38 • Government Relations
Strategic Planning • 14	40 • Spent Fowl
What We Do • 18	41 • International Trade
Animal Care • 20	44 • Outreach & Communications
Antimicrobial Use • 21	48 • Public Relations
On-Farm Food Safety • 23	50 • Auditor's Report & Financials
Poultry Research • 24	



Chicken Farmers of Canada
1007-350 Sparks Street, Ottawa, ON K1R 7S8
Tel: (613) 241-2800 Fax: (613) 241-5999
E-mail: CFC@chicken.ca Website: www.chicken.ca
Designed in-house. Printed by Tri-Co Evolution.



INTRODUCTION

Good for Canada

When it comes to farm animals, chickens aren't very large, but their impact on the Canadian economy is. With Canada's chicken industry benefiting both urban and rural economies from coast to coast, it's easy to see how chicken is a good choice for Canada.

Canada's chicken farmers are a stabilizing force in rural Canada, where they can – and do – reinvest with confidence in their communities, but their impact is much wider. In sum, we are part of Canada's economic solution, and do so without subsidies, and are very proud of both.

Good for Canadians

People care deeply about their food, about knowing where it comes from and that what they're serving to their family and friends is of the highest quality; our farmers and their families are no different. So when we say that the Canadian chicken industry is good for Canadians, it's because we know that we're raising our chickens to the highest standards: yours.

How do we know what those are? You've told us.

Canadians have told us that they want fresh, high-quality, locally-raised food from farmers that are committed to animal care, and Canada's chicken farmers are proud to deliver.

CHICKEN FARMERS OF CANADA DELIVERS FRESH, LOCALLY-RAISED FOOD

With chicken being raised year-round from coast to coast, in every province, Canadians are assured a steady supply of locally-raised chicken. Considering chicken is the #1 consumed meat in Canada, that's no mean feat!

CHICKEN FARMERS OF CANADA DELIVERS ON FOOD SAFETY

We are very proud to be the first agri-food sector to achieve full official government recognition – at the federal, provincial and territorial level – for

our auditable on-farm food safety assurance program. We've also leveraged our supply management system to make the program mandatory in every province. 98% of Canadian chicken farmers are certified on the program.

CHICKEN FARMERS OF CANADA DELIVERS ON ANIMAL CARE

The Canadian chicken industry ensures that stringent regulations related to the care and handling of our birds are met and followed. Chicken Farmers of Canada in particular demonstrates this high level of care with an auditable Animal Care Program, and by participating in a national committee to further animal care programming in Canada.

THE CANADIAN CHICKEN INDUSTRY DELIVERS GREAT VALUE

Thanks to the stability provided by our supply management system, Canadians can count on a steady supply of fresh, high-quality Canadian chicken at reasonable prices. In fact, Canadians only spend about 10% of their disposable income for ALL of their food. It's important however to remember that chicken farmers don't set retail or restaurant prices and that they only receive a small fraction of what consumers pay, about 10%; that's usually less than the tip a server receives.

CHICKEN FARMERS OF CANADA DELIVERS ON CORPORATE SOCIAL RESPONSIBILITY

Though we work hard to ensure people across the country have access to a steady supply of chicken, we recognize that unfortunately not all Canadians can afford the shelter and food they need. Chicken Farmers of Canada tries to do its part by making regular donations – both in food and money – to food banks throughout Canada and also volunteers to collect and sort food. Over the past four years, we have donated almost \$250,000 to food banks. ■

WHO WE ARE





Report from the Chair
Board, Committees & Staff
Report from the Executive Director
About Us
Corporate Social Responsibility
Strategic Planning



Good for Canada

Report from the Chair

Canada's chicken farmers are proud to raise the high-quality, fresh, Canadian chicken that we all love.

There's a reason we're Canada's favourite. Actually, there are many, many reasons and they range from our dedicated farmers to our on-farm programs that help us take good care of our birds. The main issues we faced in 2013 were differential growth, spent fowl and specialty production, but there are others that you will read about in the following pages as well.

On the policy front, Chicken Farmers of Canada were faced with several challenges throughout the year. Our allocation system, which continues to evolve, is an ongoing challenge for the organization, and the industry. Over the past year, we have been working hard and meeting

regularly, to determine the future path for the Canadian chicken industry. There has been much progress made, but ultimately, the final pieces of the puzzle have yet to be put in place. We're not quite to the point where the industry needs to be. We're on the way, but the path is still full of pitfalls and speed bumps ahead.

We need to make the right decisions to maintain a strong and efficient Canadian chicken industry that continues to serve the Canadian consumer. We need to keep our house in order. One of our key deliverables for 2014 will be a long term allocation agreement that governs allocation setting and which resolves the issue of differential growth. We signed a six-period agreement to provide us with some stability and breathing room in order to come to that longer term agreement and in October a mediator was brought in.

Consumers love our product and chicken remains ahead of beef in per capita consumption. This first-place status could be affected by another challenge to our industry – spent fowl. Over the past few years, spent fowl imports have been increasing and displaced actual Canadian production to the tune of 97 million kilograms in 2013 which represents nearly \$600-million in GDP contributions.

That's about 10% of Canadian chicken production and almost 9,000 displaced jobs as well.

We're a driving force in the Canadian economy; our 2,700 chicken farmers and 185 processors generate employment, wealth, and help sustain agricultural communities in every province across the country.

There's a reason we're Canada's favourite.

Specifically, the industry:

- sustains 56,000 jobs
- contributes \$6.5 billion to Canada's Gross Domestic Product
- pays \$1.3 billion in taxes (instead of seeking taxpayer money through subsidies)
- purchases 2.4 million tons of feed, supporting other farmers in turn

We worked hand-in-hand with many different parts of the government in 2013, the issue is a complicated one and many departments are involved. We met with Public Safety, the department responsible for Canadian Border Services, Agriculture and Agri-Food Canada, Health Canada, the department responsible for the Canadian Food Inspection Agency, Finance, and International Trade.

A big thank you goes out to Agriculture Minister Gerry Ritz for spearheading the efforts to resolve this contentious issue. He has been diligent in his leadership efforts to find and implement solutions, and along with his fellow ministers has been supportive of the Canadian chicken industry's goals of identifying and eliminating all of the illegal spent fowl imports.

Having strong government support is important when policy discussions are held and I'd like to take this opportunity to thank Minister Ritz and the Minister of International Trade, Ed Fast, for their

unwavering support of the Canadian chicken industry and supply management, both domestically and internationally.

Specialty production, another of the major policy concerns in 2013 and one which demonstrates our responsiveness to market and consumer demand, was completed in November and a new specialty production policy was put into effect. Definitions for specialty chicken and federal specialty chicken quota, along with a series of conditions applicable to the specialty chicken license to be held by applicants were added to the pertaining regulations.

I'd like to thank my fellow Executive Committee members, along with the rest of the Board, for all the hard work, dedication, and extra efforts that were called for in 2013, and delivered.

Along the way, the Board and Executive received a high level of great support from staff in order to make sure we had the information we needed, the support we needed, and the expertise we needed to make informed, accurate decisions at the Board table. Led by Mike Dugate, the staff at Chicken Farmers of Canada are a big reason for our successes and should be commended for their efforts in helping to make chicken a good choice for Canada. ■



Dave Janzen, Chair

BOARD OF DIRECTORS



Chair

Dave Janzen
(British Columbia)



Reg Cliche
(Canadian Poultry
and Egg Processors
Council)



Yvon Cyr
(New Brunswick)



Martin Dufresne
(Quebec)



Vernon Froese
(Manitoba)



Luc Gagnon
(CPEPC)



Matthew Harvie
(Nova Scotia)



Ian Hesketh
(Further Poultry
Processors Association
of Canada)



David Hyink
(Alberta)



Derek Janzen
(British Columbia)



Rudy Martinka
(Saskatchewan)



Ed O'Reilly
(Newfoundland &
Labrador)



Adrian Rehorst
(Ontario)



Barry Uyterlinde
(Prince Edward
Island)



Peter Vale
(Canadian Restaurant
and Foodservices
Association)

COMMITTEES

Executive:

Chair – Dave Janzen
1st Vice Chair – Adrian Rehorst
2nd Vice Chair – Martin Dufresne
Member at Large – Yvon Cyr

Finance:

Chair – Barry Uyterlinde
Derek Janzen
Peter Vale

Consumer Relations:

Chair – Adrian Rehorst
Matthew Harvie
Lucy McKee

Policy:

Chair – Yvon Cyr
Martin Dufresne
Vernon Froese
Luc Gagnon
Ian Hesketh

Production:

Chair – Reg Cliche
Paul Cook
Benoit Fontaine (QC alternate)
David Hyink
Tim Klompaker (ON alternate)

Representatives

Canadian Federation of
Agriculture (CFA): Derek Janzen

Canadian Poultry Research
Council (CPRC): Ed O'Reilly

National Farm Animal Care
Council (NFAACC):
Tim Klompaker

National Farmed Animal Health
and Welfare Council (NFAHW):
David Hyink

STAFF



Executive



Finance



Administration & Human Resources



Communications



Trade & Policy

Executive

Stéphanie Turple,
Executive Assistant

Lise Newton, Senior
Government Relations Advisor

Mike Dungate,
Executive Director

Finance

Michael Laliberté,
Director of Operations

Maria Elena Baisas, Bookkeeper

Jae Yung Chung,
Senior Financial Officer

Lori Piché*, Compliance Officer
(maternity leave)

Administration & Human Resources

Paula Doucette, Manager of
Administration & Human Resources

Rebecca Derry, Meeting &
Recording Coordinator

Isabelle Dean,
Administration Coordinator

Dally-Diane Nzinahora,
Translation Coordinator

Lisa Riopelle,
HR/Administrative Coordinator



Market Information & Systems



Food Safety, Animal Care & Research

Communications

Marty Brett, Senior
Communications Officer

Elyse Ferland,
Communications Officer

Alex Latus, Public
Relations Officer

Stephanie St.Pierre,
Graphic Designer

Lisa Bishop-Spencer,
Manager of Communications

Gail Lush*, Health
Communications Officer

Trade & Policy

Yves Ruel,
Manager of Trade & Policy

Nico Tavchandjian,
Trade & Policy Analyst

Market Information & Systems

Jan Rus, Manager of Market
Information & Systems

Denis Nadeau, Business
Systems Analyst

Erin Danielson*, Market Analyst

Food Safety, Animal Care & Research

Steve Leech,
National Program Manager

Caroline Wilson,
OFFSAP Coordinator

Jennifer Gardner, Animal
Care & Research Coordinator

*Absent from photo



Good for Canadians

Report from the Executive Director

Canadian-grown chicken is not only good for Canada, but it is good for Canadians as well.

Canada's chicken farmers take pride in being forward looking. In 2013, CFC Directors approved a 5-year strategic plan with a vision to grow consumer demand for Canadian-grown chicken. This growth will be driven by a clear focus on the needs of customers and consumers. Canadians have made it clear; they want to know where their food comes from, how it's raised, and what goes into it.

Canadian chicken farmers understand that if they want to maintain the confidence of Canadians they need to be on the leading edge of

embracing change. In 2013, we once again proved that we are up to the task.

In March, Minister Ritz announced that CFC was the first national organization to achieve full official government recognition – at the federal, provincial and territorial level – for our auditable on-farm food safety assurance program. Provincial boards levered their supply management regulations to make the program mandatory in every province and 98% of Canadian chicken farmers are certified on the program.

In July, CFC Directors approved an antimicrobial reduction strategy that includes the elimination of the preventative use of Category 1 antibiotics on Canadian chicken farms.

In November, CFC Directors approved a new specialty production policy to better serve non-mainstream markets and differing consumer preferences.

In December, with the completion of the phase-in of the density requirements, CFC fully implemented its animal care program. Almost 95% of chicken farmers are now certified on the program.

Throughout the year, CFC and provincial boards expended an incredible amount of time and resources to modify our allocation system to ensure that Canadians from coast to coast have a steady supply of fresh, high quality Canadian-grown chicken all year-round.

Canadians have told us they want chicken raised to the

Canadian chicken farmers understand that if they want to maintain the confidence of Canadians they need to be on the leading edge of embracing change.

highest standards – and most of all – they want it to be Canadian! This points to the need for more awareness on where our chicken comes from. To this end CFC Directors approved the development of a branding strategy that will be launched in 2014.

Embracing change is not always easy. For example, are we eliminating preventative use of Category 1 antibiotics because it's easier – no; because it's cheaper – no; we are doing it because it is the right thing to do. We are conducting research. We are understanding the science. But we are not hiding behind the science. We are taking action.

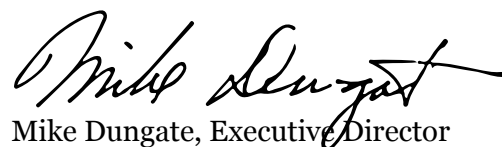
This is the positive story that we need to tell much better. Supply management has always had its critics, but recent media and online coverage has been sustained by hyperbole and invalid arguments. These myths and fallacies are detrimental to our relations with Canadians.

Canadian chicken farmers take pride in what they do, in the contributions they make to their local communities and to Canada as a whole. Canadians can count on a steady

supply of fresh, high-quality Canadian chicken at reasonable prices thanks to the stability provided by our supply management system.

At the same time, while our farmers earn their livelihoods from the marketplace, they don't set the prices you pay for the product in grocery stores or restaurant. They only receive a small fraction of what consumers pay, about 10%; and that's usually less than the tip a server receives.

With a new strategic plan, a proactive and responsible Board of Directors led by Dave Janzen, and dedicated staff, Chicken Farmers of Canada is poised to enter the new year with a new vision, an invigorated mission, and a focus to on consumers so that we can keep proving that we are not only good for Canada, but good for Canadians as well. ■


Mike Dungate, Executive Director

ABOUT US

Our Mandate

Chicken Farmers of Canada has two primary mandates. Our main responsibility is to ensure that our 2,700 farmers produce the right amount of fresh, safe, high-quality chicken to meet Canada's needs. To do so, farmers, processors, further processors and members of the restaurant trade from across the country meet every eight weeks to decide, based on market demand, just how much chicken to raise. This evolving risk management system we operate under is commonly known as "supply management". As part of the system, Chicken Farmers of Canada also monitors compliance with provincial quota allocations – making sure each province raises as much chicken as they agreed to – and the inter-provincial or market development trade of chicken.

OUR VISION: To grow consumer demand for Canadian-grown chicken.

OUR MISSION: On behalf of Canadian chicken farmers, lead and drive the improved efficiency of chicken farmers and the Canadian chicken industry to better serve consumers, and to ensure that chicken continues to be the leading protein preference of Canadians.

Our second responsibility is to represent the interests of chicken farmers and the Canadian chicken industry. Chicken Farmers of Canada plays a key role in developing, partnering or managing programs for Canada's chicken farmers that prove our producers continue to grow the high quality chicken that Canadians trust. Through programs such as our On-Farm Food Safety Assurance, Animal Care and other biosecurity initiatives, Chicken Farmers of Canada works closely with government partners and industry stakeholders to keep the industry innovative and responsive. Through

our government relations program, Chicken Farmers of Canada 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 Board

Our directions and policies are determined by a 15-member Board of Directors comprised of farmers appointed by the 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. This way, Chicken Farmers of Canada and its stakeholders work together on behalf of Canada's chicken industry, from farmer to consumer.

5-Year Strategic Plan and Guiding Principles

The implementation of the 2014–2018 strategic plan is guided by the following principles:

1. Promote profitable innovation and expansion of the Canadian chicken industry and the demand for its products.
2. Leverage its leadership position and enhance its capacity to seize every opportunity to improve efficiency throughout the value chain.
3. Identify and respond to consumer expectations for value, food safety and quality, and social values for animal care, and the environment.
4. Build transparency and accountability in a sustainable and dynamic supply management system.
5. Continuously improve the supply management system to reflect a changing marketplace, while preserving its fundamental values, pillars and principles for the benefit of farmers, stakeholders, and consumers. ■



CORPORATE SOCIAL RESPONSIBILITY

Chicken Farmers of Canada believes firmly that it's important to give back to the community and deliver a strong message of support to those that are less fortunate.

We believe that every Canadian should have access to a healthy source of protein. We believe that it's important to support those who need it. And we believe that we can make a contribution to help.

We have been proud partners and supporters of the Ottawa Food Bank since 2007 and continue to find new ways to work together in the combat against hunger in the capital. Each year, through proceeds from the Canada Day Great Canadian Chicken BBQ, a food drive, as well as staff donations, we continue to support the mission of the Ottawa Food Bank.

Chicken Farmers of Canada's annual *Chicken Challenge* food donation program provided

nearly \$50,000 worth of frozen chicken products to the Ottawa Food Bank in 2013. This was the fourth successful year of the program which solicits bids for frozen chicken products from a Canadian processor to be donated to the food bank. From time to time, other donations are sought and obtained in support of the program.

In addition, \$4,867 was collected through staff donations and 50% matching Chicken Farmers of Canada donations. Proceeds from the sale of chicken sandwiches and salads at the *Great Canadian Chicken Barbecue* and additional donations collected on Canada Day, totaling \$4,147, were also given to the food bank: a total of \$58,924 from all programs for the year.

This brings the total contribution to the food bank since 2007 to \$258,000.

Over the course of the year, Chicken Farmers of Canada has given \$8,000 in donations to support the Canadian Red Cross effort for families devastated by typhoon Haiyan, the Canadian Museum of Agriculture's Fill-a-bus program, the Easter Seals' Dropzone, Morguard's Golfing for Children's Charities and Welch's Legacy Foundation soccer tournament. ■



STRATEGIC PLANNING

Chicken Farmers of Canada adheres to a rigorous strategic planning process to provide the Canadian chicken industry with clear, common goals for the coming year – and for the future – ensuring a solid direction and purpose for all industry stakeholders.

2013 was the final year of the previous Chicken Farmers of Canada (CFC) five-year strategic plan, and a portion of the year was spent on developing the new strategic plan that was created by the Five-year Strategic Planning Steering Committee.

Development of CFC's next five-year strategic plan (2014–2018)

The Strategic Planning Steering Committee met twice in 2012 with two additional meetings in 2013. CFC expresses its sincere

appreciation for the contributions and commitment of the committee members:

- Claude Aubé (Metro)
- Craig Evans (Granny's Poultry)
- Dave Janzen (Chicken Farmers of Canada Chair)
- Jeff McDowell (Sofina Foods)
- Laurent Mercier, Jr. (Quebec Producer)
- Blair Shier (J.D. Sweid)
- Peter Trenholm (Nova Scotia Producer)
- Henry Zantingh (CFO Chair)

The committee tested its proposed plan with more than 50 industry and government stakeholders in April. Based on that feedback, the committee submitted its recommended plan to the Chicken Farmers of Canada Board of Directors in May. CFC members reviewed the plan, made a few adjustments, and CFC Directors approved the plan for implementation in July. The new five-year strategic plan (2014–2018) is themed "Grow! Sell! Eat! ... more chicken!" with a vision "To grow consumer demand for Canadian-grown chicken."

THE MISSION IS DEFINED AS:

“On behalf of Canadian chicken farmers, lead and drive the improved efficiency of chicken farmers and the Canadian chicken industry to better serve consumers, and to ensure that chicken continues to be the leading protein preference of Canadians.”

Annual Strategic Planning Exercise

Chicken Farmers of Canada also has an annual strategic planning process that involves the entire Board of Directors along with the Executive Management Team, which strives to make informed decisions in order to guide the Canadian chicken industry towards a strong and prosperous future. Each year, the previous year's successes are celebrated and the group meets to set priorities for the next. The 2014 strategic planning meeting was held in Toronto at the BMO Institute for Learning. In 2013 there was a particular focus on governance issues, while the bulk of the meeting was focused on designing strategies for 2014 that correspond with the priorities stated in the new five-year strategic plan (2014–2018).

CFC Directors identified the following priorities for 2014:

Critical Priority Issues

ANTIMICROBIAL USE

- Advancement of CFC's position regarding regulatory modernization (ongoing)
- Advancement by all stakeholders of the antimicrobial use strategic plan objectives as presented in the industry AMU strategy (ongoing)
- Collaboration with CIPARS surveillance activities (ongoing)
- Communication to consumers regarding AMU (ongoing)

- Implementation of CFC's antimicrobial use surveillance program (January 2014)
- Implementation of the poultry industry's Category I policy (May 2014)
- Increased farmer awareness of AMU and AMR (ongoing)

ALLOCATION SETTING

- A long term allocation agreement (July 2014)
- Assessment of the merits of setting the allocation on a more efficient frequency (November 2014)
- Setting of a medium term growth target for A-127 to A-132 (June-July 2014)

SPENT FOWL

- A whole-of-Government approach to stop the erosion of Canadian chicken production and processing resulting from spent fowl imports (ongoing)
- An appropriate classification of chicken/spent fowl blended products (ongoing)
- Canadian regulations requiring distinct labeling for products containing spent fowl. (ongoing)
- Development of tests to distinguish spent fowl from broiler meat (ongoing)
- Increased verification of DFATD's Import to Re-Export Program (IREP) and CBSA's Duty Relief Program (DRP) to ensure no spent fowl is re-exported under these programs (ongoing)

High Priority Issues

BRANDING STRATEGY IMPLEMENTATION

- Development and delivery of the marketing plan to support the brand (ongoing)
- Finalized brand claim and logo (January 2014)
- Retailer launch of the brand (June/July 2014)

GOVERNANCE

- A proactive professional development plan to enhance the capacity and effectiveness of CFC Directors, Alternates and staff (ongoing)
- A revamped Governance section on the CFC SharePoint and Extranet sites (March 2014)
- A review of CFC's Code of Conduct and conflict of interest disclosure and compliance for Directors, Alternates and staff (ongoing)
- A revised CFC governance culture (March 2014)
- A revised reporting and communication plan regarding progress on strategic plan priorities (ongoing)

GOVERNMENT RELATIONS STRATEGY

- Enhance CFC's capacity to deliver its government relations strategy in a coordinated and timely manner to all levels of government across the country (ongoing)
- Raise the profile of CFC and awareness of its key issues amongst elected officials and key decision makers (ongoing)
- Strengthen relationships with MPs in order to maintain and secure strong support for Canadian chicken farmers, supply management and CFC's key issues across all parties – with emphasis on urban MPs (ongoing)

IMPORT CONTROLS

- An Import to Re-Export Program (IREP) administered by the Department of Foreign Affairs, Trade and Development (DFATD) that does not create distortions on the domestic market (ongoing)
- Elimination of the Duty Relief Program for chicken products administered by the Canadian Border Services Agency (CBSA) (ongoing)

- Long-term TRQ allocation methodology that supports CFC's objectives (ongoing)

PUBLIC RELATIONS STRATEGY

- Implementation of tactics to deliver on CFC's public relations goals (ongoing)
- Infrastructure to achieve CFC's public relations goals (ongoing)

REGIONAL, BILATERAL AND WTO NEGOTIATIONS

- An active Call for Coherence coalition (ongoing)
- Analysis of the potential impacts and evaluation of options resulting from key WTO and Regional/Bilateral proposals (CFC Executive Committee on a confidential basis only) (ongoing)
- Regional/Bilateral and WTO trade agreements that maintain the integrity of the chicken import pillar (ongoing)
- SM-5 and chicken industry collaboration to enhance influence on WTO trade issues and bilateral and regional trade agreements (ongoing)
- Timely communication to CFC members on trade negotiations (ongoing)

Medium Priority Issues

ANIMAL CARE

- Assessment of possible supply-chain wide animal care audit criteria (ongoing)
- Consistent implementation of the CFC Animal Care Program across the country (ongoing)
- Cooperation with CFIA on animal care issues (ongoing)
- Leadership in the National Farmed Animal Health and Welfare Council (NFAHWC) and the National Farm Animal Care Council (NFACC) (ongoing)
- Leadership in the revision process for the Code of Practice for Chickens, Turkeys and Breeders (ongoing)

CONSUMER RELATIONS STRATEGY

Online Component

- A Digital/ Online strategy that includes a series of marketing and online initiatives, promotes the new brand and increases visitor conversion (from website viewer to website user) rates
- Digital activities that provide tools and references for consumers, most notably the How-To Video production for digital use, with 10 new videos to be produced and promoted in 2014
- Implementation of a social media strategy, built upon existing programming that promotes the new CFC brand and engages our primary consumer (women and mothers)

Outreach Component

- An annotated bibliography of peer-reviewed articles
- Enhanced health information on chicken.ca
- Information packages for health professionals and consumers
- Monthly online chicken health chats
- Participation at health professional trade shows and conferences
- Two new nutrition factsheets

FACT-BASED LIVE PRICES

- Fact-based live prices (ongoing)

FOOD SAFETY

- Distribution and implementation of the revised OFFSAP farmer manual (May 2014)
- Involvement in national-level food safety and traceability initiatives (ongoing)
- Leadership in national-level pathogen reduction initiatives (ongoing)
- Maintenance of full OFFSAP recognition by federal, provincial and territorial governments (ongoing)

RESEARCH

- Funding of research projects that meet the needs of Canadian chicken farmers (ongoing)



- Pilot a request for proposal process to focus research on a specific CFC research need (April 2014)

Low Priority Issues

BENCHMARKING

- Producer benchmarking (October 2014)

CANADA'S SWIM TEAM PARTNERSHIP

- Swimming Canada will be responsible for the bulk of the execution of initiatives within the partnership. CFC will provide materials to Swimming Canada as required for use within specific campaigns, including ads and graphics, branded prizes, recipe booklets, content and content approval. CFC will promote initiatives heavily within its own networks and programming (ongoing)

PROMOTION RESEARCH AGENCY

- An operational Promotion Research Agency (November 2015)
- Confirm the legal and organizational viability of a Part III Promotion Research Agency (PRA) with mandate extending to imports (April 2014)
- Submission and hearing supporting the establishment of a Promotion Research Agency (November 2014) ■



WHAT WE DO



Animal Care
Antimicrobial Use
On-Farm Food Safety
Poultry Research

ANIMAL CARE

Canadians have demonstrated their interest in being able to purchase fresh, high-quality, Canadian-grown chicken and Chicken Farmers of Canada has responded.

Over the past few years, we have researched, developed, and implemented an auditable program for our birds that responds to the interest and concerns of Canadians.

CFC's Animal Care Program (ACP), is designed to demonstrate the high level and standards of the Canadian chicken industry's on-farm animal care. The program is based on the Canadian *Recommended Code of Practice for the Care and Handling of Chickens, Turkeys and Breeders from Hatchery to Processing Plant*. This Code was last published in 2003 and is currently under review – a process which began back in 2011.

Farmers are audited annually to the standards and regulations of the ACP in order to assess the implementation of the program and determine if the mandatory requirements of the program are being maintained. These include requirements for air and litter quality, lighting, density, and animal health.

Almost all farms have been audited and 95% of farmers are now certified on the program.

In addition, the ACP has now been made mandatory by eight provincial boards (BC, AB, SK, MB, ON, NS, NB and PEI).

A memorandum of understanding (MOU) for the implementation and maintenance of the ACP was signed by Chicken Farmers of Canada and all 10 provincial boards at the 2012 summer meeting in Winnipeg, Manitoba. This continues to guide the implementation process as the goal is to have all farms certified from coast to coast.

and, to date, support for the implementation of the program has come 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 Federation of Independent Grocers and the Canadian Restaurant and Foodservice Association.

Almost all farms have been audited
and 95% of farmers are now certified
on the program.

The 5-year phase-in period for stocking density ended on December 1, 2013. As such, farmers will need to be compliant with the stocking density requirements of the program in order to attain or maintain certification on the program. These requirements are part of the ACP's MOU signed in 2012.

The national program was developed and is maintained by Chicken Farmers of Canada while the provinces are responsible for the program's delivery, certification, and enforcement. Audits for the ACP have been combined with those for the on-farm food safety assurance program (OFFSAP) for efficiency.

Over 40 stakeholder organizations were consulted during the ACP development process

On May 30th, Chicken Farmers of Canada appeared before the House of Commons Standing Committee on Agriculture and Agri-Food on animal welfare. The presentation and submission focused on our Animal Care Program, industry collaboration to ensure animal welfare throughout the chicken supply chain, and the renewal of government regulations. Chicken Farmers of Canada took the opportunity to offer the following recommendations for consideration by the committee:

- Government support and recognition for industry-developed Animal Care Programs
- Financial support for the National Farm Animal Care Council as the

organization leading the national discussion on animal care, including financial support via *Growing Forward 2* for the continued development of the Codes of Practice

- Government support for animal care research and researchers as this leads to innovation, commercialization and increased competitiveness within the sector
- Revised Transportation Regulations of the Health of Animals Regulations, beginning with a full stakeholder consultation, to better reflect specific species differences and ensure fairness and consistency of enforcement by CFIA

Code of Practice Update

The Code of Practice Review, begun in 2011, has now completed the Scientific Committee stage and their report has been peer reviewed. The Code Development Committee has taken over and has begun the writing process which will continue into 2014. The result of this process will be a Code that is scientifically informed, practical, and reflects societal expectations for responsible farm animal care. Chicken Farmers of Canada has been actively involved in both processes and is being represented by Vernon Froese (Manitoba) as the Code Development Committee Chair, and Tim Klompaker (Ontario alternate) sits on the committee as well.

Other Committees

Chicken Farmers of Canada is also involved in the National Farm Animal Care Council (NFACC) and the National Farmed Animal Health and Welfare Council (NFAHWC). Tim Klompaker and David Hyink (Alberta) are the representatives.

In 2013, NFACC concluded work on its Animal Care Assessment Framework which is now being finalized. This framework is a new mechanism which will be used to demonstrate that the national Codes of Practice are being followed in order to build confidence throughout the value chain. Its goal is to enhance transparency and thus the legitimacy and credibility of assessment programs developed according to the framework. It is based on a cooperative approach to animal care and will include

resources to help develop or revise animal care programs. There are 14 members on the committee representing farm organizations, grocers, governments, the scientific community, and humane societies.

The NFAHW Council held its 3rd Annual Forum at the end of the year. The Forum discussed Antimicrobial Use and Resistance, Surveillance, Animal Welfare, NFACC, and Emerging Issues. Over 100 stakeholders took part at the two-day session held in Ottawa December 3 and 4, 2013. One of the goals of the session was to review and provide valuable feedback on the proposed governance model and strategic plan that will be instrumental in shaping how Council moves forward. A governance report is anticipated in early 2014. ■

ANTIMICROBIAL USE

.....

Canada's chicken farmers continue to evolve their production practices in response to consumer preferences.

Canadians want to know more about where their food comes from, what's in it, how chickens are raised, and details about medicine used on farm or throughout the grow-out period. Chicken Farmers of Canada has delivered by developing and implementing an antimicrobial use strategy.

The objective of CFC's antimicrobial use (AMU) strategy is to control, monitor and reduce AMU in the chicken industry in order to preserve effective treatment options. The intent is that the initiatives undertaken as part of this strategy will provide the needed confidence to consumers and to governments that AMU in the chicken industry is responsible.

CFC developed the strategy in conjunction with all industry stakeholders - the strategy was supported by the Animal Nutrition Association of Canada, the Canadian Hatchery Federation, the Canadian Hatching Egg Producers, the Canadian Poultry and Egg Processors Council, Turkey Farmers of Canada, and the Canadian Association of Poultry Veterinarians.

Elements of the strategy include:

- defining antimicrobial use and analyzing antimicrobial resistance (AMR) trends
- reviewing best management practices
- ensuring effective controls of AMU in Canada
- educating stakeholders on the issues of AMU and AMR
- research and availability of alternative products

CFC has tackled each of these elements with different initiatives in 2013.

CFC works in collaboration with the federal government to monitor antimicrobial use and resistance patterns on Canadian chicken farms. The Public Health Agency of Canada's Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS), with Chicken Farmers of Canada support, has initiated on-farm surveillance of AMU and AMR to further our knowledge of use and resistance within the sector.

This on-farm surveillance component monitors antibiotic usage and antibiotic resistance levels on Canadian chicken farms which will help to develop antimicrobial use baseline levels and to determine future antibiotic use and resistance policies. This 3rd party government surveillance, which is an extension of antimicrobial resistance surveillance at retail and processing, demonstrates to consumers and to government the significant priority that CFC places on this issue.

CFC has also been promoting information exchanges and discussions with CIPARS to review CIPARS data, to provide insight on interpretation of the data, and to provide a feedback mechanism to the poultry industry. Through these discussions greater knowledge is gained to help analyze mitigating measures and policy development.

The industry's reduction of antimicrobial use has concentrated on those antibiotics of most importance to human health. To achieve this, the chicken industry has approved a policy to eliminate the preventive use of Category I antibiotics. This policy was approved in July 2013 with an implementation deadline date of May 15, 2014 to allow

time for a successful transition. Category I antibiotics are those considered by Health Canada to be those most important for use in human health.

This policy has been included as a requirement in the revised On-Farm Food Safety Assurance Program manual and the Flock Information Reporting Form (Flock Sheet) will be modified to act as a record keeping system for each flock processed. This reduction strategy is a significant step for industry and can provide confidence to consumers and government about responsible use by the Canadian chicken industry.

Responsible use guidelines have been developed to be able to clearly communicate the industry's position to industry stakeholders, governments and the public. These guidelines for antimicrobial use outline how antibiotics are used within the sectors, and the types of records that need to be maintained. The OFFSAP manual was reviewed in 2013 and amendments have been made to reflect these responsible use guidelines; all chicken farmers will have received a copy of these guidelines with the new version of the OFFSAP manual.

Stakeholder education is an important component of the AMU strategy. Antibiotic use is a shared responsibility between all stakeholders within the chicken sectors, and it is important that all members have a good knowledge of the issues surrounding antimicrobial use and resistance. To help bring information directly to farmers, education sessions were held in each province last year to further engage stakeholders and farmers in the issues of AMU and AMR and about CFC's Category I reduction strategy. Further awareness materials and tools will be developed in 2014.

The Canadian chicken industry is responding to consumer interests and these initiatives are important to provide confidence to consumers and to government about responsible antibiotic usage within the poultry sector. ■



ON-FARM FOOD SAFETY

.....

Chicken Farmers of Canada is the first organization to have its national program receive full recognition from the federal, provincial and territorial (FPT) governments for the effective and consistent implementation of its On-Farm Food Safety Assurance Program that promotes the production of safe food at the farm level.

This achievement reflects CFC's leadership in on-farm food safety and the commitment of all chicken farmers to implement and maintain a comprehensive national on-farm food safety assurance program. Our success could not have been achieved without the active support and effort of all participants and stakeholders.

The recognition was formally announced at the Chicken Farmers of Canada Annual General Meeting in March 2013 by the Minister of Agriculture and Agri-Food, the Hon. Gerry Ritz. A

ceremony was held and many of those that participated in the review and approval process were in attendance to celebrate the culmination of years of hard work.

"On behalf of the Harper Government I would like to congratulate the Chicken Farmers of Canada for the successful implementation of this food safety program," said Agriculture Minister Gerry Ritz. "By working together to improve the management of food safety risks at the farm level, we are strengthening Canada's food safety system."

"This is a major milestone for Chicken Farmers of Canada and a source of great pride in being the first commodity to receive this recognition," said Dave Janzen, our Chair. "This achievement and the program itself demonstrate our commitment to meeting the expectations of consumers for safe, quality, Canadian chicken."

To date, over 2,600 farmers (98% of producers) are certified under OFFSAP and are audited on an annual basis. In addition, all 10 provinces have leveraged their supply

management regulations and policies to make the program mandatory.

OFFSAP emphasizes animal health, cleanliness and safety throughout each step of the production cycle, and follows strict biosecurity measures to protect animal health and prevent flock infections from outside sources. These mandatory rules govern chicken farms from coast to coast and include top-notch requirements for biosecurity, animal care, feed and water management and testing, along with all the record keeping necessary to prove that farmers are adhering to the process.

The OFFSAP manual is based on HACCP principles, a recognized approach that focuses on monitoring, controlling and preventing food safety risks. The program provides farmers with a means to address the potential food safety hazards that can occur on their farm.

Continual improvement is a key tenant of the OFFSAP management system. As part of this, a full review of the OFFSAP manual was conducted in 2013 based on

farmer feedback, science and government review. The outcome of this review was CFC's approval of a revised version of the OFFSAP manual with an implementation date of May 15, 2014.

Pathogen Reduction

In 2013, Chicken Farmers of Canada continued its participation in various government initiatives to reduce the prevalence of Salmonella and Campylobacter in chicken meat. These included the Pathogen Reduction Initiative and the Salmonella Enteritidis (SE) Working Group.

The Pathogen Reduction Initiative was started in 2012 to conduct a baseline study on four key pathogens in meat. These are Salmonella, Campylobacter, E. coli, and Listeria. The studies on Salmonella and Campylobacter are ongoing and aim to assess current pathogen levels, establish reduction targets, and identify and implement strategies to monitor and reduce pathogen levels. The baseline studies are the first step. Data gathered through the studies will support work to develop appropriate intervention measures at all points along the food chain, from farm to processing to retail.

The SE Working Group was formed in 2008 to share information among government stakeholders at the federal and provincial levels in order to identify sources of SE illnesses and to mitigate the risk to human health. Members of the SE Working

Group include Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, and the Public Health Agency of Canada – which includes both CIPARS and C-EnterNet (now known as FoodNet Canada). CIPARS and FoodNet are both surveillance bodies. CIPARS monitors antimicrobial resistance and FoodNet monitors enteric (foodborne) diseases. The SE Working Group is developing a national strategy that will be finalized in 2014 to control poultry-related SE in Canada. This initiative dovetails with the Pathogen Reduction Initiative described above, and will also lead to discussion and potential implementation of further mitigation process within the industry. ■

POULTRY RESEARCH

.....

Chicken Farmers of Canada's long-term commitment to research and innovation is one of the keys to the success of the chicken industry in Canada.

Research will allow our industry to grow as we look for ways to make our quality product even better and respond to evolving consumer preferences.

Chicken Farmers of Canada, along with the four other national poultry organizations, established the

Canadian Poultry Research Council (CPRC) back in 2001 to foster innovation, science and education within poultry research. The Council was established with a mandate to create and implement programs for research and development that address current and future industry needs.

Ed O'Reilly, from Newfoundland & Labrador, is Chicken Farmers of Canada's representative on the CPRC Board of Directors. The annual contribution from Chicken Farmers of Canada to CPRC for research purposes is \$200,000. Funding in 2013 was used to support the Agriculture and Agri-Food Poultry Research Cluster, including projects concerning antimicrobial use and resistance.

Chicken Farmers of Canada supported the founding of the Council, and each year funds projects that further the annual goals of the Canadian chicken industry. Projects that receive funding include the topics of microbiology, antibiotic use and replacements, food safety, animal care, poultry health, environmental concerns and diseases.

Since 2001, CPRC has allocated over \$2.9 million to foster poultry research and these funds have been leveraged to over \$14 million. The Chicken Farmers of Canada Research Fund – the revenue generated by this fund provides the annual contribution to CPRC – is approximately \$5.6 million.



New Poultry Science Cluster Application

On behalf of the Canadian poultry industry, CPRC submitted an application to Agriculture and Agri-Food Canada for a new five-year Poultry Science Cluster under the recently announced AgriInnovation Program (AIP), which is part of the *Growing Forward 2* policy framework for Canada's agricultural and agri-food industry.

Minister Gerry Ritz announced on February 18, 2014 that CPRC's \$5.7 million Poultry Science Cluster was approved, with \$4 million being contributed by Agriculture and Agri-Food Canada. This Cluster has brought together a significant number of industry stakeholders and is significantly larger than the first three-year Science Cluster that ended March 31, 2013.

A "cluster" brings together multidisciplinary teams of scientists to solve complex problems and to create synergies in research efforts. It is a way to make the most of available resources and supports a strong business case for investing in Canadian poultry research. Pooling intellectual and financial resources to address issues of common interest is a powerful way to maximize the impact of our collective investment in research. CPRC's application is supported by a broad range of industry organizations and companies that have come together to provide resources to support the proposed research.

The research proposed within the Cluster application represents a consensus of needs by the poultry industry and reflects major industry priorities and research target outcomes identified in the *National Research Strategy for Canada's Poultry Sector* including Economic viability, Genetics, Food Safety, Animal Health Products, Poultry Health, Poultry Welfare, Environment, and Poultry Feedstuffs.

The Strategy was the result of in-depth consultation with producers, producer organizations, the research community (both government and university), and representatives of the poultry processing industry.

The application focuses on four themes, each encompassing several industry priorities:

1. Poultry Infectious Diseases, as they impact poultry health and/or zoonosis.
2. Alternative Animal Health Products and Management Strategies that enhance avian immune function and mitigate the impact of infectious pathogens while displacing the need for traditional antimicrobials.
3. Poultry Welfare and Wellbeing throughout the production chain, as impacted by early immune function, bird harmony within various alternate farm production systems, restricted feeding options of breeding stock, bird stocking density, and the effects of temperature extremes during live bird transport.
4. Environmental Stewardship as impacted by emissions of particulate matter, ammonia and greenhouse gases and their effect on poultry, poultry workers and the industry's environmental footprint.

The scale of the Cluster allows for basic research and more near-term, applied studies that will provide both immediate answers and future information for the poultry and food industries, as well as factors impacting consumer wellbeing.

Canada's chicken industry has made embracing innovation part of the industry's vision in recognition of the need to be dynamic and to foster efficiency for farmers and our industry partners. ■



HOW WE DO IT



Differential Growth
Market Watch
Monitoring & Enforcement

DIFFERENTIAL GROWTH

Chicken Farmers of Canada'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.

Since its inception in 1979, Chicken Farmers of Canada (CFC) has had several different allocation setting agreements and processes ranging from top-down, formula-driven (1979-1994) to a series of bottom-up allocation agreements starting with the National Allocation and Pricing Agreement in 1995, followed by the National Allocation Agreement in 1998 – which became the Operating Agreement of the 2001 Federal Provincial Agreement (FPA) for chicken. As a matter of practice, with the slowing of growth in the chicken industry, allocations since 2005 have been set almost universally on a pro rata basis.

Since 2009, differential growth has been one of CFC's critical priorities and an enormous and consistent

effort has been made to find a resolution that satisfies all stakeholders.

An intensive provincial-led process facilitated by CFC was pursued in late-2012 and culminated with a 2-day negotiation February 13-14, 2013 in Ottawa. Negotiations narrowed the differences and produced a formula-based approach to allocating future growth based on pro rata, population growth, supply share, economic, and performance components. During this process, on November 22, 2012, Alberta advised the other Federal Provincial Agreement signatories of its intention to withdraw from the Agreement effective December 31, 2013. There was a big push to conclude an agreement prior to the February 22, 2013 deadline after which Alberta could no longer unilaterally revoke its notice of withdrawal. In the end, the agreement of all provinces could not be achieved.



In May, Directors determined that it would not be possible to achieve a differential growth solution on the basis of the February 13-14 proposal, primarily because of the supply share component. Directors agreed instead to pursue a

two-tier alternative option that separated the issues of a new allocation methodology from the demands of Alberta and Ontario.

In July, CFC proposed a two-tier option for the consideration of Directors. After more than a day and a half of discussion in St. John's, Directors were once again unable to reach agreement. As a result, in August the Chair and staff prepared a temporary six allocation period agreement for periods A-121 to A-126. This agreement, coupled with a service agreement with Alberta, was presented to Directors in early-September as a take it or leave it proposition. Directors agreed and signed the service agreement with Alberta. The service agreement included a window (January 31 – February 14, 2014) for Alberta to opt out after the setting of A-124.

In October, CFC issued an RFP and engaged the services of a professional mediator with the objective of securing a long term agreement between CFC and the 10 provincial chicken boards by January 31, 2014 concerning a revised methodology for setting allocation which takes into consideration the principle of comparative advantage and permits differential growth among provinces. The mediator met with all provinces and downstream stakeholders in November and the first mediation session was held in December in Toronto, with two further sessions scheduled for January 2014. ■

MARKET WATCH

In 2013, Canadian chicken farmers produced 1,043 million kilograms (Mkg) of chicken, 1.8% more than in 2012. This increase represents the largest rate of annual growth in the past six years.

Producer prices increased in 2013 for the third consecutive year due to persistent high feed prices. On average, producer prices in 2013 were more than 3 cents higher than 2012, but trended downward throughout the year from the peak producer price in the last period of 2012.

Frozen inventories started 2013 at 34.9 Mkg and ended the year at 37.3 Mkg, 7% above the previous year. A surge of imports in the last quarter of 2013 caused storage stocks to increase towards the end of the year after remaining in the 35 to 37 Mkg range for most of 2013.

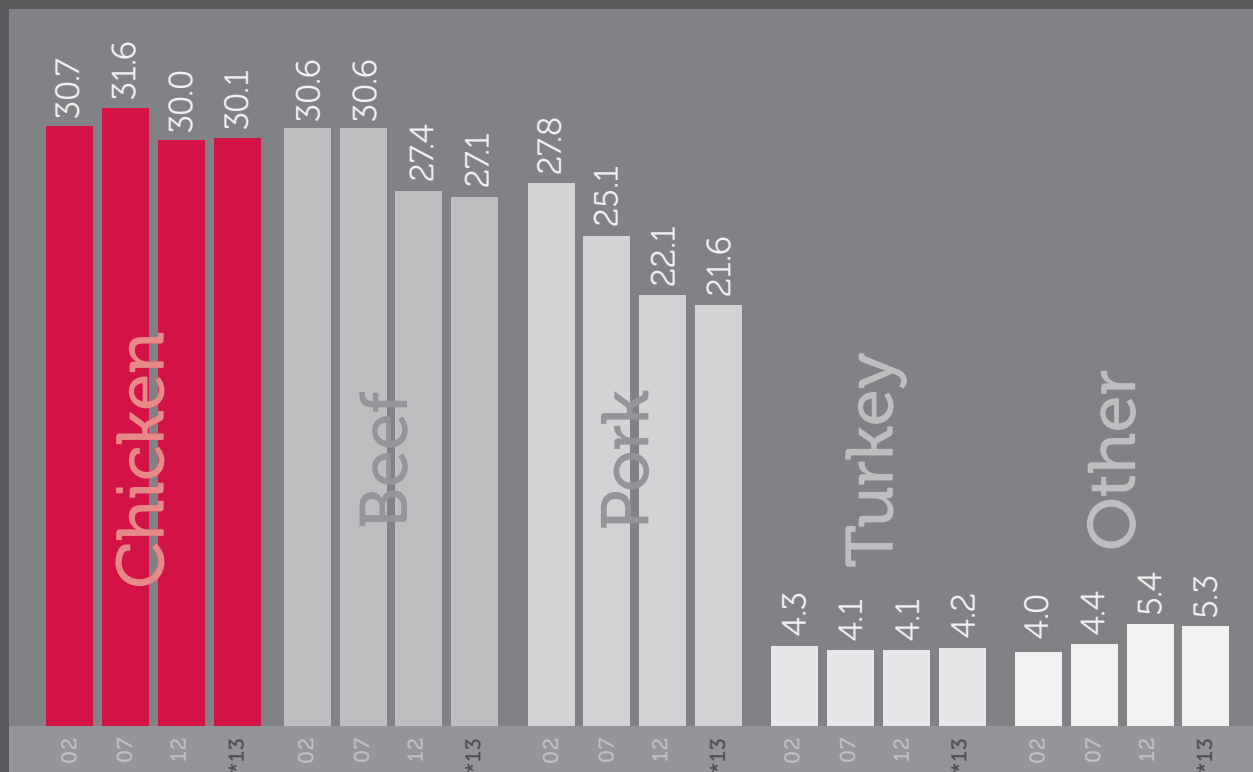
Per capita chicken consumption in 2013 is projected to be 30.1 kg, slightly higher (0.1 kg) than in 2012 as total chicken disappearance outpaced population growth by a small margin. Preliminary numbers indicate that beef per capita consumption decreased by 1% to 27.1 kg and pork per capita consumption decreased by 2% to 21.6 kg in 2013. Per capita consumption of turkey increased to 4.2 kg, and consumption of lamb and veal remained unchanged from 2012.

Provincial Production

Total Canadian chicken production in 2013 increased for the fourth consecutive year. Canadian chicken farmers produced 1,043 Mkg, a gain of 18.3 Mkg (1.8%) over 2012. This is the largest annual increase in production levels since 2007.

The bulk of the increase came in the first half of the year. Production in the first and second quarter of 2013 was 2.8% and 2.3% (7.0 Mkg and 6.0 Mkg) higher, respectively, than in the same timeframe of 2012, while production in the third increased by 4.3 kg and slowed to an increase of 0.9 Mkg in the fourth quarter, compared to the year before. The strong

PER CAPITA CONSUMPTION – VARIOUS MEATS (KG)



*ESTIMATE

PROVINCIAL PRODUCTION OF CHICKEN ('000 KG EVISCERATED)

Province	2013	2012	% change
British Columbia	156,543	155,218	0.9%
Alberta	93,026	92,977	0.1%
Saskatchewan	41,380	39,815	3.9%
Manitoba	43,198	43,523	-0.7%
West	334,147	331,531	0.8%
Ontario	337,307	330,902	1.9%
Quebec	289,650	280,771	3.2%
Central	626,958	611,673	2.5%
New Brunswick	28,287	28,352	-0.2%
Nova Scotia	35,887	35,634	0.7%
Prince Edward Island	3,803	3,680	3.3%
Newfoundland & Labrador	13,926	13,853	0.5%
Atlantic	81,902	81,519	0.5%
Canada	1,043,007	1,024,723	1.8%

QUOTA PERIODS

	from	to	Allocation (Mkg evis)	Production (Mkg evis)	Quota Utilization
A-115	December 30, 2012	- February 23, 2013	155.4	158.4	102.0%
A-116	February 24, 2013	- April 20, 2013	158.5	159.6	100.7%
A-117	April 21, 2013	- June 15, 2013	166.3	166.0	99.9%
A-118	June 16, 2013	- August 10, 2013	163.3	160.9	98.5%
A-119	August 11, 2013	- October 5, 2013	160.9	160.5	99.8%
A-120	October 6, 2013	- November 30, 2013	158.2	160.2	101.3%
A-121	December 1, 2013	- January 25, 2014	155.0	155.1	100.1%

increase in the first half of the year was due to allocations that were set higher than production the year before and overproduction in allocation periods A-115 and A-116, the first two periods of 2013. The allocations for the summer, periods A-117 through A-119, were somewhat under-produced, and actual production in the last two periods was higher than the number of kilograms allocated.

Production under CFC's market development program increased by 6% (2.5 Mkg) to 43.2 Mkg in 2013, the first increase after four consecutive years of decreases. Domestic production in 2013 increased by 1.6% (15.8 Mkg) to 999.8 Mkg.

Producer Prices

The average Canadian producer price in 2013 was \$1.710 per kilogram live weight.

While this was 3.2 cents higher than the average in 2012, the producer price witnessed a clear downward trend from the peak live price of \$1.822 in the last period of 2012.

The producer price in the first period of 2013, A-115, was the highest of the year at \$1.752. Prices declined gradually for the next few periods with a single bump in period A-119 to \$1.738. Good crop growing conditions in most of North

America resulted in an abundant corn and soybean crop, alleviating the very tight corn and soybean supplies from the 2012/2013 crop year. Producer prices resumed their downward trend accordingly during the remainder of 2013 and ended the year at \$1.610, 21.2 cents lower than the end of 2012.

Wholesale Prices

2013 was a year with two faces for wholesale prices. The first half of the year saw prices that were significantly higher than in previous years, but took a downturn in the second half of the year. The average wholesale price (market composite) in 2013 was \$3.50, almost identical to the average of \$3.51 in 2012, reaching its highest point at \$3.67 in early July and falling to a low of \$3.12 in late December. Canadian wholesale prices are compiled by EMI (Express Market Inc.).

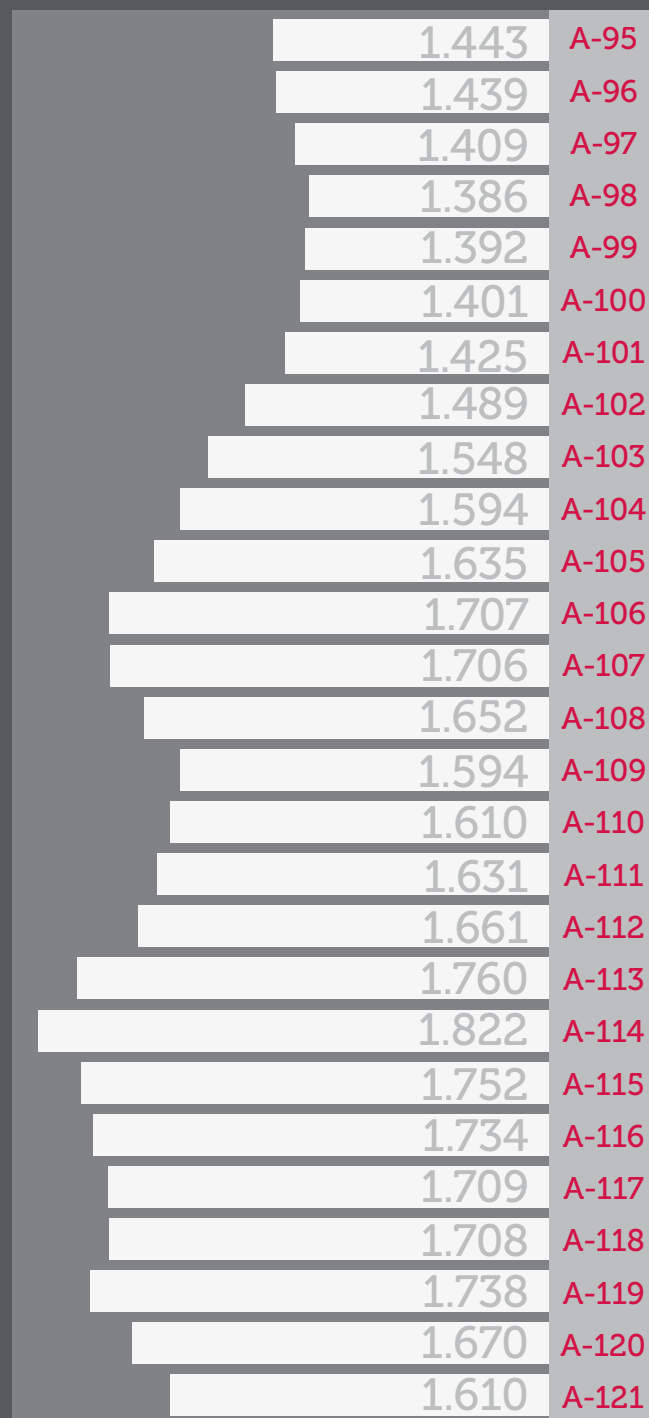
Looking at individual cuts, wing and leg prices were on average lower in 2013 than in 2012 when both cuts performed very well. The average wing price in 2013 was \$5.02 compared to \$5.27 in 2012, and leg prices averaged \$2.92 in 2013, seven cents less than in 2012. South of the border, wing prices were much lower than the record high prices of 2012 when prices peaked due to strong demand and decreased supplies. Canadian breast meat prices tracked the U.S. breast meat prices closely in 2013, beginning the year low before peaking in the summer months and falling again towards the end of the year.

Retail Prices

The Consumer Price Index (CPI) as reported by Statistics Canada for fresh and frozen chicken – the only publicly available indicator for national chicken retail prices – continued its moderate growth in 2013. The CPI for chicken in 2013 increased to 146.6 compared to 144.1 in 2012, representing an increase of 1.8%. The chicken prices at the retail level were higher in the second half of the year than in the first six months of 2013.

(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).

CANADIAN WEIGHTED AVERAGE PRODUCER PRICE (\$/KG)



In comparison, the consumer price index for all items combined, better known as “the cost of living index”, in 2013 rose 0.9% and the specific CPI for all food items was 1.2% higher than in 2012.

According to the same data series, the price increases at the retail level in 2013 for both beef (2.9%) and pork (2.4%) were higher than for chicken (1.8%), mainly due to a reduction in North American red meat supplies. Prices for other meats, turkey and seafood also increased at rates higher than chicken (2.7% and 2.3%, respectively).

Imports

According to reports from Foreign Affairs, Trade and Development Canada (DFATD), a total of 120.3 Mkg of chicken was imported into Canada during 2013. DFATD is responsible for issuing import permits for chicken and products made primarily of chicken. Under Canada’s NAFTA obligations, the tariff-rate quota (TRQ) is set at 7.5% of chicken production in the previous year.

The TRQ for 2013 was calculated as 77.7 Mkg; 0.7 Mkg more than in 2012. According to preliminary 2013 year-end statistics, a total of 81.5 Mkg of chicken and chicken products was imported under the TRQ. Global imports equalled 75.8 Mkg, and imports under the “Imports to compete” program were 5.7 Mkg, 1.3 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. In total, global imports and imports to compete combined were 81.5 Mkg, representing 7.8% of previous year’s production. The TRQ for 2014 will be 78.8 Mkg, up 1.1 Mkg from the year before.

In 2013, chicken parts (bone-in and boneless) accounted for 73.8% of all TRQ imports, 4.4% less than 2012. Further processed chicken imports accounted for 25.9% of all TRQ imports while only a very small amount of whole eviscerated chicken was imported. No live chicken was imported in 2013 under

the TRQ. As in the past, the U.S. was the largest supplier of chicken products imported under the TRQ with a total of 55.4 Mkg (73% of the total global imports) and a total value of \$151.6 million. Global imports from Brazil totalled 13.1 Mkg (17%) for a value of \$43.3 million. The other countries of origin in 2013 were Thailand at 6.8 Mkg (\$19.6 million), Chile at 0.3 Mkg (\$1.0 million), and small quantities from Germany, Israel and Cyprus for a combined quantity of 0.3 Mkg and value of \$1.2 million. The total value of all products imported under the TRQ was \$216.7 million, \$3.5 million (1.6%) less than 2012.

IMPORTS

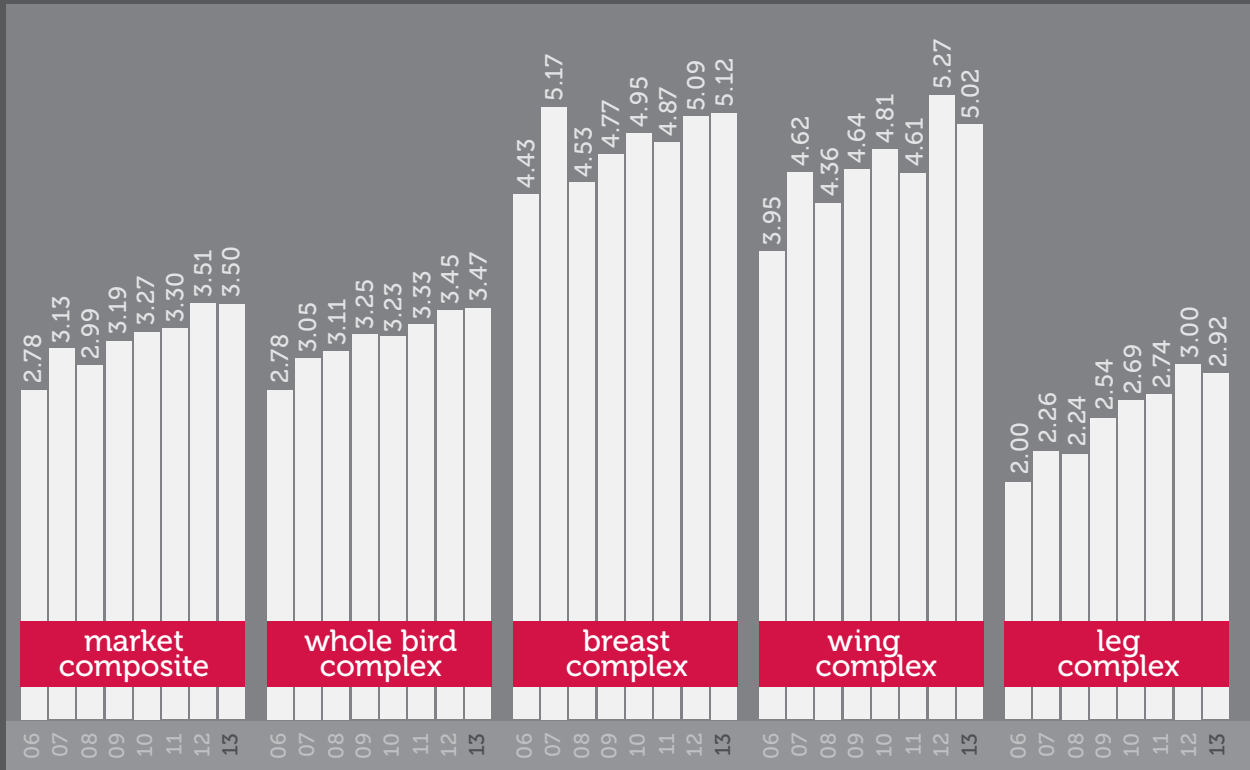
	2013	2012	% Change
Global Imports	75,772,286	75,542,447	0%
Imports to compete	5,731,405	4,463,689	28%
Imports to re-export	38,841,443	73,253,388	-47%
Special Imports	0	0	-
Imports for market shortage	3,185	0	-
TOTAL	120,348,319	153,259,524	-21%
Imports of Spent Fowl	97,212,521	105,973,988	-8%

Source: DFATD, AAFC

DFATD also issued additional import permits under the “Import to re-export” program (IREP). 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 2013, a total of 38.8 Mkg was imported under this program, 34.4 Mkg (47%) less than in 2012. The significant decrease in imports under this program is largely the result of the more stringent rules and controls around the program put in place by DFATD. However, chicken imports under the Canadian Border Services Agency’s Duties Relief Program in 2013 at 61 Mkg eviscerated weight increased more than three-fold compared to 17.7 Mkg in 2012, more than offsetting the decrease in imports under the IREP program. For more, see pages 43-44 (Import Controls).

In 2013, CFC received three requests, for a total of 98,150 kg, for supplementary imports for market shortages. One supplementary import permits was issued for a total of

ANNUAL AVERAGE WHOLESALE PRICE, \$/KG (SOURCE: EMI)



3,185 kg of boneless parts. CFC received an additional two sourcing requests from non-ICL manufacturers for dark meat that could not be supplied by CFC’s Market Development Policy. A total of 144,884 kilograms eviscerated equivalent was issued in 2013.

The imports of spent fowl continued to be very large in 2013. According to AAFC data, 97.2 Mkg of spent fowl products were imported into Canada in 2013, 8.8 Mkg less than in 2012 but almost 15 Mkg more than in 2011, and exceeding the amount of chicken imported under the TRQ by 15.7 Mkg. The amount of imported spent fowl represents close to 10% of Canada’s chicken production. The 8% decline in spent fowl imports in 2013 matches the decline in spent fowl slaughter in the U.S. Because spent fowl is not currently subject to the TRQ, it is impossible to predict or limit the volume imported through this loophole. For more, see pages 40-41.

Exports

Based on Statistics Canada export data, approximately 150.2 Mkg of Canadian chicken was exported in 2013, up 6.5% compared to 2012. The primary destination for Canadian chicken and chicken products in 2013 continues to be the U.S. with 61.5 Mkg, 3.5 Mkg more than 2012 and accounting for 41% of all exports. Second was Taiwan, which imported 23.9 Mkg, 4.7 Mkg more than in 2012. The other eight countries in the top ten destinations for Canadian chicken were Philippines, Cuba, Hong Kong, Gabon, Benin, Tajikistan, South Africa, and Equatorial Guinea. In 2013, exports to Tajikistan tripled compared to 2012, and exports to Taiwan and Gabon also increased substantially. Shipments to Hong Kong and South Africa saw significant decreases in 2013 compared to previous years. According to the same data, the value of Canadian chicken exports increased from

\$323 million in 2012 to \$362 million in 2013, a 12% increase. Exports to the U.S. alone in 2013 are estimated at \$247 million; 13% more than in 2012 and accounting for over two-thirds of the total export value in 2013.

Storage Stocks

Frozen chicken inventories started 2013 at 34.9 Mkg and ended the year at 37.3 Mkg, representing a 2.5 Mkg (7%) increase. Overall, inventories were up significantly from 2012 when stocks were the lowest in several years. Stocks were stable around 36 Mkg for most of the year, but increased to close to 40 Mkg at the end of 2013. The bulk of the increase was in the breast meat and wing categories.

Examining the 2013 frozen inventories by category, inventories of whole birds, cut-up and further processed chicken all increased while stocks of miscellaneous chicken saw a small decrease. Cut-up chicken inventories increased by 1.7 Mkg (10%), further processed chicken inventories by 0.7 Mkg (5%), and whole bird stocks by 0.1 Mkg (25%). Stocks of miscellaneous chicken, which

include products such as MSM (mechanically separated meat), giblets, skin and feet, fell by 0.1 Mkg (3%).

Within the cut-up chicken category, both legs and breast meat inventories increased in 2013, while wings and other cut-up chicken stocks decreased. Legs and breast meat stocks increased by 0.5 Mkg and 1.7 Mkg, respectively (12% and 36%), and wings and other cut-up chicken inventory decreased by 0.4 Mkg and 0.1 Mkg (9% and 6%).

Within the further processed category, stocks of further processed boneless breasts grew by 0.8 Mkg (45%) in 2013, while frozen inventories of other further processed products (including tenders, strips, nuggets, patties and cooked wings) did not change.

Interprovincial Movement

CFC monitors the number of live chickens that move in 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) decreased in 2013 by 50.8 million kilograms live weight. ■

INTERPROVINCIAL MOVEMENT OF LIVE CHICKENS (IN KILOGRAMS LIVE WEIGHT)

Province	2013		2012	
	To	From	To	From
British Columbia	-	-	-	-
Alberta	-	-	-	-
Saskatchewan	-	2,608,000	-	3,304,000
Manitoba	2,608,000	-	3,304,000	-
Ontario	1,221,000	17,032,000	20,760,000	30,753,000
Quebec	21,602,000	29,235,000	69,076,000	38,455,000
New Brunswick	45,818,000	4,439,000	31,532,000	27,699,000
Nova Scotia	4,300,000	17,036,000	1,655,000	21,109,000
Prince Edward Island	-	5,199,000	-	5,007,000
Newfoundland & Labrador	-	-	-	-
Total	75,549,000	75,549,000	126,327,000	126,327,000

The movement of live chickens between provinces decreased in 2013 by 50.8 million kilograms live weight. This is explained by an overall decrease in movement between Ontario and Quebec and an increase in movement between New Brunswick and Quebec.

24378	1.00
26852	0.00
23386	46.00
510515	0.00
506781	0.00
92001	0.00
95001	0.00
94011	0.00
514278	0.00
518003	99.00
534941	0.00
90010	20.00
	0.00

MONITORING & ENFORCEMENT

Auditing the System

In 2013, staff completed the audits of provincial commodity boards for compliance with Chicken Farmers of Canada (CFC) policies and regulations. These audits included periods A-110 to A-113, which were initiated in 2012, and periods A-114 to A-117. CFC's external auditors completed the audits of processors from period A-110 to A-113 and A-114 to A-117.

The audit report of periods A-110 to A-113 was presented to Directors in May 2013 and the audit report of periods A-114 to A-117 was presented in November 2013.

Overmarketing Assessment

During the audit period A-114 and A-115, three provincial commodity boards were assessed overmarketing levies totalling \$216,960. During the audit period A-116 and A-117, two provincial commodity

boards were assessed overmarketing levies totalling \$136,409. The report was presented and approved by Directors in November 2013 and the levies were subsequently paid.

Market Development

A primary processor marketed production it received other than in accordance with the CFC Market Development Policy from period A-103 to A-105 and was assessed levies of \$181,539. In May 2013, the Board of Directors issued a final assessment determination. In July 2013, the Board of Directors approved the processor's request to pay the levies over twelve months plus interest at prime + 1%. CFC received the 2013 monthly installments and outstanding levies will be paid by May 2014.

During periods A-117 and A-118, a primary processor marketed production it received other than in accordance with

the CFC Market Development Policy and was assessed levies of \$14,666 and \$16,020, respectively. During period A-118, another primary processor was assessed levies of \$8,945 for marketing in contravention to the Market Development Policy. Those levies were received in 2013.

Inter-Period Quota Transfers

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

In 2013, CFC received one inter-period quota transfer request of 111,811 kilograms live weight. In comparison, there were no requests received in 2012. ■



WHAT MATTERS TO US



Government Relations

Spent Fowl

International Trade

Outreach & Communications

Public Relations



GOVERNMENT RELATIONS

Government relations is a high priority for Chicken Farmers of Canada. Our mandate is to ensure that the voices of our farmers are heard, both domestically and internationally, before important agriculture and trade policy decisions are made.



Our primary government relations goals are to increase our profile with decision makers so that the chicken industry is fully engaged in the development of policy that impacts the chicken industry; we seek to participate in legislative processes and ensure that all programs and regulations are being followed and enforced for domestic production, imports and exports. Our long term goals are to:

- Work with government to solve our critical priority issues;
- Counter negative perceptions that may exist about Chicken Farmers of Canada, supply management and industry issues;
- Stay well-informed on the overall direction of government, public policy, and programs that could affect the industry;
- Build and maintain key relationships with officials that Chicken Farmers of Canada can count on in a time of crisis; and

- Build on Chicken Farmers of Canada's reputation with government decision makers as a responsible industry.

Key Meetings and Discussions

PRE-BUDGET ROUNDTABLE SESSIONS
Each year leading up to the federal budget, Chicken Farmers of Canada monitors the pre-budget process, and provides input into the consultative sessions, either in person or in writing. This is when the government seeks input into the Economic Action Plan decision-making process. A series of roundtable discussions are held across the country by the Minister of Finance, Jim Flaherty, the Minister of State (Finance), Kevin Sorenson, and the Parliamentary Secretary, Andrew Saxton.

On November 22nd, Chicken Farmers of Canada travelled to Moncton, New Brunswick to participate in the Minister Sorenson's pre-budget

consultations and to provide Chicken Farmers of Canada's input to the discussions.

House of Commons Agriculture Committee

On May 30th, Chicken Farmers of Canada appeared before the House of Commons Standing Committee on Agriculture and Agri-Food on animal welfare.

On November 25th, Chicken Farmers of Canada met with Bev Shipley, Ontario MP for Lambton—Kent—Middlesex, who had recently been elected as the new Chair of the House of Commons Standing Committee on Agriculture and Agri-Food. The main goal of the meeting was to provide Mr. Shipley with an overall briefing on the chicken industry in Canada, Chicken Farmers of Canada's organizational structure, how we set allocation, and our supply chain. We also took the opportunity to thank the government for their continued support of supply management, while noting some of our concerns around specific provisions of the agreement in principle on CETA. Imports and spent fowl in particular were also discussed and Mr. Shipley indicated his interest in learning more about the issue in a follow-up meeting.

Lobby Day

Chicken Farmers of Canada held its annual lobby day on May 9th to advance issues on behalf of Canada's chicken farmers and the Canadian chicken industry. Our members met with 56 meetings with MPs and Senators in Ottawa and a further 24 meetings more took place shortly

Chicken Farmers of Canada uses a collaborative approach in its relationships with elected and non-elected officials, and industry partners.

after in ridings. That's a 14% increase over the previous year and represents about 20% of MPs and Senators.

Chicken Farmers of Canada's directors, alternates, staff, and provincial board representatives brought forward a range of issues including supply management, trade, import controls, antimicrobial resistance, on-farm food safety, and animal care. However, there was a clear focus on raising awareness about the critical issue of spent fowl imports, which are putting the system and the industry at risk.

Conservative Party Convention

Chicken Farmers of Canada Chairman Dave Janzen and staff attended the 2013 Conservative Policy Convention held in Calgary from October 31st to November 2nd.

A contentious policy motion on Supply Management was brought forward in the economic policy session by the Electoral District Associations of Medicine Hat, Edmonton—Mill Woods—Beaumont, Calgary Southeast, and Calgary—Nose Hill. It recommended a change in wording (and policy) that would move Conservative Party support away from supply management and towards a transition to something new.

The motion was opposed by the Minister of Agriculture, Gerry Ritz, and a group of Ontario MPs, including Gary Schellenberger. Minister Ritz was the first to speak and came out very strongly against the motion. He defended supply management and stated that it does not stifle innovation, is not a barrier to trade, and is not responsible for inflated prices. Many other MPs also spoke in support of supply management and voted

against the motion, including the Minister of International Trade, Ed Fast.

In the end, the motion was voted down 182 to 42, dying in the economic session before it could make it to the Policy Plenary Floor.

November Reception

As part of Chicken Farmers of Canada's ongoing government relations program, the Board of Directors hosted its Annual Parliamentary Reception at the Fairmont Château Laurier in Ottawa on November 28th. The invitees included Members of Parliament, Senators, political and departmental staff, and industry partners. The Honourable Ed Fast, Minister of International Trade, and other key Ministers were in attendance, as were members of both the House and Senate Committees on Agriculture and Agri-Food and International Trade. Other guests included political staff and representatives from the Canadian Food Inspection Agency and Agriculture and Agri-Food Canada.

In his address to the attendees, Dave Janzen, Chicken Farmers of Canada Chairman, took the opportunity to highlight that Canada's chicken industry is a Canadian success story – a good choice for Canada, and a good choice for Canadians. Mr. Janzen also thanked the government for its ongoing support for supply management and addressed concerns regarding spent fowl imports and imports of chicken falsely labelled as spent fowl.

This year, a short, new video was aired, highlighting some quick facts and figures about the Canadian chicken industry as well as some of our key messages; the video will be featured on the chickenfarmers.ca website which is being revamped for launch early in 2014.



Another new project was unveiled at the November reception. Chicken Farmers of Canada commissioned the construction of a model barn and a display to describe living conditions in the barn, how we raise our birds, biosecurity, ventilation, and other food safety and animal care program requirements. The model was a hit and drew many reception guests into detailed discussions about the industry.

The scale model is based on a barn from Chilliwack, B.C., provides insight into the workings of a chicken barn, and serves as a physical showcase for the high level of care and handling that Canada's chicken farmers follow.

Several new pop-up banners were also printed to help tell the good news story about Canadian chicken and why it is a good choice for Canada and a good choice for Canadians.

Spent Fowl

The key focus of our ongoing government relations efforts in 2013 was on resolving the critical issue of spent fowl imports. In addition to focusing the lobby day on spent fowl, we sought government action through numerous meetings, briefings and committee presentations throughout the year.

The Minister of Agriculture and Agri-Food, the Hon. Gerry Ritz was diligent in encouraging fellow ministers and senior bureaucrats to work on finding and implementing resolutions to this serious issue. CFC representatives met with the Canadian Border Services Agency, International Trade, Health, Finance, the Canadian Food Inspection Agency, and Agriculture and Agri-Food Canada. ■

SPENT FOWL

.....

Spent fowl is old laying and breeding hens that are a by-product of the egg-laying process. Unlike young chicken meat, there are no limits to how much may be imported. However, all spent fowl may still be labelled as chicken for consumers.

There continues to be excessive imports of spent fowl into Canada. Canadians have noticed and 74 % of them want spent fowl to be clearly labelled. Chicken Farmers of Canada has been working diligently on this issue over the past couple of years to resolve it, for our farmers, for our industry and for Canadians.

In 2013, Canada imported 97.2 million kgs of spent fowl meat from the U.S. This represents almost 10% of the Canadian chicken production and is a considerable loss to the Canadian economy. It prevents the creation of 8,900 jobs and over \$590-million lost from Canada's GDP.

Furthermore, there is clear evidence of fraudulent chicken imports under the guise of spent fowl. By mid-2013, fowl imports to Canada reached 112% of U.S. spent fowl production. This meant that Canada was importing more spent fowl breast meat than was being produced in the entire U.S. and that no spent fowl was consumed in the U.S. At a bare minimum,

if the fraudulent imports were limited to just this additional 12%, it would represent a loss of \$66 million in tariff evasion.

Given this significant negative impact on the Canadian chicken industry, Chicken Farmers of Canada has been working diligently with industry and government partners to crack down on fraudulent imports and products that are intentionally being used to circumvent the import control pillar of supply management.

Chicken Farmers of Canada called for:

1. the Canadian Food Inspection Agency (CFIA) to implement a mandatory certification process to avoid the mislabelling of imported chicken;
2. the Canadian Border Services Agency to classify blended products as chicken because there is no test to distinguish spent fowl meat from broiler chicken meat, and the content of blended products cannot be verified; and
3. the CFIA to require truth in labeling to inform consumers; spent fowl is not chicken and carries egg allergy risks. Consumers do not know if they are buying spent fowl because it is all labeled as chicken.

The issue was front-and-centre throughout the year. We raised it at the Border Measures Consultative Committee in April. It was the single critical issue raised during our May 9th Lobby Day. We also raised it directly with Minister Ritz during the FPT meeting in July. Meetings were held throughout the year with officials and Ministerial staff at AAFC, DFATD, Finance, CFIA and CBSA. A key element of our efforts was awareness building of the issue. To this end, a booklet was created to educate stakeholders and key government representatives on the issue and ads were placed in industry publications to draw attention to the ramifications of the issue. It was also a focal point of the November 2013 reception and the issue will continue to challenge the industry into 2014. ■

INTERNATIONAL TRADE

Trade rules are critical to the Canadian chicken industry so that we can maintain the three essential pillars of supply management: producer pricing, production discipline and import controls.

It is of paramount importance that the federal government ensures that supply management is maintained through all bilateral, regional or multilateral trade agreements.

Chicken Farmers of Canada (CFC) supports Canada's balanced trade position that allows for market access gains for all Canadian agriculture while preserving the integrity of Canada's supply management systems. In this regard, we work collaboratively with our national and provincial poultry, dairy and egg colleagues to monitor all these initiatives closely.

Whether under the WTO or the Trans-Pacific Partnership (TPP), we stand by the fact that we are already the 15th largest importer of chicken in the world. To put that into context, New Zealand blocks all chicken imports. We stand head and shoulders above many TPP members; in fact Canada imports more chicken than 6 of the other 11 TPP members (Australia, Brunei, Malaysia, New Zealand, Peru, and the U.S.) - combined.

World Trade Organization

The WTO Ministerial Conference took place December 3–7 in Bali, Indonesia. Twelve years after the launch of the Doha Round members were finally able to reach a partial agreement. The Bali-package is not a comprehensive agreement but serves notice that some progress is being made and that the WTO is not dead after many years of stalled negotiations.

The so-called Bali Package consisted of 10 decisions in the areas of trade facilitation, issues related to agriculture, and development

issues targeting primarily least-developed countries (LDC):

TRADE FACILITATION

- Agreement on Trade Facilitation

AGRICULTURE

- General Services
- Public Stockholding for Food Security Purposes
- Understanding on Tariff Rate Quota Administration Provisions of Agricultural Products
- Export Competition – Draft Ministerial Declaration
- Cotton

DEVELOPMENT AND LDC ISSUES

- Preferential Rules of Origin for LDC
- Operationalization of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of LDC
- Duty-Free and Quota-Free Market Access for LDC
- Monitoring Mechanism on Special and Differential Treatment

Of most importance to CFC was the decision on the understanding on TRQ Administration. The aim of the decision is to improve the utilization of tariff rate quotas and to increase transparency through the notification process. The decision provides for the implementation of an under-fill mechanism to ensure a minimum fill rate of 65%. Where fill rates are below 65% for two consecutive

years, or where no notifications have been received for two consecutive years, the mechanism provides for a consultation process that could eventually result in a change of administrative method including the administration of the TRQs on a first-come first-serve basis. Considering the high fill rates reported by Canada with respect to the supply managed TRQs, the proposal is supported by Canada. In CFC's view, TRQs are a legitimate trade policy instrument designed to provide predictable and consistent market access.

On export competition, there is no end date to proceed with the full parallel elimination of all forms of export subsidies as per the objective set out in the 2005 Hong Kong Ministerial Declaration and it is clearly a question that will be addressed as part of the post-Bali work program.

It was agreed that developed-country Members shall seek to improve their existing duty-free and quota-free coverage for at least 97% of products originating from LDC. Again, this is a reiteration of the decision initially taken in Hong Kong in December 2005. This decision has no impact on Canada which already provides duty-free quota-free access to more than 97% of products originating from LDCs.

The Bali agreement may serve as an important stepping stone towards tackling the remaining issues of the stalled Doha Round. By adopting it, Members have reaffirmed not

just their commitment to the WTO, but also to a renewed pledge to deliver on the Doha Round. Completing the DDA is still far from being an easy task though, given the number of challenging topics contained in the revised 2008 draft modalities text (Rev 4) which continues to be the version being discussed.

Bilateral and Regional

Canada worked extensively on two bilateral and regional trade agreements in 2013. The Comprehensive Economic and Trade Agreement (CETA) is a free trade agreement between Canada and the European Union. The agreement in principle was signed on October 18, 2013 by Prime Minister Stephen Harper and José Manuel Durão Barroso, president of the European Union.

The EU and Canada recognized early in the negotiating process that there was no commercial interest in poultry meat or eggs. Despite this, CFC finds the market access concessions granted to the European Union for fine cheese troubling, given that the government was unable to conclude the CETA using the same successful model employed in previous trade agreements – ones that achieved substantial market access gains for Canadian agriculture while preserving the integrity of Canada's supply management systems.

Canada's dairy farmers spoke out vigorously against the deal and the increase in cheese

imports. The full economic impact remains to be seen, but the Canadian government has promised compensation to address any adverse effects.

The Trans-Pacific Partnership (TPP) is the other major trade agreement that Canada is pursuing. Canada and the other 11 members (Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam) met regularly in 2013 and concluded the year with a meeting of ministers and chief negotiators in Singapore. Although nobody truly believed an agreement could be reached in 2013, until the last minute, members claimed they were pursuing that goal.

The lack of an agreement came as little surprise to most observers, given the number of outstanding issues that are still considered far from being resolved. Ministers stopped short of setting a new deadline to conclude the talks, which are bogged down on items such as intellectual property (IP), state-owned enterprises (SOEs), and market access. Despite these difficulties, Members are still aiming for an agreement in the very near term.

CFC closely monitored these trade negotiations in collaboration with our colleagues from the poultry, dairy and eggs sectors, and has been in constant communication with Canadian negotiators. As things slowed down in Geneva, our correspondent in Geneva shifted focus more to the Canada-EU CETA and to the TPP talks. We jointly publish a weekly international trade newsletter titled *Geneva Watch*, which covers the main trade negotiations.

World Farmers' Organization

WFO, the World Farmers' Organization, is an international organization of farmers, for farmers, which aims to bring together all the national producer and farm cooperative organizations with the objective of developing policies which support farmers in developed and developing countries around the world. The WFO was launched in 2011, as a replacement for the former International Federation of Agricultural Producers, and has a mandate of addressing global food security concerns.

Canada's Canadian Federation of Agriculture (CFA) is a member and current CFA President, Ron Bonnett, sits on the WFO Board. The WFO Policy on International Trade, which has been endorsed by its 50 member countries representing all continents, reinforced the need to properly balance enhancing domestic production while preventing the distortion of export markets.

The policy calls for increased trade and a reduction of protectionism while also embracing the right of countries to take what measures are deemed necessary to promote their food systems and food sovereignty:

“All countries must have the right to define their own domestic agricultural policy in order to ensure that the major concerns of their citizens are met.”

“Trade rules should also permit domestic policy measures which promote stability of supplies such as safety nets, orderly marketing and supply management.”

The organization has a balanced position, much like Canada's, which takes into account a range of views from farmers in different circumstances in countries ranging from developed and developing to least developed. The key for the WFO is ensuring that farmers are consulted before international policies are developed that affect them.

Import Controls

The access volume for chicken continued to be a concern in 2013. Although Canada's international market access commitment for chicken was set at 77.7 million kilograms (Mkg) representing 7.5% of the previous year's production, 81.5 Mkg of chicken were imported under the tariff rate quota (TRQ), resulting in an access level of 7.9%. Those additional imports reduce the opportunities for additional Canadian chicken production and the related economic benefits through every level of the supply chain.

These additional import allocations were generated by manufacturers of further processed products not subject to import controls (Non-ICL). This shows once again the importance of modifying the specially defined mixture rule, also referred to as the 13% rule, which allows products containing 87% or less chicken to not be subject to import controls. Obviously, such a high threshold leads to abuses and products are being designed to meet this generous rule and then circumvent the TRQ.

The alignment of the Canada Customs Tariff to the Canadian WTO Schedule definition was identified as a solution in the 2011 joint government-industry Chicken Imports Working Group report, but we are still waiting for implementation. Such a modification would reduce the pressure on the TRQ allocation, allow Canada to no longer exceed its international obligations, and generate additional economic activity and jobs for Canadians.

The Minister for International Trade some significant and positive changes to the import to re-export program (IREP) and its use declined from 73.2 Mkg in 2012 to 38.9 Mkg in 2013. The Minister of International Trade agreed with the Tariff Rate Quota Advisory Committee (TQAC) to no longer allow marinated products under the IREP, effective June 1, 2014.

The sharp increase in the volume of marinated chicken products under the IREP, associated with the impossibility to verify with confidence that program criteria were being respected, were clear signs that action had to be taken. The diversion of products into the Canadian market instead of being re-exported resulted in unfair competition for Canadian farmers and processors and caused distortion of the marketplace. Chicken Farmers of Canada applauded the decision to exclude marinated products and encourages similar actions if any other elements of IREP prove to be difficult to verify.

The tightening of the IREP criteria and verifications encouraged some applicants to move to the Duties Relief Program (DRP), a similar program administered by the Canadian Border Services Agency. Volumes of chicken imported under the DRP grew from 2.1 Mkg in 2011 to 17.7 Mkg in 2012 and to 61 Mkg in 2013, which is a significant cause of concern

for the industry. The DRP offers a four-year timeframe to re-export and is not designed for agriculture goods. It is obviously a duplication of programs and an inconsistency between government departments. Concerns have been raised by Chicken Farmers of Canada and by many industry stakeholders on the inadequacy of the DRP for chicken products and we have requested that chicken products be only allowed under the IREP. ■

OUTREACH & COMMUNICATIONS

.....

Branding Strategy Update

Chicken Farmers of Canada (CFC) continues to make significant progress on its branding strategy for fresh Canadian chicken at retail. In 2011, Directors approved an action plan to develop a branding strategy for Canadian chicken.

After significant work through 2012, Directors approved the business case and the marketing plan for the branding strategy in March 2013. The final piece of the process was to approve funding for the strategy, which was accomplished in July. Directors approved initial funding for development over the 2nd half of 2013 and implementation in 2014 and 2015.

Through major industry and retail consultation, CFC determined points of alignment on a cohesive branding strategy that would grow the market for Canadian chicken. As a result, the brand strategy was designed for fresh Canadian chicken, at retail, to capitalize on Canadians' already positive view of Canadian farmers, and to focus on the importance of a Canadian identity.

The strategy is to convey that Canadian chicken farmers contribute to a healthier diet for Canadian families with fresh, nutritious chicken (which is low in fat and healthy). A cornerstone of the strategy is a logo indicating that the chicken comes from Canadian farmers.

Throughout 2013, CFC secured approval in principle from several major grocery retailers to participate in the national branding program and sought feedback on a draft

Colonel Hadfield and his family developed the “Back to Earth” chicken sandwich for the Great Canadian Chicken BBQ.

Licensing Agreement. In early 2014, contract negotiations will be initiated with interested processors and retailers.

The claim has been finalized: “Raised by a Canadian farmer™” and three logo designs will be tested among Canadian consumers in January 2014 to determine the ‘winning’ design. The claim and logo will be incorporated in retailers’ and processors’ private label offerings; in some cases, this will be a new feature, and in others, it will replace existing country of origin/Canadian/local claims.

The brand will be supported by a strong national traditional and digital marketing strategy as well, in English and French, which will see three major waves of TV and Magazine advertising including consumer contest prize commencing in the late spring (in time for BBQ season), early fall and early winter periods. These three time periods correspond with grocery retailers’ major consumer merchandising periods. The digital soft launch of the brand will begin in February 2014 – with a long-term, large scale online and social media blitz with messaging and promotion of the new logo and brand. The development of a customer mobile phone app is even included with this plan.

The launch will also be supported with materials and programming, and the logo and claim will be featured in some participating retailers’ weekly flyers.

Agreements will start being signed by the end of January 2014 and many partners will be running down existing label inventory will begin February/March, making way for our new logo to be incorporated.

Canada Day

Chicken Farmers of Canada celebrated its 21st year as the National Sponsor of Canada Day in the Capital on July 1, 2013. To celebrate with a bang, Colonel Chris Hadfield and his family were asked to develop a recipe that would be served to the thousands of hungry fans that celebrate Canada Day in downtown Ottawa.

Fresh from his mission as Commander of the International Space Station, Colonel Hadfield and his family developed the “Back to Earth” chicken sandwich for the Great Canadian Chicken BBQ, which is held in Major’s Hill Park.

The Back to Earth sandwich featured a 5 oz. grilled chicken breast marinated in lemon, garlic and pepper, orange juice, brown sugar, thyme and more!

Almost 10,000 fresh Canadian chicken breasts were seared to perfection at just one of the activities that visitors can participate in as they celebrate in the Chicken Corner of the park.

“It gave us great pride to serve the Hadfield family recipe as part of our Canada Day festivities,” said Dave Janzen, Chair of CFC. “Commander Hadfield’s family background is in farming, and his recent journey into space

has inspired Canadians from coast to coast – frankly, I can think of no better way to celebrate!”

As a part of our corporate social responsibility, we provide the Ottawa Food Bank with \$0.50 from each sandwich and salad purchase. This year, proceeds from the sales and additional donations collected on Canada Day, totalling \$4,147, were given to the food bank.

Health Communications

Consumer health and their interest in making healthy food and lifestyle choices continue to be big drivers of Chicken Farmers of Canada’s outreach. Health attributes have been a major emphasis as we strive to educate consumers about the health benefits of chicken. These outreach activities are carried out through the promotion of online and print resources at health conferences and trade shows, and through social media.

Here are some of the conferences and festivals that Chicken Farmers of Canada attended or provided materials to:

- The National Women’s Show (Toronto and Ottawa)
- Dietitians of Canada’s Annual Conference (Victoria)
- Canadian Diabetes Association Professional Conference (Montreal)
- Ontario Society for Health & Fitness Annual Conference (Thornhill)
- Canadian Western Agribition (Saskatoon)
- Russell Fair (Russell)

Chicken Farmers of Canada also continues to write and solicit health and nutrition content for the monthly newsletter, the health section of the website, and the blog. These articles are resources that newsletter subscribers and visitors to the website can refer to in order to help them make healthy lifestyle and food choices, or just to see what other people have tried as part of their own healthy lifestyles.

NUTRITIONAL FACTSHEET SERIES

There continues to be strong demand and uptake for these nutritional tools that were created for free distribution by health professionals.

Chicken Farmers of Canada has been working closely with dietitians to enhance its two main sources of print material, namely its recipe booklet and nutritional factsheet series. There are now 12 nutrition factsheets in the series, as well as a snack and beverage, and weekly food journal. These are useful clinical aids and educational tools for those looking to change their eating habits and achieve a healthier lifestyle. Registered dietitians, nurses, pharmacists, nutritionists and other health professionals have been ordering these patient resources.

The factsheets are also available for provincial boards and consumers to view or download on our patient resources page: chicken.ca/health/patient_resources.



Partnership with Swimming Canada

Chicken Farmers of Canada made a significant contribution to the sport of swimming in Canada. We partnered with Swimming Canada to create a positive, consumer identification with fresh, Canadian chicken and the cardiovascular benefits of swimming as a choice of a healthy lifestyle. Swimming Canada recognized the partnership by being the first Canadian sport to name fresh, Canadian chicken “the official protein of swimming in Canada.”

Major activities to raise consumer awareness of the partnership for healthy living included a traditional and social media campaign for a national contest to *Name the Pool Peeps* and the

development and launch of the digital *Team Kitchen* at Swimming Canada's new website "getswimming.ca." The partners also launched a *Swim Parent of the Month* campaign to increase digital traffic at the *Team Kitchen* site and encourage consumers to sign up as a member of the "world's largest swim team."

Swimming Canada also recognized the partnership by providing us prominent visibility with poolside signage, PSAs, video advertisements, a pop-up poster and the distribution of our recipe booklet and promotional stickers at major swimming events. Our health articles were featured in a weekly e-bulletin that reached over 8,000 people including athletes, coaches and the swimming public. Partnership activities will continue in 2014 to include consistent brand recognition throughout all communications and events, at the competitive and recreational levels.

Usage & Attitudes Survey 2013

Canadians surveyed as part of the Chicken Farmers of Canada 2013 Usage & Attitude Survey (U & A) have once again named chicken as their favourite meat!

The survey, conducted every three years, examines consumption and perceptions about general shopping habits, dining patterns and attitudes towards Canadian chicken versus imported product.

Results once again confirm that chicken is tops in the minds of Canadian grocery shoppers and continues to be an important part of their menus. Chicken has been the first choice of Canadians since 2004, when chicken per capita (per person) consumption passed beef for first place, where it has remained ever since.

This year's U & A survey, conducted by Leger Marketing, also reveals that Canadian shoppers believe that it is important for the chicken they buy to be from Canada (88%). This points to the need for more awareness on where our chicken comes from and presents an opportunity to identify the chicken we are buying as Canadian.

Canadian shoppers were very clear in their support for local farmers and choosing chicken produced right here in Canada. Around 81% of those surveyed agreed that it is important that

the Canadian Government actively defend the interests of the Canadian chicken farmers.

The survey took place in late May 2013 with 2,002 participants and is considered accurate within +/- 2.2%.

New Chicken Websites

In order to retain or foster consumers' positive opinion of the chicken industry the chicken-farmers.ca website was revamped at the end of the year and launched early in the new year. By putting more of a face on the industry, and showing our hardworking farmers off in a new way, the site will help visitors "close the gap" and get a better handle on what our chicken farmers do and how they do it.

The website will also promote supply management as the framework that helps our farmers produce Canada's favourite protein and tells the story of why chicken is good for Canada and good for Canadians.

There is also going to be more done to build stronger links between chicken.ca and chickenfarmers.ca, to encourage our consumers to learn more about how their favourite protein gets from a family farm to their plate, to learn about chicken farmers and all the hard work they do to keep chicken healthy and safe.

As the site grows, more and more concrete examples of why Canadians should continue to love and trust our chicken will be uploaded and the site will become increasingly interactive. Another change was to build it on a responsive platform, similar to the chicken.ca website to allow mobile visitors to have better visit through auto page sizing depending on the device they are using. Mobile traffic to our websites has increased by over 300% in the past year and now represents over 46% of total visits.

Chicken.ca continues to be a go-to resource for Canadians as the site is a great resource for recipes, cooking tips, food safety information, meal planning, cooking terms and chicken cuts. Those are some of the top pages and sections that visitors to the site are searching for and then exploring. The top 10 pages for the site are almost all recipe related.

In 2013, the chicken.ca website was completely revamped, making it one of the first agriculture websites that was fully responsive to any device, meaning that all visitors would have an experience that was optimized for the device and display that they were using. Fun content that engages visitors to the site is another means of improving the conversations with consumers. A new Q & A section is under development and it will feature a collection of user questions and the relevant answers.

Social Media

The websites aren't the only tools we're using to reach consumers. Social media, and the relationships built online, continues to be a core focus for Chicken Farmers of Canada. Facebook fans "liked" us past the 4,500 mark in September – the goal for 2013 – and contest and giveaways kept the prize closet door revolving. Those used to be held on Facebook, but new Facebook rules meant we had to move the contests over to our own blog while still being able to promote them on our Facebook page. Despite a concern that this would lead to a drop in participation, the transition went well and it even allows for a greater relationship as visitors to the blog can see all the other great content that is available.

On Twitter, the evening chicken Twitter parties were well attended and averaged an impression reach of 7 million people while the "chicken chats", held during the day, made roughly 3 million impressions. The goals for 2013 were to have 3,000 followers (there are nearly 5,000 at year-end) and to have made 6,000 tweets. Pinterest is another social medium for us and is now one of the top referring sites, usually to our recipes, where our 500+ recipes and high quality photography are a great draw for visitors and their "pins".

Over on YouTube, the online video channel, Chicken Farmers of Canada now have over 145 videos on offer. They range from how-to videos to the new quick introduction to supply management video that was launched at the end of November. There have been over 500,000 views (our goal was 400,000) and there are 382 subscribers to the channel (the goal was 250). ■

PUBLIC RELATIONS STRATEGY

Directors approved the implementation of a public relations strategy aimed at providing accurate, responsive and timely information to consumers and media alike regarding Canada's chicken farmers' contribution to providing safe, healthy Canadian chicken, through its supply management system.

Supply management continues to be a target of unjust media attention, primarily as it relates to international trade negotiations. In the past, this attention has been limited to specific media commentators, economists and other agriculture industries. This coverage has been most pronounced around WTO Ministerial meetings or key negotiating sessions.

Since 2011, there has been an increasing amount of sustained and largely negative attention to Canada's supply management system on a scale to which we are unaccustomed. Due to the widening reach of these criticisms and misrepresentations – due in part to a changing media structure, including the proliferation of social media – Chicken Farmers of Canada finds itself in the position of having to shift into more of an activist role as it has a responsibility to inform and debunk these myths before Canadians adopt these erroneous views of supply management and Canada's chicken industry.

On its own, and together with the other national poultry groups, Chicken Farmers of Canada has committed to working on three initiatives – media monitoring and analysis, drafting media responses, and telling our good news stories. Working work together allows us to make our responses more impactful. Working independently gives us greater flexibility to maintain the confidence of consumers in the Canadian chicken industry.

A principal philosophy, running throughout both the proactive and reactive goals of the strategy, is that public support for our farmers and our system will maintain government support. By ensuring that the public feels positive towards our farmers and our chicken, we help

By ensuring that the public feels positive towards our farmers and our chicken, we help ensure that we have a network of support upon which we can rely.

ensure that we have a network of support upon which we can rely. This requires significant work in order to retain and foster consumers' positive opinion of Canadian chicken.

In 2013, we joined with the other poultry agencies and hired a public relations firm in January to monitor and respond to negative media coverage. Through the year, the poultry agencies had a number of letters to the editor and op-eds published.

In February, a new Public Relations Officer was hired to support this expanded role. The largest initiative of the poultry agencies was participation at the Federation of Canadian Municipalities convention in Vancouver in May. The diner-style booth serving great Canadian poultry offerings was the hit of the trade show. We shared the results of an Egg Farmers of Canada survey of mayors and reeves across the country.

A key finding was that overall, 90 per cent of all respondents said supply management was important to their communities. Eighty per cent of the mayors and reeves polled said that supply management is important to ensure the survival of Canada's family farms; 71 per cent said that opening the borders to imports would put family farms in jeopardy. If the entry of foreign products resulted in lower prices paid to farmers, 74 per cent believe there is no guarantee retailers would pass along any savings to consumers.

The Chicken Farmers of Canada public relations strategy will create a base of support for supply management and Canada's chicken farmers by:

- debunking the myths propagated through various media about supply management
- promoting the direct and ancillary benefits of viable and sustainable chicken farms
- helping consumers to understand the importance and care about Canadian chicken farms
- enhancing our image as farmers, industry and organizations as credible and not simply as defensive of interests
- being proactive in telling the positive supply management story in its entirety
- addressing or challenging reports (national and local press, think-tank publications, blogs, twitter) as they occur in a timely manner

The poultry industry strategy was completed in late-2013 and work on both strategies will continue into 2014 and will dovetail into the new branding strategy for fresh Canadian chicken that is being launched next spring. ■

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, 2013 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 accounting standards for not-for-profit organizations, 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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
February 21, 2014.

BALANCE SHEET

DECEMBER 31, 2013

	2013	2012
ASSETS		
Current Assets		
Cash	\$ 985,459	\$ 1,468,972
Short-term investments (note 4)	2,417,432	3,943,954
Accounts receivable	1,351,203	1,220,478
Government remittances receivable	20,803	7,907
Restricted cash (note 5)	-	235,930
Prepaid expenses	124,048	80,089
	<u>4,898,945</u>	<u>6,957,330</u>
Investments (note 4)	13,133,748	12,334,647
Tangible Capital Assets (note 6)	389,539	443,112
	<u>\$ 18,422,232</u>	<u>\$ 19,735,089</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 897,800	\$ 718,356
Deferred revenue (note 5)	-	235,930
Current portion of deferred lease inducement (note 7)	11,429	12,761
	<u>909,229</u>	<u>967,047</u>
Long-Term Portion of Deferred Lease Inducement (note 7)	97,324	108,752
	<u>1,006,553</u>	<u>1,075,799</u>
Fund Balances		
Internally restricted – Promotion Fund	3,484,639	3,626,412
Internally restricted – Research Fund	5,522,903	5,600,257
Unrestricted – General Fund	8,408,137	9,432,621
	<u>17,415,679</u>	<u>18,659,290</u>
	<u>\$ 18,422,232</u>	<u>\$ 19,735,089</u>

On behalf of the Board:


Barry Uytendaele
Finance Committee, Director

Derek Janzen
Finance Committee, Director

Peter Vale
Finance Committee, Director

(See accompanying notes)

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2013

	2013			2012	
	Promotion Fund	Research Fund	General Fund	Total	Total
Revenue					
Levy and fee revenue	\$ -	\$ -	\$ 6,235,172	\$ 6,235,172	\$ 6,117,215
Interest	74,731	128,307	189,791	392,829	473,323
Overmarketing and market development levies	574,539	-	-	574,539	400,695
Other revenue	-	-	248,501	248,501	171,849
	<u>649,270</u>	<u>128,307</u>	<u>6,673,464</u>	<u>7,451,041</u>	<u>7,163,082</u>
Expenses					
Amortization of tangible capital assets	-	-	81,308	81,308	81,570
Canadian Poultry Research Council	-	150,802	-	150,802	60,000
Committees	-	-	282,539	282,539	314,867
Communication	-	-	433,911	433,911	363,942
Corporate social responsibilities	-	-	56,249	56,249	56,647
Directors and alternates	-	-	1,547,222	1,547,222	1,116,039
Information technology	-	-	281,804	281,804	317,155
Membership fees	-	-	130,801	130,801	131,804
Office	-	-	590,059	590,059	590,940
Professional fees	-	-	582,770	582,770	561,177
Promotion activities	111,833	-	-	111,833	-
Salaries, benefits and travel	-	-	2,704,313	2,704,313	2,457,952
Special studies	644,597	-	673,383	1,317,980	1,111,086
Trade	-	-	101,952	101,952	98,482
Translation	-	-	148,119	148,119	141,891
	<u>756,430</u>	<u>150,802</u>	<u>7,614,430</u>	<u>8,521,662</u>	<u>7,403,552</u>
Deficiency of revenue over expenses from operations	(107,160)	(22,495)	(940,966)	(1,070,621)	(240,470)
Net decrease on investments	(34,613)	(54,859)	(83,518)	(172,990)	(201,801)
Deficiency of revenue over expenses	<u>\$ (141,773)</u>	<u>\$ (77,354)</u>	<u>\$ (1,024,484)</u>	<u>\$ (1,243,611)</u>	<u>\$ (442,271)</u>

(See accompanying notes)

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2013

	2013			2012
	Promotion Fund	Research Fund	General Fund	Total
Balance, beginning of year	\$ 3,626,412	\$ 5,600,257	\$ 9,432,621	\$ 18,659,290
Deficiency of revenue over expenses	(141,773)	(77,354)	(1,024,484)	(1,243,611)
Balance, end of year	<u>\$ 3,484,639</u>	<u>\$ 5,522,903</u>	<u>\$ 8,408,137</u>	<u>\$ 17,415,679</u>
	<u>\$ 18,659,290</u>	<u>\$ 18,659,290</u>	<u>\$ 18,659,290</u>	<u>\$ 18,659,290</u>

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (1,243,611)	\$ (442,271)
Items not affecting cash:		
Amortization of net premiums on investments	53,705	61,087
Amortization of tangible capital assets	81,308	81,570
Amortization of lease inducements	(12,760)	(12,760)
Gain on disposal of tangible capital assets	-	(825)
Decrease on investments	172,990	201,801
	<u>(948,368)</u>	<u>(111,398)</u>
Changes in level of:		
Accounts receivable	(130,725)	(119,934)
Prepaid expenses	(43,959)	6,038
Accounts payable and accrued liabilities	179,444	(86,153)
Government remittances - net	(12,896)	(27,819)
Deferred revenue	(235,930)	(164,623)
Deferred lease inducement	-	10,245
	<u>(1,192,434)</u>	<u>(493,644)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible capital assets	(27,735)	(35,935)
Proceeds from sale of tangible capital assets	-	825
Purchase of investments	(3,407,274)	(3,754,347)
Proceeds from sale of investments	3,908,000	3,826,000
Decrease in restricted cash	235,930	546,400
	<u>708,921</u>	<u>582,943</u>
INCREASE (DECREASE) IN CASH	(483,513)	89,299
CASH, BEGINNING OF YEAR	1,468,972	1,379,673
CASH, END OF YEAR	\$ 985,459	\$ 1,468,972

(See accompanying notes)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Management makes accounting estimates when determining the estimated useful life of CFC's tangible capital assets and the related amortization expense, the net realizable value of accounts receivable and in the determination of significant accrued liabilities. Actual results could differ from these estimates.

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 tangible capital assets and other interest revenue not allocated to the other funds.

The Promotion Fund reports the overmarketing and market development levies collected and also reports 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 for contributions.

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

FINANCIAL INSTRUMENTS

Cash, short-term investments and investments are initially recognized and subsequently measured at fair value.

All other financial instruments are subsequently measured at amortized cost.

INVESTMENTS

Interest on interest-bearing investments is calculated using the effective interest rate method.

The fair values of investments 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 investments or other third-party information.

Transaction costs related to investments are expensed as incurred. Gains and losses on investments, including unrealized gains and losses, are recorded in the statement of operations.

2. Significant Accounting Policies (Cont'd.)

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost.

Amortization 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

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.

3. Financial Instruments

CFC is exposed to various risks through its financial instruments. The following analysis provides a measure of CFC's risk exposure and concentrations at December 31, 2013.

CFC does not use derivative financial instruments to manage its risk.

CREDIT RISK

CFC is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. CFC's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments, investments and accounts receivable. CFC's cash is deposited with a Canadian chartered bank and short-term investments and investments are government issued and as a result management believes the risk of loss on these items to be remote. CFC manages its credit risk by reviewing accounts receivable aging monthly and following up on outstanding amounts. Management believes that all accounts receivable at year end will be collected.

LIQUIDITY RISK

Liquidity risk is the risk that CFC cannot meet a demand for cash or meet its financial obligations when they become due. CFC manages its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and monitoring future cash flow requirements on a regular basis.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

CFC's financial instruments are denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

CFC is exposed to interest rate risk on its investments that bear interest at fixed rates. Management attempts to limit its exposure to interest rate risk by staggering the maturity dates of its fixed income investments.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

CFC is not exposed to other price risk.

CHANGES IN RISK

There have been no changes in CFC's risk exposures from the prior year.

4. Investments

	2013		2012	
	COST	FAIR VALUE	COST	FAIR VALUE
Short-term investments	\$ 2,409,901	\$ 2,417,432	\$ 3,921,885	\$ 3,943,954
Guaranteed Investment Certificates (GICs)	500,000	500,000	1,300,000	1,300,000
Canada Housing Trust bonds	12,388,769	12,380,696	10,643,750	10,778,810
Government of Canada bond	247,667	253,052	247,485	255,837
	13,136,436	13,133,748	12,191,235	12,334,647
	\$ 15,546,337	\$ 15,551,180	\$ 16,113,120	\$ 16,278,601

Short-term investments are comprised of Canada Housing Trust bonds and Guaranteed Investment Certificates which mature over the next year bearing interest at rates that range from 2.20% to 4.12% (2012 - 3.60% to 4.53%).

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 (2012 - six years). Interest rates for these securities range from 1.70% to 4.10% (2012 - 1.70% to 4.12%).

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.

5. 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.

In 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:

	2013			2012		
	METHIONINE	VITAMIN	TOTAL	METHIONINE	VITAMIN	TOTAL
Balance, beginning of year	\$ 96,813	\$ 139,117	\$ 235,930	\$ 95,617	\$ 304,936	\$ 400,553
Interest earned	1,013	1,455	2,468	1,196	3,810	5,006
Recognized as revenue	(97,826)	(140,572)	(238,398)	-	(169,629)	(169,629)
Balance, end of year	\$ -	\$ -	\$ -	\$ 96,813	\$ 139,117	\$ 235,930

The expenses incurred of \$238,398 (2012 - \$169,629) were used to enhance or increase on-farm biosecurity; and for research and development for protocols and methods to alleviate and contain any foreign animal disease outbreak in Canada. Interest earned is included as interest in the General Fund. Deferred revenue recognized during the year is reported as other revenue in the General Fund.

6. Tangible Capital Assets

	2013		2012	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Office equipment	\$ 393,937	\$ 310,464	\$ 393,937	\$ 296,868
Computer equipment	274,096	197,412	246,360	162,281
Leasehold improvements	436,319	206,937	436,319	174,355
	<u>1,104,352</u>	<u>\$ 714,813</u>	<u>1,076,616</u>	<u>\$ 633,504</u>
Less accumulated amortization	714,813		633,504	
Net book value	<u>\$ 389,539</u>		<u>\$ 443,112</u>	

7. 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.

Also during 2010, CFC entered into a lease agreement on two photocopiers which included an inducement of \$5,327. This inducement expired during the year.

	2013	2012
Balance, beginning of year	\$ 121,513	\$ 124,028
Additions during the year	-	10,245
Amount amortized to expense during the year	(12,760)	(12,760)
Balance, end of year	<u>108,753</u>	<u>121,513</u>
Current portion	<u>11,429</u>	<u>12,761</u>
Long-term portion	<u>\$ 97,324</u>	<u>\$ 108,752</u>

8. 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:

2014	\$ 175,202
2015	159,533
2016	189,768
2017	162,150
2018	173,602
2019–2020	237,500
	<u>\$ 1,097,555</u>

9. 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 2013 was \$109,124 (2012 - \$96,022).

10. Comparative Figures

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