

CANADIANS WANT
CANADIAN
CHICKEN

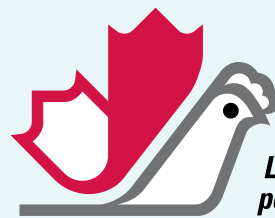
CHICKEN FARMERS OF CANADA

2014 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

1 ABOUT US	3 REPORT FROM THE CHAIR	5 BOARD, COMMITTEES & STAFF	7 REPORT FROM THE EXECUTIVE DIRECTOR	9 THE PASSING OF THREE PAST CFC CHAIRS	11 STRATEGIC PLANNING
13 NEW CHICKEN AGREEMENT	15 CORPORATE SOCIAL RESPONSIBILITY	16 MONITORING & ENFORCEMENT	17 MARKET WATCH	23 GOVERNMENT RELATIONS	27 TRADE & POLICY
31 ANTIBIOTIC USE & RESISTANCE	33 ON-FARM FOOD SAFETY	34 ANIMAL CARE	35 AVIAN INFLUENZA	36 POULTRY RESEARCH	37 BRANDING
39 OUTREACH & COMMUNICATIONS	41 PUBLIC RELATIONS STRATEGY	43 AUDITORS REPORT & FINANCIALS			



**Chicken Farmers
of Canada**
**Les Producteurs de
poulet du Canada**

TEL: (613) 241-2800 FAX: (613) 241-5999

E-MAIL: CFC@CHICKEN.CA WEBSITES: WWW.CHICKEN.CA & WWW.CHICKENFARMERS.CA

DESIGNED IN-HOUSE. PRINTED BY GILMORE PRINTING SERVICES INC.

A top-down view of a white plate containing several pieces of roasted chicken with golden-brown, slightly charred skin. To the right of the chicken are several stalks of roasted asparagus, showing some charring at the tips. A silver fork is visible on the left side of the plate. The background is a dark, textured surface.

CANADIANS WANT
CANADIAN
CHICKEN

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 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.

WHAT CANADIANS WANT

Canadians want Canadian chicken, so we deliver them fresh, locally-raised food, just the way they like it. Our 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.

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.

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.

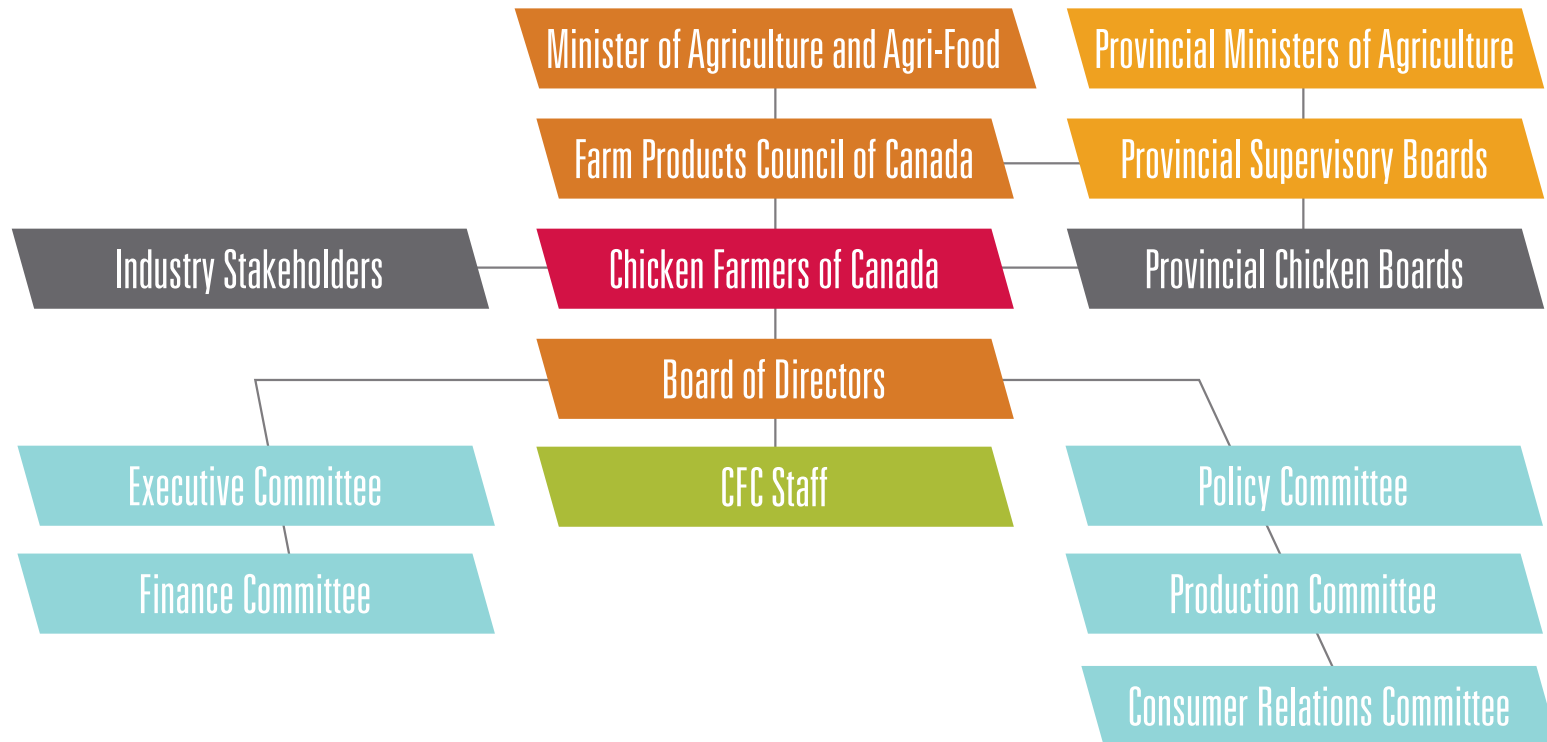
Canadians have told us that they want fresh, high-quality, locally-raised food from farmers that are committed to animal care, and Canada's chicken farmers are proud to deliver.

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!

Our Vision

TO GROW CONSUMER DEMAND FOR
CANADIAN-GROWN CHICKEN.

ORGANIZATION STRUCTURE



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.

Report FROM THE CHAIR



AS I WRITE THIS END OF YEAR MESSAGE, AND REFLECT BACK ON 2014, I AM STRUCK BY SEVERAL THINGS. WE HAVE A PRETTY MAGNIFICENT INDUSTRY. ONE THAT IS ROBUST, YET FLEXIBLE – HARD-WORKING, YET ABLE TO TAKE THE NECESSARY TIME TO SIT DOWN AND PLAN STRATEGICALLY FOR SUCCESS – INDEPENDENT AND ABLE TO DERIVE OUR INCOME FROM THE MARKETPLACE WITHOUT SUBSIDIES, YET ABLE TO COMBINE OUR EFFORTS AND WORK COLLABORATIVELY WITH INDUSTRY STAKEHOLDERS AND GOVERNMENT TO RESOLVE OUR DIFFERENCES.

Those differences can sometimes set us back, especially when addressing them diverts resources and energy from day-to-day operations. One such challenge has been the ongoing issue of differential growth, which I can attest to being something that really tested our mettle.

Our work is about pursuing success in what we do. Our work is about delivering on expectations of farmers, expectations of our customers, and perhaps, most importantly, expectations of Canadians. This past year, we signed an historic agreement; one that will provide us with the structure and stability to make sound planning decisions and set allocations for the years to come.

An MOU to implement this new agreement was signed by all 10 provincial boards and Chicken Farmers of Canada in November, while we had been setting allocations since July on the basis of an agreement in principle. I would like to thank FPCC Chairman Laurent Pellerin and his Council for their foresight in prior-approving our allocations as we moved through this transition period.

We have spent the past six years working toward this agreement and achieving it is quite a feather in our cap. This agreement represents a careful balance of give and take all

around. I firmly believe that this is the best agreement that we could reach, because it is the only agreement we could reach in six years of work.

We only achieved this agreement because farmers clearly understood that in order for the system to remain sustainable, the system needed to evolve. And only farmers could understand that in order for the system to evolve, some would have to agree to take less than their market share of growth going forward.

We don't aim to rest on our laurels though as there is work to be done on formalizing the agreement through amendments to the Operating Agreement signed by all provincial boards, provincial supervisory boards and Chicken Farmers of Canada. With that in hand we will welcome Alberta back into the Federal Provincial Agreement for Chicken.

We also made some strides forward on the policy front, working diligently with industry and government representatives to address our concerns on spent fowl, specially-defined mixtures, and the Duties Relief Program. These issues have all compromised the integrity of the import control pillar of chicken supply management. Our challenge has been that these issues are



the shared responsibility of several departments and agencies including: Agriculture and Agri-Food Canada, Canadian Border Services Agency, Canadian Food Inspection Agency, Foreign Affairs, Trade and Development, Finance Canada, and Health Canada.

The time for discourse has passed on many of these issues and we have made specific recommendations to those that are in position to urgently make the required adjustments. The impact on our industry, and in fact the whole chicken value chain, is significant and measurable and will continue to worsen until measures are taken to close the loopholes, re-establish the integrity of the import control pillar, and provide the stability and consistency that all industry stakeholders want.

Our recommendations, to reinstate the sauce and cooking requirements in the Customs Tariff Definition of Specially-Defined Mixtures (SDMs); exclude chicken from CBSA's Duties Relief and Drawback Programs; and implement mandatory certification for all spent fowl imports are widely supported by our industry stakeholders.

Directors and staff are working persistently with policy makers to deal with these critical issues. I myself continue to work closely with the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, on these challenging import control issues and he is to be commended for being open and receptive, and for his ongoing leadership in working toward finding a solution.

Along with the Minister of International Trade, the Honourable Ed Fast, and the Minister of Public Safety and Emergency Preparedness, the Honourable Steven Blaney,

we are pleased to have such stalwart champions working on behalf of the Canadian chicken industry and supply management, here in Canada and at the negotiating tables in Geneva and in the Trans-Pacific Partnership.

I want to commend CFC Directors for all of your efforts, diligence, and determination and for making sound decisions on behalf of all farmers, as well as the Canadian chicken industry. I must thank my fellow members of the Executive Committee for their confidence and leadership throughout the year.

We did this together with our passionate and devoted staff. Under the leadership of Mike Dungate, they continue to provide us with the information, advice, and guidance we need to make the important fact-based, forward-looking, strategic decisions that help us write our ongoing success story. Support from those we work with on these special occasions, as well as the everyday tasks which keep our whole system moving forward, are part and parcel of an effective and efficient organization.

I am proud to be part of such an innovative, responsive organization, and modern industry which benefits Canadian farmers, processors, and consumers and which continues to produce the leading protein preference of Canadians.


Dave Janzen, Chair

Directors

Board OF DIRECTORS



Back row from left to right: Ian Hesketh (Further Poultry Processors Association of Canada), Rudy Martinka (Saskatchewan), Derek Janzen (British Columbia), Luc Gagnon (Canadian Poultry and Egg Processors Council), Vernon Froese (Manitoba), Blaine Hussey (Newfoundland & Labrador), Peter Vale (Restaurants Canada), Benoît Fontaine (Quebec), David Hyink (Alberta), Murray Booy (Ontario)

Front row from left to right: Dave Janzen (British Columbia), Reg Cliche (Canadian Poultry and Egg Processors Council), Barry Uytterlinde (Prince Edward Island), Matthew Harvie (Nova Scotia), Yvon Cyr (New Brunswick)

COMMITTEES

EXECUTIVE: Chair – Dave Janzen, 1st Vice Chair – Yvon Cyr, 2nd Vice Chair – Benoît Fontaine, Executive Member – Vernon Froese **FINANCE:** Chair – Barry Uytterlinde, Derek Janzen, Peter Vale
POLICY: Chair – Yvon Cyr, Murray Booy, Benoît Fontaine, Luc Gagnon, Danny Wiebe (MB alternate) **PRODUCTION:** Chair – Reg Cliche, Ed Benjamins (ON alternate), Marc Cormier (NB alternate), Benoît Fontaine, Rudy Martinka **CONSUMER RELATIONS:** Chair – Matthew Harvie, Kerry Froese (BC alternate), Lucy McKee (CPEPC alternate)

REPRESENTATIVES

CANADIAN POULTRY RESEARCH COUNCIL: Tim Keet (SK alternate) **CANADIAN FEDERATION OF AGRICULTURE:** Derek Janzen **NATIONAL FARM ANIMAL CARE COUNCIL:** Rudy Martinka
NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL: Marc Cormier



Staff

Back row from top to bottom:

- Yves Ruel** (Manager of Trade & Policy)
- Maria Elena Baisas** (Bookkeeper)
- Lori Piché** (Compliance Officer)
- Alex Latus** (Public Relations Officer)
- Jessica Heyerhoff** (maternity leave: Jennifer Gardner
Animal Care & Research Coordinator)
- Isabelle Dean** (Administration Coordinator)
- Erin Danielson** (Market Analyst)
- Jae Yung Chung** (Senior Financial Officer)
- Caroline Wilson** (Food Safety Officer & Internal Auditor)
- Elyse Ferland** (Communications Officer)
- Rebecca Derry** (Meeting and Recording Coordinator)
- Paula Doucette** (Retired December 2014)
- Gail Lush** (Health Communications Officer)
- Nicolas Tavchandjian** (Trade & Policy Analyst)
- Steve Leech** (National Program Manager)
- Michael Laliberté** (Director of Operations)
- Marty Brett** (Senior Communications Officer)

Front row from left to right:

- Stephanie St.Pierre** (Graphic Designer)
- Mike Dungate** (Executive Director)
- Dally-Diane Nzinahora** (Translation Coordinator)
- Denis Nadeau** (Business Systems Analyst)
- Stéphanie Turple** (Executive Assistant)
- Lisa Bishop-Spencer** (Manager of Communications)
- Jan Rus** (Manager of Market Information & Systems)

Absent from photo:

- Lisa Riopelle** (Senior Human Resources &
Administration Officer)
- Lise Newton** (Senior Government Relations Advisor)

HUMAN RESOURCES

The directions of Chicken Farmers of Canada Directors are carried out by 26 dedicated staff. 2014 saw the retirement of a 24 ½-year Chicken Farmers of Canada veteran, Paula Doucette. Paula joined Chicken Farmers of Canada in 1990 as the Administration & Promotion Officer, moving to the position of Coordinator of Administration Services and finally became the Manager of Administration & Human Resources, continuing in that position until her retirement. Paula was honoured by the Executive, Directors and Chicken Farmers of Canada staff prior to her departure in late December.

With the departure of Paula Doucette, Lisa Riopelle has moved into the role of Senior Human Resources & Administration Officer reporting to Michael Laliberté, the Director of Operations. Jessica Heyerhoff joined Chicken Farmers of Canada in February 2014 as the Animal Care & Research Coordinator as a maternity leave replacement for Jennifer Gardner. Caroline Wilson's job title has changed to Food Safety Officer & Internal Auditor.

Report from

THE EXECUTIVE DIRECTOR



DEDICATION...COLLABORATION...SACRIFICE...COMMITMENT. THESE ARE THE NECESSARY INGREDIENTS TO BE A LEADER IN THE CANADIAN CHICKEN INDUSTRY. FROM OUR CHAIRMAN, DAVE JANZEN, TO CHICKEN FARMERS OF CANADA DIRECTORS AND STAFF, TO PROVINCIAL BOARDS AND INDUSTRY ORGANIZATIONS, THE LEADERS OF OUR INDUSTRY TAKE SIGNIFICANT TIME AWAY FROM THEIR FARMS, THEIR DAY JOBS, AND THEIR FAMILIES TO SERVE YOU.

In addition to 16 days of Board of Director meetings in 2014, your representatives from across the country and your staff met for another 12 days in Toronto, Ottawa and Quebec City to negotiate a differential growth agreement. That is a full month away from home and does not count the travel time and all the preparation work and meetings in provinces. It does not count all the committee meetings. It does not count the travel across the country to audit production and our on-farm programs and to promote chicken. And it does not count the travel to the U.S. and Asia to monitor seven TPP negotiation meetings.

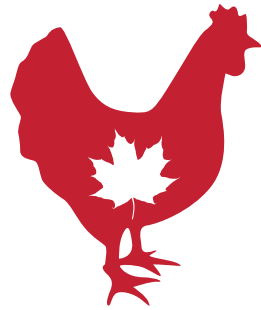
On your behalf, I want to recognize and sincerely thank all of these people, for without them and their efforts, the Canadian chicken industry would not be the success it is.

We have had some big successes this year: a signed MOU for a long-term chicken allocation agreement; an on-farm food safety program that is mandatory in all 10 provinces, an animal

care program that is mandatory in 9 provinces, the launch of a branding program, the implementation of a specialty production policy, a poultry industry antibiotic use reduction policy, and a 3.5% increase in chicken consumption.

Canadians really do want Canadian chicken. And that has everything to do with what you are doing on your farms and what processors are doing in their plants. We have a great product and now we are showing consumers how to find it through our "Raised by a Canadian Farmer" logo.

We are also ferretting out fraudsters. Throughout 2014, we have put a full court press on re-establishing the integrity of our import control pillar by shutting down abusive imports under spent fowl, the Duties Relief Program and specially-defined mixtures. We hope that all of our work bears fruit in 2015. We truly appreciate the ongoing support we have received from Ministers Ritz, Fast and Blaney.



Raised by a
**CANADIAN
FARMER** | *Élevé par un*
**PRODUCTEUR
CANADIEN**

Despite all of our success, we still have naysayers and critics who would see our industry torn down in the name of economic ideology. Their arguments do not stand the test of fact, but they repeat their unfounded myths nonetheless. Our challenge is to continue delivering on consumer expectations as we do and to provide the facts that dispel their myths. Canadians have made their decision clear by purchasing chicken every day, maintaining chicken's place as Canada's most popular meat.

Looking ahead to 2015, under the strong leadership of Dave Janzen and our Board of Directors, together with the professionalism and integrity of my fellow staff colleagues, and in collaboration with our partners in provincial boards, industry organizations and government, I believe that we have a strong recipe for leadership and the continued success of the Canadian chicken industry.

Mike Dungate
Mike Dungate, Executive Director

The Passing OF THREE PAST CHICKEN FARMERS OF CANADA CHAIRS



LAURENT MERCIER, 7TH CHAIR 1989-1991

Late in 2014, an original member of the Chicken Farmers of Canada Board of Directors, Laurent Mercier, passed away in St-Esprit on December 30th at the age of 86.

Laurent was Chair of the Quebec provincial poultry agency, Les Éleveurs de volailles du Québec, where he presided from 1976 to 1989. He moved his knowledge, drive, and passion for agriculture to Chicken Farmers of Canada in 1989 where he served for two years (1989-1991) as Chair and then to the National Farm Products Council where he was Vice-President from 1992-1997.

He was elected to the Quebec Agriculture Hall of Fame in 2001 in recognition of his 60 years of leadership and contributions to agriculture, both provincially and nationally.

Laurent was a leader in both the chicken and poultry industries, but he didn't stop there. He also did work on behalf of producers in other industries too, including: potatoes, apples, vegetables and hatching eggs. A big part of his legacy is that he always treated everyone as equals and felt that, at the end of every negotiation, all parties should consider themselves winners. His prime goal, regardless of the commodity, was always to ensure that farmers got a fair shake and a fair return on their products.

Today, several of his six children with his wife Cécile Brouillette, continue to be strong proponents of agriculture and active on behalf of farmers, traits that Laurent passed along to them. They include Laurent Mercier Jr., who works in the turkey industry and was a member of the Chicken Farmers of Canada five-year Strategic Planning Committee that developed the current 2014-2018 strategy, continuing in the strong role that his father inspired, and Martine Mercier, a hatching egg producer from Quebec and a past-Chair of the national hatching egg producers' agency, CHEP.



ARTHUR EDMUND "BERT" HALL, 3RD CHAIR 1981-1982

Arthur, or Bert as everyone knew him, passed away on February 1, 2014 at the Pembina Manitou Personal Care Home. He was the 3rd chair of CFC and served in 1981-1982.

Bert was born in 1920 and started farming with a turkey hatchery which he started with his brother before WWII. In 1956, the family moved to Manitou and Bert assumed the position of shareholder, director, and general manager of Manitou Broiler Farms, a position he held until his retirement in 1985. He then went on to serve as the mayor of Manitou from 1986-1992.

During his tenure at Manitou Farms, he held many executive positions for a variety of farm organizations and he was heavily involved in agriculture policy at the provincial and federal levels. The list of organizations he served with included: Chicken Farmers of Canada (Chair for two years), the Manitoba Chicken Broiler Producers Marketing Board (where he was Chair for 15 years), the Manitoba Farm Bureau (President for two terms), and the Canadian Federation of Agriculture (Director). He was also considered to be one of the founding members of KAP (Keystone Agricultural Producers) and in 1988 was appointed a member of the Manitoba Natural Products Marketing Council.

He too was elected to his provincial agriculture hall of fame, a recognition he received in 1999 along with other accolades for his professional and personal contributions to agriculture and rural life in Manitoba.



ERIC MEEK, 1ST CHAIR 1979

Eric Meek, from Canning, Nova Scotia, the first Chair of Chicken Farmers of Canada – or the Canadian Chicken Marketing Agency, as it was known back then – passed away on January 5, 2014 at the Valley Regional Hospital in Kentville, N.S.

A lifelong farmer, Eric was born in 1933 and grew up on the family farm in Canning, Nova Scotia. Upon his graduation from the Nova Scotia Agricultural College in 1954, he returned home to farm with his father full-time. They formed a partnership under the name of L. B. Meek and Son and over the years, they had layers, broilers, potatoes, peas, beans, forage and grain, ran a beef feed lot and had "U-Pick" vegetables and strawberries.

In 1966, Eric was a founding member of the Nova Scotia Chicken Marketing Board. He was a strong voice of the province's chicken farmers and served diligently on the Board for 24 years, 11 as Chairman.

A long-time advocate of producer-controlled marketing of farm products, Eric assumed the chairmanship of the Canadian Broiler Council at a time when an effort was being made to establish a national system of production and marketing management for chicken in Canada. In 1977, he spent much of his time traveling across Canada promoting the formation of a National Chicken Agency. The Agency was formed in 1978 and he was elected as the first Chairman.

In 2004, Eric was recognized as one of the top 50 most influential people in the Canadian poultry industry by the Canadian Poultry Magazine and in 2005 he was inducted into the Atlantic Agricultural Hall of Fame.

Canada's chicken farmers lost a significant part of their heritage this year and Eric, Bert and Laurent will be remembered for their long dedication to the success of Canada's chicken industry.

Strategic PLANNING

EACH YEAR, THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM TAKE THE OPPORTUNITY TO CELEBRATE SUCCESSES OF THE PREVIOUS YEAR AND SET PRIORITIES FOR THE NEXT. THE 2015 STRATEGIC PLANNING MEETING WAS HELD IN MONTEBELLO, QUEBEC ON SEPTEMBER 24 AND 25, 2014.



Directors reviewed progress made in 2014 on various key issues, examined results from the most recent farmers' survey, conducted an environmental scan, and discussed and set the priorities for 2015.

The bulk of the meeting was focused on designing strategies for 2015 that correspond with the strategic objectives articulated in the five-year strategic plan (2014-2018). Chicken Farmers of Canada Directors agreed upon the following priorities for 2015:

CRITICAL PRIORITY ISSUES:

ALLOCATION SETTING

Deliverables:

- ~ A long-term allocation MOU and amended Operating Agreement
- ~ A permanent distribution factor for the further processing component
- ~ Setting of a medium term growth target for A-133 to A-138
- ~ A decision on setting the allocation on a more efficient frequency

ANIMAL CARE

Deliverables:

- ~ Consistent and credible implementation of the Animal Care Program across the country
- ~ Promotion of the Animal Care Program
- ~ Tools to mitigate animal care risks
- ~ Continued communication with CFIA on animal care issues
- ~ Leadership in the National Farmed Animal Health and Welfare Council (NFAHWC) and the National Farmed Animal Care Council (NFACC)
- ~ Revision of the Code of Practice for Chickens, Turkeys and Breeders

IMPORT CONTROLS

Deliverables:

- ~ Long-term TRQ allocation methodology that supports Chicken Farmers of Canada objectives
- ~ The alignment of Canada's Customs tariff definition of specially defined mixtures (SDM) (13% rule) with Canada's WTO commitments

- ~ 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
- ~ Elimination of the Duties Relief Program for chicken products administered by the Canadian Border Services Agency (CBSA)

HIGH PRIORITY ISSUES:

ANTIMICROBIAL USE

Deliverables:

- ~ Continued industry stakeholder AMU/AMR education
- ~ Implementation of the antimicrobial use surveillance program
- ~ Oversight of the poultry industry's Category I policy
- ~ Advancement by all stakeholders of the antimicrobial use strategic plan objectives as presented in the poultry industry white paper
- ~ Communication/Promotion of the AMU Strategy

- ~ Collaboration with CIPARS surveillance activities
- ~ Advancement of Feed Regulatory modernization
- ~ Strategy for antimicrobial reduction

BRANDING STRATEGY IMPLEMENTATION

Deliverables:

- ~ An increased number of signed retailer and processor agreements
- ~ Ongoing retailer/processor launch of brand
- ~ Delivery and implementation of an expanded and refined second year traditional and digital marketing plan to support the brand
- ~ An enhanced and brand-leveraged Swimming Canada sponsorship
- ~ Metrics and consumer research to give indicators of the success of the program and leverage information to encourage increased participation by retailers and processors (ongoing)

REGIONAL, BILATERAL AND WTO NEGOTIATIONS

Deliverables:

- ~ Regional/Bilateral and WTO trade agreements that maintain the integrity of the chicken import pillar
- ~ SM-5 and chicken industry collaboration to enhance influence on WTO trade issues and bilateral and regional trade agreements
- ~ Analysis of the potential impacts and evaluation of options resulting from key WTO and Regional/Bilateral proposals
- ~ Timely communication to members on trade negotiations

SPENT FOWL

Deliverables:

- ~ A whole-of-Government approach to stop the erosion of Canadian chicken production and processing resulting from spent fowl imports
- ~ A Canadian mandatory certification mechanism on all imports of spent fowl
- ~ Increased verification of DFATD's Import to Re-Export Program (IREP) and CBSA's Duties Relief Program (DRP) to ensure no spent fowl is re-exported under these programs
- ~ Canadian regulations requiring distinct labeling for products containing spent fowl
- ~ Implementation of DNA tests to distinguish spent fowl from broiler meat

MEDIUM PRIORITY ISSUES:

CONSUMER RELATIONS STRATEGY

Deliverables:

Online Component

- ~ A Digital/Online strategy that includes a series of marketing and online initiatives, promotes the new brand and increases search engine optimization (SEO) and visitor conversion (from website viewer to website user) rates

Outreach Component

- ~ Participation at health professional trade shows and conferences
- ~ Promotion of CFC's health resources on health professional sites
- ~ Enhanced health information on chicken.ca
- ~ Information packages and other resources for health professionals and consumers

- ~ Monthly online chicken health chats
- ~ Scientific review of recent research supporting the need for higher protein intakes among Canadians (joint initiative with dairy, pork, beef, eggs and turkey)
- ~ Two new nutrition factsheets

FOOD SAFETY

Deliverables:

- ~ Maintenance of full OFFSAP recognition by federal, provincial and territorial governments
- ~ Leadership in the FPT Pathogen Reduction Initiative and the Salmonella Enteritidis national strategy
- ~ Involvement in national-level food safety and traceability initiatives

GOVERNANCE

Deliverables:

- ~ A revised CFC meeting structure
- ~ A CFC Governance Committee
- ~ An expanded Governance section on the CFC SharePoint and MyCFC sites
- ~ A proactive professional development plan to enhance the capacity and effectiveness of CFC Directors, Alternates and staff

GOVERNMENT RELATIONS STRATEGY

Deliverables:

- ~ Strengthen relationships with MPs in order to maintain and secure strong support for Canada's chicken farmers, supply management and CFC's key issues across all parties
- ~ Raise CFC's profile and awareness of its key issues amongst elected officials and key decision makers

- ~ Enhance CFC's capacity to deliver its government relations strategy in a coordinated and timely manner to all levels of government across the country
- ~ Build relationships with newly elected MPs (following 2015 federal election)

PUBLIC RELATIONS STRATEGY

Deliverables:

- ~ A multi-faceted campaign using compelling and creative tactics that strives to educate and engage Canadians on supply management and its benefits
- ~ Media training for spokespeople across Canada
- ~ Ongoing SM4 media monitoring and response, including participation at the Federation of Canadian Municipalities annual conference and trade show (June 5-8, 2015, Edmonton, AB)

LOW PRIORITY ISSUES:

PROMOTION RESEARCH AGENCY

Deliverables:

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

New Allocation Agreement

AGREEMENT

ENCOMPASSES DIFFERENTIAL GROWTH


CHICKEN FARMERS OF CANADA WAS PROUD TO ANNOUNCE A NEW ALLOCATION AGREEMENT IN 2014. THIS WAS A SIGNIFICANT AGREEMENT WHICH WILL SEE 55% OF FUTURE GROWTH ALLOCATED BASED ON PROVINCIAL COMPARATIVE ADVANTAGE FACTORS.

Canadians want Canadian chicken and we are working to ensure that we are providing the right amount of fresh, safe, high-quality chicken to meet those demands. With this new agreement, the Canadian chicken industry is in a stronger position to capitalize on chicken's ongoing hold on first place in the competitive meat market.

Hard work and partnership were critical to reaching the agreement and it culminated in the signing of a Memorandum of Understanding (MOU) in November. This landmark agreement has been over six years in the making. Challenges, starts, stops, and roadblocks were ever present, but with perseverance, we succeeded in reaching an agreement that is supported by all 10 provincial chicken boards and Chicken Farmers of Canada.

When the agreement was announced, the Chair of Chicken Farmers of Canada, Dave Janzen said:

“THE CHALLENGES OVER THE YEARS HAVE BEEN MANY, AND HAVE REQUIRED THE WHOLE INDUSTRY TO PULL TOGETHER AS A TEAM TO OVERCOME THE DIFFERENCES, REALIZE THE IMPORTANT SIMILARITIES — OUR SHARED VISION — AND THEN MOVE FORWARD TO COMPLETING THIS AGREEMENT. THIS IS GREAT NEWS FOR FARMERS, AND INDEED FOR THE WHOLE CANADIAN CHICKEN INDUSTRY AS IT SHOWS, YET AGAIN, THAT SUPPLY MANAGEMENT CONTINUES TO EVOLVE TO CHANGES IN THE MARKETPLACE. I AM PROUD OF US ALL FOR THE EFFORTS THAT HAVE BEEN MADE TO RATIFY THIS NEW ALLOCATION AGREEMENT, AND TO MODERNIZE THE ALLOCATION PROCESS FOR THE COMING YEARS. YOU HAVE SHOWN TENACITY AND PERSEVERANCE IN MAKING THESE CHANGES TO SHOW THAT SUPPLY MANAGEMENT IS INDEED A MODERN, EVOLVING SYSTEM.”



Differential growth has been a critical priority for Chicken Farmers of Canada for many years and its completion is consistent with the organization's 5-year strategic plan which calls for efforts to improve the efficiency of the value chain, while maintaining production in all provinces.

Negotiations were most intense from mid-2012 through 2014 and included meetings across the country, as well as the hiring of a professional mediator in late 2013, in an attempt to cement a long-term agreement that responded to the required changes in allocation methodology. By early July, we had reached an agreement in principle. Taking into account the agreement in principle, Chicken Farmers of Canada set the allocation for A-127 at the summer meeting in Banff. Further refinements were made and the language of the MOU was finalized over the next few months. In November, all provincial boards and Chicken Farmers of Canada formally signed the MOU and the allocation for A-129 was set taking into account the approved MOU, dated November 10, 2014.

Under the new agreement, all provinces will share in future growth. 45% of future growth will be allocated to provinces based on market share. The other 55% will be allocated based on comparative advantage factors. Chicken Farmers of Canada will use the following formula that consists of eight components (with respective weighting):

1. Provincial share of the national base allocation – 45%
2. Population growth – 7.5%
3. Income-based Gross Domestic Product (GDP) growth – 7.5%
4. Consumer Price Index (CPI) – 7.5%
5. Farm Input Price Index (FIPI) – 10%
6. Quota Utilization – 7.5%
7. Further Processing – 10%
8. Supply Share – 5%

The data sources, calculation and application methodology are described in the MOU. They will remain constant, except as specifically outlined within the MOU, while the data used in the calculations will be updated as new data becomes available, a minimum of 26 weeks prior to the start of the period that is being set.

Alberta, which had withdrawn from the Federal Provincial Agreement for Chicken effective December 31, 2013, was the first to sign the new MOU and is launching their process at the provincial level to formally rejoin the national agency. This is expected to occur in the first half of 2015. In the interim, Alberta Chicken Producers continues to participate at Chicken Farmers of Canada through a signed service agreement.

In December, Chicken Farmers of Canada initiated the process to incorporate the MOU into the Federal Provincial Agreement for Chicken through amendments to the Operating Agreement. This requires the support of all provincial chicken boards and provincial supervisory boards, as well as Chicken Farmers of Canada. The objective is to have the Operating Agreement amendments formally approved by June 2015 and to set the allocation for A-133 in July in accordance with the amended Operating Agreement.

BACKGROUND

Since its inception in 1978, Chicken Farmers of Canada has had several different allocation setting agreements and processes. Prior to 1994, allocation was primarily set using top-down, formula-driven processes. Chicken Farmers of Canada moved 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 for Chicken. Allocations since 2005 have been set almost universally on a market share basis.

Corporate SOCIAL RESPONSIBILITY



CHICKEN FARMERS OF CANADA BELIEVES FIRMLY THAT IT'S IMPORTANT TO GIVE BACK TO OUR COMMUNITIES AND SUPPORT THOSE WHO ARE LESS FORTUNATE. WE BELIEVE THAT EVERY CANADIAN SHOULD HAVE ACCESS TO A HEALTHY SOURCE OF PROTEIN, AND WE BELIEVE THAT WE CAN MAKE A CONTRIBUTION TO HELP MAKE THAT HAPPEN.

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

Chicken Farmers of Canada's annual Chicken Challenge food donation program provided \$50,000 worth of frozen chicken products to the Ottawa Food Bank in 2014. This was the fifth successful year of the program which solicits bids for frozen chicken products from a Canadian processor to be donated to the food bank.

In addition, \$6,892 was collected through staff donations and 50% matching Chicken Farmers of Canada donations. Proceeds from the sale of chicken at the *Great Canadian Chicken Barbecue* and additional donations collected on Canada Day, totaling \$3,118 were also given to the food bank: a total of \$60,000 from all programs for the year. This brings the total contribution to the food bank since we became partners and supporters in 2007 to \$307,000.

In November, Chicken Farmers of Canada held a draw for a \$5,000 donation to a food bank on behalf of an MP or Senator attending our Parliamentary reception. The winner was Joyce Bateman, the MP from Winnipeg South Centre, and she chose to have the donation made to Winnipeg Harvest. Vernon Froese, our Director from Manitoba, made the cheque presentation.

In 2014, 12-year old Courtney Doyle caught our attention with her incredible story of courage and determination to swim competitively. Courtney was born with a kidney disease called Finnish Type Nephrotic Syndrome and at the age of 2 had transplant surgery for a kidney which was donated by her father. Looking for ways to stay healthy and prevent a kidney infection, Courtney joined the Perth Stingray's Competitive Swimming Program in 2011 and has been training ever since. Last summer, Courtney took home gold at the Canada Transplant Games in New Brunswick in all five of her events, including the 5 k bike, 1 k run, 50 m backstroke swim and 100 m freestyle swim. She now has her sights set on joining Team Canada at the World Transplant Games in Argentina this August. Chicken Farmers of Canada donated \$1,000 to help Courtney get there.

Over the course of the year, Chicken Farmers of Canada also gave \$5,400 in donations to support the Morguard Golf Tournament in support of children's charities, the EFC Breakfast for Food Banks Canada, the Heart & Stroke Big Bike race, the Welch Beach Soccer Tournament for the Bruyère Foundation, and the Canadian Women's Business Network golf tournament. CFC also provided a sponsorship of \$2,500 for the "A Taste of Canada" charity reception in support of United Way hosted by the Department of Foreign Affairs, Trade and Development on November 5th in Ottawa.

Monitoring & ENFORCEMENT

AUDITING THE SYSTEM

In 2014, staff completed the audits of provincial chicken boards for compliance with Chicken Farmers of Canada policies and regulations. These audits included periods A-118 to A-121 and periods A-122 to A-125. Chicken Farmers of Canada's external auditors completed the audits of processors for periods A-118 to A-121 and initiated the audits of periods A-122 to A-125. The A-122 to A-125 processor audits will be completed in January 2015.

The audit report for periods A-118 to A-121 was presented to the Board of Directors in July 2014 and the audit report of periods A-122 to A-125 will be presented to Directors in January 2015.

OVERMARKETING ASSESSMENT

During the audit period A-118 and A-119, Chicken Farmers of New Brunswick was assessed overmarketing levies of \$11,726, while during the audit period A-120 and A-121, Chicken Farmers of Saskatchewan was assessed overmarketing levies of \$9,277. The report was presented and approved by Directors in July 2014 and the levies were subsequently paid.

During the audit period A-122 and A-123, British Columbia Chicken Marketing Board and Chicken Farmers of New Brunswick were assessed overmarketing levies totalling \$98,186, while during the audit period A-124 and A-125, Chicken Farmers of New Brunswick provincial commodity board was assessed overmarketing levies of \$36,909. The report will be presented to Directors in January 2015.

MARKET DEVELOPMENT

In 2013, a primary processor marketed production it received in a manner other than in accordance with the Chicken Farmers of Canada Market Development Policy from periods A-103 to A-105 and was assessed levies of \$181,539. The Board of Directors approved the processor's request to pay the levies over twelve months plus interest at prime + 1%. The amount was paid in full with the last installment made in May 2014.

There was no market development levy assessment in 2014.

SPECIALTY PRODUCTION

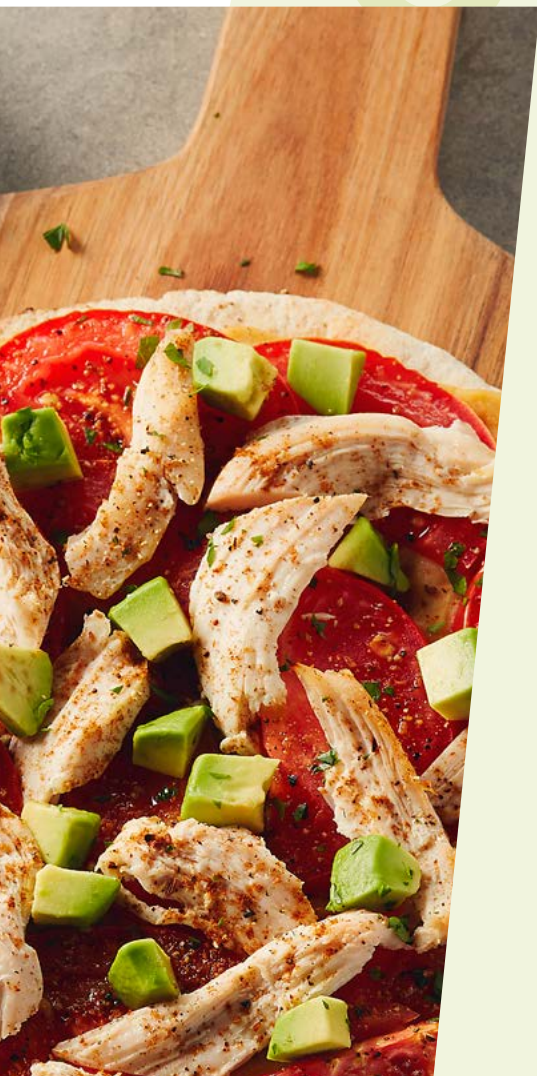
The Specialty Production Policy was fully implemented effective periods A-126 when Chicken Farmers of Canada regulations were amended and approved by Directors. The audit of specialty production will be initiated in 2015.

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.

Chicken Farmers of Canada received one inter-period quota transfer request of 47,000 kg live weight in 2014 from Quebec, compared to one request of 111,811 kg live weight in 2013, also from Quebec.

Market WATCH



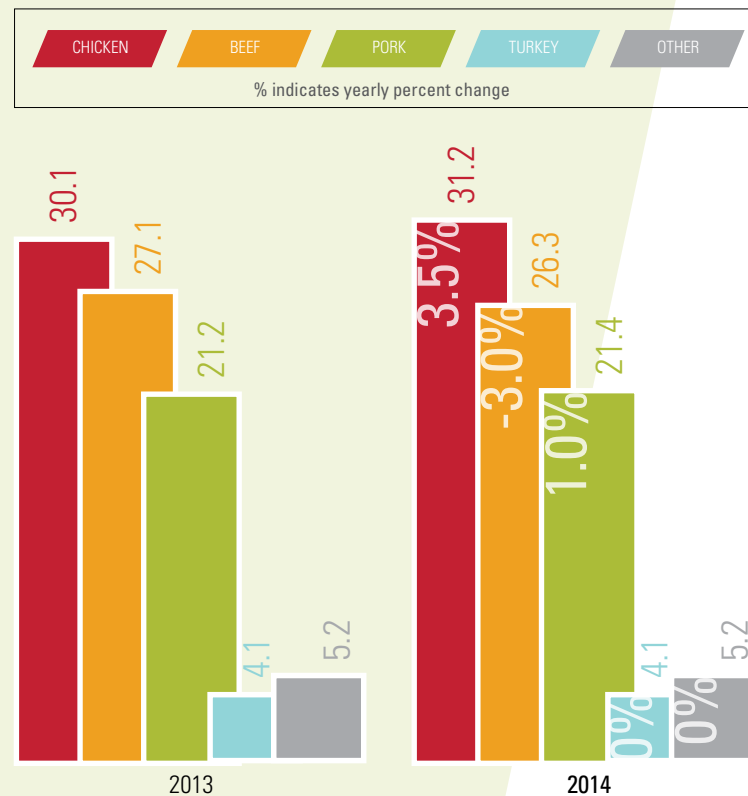
IN 2014, CANADIAN CHICKEN FARMERS PRODUCED 1,067 MILLION KILOGRAMS (MKG) OF CHICKEN, 2.2% MORE THAN IN 2013. THIS INCREASE REPRESENTS THE LARGEST RATE OF ANNUAL GROWTH IN THE PAST SEVEN YEARS. PER CAPITA CHICKEN CONSUMPTION IN 2014 IS PROJECTED TO BE 31.2 KG, 3.5% HIGHER (+1.1 KG) THAN IN 2013 AS TOTAL CHICKEN DISAPPEARANCE OUTPACED POPULATION GROWTH.

Driving the increase in consumption are increased supplies from increased production, a draw down from frozen inventories and decreased exports which left additional chicken available for domestic consumption. Preliminary numbers indicate that per capita consumption of beef decreased by 3% to 26.3 kg and per capita consumption of pork increased by 1% to 21.4 kg in 2014. Per capita consumption of turkey remained unchanged from 2013 at 4.1 kg, and consumption of lamb and veal remained unchanged at 1.0 kg.

Producer prices decreased in 2014 for the first time since 2010 due to a decline in feed prices. On average, producer prices in 2014 were nearly 8 cents lower than 2013, gradually trending upward to the annual peak of \$1.676 in early September before ending the year at \$1.601.

Frozen inventories started 2014 at 37.5 Mkg and ended the year at 31.7 Mkg, 20% below the previous year. A surge of imports in the last quarter of 2013 meant that 2014 began with a high level of

PER CAPITA CONSUMPTION - VARIOUS MEATS (KG)



storage stocks before falling in the first quarter and remaining in the 30 to 33 Mkg range for most of 2014 despite a surge of imports in late 2014.

PROVINCIAL PRODUCTION

Total Canadian chicken production in 2014 increased for the fifth consecutive year. Canadian chicken farmers produced 1,067 Mkg, a gain of 23.1 Mkg (2.2%) over 2013. Domestic production increased by 1.9% (19.4 Mkg) to 1,020.4 Mkg. Production under the Market Development Program increased by 6.2% (2.7 Mkg) to 45.9 Mkg. Production under the new Specialty Program started in period A-126, and amounted to 1.2 Mkg.

The increase in production was nearly evenly distributed between the first and second half of the year. Production in the first and second quarters of 2014 was 2.8% and 0.8% higher (7.3 Mkg and 2.1 Mkg), respectively, than in the same timeframe in 2013. Production increased by 5.3 Mkg and 8.5 Mkg in the third and fourth quarters, respectively, compared to the year before. The allocations for the summer periods (A-124 and A-125) were under-produced, primarily due to the tight hatching egg supply in North America, which impacted chick quality and supply both on domestic and imported chicks. B.C. and Alberta were the most signifi-

cantly impacted. Actual production in the other periods was somewhat higher than the number of kilograms allocated.

PRODUCER PRICES

The average Canadian producer price in 2014 was \$1.631 per kilogram live weight, 7.9 cents lower than the average in 2013. This represents a continued downward trend since the peak live price of \$1.822 in the last period of 2012. The producer price rose from a low of \$1.588 in A-122 (January 26 to March 22, 2014) to a high of \$1.674 in A-125 (July 13 to August 6, 2014) before softening over the rest of the year but ending slightly higher than the start of the year. Prices ended the year at \$1.64, three cents higher than the end of 2013.

QUOTA PERIODS

	FROM	TO	ALLOCATION (MKG EVISC.)	PRODUCTION (MKG EVISC.)	QUOTA UTILIZATION
A-121	DECEMBER 1, 2013	- JANUARY 25, 2014	155.0	156.6	101.0%
A-122	JANUARY 26, 2014	- MARCH 22, 2014	162.2	162.5	100.2%
A-123	MARCH 23, 2014	- MAY 17, 2014	166.1	166.7	100.3%
A-124	MAY 18, 2014	- JULY 12, 2014	164.6	164.5	99.9%
A-125	JULY 13, 2014	- SEPTEMBER 6, 2014	165.1	162.3	98.3%
A-126	SEPTEMBER 7, 2014	- NOVEMBER 1, 2014	164.3	164.9	100.3%
A-127	NOVEMBER 2, 2014	- DECEMBER 27, 2014	162.9	164.0	100.7%

PROVINCIAL PRODUCTION OF CHICKEN ('000 KG EVISCERATED)

PROVINCE	2014	2013	% CHANGE
BRITISH COLUMBIA	160,453	156,558	2.5%
ALBERTA	94,324	93,287	1.1%
SASKATCHEWAN	41,193	41,380	-0.5%
MANITOBA	44,625	43,198	3.3%
WEST	340,595	334,422	1.8%
ONTARIO	347,462	337,862	2.8%
QUEBEC	294,790	289,662	1.8%
CENTRAL	642,252	627,524	2.3%
NEW BRUNSWICK	29,938	28,470	5.2%
NOVA SCOTIA	36,465	36,014	1.3%
PRINCE EDWARD ISLAND	3,761	3,803	-1.1%
NEWFOUNDLAND & LABRADOR	14,280	13,926	2.5%
ATLANTIC	84,444	82,212	2.7%
CANADA	1,067,291	1,044,158	2.2%

Good crop growing conditions in most of North America resulted in an abundant corn and soybean crop, breaking production records set in the previous marketing year.

WHOLESALE PRICES

The average wholesale price (market composite) in 2014 was \$3.58, up from the average of \$3.50 in 2013. It reached a low of \$3.25 in late January, rose to its highest point of \$3.82 in mid-August, and ended the year at \$3.38. Canadian wholesale prices are compiled by EMI (Express Market Inc.).

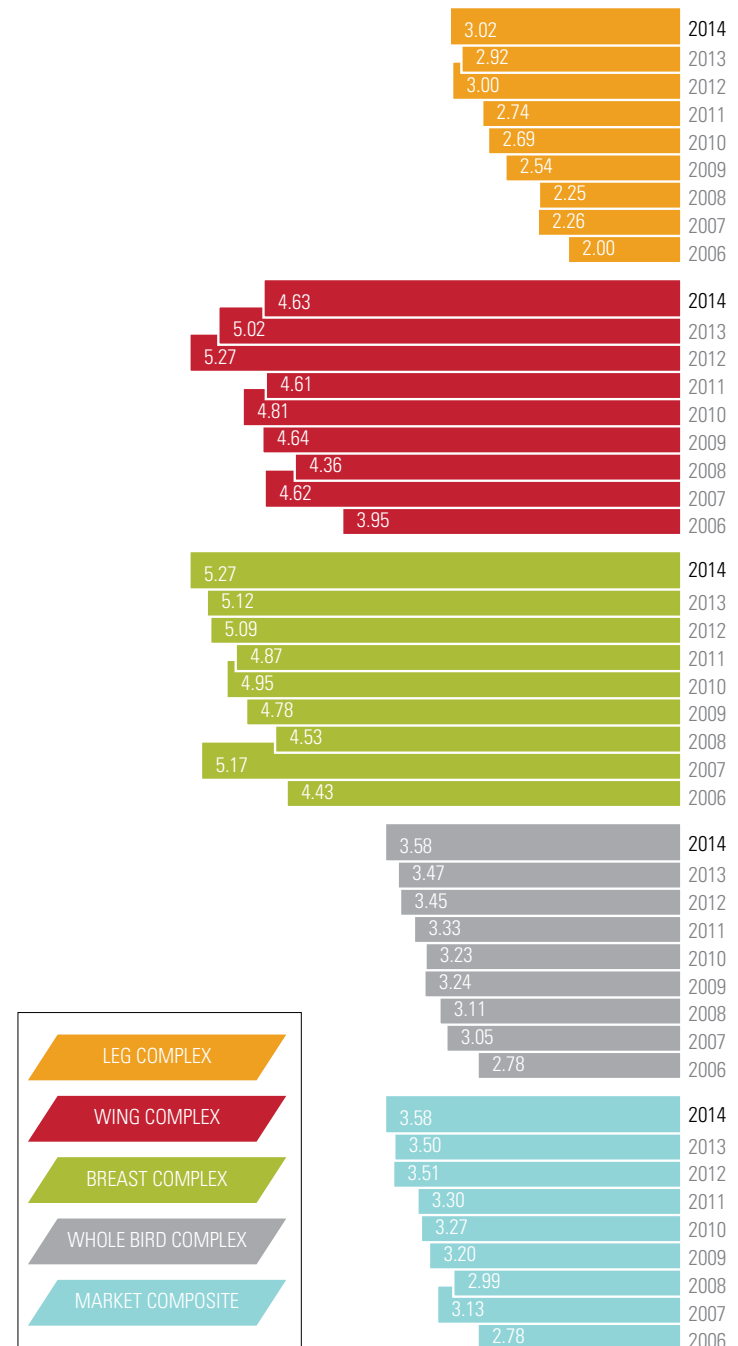
Looking at individual cuts, wings decreased for the second consecutive year. The average wing price in 2014 was \$4.62 compared to \$5.02 in 2013. South of the border, wing prices were on average slightly lower than in 2013 but ended the year with highs not seen since the first quarter of 2013. Prices peaked due to strong demand and decreased supplies. Canadian breast meat prices tracked the U.S. breast meat prices closely in 2014, 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 2014. The CPI for chicken increased to 148.0 in 2014 compared to 146.6 in 2013, representing a small increase of 0.9%. This increase was lower than the consumer price index for all items, better known as “the cost of living index,” which rose 1.9% and the CPI for all food items, which was 2.3% higher.

(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).

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





The CPI for chicken was also significantly lower than the retail price increases for both beef (13.5%) and pork (12.7%) in 2014, mainly due to a reduction in North American red meat supplies. Prices for seafood also increased at a rate higher than chicken (7.9%) while prices for turkey fell (-1.0%).

IMPORTS

According to reports from Foreign Affairs, Trade and Development Canada (DFATD), a total of 107.7 Mkg of chicken was imported into Canada in 2014, 11% less than the previous year. 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 2014 was calculated as 78.8 Mkg; 1.1 Mkg more than in 2013. According to preliminary 2014 year-end statistics, a total of 84.2 Mkg of chicken

and chicken products was imported under the TRQ. Global imports equaled 76.5 Mkg, and imports under the "Import-to-Compete" program were 7.7 Mkg, 2.0 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 84.2 Mkg, representing 8.02% of last year's production. The TRQ for 2015 will be 80.2 Mkg, up 1.4 Mkg from 2014.

In 2014, chicken parts (bone-in and boneless) accounted for 72.9% of all TRQ imports, 0.9% less than 2013. Further processed chicken imports accounted for 26.6% of all TRQ imports while only

IMPORTS

	2014	2013	% CHANGE
GLOBAL IMPORTS	76,542,226	76,705,415	0%
IMPORT-TO-COMPETE	7,687,763	5,734,599	34%
IMPORT TO RE-EXPORT	23,437,601	39,114,183	-40%
SPECIAL IMPORTS	0	0	-
IMPORTS FOR MARKET SHORTAGE	0	3,185	-
TOTAL	107,667,590	120,348,319	-11%
IMPORTS OF SPENT FOWL	81,181,068	97,259,193	-17%

Source: Foreign Affairs, Trade and Development Canada, AAFC



a very small amount of whole eviscerated chicken and live chicken was imported. As in the past, the U.S. was the largest supplier of chicken products imported under the TRQ with a total of 57.4 Mkg (75% of the total global imports) and a total value of \$161.8 million. Global imports from Brazil totaled 10.5 Mkg (14%) for a value of \$34.0 million. The other countries of origin in 2014 were Thailand at 8.0 Mkg (10%) at a value of \$26.3 million, Chile at 0.3 Mkg (0.4%) at a value of \$1.1 million, and small quantities from Germany and Israel for a combined quantity of 0.2 Mkg (0.2%) and value of \$0.8 million. The total value of all products imported under the TRQ was \$224.0 million, \$7.3 million (3.4%) more than in 2013, and the average price per kg was \$2.93 compared to \$2.86 in 2013.

DFATD also issued additional import permits under the Import to Re-export Program (IREP). IREP 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 2014, a total of 23.4 Mkg was imported under this program, 15.7 Mkg (40.1%) less than in 2013. The significant decrease in imports under this program for the second consecutive year 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 2014 at 75.4 Mkg eviscerated weight increased 356% over the five-year average, more than offsetting the decrease in imports under the IREP program. For more, see page 28 (Import Controls).

No supplementary import permits for shortages were issued in 2014.

According to AAFC data, total chicken imports (imports under all programs combined) into Canada were 190.5 Mkg, unchanged from 2013.

Imports of spent fowl declined in 2014. According to AAFC data, 81.2 Mkg of spent fowl products were imported into Canada in 2014, 16.1 Mkg less than in 2013 but exceeding the amount of chicken imported under the TRQ by 4.6 Mkg. The proportion of boneless breast meat increased from 45% in 2013 to 55% in 2014. The amount of imported spent fowl represents close to 8% of Canada's chicken production. 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 page 29.

EXPORTS

Based on Agriculture and Agri-Food Canada export data, approximately 126.7 Mkg of Canadian chicken was exported in 2014, down 11% compared to 2013. The primary destination for Canadian chicken and chicken products in 2014 continues to be the U.S. with 67.0 Mkg, 5.2 Mkg more than 2013 and accounting for 52.9% of all exports. Most of these exports are believed to be under import to re-export programs. Second was Taiwan, which imported 20.0 Mkg. The other eight countries in the top ten destinations for Canadian chicken were Philippines, Tajikistan, Armenia, Haiti, Jamaica, Kyrgyzstan, Hong Kong (China) and South Africa. In 2014, exports to these eight countries were 30.6 Mkg.



STORAGE STOCKS

Frozen chicken inventories started 2014 at 37.5 Mkg and ended the year at 31.7 Mkg, representing a 5.7 Mkg (15%) decrease. Overall, inventories were 1.7 Mkg below the five-year average. A surge of imports in the last quarter of 2013 meant that 2014 began with a high level of storage stocks before falling in the first quarter and remaining in the 30 to 33 Mkg range for most of 2014. The bulk of the decrease in the first quarter was in the breast meat and leg categories.

Examining the 2014 frozen inventories by category, inventories of whole birds, cut-up, further processed chicken and stocks of miscellaneous chicken all decreased. Cut-up chicken inventories decreased by 3.8 Mkg (21%), further processed chicken inventories by 1.1 Mkg (7%), and whole bird stocks by 0.2 Mkg (24%). Stocks of miscellaneous chicken, which include products such as MSM (mechanically-separated meat), giblets, skin and feet, fell by 0.6 Mkg (24%).

Within the cut-up chicken category, legs, breast meat and wing inventories decreased in 2014, while other cut-up chicken stocks increased. Legs, breast meat and wings stocks decreased by 1.0 Mkg, 4.9 Mkg and 0.7 Mkg, respectively (21%, 58% and 16%), and other cut-up chicken inventory increased by 0.3 Mkg (13.3%).

Within the further processed category, stocks of further processed boneless breasts fell by 0.8 Mkg (31%) in 2014, while frozen inventories of other further processed products (including tenders, strips, nuggets, patties and cooked wings) fell by 0.3 Mkg (2%).

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) increased in 2014 by 3.2 million kilograms live weight.

INTERPROVINCIAL MOVEMENT OF LIVE CHICKENS (IN KILOGRAMS LIVE WEIGHT)

PROVINCE	2014		2013	
	TO	FROM	TO	FROM
BRITISH COLUMBIA	-	-	-	-
ALBERTA	-	-	-	-
SASKATCHEWAN	-	20,000	-	2,608,000
MANITOBA	20,000	-	2,608,000	-
ONTARIO	988,000	18,338,000	1,221,000	17,032,000
QUEBEC	18,338,000	38,663,000	21,602,000	29,235,000
NEW BRUNSWICK	55,200,000	-	45,818,000	4,439,000
NOVA SCOTIA	4,197,000	16,633,000	4,300,000	17,036,000
PRINCE EDWARD ISLAND	-	5,089,000	-	5,199,000
NEWFOUNDLAND & LABRADOR	-	-	-	-
TOTAL	78,743,000	78,743,000	75,549,000	75,549,000

The movement of live chickens between provinces increased in 2014 by 3.2 million kilograms live weight. This is explained by an overall decreased movement between Saskatchewan and Manitoba and an increased movement between Quebec and New Brunswick.

Government RELATIONS



THE MANDATE OF CHICKEN FARMERS OF CANADA IS TO ENSURE THAT THE VOICE OF OUR FARMERS IS HEARD, BOTH DOMESTICALLY AND INTERNATIONALLY, WHEN IMPORTANT AGRICULTURE AND TRADE POLICY DECISIONS ARE MADE. CHICKEN FARMERS OF CANADA DOES THIS BY BUILDING RELATIONSHIPS WITH GOVERNMENTS AND KEY CONSTITUENTS IN ORDER TO IDENTIFY AND RESPOND TO ISSUES BEFORE THEY BECOME HIGH-PROFILE PROBLEMS.

Chicken Farmers of Canada's approach to public policy is collaborative and based on relationships with elected and non-elected officials, as well as with industry partners. Our primary government relations (GR) goals are to:

- Work with government to resolve our priority issues
- Counter negative perceptions that may exist about Chicken Farmers of Canada, the chicken industry and supply management
- Stay well informed on government legislative, policy and regulatory processes that could affect chicken farmers and the Canadian chicken industry
- Foster respectful relationships with elected and non-elected officials that Chicken Farmers of Canada can count on in a time of crisis
- Build on Chicken Farmers of Canada's reputation with government decision makers as a responsible organization and competitive industry that solves its own problems, is cooperative in issues resolution, and never asks for more than it needs

LOBBYING AND POLICY RECOMMENDATIONS

Chicken Farmers of Canada staff met and corresponded with Ministers, staff and officials from Agriculture and Agri-Food Canada, the Canadian Border Services Agency (CBSA), the Department of Foreign Affairs, Trade and Development, Finance and Health to discuss efforts around re-establishing the integrity of the import control pillar of supply management, namely spent fowl, CBSA's Duties Relief Program, and specially-defined mixtures (SDM). Throughout the year, the Chair, Dave Janzen, met with key Ministers to reiterate the urgency of our positions around these import control issues.

The persistent circumvention of import rules has a severe economic impact on the whole Canadian chicken value chain. Chicken Farmers of Canada is recommending reasonable, practical, and trade-compliant ways to strengthen our world-class system. These changes will benefit farmers, processors, consumers, and taxpayers.

Chicken Farmers of Canada made a pre-budget submission to the Minister of Finance and to members of the House of Commons Standing Committee on Finance, making these recommendations: reinstate the sauce and cooking requirements in the Customs Tariff Definition of Specially-Defined Mixtures (SDMs); exclude chicken from CBSA's Duties Relief and Drawback Programs; and implement mandatory certification for all spent fowl imports.



Chicken Farmers of Canada effectively provided parliamentarians with messaging using specially-placed advertising tactics. These included several ads in the Hill Times, a weekly newspaper focused on the activities on Parliament Hill and within politics in general. In this publication's Policy Issue, just preceding Lobby Day, we ran an ad highlighting the benefits of our industry. We placed another in the fall, in advance of our reception, with messaging around our "Raised by a Canadian Farmer" brand. For the holiday season in December, we ran an ad emphasizing the importance of thinking of those in need. Digital advertising was also featured on the National News Watch website as a means to combat some negative messaging about our industry – this was accomplished with proactive advertising about our brand, and its commitment to Canadian consumers.

LOBBY DAY

Our 4th annual Lobby Day was our most successful to date. Farmers, industry stakeholders and staff met with more than 70 MPs and Senators on May 27th. The decision to focus on one primary key message (spent fowl) and have a couple of secondary messages pertaining to import controls was well received by MPs and Senators and ensured that our main concern was heard by all.

Our Lobby Day material was available in both downloadable PDF versions from chickenfarmers.ca and as wallet-sized cards for participants.

PARLIAMENTARY RECEPTION

This year's Annual Parliamentary Reception for Members of Parliament, Senators, political and departmental staff, as well as industry partners, had 280 people in attendance. Held at the Fairmont Château Laurier on November 19th, it showcased great Canadian chicken recipes, and Canadian cheese and wines.

Once again, Chicken Farmers of Canada used the opportunity to highlight concerns with issues around import controls, in particular specially-defined mixtures.

A display was set up to explain how sauce is being used with chicken to circumvent import controls. The display was a focal point for the evening and having items on hand to show the specific products that are exploiting loopholes was a good way to engage guests in discussion on a topic that is usually technical in nature.

Guests were shown videos highlighting facts and figures about the Canadian chicken industry and some of our key messages. There was also a model farm on display.

During the reception, Chicken Farmers of Canada asked MPs and Senators to fill in a short survey to enter a draw for a \$5,000 donation to a food bank in their riding. Joyce Bateman, MP for Winnipeg South Centre, was the winner and chose to have the donation made to Winnipeg Harvest, located in Winnipeg, Manitoba.



FEDERAL, PROVINCIAL AND TERRITORIAL (FPT) MEETINGS IN WINNIPEG

Canada's federal, provincial and territorial (FPT) Ministers of Agriculture concluded their annual meeting in Winnipeg on July 18th after focused discussions on creating opportunities for a dynamic agriculture and agri-food sector in Canada.

FPT Ministers committed to enhancing collaboration between governments, academia, and industry to continue to build a modern and competitive sector that contributes to Canada's economy and economic growth. Ministers will maintain efforts to improve infrastructure, strengthen the regulatory framework, enhance market access and development, and advance investment in innovation. Ministers supported the development of a comprehensive and collaborative approach to emergency management, including the management of plant and animal health risks.

The Ministers discussed ongoing trade negotiations, such as those between Canada and the European Union (EU) and the Trans-Pacific Partnership. They emphasized the importance of signing trade agreements that benefit the agriculture and agri-food sector, while recognizing the importance of supply management in Canada.

Chicken Farmers of Canada representatives participated in Winnipeg, attending the Canadian Federation of Agriculture (CFA) roundtable with FPT Ministers, meeting with Minister Ritz, and engaging with FPT ministers and officials at a reception held at the Assiniboine Park Zoo.

CFA ANNUAL GENERAL MEETING

The theme for the 2014 CFA Annual General Meeting was "Keeping It Competitive – Today's Family Farm". The meeting, held in Ottawa on February 25th and 26th, welcomed delegates from across Canada to discuss and debate policies, as well as to bring forward recommendations on a range of issues, including trade, research, and taxation. Derek Janzen, the Director from B.C., is the Chicken Farmers of Canada representative to the CFA and served a term on its executive committee.

The Minister of Agriculture, the Honourable Gerry Ritz, attended the President's Reception where he addressed attendees and took numerous questions from producers on a range of issues, from grain transportation to CETA. There, he reaffirmed support for supply management and addressed other topics. The Minister was attentive, spending time with individual delegates and had some frank discussions with producers.

Malcolm Allen, the NDP's Agriculture Critic, addressed delegates and highlighted the need for and interest in CFA's industry-led National Food Strategy.

Justin Trudeau, Leader of the Liberal Party, also addressed members and covered multiple issues including national food security, international trade, support for supply management, research, and grain transportation.

WHAT'S HAPPENING IN COMMITTEES

SENATE STANDING COMMITTEE ON AGRICULTURE & FORESTRY

At the end of November, Chicken Farmers of Canada was invited to present to the Senate Standing Committee on Agriculture and Forestry, addressing international market access priorities for the Canadian agricultural and agri-food sectors. Our presentation covered the economic contributions of the Canadian chicken industry, and explained the positive role of industry in contributing to a diversified and sustainable farm and agri-food sector.

Chicken Farmers of Canada contributes to a strong agriculture base in Canada that allows many farmers and businesses to export from a stable platform in Canada. This contribution is recognized in the government's formula for successful trade negotiations. Canada has successfully implemented or concluded the negotiations of free trade agreements with 42 countries since 1994, which followed the same successful formula of preserving supply management, while enhancing market access for other sectors.

HOUSE OF COMMONS STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

The House of Commons Standing Committee on Agriculture and Agri-Food hosted witnesses on Bill C-18, the *Agricultural Growth Act*, in late September and in early October. The Canadian Federation of Agriculture (CFA) appeared as a witness for the bill and commented on this extensive piece of legislation which is similar to the vast U.S. Farm Bill.

The *Agricultural Growth Act* was introduced at the end of 2013 by the Minister of Agriculture and Agri-Food. It passed second reading in the Senate in early December 2014 and is a bill designed to modernize and strengthen federal agriculture legislation, support innovation in the Canadian agriculture industry, and enhance global market opportunities.

The bill proposes changes to the suite of statutes that the Canadian Food Inspection Agency (CFIA) uses to regulate the agricultural sectors, including the *Health of Animals Act*.

NDP PAN-CANADIAN FOOD STRATEGY

On March 27th, Chicken Farmers of Canada participated in an industry consultation on the NDP vision for a pan-Canadian food strategy called "Everybody Eats."

The consultation was led by Malcolm Allen and Ruth Ellen Brosseau, the Agriculture Critic and Deputy Agriculture Critic, respectively. The strategy includes the position to "Ensure producers make the decisions on the future of their marketing boards".

Chicken Farmers of Canada focused on the need to ensure that imported food meets the same standards as domestic production, a definition of local food production that means domestic production close enough for consumers to have fresh chicken, and to not impose labelling for animal care, but have confidence in audited producer organization animal care programs.

CHICKEN FARMERS OF CANADA'S APPROACH TO PUBLIC POLICY IS COLLABORATIVE
AND BASED ON RELATIONSHIPS WITH ELECTED AND NON-ELECTED OFFICIALS,
AS WELL AS WITH INDUSTRY PARTNERS.

Trade & POLICY

CHICKEN FARMERS OF CANADA WORKS WITH DOMESTIC POLICY MAKERS TO ENSURE THAT THE CONCERNS OF CANADA'S CHICKEN FARMERS ARE ADDRESSED WITH REGARDS TO THE THREE PILLARS OF SUPPLY MANAGEMENT: IMPORT CONTROLS, PRODUCER PRICING AND PRODUCTION DISCIPLINE. THESE THREE PILLARS ARE THE STRUCTURE WHICH ENABLES FARMERS AND INDUSTRY STAKEHOLDERS TO INVEST WITH CONFIDENCE IN THEIR OPERATIONS, TO CONTINUE TO SUPPORT CANADA'S RURAL ECONOMY, AND TO PROVIDE THE FRESH CANADIAN CHICKEN THAT CONSUMERS TRUST.

On the international stage, Chicken Farmers of Canada continues to support the successful negotiating model of the Canadian government. Since 1994, Canada has negotiated trade agreements with 42 countries, all of which have preserved supply management while achieving significant market access gain for Canadian exporters.

While the WTO continues to roll along at a fairly glacial pace, Canada is heavily involved with the Trans-Pacific Partnership (TPP). Canada and the other 11 members are waiting for the ongoing U.S.–Japan negotiations to conclude as those two are the largest traders involved in the potential agreement and their own bilateral discussions are expected to provide a framework for the larger TPP negotiations.

Chicken Farmers of Canada closely monitored these trade negotiations in collaboration with our colleagues from the poultry, dairy and egg sectors, and has been in constant communication with Canadian negotiators.

Regarding trade rules, importers continued to exploit weaknesses and loopholes in the import control pillar, either by fraudulently importing chicken as spent fowl, or by adding sauce to chicken in order to circumvent import rules. There are significant economic losses from these imports – the Canadian government

loses valuable duty and tax revenue; farmers, hatcheries, feed mills and processors lose production, and processors are negatively affected by an uneven playing field.

While Chicken Farmers of Canada is able to monitor the situation closely and provide advice and detailed information to key decision makers, changes require leadership, assistance, and perseverance from policy makers and elected officials in order to ensure that the rules are being followed properly, that loopholes are closed as soon as possible, and that a level playing field is in place for all industry stakeholders. Re-establishing the integrity of the import control pillar for chicken continues to be a critical priority for Chicken Farmers of Canada.

INSIDE THE TRADE NEGOTIATIONS

WORLD TRADE ORGANIZATION

The “Bali Package”, agreed to in December 2013, was not a comprehensive agreement, but showed that there was still life in the stalled WTO negotiations of the Doha Development Agenda (DDA). The key areas of the agreement, trade facilitation and domestic support for public stockholding for subsistence programs, continued to be debated by WTO members for most

of 2014 due to a strong opposition from India. In November, members were finally able to reach an agreement allowing a peace clause on developing countries' food security programs under WTO's dispute settlement mechanism until a permanent solution is found. The year ended with Members discussing a post-Bali program and they are now gearing up for another ministerial to be held in Kenya, from December 13–18, 2015.

The Bali Package may serve as an important stepping stone towards tackling the remaining issues of the stalled DDA, but 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. As stated in 2008, this version is unacceptable for Chicken Farmers of Canada and it would completely undermine the import control pillar of supply management.

COMPREHENSIVE ECONOMIC AND TRADE AGREEMENT

The Canada and European Union (EU) Comprehensive Economic and Trade Agreement (CETA) was launched in 2009 and reached an agreement in principle in October 2013. Negotiations continued into 2014 and were concluded in August. Both leaders, Canadian Prime Minister Stephen Harper and European Commission President Jose Manuel Barroso, officially presented the agreement during a joint September summit held in Toronto.

The 1,600+ page agreement must now be translated into 24 EU languages and ratified over the next two years by all signatories. Based on reviews of the agreement, and by following the negotiations closely, it has been determined there will be no impact for Chicken Farmers of Canada, as poultry products were excluded to our satisfaction. This agreement shows once again that Canada can seek an ambitious trade agreement without compromising the principles of chicken supply management.

TRANS-PACIFIC PARTNERSHIP

The Trans-Pacific Partnership (launched in 2005), which Canada joined in 2012, was the main trade initiative pursued by Canada in 2014. TPP members were active throughout the year trying to advance their comprehensive trade agenda encompassing every sector of our economy. Three formal ministerial meetings were held and chief negotiators held extensive negotiating sessions

on six occasions in Singapore, Ho Chi Minh City, Hanoi, Ottawa, Sydney, and Washington.

Most of the TPP attention was on the U.S.–Japan bilateral talks during 2014. As the two largest economies and traders involved, it is expected that decisions made during their bilateral talks may establish some new ground rules and parameters for the larger TPP negotiations. The agriculture and auto sectors are the main areas of contention between the U.S. and Japan, and their outcomes are likely to set the level of ambition for the final negotiations. Their talks are closely followed by other TPP members and it is widely expected that TPP will advance at a much faster pace once the U.S. and Japan have found a mutual agreement.

As Canada is the 15th largest importer of chicken in the world, and imports more chicken than the U.S., Peru, New Zealand, Australia, Singapore and Brunei – combined, we are confident that the Canadian government will be able to negotiate an agreement that does not weaken the import control pillar of chicken supply management.

IMPORT CONTROLS

There continues to be huge pressure on the TRQ (tariff rate quota). There was a surge in demand created by two products: importers switching from cooked, diced fowl meat to cooked, diced chicken, and by adding sauce to chicken products in order to qualify as specially-defined mixtures (SDM) and to generate an import allocation.

The Department of Foreign Affairs, Trade and Development (DFATD) estimated supplementary imports would reach 10–15 million kg (Mkg) in 2014 and determined that a new allocation methodology was needed for 2015. Due to this exceptional pressure on the TRQ and the proliferation of products designed to meet the SDM rule, the Tariff Rate Quota Advisory Committee (TQAC) held consultations to propose modifications to the import allocation methodology. As a result, DFATD decided to no longer allocate import quota for meat-on-meat products and for brochettes because there is no foreign competition for these products. These discussions and the proposed modifications might have helped contain the demand for additional imports in 2014. By year-end, the imports under the TRQ reached 84.3 Mkg. This is 2.7 Mkg higher than last year. 2014 imports were 8.02% of the previous year's production volume, greatly exceeding Canada's international commitment of 7.5%.

Products with sauce remain an unresolved issue. Chicken Farmers of Canada has made recommendations for changes in rules to reinstate the original definition of SDM, as defined in Canada's commitment to the WTO. Unfortunately for the Canadian chicken industry, a more liberal definition is being used in Canada's customs tariff allowing more products to qualify as SDM.

Despite the changes announced by DFATD in October, we still expect that TRQ demand in 2015 will exceed the TRQ as importers continue to skirt the current import control rules.



IMPORTS FOR RE-EXPORT

Based on preliminary statistics for 2014, the volume of imports to be re-exported either under DFATD's IREP (import to re-export) or CBSA's DRP (duties relief program) has remained stable overall, despite a significant shift from IREP to DRP. Unfortunately, conditions under DRP are more generous, accepting some product substitution and up to four years to re-export the product, causing a much greater risk of leakage on the domestic market. The other inconsistency with DRP is the eligibility of marinated products, which were banned from IREP because it was impossible to properly verify the marinade level. Unfortunately, marination is permitted under DRP.

Chicken Farmers of Canada continues to point out that the DRP is not suitable for perishable or agricultural goods as it offers a four-year timeframe to re-export. It is obviously a duplication of programs and an inconsistency between government departments. The DRP is inadequate for chicken products and we have requested that chicken products only be allowed under the IREP.

SPENT FOWL

Imports of spent fowl have seen an overall decline in 2014, but this reduction was more visible in the first part of the year. Imports during the last several months of the year were as high as imports during 2012 and 2013. There is also a continued increase in the proportion of boneless breast meat as part of the imports of spent fowl.

	2014 (MKG EVISC.)	2013 (MKG EVISC.)
DRP	75.4	61.0
IREP	23.4	39.1
SPENT FOWL - BONELESS BREASTS	81.1 44.2	97.3 44.0
GLOBAL TRQ	76.5	76.7
SUPPLEMENTARY IMPORTS	7.7	5.7
TOTAL AS % OF PRODUCTION	8.02%	7.87%

Boneless breast meat is now over half the type of product imported (55%) and its similarity poses a big risk for illegal imports and product displacement through substitution for broiler meat.

In order to identify spent fowl and differentiate it from broiler meat, Chicken Farmers of Canada commissioned the development of a DNA test. Since spent fowl is considered different (genetically and for trade purposes) it was important to create a tool that can identify the different products.

The scientific test was presented to CFIA (Canadian Food Inspection Agency) and CBSA (Canadian Border Services Agency) in June and there are now discussions underway with the CFIA for a pilot program. We are also waiting for the government to implement a mandatory certification program on imports of spent fowl, as recommended by the Chicken Imports Working Group in 2011. The USDA implemented its own voluntary Fowl Meat Verification Program in February 2014, and a similar program on the Canadian side would limit the loopholes for product misclassification.

SPECIALY-DEFINED MIXTURES (SDM)

What is an SDM? Chicken, when combined with 13 per cent of other ingredients, is labeled a "specially-defined mixture" and is not considered chicken for import control purposes. In other words, products with 87 per cent chicken or less are generally not subject to import controls and tariffs.

A handful of Canadian companies have identified this as an opportunity to break existing trade rules, allowing them to import even more chicken into Canada. In order to circumvent these rules, these companies have begun to deliberately create new SDM products by adding sauce to a box of chicken wings or strips, inserting broccoli or asparagus into a chicken breast, or by packing chicken and pizza in the same box. These products are created deliberately with the sole purpose of circumventing import controls.

In 2014 alone, it is estimated that at least 10 Mkg of chicken have circumvented import rules by simply adding sauce. SDM products sold with up to 87 per cent raw meat account for another 5 Mkg, for a total of 15 Mkg. To date, most products sold in Canada as SDM are manufactured in Canada with imported chicken.

There is a double impact, as these companies are demanding an ever-increasing allocation of the chicken and turkey tariff rate quotas (TRQ) under the pretense that they need the import allocation to make products domestically and compete with exporters who could ship similar products to Canada. The fact is that, for the most part, they are not competing with finished products being exported to Canada; they are simply designing products to generate additional import allocations.

These actions are killing Canadian jobs, harming the Canadian economy and hurting Canadian farmers. It is also placing Canadian food manufacturers who play by the rules at a competitive disadvantage. With a simple solution, the federal government can close



a loophole that is being exploited by a handful of companies and in doing so, preserve 2,500 jobs, \$300 million in contributions to Canada's GDP and \$60 million in tax revenue.

The solution is simple and fully within the federal government's authority to implement. Increasing protectionism is not necessary. Instead, the rules must be applied as intended so that they are not abused to the detriment of the entire Canadian chicken industry.

What is needed from the federal government is to reinstate, into the Canadian Customs Tariff, the sauce and cooking requirements as contained in Canada's negotiated WTO commitments:

"Specially defined mixtures" of tariff items 1602.31.11, 1602.31.92, 1602.39.11 and 1602.39.92 means a product containing partially or fully cooked, including par-fried, chicken or turkey wherein 13% or more of the total weight of the product is comprised of goods other than the following: chicken, turkey, bread, breading, batter, oil, glazing, sauces, other coatings and bastes, and any added water (including that used in marination, glazing, sauces, other coatings, bastes, breading and batter).

Reinstating this definition would resolve this issue and ensure that all Canadian businesses are playing by the same rules. Furthermore, this change would honour Canada's WTO commitment and preserve Canadian jobs.

The situation has become extremely serious; thwarting trade rules has grave consequences for every level of the Canadian chicken value chain. That's why various groups from every region of Canada, including Chicken Farmers of Canada, Canadian Hatching Egg Producers, Turkey Farmers of Canada, Canadian Poultry and Egg Processors Council, Canadian Association of Regulated Importers and Further Poultry Processors Association of Canada have all written letters to federal ministers requesting a solution to this critical problem.

These 15 Mkg of imported products have displaced Canadian production and processing for an equivalent 60 Mkg of live production, and have had an overall negative impact on the entire Canadian value chain.

LOSSES TO THE CANADIAN ECONOMY DUE TO SDM CIRCUMVENTING CANADIAN TRADE RULES

LOSSES TO THE CANADIAN ECONOMY, CHICKEN FARMING AND PROCESSING

CONTRIBUTION TO TOTAL EMPLOYMENT (JOBS)	2,536
~ Direct employment (Jobs)	1,068
<hr/>	
CONTRIBUTION TO GDP (MILLION \$)	296
<hr/>	
TOTAL TAX REVENUES (MILLION \$)	59.7
~ Federal Tax Revenues (Million \$)	30.2
~ Provincial and Municipal Tax Revenues (Million \$)	29.5
<hr/>	
FARM CASH RECEIPTS CHICKEN (MILLION \$)	102.4
<hr/>	
FARM CASH RECEIPTS HATCHING EGGS (MILLION \$)	14.5
<hr/>	
FEED PURCHASES (TONS)	110,161

The economic impact includes Direct, Indirect and Induced Effects.

Source: Based on Informetrica Limited, The Economic Impact of the Poultry and Egg Industries in Canada, December 2011.

Antibiotic USE & RESISTANCE



THE USE OF ANTIMICROBIALS IN BOTH HUMAN MEDICINE AND AGRICULTURE, AS WELL AS THEIR IMPACT ON ANTIMICROBIAL RESISTANCE, HAS RECEIVED SIGNIFICANT ATTENTION. WHILE THERE REMAINS SIGNIFICANT DEBATE WITHIN THE SCIENTIFIC COMMUNITY AS TO THE EFFECT AND IMPACT OF ANTIMICROBIAL USE WITHIN AGRICULTURE, THE CHICKEN SECTOR IS COMMITTED TO CONTROLLING, MONITORING AND REDUCING ANTIMICROBIAL USE TO PRESERVE EFFECTIVE TREATMENT OPTIONS.

Chicken Farmers of Canada, in collaboration with hatcheries and processors, implemented a new policy regarding the preventive use of Category I antibiotics in chicken production. As of May 15, 2014, the preventive use of Category I antibiotics is no longer allowed at the hatchery or on-farm for meat birds.

Enforcement of this policy has been implemented through Chicken Farmers of Canada's On-Farm Food Safety Assurance Program (OFFSAP), and by way of industry and government surveillance programs. A mandatory requirement has already been included in the revised version of the OFFSAP.

To ensure the success of this initiative, it is essential that all partners in the poultry industry actively participate in the implementation. The highest level of management practices must be implemented to ensure flock health throughout the supply chain. Chicken Farmers of Canada has been working with industry stakeholders to ensure a coordinated approach throughout the poultry industry.

INDUSTRY AMU STRATEGY

This AMU reduction strategy is one component of the larger, ongoing Antimicrobial Use (AMU) Strategy, which has generated significant activity over the past year. 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.

Elements of Chicken Farmers of Canada's strategy are now in place and 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 – look for our new AMU videos coming to a website near you!
- ~ Research and availability of alternative products



PRINCIPLES OF RESPONSIBLE ANTIMICROBIAL USE

As another component of Chicken Farmers of Canada's larger Antimicrobial Use (AMU) Strategy, the revised OFFSAP manual contains a brochure which clearly outlines the principles of responsible antimicrobial use, and all new principles have been incorporated as requirements into Chapter 6 of the manual. These principles represent industry's continuing commitment to the responsible use of antimicrobials.

Elements of the principles include:

- ~ Only using products approved by the Veterinary Drugs Directorate of Health Canada
- ~ Consulting veterinarians based on clinical signs of disease
- ~ Considering the categorization system for antimicrobials when selecting antimicrobials for use
- ~ Not permitting the preventive use of Category I antimicrobials
- ~ Not permitting the use of Active Pharmaceutical Ingredients (API) or products obtained under the Own-Use Importation (OUI) provision (i.e. products imported from another country)
- ~ Implementing biosecurity and poultry health programs to reduce the incidence of disease and the potential need for antimicrobials

Farmers will be familiar with many of these requirements as they have been integral components of Chicken Farmers of Canada's OFFSAP for many years.

ANTIBIOTIC USE SURVEILLANCE

The Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) is a federal program that monitors trends in antimicrobial use and antimicrobial resistance. CIPARS is now conducting on-farm surveillance on broiler farms (launched in 2013) in partnership with the Canadian chicken industry. Chicken farmers opened their doors to actively participate and anticipate a report in 2015 that will track antimicrobial use and resistance. CIPARS has been performing antimicrobial resistance surveillance at retail and at processing since 2002 for beef, poultry and pork.

Chicken Farmers of Canada worked in conjunction with CIPARS and the provincial boards to develop the surveillance methodology and supports its implementation; we also funded a pilot project through the Canadian Poultry Research Council to test the protocols. While all individual producer information will be coded to ensure anonymity and will remain confidential, each participating farmer will be provided with an individualized report of the results for their farm.

This on-farm surveillance project is a key component of our industry's strategy for addressing antimicrobial resistance. The data generated from this surveillance represents a credible 3rd party assessment and will be an important guide to support the industry's antimicrobial strategy. Surveillance, along with collaborative information-sharing between government and industry, will provide further insight into antimicrobial use and resistance in the Canadian chicken sector. In turn, this will help the chicken industry determine future antimicrobial policies.

EDUCATION

An important piece of the Antimicrobial Use Strategy continues to be education of all stakeholders on antimicrobial use and resistance. To meet the objective of increased awareness and education, Chicken Farmers of Canada has held information sessions involving veterinary epidemiologists and farmers experienced with "raised without the use of antibiotics" and has made presentations on the Antimicrobial Use Strategy. Educating all industry stakeholders on the roles we have to play, and of the approaches being used, ensures their active participation and buy-in to the larger AMU Strategy.

In 2014, a four-part series of videos was developed to raise awareness and educate farmers and industry stakeholders about the issues of antibiotic use and resistance. These videos help to reinforce the need to use antibiotics responsibly and to reduce use where possible. These videos feature Dr. Martine Boulianne, Chair in Poultry Research from the University of Montreal, who provides context and explanations of the concepts being discussed.

On-Farm FOOD SAFETY ASSURANCE PROGRAM

CHANGES TO ANTIMICROBIAL USE, SPECIFICALLY THE BAN ON PREVENTATIVE USE OF CATEGORY I ANTIBIOTICS, AT THE HATCHERY OR ON-FARM, FOR COMMERCIAL MEAT BIRDS ON MAY 15, 2014, LED TO THE IMPLEMENTATION OF A REVISED VERSION OF THE ON-FARM FOOD SAFETY ASSURANCE PROGRAM (OFFSAP).

These required changes also impacted farmer records, such as the Flock Information Reporting Form (or the "Flock Sheet"). A newly-designed form was released and a question added to ensure accurate reporting of antimicrobial use throughout the chain of production.

We are very proud to be the first agri-food sector to achieve full official government recognition (March 2013) at the federal, provincial and territorial level for our auditable on-farm food safety assurance program. In 2014, we achieved our goal of leveraging our supply management system to make the program mandatory in every province and in 2014 we achieved 100% of farmers certified on OFFSAP!

Thanks to the tools provided by our supply management system, Canadians can count on a steady supply of safe, fresh, high-quality Canadian chicken at reasonable prices.

PATHOGEN REDUCTION IN CHICKEN

In 2014, 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.

PATHOGEN REDUCTION INITIATIVE

The Pathogen Reduction Initiative is a federal and provincial government initiative, led by the Canadian Food

Inspection Agency, which 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 designed to assess current pathogen levels, establish reduction targets, and identify and implement strategies to monitor and reduce pathogen levels.

For the chicken industry, the Pathogen Reduction Initiative's main objectives are to provide data on the prevalence and concentrations of Salmonella and Campylobacter in broiler flocks, carcasses and retail chicken meat products. The baseline surveys conducted in 39 federally registered abattoirs and at retail in 33 census metropolitan areas started in November 2012 and concluded in December 2013. The report on the baseline survey results is underway at CFIA and is expected to be released in early 2015.

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, and help to establish performance targets. New intervention strategies must be risk- and science-based, reasonable, and they must consider the whole chain of production, including farmers.

We work closely with various government agencies such as CFIA to address food safety hazards on-farm as part of the ongoing maintenance review of OFFSAP. This is a reminder that OFFSAP is not static; it is subject to continuous improvement.

SALMONELLA ENTERITIDIS WORKING GROUP

Chicken Farmers of Canada has been participating in phase I of the government-industry Salmonella Enteritidis (SE) Working Group since 2008. The objective is to address gaps in the poultry and egg sectors that impact the control of foodborne SE in Canada, and to reduce human illnesses from poultry sources.

We anticipate being part of phase II of the working group to develop strategies to implement the recommendations made in the 2014 "National Strategy for the Control of Poultry-Related Human Salmonella Enteritidis Illness in Canada".

The On-Farm Food Safety Assurance Program provides a credible base of requirements to reduce pathogen contamination. Continually implementing these OFFSAP requirements is imperative to reduce the potential for on-farm pathogen contamination while at the same time giving industry a unique and valuable tool for communicating with government, industry, and consumers about the measures in place on our farms.



Animal CARE

In 2014, the number of farmers certified under the Animal Care Program (ACP) reached 96%. The program is now mandatory in eight provinces, with Newfoundland & Labrador in the final stages of implementing a mandatory requirement. Having all farmers on board is important, since Canadians have made it clear that they want Canadian chicken, and our reputable, national on-farm programs are a key reason.

Our Animal Care Program – with a strong set of program requirements, annual audits, mandatory regulations and enforcement measures – is credible and a strong show of our farmers' commitment to animal care.

CODE OF PRACTICE REVIEW - NATIONAL FARM ANIMAL CARE COUNCIL

The review process for the Code of Practice is being managed by the National Farm Animal Care Council (NFAACC). Rudy Martinka, the Chicken Farmers of Canada Director from Saskatchewan, is our representative at the NFAACC. While NFAACC deals with a host of animal care issues, the revision of the Code of Practice is by far the most important initiative.

Chicken Farmers of Canada is actively participating on the Code of Practice Development Committee; both Rudy Martinka and Vernon Froese (MB) are members. The *Code of Practice for the care and handling of Chickens, Turkeys and Breeders from Hatchery to Processing Plant* is the basis for the requirements in our Animal Care Program and the Code was last revised in 2003.

This renewal process has been financially supported by the federal government with funding under *Growing Forward II*. Chicken Farmers of Canada applauded the funding announcement and the acknowledgement of the importance of having up-to-date Codes for all sectors.

The Code Development Committee will continue to work through 2015 with a public consultation period in mid-2015 and a goal of finalizing the revised Code by the end of 2015. The new Code is expected early in 2016.

ENGAGING FARMERS

In May 2014, the Chair of Chicken Farmers of Canada wrote a letter to fellow farmers to remind them of the role they play in upholding the high principles of animal health and welfare, and of the seriousness of the issue.

Farmers must continue to consistently implement the ACP on a daily basis to maintain the program's credibility. Consumers are more concerned than ever about animal care, and the industry must be able to demonstrate the measures implemented at the farm.

As part of our good management practices, our Directors made changes to the regulations for overproduction so that farmers would not be penalized for delayed shipment of birds for animal care reasons due to adverse weather conditions. Several educational tools were also developed for the industry to support good animal care practices, which included a poster and booklet on euthanasia and an employee code of conduct.

NATIONAL FARMED ANIMAL HEALTH AND WELFARE COUNCIL

The NFAHWC was formed in 2010 to advise governments and animal agriculture sectors on all aspects of the health and welfare of farmed animals in Canada. Marc Cormier, the Chicken Farmers of Canada Alternate Director from New Brunswick, represents Chicken Farmers of Canada at NFAHWC.

In 2014, the Council held their 4th annual forum. The theme was "Together we can... together we will". During the forum, the Council released their 5-year strategy titled "Farmed Animal Health & Welfare 2020" which includes strategic outcomes and key priorities.

The NFAHWC released two key reports in 2014 – a strategy for antimicrobial use (AMU) in animal agriculture and an Animal Welfare Research Capacity Report.

NFAHWC's AMU report states that AMU and AMR is an urgent issue and that all stakeholders in Canada's animal agriculture have a responsibility for the prudent use of antimicrobials when they are required, respecting issues of both animal and human concern. The report also recommended that all other animal agriculture stakeholders follow the lead of the poultry industry by eliminating the preventative use of Class I antibiotics.

The Animal Welfare Research Capacity Project report dealt with the development of a farmed animal welfare research inventory and the creation of a consultation process in order to improve the research approach. The report included recommendations on funding, priority setting, identifying research gaps, and promoting communication to funders and researchers.

Avian INFLUENZA



ON DECEMBER 1, 2014, THE CANADIAN POULTRY AND EGG INDUSTRIES WERE FACED WITH AN AVIAN INFLUENZA OUTBREAK IN THE FRASER VALLEY OF BRITISH COLUMBIA.

Over the course of the following four weeks and beyond, industry and government partners worked both locally and nationally to manage this crisis and contain the spread. The virus spread to 11 commercial farms and two non-commercial backyard flocks.

The Canadian Food Inspection Agency (CFIA), along with provincial government and industry partners, set up a joint emergency operations centre and began implementing emergency plans. Farmers throughout the province were charged with increasing biosecurity and ensuring compliance with emergency operating standards.

Movement controls were placed, restricting movements of captive birds, poultry products, and anything that had been exposed to infected premises, including (but certainly not limited to) feed, litter, manure, vehicles, equipment and clothing.

A Primary Control Zone was established, which included three disease control zones: infected, restricted and security.

- The outer boundary of an infected zone is up to 3 km from any known infected premises
- The restricted zone is established surrounding the infected zone and measured based on the epidemiology of the disease in order to prevent the spread of avian influenza (3 to 10 km)
- The security zone is the remainder of the primary control zone (beyond 10 km)

Canada's trading partners (23 in all) instituted restrictions of poultry products or birds as a result, varying from Canada-wide bans, to B.C. bans, to Primary Control Zone bans, to restrictions on specific products. The CFIA regularly circulated these lists to industry and worked diligently to reassure our trading partners that the outbreak was contained, and to have them limit their restrictions to the Primary Control Zone.

Factsheets and other resources were created and made available to industry, as well as grocery and foodservice partners. This was in response to some reports of consumers returning poultry and egg products out of concern for human health.

The resources reinforced the following:

1. This is an animal health issue, not a human health issue.
2. Chicken is safe to eat. Consumers should exercise the same diligence with their chicken as they always have by cooking it properly and keeping surfaces clean.
3. All poultry and egg farmers and their organizations are working very hard with the Canadian Food Inspection Agency, as well as federal and provincial governments and agencies to contain and eradicate this outbreak.

A survey conducted in mid-December found that about half of Canadians were aware of the current outbreak, expressed a low level of concern for the safety of poultry and eggs, and this concern dropped once they were given the facts about the disease. Most Canadians showed little intention of changing consumption patterns, continued to purchase and eat poultry products during the outbreak, and were generally unconcerned about catching avian influenza from eating poultry and eggs. The vast majority of Canadians believe that the government and the poultry and egg industries are doing all that they can to contain the outbreak. The full impact and timeline of this outbreak will be determined in the coming weeks and months. We will continue to work with the Canadian poultry industry and the federal government to control and eradicate this outbreak, with the objective of reclaiming AI-free status for Canada.

Poultry RESEARCH

CHICKEN FARMERS OF CANADA, ALONG WITH THE FOUR OTHER NATIONAL POULTRY ORGANIZATIONS, ESTABLISHED THE CANADIAN POULTRY RESEARCH COUNCIL (CPRC) 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.

Tim Keet from Saskatchewan is our representative to the CPRC Board of Directors. Tim was elected at the summer meeting, replacing Ed O'Reilly, from Newfoundland & Labrador.

Since 2001, CPRC has allocated over \$2.9 million to foster poultry research and these funds have been leveraged to over \$14 million.

Each year, we fund projects that further annual research objectives. In early 2014, the federal government announced funding for a second Poultry Research Cluster (a cluster brings scientists together, across disciplines, to solve complex problems and to make the most of available resources) to the tune of \$4 million over five years through the CPRC. Industry funding will be an additional \$1.6 million and a further \$150,000 will come from the Ontario Ministry of Agriculture, Food and Rural Affairs. Seventeen projects have received the go-ahead through the updated and revived Cluster and will all be underway by spring 2015.

In addition to the Cluster funding, we put forward \$140,000 towards this year's CPRC call for proposals. In April, CPRC issued the call for proposals for two research categories: 1) food safety and poultry health products and 2) genetics, poultry health, and poultry welfare. These categories were chosen to align with the priorities identified in the *National Research Strategy for Canada's Poultry Sector*. Our own research priorities were included.

To increase CPRC's capacity to deliver on its objectives, and with the increased workload brought on by the Cluster, CPRC hired a full-time Research Administrator. To achieve this, member organizations agreed to an increase in membership contributions based on a three-year business plan.

CPRC approved eight projects conditionally, pending matching funding sources.

1. *On-farm euthanasia in turkeys and chickens: evaluation of existing and new technologies.* Lead Researcher: T. Widowski, U. Guelph
2. *The effect of in ovo delivery of nutrients and feed additives on the development of the chicken immune system.* Lead Researcher: S. Sharif, U. Guelph
3. *Delivery of immunostimulatory oligodeoxynucleotides containing CpG motifs to broiler chickens as an alternative to antibiotics.* Lead Researcher: S. Gomis, U. Sask
4. *Induction of adaptive immunity against respiratory viruses using in ovo delivered innate immune stimulants.* Lead Researcher: M. Careem, U. Calgary
5. *Determining the potential conservation and regeneration of chicken and turkey breeds using adult gonadal tissue.* Lead Researcher: C. Lessard, AAFC
6. *Standardization and evaluation of egg derived immunoglobulin for screening for antibodies to avian*

influenza by ELISA, AGID and HI.

Lead Researcher: K. Hooper-McGrevy, CFIA

7. *Does infrared beak treatment impact young pullets – behaviour, water consumption and ability to peck?* Lead Researcher: K. Schwean-Lardner, U. Sask
8. *Optimizing lighting for precision broiler breeder feeding.* Lead Researcher: M. Zuidhof, U. Alberta

CHICKEN FARMERS OF CANADA CALL FOR PROPOSALS

In addition to the regular CPRC call for proposals, Chicken Farmers of Canada allocated \$60,000 for a separate project through CPRC to examine on-farm trials for antimicrobial alternatives. The purpose of the field trials is to demonstrate the effectiveness of the alternatives and determine the economic impact of their use.

A proposal submitted by researchers at the University of Guelph has been conditionally approved (based on successful peer review and securing matching funding) to evaluate the effectiveness of a new antimicrobial alternative with the goal of bringing it closer to market.

The project will involve on-farm research trials to validate encapsulated essential oils as an antibiotic alternative to control necrotic enteritis in broiler chickens.

Branding: RAISED BY A CANADIAN FARMER



Raised by a
**CANADIAN
FARMER**

Élevé par un
**PRODUCTEUR
CANADIEN**

HOW IT ALL STARTED

At the end of 2011, Chicken Farmers of Canada approved a national branding program to promote Canadian chicken, following years of conducting proprietary market research among consumers as well as participating in research conducted by other organizations. The research consistently showed that consumers are interested in a Canadian label; interest in buying chicken affixed with a label indicating whether it's Canadian or imported has increased significantly. Canadian grocery shoppers perceive chicken as a healthy choice for their family and Canadians have a "warm/favourable impression" of farmers, higher than any other group or individual tested.

In 2012, we launched the branding program and began with further research. This included in-depth telephone interviews among member organizations, major Canadian grocery retailers and primary processors. The objective was to determine points of alignment on a cohesive branding strategy that would grow the market for Canadian chicken. Further supported with a business case that demonstrated the viability of launching a national branding program, Chicken Farmers of Canada's Board of Directors unanimously approved a strategy with the following components:

- ~ The brand will be built for fresh Canadian chicken, at retail.
- ~ The brand will capitalize on Canadians' already positive view of Canadian farmers, as well as on the importance of a Canadian identity.

The brand will be positioned in a way which provides the message that Canadian chicken farmers contribute to a healthier diet for Canadian families with fresh, nutritious chicken, which is low in fat and healthy. It will feature a label or mark that indicates that the chicken comes from Canadian farmers. Evaluation of the program will include major, concrete measurements that will determine the value and success of the program.



Throughout 2013, talks continued with major grocery retailers to determine buy-in and what they needed to know to ensure a successful launch of labeled/branded fresh Canadian chicken at retail. The program was approved and a funding program was developed to support the initiative. The development of a brand claim and logo began that year, backed by consumer testing, and registering the trademark.

By March 2014, the new logo, “Raised by a Canadian Farmer” was completed and available to Canadian retailers and primary processors. Discussions were held to secure participation in the program. By the end of the year, participation was secured with:

- ~ Sobeys (including Safeway) – Sobeys’ private label brand is featuring the new “Raised by a Canadian Farmer” logo prominently on its fresh Canadian chicken.
- ~ Federated Co-op began carrying the new brand on its 1 kg and 2 kg packaging and has since rolled it out across their fresh line.
- ~ Yorkshire Valley Farms is carrying the logo on its 2 kg frozen organic Canadian chicken and is also in negotiations with Chicken Farmers of Canada to launch the brand across its line of fresh and frozen products.
- ~ Maple Lodge has signed the licensing agreement with Chicken Farmers of Canada and is expected to carry it on their Halal brand.

We are currently in active discussions with four additional retailers – one national, one in the Atlantic region, one in the Greater Toronto Area and one with stores throughout southern Ontario – and a national retailers’ association. Sell-in efforts will continue through 2015 with other retailers and processors across Canada.

Chicken Farmers of Canada is supporting the program with ads in trade papers (for grocery and processing), which is generating expressions of interest, and a fully-integrated marketing program – traditional and digital.

MARKETING PROGRAMS

In 2014, three waves of traditional marketing ran (BBQ, Back to School and Festive), which included TV ads, print ads and digital components through Rogers Media and Quebecor Media. Each wave featured a consumer contest to generate additional interest and drive consumers to the chicken.ca website and convert subscribers to Chicken Farmers of Canada’s promotional emails.

The digital campaign included: extensive Twitter and Facebook promotions; continued promotion of our websites; Brand Ambassadors; promotion across all digital networks; and a Public Relations campaign with a farmer focus. In the first wave of marketing alone, one Twitter Party yielded over 18 million impressions and a second party yielded over 19 million impressions.

Our Brand Ambassadors had a reach of over 3 million impressions, over 15,000 contest entries (English and

French) were received and the conversion to subscribers of our promotional emails was over 38% – significantly higher than industry norm. Over 60 media outlets picked up the public relations campaign story which resulted in an estimated reach of 1.6 million impressions.

The marketing program for 2015 has been increased to four waves of advertising. The program will be refreshed with new marketing tactics.

SUMMARY

The “Raised by a Canadian Farmer” branding program was founded on rigorous research, due diligence and an inclusive approach to industry stakeholders. It has received the full support of Chicken Farmers of Canada’s Board of Directors and, in principle, of major Canadian retailers. Uptake of the program continues at a slow but steady pace. At the retail level, organizational restructuring, mergers and retailers’ own branding initiatives have created hurdles which have delayed buy-in, but not halted it. If anything, the good news story of the branding program – continued strategic marketing support enabled by strong negotiations and media efficiencies and consumer research which validates the appropriateness of the messaging and logo – is helping to build momentum.

Communications

Outreach & COMMUNICATIONS



HEALTH COMMUNICATIONS

Consumer interest in making healthy food and lifestyle choices continues to be a big driver of Chicken Farmers of Canada's consumer relations strategy. These outreach activities are carried out through the promotion of resources at health conferences and trade shows, and through social media.

Here are some of the conferences and health programs that we attended or supported by providing materials for distribution:

- ~ Brunswick Medical Center (Pointe Claire, QC)
- ~ Canadian Diabetes Association Professional Conference (Winnipeg, MB)
- ~ Diabetes Expo (Toronto, ON)
- ~ Dietitians of Canada Annual Conference (Ottawa, ON)
- ~ Heart and Stroke Foundation (Ottawa, ON)
- ~ Interior Health Authority – Sparwood Health Centre (Sparwood, BC)
- ~ Lakeridge Health Diabetes Education Program (Whitby, ON)

- ~ London Chamber of Commerce event "Amazing Grazing" (London, ON)
- ~ Munroe Junior High (Winnipeg, MB)
- ~ National Child & Youth Care Conference (Moncton, NB)
- ~ Palliser Primary Care/Oyen Medical Clinic (Oyen, AB)
- ~ Parkdale Community Health Centre (Toronto, ON)
- ~ The National Women's Show (Toronto and Ottawa, ON)
- ~ TOPS – Take Off Pounds Sensibly (Regina, SK and Calgary, AB)
- ~ Université de Moncton (Moncton, NB)

NUTRIENT ANALYSIS REPORT - FRESH CANADIAN CHICKEN

Consumers want to know they are making smart choices when they put food on the table for their families. Chicken has been a healthy choice for years, but until now we did not have the most up-to-date information to support this fact.

In 2013, an independent study was commissioned to determine the nutrient

composition of 15 cuts of chicken from broilers (both organic and non-organic).

The Nutrient Analysis Report is now available at chicken.ca and provides a comparative analysis between the data from Silliker and Health Canada's Canadian Nutrient File for 100 g serving size of broiler meat. It also provides a comparative analysis of nutrients in regular and organic chicken, skinless chicken and chicken with skin, and skinless chicken vs. chicken cooked with skin which is removed after roasting.

Overall, the analysis indicated that all cuts of chicken, both regular and organic, are eligible for multiple nutrient claims under the Canadian Food Inspection Agency regulations. The main nutritional differences are seen when chicken is cooked with its skin on vs. skinless. Whereas all cuts of chicken can carry the claim "excellent source of protein", independent of whether or not they have skin on, a "lean" or "extra lean" nutrient claim cannot be made for any cut when the skin is on. A series of health articles, blogs, and an infographic were developed to highlight the new nutrient information.



NUTRITIONAL FACTSHEET SERIES

Our nutrition factsheet program continues to be popular with health professionals. We are now receiving regular orders for the food and snack & beverage journals, and all 12 factsheets. These are useful clinical aids and educational tools for those looking to change their eating habits and achieve a healthier lifestyle. Participation at health conferences and a promotional ad submitted in the Canadian Dietetic Practice & Research Journal helped increase demand.

ANNOTATED BIBLIOGRAPHY

We commissioned a dietitian to develop an annotated bibliography of peer-reviewed articles that discuss the consumption of chicken in relation to human health issues. The purpose of having the annotated bibliography was for internal use to ensure that our health messages keep pace with the study of chicken consumption and its impact on health outcomes.

This annotated bibliography covers the scientific literature on chicken and health conducted over 22 years (ranging from 1992 to 2014). It represents 44 studies on various health outcomes, such as cardiovascular disease, cancers, eye health, weight loss, diabetes, and age-related sarcopenia (muscle loss).

The majority of the studies indicate that the consumption of chicken does not increase risk associated with poor health outcomes – except for cases where chicken

is blackened by high temperatures during cooking processes. Some studies suggest that chicken may have protective properties in the prevention of diseases such as breast cancer. We have begun to consult with dietitians to conduct more in-depth analysis of this literature to promote the real health benefits of chicken.

MONTHLY ONLINE CHICKEN HEALTH CHATS

Chicken Farmers of Canada began hosting monthly health chats on Twitter to engage consumers in conversations about chicken nutrition. Our first health chat was held on February 19th in recognition of Heart Month in which we trended at #2 in Canada in under 8 minutes, with over 20 million impressions. Follow #ChickenChat on Twitter.

CHICKEN - THE OFFICIAL PROTEIN OF SWIMMING IN CANADA

In year two of a unique partnership with Swimming Canada, we continued to support Canadian swimmers from the national level down to children learning how to swim. In 2013, Swimming Canada proudly announced fresh Canadian chicken as the “official protein of swimming in Canada” in recognition of our generous financial contribution to Canada’s most popular sport. Since then, the two organizations have realigned their image as “partners for healthy living,” promoting the nutritional benefits of fresh Canadian chicken in combination with the cardiovascular benefits of swimming.

From 2013 to 2014, the two organizations jointly hosted a Swim Parent of the Month contest in recognition of parents who encourage eating well and being active as part of a healthy lifestyle. Profiles of the Swim Parent winners and their favourite chicken recipes were featured in a downloadable, Team Kitchen digital cookbook at chicken.ca and promoted by both organizations through social media.

We also provided Swimming Canada branded material and messaging about the health benefits of Canadian chicken within specific campaigns and major swim events. During the Pan Pacific Games, we sponsored a billboard of our new brand logo and our commercial aired on Rogers Sportsnet.

ENHANCED HEALTH INFORMATION

Chicken Farmers of Canada continues to write and promote nutrition and health information for the monthly newsletter, website, blog, and Team Kitchen site at getswimming.ca. Thirty new health articles were written, some based on the new nutrient information, for consumers to refer to in order to make healthy lifestyle and food choices. Eat Right with Chicken.ca was also revised to include information about CFC’s “Raised by a Canadian Farmer” brand at retail, in addition to our new nutrient information.

Public RELATIONS STRATEGY

2014 MARKED THE SECOND YEAR OF CHICKEN FARMERS OF CANADA'S PUBLIC RELATIONS (PR) STRATEGY, BUT ITS FIRST FULL YEAR OF PUBLIC RELATIONS ACTIVITIES RUN WITH BOTH JOINT ACTIVITIES WITHIN THE SUPPLY MANAGEMENT GROUPS, AND EXCLUSIVE ACTIVITIES JUST WITHIN THE CHICKEN SECTOR.

Directors approved the initial implementation of the program in 2013, and expanded it later that year, as a means to provide accurate, responsive and timely information to consumers and media alike regarding Canada's chicken farmers and how supply management contributes to the health of both Canadians and the Canadian economy. The slogan that accompanied many of the PR initiatives throughout the year was: "Canadian chicken: a good choice for Canada, a good choice for Canadians".

UNFRIENDLY CLIMES

Supply management is an issue that has always received a certain amount of negative public attention, typically limited to specific media commentators, think-tanks, economists and other agriculture industries, though it often became more pronounced during international trade negotiations.

With the Canadian government striving to sign major free-trade agreements with both Europe (CETA) and the 12 countries in the Trans-Pacific Partnership, international trade has become a central theme in Can-

ada's political sphere. This has created a climate that encourages the uninformed to unfairly criticize supply management.

We have determined that we can no longer allow these unsubstantiated criticisms to be spread without any response.

PR GOALS

We continue to evolve in our role, finding new ways to reach out and inform Canadians while debunking myths and criticisms before Canadians adopt erroneous views of supply management and Canada's chicken industry. As such, the goals of the PR strategy are:

- ~ To increase positive coverage/decrease negative media coverage of the chicken industry
- ~ To retain/foster consumers' positive opinion of, or neutral opinion of, the chicken industry
- ~ To position Chicken Farmers of Canada as the face of trustworthy, hardworking, Canadian chicken farmers and supply management as the framework that helps them produce Canada's #1 protein

- ~ To clarify for the public how supply management benefits Canadian consumers, the economy, and farmers
- ~ To address criticisms before and as they become public and responding in a timely fashion
- ~ To ensure that for relevant criticisms, a response is given and that attempts are made to ensure balance in reporting
- ~ To build a network of credible 'responders' to assist in addressing criticisms, particularly farmers
- ~ To build a network of farmer/industry supporters among consumers

CONSUMER RESEARCH

In 2014, we commissioned a major marketing firm to conduct consumer research pertaining to supply management and consumer pricing, the results of which were used to guide PR activities and generate key messages throughout the year. This resulted in a pricing survey that revealed a disconnect between the percentage of the price of poultry that Canadians believed went to farmers, the percentage that they

believed *should* go to farmers, and what farmers actually do receive.

Research also demonstrated that consumer prices are the sole prerogative of retailers, who charge what they think the market will bear. They set the price for food for many reasons, including retailer competition, brand positioning, cost of competing items and specials to get consumers in the store. From the consumer perspective, our research has found that the biggest determinant of consumer prices is actually what store you shop at and when you shop.

BUILDING ON 2013

Building and improving on the collaborative processes we established in 2013, we continued to work with the other national poultry agencies and our PR consultancy firm on three shared initiatives: media monitoring and analysis, media responses, and telling positive stories about supply management and agriculture. As the four national poultry agencies, we contested negative coverage of supply management in the media, penning over a dozen Op-Eds and Letters to the Editor, many of which

were signed by our Chair, Dave Janzen. Chicken Farmers of Canada also authored its own pieces to address inflammatory articles on issues such as avian influenza and antibiotic usage. Over the course of the year, our responses were successfully published in several major newspapers, including: *Globe and Mail*; *National Post*; *Ottawa Citizen*; *Vancouver Sun*; and *Montreal Gazette*.

While the poultry agencies began the year pitching “good news stories” about supply management to the media as a group, this was quickly discontinued after it was deemed that such stories required a much more individualized approach to highlight each individual commodity’s strengths; this led to the creation of our own successful “lifestyle” program.

LIFESTYLE PROGRAM: “2 CHICKENS, 7 DAYS”

Chicken Farmers of Canada and its consultants developed “lifestyle” pitches: using the appeal of chicken as a delicious, convenient, lean protein and the wholesome image of Canadian farmers, we engaged national and regional lifestyle journalists and bloggers to help deliver food and chicken industry messaging simultaneously to an enthusiastic audience. It was decided to communicate the extremely high-quality of Canada’s #1 protein by demonstrating how two chickens can substitute for lower-quality ‘convenience’ foods throughout the week and use that as a ‘hook’ to segue into how proud chicken farmers are to be able to bring such quality food to Canadian tables on a daily basis.

In order to increase the program’s appeal for members of the media, we engaged the services of a celebrity nutritionist, Theresa Albert, to act as media spokesperson. Theresa then developed recipes and demonstrated them on television.

On the social media front, Chicken Farmers of Canada and its PR consultants worked with a social media consulting firm to reach out to mom-influencers and have them publish a “2 Chickens, 7 Days”-themed post and giveaway on their blog. This was done to amplify the ‘back to routine’ theme with a more concentrated farmer message. Participating bloggers were given potential messaging that included the ‘quality’ message – that all Canadian chicken is fresh, high-quality and raised by a Canadian farmer.

- ~ Broadcast – 4 hits; 2,439,000 impressions
- ~ Online – 9 hits; 5,918,383 impressions
- ~ Print – 11 hits; 2,234,045 impressions
- ~ Widely syndicated Global News segment – aired in Toronto, Thunder Bay, and syndicated onto Yahoo.ca
- ~ Syndicated onto the Huffington Post
- ~ Appearances on CTV Morning Live and Rogers Daytime Toronto
- ~ Interview with Parents Canada – to run in Feb/Mar 2015 issue

With an impression target of 1,200,000, the campaign exceeded the target by nearly 10 times with a final campaign result of 24 hits and 10,591,428 impressions.

ONLINE

The updated industry website, www.chickenfarmers.ca, continues to evolve, reflecting changing and emerging consumer concerns, and was supplemented with the launch of an industry-focused blog, “The Inside Coop”. In 2014, we also produced an infographic-style video called “*Canadian Chicken: A good choice for Canada. A Good choice for Canadians.*” The video addressed supply management myths while illustrating the benefits of the Canadian chicken industry; an updated version of the video will be produced in 2015.



FEDERATION OF CANADIAN MUNICIPALITIES

In May 2014, the national poultry agencies participated at the Federation of Canadian Municipalities (FCM) convention in Niagara Falls. The FCM convention is a gathering of more than 1,800 senior municipal officials from across Canada, including Mayors, Reeves, Councillors and City Managers.

This year’s theme was on sustainable communities. Within that context, we focused our trade booth messaging on “Our farms are at the heart of sustainable communities” and that strong farms contribute to countless Canadian communities:

- ~ 85,865 jobs in your community
- ~ 80% of Canadian mayors and reeves agree that supply management is an important part of the survival of farms and communities
- ~ Canada’s poultry and egg industries contribute \$9.3 billion annually to Canada’s GDP
- ~ 95% of Canadians feel it is important that chicken, turkey and eggs be from Canada
- ~ 90% of Canadian consumers trust the quality standards of food from Canadian farms
- ~ 87% of Canadian mayors and reeves support supply management
- ~ 82% of Canadians believe that supply management is good for Canada

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, 2014 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, 2014 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 Professional Accountants,
Licensed Public Accountants

Ottawa, Ontario
February 26, 2015.

Welch LLP - Chartered Professional Accountants
123 Slater Street, 3rd Floor, Ottawa, ON K1P 5H2
T: 613 236 9191 F: 613 236 8258 W: www.welchllp.com
An Independent Member of BKR International

CHICKEN FARMERS OF CANADA
BALANCE SHEET

DECEMBER 31, 2014

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,529,961	\$ 985,459
Short-term investments (note 4)	3,655,361	2,417,432
Accounts receivable	1,172,730	1,351,203
Government remittances receivable	28,282	20,803
Prepaid expenses	93,798	124,048
	<u>6,480,132</u>	<u>4,898,945</u>
INVESTMENTS (note 4)	10,276,395	13,133,748
TANGIBLE CAPITAL ASSETS (note 5)	339,559	389,539
	<u>\$ 17,096,086</u>	<u>\$ 18,422,232</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 667,262	\$ 897,800
Current portion of deferred lease inducement (note 6)	-	11,429
	<u>667,262</u>	<u>909,229</u>
LONG-TERM PORTION OF DEFERRED LEASE INDUCEMENT (note 6)	97,324	97,324
	<u>764,586</u>	<u>1,006,553</u>
FUND BALANCES		
Internally restricted – Promotion Fund	2,321,492	3,484,639
Internally restricted – Research Fund	5,357,561	5,522,903
Unrestricted – General Fund	8,652,447	8,408,137
	<u>16,331,500</u>	<u>17,415,679</u>
	<u>\$ 17,096,086</u>	<u>\$ 18,422,232</u>

(SEE ACCOMPANYING NOTES)

On behalf of the Board:


 Barry Uytendin
 Finance Committee, Director


 Derek Janzen
 Finance Committee, Director


 Peter Vale
 Finance Committee, Director

CHICKEN FARMERS OF CANADA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	2014 TOTAL	2013 TOTAL
REVENUE					
Levy and fee revenue	\$ -	\$ -	\$ 7,185,664	\$ 7,185,664	\$ 6,235,172
Interest	54,783	113,986	158,792	327,561	392,829
Overmarketing and market development levies	156,098	-	-	156,098	574,539
Other revenue	-	-	14,820	14,820	248,501
	<u>210,881</u>	<u>113,986</u>	<u>7,359,276</u>	<u>7,684,143</u>	<u>7,451,041</u>
EXPENSES					
Amortization of tangible capital assets	-	-	79,531	79,531	81,308
Canadian Poultry Research Council	-	321,521	-	321,521	150,802
Committees	-	-	290,678	290,678	282,539
Communication	-	-	548,881	548,881	433,911
Corporate social responsibilities	-	-	57,023	57,023	56,249
Directors and alternates	-	-	1,471,647	1,471,647	1,547,222
Information technology	-	-	104,529	104,529	281,804
Membership fees	-	-	140,119	140,119	130,801
Office	-	-	598,459	598,459	590,059
Professional fees	-	-	449,390	449,390	582,770
Promotion activities	1,062,957	-	-	1,062,957	189,121
Salaries, benefits and travel	-	-	2,792,075	2,792,075	2,704,313
Special studies	329,354	-	392,737	722,091	1,240,692
Trade	-	-	109,798	109,798	101,952
Translation	-	-	148,242	148,242	148,119
	<u>1,392,311</u>	<u>321,521</u>	<u>7,183,109</u>	<u>8,896,941</u>	<u>8,521,662</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(1,181,430)	(207,535)	176,167	(1,212,798)	(1,070,621)
NET INCREASE (DECREASE) ON INVESTMENTS	18,283	42,193	68,143	128,619	(172,990)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (1,163,147)	\$ (165,342)	\$ 244,310	\$ (1,084,179)	\$ (1,243,611)

(SEE ACCOMPANYING NOTES)

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

YEAR ENDED DECEMBER 31, 2014

				2014	2013
	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	TOTAL	TOTAL
BALANCE, BEGINNING OF YEAR	\$ 3,484,639	\$ 5,522,903	\$ 8,408,137	\$ 17,415,679	\$ 18,659,290
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(1,163,147)</u>	<u>(165,342)</u>	<u>244,310</u>	<u>(1,084,179)</u>	<u>(1,243,611)</u>
BALANCE, END OF YEAR	<u>\$ 2,321,492</u>	<u>\$ 5,357,561</u>	<u>\$ 8,652,447</u>	<u>\$ 16,331,500</u>	<u>\$ 17,415,679</u>

(SEE ACCOMPANYING NOTES)

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

YEAR ENDED DECEMBER 31, 2014

	2014	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (1,084,179)	\$ (1,243,611)
ITEMS NOT AFFECTING CASH:		
Amortization of net premiums on investments	59,871	53,705
Amortization of tangible capital assets	79,531	81,308
Amortization of lease inducements	(11,429)	(12,760)
Decrease on investments	(128,619)	172,990
	(1,084,825)	(948,368)
CHANGES IN LEVEL OF:		
Accounts receivable	178,473	(130,725)
Prepaid expenses	30,250	(43,959)
Accounts payable and accrued liabilities	(230,538)	179,444
Government remittances - net	(7,479)	(12,896)
Deferred revenue	-	(235,930)
	(1,114,119)	(1,192,434)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(29,551)	(27,735)
Purchase of investments	(2,303,875)	(3,407,274)
Proceeds from sale of investments	3,992,047	3,908,000
Decrease in restricted cash	-	235,930
	1,658,621	708,921
INCREASE (DECREASE) IN CASH	544,502	(483,513)
CASH, BEGINNING OF YEAR	985,459	1,468,972
CASH, END OF YEAR	\$ 1,529,961	\$ 985,459

(SEE ACCOMPANYING NOTES)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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 receiv-

able 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 measured at fair value at the balance sheet date.

All other financial instruments are measured at amortized cost at the balance sheet date.

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.

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, 2014.

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

	2014		2013	
	COST	FAIR VALUE	COST	FAIR VALUE
Short-term investments	\$ 3,641,132	\$ 3,655,361	\$ 2,409,901	\$ 2,417,432
Guaranteed Investment Certificates (GICs)	1,700,000	1,700,000	500,000	500,000
Canada Housing Trust bonds	8,457,163	8,576,395	12,388,769	12,380,696
Government of Canada bond	-	-	247,667	253,052
	<u>10,157,163</u>	<u>10,276,395</u>	<u>13,136,436</u>	<u>13,133,748</u>
	<u>\$ 13,798,295</u>	<u>\$ 13,931,756</u>	<u>\$ 15,546,337</u>	<u>\$ 15,551,180</u>

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 2.50% to 3.15% (2013 - 2.20% to 4.12%).

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 eight years (2013 - seven years). Interest rates for these securities range from 1.70% to 4.10% (2013 - 1.70% to 4.10%).

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. TANGIBLE CAPITAL ASSETS

	2014		2013	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Office equipment	\$ 393,937	\$ 323,708	\$ 393,937	\$ 310,464
Computer equipment	228,009	155,480	274,096	197,412
Leasehold improvements	436,319	239,518	436,319	206,937
	1,058,265	<u>\$ 718,706</u>	1,104,352	<u>\$ 714,813</u>
Less accumulated amortization	718,706		714,813	
NET BOOK VALUE	<u>\$ 339,559</u>		<u>\$ 389,539</u>	

6. 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.

	2014	2013
BALANCE, BEGINNING OF YEAR	\$ 108,753	\$ 121,513
Amount amortized to expense during the year	<u>(11,429)</u>	<u>(12,760)</u>
BALANCE, END OF YEAR	97,324	108,753
CURRENT PORTION	-	11,429
LONG-TERM PORTION	<u>\$ 97,324</u>	<u>\$ 97,324</u>

7. 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:

2015	\$ 163,565
2016	193,800
2017	166,182
2018	177,633
2019	173,602
2020	63,899
	<u>\$ 938,681</u>

8. 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 2014 was \$119,253 (2013 - \$109,124).

9. COMPARATIVE FIGURES

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