

CHICKEN FARMERS OF CANADA

2015 ANNUAL REPORT



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

TABLE OF CONTENTS

1	About Us	13	Monitoring & Enforcement
2	Report from the Chair	14	Market Watch
4	Board of Directors & Committees	20	Government Relations
5	Staff Changes & Updates	23	Trade & Policy
6	Report from the Executive Director	28	Food Safety & Animal Care
8	Strategic Planning	34	Branding: Love Your Chicken
11	Operating Agreement	36	Communications & Outreach
12	Corporate Social Responsibility	38	PR Strategy
12	Governance	40	Auditor's Report & Financial Statements



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.

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 regularly 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. Established in 1978, Chicken Farmers of Canada was created by, and receives its legal authority from, the *Farm Products Agencies Act*.

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 they continue to grow the fresh, high-quality chicken that Canadians trust. Through programs such as 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.



Our Vision

To grow consumer demand for Canadian-grown chicken.

Our Mission

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

Canadians want Canadian chicken, so we provide 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 contribution is much wider. In sum, we are part of Canada's economic solution, and do so without subsidies, and are very proud of both.

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.

The Canadian chicken industry continues to grow, and grow strongly. This year marks the sixth year in a row of growth, back up to levels the industry last saw between 2006 and 2008. The increase in per capita consumption in 2015 reached our highest level ever – nearly 32 kg per person.

2015 marks the first full year of setting allocations following a comparative advantage formula, the principles of which we agreed to in late 2014, and the results are positive. Provincial chicken production grew a minimum of 5.6%. We continue to work diligently to finalize the amendments to the Operating Agreement and bring Alberta fully back into the system. By year end, we had obtained 11 of the 19 signatures required to finalize the amendments to the Operating Agreement. We'll be looking to obtain the remaining signatures in early 2016.

The Trans-Pacific Partnership negotiations, which hogged most of the headlines last year, were concluded in October in Atlanta. Chicken Farmers of Canada was involved the whole way, met with Ministers, attended the ministerial meetings, provided advice, etc. Clearly, we would have preferred if the government could have concluded a deal that did not provide additional access to our market. That being said, it is a generational deal that provides certainty going forward. The key element for chicken farmers is that the government announced that, as part of a TPP package, it would address our issues related to import control circumvention.

We are working tirelessly to ensure that policy makers and key influencers from coast to coast are aware of our import control issues, and to do our part in maintaining firm and steady pressure to re-establish the integrity of our import control pillar. These measures are not about preventing the significant legitimate imports, but rather stopping imports that circumvent the rules and displace legitimate Canadian production and processing. Fraudulent imports are displacing Canadian raised chicken causing significant lost revenue for chicken farmers, the Canadian chicken industry, and the Canadian economy.

Chicken is Canada's most popular meat and we are doing a lot of things to grow the industry even more, through our branding program, marketing, and building consumer trust in our product.

Our Raised by a Canadian Farmer branding program is gaining traction, engaging new participants all the time. The national reach and impact of the program demonstrates the efforts that farmers and our industry partners are making to grow our industry, and this year Directors decided to add two more years to the program, extending it to 2017.

Directors were also busy this year on the issue of governance. Changes were made to our meeting structure, the allocation process was revamped to set two allocations at a time, a new Governance Committee was established, and a Board meeting review process was launched. These changes are being made to help Chicken Farmers of Canada, and its Board, be more effective by creating criteria and evaluation processes to measure success.

This past year, we saw a change in government after an extended federal election. Together with a new government relations strategy, adopted by Directors in October, we will be taking a more industry-focused approach as we advocate on behalf of farmers. Chicken Farmers of Canada looks forward to working with the new Ministers, the Hon. Lawrence MacAulay and the Hon. Chrystia Freeland, but I would be remiss if I didn't take an opportunity to thank the outgoing Ministers, particularly the Hon. Ed Fast and the Hon. Gerry Ritz for their interest in, and leadership roles both took on, the various issues facing Canada's chicken farmers.

Chicken Farmers of Canada has also worked closely with the Farm Products Council of Canada, under the guidance of their Chair, Laurent Pellerin. FPCC continues to support our efforts, provide guidance and perspective during our discussions, and has been receptive to allowing us the space and time to solve our own issues such as the ongoing efforts to establish a new allocation agreement and the drawn out process of obtaining the required signatures of all 19 participants on the Operating Agreement amendments.

Along the way, tough decisions and intense discussions have become the watchwords of our Board of Directors. Together for the long haul, our dedicated team of Directors continues to deal with tough issues and many challenges. I thank each and every Director for their active participation, guidance, advice, perspective, and dedication to Canada's chicken industry.

Our success comes from hard work at the Board level, supported by the efforts of the Chicken Farmers of Canada Committees, and leveraged by the outstanding backing we all receive from Chicken Farmers of Canada staff, under the leadership of Executive Director, Mike Dungate. Here is a heartfelt thank you to all those who help us all work together, and do their part to help us make informed and effective decisions that guide the industry onto the proper path.

Canada's chicken industry is ready for the next challenge, with a strong Board, a new allocation agreement, a new governance action plan, dedicated Directors and staff, and a national brand program, all driven by our desire to meet consumer expectations.





Board of Directors

From left to right: **David Hyink** (Alberta), **Yvon Cyr** (New Brunswick), **Matthew Harvie** (Nova Scotia), **Derek Janzen** (British Columbia), **Vernon Froese** (Manitoba), **Chair: Dave Janzen** (seated, British Columbia), **Barry Uyterlinde** (Prince Edward Island), **Ian Hesketh** (Further Poultry Processors Association of Canada), **Rudy Martinka** (Saskatchewan), **Luc Gagnon** (Canadian Poultry and Egg Processors Council), **Benoît Fontaine** (Quebec), **Murray Booy** (Ontario), **Peter Vale** (Restaurants Canada), **Jeff McDowell** (Canadian Poultry and Egg Processors Council).

Absent: **Reg Cliche** (replaced by Jeff McDowell in late-November) (Canadian Poultry and Egg Processors Council), **Keith Deering** (Newfoundland & Labrador)

Committees & Representatives

Executive Committee: Chairman – Dave Janzen ■ 1st Vice Chair – Yvon Cyr ■ 2nd Vice Chair – Benoît Fontaine ■ Executive Member – Murray Booy

Finance Committee: Chair – Barry Uyterlinde ■ Derek Janzen ■ Peter Vale

Policy Committee: Chair – Yvon Cyr ■ Nick de Graaf (N.S. alternate) ■ Benoît Fontaine ■ Vernon Froese ■ Luc Gagnon

Production Committee: Chair – Ed Benjamins (ON alternate) ■ Marc Cormier (N.B. alternate) ■ Benoît Fontaine ■ Rudy Martinka ■ Lucy McKee (CPEPC alternate, replaced Reg Cliche, Committee Chair, December 2015)

Governance Committee: Chair – Derek Janzen ■ Murray Booy ■ David Hyink

Consumer Relations Committee: Chair – Matthew Harvie ■ Ed Benjamins ■ Lucy McKee

Representatives: Canadian Poultry Research Council – Tim Keet (SK alternate) ■ Canadian Federation of Agriculture – Dave Janzen, David Hyink ■ National Farm Animal Care Council – Rudy Martinka ■ National Farmed Animal Health and Welfare Council – Marc Cormier (N.B. alternate)

2015 Staff Changes & Updates

In April, Jessica Heyerhoff was hired on a permanent basis, in the newly created position of Communication & Policy Coordinator, within the Food Safety, Animal Care, and Research unit.

Lauren Kennedy joined us in May, replacing Lise Newton in the role of Senior Government Relations Officer.

In August, Tara Molloy came to us, replacing Nicolas Tavchandjian in the role of Trade & Policy Analyst, as well as Aline Porrior, who replaced Alex Latus in the role of Public Relations Officer.

Bibiane Rietveld started in September, replacing Rebecca Derry in the role of Meeting & Recording Coordinator.

Anniversaries

Marty Brett celebrated 15 years of dedicated service in June.

Michael Laliberté celebrated 25 years with Chicken Farmers of Canada. He joined as a Monitoring Officer on December 17, 1990.

He expanded his responsibilities to include financial responsibilities, and has since been promoted twice; first to Manager of Finance and then to his current position of Director of Operations. He is our longest-serving employee.

Congratulations to both on achieving these significant milestones.

Office News

Donations were made as staff recognition for the charity work they undertook outside office hours: \$300 to two local charities, the Aids Committee of Ottawa and the Community Veterinary Outreach.

Our new Social Committee responsible for team building events, planned two events this year, bowling in the winter and dragon boat racing in the fall. The office Green Team was also launched in 2015 to study ways and make recommendations to reduce the organization's environmental footprint.

From left to right: **Isabelle Dean** (Administration Coordinator), **Jennifer Gardner** (Animal Care & Research Coordinator), **Bibiane Rietveld** (Meeting & Recording Coordinator), **Michael Laliberté** (Director of Operations), **Tara Molloy** (Trade & Policy Analyst), **Stéphanie Turple** (Executive Assistant), **Stephanie St.Pierre** (Graphic Designer), **Elyse Ferland** (Communications Officer), **Dally-Diane Nzinhora** (Translation Coordinator), **Lisa Riopelle** (Senior Human Resources & Administration Officer), **Mike Dungate** (Executive Director), **Maria Elena Baisas** (Bookkeeper), **Steve Leech** (National Program Manager), **Jae Yung Chung** (Senior Financial Officer), **Jessica Heyerhoff** (Communication & Policy Coordinator), **Aline Porrior** (Public Relations Officer), **Marty Brett** (Senior Communications Officer), **Lauren Kennedy** (Senior Government Relations Officer), **Lori Piché** (Compliance Officer), **Caroline Wilson** (Food Safety Officer & Internal Auditor), **Jan Rus** (Manager of Market Information & Systems), **Yves Ruel** (Manager of Trade & Policy)

Absent from photo: **Lisa Bishop-Spencer** (Manager of Communications), **Erin Danielson** (Market Analyst), **Denis Nadeau** (Business Systems Analyst)



We have a great story and we need to keep pushing ourselves to ensure that we remain at the forefront of agriculture.

As I reflect on two decades of service at Chicken Farmers of Canada, I am truly struck by how far we have come as an industry and as an organization.

In 1995, Chicken Farmers of Canada was moving to its first bottom-up allocation system, with 8 out of 10 signatures on the National Allocation and Pricing Agreement. The Board was comprised of 10 farmers and 2 governor-in-council appointees. The office had 13 staff and their focus was almost exclusively on managing the single allocation system for chicken. The World Trade Organization's Uruguay Round was just entering into force; and the Americans had launched a North American Free Trade Agreement (NAFTA) challenge. Canadians ate 7 kilograms less chicken per capita than beef.

In 2015, Chicken Farmers of Canada continues to evolve its allocation system; we have added market development and specialty allocations to better serve the market and we are currently making the 3rd significant amendment to our bottom-up allocation system. The Board has been expanded with the addition of four downstream stakeholders to reflect a value chain approach to issues. And this past year, we introduced a governance committee to ensure that we are at the forefront of best practices.

The office has expanded to 25 staff. And while there has not been a complete turnover of staff (congratulations to Michael Laliberté on 25 years of service), we have successfully developed and recruited staff with the skills, interest, and drive in a broad range of complementary disciplines.

Chicken Farmers of Canada's focus has expanded beyond allocation to food safety, animal care, research, consumer and public relations, and branding. While social media was but a germ of an idea in 1995, it is now an integral part of how we communicate and do business. Canadians now eat 5 kilograms more chicken per capita than beef.

Some things, however, do remain the same. Pressure from international trade remains. Throughout the past year, as the Trans-Pacific Partnership negotiations intensified into the final push for an agreement, there were critics calling loudly for a move away from the decades-old policy of supply management. What these critics have not benefited from is the knowledge outlined above of how far we have come. They have not had the opportunity to see the changes we have made and how our focus on meeting consumer expectations has propelled us forward as an organization and as an industry.

Looking ahead, the issue of social license is coming at us full force. Fortunately for us, we have a great base to build on – food safety, animal care, antimicrobial use, and support for food banks. We have a great story and we need to keep pushing ourselves to ensure that we remain at the forefront of agriculture. As long as government continues to provide policy stability, our farmers and our industry can continue to focus on meeting consumer expectations and growing the market for Canadian chicken.

Over the years, our staff have woven a great tapestry of experience and fresh ideas. Each staff member has left their mark and someone new has joined the team to push us even further forward. I really like the energy our new staff have brought to the workplace; like the green team and social committee. I am proud to work with all of them.

Under the leadership of Dave Janzen, the Chicken Farmers of Canada Board of Directors has made tough decisions and smart compromises to secure the stability that the Operating Agreement amendments will provide to all industry stakeholders. They are focused on the governance of the organization and on ensuring that succession processes are in place so that we continue to be a respected national organization. What it comes down to is that Chicken Farmers of Canada truly is a high-performing organization.



Mike Dungate
Mike Dungate, Executive Director



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 2016 strategic planning meeting was held in Toronto on September 22 and 23, 2015.

Directors reviewed progress made in 2015 on various key issues, conducted an environmental scan and discussed and set priorities for 2016. Two guest speakers were invited to share perspectives as part of the environmental scan. The first, Dr. Steve Meyers, Vice President for Pork Analysis for Express Markets of Fort Wayne Indiana, spoke to the U.S. protein situation, outlook and issues for 2015-2016 and into 2017. The second speaker was Janet Shanks, Vice President, Fresh Foods, Food Service, Food Quality and Safety Assurance from Costco.

The bulk of the meeting was focused on designing strategies for 2016 that correspond with the strategic objectives articulated in the five-year strategic plan (2014–2018). The Board of Directors agreed upon the following priorities for 2016:

Critical Priority Issues:

Allocation Setting

- A permanent distribution factor for the further processing component in the allocation formula
- A long term allocation agreement, and an amended Operating Agreement signed by all signatories
- A decision on acquiring foodservice data and intelligence
- Market information education
- A decision on setting the allocation two periods at a time
- Setting of a medium term growth target for A-139 to A-144

Antimicrobial Use

- Strategy to reduce antimicrobial use
- Influencing industry stakeholders to achieve the objectives of the antimicrobial use strategic plan
- Implementation of the antimicrobial use surveillance program
- Collaboration with government on antimicrobial use regulations and initiatives
- Continued industry stakeholder AMR/AMU education
- Communication/Promotion of the AMU Strategy

Import Controls

- Long-term TRQ allocation methodology that supports our objectives
- Reinstatement of the sauce and cooking requirements in Canada's customs tariff definition of specially defined mixtures (SDM) (13% rule)
- An Import to Re-Export Program (IREP) administered by Global Affairs Canada (GAC) that does not create distortions on the domestic market
- Elimination of chicken products from the Duties Relief Program (DRP) administered by the Canadian Border Services Agency (CBSA)

High Priority Issues:

Agriculture Trade Negotiations

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

Animal Care

- Finalized version of the *Code of Practice for Hatching Eggs, Breeders, Chickens and Turkeys* and revised Chicken Farmers of Canada Animal Care Program manual
- Consistent and credible implementation of the Animal Care Program
- Promotion of the Animal Care Program
- Mitigation of animal care issues
- Leadership in the National Farmed Animal Health and Welfare Council (NFAHWC) and the National Farmed Animal Care Council (NFACC)

Government Relations Strategy

- Implement a new Government Relations Strategy
- Strengthen relationships with MPs in order to maintain and secure strong support for Canadian chicken farmers, supply management and key issues across all parties
- Raise Chicken Farmers of Canada's profile and awareness of its key issues amongst elected officials and key decision makers
- Enhance organization's capacity to deliver its government relations strategy in a coordinated and timely manner to all levels of government across the country

Risk Mitigation

- Contingency plan to address chicken supply disruption in a province or region
- Updated HPAI emergency response and preparedness plans
- Contingency plan to address hatching egg supply disruption

Spent Fowl

- A Canadian mandatory certification mechanism on all imports of spent fowl
- Implementation of DNA tests to distinguish spent fowl from broiler meat
- Monitoring and analysis of spent fowl imports and exports
- Canadian regulations requiring distinct labeling for products containing spent fowl

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.



Medium Priority Issues:

Branding Strategy

- An increased number of signed retailer, processor and foodservice agreements
- Delivery and implementation of an expanded and refined traditional and digital marketing plan to build brand awareness and reinforce a healthy image
- 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

Consumer Relations Strategy

- Implementation of an online strategy that includes a series of marketing and online initiatives, promotes the new brand and increases visitor conversion (from website viewer to website user) rates
- Implementation of a social media strategy, built upon existing programming that promotes the “Raised by a Canadian Farmer” brand and engages our primary consumer
- Research supporting the need for higher protein intakes among Canadians
- 5-10 new How-To Videos focusing on techniques
- Participation at health professional trade shows and conferences
- Enhanced health information and promotion of existing nutritional factsheets on *chicken.ca*

Food Safety

- 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 traceability initiatives

Governance

- A revised Business Continuity Plan
- An improved MyCFC site
- A proactive professional development plan to enhance the capacity and effectiveness of Directors, Alternates, and staff
- Clarified roles and responsibilities for Directors
- Committee mandates and best practices
- A Board of Directors performance assessment process

Public Relations Strategy

- A multi-faceted consumer campaign to educate and engage Canadians on supply management and its benefits
- Media training for farmers and provincial representatives
- SM-4 media monitoring and response
- SM-4 public relations outreach events

Low Priority Issues:

Live Prices

- Live prices

Promotion Research Agency

- 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

Sustainability

- Develop the organization’s social license and social responsibility policy framework
- Develop a “Responsible Stewardship” communications strategy
- Initiate a social and environmental life cycle assessment of the Canadian chicken sector
- Examine collecting data to demonstrate the efficiencies of the Canadian chicken sector based on historical performance

Chicken Farmers of Canada Operating Agreement

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 enhance the flexibility, effectiveness and integrity of the supply management system.

Back in November 2014, all 10 provincial boards and Chicken Farmers of Canada signed a Memorandum of Understanding (MOU) on a long-term allocation agreement – one which came at the end of six tough years of negotiation.

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, and ultimately reaching an agreement in principle in July 2014.

All provincial boards and Chicken Farmers of Canada signed the MOU, knowing that it addressed the *Farm Products Agencies Act* comparative advantage requirements, represented the best balance of interests, and that it would set us on the course for allocation stability for the next 10 years. Hard work and partnership were critical to reaching the final version of the agreement.

Under the amended Operating 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%

We are now in the process of finalizing that agreement – of obtaining the 19 signatures required to amend the Operating Agreement. In May 2015, finalized amendments were circulated to provincial chicken boards and provincial supervisory boards for their signature.

Unfortunately, there have been some stumbling blocks along the way. Early in the year, processors in western Canada appealed the decision of provincial chicken boards to sign the MOU. The appeals in Manitoba and Saskatchewan have been addressed, while the one in B.C. has been put on hold. In August, Chicken Farmers of Canada successfully defended a challenge by the Saskatchewan Agri-Food Council against the use of the methodology in the new agreement to set the allocation for A-133; and in December, Chicken Farmers of Canada and provincial boards agreed to replace the temporary calculation of the further processing component.

By the end of the year, 11 of the 19 signatories had signed the amendments, with other signatories stating they would be in a position to sign on early in 2016.

This agreement will provide stability to the Canadian chicken industry for years to come. It shows that we, as an industry, can work together to evolve our supply management system for the benefit of all. It puts a framework in place that will allow all provinces to grow.

Since allocating according to the new methodology in period A-127, all provinces have grown their production by a minimum of 5.6%. It is a good agreement. It is good for chicken farmers, processors and related stakeholders, and ultimately consumers.

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 various 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.

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 staff donations, we continue to support the mission of the Ottawa Food Bank.

Chicken Farmers of Canada's annual Chicken Challenge food donation program provided \$50,000 worth of frozen chicken products to the Ottawa Food Bank in 2015. This was the sixth 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, \$7,545 was collected through staff donations and 50% matching Chicken Farmers of Canada donations. Proceeds from the sale of chicken at the *Great Canadian Chicken BBQ* and additional donations collected on Canada Day, totaling \$2,373 were also given to the food bank and \$400 was donated to the food bank for sponsorship of a local golf tournament. Proceeds from the sale of older computer equipment, donated to the food bank, totalled another \$1,150. Altogether, a total of \$61,468 from all programs along with six boxes of non-perishable food, was donated for the year. This brings the total contribution to the food bank since we became partners and supporters in 2007 to \$368,468.

In July, Chicken Farmers of Canada and Swimming Canada announced an incentive program for the World Championships. When a Canadian swimmer won a world championship medal, Chicken Farmers of Canada would donate \$1,000 to that swimmer, and an additional \$1,000 to a food bank of the medalist's choice, for a total of

\$2,000 per medalist. As a result of the incentive program, \$18,000 was provided to Canadian swimmers and their regional food banks.

For the second year in a row, Chicken Farmers of Canada sponsored Global Affairs Canada's United Way campaign as one of two \$5,000 silver sponsors. The gala reception was held on November 13, 2015; raising over \$40,000 for United Way Ottawa, which in turn supports many local charities in the Ottawa/Gatineau community. Chicken Farmers of Canada was proud to be involved with an event that will make a significant difference to those who rely on the services supported by the campaign.

2015 saw the creation of the office Green Team, whose mandate is to seek out practical eco-friendly solutions to everyday office needs in order to reduce, or minimize, the organization's environmental impact. Key accomplishments include sourcing high post-consumer content paper and a new low-waste coffee system, switching away from single-use items like paper towels and coffee stir sticks to reusable hand towels and coffee spoons, and expanding the waste management system to include a compost component. In the coming year, the Green Team looks forward to furthering the organization's commitment to sustainability through a proactive approach to environmentally-conscious business practices.

Over the course of the year, Chicken Farmers of Canada also gave \$4,075 in donations to support the Morguard Golf Tournament in support of children's charities, the 5th Annual Welch Beach Soccer Tournament for the Bruyère Foundation, Hospice Care Ottawa, Procure (fundraiser for cancer research), and the Sportchicks Dragon Boat team as they prepare for the 2016 world club championships.

GOVERNANCE

At the start of 2015, Chicken Farmers of Canada implemented a revised meeting structure to provide better alignment between types of meetings, issues being addressed, and meeting participation. The Open and Closed board meetings were replaced by allocation and industry meetings.

The allocation meetings cover only allocation related issues and are open to anyone who presents him/herself to the Chair and whose conduct is not disruptive to the meeting. The industry meetings cover the remainder of the issues formerly covered by the open board meeting and all the issues covered by the closed meeting.

Industry meetings are open to Directors, Alternates, provincial board managers, Farm Products Council of Canada, Federal-Provincial Agreement signatories, Chicken Farmers of Canada member organizations, and others at the pleasure of the meeting. All industry meeting participants are required to sign an annual confidentiality undertaking.

2015 also marked the establishment of a new governance committee with a mission of ensuring that the Chicken Farmers of Canada Board of Directors fulfills its legal, ethical, and functional responsibilities through adequate governance policy development, education and orientation programs, succession planning, monitoring of board activities, and evaluation of board members' performance.

Auditing the System

Chicken Farmers of Canada's responsibility is to provide an effective national monitoring and enforcement policy for the orderly marketing of chicken. To achieve this, audits of provincial commodity boards, market development licensees, specialty production licensees, and interprovincial licensees are carried out every four allocation periods. Chicken Farmers of Canada may also conduct special audits if needed.

In 2015, staff completed the audits of provincial chicken boards for compliance with Chicken Farmers of Canada policies and regulations for periods A-126 to A-129.

With regards to live marketing reporting, including interprovincial movement of live chicken, and market development and specialty production licensees' compliance with policies and regulations, Chicken Farmers of Canada's external auditors completed the audits of processors for periods A-122 to A-125, which were initiated in 2014, and completed the audits of periods A-126 to A-129.

The audit report for periods A-122 to A-125 was presented to the Board of Directors in January 2015 and the audit report of periods A-126 to A-129 was presented to Directors in September 2015.

Overmarketing Assessment

During the audit periods A-126 and A-127, Manitoba Chicken Producers was assessed overmarketing levies of \$64,496, while during the audit periods A-128 and A-129, Manitoba Chicken Producers was assessed overmarketing levies of \$180,957, and Chicken Farmers of New Brunswick was assessed overmarketing levies of \$12,229. The report was presented and approved by Directors in September 2015 and the levies were subsequently paid.

Market Development

In response to the December 2014 avian influenza outbreak in British Columbia and the April 2015 outbreak in Ontario, the Chicken Farmers of Canada Board of Directors agreed to provide additional flexibility to market development licensees. In British Columbia, licensees were provided the ability to purchase all of their product from other provinces for periods A-127 to A-131 and were provided an extension to the end of A-131 to meet their commitments of periods A-127 and A-128. In Ontario, licensees could purchase all of their product from other provinces for periods A-129 to A-131 and were provided an extension to the end of A-133 to meet their commitments of periods A-129 to A-131.

There was no market development levy assessment in 2015.



Chicken Farmers of Canada's responsibility is to provide an effective national monitoring and enforcement policy for the orderly marketing of chicken.

Specialty Production

The Specialty Production Policy was fully implemented effective periods A-126 (September 2014) and the audit of periods A-126 to A-129 was completed by the external auditors in 2015. There was no levy assessment 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.

In 2015, there were no inter-period quota transfers, compared to 2014, when there was one transfer request from Quebec for 47,000 kilograms live weight.

2015 was a remarkable year for chicken. The strong growth experienced in 2014 continued in 2015, but at an even faster pace. Canadian chicken production increased for the sixth consecutive year. Per capita consumption of chicken is estimated to have increased from 30.9 kg in 2014 to 31.7 kg in 2015, the highest ever! This is all part of our strategic plan to grow, sell, and eat more chicken.

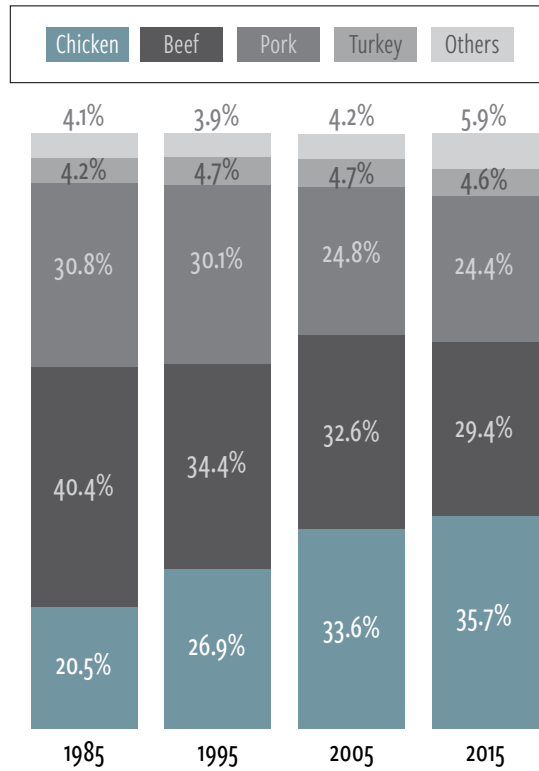
From a competitive meat perspective, preliminary numbers indicate that per capita consumption of beef decreased from 26.5 kg in 2014 to 26.1 kg, while pork increased from 20.6 kg to 21.6 kg. Consumption of spent fowl is expected to have increased from 2.5 kg in 2014 to 3.1 kg in 2015, while per capita consumption of turkey, lamb, and veal remained unchanged at 4.1 kg, 1.1 kg and 1.0 kg, respectively.

Record-high retail prices for beef, and to a lesser extent high pork prices, helped steer many consumers in the direction of more attractively-priced chicken.

The chicken industry responded to the increased popularity of chicken by allocating aggressively in 2015. Nationally, the domestic allocations for periods A-128 to A-134 combined were set at 4% over base and provincially the increases ranged from 2.7% over base to 6.1% over base.

This was the second year of setting allocation on the basis of the new allocation formula. In addition, for periods A-131 and A-132, we started a one-year pilot project to set two allocations at a time. Allocations for the first two periods of 2015, periods A-128 and A-129, were both set at 3.5% over base. The allocation for period A-130 was set at 4% over base and allocations for the following two periods were established at 3.5% over base. Allocations for periods A-133 and A-134, the last two periods of 2015, were both set at 5% over base.

Share of Meat Consumption (%)



Per Capita Consumption – Various Meats (kg)



Producer prices decreased in 2015 for the second year in a row and the annual average price in 2015 of \$1.578 per kg live was the lowest since 2010. Feed prices stabilized in 2015 and the new live price formula in Ontario also caused live prices to decrease across the country.

Wholesale prices on the other hand reached record-highs for various cuts of chicken. The EMI (Express Market Inc.) complexes for whole birds and wings were the highest since the price series started in 2002 while the breast complex in 2015 was the highest since 2004. The leg complex was slightly below the previous year. The overall market composite averaged \$3.72 in 2015, also the highest on record, and 14 cents higher than the previous record that was set in 2014.

Frozen inventories started 2015 at 34.0 million kilograms (Mkg) and ended the year at 42.6 Mkg, 25% higher than the previous year. This growth did not start until the last four months of the year, and mainly in the miscellaneous chicken, leg quarters, and other further processed product categories.

Provincial Production

Canadian chicken farmers produced 1,100 Mkg, a gain of 32.4 Mkg (3.0%) over 2014 and percentage-wise the largest increase since 2007. Domestic production increased by 3.5% (35.5 Mkg) to 1,056.0 Mkg, but production under the Market Development Program decreased by 19.9% (9.2 Mkg) to 36.7 Mkg. Production under the Specialty Program that was introduced in period A-126 (2014) was 7.4 Mkg in 2015. The increase in total production was nearly evenly distributed on a quarterly basis. Production in the first and second quarters of 2015 was 3.1% and 3.3% higher (8.3 Mkg and 8.9 Mkg), while production increased by 2.5% and 3.1% (6.8 Mkg and 8.4 Mkg) in the third and fourth quarters compared to the year before. The allocations for the summer periods (A-131 and A-132) and period A-134 were under-produced, while actual production in periods A-128, A-129, A-130 and A-133 was somewhat higher than the number of kilograms allocated.

Quota Utilization

	From		To	Allocation (Mkg evis.)	Production (Mkg evis.)	Quota Utilization %
A-128	December 28, 2014	-	February 21, 2015	155.0	156.6	101.0%
A-129	February 22, 2015	-	April 18, 2015	162.2	162.5	100.2%
A-130	April 19, 2015	-	June 13, 2015	166.1	166.7	100.3%
A-131	June 14, 2015	-	August 8, 2015	164.6	164.5	99.9%
A-132	August 9, 2015	-	October 3, 2015	165.1	162.3	98.3%
A-133	October 4, 2015	-	November 28, 2015	164.3	164.9	100.3%
A-134	November 29, 2015	-	January 23, 2016	162.9	164.0	100.7%

Provincial Production of Chicken (000 kg eviscerated)

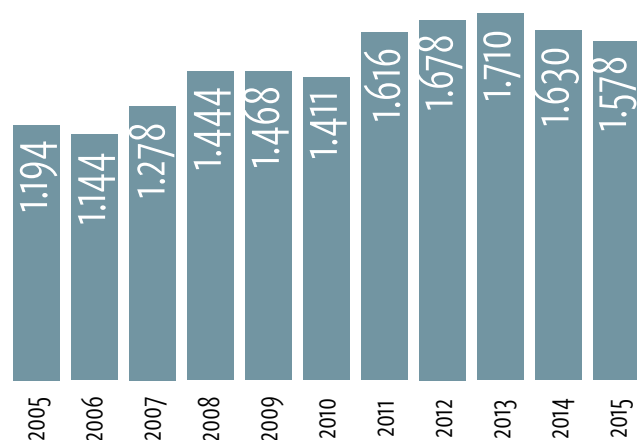
Province	2015	2014	% change
British Columbia	159,139	160,795	-1.0%
Alberta	101,336	94,341	7.4%
Saskatchewan	41,991	41,193	1.9%
Manitoba	46,433	44,625	4.1%
West	348,900	340,954	2.3%
Ontario	363,963	347,471	4.7%
Quebec	301,910	294,817	2.4%
Central	665,873	642,288	3.7%
New Brunswick	29,769	29,951	-0.6%
Nova Scotia	37,409	36,465	2.6%
Prince Edward Island	3,756	3,789	-0.9%
Newfoundland & Labrador	14,380	14,280	0.7%
Atlantic	85,314	84,485	1.0%
CANADA	1,100,087	1,067,727	3.0%

Allocation Growth Over Base*

	Base Allocation (Mkg)	Domestic Allocation (Mkg)	% Growth Over Base
British Columbia	156.5	161.4	3.1%
Alberta	101.4	107.6	6.1%
Saskatchewan	39.2	40.7	3.6%
Manitoba	46.1	47.5	3.2%
Ontario	362.9	379.8	4.6%
Quebec	295.0	305.8	3.7%
New Brunswick	31.1	32.0	2.8%
Nova Scotia	38.9	40.0	2.7%
Prince Edward Island	4.1	4.2	3.1%
Newfoundland & Labrador	15.3	15.8	3.2%
CANADA	1,090.6	1,134.7	4.0%

*Periods A-128 - A-134

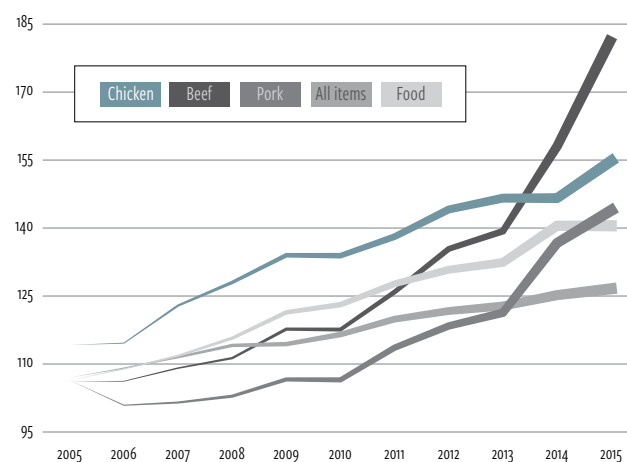
Canadian Weighted Average Producer Price (\$/kg live)



Consumer Price Index – Annual Averages

	2013	2014	2015	2015 vs 2013
Chicken	146.6	148.0	154.8	5.6%
Beef	139.3	158.2	182.1	30.7%
Pork	121.3	136.7	143.9	18.6%
All items	122.8	125.2	126.6	3.1%
Food	132.4	135.5	140.5	6.1%

Consumer Price Index (2002 = 100)



Producer Prices

The average Canadian producer price in 2015 was \$1.578 per kilogram live weight, 5.2 cents lower than the average in 2014. This represents a continued downward trend since the peak live price of \$1.822 in the last period of 2012 (A-114). The producer price fell from an annual high of \$1.596 in A-128 (December 28, 2014 to February 21, 2015) to a low of \$1.547 in A-132 (August 9, 2015 to October 3, 2015) before ending the year slightly higher than the start of the year. Prices ended the year at \$1.579, six cents lower than the end of 2014.

Wholesale Prices

The average wholesale price (market composite) in 2015 was \$3.72, up from the average of \$3.58 in 2014, and the highest since the start of the price series in 2002. It began the year with a low of \$3.42, rose to its highest point of \$3.94 in late September, and ended the year at \$3.62. Canadian wholesale prices are compiled by EMI. Looking at individual cuts, wings reached record highs in the fourth quarter and, on average, increased by 20% compared to 2014. The average wing price in 2015 was \$5.53 compared to \$4.63 in 2014, and the highest since the start of the price series in 2002. South of the border, wing prices peaked in the first quarter and stayed high throughout the year. Canadian breast meat prices tracked the U.S. breast meat prices closely at the start of 2015, beginning the year low before peaking in the summer months and softening towards the end of the year. The breast complex averaged \$5.54 in 2015, 5% higher than in 2014 and the highest since 2004.

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 – demonstrated accelerated growth in 2015. The CPI for chicken increased to 154.8 in 2015 compared to 148.0 in 2014, representing an increase of 4.6%. This increase was higher than the consumer price index for all items, better known as “the cost of living index,” which rose 1.1% and the CPI for all food items, which grew 3.7%.

Based on the annual average CPI for the various meat proteins, retail prices for chicken grew less than retail prices for both beef (15.1%) and pork (5.3%) in 2015. Increasing red meat prices over the last few years were mainly caused by reduced North American red meat supplies. Prices for seafood increased 1.6% while prices for turkey rose 0.5%.

Imports

According to Global Affairs Canada (GAC), a total of 85.0 Mkg of chicken and chicken products was imported under the TRQ in 2015, 1% more than the previous year. GAC is responsible for issuing import permits for chicken and products made primarily of chicken. Under Canada's North American Free Trade Agreement obligations, the tariff-rate quota (TRQ) is set at 7.5% of chicken production in the previous year. The TRQ for 2015 was calculated as 80.2 Mkg; 1.4 Mkg more than in 2014.

In 2015, chicken parts (bone-in and boneless) accounted for 80.7% of all TRQ imports. Further processed chicken imports accounted for 18.9% of all TRQ imports, while only 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 54.1 Mkg (69% of total global imports) and a total value of \$155.7 million. Global imports from Brazil totaled 14.8 Mkg (19%) for a value of \$54.5 million. The other countries of origin in 2015 were Thailand at 8.3 Mkg (11%) at a value of \$31.0 million, Hungary at 0.6 Mkg (0.8%) at a value of \$1.7 million, and small quantities from Germany, Israel, and Chile for a combined quantity of 0.4 Mkg (0.5%) and value of \$2.0 million. The total value of all products imported under the TRQ was \$244.9 million, \$20.4 million (9.1%) more than in 2014, and the average price per kg was \$3.13 compared to \$2.93 in 2014.

In contrast with previous years, global imports started coming in ahead of pro-rata in mid-April and slowed down in the last three months of the year. Imports in previous years showed a reverse pattern of imports well below pro-rata for the first half of the year, and picking up speed in the second half.

GAC 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 2015, a total of 16.9 Mkg was imported under this program, 6.5 Mkg (28%) less than in 2014. The significant decrease in imports under this program for the third consecutive year is the result of the more stringent rules and controls around the program put in place by GAC.

However, chicken imports under the Canadian Border Services Agency's Duties Relief Program in 2015 increased by 20.8 Mkg (28%) over the year before, to 96.3 Mkg eviscerated weight, more than offsetting the decrease in imports under the IREP program. For more, see page 26 (Import Controls). No supplementary import permits for shortages were issued in 2015.

According to Agriculture and Agri-Food Canada (AAFC) data, total chicken imports (imports under all programs combined) into Canada were 214.2 Mkg, 20.9 Mkg (11%) higher than in 2014.

Imports of spent fowl increased in 2015. According to AAFC data, 103.1 Mkg of spent fowl products were imported into Canada, 20.7 Mkg (25%) more than in 2014 and exceeding the amount of chicken imported under the TRQ by 24.9 Mkg. The proportion of boneless breast meat increased from 55% in 2014 to 56% in 2015. The amount of imported spent fowl represents 9% of Canada's chicken production. Because spent fowl is not subject to the TRQ, it is impossible to predict or limit the volume imported, and there is strong evidence of chicken products entering Canada as mislabeled spent fowl. For more, see page 27.

Exports

Based on AAFC export data, approximately 175.0 Mkg (kg eviscerated equivalent) of Canadian chicken was exported in 2015, up 3.4% compared to 2014. The primary destination for Canadian chicken and

chicken products in 2015 continues to be the U.S. with 76.2 Mkg, 6.9 Mkg more than 2014 and accounting for 59% of all exports. Most of these exports are believed to be under import to re-export programs. Second was Taiwan, which imported 12.1 Mkg, 9.3 Mkg less than in 2014. The third and fourth top destinations for Canadian chicken were the Philippines and Tajikistan. In 2015, exports to these two countries combined were 15.6 Mkg, 19.6% less than in 2014.

Exports by Destination (Mkg)

United States	69.3
Taiwan	13.9
Cuba	10.6
Philippines	10.4
Hong Kong	4.2
Tajikistan	3.4
Gabon	3.0
Congo	2.0
Haiti	2.0
Albania	1.9
Other	12.5
TOTAL	133.2

Source: Statistics Canada

Exports by Province (Mkg)

Quebec	64.4
Ontario	36.6
British Columbia	17.0
Alberta	5.9
Saskatchewan	5.1
Manitoba	4.1
New Brunswick	0.1
Nova Scotia	0.1
Newfoundland & Labrador	0.0
Prince Edward Island	0.0
TOTAL	133.2

Source: Statistics Canada

Storage Stocks

Frozen chicken inventories started 2015 at 34.0 Mkg and ended the year at 42.6 Mkg, representing an 8.6 Mkg (25%) increase. The year 2015 began with a low level of storage stocks before rising in the last four months of the year. The bulk of the increase was in the leg quarter, other further processed and miscellaneous chicken categories.

Examining the stocks by category, inventories of cut-up chicken decreased slightly during the year from 17.1 Mkg to 16.4 Mkg.

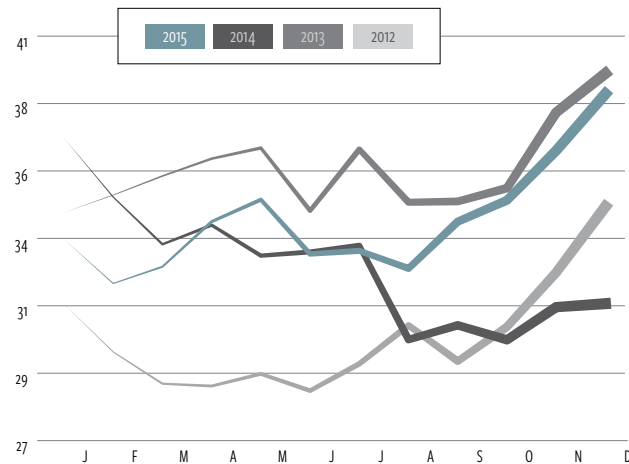
Within this category, increases in “leg quarters” and “other breasts” inventories were offset by frozen inventory decreases in the “boneless breasts”, “wings”, and “other cut-up” subcategories.

Further processed chicken inventories increased from 14.1 Mkg to 19.6 Mkg over 2015.

Within the further processed chicken category, both “further processed boneless breast” and “other further processed chicken” (including tenders, strips, nuggets, patties, and cooked wings) inventories saw significant increases.

Frozen stocks of “miscellaneous chicken”, including giblets, skin, necks, feet, paws, and MSM, more than doubled over the course of 2015 from 2.1 Mkg to 5.7 Mkg. Finally, frozen stocks of whole birds increased from 0.6 Mkg to 0.9 Mkg during 2015.

Frozen Chicken Inventories – First day of the month (Mkg)



Interprovincial Movement

Chicken Farmers of Canada monitors the number of live chickens that move in interprovincial and export trade. The figures are reported on a weekly basis and are audited by external auditors every four periods. Total interprovincial movement (IPM) decreased in 2015 by 0.6 million kilograms live weight. This reduction is explained by a decrease from Quebec to New Brunswick of 1,845,000 kg live weight, an increase from Quebec to Ontario of 593,000 kg live weight, an increase from Nova Scotia to New Brunswick of 579,000 kg live weight, and other increases of 45,000 kg live weight between other provinces.

Interprovincial Movement of Live Chickens (in kilograms live weight)

		FROM					
		Saskatchewan	Ontario	Quebec	Nova Scotia	Prince Edward Island	IN TOTAL
TO	Manitoba	5,000					5,000
	Ontario			1,581,000			1,581,000
	Quebec		18,338,000				18,338,000
	New Brunswick			35,830,000	17,212,000	900,000	53,942,000
	Nova Scotia					4,318,000	4,318,000
	OUT TOTAL	5,000	18,338,000	37,411,000	17,212,000	5,218,000	78,184,000



INDUSTRY AT A GLANCE

	B.C.	Alb.	Sask.	Man.	Ont.	Que.	N.B.	N.S.	P.E.I.	N.L.	TOTAL
Number of producers	328	242	69	119	1,042	753	37	88	6	6	2,690
Average farm size (000 kg live weight)	662	569	828	531	471	544	1,095	578	860	3,261	532
Federally-inspected plants	9	3	2	2	8	9	2	1	0	1	37
Provincially-inspected plants	17	69	1	3	27	4	2	9	1	1	134
Average producer price (\$/kg live weight)	1.624	1.601	1.599	1.608	1.545	1.562	1.645	1.645	-	-	1.578

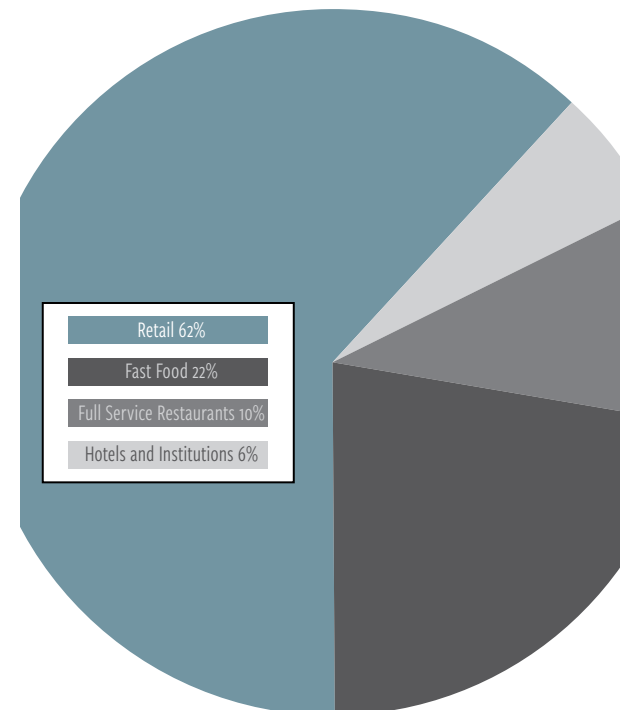
Sources: CFC, AAFC, provincial boards, provincial ministries of Agriculture

Estimated Chicken Consumption in Various Market Sectors (Mkg)

	2007	2008	2009	2010	2011	2012	2013	2014
Retail	604	621	637	638	625	634	650	675
Fast Food	248	247	236	242	241	232	234	246
Full Service Restaurants	108	99	99	99	101	99	105	112
Hotels and Institutions	56	56	54	54	55	56	57	60

Source: Further Poultry Processors Association of Canada

2014 Estimated Chicken Consumption in Various Market Sectors





Government Relations plays a central role in advocacy on behalf of Canada's chicken farmers, by representing our organization and brand, and garnering support and guidance on our issues.

2015 was a busy year for Government Relations at Chicken Farmers of Canada. From developing and implementing a new strategy, to the Trans-Pacific Partnership (TPP) Agreement, to the federal election of Canada's 42nd Parliament, staff and Board members worked diligently to ensure the voices of Canada's chicken farmers were heard on Parliament Hill.

Government Relations plays a central role in advocacy on behalf of Canada's chicken farmers, by representing our organization and brand, and garnering support and guidance on our issues. With a new Government Relations strategy adopted by the Board of Directors in late October, Chicken Farmers of Canada will now take an industry-focused approach to better influence policy for the benefit of the chicken industry, farmers and processors, and consumers.

By engaging a broad range of representatives and specialists to promote our Government Relations activities, Chicken Farmers of Canada aims to develop awareness of the Canadian chicken industry with every elected official and key industry-focused public servant in Canada.

These were the key 2015 deliverables:

- Strengthen relationships with MPs across all parties in order to maintain and secure strong support for Canada's chicken farmers, supply management, and our key issues
- Build relationships with newly-elected MPs following the election
- Raise the organization's profile, and awareness of our key issues, with elected officials and key decision makers
- Enhance the capacity to work in a coordinated and timely manner with all levels of government across the country

Key Engagement Opportunities

2015 Lobby Day

Chicken Farmers of Canada hosted our 5th annual Lobby Day on May 5, 2015, with a mix of over fifty Members of Parliament, Ministers, Senators and staff participating. The Lobby Day allowed for each province to have constructive, thoughtful conversations with representatives from their provinces on topics such as supply management, the import control issues related to spent fowl and the Duties Relief Program, as well as the TPP negotiations. Chicken Farmers of Canada looks forward to hosting this event each year as it gives our Directors an opportunity to meet with representatives from their province, and it reminds our elected officials of the significant positive impact the chicken industry has on Canada. The topics of discussion were also presented in a takeaway booklet on the industry.

Federal Election Outreach

In early August, the 42nd federal General Election was called for October 19, 2015, making it the longest traditional campaign in Canadian history. Because of the length, no one could have predicted what would arise throughout the 78-day writ, especially since all three major parties were tied for most of its duration. Throughout the campaign, Chicken Farmers of Canada kept a close eye on what the party leaders were saying about agriculture, supply management, and the TPP – which at the time was quickly drawing to a conclusion. Thankfully, each of the major parties drew attention to these issues in their platforms, and our farmers were confident they would be well represented once a new Parliament was elected. During the campaign, Chicken Farmers of Canada sent correspondence and industry materials to targeted candidates, as well as questionnaires to party leaders. Board members, staff, and producers also took advantage of the lengthy writ to meet with candidates and educate them on the impact of the industry on their ridings.

During the campaign, Chicken Farmers of Canada staff also attended the National Agriculture leaders' debate, hosted by the Canadian Federation of Agriculture, and featuring the Minister, critics, and candidates from each party. Debate questions revolved around research, the environment, social license, risk management, labour, and trade. The parties also maintained their strong support for supply management throughout the debate.

Hill Times Agriculture Briefing

On August 26, 2015, Chicken Farmers of Canada, along with Dairy Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada, and Canadian Hatching Egg Producers, sponsored a discussion panel on Agriculture hosted by *the Hill Times*. Panelists included David McInnes, President and CEO of the Canadian Agri-Food Policy Institute, Professor Grace Skogstad from the University of Toronto and author of *Internationalization and Canadian Agriculture: Policy and Governing Paradigms*, Ron Bonnett, President of the Canadian Federation of Agriculture, and Professor Bruce Muirhead from the University of Waterloo. The discussion centered around a wide

scope of ideas regarding the agriculture sector and what it means to Canadians including: food sovereignty, the desire to 'buy local', food affordability, the stability of supply, the urban/rural divide, and most importantly, questions around the significance of agriculture in our society. Our organizations were pleased to see fellow agriculture groups in the audience, as well as Agriculture and Agri-Food Canada staff and other industry stakeholders.

Election Results

On November 4, 2015, Canada's new Prime Minister, the Right Honourable Justin Trudeau, and his cabinet were sworn in by the Governor General. After Election Day, Chicken Farmers of Canada eagerly anticipated who would be representing our issues in government and opposition, especially in the areas of Agriculture and Agri-Food, International Trade, Public Safety and Emergency Preparedness, Finance, and Health. Immediately following their appointments to cabinet, Chicken Farmers of Canada sent correspondence on our issues and meeting requests to:

- The Hon. Lawrence MacAulay, Minister of Agriculture and Agri-Food
- The Hon. Chrystia Freeland, Minister of International Trade
- The Hon. Ralph Goodale, Minister of Public Safety and Emergency Preparedness (also the Canadian Border Services Agency - CBSA)
- The Hon. Bill Morneau, Minister of Finance
- The Hon. Jane Philpott, Minister of Health (also the Canadian Food Inspection Agency – CFIA)

In meeting with the new Ministers and critics, we strive to introduce them to the chicken industry, and collaborate with them on reinstating the sauce and cooking requirements in the customs tariff definition of specially defined mixtures (SDM); excluding chicken from CBSA's Duties Relief Program; and implementing mandatory certification for all spent fowl imports. We also continue to work with CFIA and Health Canada on our animal care and on-farm food safety programs, including antimicrobial resistance and use. Chicken Farmers of Canada worked closely with the previous government on these issues, and made many advances in the past year.





Chicken Farmers of Canada thanks former cabinet Ministers, the Hon. Gerry Ritz, the Hon. Ed Fast, the Hon. Joe Oliver, the Hon. Steven Blaney, and the Hon. Rona Ambrose for their public service and dedication to our issues during their time in government and looks forward to working with the incoming government to further the interests of the Canadian chicken industry with policy makers.

Federal, Provincial and Territorial (FPT) Meetings in Charlottetown

In conjunction with the 2015 Canadian Federation of Agriculture (CFA) Summer Board Meeting, Chicken Farmers of Canada were in Charlottetown, PEI in July to participate in the CFA Roundtable with Ministers, and to engage with FPT ministers, staff, and senior public servants. The theme of this year's FPT/Roundtable was Social License – building public trust in Canadian agriculture and improving transparency to meet this objective. David Hyink, our representative at CFA, led off the discussion with a thought-provoking overview of the issue. Ministers carried this theme over to their closed-session discussions, which also included Growing Forward 2, pollinator health, risk management, and the (at the time) forthcoming conclusion of the Trans-Pacific Partnership agreement negotiations. Ministers committed to working with each other and stakeholders to advance the priorities of agriculture, while ensuring Canadian consumers have a reliable, vibrant food system.

Trade Negotiations

Although talks between participant nations had been ongoing for many years, it became apparent in 2015 that the TPP negotiations were going to come to a close with an agreement. The Board of Directors and staff worked tirelessly – and often around the clock – to educate elected officials and negotiators on the implications of increased chicken market access to imports. Chicken Farmers of Canada and other supply managed commodities have always supported a trade model that achieves market access gains for Canadian agriculture, while preserving the integrity of supply management and the import control pillars.

During the negotiations, both in Ottawa and at Ministerial meetings abroad, our representatives met with both government and opposition members, as well as provincial representatives. In the lead up to the final meeting, agriculture ministers from Ontario, Quebec, British Columbia, Nova Scotia, New Brunswick, and Prince Edward Island corresponded with the federal Minister of Agriculture and Agri-Food to express their concerns of the TPP's potential impact on the supply-managed industries in their provinces. Chicken Farmers of Canada appreciated the proactive measures these Ministers took in representing farmers across the country.

Following the TPP, and since the swearing in of a new government, Chicken Farmers of Canada has been meeting with government officials to ensure they move swiftly in implementing measures to certify spent fowl imports, to prevent importers from circumventing import quotas by adding sauce to chicken products, and to exclude supply-managed products from the Duties Relief Program. The proposed Income Guarantee Program for farmers, to compensate for losses due to increased foreign access continues to be studied, as well as the Quota Value Guarantee Program, Processor Modernization Program, and Market Development Initiative – measures that were introduced in conjunction with the TPP agreement.

Three notable events rounded out the 2015 trade year for Canada: the conclusion of the Trans-Pacific Partnership trade agreement negotiations, the repeal of the United States' Country of Origin Labelling legislation on beef and pork imports, and the elimination of export subsidies as agreed to during the World Trade Organization's 10th ministerial meeting.

On the import control front, despite proactive changes to no longer allow the issuance of import allocation for the Canadian manufacturing of brochettes and meat-on-meat products, 6.8 million kg (Mkg) was still imported above the TRQ. Import control circumvention issues such as mislabeled spent fowl, the misuse of the Duties Relief Program, and the intentional creation of specially defined mixture products continue to hurt the Canadian industry; however, Canadian chicken farmers are hopeful that action will be taken given the government's announcement of its intention to close those loopholes.

Trans-Pacific Partnership

The conclusion of the Trans-Pacific Partnership (TPP) negotiations was arguably the most important trade event of 2015. After seven years of negotiations, the agreement was finalized on October 5 by ministers from all 12 countries involved (Canada, the United States, Mexico, Australia, Japan, New Zealand, Malaysia, Singapore, Vietnam, Chile, Peru, and Brunei). The more than 6,000 page text addresses an unprecedentedly vast scope of issues, from agricultural goods to investment regulations, to labour and environmental standards and a dispute settlement mechanism; it also includes approximately 100 side letters, 23 of which are between Canada and other TPP members.


The TPP is particularly relevant to the Canadian chicken sector as Canada has agreed to increase market access for chicken from TPP member countries. This new access has been set at a fixed amount, which will increase incrementally over the TPP's 18 year implementation period. The access provided will start at 3,917,000 kg, increase to 24,500,000 kg over five years, and reach 26,745,000 kg per year once the 18 year implementation period is completed.

This new access is in addition to Canada's existing import commitments through NAFTA and the World Trade Organization, meaning that by the end of the TPP's implementation, approximately 9.5% of Canada's annual chicken production will be displaced by imports. On a positive note, Canada's over-quota tariffs, which apply to imports exceeding the negotiated level of access, have been maintained at their current levels.

Chicken Farmers of Canada closely monitored the TPP negotiations and remained in continual contact with the Canadian negotiating team, providing advice and information while endeavouring to gain insights into the issues under discussion. Directors and staff were present at the ministerial meeting in Maui, Hawaii in July, as well as at the final conclusion in Atlanta, Georgia in October, meeting frequently with Canadian ministers and their negotiating team, in the lead up to, and following the conclusion of, the TPP agreement.

The TPP is particularly relevant to the Canadian chicken sector as Canada has agreed to increase market access for chicken from TPP member countries.

The TPP was negotiated under the auspices of Canada's former Conservative government. When the conclusion of negotiations was announced, the Canadian government renewed its commitment to resolving a number of outstanding border circumvention issues that have long plagued the Canadian chicken industry: the removal of chicken and other supply managed products from the Duties Relief Program; the mandatory certification of spent fowl imports; and a long-term solution to border circumvention through the inclusion of sauce with chicken products in order to be classified as not subject to import controls. The Canadian government also pledged to provide the supply management sectors with compensation programs as partial indemnity for the increased level of access provided through the TPP.



The Income Guarantee Program promises \$2.4 billion in support to all supply management farmers over the first 15 years of the implementation period, approximately \$225 million of which would be available to chicken farmers. The Quota Value Guarantee Program would provide up to \$1.5 billion to offset any reduction in quota value should supply-managed farmers sell their quota at a price lower than what it is prior to the implementation of the TPP. Through the Income Guarantee Program, the average chicken farmer could expect to receive approximately \$84,100 over 15 years, or an average of \$5,600 annually.

A \$450 million program was also announced for dairy, poultry, and egg processors to modernize plants. Finally, there is a \$15 million top up to the AgriMarketing Program, an existing program that supports domestic and export market development initiatives.

Although most trade observers anticipate that Canada's new Liberal government will eventually ratify the TPP, the government has committed itself to conducting a thorough assessment of the agreement, as well as a public consultation on its impacts, prior to taking a final position.

Both Minister Freeland (International Trade) and Minister MacAulay (Agriculture and Agri-Food) have recognized the importance of compensating affected sectors, such as supply management, should the TPP be ratified by Parliament. As the border circumvention issues are not TPP-related, we expect that these will be addressed, regardless of the ultimate decision taken on the trade agreement.

The TPP's ratification depends on more than the decisions of the Canadian government; it rests equally on what the other TPP members, and most notably the United States and Japan, decide. Despite some American politicians' insistence that the agreement should not be signed until after the conclusion of the 2016 U.S. presidential race, it has been announced that TPP members will meet in New Zealand on February 4, 2016 for a signing ceremony.

Signing the agreement is a largely symbolic gesture; ratification is a much longer legal process that would require the amendment of a wide variety of laws to become TPP-compliant. Although signing the TPP is not synonymous with its implementation, it will set in motion the ratification process by each member that should result in its implementation at the earliest on January 1, 2018.

Country of Origin Labelling (COOL)

In 2002, the United States legislated mandatory Country of Origin Labelling (COOL) on the retail-level sales of imported food products such as beef, pork and lamb; in 2008, chicken meat was added to this list. Both Canada and Mexico have challenged the U.S. at the World Trade Organization (WTO), arguing that the mandatory labelling requirement unduly discriminates against their beef and pork in the U.S. market, while also being counter to the U.S.'s WTO obligations.

While the WTO had ruled in Canada's and Mexico's favour on four prior occasions, on December 7th it finally concluded that Canada and Mexico would be granted the authority to impose \$1.055 billion and \$322.36 million per year, respectively, in retaliatory tariffs on American imports as of December 21st. On December 18th, the U.S. signed into effect an omnibus bill that included provisions to repeal COOL on beef and pork imports.

Although Canada has reacted positively, the government has advised that it will continue to monitor and evaluate the situation to ensure that the legislative change is conducted expeditiously and in a manner that removes any remaining market barriers to Canadian beef and pork products. Canada has stated that it does not wish to impose any retaliatory actions against the U.S., but it has maintained its right to do so should the COOL repeal prove slow and ineffective. We will continue to monitor this situation as U.S. spent fowl was one of the targeted products on Canada's potential retaliatory tariff list.

WTO Ministerial Meeting

In December, the World Trade Organization (WTO) held its mandated biennial ministerial meeting in Nairobi, Kenya – the first time the organization has held a meeting of this level in Africa.

There were two main objectives going into the meeting: the first being to come to an agreement that would move forward the multilateral trade agenda, including both disciplines on export competition in the agricultural pillar and a package designed to aid least-developed countries (LDCs), and the second being to reach a consensus on the organization's post-Nairobi work plan, which might or might not entail declaring the Doha Development Agenda failed and over. The lead-up to the ministerial was bleak, with Members staunchly holding their positions, and the rift between developing and developed countries' interests widening.

The December 15–18 meeting was extended until December 19 when Members finally adopted the “Nairobi Package”, which outlines decisions reached on agriculture, cotton and issues related to LDCs, and agreed to the Ministerial Declaration, which provides some intentionally vague guidelines on the future work of the WTO.

In terms of agriculture, the package addresses two major export competition issues: export credits and export subsidies. There was agreement that the maximum repayment period for export credits would be 18 months, and that all developed countries would immediately eliminate any remaining export subsidies – with a caveat provided for Canada, Switzerland and Norway regarding their notified export subsidies on processed products, dairy products, and swine meat.

These three developed countries have agreed to eliminate all export subsidies on products destined for LDCs by January 1, 2016, and committed to eliminate their remaining subsidies by the end of 2020. Furthermore, there will be no increases in the level or quantity of these subsidies beyond their 2003-2005 commitments; no export subsidies will be applied to new markets or to new products. Developing countries have agreed to eliminate their export subsidies by the end of 2022.

The contents of the Ministerial Declaration speak clearly to the divergence in views about the WTO's post-Nairobi work plan. The Declaration mentions that many Members reaffirm their commitment to continue working on the basis of the Doha Development Agenda; it also mentions that other Members believe new approaches are necessary to achieve meaningful outcomes in the multilateral negotiation forum. This will likely be one of the main topics of the next ministerial conference in late 2017.

Chicken Farmers of Canada representatives were present at the ministerial meeting in Nairobi, and met frequently with the Canadian Minister of International Trade and her team throughout the deliberations. The WTO remains a key trade negotiation forum where critical market access decisions could be made that have major impacts on the chicken sector, so we will continue to monitor developments and decisions taken there.

Import Controls

The global TRQ access commitment for 2015, which is set at 7.5% of the previous year's production level, was 80.2 Mkg, up from 76.5 Mkg in 2014. As a result of verifications of TRQ quota applications by Global Affairs Canada (GAC), approximately 1.4 Mkg of TRQ allocation was held back because the applicants did not meet the eligibility criteria, and another 0.6 Mkg was simply not utilized.



In addition to the global TRQ imports, another 6.8 Mkg of supplementary imports came in under the Imports-to-Compete program, which allows Canadian manufacturers of products that are not on the import control list (Non-ICL) to apply during the course of the year for new products or growth in existing products. Approximately 50% of the imports under the Imports-to-Compete are generated by specially defined mixtures that have had sauce added to them to ensure that they qualify as Non-ICL. Chicken Farmers of Canada continues to press the government to not allow sauce to be used to make a product qualify as Non-ICL.

In 2014, GAC decided to no longer issue import allocations to Canadian companies making brochettes, tournedos and meat-on-meat products because there is no foreign competition for these products. Before this decision, those products accounted for approximately 8 Mkg of import allocation.

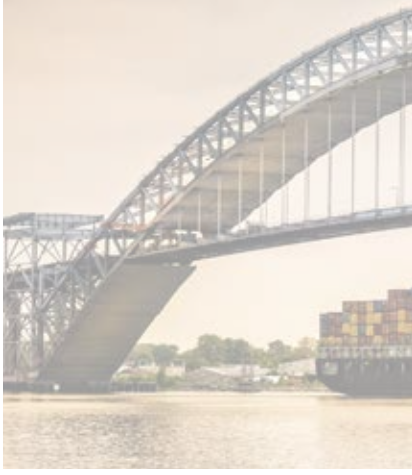
Although this decision was contested in 2015, we were pleased that the then-Minister of International Trade, the Hon. Ed Fast, maintained it. However, despite the modification to the eligibility for TRQ allocation, total imports under the TRQ still exceeded Canada's committed level of access of 7.5%, and represented 7.95% of the previous year's production level.

Chicken Imports 2014-2015 (Mkg)

	2015	2014
Imports Regulated by the TRQ		
Global TRQ	78.2	76.5
Supplementary Imports	6.8	7.7
Total TRQ Access as a % of Production	7.95%	8.02%
Other Imports		
Duties Relief Program (DRP)	96.3	75.4
Imports to Re-Export (IREP)	16.9	23.2
Spent Fowl	103.0	82.4

When the previous Canadian government announced the conclusion of the TPP negotiations, it acknowledged that the trade agreement would have direct negative impacts on the supply management sector. Consequently, it also announced a set of mitigation programs for the supply management sector, along with a renewed commitment to resolving ongoing border circumvention issues.

The government specifically acknowledged Canadian chicken industry concerns: the exclusion of supply management products from the Duties Relief Program, the need for mandatory certification for imported spent fowl, and the development of a long-term solution to the creative packaging issue that relies on the current definition of specially defined mixtures where sauce is added to chicken products in order to circumvent border controls.



Duties Relief Program

In 2015, there was yet another significant increase in the volume of imports to be re-exported under the Canadian Border Services Agency (CBSA)'s Duties Relief Program (DRP) from the 2014 volume of 75.4 Mkg to 96.3 Mkg. This increase more than offsets the decrease in use of GAC's Import to Re-export (IREP) program from 23.2 Mkg to 16.9 Mkg. Imports under both programs, which pursue similar goals but under different disciplines, increased by 14.6 Mkg to total 113.2 Mkg in 2015.

Chicken Farmers of Canada has long pointed out that the DRP is unsuitable for agricultural products due to its four-year timeframe for export. The DRP also permits product substitution, which can damage the balance of our domestic market, as well as marinated products, which are not permitted under IREP due to the challenges of accurately verifying marinade levels.

As part of its statement on the conclusion of the TPP, the Canadian government announced its intent to exclude supply management products from the list of products that qualify for the DRP. We will continue to work with CBSA to ensure that this change in eligibility criteria takes place as early as possible in 2016.

Spent Fowl

Spent fowl imports represent another growing concern impacting the Canadian chicken sector. Following a slight decline during the previous two years, spent fowl imports have returned to the high level they were at in 2012, reaching 103 Mkg in 2015. There was also an increase in the proportion of boneless breast meat to 56.3% of imports in 2015. This is concerning as it is easy to import boneless chicken breast meat that has been intentionally mislabeled as boneless spent fowl breast meat in order to circumvent import controls.

Recognizing the impact of this worrisome trend, the former Canadian government included a pledge to implement a mandatory certification requirement on spent fowl imports as part of its October 5, 2015 announcement on the conclusion of the TPP negotiations. A governmental inter-department working group involving the Canadian Food Inspection Agency, CBSA, GAC, and Agriculture and Agri-Food Canada has been formed to move this pledge forward, and we believe that the DNA test that has been developed to differentiate between the two meats is an essential component of this new import verification process, to ensure the actual products are also tested.

Specially Defined Mixtures

When chicken meat is combined with 13% other ingredients, it can be referred to as a specially defined mixture and is no longer considered chicken for import control purposes. In other words, products containing up to 87% chicken meat are generally not subject to import controls.

A handful of Canadian companies have identified this as an opportunity to circumvent trade rules. By adding sauce to a box of chicken wings or by stuffing an uncooked chicken breast, these companies are deliberately creating products whose sole purpose is to circumvent import controls. In doing so, they receive a chicken import allocation from GAC.

In 2015, it is estimated that approximately 16 Mkg of imports have been allocated to Canadian companies using these loopholes. These actions are undermining Canadian job creation, harming the Canadian economy, and hurting Canadian farmers. It is also placing other Canadian food manufacturers who play by the rules at a competitive disadvantage. The development of a long-term solution to this problem was part of the mitigation measures announced by the Canadian government in conjunction with the conclusion of the TPP agreement.

As with the DRP and the illegal spent fowl imports, we are hopeful that a solution will be implemented in early 2016 to address the problematic specially defined mixtures issue. The resolution of these circumvention issues is critical to the continued success of the Canadian chicken industry.

Launched in 2009, the Chicken Farmers of Canada Animal Care Program (ACP) offers a consistent national set of standards from coast to coast. The program is a strong demonstration of our farmers' commitment to high animal care standards. All provinces have made the decision to make the program mandatory, with enforcement regulations already implemented in 9 provinces.

The ACP is managed under the same system as the On-Farm Food Safety Assurance Program (OFFSAP) and comes with the same program elements that offer confidence and assurance to consumers – a strong set of program requirements based on international standards, annual audits by trained and qualified auditors, enforcement mechanisms through mandatory regulations, and a system for review and continuous improvement.

National Farm Animal Care Council

The National Farm Animal Care Council (NFACC) is internationally unique, as it is the only organization that brings together animal welfare groups, enforcement, government, and farmers under a collective decision-making model for advancing farm animal welfare. Chicken Farmers of Canada is proud to be an NFACC member, with Rudy Martinka, the Director from Saskatchewan, as our representative on the NFACC Board.

In 2015, NFACC welcomed a number of new associate members: restaurants and retailers, processors, pharmaceutical companies and farm groups. A new primary member, World Animal Protection, was also welcomed to the board. These additions contribute to the diversity of opinions and values guiding NFACC's work and reflect the growing importance of farm animal welfare in Canada.

Code of Practice review

While NFACC deals with a variety of animal care issues, the revision of the *Code of Practice for the Care and Handling of Hatching Eggs, Breeders, Chickens, and Turkeys* is by far the most important. The Codes of Practice themselves are voluntary, but Chicken Farmers of Canada has been able to enforce the Code requirements through the ACP thanks to provincial supply management regulations. The Code for the chicken industry was last revised in 2003 and we have been actively participating on the Code Development Committee throughout 2015 for this latest revision – both Rudy Martinka and Vernon Froese (Manitoba) are members on the committee.

Like NFACC, the Code Development Committee includes a diverse group of stakeholders to bring a wide variety of expertise and experience to setting this national standard for animal care. The draft Code was released at the end of 2015 for a public consultation period, and the Committee will consider those comments before releasing the final Code, expected in summer 2016. The Chicken Farmers of Canada Animal Care Program will be revised and updated to align with the new Code.

National Farmed Animal Health and Welfare Council

The NFAHWC was formed in 2010 with the mandate to establish priorities and recommendations to align animal health and welfare activities across industry stakeholders and government authorities. Marc Cormier, the Alternate Director from New Brunswick, represents Chicken Farmers of Canada at the NFAHWC.

In 2015, the NFAHWC continued the work stemming from their previous year's reports on AMU and animal welfare research capacity. AMU was a particular focus for 2015 and the Council evaluated what aspects of this issue they could best contribute to. Following the release of the *Federal Action Plan on Antimicrobial Resistance and Use in Canada: Building on the Federal Framework for Action*, the Council established a committee to look at the stewardship, or responsible use, aspect of AMU and Chicken Farmers of Canada has been actively involved.

Also in 2015, the Council formed the Canadian Animal Health Surveillance System which is looking at surveillance for animal diseases, as well as AMU. Mike Dungate represents the poultry industry on the Champions Group and Dr. Rachel Ouckama and Dr. Noel Ritson-Bennett represent the poultry industry on the Directors Group. The poultry industry will be meeting in early 2016 to determine priorities and direction for this initiative.

Antimicrobial Use

The Canadian government released the *Federal Action Plan on Antimicrobial Resistance and Use in Canada: Building on the Federal Framework for Action* (AMR and AMU) this year, which underscores the importance of this issue both in Canada and internationally. The chicken industry has been proud to work with government on this and related initiatives throughout the year. The Federal Action Plan outlines a number of goals for Canada which dovetail with the many activities at Chicken Farmers of Canada. Based on strategic plan priorities set by the Board of Directors, AMU was a high priority for 2015 and has been identified as a critical priority for 2016.

Updates to the industry communication tool used to outline the sector-wide strategy on AMR and AMU have been made in collaboration with the entire poultry industry. The Strategy focuses on the following five elements, reflecting the Federal Action Plan, and to provide continued confidence to consumers and government about responsible antimicrobial use in the poultry industry.

1. Defining antimicrobial use and analyzing antimicrobial resistance trends

Throughout 2015, Chicken Farmers of Canada continued to partner with the Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS), a federal program that monitors trends in AMR and AMU. Regular surveillance CIPARS is a critical step in better understanding the many factors involved in antibiotic resistance, and chicken farmers opened their doors to actively participate.

This credible 3rd party on-farm surveillance, which is an extension of AMR surveillance at retail and processing, will help to develop antimicrobial use baseline levels and to determine future antibiotic use and resistance policies for the chicken industry. Chicken Farmers of Canada looks forward to reports from CIPARS in 2016 and continuing the collaborative information-sharing between industry and government.

2. Reviewing best management practices

Following the voluntary elimination of the preventive use of Category I antibiotics, in 2015 Chicken Farmers of Canada initiated an expert working group to develop recommendations for the next phase of reduction of AMU in Canadian chicken production. This working group brings together stakeholders from various sectors of the chicken industry to ensure all variables are considered in developing a responsible AMU policy. Having buy-in and cooperation from across the value chain is essential for an AMU policy to be successful.

It is expected that a report from the working group will be presented to Directors in early 2016. The group is considering not only the next steps for AMU reduction, but also the action items that need to be completed for implementation to be effective, including increased access to antibiotic alternatives, and education and extension for farmers.



Outside the regulatory framework, the chicken industry continues to monitor the voluntary ban on the preventive use of Category I antibiotics. This is done through the Flock Sheets and the On-Farm Food Safety Assurance Program.

3. Ensuring effective controls of antimicrobial use in Canada

As indicated in the *Federal Action Plan*, the Canadian government is working on a number of initiatives to modify the regulations governing antimicrobial use. The Canadian poultry industry supports the ongoing efforts of Health Canada, through the Veterinary Drugs Directorate (VDD), to stop the “own-use” importation of medically-important antibiotics and active pharmaceuticals. These options have not been permitted for Canadian chicken farmers since 2009 and are a mandatory requirement in the On-Farm Food Safety Assurance Program.

Chicken Farmers of Canada is also working with the VDD on their initiative to increase the veterinary oversight of antibiotics delivered via feed and water, and to remove all growth promotion claims from medically-important antibiotics.

Outside the regulatory framework, the chicken industry continues to monitor the voluntary ban on the preventive use of Category I antibiotics. This is done through the Flock Sheets and the On-Farm Food Safety Assurance Program.

4. Researching and determining the availability of alternative products

Through the Canadian Poultry Research Council, Chicken Farmers of Canada has been investing in research projects which aim to improve bird health and reduce the need for antimicrobials. Nearly half of all the funds invested have been directed at projects on gut health, vaccine development, understanding the impact of pathogens, and antibiotic alternatives. Supporting this innovative research is integral to the chicken industry, as the need for effective antibiotic alternatives is increasing.

Chicken Farmers of Canada also continues to work with government on harmonizing the availability of vaccines and feed additives that are available internationally. It is important to ensure that Canadian farmers have access to similar products registered in other jurisdictions as this would further contribute to responsible use of antibiotics in agriculture.

5. Educating consumers and stakeholders on the issues of antimicrobial resistance and use

Education to both consumers and industry stakeholders continues to be a key component for increasing awareness and knowledge of this complex issue. To this end, modifications and improvements have been made to both our websites to ensure the latest information is readily available. This includes a number of factsheets, questions and answers, as well as a series of short videos to raise awareness and educate about AMR and AMU.

This year, Chicken Farmers of Canada collaborated with the Quebec poultry industry to translate and distribute information to farmers about best brooding practices. Management during the brooding period, roughly the first 10 days of the bird’s life, is critical for providing chicks with the optimal environment to promote their well-being and reduce disease pressure in the barn. When this is done properly, it can reduce the likelihood of needing to use antibiotics.

Avian Influenza

In April this past year, the Canadian poultry and egg industries were faced with an avian influenza outbreak in southwestern Ontario. A total of three farms were infected (two turkey farms and one broiler breeder farm), all located in Oxford County.

Industry and government partners worked together both locally and nationally to manage the situation. Quarantine zones were established, all three premises were depopulated to control the spread of disease, and cleaning and disinfecting (C&D) took place.

The virus detected on these farms was highly pathogenic H5N2 and closely matches the strains identified in B.C. late in 2014 and in Washington State, U.S. This suggests that migratory wild birds were the likely source.

In total for both outbreaks, approximately 38 of Canada's trading partners instituted restrictions of poultry products or birds as a result, varying in scope from Canada-wide bans, to more localised bans of the control zone or of specific products. At year end, 21 restrictions had been fully or partially lifted. The CFIA regularly circulated these lists to industry and worked diligently to reassure our trading partners that the outbreak was contained.

Following the 21-day waiting period after C&D of all premises, the two quarantine zones were lifted. According to the World Organization for Animal Health (OIE) regulations, once three months have elapsed following C&D with no further infections identified, countries are able to declare their AI free status. Canada was able to notify the OIE that B.C. and Ontario are considered to be free of notifiable avian influenza on June 3, 2015 and October 8, 2015, respectively.

In both cases a lessons learned exercise was conducted with all stakeholders including farmers, provincial and national boards, government, and allied trades to document what went well and what to consider differently. This is a valuable exercise and the resulting reports will help industry and government in continuing to improve the response to any potential future disease situations.





Poultry Research

The Canadian Poultry Research Council (CPRC) continues to foster innovation, science and education within poultry research. Research allows our sector to grow, domestically and internationally, as we aim to optimize on-farm management for improved bird health and welfare, look for ways to make our quality product even better, and respond to evolving consumer preferences.

Chicken Farmers of Canada, along with the four other national poultry organizations, established CPRC in 2001 with a mandate to create and implement programs for research and development that address current and future industry needs. Tim Keet, the Alternate Director from Saskatchewan, is our representative on the CPRC Board of Directors. Since its inception, CPRC has allocated over \$3.5 million to foster poultry research, and these funds have been leveraged to over \$18 million.

Looking at more recent activities, in the last five years CPRC has funded 33 different research projects aligned with the themes from the National Research Strategy. For example, 11 projects have been funded under poultry health, including research on necrotic enteritis control, vaccine development, avian influenza research, and immune development. Under the theme of animal health products, eight projects have been funded, focussing mainly on antibiotic alternatives. Six projects have been funded on animal welfare topics, and various other projects fall under the other strategy themes including: genetics, food safety, the environment, and functional and innovative poultry products.

The 33 projects funded in the last five years include those in the current Poultry Research Cluster for which the federal government provided \$4 million in funding through Growing Forward 2. A “cluster” brings together multidisciplinary teams of scientists to solve complex problems and makes the most of available resources. All Cluster projects are now underway.

In addition to these CPRC projects which come from the general call for proposals, \$60,000 per year has been allocated by Chicken Farmers of Canada for a separate project through CPRC to examine an issue of particular interest to the chicken industry. Thus far, two of these projects have been approved: one in 2014 looking at on-farm research trials of encapsulated essential oils as an antibiotic alternative to necrotic enteritis control in broiler chickens and another in 2015 conducting on-farm trials to determine the effect of organic acids on reducing intestinal pathogens in broiler chickens.

Work is ongoing to increase the visibility of CPRC’s activities and to improve communication to stakeholders about the commitment of the chicken industry to supporting innovative research. A poultry research section of the www.chickenfarmers.ca website has been created and includes summaries of completed projects and key results. Regular updates about CPRC’s work are also highlighted in *The Chicken Farmer* newsletter. CPRC has itself also been working with a web designer throughout 2015 to redesign the CPRC website to make it more user-friendly and up-to-date with current research and activities. The new and improved CPRC website is expected in 2016.

On-Farm Food Safety Assurance Program

Chicken Farmers of Canada continues to uphold the On-Farm Food Safety Assurance Program (OFFSAP) from coast to coast, with 100% of farmers certified by the program. Chicken Farmers of Canada is proud to maintain recognition for the program from the Canadian Food Inspection Agency (CFIA), and successfully completed the 20-month review audit in 2015. This provided confirmation from CFIA that the program remains current, technically sound, and consistently implemented.

There are many factors that go into making the OFFSAP program work to ensure credibility and compliance, and the CFIA recognition program takes this into account. At the core is the farmer manual which is HACCP-based. HACCP is an internationally recognized approach to controlling and preventing food safety risks. As part of the recognition program, this manual is reviewed and updated at least every 36 months to ensure the standards remain current, based on the best available science, and in line with international standards.

To monitor compliance with the program, farmers are audited annually. Auditors must all have certain qualifications and complete a number of training steps before auditing the Chicken Farmers of Canada programs. Witness audits are conducted regularly to ensure consistency among auditors across the country. By leveraging the supply management system, the Provincial Boards have made the program mandatory and are able to use enforcement measures if needed.

The OFFSAP program was updated in 2014 to reflect, among other things, the industry ban on the preventive use of Category I antibiotics. This is a mandatory requirement in the program and compliance is verified through the Flock Sheets which get submitted to CFIA with every shipment of birds. This initiative has been successful, as monitoring has demonstrated that no Category I antibiotics have been used preventatively since the implementation date of May 2014.

The OFFSAP for free-range farmers (also recognized by CFIA) was updated in 2015 with clarification around controlling access to the farm, management of feed and water, and record keeping, particularly around medication use. The Free Range OFFSAP is nearly identical to the conventional OFFSAP program, but takes into account the unique environment and management system with outdoor access.

Pathogen Reduction in Chicken

Chicken Farmers of Canada has been involved in two government initiatives to reduce the prevalence of salmonella and campylobacter in chicken meat: the Pathogen Reduction Initiative and the *Salmonella Enteritidis* (SE) Working Group. For the chicken industry, the Pathogen Reduction Initiative aimed to gather data on the prevalence and concentrations of salmonella and campylobacter in broiler flocks (on farm), carcasses (processing), and chicken meat products (at retail). A report on this baseline work is expected in 2016. The SE Working Group completed their recommendations in the 2014 report “National Strategy for the Control of Poultry-Related Human *Salmonella Enteritidis* Illness in Canada.”

These two groups have now completed the first phase of their work and will be combining efforts to look at how to implement the resulting recommendations. Chicken Farmers of Canada looks forward to being a part of this next step and continuing to improve and consistently implement the OFFSAP requirements which reduce the potential for on-farm pathogen contamination.





Where it Began

At the end of 2011, following years of market research, Chicken Farmers of Canada approved a national integrated branding and marketing program to promote Canadian chicken. The research consistently showed that consumers are interested in a Canadian label; interest in buying chicken affixed with a label indicating it's Canadian 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.

Over the following two years, the brand was further developed and a new logo "Raised by a Canadian Farmer" was completed and made available to Canadian retailers, primary processors and foodservice. Discussions continue to encourage participation in the branding program.

The "Raised by a Canadian Farmer" campaign addresses Canadian consumers' desire to know the origin of their chicken. Based on consumer research, in 2013:

- Canadian consumer awareness of country of origin of their fresh chicken is limited, at 52%
- Canadians want to know where their chicken comes from (85%) and that the chicken they buy is Canadian, not imported (87%)
- The vast majority (88%) of Canadians would be likely to buy chicken if it had a label showing it is from Canada – and the majority want that message to come from the farmers themselves, rather than from processors or retailers

The brand is a symbol that Canada's chicken farmers raise birds that can contribute to a healthier diet for Canadian families with fresh, nutritious chicken, which is low in fat and healthy.

Following year one of the brand launch, consumer awareness is building. Research in October 2015 showed that just over one-quarter of Canadian shoppers/chicken consumers (27%) recall having seen the Raised by a Canadian Farmer label.

The integrated national marketing program in 2015 focussed on building awareness and reinforcement of consumers' healthy image of Canadian chicken. The quarterly campaign included: Chatelaine print ads, national consumer contests, TV advertising, sponsorship of Swimming Canada, and digital promotion. In addition, our Quebec campaign integrated local celebrities and spokespeople.

Ads created and deployed in 2015 on TV achieved strong likeability with 85% overall. Ad recall was higher among Millennials. Among those who recalled a TV ad, six-in-ten said it made them more likely to purchase fresh, Canadian chicken.

Building Support

Companies have been signing up to participate because the brand serves as a strong and meaningful identification of Canadian-raised chicken. Several partners have integrated the brand logo and message into their marketing activities to reinforce their story. Consumers trust product information coming from farmers. This will continue to drive the uptake and buy-in by industry partners and stakeholders.

Licensing agreements have been signed with the following processors, retailers, and restaurants:

- | | |
|-----------------------|--------------------------|
| ▪ Eden Valley Farms | ▪ Prime Pubs |
| ▪ Federated Co-op | ▪ Sobeys |
| ▪ Kudrinkos | ▪ Sunrise Farms |
| ▪ Maple Leaf Prime | ▪ Swiss Chalet |
| ▪ Maple Lodge Farms | ▪ Vince's Markets |
| ▪ Montana's Cookhouse | ▪ Yorkshire Valley Farms |

Marketing Programs

In 2015, Chicken Farmers of Canada ran four waves of traditional marketing with refreshed tactics. These were themed to feature recipes and creative that would be enticing to viewers and readers. The waves included TV ads, print ads, and digital components through Rogers Media and Québecor Groupe Média. Each wave featured a consumer contest to generate additional interest and drive consumers to the *chicken.ca/poulet.ca* websites and convert subscribers to Chicken Farmers of Canada's promotional emails.

The digital campaign included: extensive Twitter and Facebook promotions; continued promotion of Chicken Farmers of Canada's website; Brand Ambassadors; promotion across all digital networks; and a public relations campaign with both a love your chicken and a love your farmer approaches. Our four Brand Ambassadors had a reach of nearly 30,000 blog page views and over 116 million impressions.

The Brand Ambassadors can be critical for providing a different perspective on issues, promoting contests, and expanding the reach and influence of the Chicken Farmers of Canada brand. Their content also draws visitors into other social media channels, acting as cross-promotion to the other vehicles. An example of how their reach widens that of our own is the increase in contest entries that came directly to our own site through their blogs. Last year we received 15,000 entries, and this year that ballooned up to over 21,000 total entries in our Holiday Helper contest to win a prize of \$5,000 cash, just in time for the holidays.

The hashtag #ChickenDotCA, through Brand Ambassador social sharing, was able to reach over 17 million accounts and made over 109 million impressions. This was a result of 13,000 tweets by over 2,500 contributors throughout the year.

In 2016, the reach of the brand message will be further extended through proprietary contests, new media properties, new Brand Ambassadors, and the addition of new retailers, primary processors and foodservice participants to the branding program. There will also be a stronger presence and some new content created in French to expand the reach further, which will result in more consumer interest in the brand.

Branding Program Extended

The "Raised by a Canadian Farmer" branding program is a compelling, evidence-based story. It will continue to build momentum as a long-term consumer communications strategy for Chicken Farmers of Canada and program participants. It has received the full support of Chicken Farmers of Canada's Board of Directors, chicken processors, iconic restaurant chains, and several major Canadian retailers. In November, Chicken Farmers of Canada Directors agreed to extend the program for two more years into 2017.

The brand is a symbol that Canada's chicken farmers raise birds that can contribute to a healthier diet for Canadian families with fresh, nutritious chicken, which is low in fat and healthy.



Chicken Farmers of Canada's Consumer Relations Strategy is focused on meeting the information needs of our consumers, by providing them recipes, facts, and tools to make their experience with Canada's favourite protein positive and exciting. We bring this information to them using a variety of conduits that enhance our credibility, make Chicken Farmers of Canada more accessible, and remind consumers of the importance of chicken as a healthy food choice.

Social Media Footprint

Social media, and the relationships built online, continues to be a core focus for Chicken Farmers of Canada to interact and reach consumers. On Twitter, the evening chicken Twitter parties were well attended and averaged an impression reach of 31 million people while the "chicken chats", held during the day, made roughly 20 million impressions. There has also been some good pickup of Chicken Farmers of Canada content as subscribers have jumped from 15,000 to over 30,000 across all subscription lists. Pinterest, and Instagram, the two image-based social media are the top referring sites, usually to our recipes, where our 700+ recipes and high quality photography are a great draw for visitors.

Twitter Parties

- February #FamilyChicken over 28 million impressions
- May #TeamCdnChicken over 40 million impressions
- June #NoNakedchicken over 28 million impressions
- September #ChickenApp over 36 million impressions
- October #RaisedByCdnFarmer over 30 million impressions
- November #ChickenApp over 28 million impressions

That made for a total of over 190 million impressions.

Chicken Chats

Chicken Farmers of Canada hosted 10 daytime health chats on Twitter to engage consumers in conversations about chicken nutrition.

Topics included nutrition month, spring chicken, grilling, summer vacation, batch cooking, cooking for kids, and casseroles. The chat with the highest reach, with over 35 million impressions, was the one on frugal chicken/batch cooking in August.

- February chat, over 24 million impressions
- March chat, over 10 million impressions
- April chat, over 21 million impressions
- May chat, over 15 million impressions
- June chat, over 20 million impressions
- July chat, over 25 million impressions
- August chat, over 35 million impressions
- September chat, over 20 million impressions
- October chat, over 21 million impressions
- November chat, over 18 million impressions

There were over 209 million impressions made throughout the year.

YouTube Channel

Over on YouTube, the online video channel, Chicken Farmers of Canada now have over 170 videos on offer. They range from how-to cooking videos to infographic myth-busting videos to educate consumers on supply management. There have been over 600,000 views and there are now nearly 700 subscribers to the channel.

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. Articles feature nutrition information, healthy lifestyle, and making smart food choices.

Nutritional Factsheet Series

Our nutrition factsheet program continues to be popular with health professionals. In 2015, two new factsheets were written and printed: "Strategic Eating & Refueling for Peak Performance" and "Chicken is Nutritious and Delicious". Those have been added to the list of free resources for health professionals, along with the other 12 factsheets and the weekly food journal. They 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 advertising through the professional dietitian association helps stimulate demand.

Swimming Canada

2015 marked a big year for our partnership with Swimming Canada. With the creation of the adorable Pool Peeps and the FINA (Fédération Internationale de Natation) World Swimming Championships in Russia, there was never a dull moment!

In July, Swimming Canada announced a new incentive program sponsored by Chicken Farmers of Canada for Canadian swimmers about to compete at the FINA World Championships in Russia. When a Canadian swimmer won an individual world championship medal, Chicken Farmers of Canada would donate \$1,000 to that swimmer's local food bank, and an additional \$1,000 to their swim club, for a total of \$2,000 per medalist. As a result of this program, \$18,000 was donated to celebrate our athletes' achievements and to support swim

clubs and food banks in Boucherville, Calgary, Kenora, Montreal, Vancouver, Victoria, and Winnipeg. Canada's medal winning athletes at the FINA World Championships were:

- Ryan Cochrane, 2 Bronze – 400 Freestyle, 1,500 Freestyle
- Emily Overholt, Bronze – 400 Individual Medley
- Yuri Kisil, Bronze – 400 Mixed Freestyle Relay
- Santo Condorelli, Bronze – 400 Mixed Freestyle Relay
- Karl Krug, Bronze – 400 Mixed Freestyle Relay
- Sandrine Mainville, Bronze – 400 Mixed Freestyle Relay
- Victoria Poon, Bronze – 400 Mixed Freestyle Relay
- Chantal Van Landeghem, Bronze – 400 Mixed Freestyle Relay

This year also saw the creation of the ever popular Heat Sheets and the continuation of the Swim Parent of the Month Contest. This contest highlights the devoted parents who encourage eating well and being active as part of a healthy lifestyle. Be on the lookout in 2016 for a digital cookbook with chicken recipes chosen by all the winners so far!

Lastly, we saw the addition of four little friends to the Canadian swimming team. Our Pool Peeps made their first appearance at the pool this year, as beloved mascots for swimming and chicken alike. Kicker, Splash, Swamantha, and Wade have been making some serious waves of their own!

Our outstanding support for swimming in Canada was recognized at the end of 2015, by Aquatics Canada, the joint organization that supports diving, swimming, synchro, and water polo athletes in Canada. Our programs, financial support, partnership, leadership, and commitment to swimming at both the high performance and grass root levels have been strong, influential, and highly valued, thereby earning the 2015 Corporate Excellence Award from Aquatics Canada.

Next year marks the 2016 Summer Olympics and Paralympics in Rio de Janeiro, Brazil, and Chicken Farmers of Canada is extremely excited to continue working with Swimming Canada as we lead up to the event. Check in to see what initiatives and activities are happening as we support athletes preparing for the Olympics!

Canada Day 2015 Recipe Contest

Chicken Farmers of Canada celebrated Canada Day for the 23rd time as a proud National sponsor!

Each year, the *Great Canadian Chicken BBQ*, held at Major's Hill Park in Ottawa, is highlighted by a delicious grilled chicken sandwich. This year, we launched a nationwide contest asking Canadians to vote for one of three chicken sandwich recipes from *chicken.ca*.

- The Preston Street Chicken Sandwich
- The Royal Gala Chicken Sandwich
- The Coronation Creation Chicken Sandwich

Entrants had to provide 2-4 sentences explaining why they would choose this recipe for their families for a chance to win some pretty awesome prizes including a 3-day, 2-night trip for 4 to Ottawa to celebrate Canada Day, some cool Chicken Farmers of Canada swag, and Maple Leaf Foods prize packs. Over 2,400 contest entries were received.

The "Preston Street Chicken Sandwich" was Canada's top choice and was served to thousands of hungry Canadians at the 23rd annual *Great Canadian Chicken BBQ*!





Public Relations: Love Your Farmer

2015 marked the third year of Chicken Farmers of Canada's Public Relations (PR) strategy, which enjoyed many key accomplishments, both within the chicken sector, and jointly with other supply-management commodities.

Since its inception in 2013, the PR strategy has expanded to not only provide accurate, responsive, and timely information to consumers and media alike, but also as a platform to demonstrate to Canadians the importance of supply management, farming, and the hard work chicken farmers do all year round. If one sentence could describe the goals and initiatives of this PR program in 2015, it would be *Keep Chicken Canadian*.

PR Goals

In keeping with a more proactive strategy, the organization tackled discussions and debates head-on during the TPP negotiations. In addition, several new projects and multi-faceted campaigns to debunk myths and criticisms surrounding supply management and the Canadian chicken industry were launched. As such, the goals of the PR strategy were:

- Communicate the benefits of supply management, specifically related to chicken farming, to Canadian consumers
- Build on the communication efforts to have a clear call to action for Canadians to show their support for Canadian chicken farmers and the benefits they enjoy through supply management
- Build a comprehensive network of Canadian consumers who support supply management
- Create a multi-faceted campaign using compelling and creative tactics that strive to educate and engage Canadians on supply management and its benefits

Building on 2014

Throughout 2015 we continued to work with other national supply-management organizations and our public relations consultants on joint initiatives, media monitoring and media responses, which led to dozens of articles and editorials, continuously pushing the positive stories and aspects of supply management and agriculture.

In addition to these collaborative pieces, the Chicken Farmers of Canada "Inside Coop" blog and Twitter account are growing to be unique platforms to promote and discuss supply management with the public.

Creative infographics were created to better tell the story of supply management, antimicrobial use, consumer prices, and the journey from gate to plate. All these were posted and promoted through various social and digital platforms, and enabled significant discussion to ensue among consumers, media, and farmers alike. As a result, our network grew substantially, adding many key supporters.

Blogger Familiarization Trip

In the fall, a Blogger Familiarization Trip to a local Ontario farm was organized to demonstrate the realities of Canadian chicken farming. With much help and support from Chicken Farmers of Ontario, plans were made to bring three well-known bloggers to a farm. Farmer Tim Klompaker was a great host, providing a wealth of insight before, during, and after the tour of his farm, with thought-provoking discussions which continued right through lunch.

During the tour, bloggers Paula Shuck, Cheryl Kirkness, and Jennifer van Huss live tweeted their experience using the hashtag #RaisedByCDNFarmer, posting comments, questions, and photos. Following the tour, the bloggers posted blogs outlining their visit and participated in a Twitter Party where they answered questions from the public about the tour, farming practices, and their experience on the farm.

A video was produced with footage of the visit, along with a Q&A session with Tim. These will be promoted in 2016.

Federation of Canadian Municipalities and Downtown Diner

In June 2015, the national poultry and egg agencies participated jointly in the Federation of Canadian Municipalities (FCM) convention in Edmonton. In alignment with FCM's 2015 theme, *Today's Communities, Tomorrow's Canada*, the group highlighted the enduring strength of supply-managed family farms by profiling multi-generational family farmers, highlighting the industries' productivity, farming practices, and world-class on-farm, food safety and animal care programs.

The trade booth used strong visuals to draw in visitors, including a unique 1950s style diner concept and TV screens which communicated the key facts about supply management and encouraged delegates to visit the booth and engage in conversation with poultry and egg representatives.

In addition to the booth, poultry and egg farmers sponsored a farm study tour as part of the FCM program. The study tour took place at Morinville Colony, an award-winning egg farm (2013) that also raises chickens and turkeys. The study tour allowed us to give over 40 delegates a deeper understanding of supply management, and let them witness, first-hand, the benefits poultry farmers bring to their communities.

The following week, dairy, poultry and egg farmers teamed up to host the *Downtown Diner* on Sparks Street in downtown Ottawa to celebrate the high-quality food delivered every day by our farmers. The public, as well as Members of Parliament and Senators were served breakfast and lunch sandwiches made with fresh, local ingredients from our farms. Furthermore, guests were given the *Farmer Times*, a newspaper containing articles about our industries and various promotion and education initiatives carried out by the sectors. Many farmers were on hand to share how the stability provided by supply management allowed them to deliver a stable supply of superior food products, contribute meaningfully to national and rural economies, and give back to their local communities. In fact, over \$2,000 was raised at this event for Food Banks Canada.

Keep Chicken Canadian Campaign

As a result of the TPP agreement, and negotiations around it, the *Keep Chicken Canadian* campaign was launched. This particular campaign took a digital form, mainly using social media and online advertising as a method of promotion. The letter-writing campaign encouraged Canadians to raise their voices and show their support for chicken raised by Canadian farmers. The letter reached all party leaders and a majority of them responded to the submissions, outlining their opinions on the matter. This campaign ran for a month, garnering over a thousand submissions and over 5,000 letters sent overall.

Consumers were vocal with their outpouring of positive responses and their devoted support for the Canadian chicken industry. With that in mind, the campaign was slightly modified and extended to the end of the year. The campaign took a more festive approach, asking Ministers and critics for continued support of Canadian farmers and supply management during the holiday season. The results were equally as positive and the campaign finished the year off on a high note.

Consumer Research

This year, Chicken Farmers of Canada worked with consultants to conduct research into consumer behaviour and their perspectives on supply management. These results were used to craft the *Keep Chicken Canadian* campaign, along with TPP-related work. Highlights of this research included the following:

- An overwhelming majority of Canadians preferred to feed their families food raised by Canadian farmers
- A strong majority preferred to buy locally-grown products, even if it meant a higher cost

In addition, the research took a look at consumer behaviour and what influences their food selection, the importance put on having Canadian products, and the role of the Government when it comes to food and trade negotiations. The research found that a majority of Canadians felt it was important for the Government to support farmers during trade negotiations, as well as to help them stay strong and prosperous.

Consumers were vocal with their outpouring of positive responses and their devoted support for the Canadian chicken industry.



INDEPENDENT AUDITOR'S REPORT *Welch LLP*

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, 2015 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, 2015 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
February 25, 2016.

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, 2015

ASSETS

CURRENT ASSETS

Cash
 Short-term investments (NOTE 4)
 Accounts receivable
 Government remittances receivable
 Prepaid expenses

INVESTMENTS (NOTE 4)

TANGIBLE CAPITAL ASSETS (NOTE 5)

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES

Accounts payable and accrued liabilities
 Government remittances payable
 Current portion of deferred lease inducement (NOTE 6)

LONG-TERM PORTION OF DEFERRED LEASE INDUCEMENT (NOTE 6)

FUND BALANCES

Internally restricted – Promotion Fund
 Internally restricted – Research Fund
 Unrestricted – General Fund

	2015	2014
	\$ 1,973,696	\$ 1,529,961
	100,000	3,655,361
	1,247,083	1,172,730
	-	28,282
	87,985	93,798
	<u>3,408,764</u>	<u>6,480,132</u>
	13,281,243	10,276,395
	310,864	339,559
	<u>\$ 17,000,871</u>	<u>\$ 17,096,086</u>
	\$ 390,180	\$ 667,262
	21,149	-
	29,531	-
	<u>440,860</u>	<u>667,262</u>
	69,008	97,324
	<u>509,868</u>	<u>764,586</u>
	1,194,024	2,321,492
	5,301,465	5,357,561
	9,995,514	8,652,447
	<u>16,491,003</u>	<u>16,331,500</u>
	<u>\$ 17,000,871</u>	<u>\$ 17,096,086</u>

On behalf of the Board:


 Barry Uyerlinde
 Finance Committee, Director


 Derek Janzen
 Finance Committee, Director


 Peter Vale
 Finance Committee, Director

(SEE ACCOMPANYING NOTES)

CHICKEN FARMERS OF CANADA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	2015				2014
	PROMOTION FUND	RESEARCH FUND	GENERAL FUND	TOTAL	TOTAL
REVENUE					
Levy and fee revenue	\$ -	\$ -	\$ 7,945,702	\$ 7,945,702	\$ 7,185,664
Interest	27,668	107,901	149,555	285,124	327,561
Overmarketing and market development levies	265,581	-	-	265,581	156,098
Other revenue	-	-	3,385	3,385	14,820
	<u>293,249</u>	<u>107,901</u>	<u>8,098,642</u>	<u>8,499,792</u>	<u>7,684,143</u>
EXPENSES					
Amortization of tangible capital assets	-	-	77,609	77,609	79,531
Canadian Poultry Research Council	-	200,425	-	200,425	321,521
Committees	-	-	274,653	274,653	290,678
Communication	-	-	652,991	652,991	548,881
Corporate social responsibilities	-	-	60,369	60,369	57,023
Directors and alternates	-	-	1,214,201	1,214,201	1,471,647
Information technology	-	-	81,373	81,373	104,529
Membership fees	-	-	139,720	139,720	140,119
Office	-	-	607,850	607,850	598,459
Professional fees	-	-	377,185	377,185	449,390
Promotion activities	1,215,534	-	-	1,215,534	1,126,177
Salaries, benefits and travel	-	-	2,783,616	2,783,616	2,792,075
Special studies	213,388	-	308,463	521,851	658,871
Trade	-	-	114,290	114,290	109,798
Translation	-	-	131,926	131,926	148,242
	<u>1,428,922</u>	<u>200,425</u>	<u>6,824,246</u>	<u>8,453,593</u>	<u>8,896,941</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(1,135,673)	(92,524)	1,274,396	46,199	(1,212,798)
NET INCREASE ON INVESTMENTS	<u>8,205</u>	<u>36,428</u>	<u>68,671</u>	<u>113,304</u>	<u>128,619</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (1,127,468)</u>	<u>\$ (56,096)</u>	<u>\$ 1,343,067</u>	<u>\$ 159,503</u>	<u>\$ (1,084,179)</u>

(SEE ACCOMPANYING NOTES)

CHICKEN FARMERS OF CANADA

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2015

	2015				2014
	<u>PROMOTION FUND</u>	<u>RESEARCH FUND</u>	<u>GENERAL FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
Balance, beginning of year	\$ 2,321,492	\$ 5,357,561	\$ 8,652,447	\$ 16,331,500	\$ 17,415,679
Excess (deficiency) of revenue over expenses	<u>(1,127,468)</u>	<u>(56,096)</u>	<u>1,343,067</u>	<u>159,503</u>	<u>(1,084,179)</u>
Balance, end of year	<u>\$ 1,194,024</u>	<u>\$ 5,301,465</u>	<u>\$ 9,995,514</u>	<u>\$ 16,491,003</u>	<u>\$ 16,331,500</u>

(SEE ACCOMPANYING NOTES)

CHICKEN FARMERS OF CANADA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Excess (deficiency) of revenue over expenses

Items not affecting cash:

Amortization of net premiums on investments

Amortization of tangible capital assets

Amortization of lease inducements

Loss on disposal of tangible capital assets

Unrealized gain on investments

Changes in level of:

Accounts receivable

Prepaid expenses

Accounts payable and accrued liabilities

Government remittances

Deferred lease inducement

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Purchase of tangible capital assets

Purchase of investments

Proceeds from sale of investments

INCREASE IN CASH

CASH, BEGINNING OF YEAR

CASH, END OF YEAR

	2015	2014
Excess (deficiency) of revenue over expenses	\$ 159,503	\$ (1,084,179)
Items not affecting cash:		
Amortization of net premiums on investments	60,294	59,871
Amortization of tangible capital assets	77,609	79,531
Amortization of lease inducements	(19,205)	(11,429)
Loss on disposal of tangible capital assets	5,087	-
Unrealized gain on investments	(113,304)	(128,619)
	<u>169,984</u>	<u>(1,084,825)</u>
Changes in level of:		
Accounts receivable	(74,353)	178,473
Prepaid expenses	5,813	30,250
Accounts payable and accrued liabilities	(277,082)	(230,538)
Government remittances	49,431	(7,479)
Deferred lease inducement	20,420	-
	<u>(105,787)</u>	<u>(1,114,119)</u>
Purchase of tangible capital assets	(54,001)	(29,551)
Purchase of investments	(3,027,477)	(2,303,875)
Proceeds from sale of investments	3,631,000	3,992,047
	<u>549,522</u>	<u>1,658,621</u>
INCREASE IN CASH	443,735	544,502
CASH, BEGINNING OF YEAR	1,529,961	985,459
CASH, END OF YEAR	<u>\$ 1,973,696</u>	<u>\$ 1,529,961</u>

(SEE ACCOMPANYING NOTES)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. ACTIVITIES OF THE ORGANIZATION

Objective of the Organization

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

Levy and fee revenue

Chicken Farmers of Canada 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 Chicken Farmers of Canada's tangible capital assets and the related amortization expense, the net realizable value of accounts receivable and in the determination of significant accrued liabilities. Actual results could differ from these estimates.

Fund accounting

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

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

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

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

Revenue recognition

Chicken Farmers of Canada 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.

2. SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Tangible capital assets

Tangible capital assets are recorded at cost.

Amortization is calculated using the straight-line method over their anticipated useful lives. Terms are as follows:

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

Deferred lease inducements

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

3. FINANCIAL INSTRUMENTS

Chicken Farmers of Canada is exposed to various risks through its financial instruments. The following analysis provides a measure of Chicken Farmers of Canada's risk exposure and concentrations at December 31, 2015.

Chicken Farmers of Canada does not use derivative financial instruments to manage its risk.

Credit risk

Chicken Farmers of Canada is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. Chicken Farmers of Canada's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments, investments and accounts receivable. Chicken Farmers of Canada'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. Chicken Farmers of Canada 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 Chicken Farmers of Canada cannot meet a demand for cash or meet its financial obligations when they become due. Chicken Farmers of Canada 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.

Chicken Farmers of Canada'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.

Chicken Farmers of Canada 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.

Chicken Farmers of Canada is not exposed to other price risk.

Changes in risk

There have been no changes in Chicken Farmers of Canada's risk exposures from the prior year.

4. INVESTMENTS

	2015		2014	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Short-term investments	\$ 100,000	\$ 100,000	\$ 3,641,132	\$ 3,655,361
Guaranteed Investment Certificates (GICs)	1,800,000	1,800,000	1,700,000	1,700,000
Canada Housing Trust bonds	11,234,478	11,481,243	8,457,163	8,576,395
	13,034,478	13,281,243	10,157,163	10,276,395
	\$ 13,134,478	\$ 13,381,243	\$ 13,798,295	\$ 13,931,756

The Organization limits its investments to those authorized investments under the *Farm Products Agencies Act*. Short-term investments are comprised of a Guaranteed Investment Certificate which matures next year bearing interest at a rate of 2.95% (2014 - 2.50% to 3.15%).

Bonds are debt obligations paying interest rates appropriate to market at their date of purchase. The bonds and GIC's mature at face value on a staggered basis over the next seven years (2014 - eight years). Interest rates for these securities range from 1.70% to 4.10% (2014 - 1.70% to 4.10%).

Investment risk

The maximum investment risk to Chicken Farmers of Canada 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

	2015		2014	
	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>
Office equipment	\$ 382,939	\$ 305,720	\$ 393,937	\$ 323,708
Computer equipment	231,199	161,773	228,009	155,480
Leasehold improvements	436,319	272,100	436,319	239,518
	1,050,457	\$ 739,593	1,058,265	\$ 718,706
Less accumulated amortization	739,593		718,706	
Net book value	\$ 310,864		\$ 339,559	

6. DEFERRED LEASE INDUCEMENT

In 2010, Chicken Farmers of Canada entered into a lease agreement which expires in 2020, which included an inducement for leasehold improvements of \$123,252 as well as granting Chicken Farmers of Canada seven rent free months over the term of the lease as outlined in the lease agreement.

	2015	2014
BALANCE, BEGINNING OF YEAR	\$ 97,324	\$ 108,753
Additions during the year	20,420	-
Amount amortized to expense during the year	(19,205)	(11,429)
BALANCE, END OF YEAR	98,539	97,324
CURRENT PORTION	29,531	-
LONG-TERM PORTION	\$ 69,008	\$ 97,324

7. COMMITMENTS

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

2016	\$ 193,800
2017	166,182
2018	177,633
2019	173,602
2020	63,899
	<u>\$ 775,116</u>

8. EMPLOYEE PENSION PLAN

Chicken Farmers of Canada 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 Chicken Farmers of Canada under this plan in 2015 was \$105,826 (2014 - \$119,253).

9. COMPARATIVE FIGURES

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